

BioGaia AB

Interim management statement 1 January – 30 September 2015 (13 pages)

(Figures in brackets refer to the same period of last year. The comparative figures in the balance sheet refer to 31 December 2014.)



President's comments:

I am pleased to say that sales and profit for the third quarter were highly satisfactory. In the past 12-month period sales were up by 41%, or 30% excluding foreign exchange effects, says Peter Rothschild, president BioGaia AB.

Period from 1 January to 30 September 2015

Net sales amounted to SEK 378.9 million (265.0)¹⁾, an increase of SEK 113.9 million (43%) (excluding foreign exchange effects, 31%).

Net sales in the Paediatrics business area reached SEK 313.0 million (207.6)¹⁾²⁾, up by SEK 105.4 million (51%) (excluding foreign exchange effects, 36%).

Net sales in the Adult Health business area amounted to SEK 54.6 million (46.4), an increase of SEK 8.2 million (18%) (excluding foreign exchange effects, 11%).

Operating profit was SEK 124.7 million (70.9)¹⁾, an increase of SEK 53.8 million (76%) (excluding foreign exchange effects, 41%). Excluding expenses in the subsidiary Infant Bacterial Therapeutics (IBT), operating profit was SEK 140.9 million (75.2)¹⁾, an increase of SEK 65.7 million (87%).

Profit after tax was SEK 99.6 million (54.5)¹⁾, up by SEK 45.1 million (83 %).

Earnings per share totalled SEK 5.76 (3.19)¹⁾.

The period's cash flow was SEK 8.0 million (-11.1). Cash and cash equivalents at 30 September 2015 amounted to SEK 219.8 million (210.7).

Third quarter of 2015

Net sales amounted to SEK 106.0 million (79.4), an increase of SEK 26.6 million (33%) (excluding foreign exchange effects, 23%).

Net sales in the Paediatrics business area reached SEK 88.9 million (64.5)²⁾, up by SEK 24.4 million (38%) (excluding foreign exchange effects, 26%).

Net sales in the Adult Health business area amounted to SEK 12.6 million (10.2)²⁾, an increase of SEK 2.4 million (23%) (excluding foreign exchange effects, 16%).

Operating profit was SEK 29.7 million (17.6), an increase of SEK 12.1 million (69%) (excluding foreign exchange effects, 31%). Excluding expenses in the subsidiary IBT, operating profit was SEK 36.2 million (18.8), an increase of SEK 17.4 million (93%).

Profit after tax was SEK 20.7 million (14.4), up by SEK 6.3 million (44%).

Earnings per share totalled SEK 1.19 (0.84).

The period's cash flow was SEK 16.8 million (-15.4).

Key events in the third quarter of 2015

Publication of study showing that Prodentis reduces candida in the elderly.

BioGaia invests further in IBT.

Key events after the end of the third quarter of 2015

Study shows that Protectis promotes growth of children and prevents recurrent diarrhoea.

BioGaia appoints new Managing Director.

- 1) Excluding license revenue from Nestlé. Including license revenue from Nestlé, net sales for the period from January to September 2014 amounted to SEK 360.4 million, net sales in the Paediatrics business area totalled SEK 303.0²⁾ million, operating profit was SEK 166.3 million, profit after tax was SEK 128.9 million and earnings per share were SEK 7.50.
- 2) A minor reallocation of last year's sales between segments has been made in order to achieve better comparability with the year's figures.

Teleconference: You are welcome to take part in a teleconference on the interim report that will be held today at 9:30 a.m. by President Peter Rothschild. To participate in the teleconference please see telephone number at www.biogaia.com/agenda.

BioGaia has published this information in accordance with the Swedish Securities Act. The information was issued for publication on 23 October 2015, 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 – 30 SEPTEMBER 2015

Figures in brackets refer to the same period of last year. The comparative figures in the balance sheet refer to 31 December 2014.

We hereby present BioGaia AB's interim management statement for the period from 1 January to 30 September 2015. A description of the company's operations is provided on page 13.

PRESIDENT'S COMMENTS

I am pleased to say that sales and profit for the third quarter were highly satisfactory. In the past 12-month period sales were up by 41%, or 30% excluding foreign exchange effects.

Operating profit rose dramatically during the quarter by 69%, and, excluding expenses for the subsidiary IBT, grew by a full 93%. We saw a fairly modest increase in operating expenses but believe that in pace with the start of new clinical trials, we will return to a growth rate of between 15% and 20%. Operating margin for the nine-month period held steady at a very satisfactory 37% (IBT excluded). The positive development we have seen in the majority of our markets is continuing, and it is gratifying that sales in the large Italian market are back on the rise following a change of ownership for one of our two distributors there.

On the other hand, we have seen a downward trend in the important Finnish market where we face very aggressive price competition, which we, among other things, counter with a new innovative packaging solution.

Sales in Brazil remain strong, but our distributor there has had a slight inventory surplus following an "out of stock situation" in June and is therefore shifting some of its orders to the beginning of next year instead of the fourth quarter. Furthermore, Nestlé is producing a much larger share of its required supply of cultures for infant formula itself. This means that our sales of cultures to Nestlé are falling sharply, although this has no impact on our earnings. Unfortunately, the launch in the UK has been postponed into the future and we are in the process of drawing up alternative plans for this market in order to avoid losing too much time. Meanwhile, we are already selling our products at five hospitals in order to pave the way for a nationwide launch in the country. On the whole, this means that as we see it now, the fourth quarter will be comparatively weak in relation to the strong fourth quarter of last year. Nonetheless, a quarter is too short to give an indication of the company's situation and I maintain that 12-month running performance is a suitable metric. In spite of a possibly weak fourth quarter, we expect the full year to show very positive results and the outlook for our long-term development remains bright. Our sales focus is currently on the UK, India, the USA and Japan.

Our subsidiary IBT is moving forward with efforts to commence the first clinical trials during the current year or in the beginning of next year, with centers in both Europe and the USA. Parallel to this, discussions are underway with potential licensees. With regard to our consideration of a separate listing for IBT, the intention is to reach a decision before the end of the year with a possible listing at the beginning of 2016.

After a year of intensive quality work, we have now managed to obtain the Swedish Medical Products Agency's approval for drug manufacturing at TwoPac facility in Eslöv, which will open up opportunities for sales in some additional countries.

The first results are in from a pilot study that was conducted on children in Botswana to see if rapid diagnostics of certain bacteria and treatment with *Lactobacillus reuteri* would affect the children's growth rate and the number of episodes of recurrent diarrhoea. It is very encouraging to see that children who were given early diagnosis and treatment with our product grew significantly faster than those who received placebo. Diarrhoea is the second leading cause of mortality among children under the age of five, as well as a

major cause of both growth failure and delayed cognitive development, and we are now participating in the preparation of a very large-scale study to verify these results. Here we see major opportunities to contribute to children's health even in emerging countries.

As already reported, BioGaia's Board of Directors has appointed Axel Sjöblad as the new Managing Director, with effect from March 1 next year at the latest. It is my, and of course the Board of Directors', assessment that Axel has the qualities needed to develop BioGaia. His values are well matched with the company's and he has extensive experience in sales and marketing that he can quickly deploy to give BioGaia's sales additional power. When Axel assumes his duties, I will, as Group President, focus on BioGaia's promising subsidiaries and the long-term research and development strategy. I am convinced that this is an excellent way to commercialize BioGaia's great potential in both long and short term.

FINANCIAL PERFORMANCE, JANUARY – SEPTEMBER 2015

Sales, January-September 2015

Consolidated net sales amounted to SEK 378.9 million (265.0)¹⁾, which is an increase by SEK 113.9 million (43%) compared to the same period of last year.

Most of the company's sales are denominated in foreign currency, primarily EUR but also USD and JPY. With unchanged exchange rates compared to the same period of last year, net sales would have been SEK 32.2 million lower. Excluding foreign exchange effects, net sales (excluding license revenue from Nestlé) thus increased by 31%¹⁾ compared to the same period of last year. Exchange rate fluctuations affect both revenue and expenses. Operating profit would have been SEK 24.4 million lower in the event of unchanged exchange rates, which means an increase of 41%¹⁾ excluding foreign exchange effects compared to the same period of last year.

For the past 12-month period, net sales increased by 41%¹⁾ (excluding foreign exchange effects, 30%).

License revenue from Nestlé in 2014

In the first quarter of 2014 BioGaia received license revenue from Nestlé in the amount of SEK 95.4 million. Including the license revenue from Nestlé, net sales for the first half of 2014 amounted to SEK 360.4 million. For more information see the annual report for 2014.

Since the license revenue in 2014 is regarded as non-recurring and has a significant impact on the key ratios, it is stated on a separate line in the statement of comprehensive income, and the key ratios have been calculated both including and excluding license revenue from Nestlé. The license revenue is included in the Paediatrics business area and the European market. In the comparative figures in the text below, license revenue is excluded. For comparative figures including license revenue – see Note 1 on page 7.

Sales by segment, January-September 2015

PAEDIATRICS BUSINESS AREA, JANUARY – SEPTEMBER 2015

Sales in BioGaia's core area, Paediatrics, amounted to SEK 313.0 million (207.6)¹⁾²⁾, an increase of SEK 105.4 million (51%). Excluding foreign exchange effects, the increase was 41%.

The increase is primarily attributable to sales of drops, which were up in all regions.

In "Rest of world", sales of drops increased primarily in Brazil, where the launch took place in October 2014, as well as South Africa, Chile, Peru and Mexico.

In Europe, sales of drops increased in several countries but above all in Italy, Turkey, Spain, Portugal and Sweden, while they declined in

Ukraine and Finland. The downturn in Ukraine is due to the current instability in the country and in Finland to aggressive price competition in this market, which is dominated by marketing direct to consumer. In North America, sales of the drops were up in the USA but fell slightly in Canada.

In Asia, the growth in sales was attributable to several countries but mainly to Indonesia, the Middle East and South Korea.

Sales of digestive health tablets in the Paediatrics business area rose primarily in "Rest of world" but also in other regions. The increase in "Rest of world" is mainly attributable to Brazil, where the tablets were launched in September 2014, as well as South Africa. In Europe, sales of the digestive health tablets were up in Bulgaria and Spain/Portugal but declined in Ukraine. The increase in Asia was attributable to Singapore. In North America, sales increased in the USA.

Sales of cultures for infant formula declined slightly compared to the same period of last year.

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

Royalty revenue from the collaboration agreement that was signed with Nestlé in March 2014 amounted to SEK 4.7 million (7.0)²⁾ in the Paediatrics business area.

For the past 12-month period, sales in the Paediatrics business area rose by 49% (excluding foreign exchange effects, 36%)¹⁾.

In the first nine months of the year the Paediatrics business area has focused on a number of clinical studies in BioGaia's core areas and the commercialisation of new packaging solutions. In May the company took part in ESPGHAN in Amsterdam, a paediatric conference with more than 4,000 participants. A very valuable opportunity to meet and talk to both partners and doctors from many different countries.

ADULT HEALTH BUSINESS AREA, JANUARY – SEPTEMBER

Net sales in the Adult Health business area amounted to SEK 54.6 million (46.4), an increase of SEK 8.2 million (18%) (excluding foreign exchange effects, 11%) compared to the same period of last year.

The increase is due mainly to higher sales of digestive health tablets, as well as oral health tablets.

The growth in sales of digestive health tablets is mainly attributable to Europe (primarily Italy and Finland), but sales were also up in Asia (Japan and Hong Kong). In "Rest of world", sales decreased slightly. In North America, no digestive health tablets are sold in the Adult Health business area.

Sales of oral health products were up in Asia (Japan) and Europe (Italy). In North America, sales were largely unchanged. In "Rest of world" there are not yet any consumer sales of oral health tablets, but the first sales ahead of the launch in Mexico took place in the third quarter.

The sales of yoghurt in Japan decreased as the company discontinued sales in September 2014, since the margin did not meet expectations.

For the past 12-month period, sales in the Adult Health business area increased by 10% (excluding foreign exchange effects, 4%).

The Adult Health business area is working in various ways to support expansion of the distribution network for its existing products under the BioGaia ProTectis and Gastrus brands. Parallel to this, efforts are being made to strengthen these products through clinical trials, product enhancements or direct support, for example in the form of marketing materials and participation in conferences. To promote

growth in a longer perspective, the business area will commence a number of clinical studies in new indication areas, particularly in the key areas of gastroenterology and oral health, with both existing and new products. The business area is working with several different strains and a number of delivery systems to enable future differentiation in various indication areas.

NEW BUSINESS BUSINESS AREA, JANUARY - SEPTEMBER

Other sales amounted to SEK 11.3 million (11.0), an increase of SEK 0.3 million. The "New Business" business area is included in "Other sales" in the segment reporting.

The New Business business area includes royalty revenue of SEK 8.6 million (8.3)²⁾ from the collaboration agreement that was signed with Nestlé in March 2014. Royalty revenue amounting to a total of SEK 92.0 million for the period 2014-2017 has been previously reported in the Paediatrics business area (SEK 22.9 million for the full year 2014 and SEK 15.2 million for January-September 2014) but will be allocated between the Paediatrics and New Business business areas in the future. In order to achieve comparability between years, the previous year's amount has been adjusted. Under the agreement, BioGaia has undertaken to carry out clinical studies in the paediatric area and develop new products in new areas. BioGaia will recognise the royalty revenue in pace with completion of the projects.

SALES BY GEOGRAPHIC MARKET, JANUARY – SEPTEMBER

Sales in Europe were up by SEK 29.2 million (16%)¹⁾ to SEK 213.6 million. For the past 12-month period, sales increased by 19%¹⁾.

Sales in the USA and Canada rose by SEK 6.9 million (38%) to SEK 24.4 million. For the past 12-month period, sales increased by 41%.

In Asia, sales were up by SEK 11.5 million (43%) to SEK 38.2 million. For the past 12-month period, sales increased by 23%.

Sales in "Rest of world" grew by SEK 66.3 million (182%) to SEK 102.6 million. For the past 12-month period, sales increased by 164%.

THE BIOGAIA BRAND

Of total finished consumer products, (drops, digestive health tablets, oral health tablets, oral rehydration solution, etc.) 62% (56%) were sold under the BioGaia brand, including co-branding, during the period January-September 2015.

Gross profit, January – September

Gross profit amounted to SEK 263.2 million (178.9)¹⁾, which is an increase of SEK 84.3 million (47%) compared to the same period of last year. The total gross margin grew from 67%¹⁾ to 69%.

Gross margin for the Paediatrics business area rose slightly from 67% to 68%.

Gross margin for the Adult Health business area strengthened from 62% to 71%. This is mainly due to the discontinuation of yoghurt sales with very low margins, but also to increased sales of other products in Japan, where the margin is higher.

Operating expenses, January – September

Total operating expenses rose by 26% to SEK 141.5 million compared to the same period of last year. Operating expenses include expenses for the subsidiary IBT. Without these, the increase in operating expenses would have been 16%.

For the past 12-month period, total operating expenses were up by 29% (excluding the subsidiary IBT, 20%).

Selling expenses rose by SEK 9.2 million (15%) compared to the same period of last year and amounted to SEK 72.8 million (63.6), which is equal to 19% (24)¹⁾ of net sales. It was primarily personnel and agency expenses that increased compared to the same period of last year. In addition, marketing expenses were up in Japan, partly due to costs in connection with the launch of drops. Selling expenses also include expenses of SEK 1.5 million attributable to IBT. Excluding the expenses for IBT, selling expenses were up by 10%. For the past 12-month period, selling expenses rose by 15% (excluding IBT, 12%).

Administrative expenses amounted to SEK 13.5 million (12.4), which is equal to 4% (5) of net sales. The increase of SEK 1.1 million (9%) is mainly explained by higher personnel and consulting expenses. For the past 12-month period, the Group's administrative expenses were up by 17%.

R&D expenses are reported at SEK 55.2 million (36.1), which is equal to 15% (14) of net sales. The increase of SEK 19.1 million (53%) is partly due to costs for the subsidiary IBT, which rose by SEK 9.2 million (see below). Furthermore, both patent expenses and costs for development projects were higher during the period, primarily as a result of the collaboration agreement with Nestlé. Excluding expenses for IBT, R&D expenses were up by 31%. For the past 12-month period, R&D expenses rose by 60% (excluding IBT, 39%).

Investments in capitalised development expenditure amounted to SEK 9.0 million (3.7) and refer to development of products for the NEC project in the subsidiary IBT AB.

Other operating income/expenses refer to foreign exchange gains/losses on operating receivables and liabilities.

Operating profit, January – September

Operating profit was SEK 124.7 million (70.9)¹⁾, an increase of SEK 53.8 million (76%) (excluding foreign exchange effects, 41%) and operating margin was 33% (27%)¹⁾. Excluding the subsidiary IBT, operating profit amounted to SEK 140.8 million (75.2) and operating margin was 37% (28%).

Financial items and profit before tax, January – September

Profit before tax was SEK 126.3 million (70.2)¹⁾, an increase of SEK 56.1 million (80%) compared to the same period of last year. Net financial items include a foreign exchange gain of SEK 1.6 million on forward exchange contracts in EUR. Net financial items for the previous year included a foreign exchange loss of SEK -2.7 million. At 30 September 2015 the company had outstanding forward exchange contracts for EUR 11.8 million at an average exchange rate of SEK 9.26. Forward exchange contracts amounting to EUR 2.4 million will mature for payment in 2015, EUR 7.3 million in 2016 and the remaining EUR 2.1 million in 2017. The actual exchange gain/loss depends on the exchange rate on the maturity date of the contracts. If the EUR rate on the maturity date is lower/higher than that at 30 September 2015 (9.47), an exchange gain/loss will be recognised in the future.

Profit after tax, January – September

Profit after tax was SEK 99.6 million (54.5)¹⁾, an increase of SEK 45.1 million (83%).

The tax rate for the Group was 21% (22). The lower tax rate is explained by the fact that the Group pays no tax in the Japanese subsidiary, where there are loss carryforwards from prior years. Furthermore, the Parent Company received a refund of SEK 1.5 million on tax from prior tax years that was recognised in the first half of 2015. Loss carryforwards in the Japanese subsidiary at 30 September 2015 amounted to SEK 30.6 million. The deferred tax asset for these has not been recognised, since a sustainable profit level has not yet been shown in the Japanese subsidiary.

The company has an ongoing tax matter related to a write-down of receivables from the Japanese subsidiary. In the event of a negative outcome, this could result in additional tax expenses of SEK 3.1 million. If the outcome is positive, there is opportunity to receive additional tax income of SEK 2.3 million attributable to prior years.

Earnings per share, January – September

Earnings per share were SEK 5.76 (3.19)¹⁾.

Cash flow, January – September

Cash flow for the period amounted to SEK 8.0 million (-11.0). Cash flow included dividends of SEK -86.4 million (-120.9) and SEK 15.8 million arising from the issue of new shares through the warrant programme (0.0). Cash flow for the previous year included payment of license revenue of SEK 95.4 million from Nestlé.

The Group's cash and cash equivalents at 30 September 2015 amounted to SEK 219.8 (210.7) million.

Equity at 30 September 2015

Consolidated equity at 30 September 2015 totalled SEK 374.2 million (344.6). The Group's equity/assets ratio was 83% (83).

The warrant programme for the employees that was resolved on by the Annual General Meeting on 8 May 2012 expired on 1 June 2015. A total of 65,500 warrants were redeemed and the share capital now amounts to SEK 17,336,462. The number of class B shares now amounts to 16,595,794 and the number of class A shares is unchanged at 740,668. The subscription price for the share was SEK 241.90 and the company was thus provided with proceeds of SEK 15.8 million in the second quarter. The reserve of SEK 1.1 million intended for a subsidy of SEK 10 per share to those who have subscribed for subscription warrants but have not exercised the right to buy shares was only partially utilised (SEK 0.2 million). The remaining reserve of SEK 0.9 million was dissolved in the second quarter and had a positive impact on operating expenses.

Investments in property, plant and equipment, January – September

Investments in property, plant and equipment totalled SEK 15.4 million (14.2), of which SEK 15.3 million (13.3) refers to the subsidiary TwoPac AB, where expansion of the production plant was started during the period.

Investments in capitalised development expenditure amounted to SEK 9.0 million (3.7) and refer to development of a product for the NEC project in the subsidiary IBT AB.

Subsidiary in Japan, January – September

Net sales in the wholly owned subsidiary in Japan reached SEK 16.7 million (13.7). Operating profit in the Japanese subsidiary was SEK -1.4 million (-3.4).

Subsidiary TwoPac AB (incl. subsidiary), January – September

Net sales in the wholly owned subsidiary TwoPac, of which 100% consists of sales to the Parent Company, amounted to SEK 36.1 million (31.3). Operating profit was SEK 6.0 million (6.0). Profit after tax was SEK 4.2 million (4.2). Operating expenses in the company increased, which is due to higher personnel expenses resulting from more stringent quality criteria. The higher quality criteria are internally driven but are also explained by the fact that TwoPac obtained approval of the facility for pharmaceutical production from the Swedish Medical Products Agency during the third quarter.

Subsidiary CapAble AB, January – September

CapAble, which is owned 90.1% by BioGaia AB and 9.9% by the company's president, was started in November 2008 to manufacture and sell the patented LifeTop Cap.

Net sales in CapAble totalled SEK 1.1 million (0.3) during the period. Operating profit amounted to SEK -1.6 million (-2.0). In 2014 and the first quarter of 2015 the company experienced quality problems, which meant that sales have not gained momentum as anticipated. The company's assessment is that the problems have now been solved and that sales will pick up speed during 2015. CapAble has now also commenced marketing of the company's LifeTop Straw with probiotics. During the period CapAble signed two new agreements for LifeTop Straw, one with Ganeden, USA and one with Alimentary Health, Ireland.

Subsidiary IBT AB, January – September

In November 2013, the Board of BioGaia made a decision to invest in a first phase of a long-term project aimed at developing a drug with rigorous hygiene, analysis and documentation requirements, to treat the highly fatal disease Necrotising Enterocolitis (NEC), which affects premature infants. At that time BioGaia decided to invest up to SEK 42 million in the project. In 2015 the Board of BioGaia has decided to invest a further SEK 40.0 million in IBT. IBT therefore carried out a new issue of 40,000 shares in which all shares have been subscribed for by BioGaia. BioGaia's total investment in IBT after the new share issue amounts to approximately SEK 82 million and its holding to 94.5%. The remaining 5.5% is owned by IBT's President, Staffan Strömberg (2.5%), and its Research Director, Eamonn Connolly (2.5%), as well as Board member Anders Ekblom (0.5%), former Global Head of R&D Science & Technology Integration at AstraZeneca AB and CEO of AstraZeneca AB.

In February IBT was granted orphan drug designation for the prevention of NEC in Europe, following a similar decision by the FDA in August 2013.

Work on development of the drug has progressed more rapidly than anticipated and IBT now plans to commence the first clinical study during 2015. To finance the study, IBT requires estimated additional capital of approximately SEK 100 million. To enable BioGaia's shareholders to invest directly in this project, the Board has instructed the executive management to evaluate the possibility for a separate listing of IBT. The intention is to reach a decision before the end of the year with a possible listing at the beginning of 2016.

Operating profit in IBT during the period January - September amounted to SEK -16.2 million (-4.3). The company made investments in capitalised development expenditure of SEK 9.0 million (3.7) during the period. The company does not yet have any revenue.

Parent Company, January – September

Net sales in the Parent Company reached SEK 369.7 million (254.7)¹⁾ and profit before tax was SEK 134.1 million (69.8)¹⁾. Cash flow in the Parent Company totalled SEK -41.3 million (-10.3).

FINANCIAL PERFORMANCE IN THE THIRD QUARTER OF 2015

Net sales, third quarter

Net sales for the third quarter amounted to SEK 106.0 million (79.4), an increase of SEK 26.6 million (33%) compared to the same period of last year. Excluding foreign exchange effects, the increase was 23%.

Compared to the second quarter the sales decreased by SEK 28.0 million, which is mainly due to lower activity among distributors and suppliers during the customary summer holiday period in Europe.

PAEDIATRICS, THIRD QUARTER

Sales in the Paediatrics business area amounted to SEK 88.9 million (64.5)²⁾, an increase of SEK 24.4 million (38%) compared to the same period of last year. Excluding foreign exchange effects, the increase was 26%.

The increase is attributable to sales of drops, which rose in all markets except "USA and Canada".

Sales of digestive health tablets also rose somewhat compared to the same period of last year. Sales of digestive health tablets were up in Europe and North America, but decreased in "Rest of world" and were largely unchanged in Asia.

Sales of cultures for infant formula were down sharply compared to the same period of last year as Nestlé is producing a much larger share of its required supply of cultures. However, this has no impact on earnings as the sales price is the same as the cost.

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.

Royalty revenue from the collaboration with Nestlé amounted to SEK 0.4 million (3.5)²⁾ in the Paediatrics business area, a decrease of SEK 3.1 million.

Compared to the previous quarter, sales in the Paediatrics business fell by SEK 19.9 million.

ADULT HEALTH, THIRD QUARTER

Sales in the Adult Health business area amounted to SEK 12.6 million (10.2)²⁾, an increase of SEK 2.4 million (23%). Excluding foreign exchange effects, the increase was 16%.

Sales of digestive health tablets were up compared to the third quarter of last year. This growth was mainly attributable to Asia, where sales rose in Japan compared to the same period of last year.

Sales of oral health products were largely unchanged compared to the third quarter of last year.

Sales of yoghurt products in Japan decreased due to the discontinuation of these sales in September 2014.

Compared to the previous quarter, sales in the Adult Health business area were down by SEK 9.7 million.

NEW BUSINESS BUSINESS AREA THIRD QUARTER

Other sales amounted to SEK 4.5 million (4.7)²⁾, a decrease of SEK 0.2 million. The New Business business area is included in "Other sales" in the segment reporting.

The New Business business area includes royalty revenue of SEK 3.5 million (4.2)²⁾ from the collaboration agreement that was signed with Nestlé in March 2014. (For more information see above under "Sales by segment, January – September 2015").

Gross profit for the third quarter

Gross profit was SEK 71.8 million (52.1), an increase of SEK 19.7 million (38%) compared to the same period of last year. Gross margin was 68%, compared to 66% in the same period of last year.

For the Paediatrics business area, gross margin strengthened from 63% to 67%. This is mainly due to decreased sales of bacteria cultures for infant formula, where the gross margin is very low, and increased sales of drops, where the gross margin is higher.

For the Adult Health business area, the margin rose from 65% to 66%. This is mainly explained by the discontinuation of yoghurt sales with very low margins, but also by an increase in sales of digestive health tablets.

Other operating expenses in the third quarter

Total operating expenses rose by 22% compared to the same quarter of last year. Excluding expenses for the subsidiary IBT, total operating expenses were up by 8%. Compared to the previous quarter, operating expenses were down by SEK 4.8 million (excluding IBT, operating expenses decreased by SEK 5.2 million compared to the previous quarter). Both activity and expenses are lower in the third quarter as a result of the customary summer holiday period, which falls during the quarter.

Selling expenses were up compared to the same quarter of last year, from SEK 20.8 million to SEK 23.9 million (15%). Excluding expenses for the subsidiary IBT, selling expenses rose by 2%. The increase is due primarily to higher personnel expenses.

Administrative expenses rose by SEK 0.3 million (8%) compared to the same period of last year and amounted to SEK 3.9 million.

R&D expenses amounted to SEK 16.3 million (11.7), which is an increase of SEK 4.6 million (39%) compared to the same period of last year. Excluding expenses for the subsidiary IBT, R&D expenses rose by 19%. The increase is due primarily to higher personnel expenses.

Operating profit for the third quarter

Operating profit was SEK 29.7 million (17.6), which is an increase of SEK 12.1 million (69%) compared to the same period of last year. Excluding IBT, the increase was 93%.

Profit before tax for the third quarter

Profit before tax was SEK 27.0 million (18.6), which is an increase of SEK 8.4 million (45%) compared to the same period of last year. Net financial items include a foreign exchange loss/gain on forward exchange contracts in EUR (for more information – see above) of SEK -2.6 million (0.5).

Profit after tax for the third quarter

Profit after tax was SEK 20.7 million (14.4), which is an increase of SEK 6.3 million (44%) compared to the same period of last year.

KEY EVENTS IN THE THIRD QUARTER OF 2015

Launches in the third quarter of 2015

Distributor/licensee	Country	Product
BG Distribution	Hungary	Oral Rehydration solution
Biovagen	Vietnam	Drops
Pharmabest	Israel	Relaunch of drops
Sunstar	Austria	Oral Health tablets
Streuli Pharma	Switzerland	Oral Health tablets

Publication of study showing that Prodentis reduces candida in the elderly

A double-blind, randomised, placebo-controlled study on 215 elderly nursing home residents showed that *Lactobacillus reuteri* Prodentis reduced the prevalence of oral Candida by 53% compared to placebo. The study was published in [Journal of Dental Research](#) on 22 July 2015.

KEY EVENTS AFTER THE END OF THE THIRD QUARTER

BioGaia's probiotic promotes growth of children and prevents recurrent diarrhoea

The result of a randomised, controlled pilot study of 76 children with acute diarrhoea showed that rapid diagnostic testing in combination with *Lactobacillus reuteri* Protectis supplementation for 60 days was associated with a significant increase in height and significantly less recurrent diarrhoea compared to standard care and placebo treatment. The study was conducted in Botswana and the preliminary results were presented at Infectious Disease Week in San Diego, USA, on 10 October 2015.

BioGaia appoints new Managing Director

BioGaia's Board of Directors in October has decided to appoint Axel Sjöblad as the new Managing Director of BioGaia AB. Peter Rothschild has been appointed as Group President.

Axel Sjöblad, who is currently Managing Director of Getinge Sverige AB and VP North and Central Europe and was previously Regional VP Northern European Markets at Gambro Lundia AB, will assume duties as Managing Director of BioGaia AB by 1 March 2016 at the latest. His extensive experience in marketing and sales makes him ideally suited to take over management of the company's operations, initially with a special focus on marketing and sales.

In the capacity of Group President, Peter Rothschild will retain overall responsibility for the BioGaia Group's research and development activities and will serve as working Chairman of the group companies TwoPac, IBT and CapAble. He will also support the development of BioGaia Japan. Furthermore, Peter Rothschild will continue as Chairman of Metabogen (BioGaia's investment in development of microbiome-based products and concepts).

KEY EVENTS EARLIER IN 2015

Launches in the first half of 2015

Distributor/licensee	Country	Product
Abbot/Recacine	Panama	Drops and digestive health tablets
Dexcel	Israel	Oral health tablets
Ivodont	South Africa	Oral health tablets and oral health drops
Nestlé	Pakistan and the Middle East	Growing Up Milk with <i>Lactobacillus reuteri</i> Protectis
Noos	Italy	Oral health tablets and oral health drops
Pharma Ace	Malaysia	Relaunch of drops
PT Interbat	Indonesia	Relaunch of digestive health tablets

Agreement for the sale of drops in Vietnam

In January 2015 BioGaia signed an exclusive agreement with VietPhap International Co Ltd for the right to sell BioGaia ProTectis drops in Vietnam. The launch took place in the third quarter of 2015.

Nestlé launches new product with BioGaia's probiotic

For several years BioGaia and Nestlé have been engaged in a fruitful cooperation to develop products with probiotics. A new agreement that was signed on 30 May 2013 gave Nestlé the exclusive rights to use BioGaia's patented probiotic strain *Lactobacillus reuteri* Protectis in Growing Up Milk for children over the age of one year. At the end of 2014 Nestlé started the launch of these products, which will be sold mainly in emerging markets.

Publication of study showing that *Lactobacillus reuteri* Prodentis is effective in patients with dental implants

Inflammation and other complications from dental implants are common. The results from a double-blind, randomised controlled study on 34 patients with implants show that 30 days of supplementation with *Lactobacillus reuteri* Prodentis significantly reduced inflammation related to implants. The study was published in Journal of Periodontal Research on 25 February 2015.

Agreement for the sale of oral health products in Mexico

In March BioGaia signed an exclusive agreement with Silanes for the rights to sell BioGaia's oral health lozenges in Mexico. The launch is planned for the beginning of 2016.

Publication of Chinese study showing the effect of BioGaia's drops in infants with colic

A Chinese study on infants with colic showed that babies given *Lactobacillus reuteri* Protectis cried significantly less compared to babies given placebo. The study is the fifth positive colic study with *Lactobacillus reuteri* Protectis and the results confirm the positive results from earlier studies. The study was published in the medical journal *Antonie van Leeuwenhoek* on 16 April 2015.

EMPLOYEES

The number of employees in the Group at 30 September 2015 was 104 (92).

Incentive scheme for the employees

See above under Equity.

SIGNIFICANT RISKS AND UNCERTAINTIES: GROUP AND PARENT COMPANY

The Japanese subsidiary has operated at a loss since the start in 2006. On the balance sheet date, assets in the Japanese subsidiary were reported at SEK 14.9 million in the Group. BioGaia's assessment is that there is no indication of impairment of these assets. In the Parent Company the loan to the Japanese subsidiary and participations in the company have been written down to zero.

CapAble, which is 90.1% owned by BioGaia AB, was started in November 2008 to manufacture and sell the patented LifeTop Cap. The shares in the subsidiary CapAble amount to a total of SEK 6.9 million in the Parent Company. CapAble has operated at a loss since the start in 2008. BioGaia made total conditional shareholder contributions of SEK 6 million to CapAble in 2009 and 2010. BioGaia AB made total group contributions of SEK 12.7 million during the period from 2010 to 2014. Profit before tax and group contributions for January – September 2015 amounted to SEK -1.6 million (-2.0). On the balance sheet date, assets in CapAble were reported at SEK 3.7 million. BioGaia's assessment is that CapAble will show profitability in coming years, for which reason there was no indication of impairment on the balance sheet date.

Infant Bacteria Therapeutics AB (IBT), which is 94.5% owned by BioGaia, was established in November 2013. For more information see above. BioGaia's total investment in IBT amounts to approximately SEK 82 million. On the balance sheet date, assets in IBT were reported at SEK 15.1 million in the Group. BioGaia's assessment is that IBT and the research and development projects currently underway in the company will show profitability in the future, for which reason there was no indication of impairment on the balance sheet date.

For further information see the administration report and Notes 27 and 28 of the annual report for 2014.

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. 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, President's comments, although this is not a requirement according to Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. The 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 2014. 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 and brand building.

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) Excluding SEK 95.4 million in license revenue from Nestlé. Including license revenue from Nestlé, net sales for the period from January to September 2014 amounted to SEK 360.4 million, net sales in the Paediatrics business area totalled SEK 303.0²⁾ million, sales in Europe to SEK279.8 million, gross profit to SEK 274.3 million, operating profit was SEK 166.3 million, profit before tax was SEK 165.6 million, profit after tax was SEK 128.9 million and earnings per share were SEK 7.50. The operating margin was 46%. Net sales for the parent company including licence revenue amounted to SEK 350.1 million and result before tax to SEK 165.2 million.
- 2) A minor reallocation between segments of last year's sales has been made in order to achieve better comparability with the year's figures.

Statements of comprehensive income – Group

(Amounts in SEK 000s)

	Jan-Sept	Jan-Sept	July-Sept	July-Sept	Jan-Dec	Oct 2014-	Oct 2013-
	2015	2014	2015	2014	2014	Sept 2015	Sept 2014
Net sales	378,850	265,031	105,984	79,434	386,405	500,224	355,252
License revenue	-	95,397	-	-	95,397	-	95,397
Cost of goods sold	-115,629	-86,165	-34,154	-27,362	-131,338	-160,802	-117,276
<i>Gross profit</i>	263,221	274,263	71,830	52,072	350,464	339,422	333,373
Selling expenses	-72,802	-63,567	-23,923	-20,815	-89,759	-98,994	-86,335
Administrative expenses	-13,534	-12,385	-3,938	-3,576	-17,666	-18,815	-16,126
Research and development expenses	-55,197	-36,060	-16,253	-11,670	-53,867	-73,004	-45,759
Other operating income/expenses	2,974	4,072	1,974	1,600	7,711	6,613	4,943
<i>Operating profit</i>	124,662	166,323	29,690	17,611	196,883	155,222	190,096
Interest income	282	2,136	14	495	2,382	528	3,301
Foreign exchange gain/loss, forward contracts	1,578	-2,701	-2,639	503	-6,592	-2,313	-5,712
Financial expenses	-202	-129	-32	-54	-148	-221	-146
<i>Profit before tax</i>	126,320	165,629	27,033	18,555	192,525	153,216	187,539
Tax	-26,730	-36,707	-6,365	-4,145	-44,536	-34,889	-42,323
PROFIT FOR THE PERIOD	99,590	128,922	20,668	14,410	147,989	118,657	145,216
Items that will be reclassified to profit or loss							
Gains/losses arising on translation of the financial statements of foreign operations	556	697	439	117	642	501	0
Comprehensive income for the period	100,146	129,619	21,107	14,527	148,631	119,158	145,216
Profit for the period attributable to:							
Owners of the Parent Company	99,592	129,517	20,669	14,546	147,406	117,481	145,817
Non-controlling interests	-2	-595	-1	-136	583	1,176	-601
	99,590	128,922	20,668	14,410	147,989	118,657	145,216
Comprehensive income for the period attributable to:							
Owners of the Parent Company	100,148	130,214	21,108	14,663	148,048	117,982	145,817
Non-controlling interests	-2	-595	-1	-136	583	1,176	-601
	100,146	129,619	21,107	14,527	148,631	119,158	145,216
Earnings per share							
Basic earnings per share (average number of shares), SEK	5.76	7.50	1.19	0.84	8.53	6.80	8.44
Diluted earnings per share, SEK	5.76	7.50	1.19	0.84	8.53	6.80	8.44
Number of shares, thousands	17,336	17,271	17,336	17,271	17,271	17,336	17,271
Average number of shares, thousands	17,300	17,271	17,336	17,271	17,271	17,276	17,271
Number of outstanding warrants, thousands	-	87	-	87	87	-	87
Number of outstanding warrants with a dilutive effect, thousands	-	-	-	-	-	-	-
Number of shares after dilution, thousands	17,300	17,271	17,336	17,271	17,271	17,276	17,271

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 Sept	31 Dec	30 Sept
(Amounts in SEK 000s)	2015	2014	2014
ASSETS			
Intangible assets	15,112	6,075	3,690
Property, plant and equipment	84,199	72,752	70,512
Financial assets	4,000	4,000	-
Other non-current receivables	22	20	19
<i>Total non-current assets</i>	103,333	82,847	74,221
Current assets excl. Cash and cash equivalents	129,219	122,095	90,605
Cash and cash equivalents	219,803	210,666	224,125
<i>Total current assets</i>	349,022	332,761	314,730
TOTAL ASSETS	452,355	415,608	388,951

EQUITY AND LIABILITIES

Equity attributable to owners of the Parent Company	374,129	344,492	326,658
Non-controlling interests	97	99	-1,079
Total equity	374,226	344,591	325,579
Provision for deferred tax	192	192	85
Other provisions	3,900	3,900	-
Interest-free current liabilities	74,037	66,925	63,287
TOTAL EQUITY AND LIABILITIES	452,355	415,608	388,951
Pledged assets	4,626	2,000	2,000

CONSOLIDATED CASH FLOW STATEMENTS

	Jan-Sept	Jan-Sept	July-Sept	July-Sept	Jan-Dec
(Amounts in SEK 000s)	2015	2014	2015	2014	2014
Operating activities					
Operating profit	124,662	166,323	29,690	17,611	196,883
Depreciation/amortisation	3,949	3,972	1,259	1,284	5,652
Other non-cash items	-983	-767	-199	-362	-853
	127,628	169,528	30,750	18,533	201,682
Gains/losses on realised forward exchange contracts	1,651	-589	687	-448	-1,186
Paid tax	-35,267	-51,238	-11,409	-15,483	-66,829
Interest received and paid	79	2,002	-18	437	2,214
Cash flow from operating activities before changes in working capital	94,091	119,703	20,010	3,039	135,881
Changes in working capital	8,784	7,997	4,106	-11,844	-11,498
Cash flow from operating activities	102,875	127,700	24,116	-8,805	124,383
Acquisition of intangible assets	-9,037	-3,690	-1,337	-1,890	-6,075
Acquisition of property, plant and equipment	-15,373	-14,177	-6,016	-4,671	-18,406
Acquisition of financial assets	-	-	-	-	-4,000
Cash flow from investing activities	-24,410	-17,867	-7,353	-6,561	-28,481
Dividends	-86,355	-120,897	-	-	-120,897
Disposal of financial assets	-	5	-	-	5
New share issue, warrant programme	15,844	-	-	-	-
Cash flow from financing activities	-70,511	-120,892	-	0	-120,892
Cash flow for the period	7,954	-11,059	16,763	-15,366	-24,990
Cash and cash equivalents at beginning of period	210,666	234,271	202,752	239,117	234,271
Exchange difference in cash and cash equivalents	1,183	913	288	374	1,385
Cash and cash equivalents at end of period	219,803	224,125	219,803	224,125	210,666

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in SEK 000s)

	Jan-Sept 2015	Jan-Sept 2014	Jan-Dec 2014
At beginning of period	344,591	316,857	316,857
Dividends	-86,355	-120,897	-120,897
New share issue, warrant programme	15,844	-	-
Comprehensive income for the period	100,146	129,619	148,631
At end of period	374,226	325,579	344,591

REPORTING BY SEGMENT – GROUP

(Amounts in 000s)

	Jan-Sept 2015	Jan-Sept 2014	July-Sept 2015	July-Sept 2014	Jan-Dec 2014	Oct 2014- Sept 2015	Oct 2013- Sept 2014 ¹⁾
Income by segment – business area							
Paediatrics	312,957	207,610	88,900	64,507	301,248	406,595	273,240
License revenue (Paediatrics)	-	95,397	-	-	95,397	-	95,397
Adult Health	54,626	46,448	12,569	10,228	69,446	77,624	70,520
Other	11,267	10,973	4,515	4,699	15,711	16,005	11,492
Total	378,850	360,428	105,984	79,434	481,802	500,224	450,649

	Jan-Sept 2015	Jan-Sept 2014	July-Sept 2015	July-Sept 2014	Jan-Dec 2014	Oct 2014- Sept 2015	Oct 2013- Sept 2014 ¹⁾
Gross profit by segment – business area							
Paediatrics	213,786	139,880	59,334	40,822	195,978	269,882	184,760
License revenue (Paediatrics)	-	95,397	-	-	95,397	-	95,397
Adult Health	38,678	28,651	8,265	6,688	44,229	54,258	42,528
Other	10,757	10,335	4,231	4,562	14,860	15,282	10,692
Total	263,221	274,263	71,830	52,072	350,464	339,422	333,373

	Jan-Sept 2015	Jan-Sept 2014	July-Sept 2015	July-Sept 2014	Jan-Dec 2014	Oct 2014- Sept 2015	Oct 2013- Sept 2014
Revenue by geographical market							
Europe	213,586	184,392	53,493	50,505	257,808	287,002	240,433
License revenue (Europe) ¹⁾	-	95,397	-	-	95,397	-	95,397
USA and Canada	24,370	17,504	4,763	9,898	30,273	37,139	26,344
Asia	38,247	26,763	11,377	4,767	38,778	50,262	40,756
Rest of world	102,647	36,372	36,351	14,264	59,546	125,821	47,719
Total	378,850	360,428	105,984	79,434	481,802	500,224	450,649

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 and 94.5% of the shares in Infant Bacterial Therapeutics (IBT) AB.

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, President of BioGaia, and Jan Annwall, member of the Board of BioGaia AB. The only transaction that has taken place during the period is the payment of a dividend of SEK 5 per share.

Bo Möllstam is Technical Director and a member of BioGaia's executive management. He is not employed by the company but is contracted as a consultant and invoices his fees through a company. Bo Möllstam is a partner in Synergon AB, which invoiced an amount of SEK 8.4 million to BioGaia AB during the period. Of this total, SEK 4.9 million refers to forwarded patent expenses and the remainder consists of consulting fees.

Helen Olsson is HR Director and a member of BioGaia's executive management. Helen Olsson has been employed by the company since 1 June 2015. During the period from January to May 2015, Helen Olsson was contracted as a consultant and invoiced her fees via her partly owned company Spirean AB, which invoiced an amount of SEK 0.6 million to BioGaia AB during the period.

CONSOLIDATED KEY RATIOS 1)	Jan-Sept	Jan-Sept	Jan-Sept	Jan-Dec	Jan-Dec
	2015	2014	2014 ²⁾	2014	2014 ²⁾
Net sales, SEK 000s	378,850	360,428	265,031	481,802	386,405
Operating profit, SEK 000s	124,662	166,323	70,926	196,883	101,486
Profit after tax, SEK 000s	99,590	128,922	54,512	147,989	73,579
Return on					
- average equity	28%	40%	19%	45%	25%
- average capital employed	35%	52%	46%	60%	35%
Capital employed, SEK 000s	374,418	325,664	251,254	348,683	270,373
Number of shares, thousands	17,336	17,271	17,271	17,271	17,271
Average number of shares, thousands	17,300	17,271	17,271	17,271	17,271
Number of outstanding warrants, thousands	-	87	87	87	87
Average number of outstanding warrants with a dilutive effect, thousands	-	-	-	-	-
Average number of shares after dilution, thousands	17,300	17,271	17,271	17,271	17,271
Basic earnings per share, SEK	5.76	7.50	3.18	8.53	4.23
Diluted earnings per share, SEK	5.76	7.50	3.18	8.53	4.23
Basic equity per share, SEK	21.63	18.91	14.61	19.95	15.64
Diluted equity per share, SEK	21.63	18.91	14.61	19.95	15.64
Equity/assets ratio	83%	84%	86%	83%	84%
Operating margin	33%	46%	27%	41%	26%
Profit margin	33%	46%	26%	40%	25%
Average number of employees	100	89	89	90	90

- 1) The definitions of key ratios correspond to those in the annual report.
2) Excluding license revenue of SEK 95.4 million from Nestlé.

FINANCIAL CALENDAR

23 October 2015 9:30	Teleconference on the interim report for Q3 2015 with Peter Rothschild, CEO of BioGaia AB.
12 February 2016	Year-end report 2015
10 May 2016	Interim management statement January – March 2016
10 May 2016	Annual General Meeting at 4:00 p.m. in Stockholm. Shareholders who wish to have a matter dealt with at the AGM must submit a request by 20 March 2016 to the Board Chairman, David Dangoor, BioGaia AB, Box 3242, SE-103 64 STOCKHOLM, or by e-mail to the company's Chief Legal Counsel Per Erik Andersson at pea@biogaia.se
17 August 2016	Interim report 1 January – 30 June 2016
25 October 2016	Interim management statement 1 January – 30 September 2016

Stockholm, 23 October 2015

Peter Rothschild
President

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 104 employees, of whom 38 are based in Stockholm, 29 in Lund, 26 in Eslöv, three in Raleigh, USA, six in Hiroshima, Japan, and two 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 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, 137 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 11,700 individuals of all ages. The results have been published in 108 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:

2015-10-20	BioGaia appoints new Managing Director
2015-10-12	BioGaia's probiotic shown to promote growth and prevent recurrent diarrhoea
2015-09-07	BioGaia to invest further in Infant Bacterial Therapeutics AB

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