

BioGaia AB Interim management statement 1 January – 31 March 2016 (10 pages)

(Figures in brackets refer to the same period of last year. The comparative figures in the balance sheet refer to 31 December 2015.)



Comments from the Managing Director:

“Compared to the same period of last year, the first quarter of 2016 showed a varied palette of sales successes in Canada and the USA, modest development in Europe and declining sales in Asia and Rest of World. The highlights included the successful launch of our new Easy Dropper, which will eventually replace the glass bottles for our drops, and two meta-analyses that confirm the effectiveness of BioGaia ProTectis in colic and the effectiveness of BioGaia ProDentis in periodontitis. At the end of the period we distributed the shares in IBT to our shareholders, and since that time IBT is an independent company that is listed on Nasdaq First North,” says Axel Sjöblad, Managing Director of BioGaia AB.

Period from 1 January – 31 March 2016

Net sales amounted to SEK 133.9 million (138.8), a decrease of SEK 4.9 million (4%).

Net sales in the Paediatrics business area reached SEK 108.1 million (115.3)¹⁾, a decrease of SEK 7.2 million (6%).

Net sales in the Adult Health business area amounted to SEK 21.1 million (19.8), an increase of SEK 1.3 million (7%).

Operating profit was SEK 46.1 million (52.6), a decrease of SEK 6.5 million (12%). Excluding expenses in the former subsidiary IBT, operating profit was SEK 51.3 million (56.3).

Profit after tax was SEK 33.6 million (43.2), a decrease of SEK 9.6 million (22%).

Earnings per share totalled SEK 1.95 (2.50).

The period's cash flow was SEK -4.8 million (37.8). Cash and cash equivalents at 31 March 2016 amounted to SEK 221.5 million (226.9). BioGaia's former subsidiary IBT was distributed to BioGaia's shareholders on 29 March 2016. Excluding IBT, the period's cash flow was SEK 39.0 million.

Key events in the first quarter of 2016

BioGaia distributed the shares in IBT on 29 March 2016 in accordance with the resolution of the extraordinary general meeting.

New meta-analysis confirms the effectiveness of BioGaia ProTectis in colic.

Meta-analysis confirms the effectiveness of BioGaia ProDentis in periodontal disease.

Key events after the end of the first quarter

Agreement for the sale of BioGaia ProDentis in Hong Kong.

BioGaia guarantees rights issue in IBT.

Yet another meta-analysis confirms the effectiveness of BioGaia ProTectis in colic.

1) A minor reallocation between the segments was made in the previous year's sales in order to achieve better comparability with the year's figures.

Teleconference: You are welcome to take part in a teleconference on the interim management statement that will be held today at 9:30 a.m. by Managing Director Axel Sjöblad. To participate in the teleconference please see www.biogaia.com/agenda. You can also follow the presentation at <http://financialhearings.nu/?160510/biogaia>.

BioGaia has published this information in accordance with the Swedish Securities Act. The information was issued for publication on 10 May 2016, 8.00 a.m.

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording shall prevail.

BioGaia AB (publ.)

Interim management statement 1 January – 31 March 2016

*Figures in brackets refer to the same period of last year.
The comparative figures in the balance sheet refer to 31 December 2015.*

We hereby present BioGaia AB's interim management statement for the period from 1 January to 31 March 2016. A description of the company's operations is provided on page 10.

MANAGING DIRECTOR'S COMMENTS

On 1 March I took up duties as Managing Director of BioGaia. Thanks to the fact that I had been able to work alongside Peter Rothschild since the last week of January, I was well prepared to take over the responsibility.

During my first months I have met with the majority of our partners in Canada, the USA, South America, Europe, Africa and Asia. These meetings have given me a nuanced picture of how much our partners appreciate our products and what they expect from us as supplier.

I have combined the partner discussions with internal meetings with my management team and a large number of my employees, and these talks have given me a good understanding of both our strengths and opportunities for development.

Thanks to the clear feedback provided by our partners and my employees, I have already been able to start a gradual process of change in BioGaia in which we will continue to grow our business with our strengths as a foundation and springboard.

For the first quarter we achieved sales of SEK 133.9 million (138.8), which is a decrease of SEK 4.9 million (4%) compared to the same period of last year. I am disappointed that we didn't reach further, but at the same time glad that we are growing and have returned to a revenue above SEK 130 million after the weak fourth quarter of 2015.

Compared to the same period of last year, the first quarter of 2016 showed a varied palette of sales successes in Canada and the USA, modest development in Europe and declining sales in Asia and Rest of World. The highlights included the successful launch of our new Easy Dropper, which will eventually replace the glass bottles for our drops, and two meta-analyses that confirm the effectiveness of BioGaia ProTectis in colic and the effectiveness of BioGaia ProDentis in periodontal disease. At the end of the period we distributed the shares in IBT to our shareholders, and since that time IBT is an independent company that is listed on Nasdaq First North.

For the past rolling 12-month period, our sales were up by 11% (excluding foreign exchange effects, 5%) compared to the same period of last year. BioGaia has now reached a sales level from which we are working towards the next stage of growth.

Gross margin rose from 70% to 71%, driven by increased royalty revenue from Nestlé's sales of Growing Up Milk for children older than one year.

R&D expenses amounted to SEK 18.7 million (18.9) (excluding IBT, SEK 13.6 million (15.3)). The decrease is explained by lower external R&D expenses as a result of delayed studies. Since investments in clinical studies are critical for sustained growth, our ambition is to get a number of studies started during the year, after which these expenses are expected to increase.

Our operating profit was SEK 46.1 million (52.6) (excluding IBT, SEK 51.3 million (56.3)). Despite a decrease in operating profit, which of course is not satisfactory, operating margin was 34% (excluding IBT, 38%), which exceeds our target of 30%.

In Europe the sales of drops and oral health products increased. We launched Gastrus in Spain, which is an important step for this new product. It is also worth noting that Verman in Finland made a strong start to the year after a weak fourth quarter of 2015.

In the USA and Canada, it was highly satisfying to note that our sales were up by 62%. We are still at a low level, but all of our

partners reported healthy growth. Sales of both drops and tablets for children increased.

Sales in Asia declined, which can be regarded as a disappointment. The strong growth in South Korea could not compensate for a weak quarter in Hong Kong and Indonesia.

In Rest of World, sales fell by 37% with lower sales of both drops and tablets. The main explanations for this are the previously communicated inventory levels in Brazil and slow development in South Africa following the takeover of our distributor, although this is expected to increase our sales in a longer perspective. In Brazil, our partner Aché reports that sales to consumers are showing continued strong development. In view of this, I am counting on new deliveries to Aché by the fourth quarter at the latest.

Nestlé continues to purchase lower culture volumes for infant formula, which is impacting our sales but not our profit, since the margin on these sales is low. It is encouraging that Nestlé's sales of Growing Up Milk for children older than one year are showing sustained strong growth, which means that our royalty revenue for this product portfolio has continued to increase.

Throughout the rest of the year my top priorities will be to continue working with our anticipated future growth markets in Japan, the USA, the UK, China and India, our expansion of the existing product portfolio, the rollout of ProDentis and Gastrus and the launch of Easy Dropper.

FINANCIAL PERFORMANCE IN THE FIRST QUARTER OF 2016

Net sales, first quarter 2016

Consolidated net sales amounted to SEK 133.9 million (138.8), a decrease of SEK 4.9 million (4%) compared to the same period of last year.

Most of the company's sales are denominated in foreign currency, primarily EUR but also USD, CHF and JPY. With unchanged exchange rates compared to the same period of last year, net sales would have been SEK 0.2 million lower. Changes in foreign exchange rates affect both income and expenses. With unchanged exchange rates, operating profit would have been SEK 0.1 million higher.

For the past 12-month period, net sales were up by 11% (excluding foreign exchange effects, 5%).

Sales by segment, first quarter 2016

BUSINESS UNIT PAEDIATRICS

Net sales in BioGaia's core area Paediatrics amounted to SEK 108.1 million (115.3)¹⁾, a decrease of SEK 7.2 million (6%) (excluding foreign exchange effects 6%). This is mainly due to lower sales of oral health tablets and cultures for infant formula.

Overall sales of drops were largely unchanged compared to the same period of last year. Sales of drops increased in North America and Europe but decreased in Asia and Rest of World.

Total sales of oral health tablets in Business Unit Paediatrics were down compared to the same period of last year. Tablet sales rose in Asia and North America but declined in other markets.

Sales of cultures for infant formula were lower than in the same period of last year.

Royalty revenue from Nestlé for the use of *L. reuteri* in Growing Up Milk for children older than one year increased compared to the same period of last year.

For the past 12-month period, sales in Business Unit Paediatrics increased by 13% (excluding foreign exchange effects, 6%)¹⁾.

BUSINESS UNIT ADULT HEALTH

Net sales in Business Unit Adult Health amounted to SEK 21.1 million (19.8), an increase of SEK 1.3 million (7%) (excluding foreign exchange effects, 6%) compared to the same period of last year. The increase is mainly due to higher sales of Gastrus and ProDentis.

Gastrus has recently been launched in Europe (Italy and Spain) and in the USA. As earlier, Gastrus is also sold in Asia (Japan and South Korea).

Sales of oral health products were up in all markets except Asia, where they fell slightly.

Sales of digestive health tablets in Business Unit Adult Health were largely unchanged compared to the same period of last year.

For the past 12-month period, sales in Business Unit Adult Health increased by 2% (excluding foreign exchange effects, sales decreased by 1%).

BUSINESS UNIT NEW BUSINESS

Net sales in Business Unit New Business amounted to SEK 4.6 million (3.6)¹, an increase of SEK 1.0 million. Business Unit New Business is included in "Other" in the segment reporting.

Business Unit New Business includes royalty revenue of SEK 3.5 million (2.8)¹ from the collaboration agreement that was signed with Nestlé in March 2014. The royalty revenue amounts to a total of SEK 92.0 million for the period 2014-2017 and is distributed between Paediatrics and New Business. Under the agreement, BioGaia has undertaken to carry out clinical studies on children and develop new products in new areas. BioGaia will recognize the royalty revenue in pace with completion of the projects. At 31 March 2016, BioGaia had recognized revenue of SEK 46.3 million of a total of SEK 92 million, of which SEK 28.1 million in Business Unit New Business and SEK 18.2 million in Business Unit Paediatrics.

SALES BY GEOGRAPHICAL MARKET IN THE FIRST QUARTER

Net sales in Europe were up by SEK 1.3 million (1%) to SEK 93.3 million. For the past 12-month period, sales increased by 3%.

Net sales in the USA and Canada rose by SEK 3.8 million (62%) to SEK 9.9 million. For the past 12-month period, sales increased by 16%.

Net sales in Asia decreased by SEK 0.1 million (1%) to SEK 13.5 million. For the past 12-month period, sales increased by 24%.

Net sales in Rest of World decreased by SEK 9.9 million (37%) to SEK 17.2 million. For the past 12-month period, sales increased by 30%.

THE BIOGAIA BRAND

Of total finished consumer products, (drops, digestive health tablets, oral health tablets, oral rehydration solution, etc.) 57% (56%)² were sold under the BioGaia brand, including co-branding, during the first quarter.

Gross profit

Gross profit amounted to SEK 94.8 million (97.8), which is a decrease of SEK 3.0 million (3%) compared to the same period of last year. The total gross margin rose from 70% to 71%.

Gross margin for Business Unit Paediatrics strengthened from 69% to 71%. This is due to increased royalty revenue for the use of bacteria cultures in infant formula products for children older than one year (with a 100% margin) and lower sales of cultures for infant formula with a very low margin.

Gross margin for Business Unit Adult Health fell from 71% to 64%. This is partly because Gastrus has a lower margin during the launch period, and partly because the margin on tablets has decreased slightly as a result of higher costs for bacteria cultures.

Operating expenses

Total operating expenses including other expenses rose by 7% to SEK 48.6 million compared to the same period of last year. Operating expenses include expenses for the subsidiary IBT totalling SEK 5.2 million (3.7). Excluding these, the increase in operating expenses would have been 4%.

For the past 12-month period, total operating expenses increased by 13% (excluding the subsidiary IBT, 5%).

Selling expenses decreased compared to the same period of last year by SEK 1.7 million (7%) and amounted to SEK 23.1 million (24.8), which is equal to 17% (18%) of net sales. It was primarily personnel and agency expenses that declined compared to the same period of last year. For the past 12-month period, selling expenses were down by 1% and excluding expenses in IBT by 4%.

Administrative expenses amounted to SEK 5.6 million (4.9), which is equal to 4% (4%) of net sales. The increase of SEK 0.7 million (13%) is explained by higher personnel costs. For the past 12-month period, the Group's administrative expenses increased by 1%.

R&D expenses are reported at SEK 18.7 million (18.9), which is equal to 14% (14%) of net sales. Excluding IBT, R&D expenses and amounted to SEK 13.6 million (15.3). The decrease of SEK 1.7 million (11%) is due to lower external R&D expenses as a result of delayed studies. For the past 12-month period, R&D expenses increased by 16% (excluding IBT, R&D expenses decreased by 2%).

Other operating income/expenses refer to foreign exchange gains/losses on operating receivables and liabilities. These amounted to SEK -0.9 million during the quarter, compared to SEK +3.3 million in the first quarter of last year.

Operating profit

Operating profit was SEK 46.1 million (52.6), a decrease of SEK 6.5 million (12%) and operating margin was 34% (38%). Excluding the subsidiary IBT, operating profit was SEK 51.3 million (56.3) and operating margin was 38% (41%).

Financial items and profit before tax

Profit before tax was SEK 45.6 million (55.9), a decrease of SEK 10.3 million (18%) compared to the same period of last year. Net financial items include a foreign exchange loss of SEK 0.5 million on forward exchange contracts in EUR and USD. The figures for the previous year included a corresponding foreign exchange gain of SEK 3.3 million.

At 31 March 2016 the company had outstanding forward exchange contracts for EUR 11.7 million at an average exchange rate of SEK 9.34 and USD 1.4 million at an average exchange rate of SEK 8.49. Forward exchange contracts amounting to EUR 6.5 million and USD 1.4 million will mature for payment in 2016 and EUR 5.2 million in 2017. The actual exchange gain/loss depends on the exchange rate on the maturity date of the contracts.

Profit after tax

Profit after tax was SEK 33.6 million (43.2), a decrease of SEK 9.6 million (22%).

The tax rate for the Group was 26% (23%). The Group pays tax on profits in the Swedish companies. Since IBT is no longer a subsidiary, no group contributions can be paid to the subsidiary and the tax rate is therefore higher.

The loss in Japan is not deductible against the Swedish profits. Tax loss carryforwards in the Japanese subsidiary amounted to SEK 32.2 million at 31 March 2016. The deferred tax asset for these has not been recognized, since a sustainable profit level has not yet been shown in the Japanese subsidiary.

Earnings per share

Earnings per share were SEK 1.95 (2.50).

Cash flow

Cash flow for the period amounted to SEK -4.8 million (37.8). BioGaia's former subsidiary IBT was distributed to BioGaia's shareholders on 29 March 2016. At that time, IBT's cash and cash equivalents amounted to SEK 37.6 million.

Excluding IBT, cash flow for the period amounted to SEK 39.0 million.

The Group's cash and cash equivalents at 31 March 2016 amounted to SEK 221.5 million (226.9). The proposed dividend to the upcoming AGM amounts to SEK 86.7 million.

Equity

Consolidated equity at 31 March 2016 amounted to SEK 380.0 million (395.8). The Group's equity/assets ratio was 84% (84%).

Dividend

The Board of Directors of BioGaia AB proposes that the upcoming AGM approve an ordinary dividend of SEK 3.03 per share and an extraordinary dividend of SEK 1.97 per share, for a total dividend of SEK 5.00 per share. This corresponds to total dividends of SEK 86.7 million.

Investments in property, plant and equipment

Investments in property, plant and equipment totalled SEK 1.5 million (3.3), of which SEK 1.5 million (3.1) refers to TwoPac AB.

Investments in capitalized development expenditure amounted to SEK 0.0 million (2.3). The investments in 2015 referred to development of a product for the NEC project in the subsidiary IBT AB. Since IBT is no longer a subsidiary in BioGaia Group, there is no capitalized development expenditure in the Group.

Subsidiary in Japan

Net sales in the wholly owned subsidiary in Japan reached SEK 5.0 million (4.3). Operating loss in the Japanese subsidiary was SEK -0.9 million (-0.9).

Subsidiary TwoPac AB

TwoPac AB is a wholly owned subsidiary of BioGaia that manufactures and develops products exclusively for BioGaia. Among other things, TwoPac produces drops for BioGaia.

Net sales in TwoPac amounted to SEK 13.7 million (13.9). Operating profit was SEK 2.2 million (3.5). Profit after tax was SEK 1.6 million (2.6). Operating expenses in the company are increasing, which is due to higher personnel and amortization/depreciation expenses.

Subsidiary CapAble AB

CapAble, which is owned 90.1% by BioGaia AB and 9.9% by the CapAble's President, was started in November 2008 to manufacture and sell the patented LifeTop Cap. Net sales in CapAble totalled SEK 0 million (0) during the period. Operating profit amounted to SEK -0.9 million (-0.7).

Parent Company

Net sales in the Parent Company reached SEK 129.7 million (134.5) million and profit before tax was SEK 49.2 million (58.9). Cash flow in the Parent Company totalled SEK 34.3 million (-27.6).

KEY EVENTS IN THE FIRST QUARTER OF 2016

Launches in the first quarter of 2016

Distributor/licensee	Country	Product
Abbott/Recalcine	Chile	ProDentis oral health tablets
Alimentary Health	Ireland	LifeTop Straw (CapAble AB)
Baltic Business Partners	Lithuania	ProDentis oral health tablets
Biovagen	Vietnam	Tablets
Casen/Recordati	Spain	Gastrus digestive health tablets, Easy Dropper ¹⁾
DongSung	South Korea	Easy Dropper ¹⁾
Italchimici	Italy	Easy Dropper ¹⁾ with vitamins D and K
Noos	Italy	Easy Dropper ¹⁾ with vitamins D and K
Verman	Finland	Easy Dropper ¹⁾

1) New user-friendly package for drops

BioGaia distributed the shares in IBT on 29 March 2016

An extraordinary general meeting on 18 March 2016 resolved to distribute the shares in the subsidiary IBT to BioGaia's shareholders. At the end of March IBT was listed on First North. As of 29 March 2016, IBT is no longer part of the BioGaia Group.

The operating loss in IBT for the period up to 29 March 2016 is consolidated in the BioGaia Group and amounted to SEK -5.2 million (-3.7) million.

New meta-analysis confirms the effectiveness of BioGaia ProTectis in infantile colic

The analysis evaluated 17 studies on treatments for colic, of which *L. reuteri* ProTectis was the only probiotic. Only one other product was found to be effective. Simethicone, a drug often prescribed for colic, was shown to have no effect.

The systematic review and meta-analysis was published online by researchers Tracey Harb and colleagues at the University of Queensland, Australia, in *Journal of Pediatric Gastroenterology and Nutrition* on 14 December 2015.

Meta-analysis confirms the effectiveness of BioGaia ProDentis in periodontitis

A systematic review of probiotics as an adjunct to treatment of periodontitis showed that *Lactobacillus reuteri* ProDentis was the only probiotic that was effective in patients with chronic periodontitis.

The meta-analysis is the first for probiotics in periodontal treatment. Only four studies, all using *Lactobacillus reuteri* ProDentis, were eligible for inclusion in the systematic review. As no other probiotic products qualified, the analysis concludes that *Lactobacillus reuteri* ProDentis is the only probiotic that gives significant additional pocket reduction in moderate and deep pockets when used in combination with standard treatment of chronic periodontitis. In the studies, *Lactobacillus reuteri* ProDentis showed a statistically significant improvement compared to standard treatment only.

The systematic review and meta-analysis was published online by researchers Olivier Huck and colleagues at Department of Periodontology, Dental Faculty, University of Strasbourg, France, in *Journal of Periodontology* 11 March 2016.

KEY EVENTS AFTER THE END OF THE FIRST QUARTER

Agreement for the sale of BioGaia Prodentis in Hong Kong

At the end of April BioGaia signed an exclusive agreement with BioWellTech Co Ltd for the rights to sell BioGaia Prodentis in Hong Kong. The launch is planned to take place in the third quarter of 2016.

BioGaia guarantees rights issue in IBT

IBT's prospectus for the upcoming rights issue was published on 27 April. To ensure the rights issue, BioGaia has guaranteed the issue up to an amount of SEK 38 million. Through the guarantee, BioGaia wishes to give IBT and its shareholders favourable circumstances for a successful share issue, the proceeds of which will be used for clinical studies to be started in the near future.

In the event that BioGaia's guarantee is utilized, the holding will be handled as a financial asset and sold on an appropriate occasion.

Yet another meta-analysis confirms the effectiveness of BioGaia ProTectis in colic

At the beginning of May, yet another systematic review was presented that further strengthened the proof of the effectiveness of ProTectis in infantile colic.

This new, eighth review included four studies on *L. reuteri* ProTectis. The analysis combined raw data from these studies (Individual Participant Data Meta-Analysis, IPDMA), a method that yields more reliable estimates of treatment effect compared to meta-analyses based on published data only. The analysis was undertaken according to the methods recommended by Cochrane.

The systematic review and meta-analysis was presented at the PAS (Pediatric Academic Societies) meeting in Baltimore, USA, on 1 May 2016.

EMPLOYEES

The number of employees in the Group at 31 March 2016 was 101 (98). The number of employees for the previous year includes the four employees in IBT.

SIGNIFICANT RISKS AND UNCERTAINTIES: GROUP AND PARENT COMPANY

Significant risks and uncertainties are described in the administration report on pages 6 and 7 and in Notes 29 and 30 in the annual report for 2015. No significant changes in these risks and uncertainties are assessed to have taken place at 31 March 2016.

ACCOUNTING POLICIES

This interim management statement has in all material aspects been prepared in accordance with Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. Disclosures according to IAS 34 Interim Financial Reporting are provided both in the notes and in other parts of the interim management statement. The accounting standards applied in the consolidated profit and loss account and balance sheet are consistent with those used in preparation of the most recent annual report. The financial statements and segment information are consistent with the presentation used in the interim reports presented in compliance with IAS 34, in order to achieve comparability in presentation between quarters. The interim management statement contains, among other things, comments from the Managing Director, although this is not a requirement according to Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. This information is nonetheless considered important in meeting the users' needs.

New accounting policies

The applied accounting policies correspond to those described in the annual report for 2015. A number of standards and interpretations have been published but have not yet gone into effect. These are not assessed to have any significant impact on the profit or financial position of the Group or the Parent Company aside from increased disclosures.

FUTURE OUTLOOK

BioGaia's goal is to create strong value growth and a good return for the shareholders. This will be achieved through a greater emphasis on the BioGaia brand, increased sales to both existing and new customers and a controlled cost level.

The financial target is a sustainable operating margin (operating profit in relation to sales) of at least 30% with continued strong growth and increased investments in research, product development, brand building and the sales organisation.

BioGaia's dividend policy is to pay a shareholder dividend equal to 40% of profit after tax.

In view of the Company's strong portfolio consisting of an increased number of innovative products that are sold under the BioGaia brand to a growing extent, successful clinical trials and an expanding distribution network that covers a large share of the key markets, BioGaia's future outlook is bright.

- 1) A minor reallocation between the segments was made in the previous year's sales in order to achieve better comparability with the year's figures.
- 2) An adjustment of the previous year's percentage has been made since the definition between partner brand and co-branding has been changed.

Statements of comprehensive income – Group

(Amounts in SEK 000s)

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	April 2015- March 2016	April 2014- March 2015
Net sales	133,853	138,846	483,241	478,248	432,033
Cost of sales	-39,079	-41,010	-146,657	-144,726	-140,635
<i>Gross profit</i>	94,774	97,836	336,584	333,522	291,398
Selling expenses	-23,111	-24,765	-93,735	-92,081	-95,529
Administrative expenses	-5,589	-4,925	-501	-1,165	-19,003
Research and development expenses	-13,621	-15,291	-71,257	-69,587	-52,568
Shares of profit of associates	-233	-	-65	-298	-
Profit from discontinued operations (dividend)	-5,162	-3,686	-20,615	-22,091	-8,647
Other operating income/expenses	-923	3,401	1,773	-2,551	10,023
<i>Operating profit</i>	46,135	52,570	152,184	145,749	125,674
Interest income	10	143	331	198	1,682
Foreign exchange gain/loss, forward contracts	-541	3,184	5,107	1,382	-3,485
Financial expenses	-37	-33	-269	-273	-138
<i>Profit before tax</i>	45,567	55,864	157,353	147,056	123,733
Tax	-11,986	-12,634	-36,062	-35,414	-29,481
PROFIT FOR THE PERIOD	33,581	43,230	121,291	111,642	94,252
<u>Items that will be reclassified to profit or loss</u>					
Gains/losses arising on translation of the financial statements of foreign operations	-341	682	462	-561	1,154
Comprehensive income for the period	33,240	43,912	121,753	111,081	95,406
<u>Profit for the period attributable to:</u>					
Owners of the Parent Company	33,865	43,230	121,408	112,043	93,429
Non-controlling interests	-284	0	-117	-401	823
	33,581	43,230	121,291	111,642	94,252
<u>Comprehensive income for the period attributable to:</u>					
Owners of the Parent Company	33,524	43,912	121,870	111,482	94,583
Non-controlling interests	-284	0	-117	-401	823
	33,240	43,912	121,753	111,081	95,406
<u>Earnings per share</u>					
Basic earnings per share (average number of shares), SEK	1.95	2.50	7.01	6.47	5.41
Diluted earnings per share, SEK	1.95	2.50	7.01	6.47	5.41
Number of shares, thousands	17,336	17,271	17,336	17,336	17,271
Average number of shares, thousands	17,336	17,271	17,309	17,325	17,271
Number of outstanding warrants, thousands	-	87	-	-	87
Number of outstanding warrants with a dilutive effect, thousands	-	-	-	-	-
Number of shares after dilution, thousands	17,336	17,271	17,309	17,325	17,271

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 Mar	31 Dec	31 Mar
(Amounts in SEK 000s)	2016	2015	2015
ASSETS			
Intangible assets	-	16,225	8,405
Property, plant and equipment	83,741	83,934	74,787
Investments in associates	7,702	7,936	4,000
<i>Total non-current assets</i>	22	22	23
Current assets excl. cash and cash equivalents	91,465	108,117	87,215
Cash and cash equivalents	138,869	138,179	138,630
<i>Total current assets</i>	221,494	226,882	249,953
<i>Total current assets</i>	360,363	365,061	388,583
TOTAL ASSETS	451,828	473,178	475,798
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	380,046	395,851	388,404
Non-controlling interests	-18	-18	99
Total equity	380,028	395,833	388,503
Provision for deferred tax	351	351	192
Other provisions	-	-	3,900
Interest-free current liabilities	71,449	76,994	83,203
TOTAL EQUITY AND LIABILITIES	451,828	473,178	475,798
Pledged assets	2,253	2,690	12,345

CONSOLIDATED CASH FLOW STATEMENTS

	Jan-Mar	Jan-Mar	Jan-Dec
(Amounts in SEK 000s)	2016	2015	2015
<i>Operating activities</i>			
Operating profit	46,135	52,570	152,184
Depreciation/amortization	1,690	1,267	6,548
Other non-cash items	679	-1,252	-813
	48,504	52,585	157,919
Gains/losses on realized forward exchange contracts	-290	437	2,203
Paid tax	-12,323	-14,464	-50,124
Interest received and paid	-26	110	63
<i>Cash flow from operating activities before changes in working capital</i>	35,865	38,668	110,061
Changes in working capital	-1,508	4,707	7,440
<i>Cash flow from operating activities</i>	34,357	43,375	117,501
Acquisition of intangible assets	-	-2,330	-10,150
Acquisition of property, plant and equipment	-1,495	-3,265	-17,780
Acquisition of financial assets	-	-	-4,000
<i>Cash flow from investing activities</i>	-1,495	-5,595	-31,930
Dividends	-	-	-86,355
Distribution of shares in IBT	-37,629	-	-
New share issue, warrant programme	-	-	15,844
<i>Cash flow from financing activities</i>	-37,629	0	-70,511
Cash flow for the period	-4,767	37,780	15,060
Cash and cash equivalents at beginning of period	226,882	210,666	210,666
Exchange difference in cash and cash equivalents	-621	1,507	1,156
Cash and cash equivalents at end of period	221,494	249,953	226,882

**CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY**

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
At beginning of period	395,833	344,591	344,591
Dividends	-	-	-86,355
Distribution of shares in IBT	-49,045	-	-
New share issue, warrant programme	-	-	15,844
Comprehensive income for the period	33,240	43,912	121,753
At end of period	380,028	388,503	395,833

REPORTING BY SEGMENT – GROUP

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Apr 2015- Mar 2016	Apr 2014- Mar 2015
Revenue by segment – business unit					
Paediatrics	108,056	115,250	389,561	382,367	339,818
Adult Health	21,096	19,763	74,667	76,000	74,172
Other	4,701	3,833	19,013	19,881	18,043
Total	133,853	138,846	483,241	478,248	432,033

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Apr 2015- Mar 2016	Apr 2014- Mar 2015
Gross profit by segment – business unit					
Paediatrics	76,753	80,030	266,391	263,114	224,633
Adult Health	13,596	14,128	51,907	51,375	49,420
Other	4,425	3,678	18,286	19,033	17,345
Total	94,774	97,836	336,584	333,522	291,398

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Apr 2015- Mar 2016	Apr 2014- Mar 2015
Revenue by geographical market					
Europe	93,294	92,000	284,729	286,023	279,006
USA and Canada	9,869	6,120	35,231	38,980	33,579
Asia	13,536	13,623	52,130	52,043	41,878
Rest of World	17,154	27,103	111,151	101,202	77,570
Total	133,853	138,846	483,241	478,248	432,033

**Profit from discontinued operations
(dividend)**

(Amounts in SEK 000s)

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	-	-	-
Selling expenses	-	-	-2,600
Research and development expenses	-5,101	-3,581	-17,974
Other operating income/expenses	-61	-105	-41
Operating profit	-5,162	-3,686	-20,615
Financial expenses	-2	-4	-9
Profit for the period	-5,164	-3,690	-20,624

Cash flow from discontinued operations:

(Amounts in SEK 000s)

	Jan-Mar 2016	Jan-Mar 2015
Operating activities	-6,781	2,376
Investing activities	-	-2,330
Total cash flow	-6,781	46

CONSOLIDATED KEY RATIOS 1)	Jan-Mar	Jan-Mar	Jan-Dec
	2016	2015	2015
Net sales, SEK 000s	133,853	138,846	483,241
Operating profit, SEK 000s	46,135	52,570	152,184
Profit after tax, SEK 000s	33,581	43,230	121,292
Return on			
- average equity	9%	12%	33%
- average capital employed	12%	14%	42%
Capital employed, SEK 000s	380,379	392,595	396,184
Number of shares, thousands	17,336	17,271	17,336
Average number of shares, thousands	17,336	17,271	17,309
Number of outstanding warrants, thousands	-	87	-
Average number of outstanding warrants with a dilutive effect, thousands	-	-	-
Average number of shares after dilution, thousands	17,336	17,271	17,309
Basic earnings per share, SEK	1.95	2.50	7.01
Diluted earnings per share, SEK	1.95	2.50	7.01
Basic equity per share, SEK	21.92	22.49	22.87
Diluted equity per share, SEK	21.92	22.49	22.87
Equity/assets ratio	84%	82%	84%
Operating margin	34%	38%	31%
Profit margin	34%	40%	33%
Average number of employees	103	97	102

1) The definitions of key ratios correspond to those in the annual report.

RELATED PARTY TRANSACTIONS

The Parent Company holds 100% of the shares in BioGaia Biologics Inc. USA, BioGaia Japan Inc., TwoPac AB and Tripac AB. The Parent Company holds 90.1% of the shares in CapAble AB.

On 29 March 2016, the shares in IBT were distributed to BioGaia's shareholders (see above).

Annwall & Rothschild Investment AB holds 740,668 class A shares and 759,332 class B shares, which is equal to 8.7% of the share capital and 34.1% of the votes in BioGaia AB. Annwall & Rothschild Investment AB is owned by Peter Rothschild, Group President of BioGaia, and Jan Annwall, a member of the Board of BioGaia AB. No transactions with the company have taken place during the period.

FINANCIAL CALENDAR

10 May 2016	9:30 a.m. Teleconference on the interim management statement for Q1 2016 with Axel Sjöblad, Managing Director of BioGaia AB
10 May 2016	4:00 p.m. Annual General Meeting at Lundqvist & Lindqvist Konferens, Klarabergsviadukten 90, Stockholm.
17 August 2016	Interim report 1 January – 30 June 2016
25 October 2016	Interim management statement 1 January – 30 September 2016
10 February 2017	Year-end report 2016

Stockholm, 10 May 2016

Axel Sjöblad
Managing Director

This interim management statement has not been examined by the company's independent auditor.

BioGaia AB

The company

BioGaia is a healthcare company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on different strains of the lactic acid bacterium *Lactobacillus reuteri* (Reuteri) in combination with unique packaging solutions that make it possible to create probiotic products with a long shelf life.

The class B share of the Parent Company BioGaia AB is quoted on the Mid Cap list of Nasdaq OMX Nordic Exchange Stockholm.

BioGaia has 101 employees, of whom 34 are based in Stockholm, 29 in Lund, 27 in Eslöv, three in Raleigh, USA, seven in Hiroshima, Japan, and one in Shanghai, China.

Business model

BioGaia's revenue comes mainly from the sale of drops, digestive health tablets, oral rehydration solution (ORS) and oral health products to distributors, but also of revenue from the sale of bacteria cultures to be used in licensee products (such as infant formula and dairy products), as well as royalty revenue for the use of *Lactobacillus reuteri* in licensee products and sales of delivery systems such as straws and caps.

The products are sold through nutrition and pharmaceutical companies in around 90 countries worldwide.

BioGaia holds patents for the use of *Lactobacillus reuteri* and certain packaging solutions in all major markets.

The BioGaia brand

At the beginning of 2006 BioGaia launched its own consumer brand and today there are a number of distribution partners that sell finished products under the BioGaia brand in a large number of markets. One central part of BioGaia's strategy is to increase the share of sales consisting of BioGaia-branded products.

Some of BioGaia's distributors sell finished consumer products under their own brand names. For these products, the BioGaia brand is shown on the consumer package since BioGaia is both the manufacturer and licensor.

BioGaia's licensees add Reuteri culture to their products and sell these under their own brand names. On these products, the BioGaia brand is most often shown on the package as the licensor/patent holder.

Research and clinical studies

BioGaia's strains of *Lactobacillus reuteri* are some of the world's most well researched probiotics, especially in young children. To date, 155 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 13,000 individuals of all ages. The results have been published in 136 articles in scientific journals.

Studies have been performed on:

- Infantile colic and digestive health in children
- Antibiotic-associated diarrhoea (AAD)
- Acute diarrhoea
- Gingivitis (inflammation of the gums)
- Periodontal disease
- General health
- *Helicobacter pylori* (the gastric ulcer bacterium)
- Necrotising enterocolitis (NEC)

REPORTING OF CLINICAL STUDIES

Publication of clinical trial results is a key success factor for BioGaia. The International Committee of Medical Journal Editors has initiated a policy requiring clinical investigators to deposit information about trial design into an accepted clinical trials registry before the onset of patient enrolment, and this has now become a prerequisite for publication of trial outcomes in major medical journals. ClinicalTrials.gov is a registry of clinical trials provided by the U.S. National Institutes of Health and BioGaia encourages all clinicians working with BioGaia products to register their trials on this site. Many of the trials are registered at an early stage, which means that some of the registered trials will not be performed as planned. Consequently, BioGaia takes no responsibility for ensuring that the registered trials reach completion or are successfully reported in the register or the scientific literature. When clinical trial results of significance for the company's operations do become available, BioGaia will report these through press releases.

Latest press releases from BioGaia:

2016-05-02 Yet another meta-analysis confirms the effectiveness of BioGaia's probiotic in infantile colic
2016-04-27 BioGaia guarantees rights issue in IBT
2016-04-27 IBT's results for the first quarter of 2016

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