



Comments from the Managing Director:

“2017 was yet another successful year for BioGaia. With growth of 15%, we were able to boost our sales by SEK 80 million and achieve an annual turnover of SEK 615 million. We have thus continued our excellent trend of expanding our share of a market that is expected to grow by around 7% annually. Our operating profit exceeded 200 million for the first time and reached SEK 234 million, an increase of 17% that resulted in an operating margin of 38%. With the proof at hand, it is clear that we have very successfully managed to combine our development initiatives with a focus on sales,” says Axel Sjöblad, Managing Director BioGaia AB.

Fourth quarter 2017

Net sales amounted to SEK 170.1 million (138.8), an increase of 23% (excluding foreign exchange effects, 27%).

Net sales in the Pediatric segment reached SEK 138.6 million (119.2), an increase of 16%.

Net sales in the Adult Health segment amounted to SEK 31.0 million (15.9), an increase of 95%.

Operating profit was SEK 64.7 million (46.4), an increase of 40% (excluding foreign exchange effects, 48%).

Profit after tax was SEK 48.4 million (47.0), an increase of 3%. The figures for the previous year included a deferred tax revenue of SEK 10.4 million. Excluding the deferred tax, profit after tax rose by 32%.

Earnings per share totaled SEK 2.79 (2.71). No dilutive effects arose.

The period's cash flow was SEK 65.5 million (41.6).

Key events in the fourth quarter of 2017

Study showing that *Lactobacillus reuteri* reduces bone loss in older women was presented.

Study showing that BioGaia's probiotic promotes growth and prevents recurring diarrhea was published.

Key events after the end of 2017

Two new meta-analyses confirm the effectiveness of BioGaia's probiotic in infant colic.

BioGaia Protectis with vitamin D to be launched on the Swedish market.

Agreement with Abbott for the rights to sell BioGaia Protectis tablets in China.

Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the interim report that will be held today, February 8, 2018, at 9:30 a.m. CET by Managing Director Axel Sjöblad. To participate in the teleconference, see www.biogaia.com/investors/agenda for telephone numbers. The teleconference can also be followed at <https://tv.streamfabriken.com/biogaia-q4-2017>.

This information is information that BioGaia AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Security Markets Act. The information was submitted for publication, through the agency of the Managing Director, at February 8, 2018, 8:00 CET.

This is a translation of the Swedish version of the interim report. In the event of differences, the Swedish wording shall prevail.

Full year 2017

Net sales amounted to SEK 615.0 million (534.7), an increase of 15% (no material dilutive effects arose).

Net sales in the Pediatric segment reached SEK 492.6 million (433.0), an increase of 14%.

Net sales in the Adult Health segment amounted to SEK 116.2 million (85.3), an increase of 36%.

Operating profit was SEK 233.8 million (199.4)¹⁾, an increase of 17%. (No material dilutive effects arose.)

Profit after tax was SEK 180.6 million (159.3)¹⁾, an increase of 13%.

Earnings per share totaled SEK 10.42 (9.19)¹⁾. No material dilutive effects arose.

The period's cash flow was SEK 63.5 million (14.0). Cash and cash equivalents at December 31, 2017, amounted to SEK 305.9 million (243.1).

The Board proposes that the upcoming AGM on April 25, 2018, approve an ordinary dividend according to the policy of SEK 4.31 (3.16) per share and an extraordinary dividend of SEK 4.69 (4.34) per share, amounting to a total dividend of SEK 9.00 (7.50) per share.

The Board also proposes that the upcoming AGM approve a provision of SEK 2.7 million for the "Foundation for the fight against antibiotic resistance."

¹⁾ Excluding the former subsidiary Infant Bacterial Therapeutics (IBT) AB, which was distributed to the shareholders in March 2016.



BioGaia AB (publ.)

Year-end report 2017

The Board of Directors and the Managing Director of BioGaia AB hereby present the year-end report for 2017. A description of the company's operations is provided on page 14.

MANAGING DIRECTOR'S COMMENTS

SALES FOR THE FOURTH QUARTER OF 2017 amounted to SEK 170 million (139), which was an increase of 27% (excluding foreign exchange effects) compared to the same period of last year.

This growth in sales was fueled mainly by robust development in the Asia Pacific and EMEA regions. In Asia Pacific, sales were up by 161% thanks to continued positive development in Japan and orders from South Korea, Hong Kong, China and Indonesia. When it comes to Japan, sales to our partner Nippon Kabaya Ohayo Holding Inc. (Kabaya Ohayo) are showing continued positive development. Sales in EMEA rose by 24%. Most satisfyingly, our sales in Italy have picked up again after the earlier inventory build-up that has slowed our sales there, but rising in sales in Eastern Europe, France and Spain also made a significant contribution to the strong growth figures.

In the Americas, sales declined by 39%. The main reasons for this were that Brazil placed its orders for the year in the first three quarters and that Abbott in Latin America ordered less than in the same period of last year. Here we see two clear examples of the regional quarterly variations in markets where the underlying sales to consumers remain very strong.

Sales in the Pediatric segment increased by 16% compared to the same period of last year. This positive development was driven by continued strong sales of drops and good sales of BioGaia Protectis tablets, while royalty revenue from Nestlé was on par with the same quarter of last year.

In the Adult Health segment, sales increased by 95% compared to the fourth quarter of last year, which means that the positive trend from the third quarter continued. The increase was driven by strong sales of BioGaia Protectis tablets and a significant rise in sales of BioGaia Prodentis lozenges. The robust sales of BioGaia Gastrus tablets were another satisfying trend.

2017 WAS YET ANOTHER SUCCESSFUL YEAR for BioGaia. With growth of 15%, we were able to boost our sales by SEK 80 million and achieve an annual turnover of SEK 615 million. We have thus continued our excellent trend of expanding our share of a market that is expected to grow by around 7% annually.

The year's operating expenses amounted to SEK 225 million, which is an increase of 17% compared to last year. This growth is due to higher R&D expenses, marketing activities and personnel expenses in line with our strategic plan. Our operating profit exceeded SEK 200 million for the first time and reached SEK 234 million, an increase of 17% that resulted in an operating margin of 38% (37%).

OUR BUSINESS MODEL, WHERE BIOGAIA IS THE HUB of an international network of research, production and distribution partners, is the basis for our success. To develop and strengthen the business model, we launched, in the autumn of 2016, a strategy encompassing five overall areas; Growth, Customer Focus, Operational Efficiency, Innovation and Sustainability. In each area we have launched a number of initiatives that shaped our efforts during 2017.

For Growth, our main focus has been on expansion of our existing product portfolio, both by signing agreements with new distributors and by launching more products with existing distributors. Today our products are sold in almost 100 countries. In addition, our business development team has continued its collaboration with partners outside our current core operations with the ambition to launch products in new areas for BioGaia in the future.

In the Customer Focus area, our aim to get closer to our distributors led to a decision to open a new Americas office in Miami, to prepare for the opening of an Asia Pacific office in Singapore and to deepen our collaboration with a small number of strategic partners. We have also laid the foundation for a whole new educational platform, BioGaia Academy, where we will train doctors from around the world and thereby multiply the number of well-educated opinion leaders.

In Operational Efficiency, we have strengthened the organization with regard to regulatory affairs, quality and purchasing.

In the Innovation area, we have worked on developing our clinical study program and our launch pipeline for the short, medium and long term. At present there are some sixty studies underway, initiated either by us or our research partners. In addition, we have continued our collaboration with the R&D company MetaboGen, where we have a 36% holding, started the subsidiary BioGaia Pharma, which will take advantage of the opportunities to develop drugs identified in the R&D activities conducted as part of the company's normal operations, and invested in a new laboratory at BioGaia Production in Eslöv.

When it comes to Sustainability, we have continued our efforts to fight antibiotic resistance. During the year an independent foundation was established that will grant funding to individuals and organizations who study or work to spread knowledge in this critically important area.

With the proof at hand, it is clear that we have very successfully managed to combine development initiatives with a focus on sales and I sincerely want to thank our employees, who devoted yet another year of hard work and tremendous enthusiasm and thereby enabled us to achieve both this year's excellent development and a strong starting position for 2018.

Axel Sjöblad, February 8, 2018



FINANCIAL PERFORMANCE IN THE FOURTH QUARTER OF 2017

Net sales, fourth quarter 2017

Consolidated net sales amounted to SEK 170.1 million (138.8) which is an increase of SEK 31.3 million (23%) (excluding foreign exchange effects, 27%) compared to the fourth quarter of last year.

Sales in the Pediatric segment grew by 16%, (excluding foreign exchange effects, 20%) to SEK 138.6 million during the quarter. This was driven mainly by growth in sales of drops primarily in EMEA (Italy, Eastern Europe and France) and in Asia Pacific (China and South Korea), but also growth in sales of BioGaia Protectis tablets in EMEA (Italy and Eastern Europe) and Asia Pacific (South Korea) during the quarter. Italy once again gained momentum after the earlier inventory build-up that put a brake on sales throughout most of 2017. Sales to the Americas declined in the quarter, which was a normal quarterly effect owing to the major deliveries earlier in the year. Royalties from the sale of Growing Up Milk for children over the age of one year with *Lactobacillus reuteri* Protectis were largely unchanged compared to the same quarter of last year.

In the Adult Health segment, sales increased by 95% (excluding foreign exchange effects, 104%) to SEK 31.0 million. This was fueled by powerful growth in sales of BioGaia Prodentis lozenges, especially to the Japanese market ahead of the launch with Kabaya Ohayo at the beginning of 2018, and also by growth in BioGaia Protectis tablets mainly attributable to Hong Kong and Italy. Sales of BioGaia Gastrus tablets also increased during the quarter, primarily in Italy and China. The quarter's sales also included royalty revenue from the sale of yoghurt products in Japan.

Other sales amounted to SEK 0.6 million (3.6), a decrease of SEK 3 million that is explained by lower revenue from the collaboration agreement with Nestlé (for more information see below under "Other sales, 2017").

Gross margin, fourth quarter

The total gross margin for the quarter was 77% (75%). The increase was driven mainly by the Pediatric segment, where the gross margin reached 78% (77%). This is due to higher sales of drops, where the margin is higher, and where a large share is manufactured by BioGaia's wholly owned subsidiary BioGaia Production.

The gross margin for the Adult Health segment was 71% (54%). This is mainly due to higher royalty revenue from the agreement with Kabaya Ohayo (see above under "Net sales, fourth quarter") compared to the same quarter of last year and increased sales to Japan, where the margin is somewhat higher than in the other markets. Last year's quarterly figures included an obsolescence write-down that led to a low margin.

Operating expenses and operating profit, fourth quarter

Operating expenses rose by 21% compared to the fourth quarter of last year to SEK 69.4 million. This is explained by higher costs for clinical studies and marketing activities but also by increased personnel expenses.

Operating profit was SEK 64.7 million (46.4), up by 40% (excluding foreign exchange effects, 48%). Operating margin was 38% (33%).

Profit after tax and earnings per share, fourth quarter

Profit after tax was SEK 48.4 million (47.0), an increase of SEK 1.4 million (3%). The figures for the previous year included a deferred tax revenue of SEK 10.4 million. Excluding the deferred tax, profit after tax rose by 32%. The tax rate was 22% (23%, (excluding deferred tax asset).

Earnings per share amounted to SEK 2.79 (2.71). No dilutive effects arose during the period.

KEY EVENTS IN THE FOURTH QUARTER

Launches in the fourth quarter

Abbott	Costa Rica	BioGaia Protectis Drops and BioGaia Protectis tablets
Age D'or	Singapore	LifeTop Straw
Dong Sung	South Korea	BioGaia Prodentis lozenges
Ferring	Canada	BioGaia Protectis tablets with 20 micrograms of vitamin D
J Health	Hong Kong	BioGaia Gastrus tablets
Noos and Recordati	Italy	BioGaia Protectis tablets with 20 micrograms of vitamin D

Presentation of study showing that *Lactobacillus reuteri* reduces bone loss in older women

A randomized, double-blind, placebo-controlled study in 90 older women showed that supplementation of the probiotic strain *Lactobacillus reuteri* ATCC PTA 6475 decreased bone loss compared to placebo. *Lactobacillus reuteri* ATCC PTA 6475 is a naturally occurring bacteria in the gastrointestinal tract of humans and has been shown to have beneficial effects on bone in animals. In a randomized controlled trial conducted at the University of Gothenburg, 75 to 80-year-old women with low bone density received supplementation of *Lactobacillus reuteri* ATCC PTA 6475 or placebo for one year. In the group supplemented by *Lactobacillus reuteri* the loss in bone density was halved compared to placebo. Detailed results will be published in a scientific journal.

Publication of study showing that BioGaia's probiotic promotes growth and prevents recurrent diarrhea

Results from a randomized, controlled pilot study in 71 infants with acute diarrhea show that rapid diagnostic testing and *Lactobacillus reuteri* Protectis supplementation for 60 days was associated with a significant increase in height and significantly less recurrent diarrhea compared to standard care and placebo treatment. The study was published in [PLOS ONE](#) on October 9, 2017.

KEY EVENTS AFTER THE END OF THE FOURTH QUARTER

Two meta-analyses confirm the effectiveness of BioGaia's probiotic in infant colic

In the beginning of January two new meta-analyses was published investigating the effects of *L. reuteri* Protectis in colicky infants. Including these two, to date a total of nine systematic reviews have proven the effect of *L. reuteri* Protectis in infants with colic. With six positive randomized, double-blind and placebo-controlled clinical trials and nine meta-analyses, which is considered the highest level of evidence of a health effect, the proof of *L. reuteri* Protectis in infant colic is solid. Further, *L. reuteri* Protectis is the only probiotic with proven efficacy in colic.

Agreement with Abbott for the rights to sell BioGaia Protectis tablets in China

In January 2018 BioGaia signed an exclusive agreement with Abbott for the rights to sell BioGaia Protectis tablets in China. The product will be co-branded under a combination of BioGaia's and Abbott's brands. The launch is planned for 2018, conditional on approval by the Chinese authorities.

BioGaia Protectis with vitamin D soon in the Swedish market

In the first quarter, BioGaia will launch its chewable tablets with *Lactobacillus reuteri* Protectis and vitamin D in Sweden through the partner Medhouse AB. The products, BioGaia Protectis D₃ and BioGaia Protectis D₃+ (with 20 micrograms of vitamin D) will then be available at selected pharmacy chains throughout Sweden.



FINANCIAL PERFORMANCE IN 2017

Consolidated net sales amounted to SEK 615.0 million (534.7) million, which is an increase of SEK 80.3 million (no material foreign exchange effects arose during the year) compared to last year.

Sales by segment

PEDIATRIC SEGMENT 2017

Net sales in BioGaia's core area, the Pediatric segment, amounted to SEK 492.6 million (433.0), an increase of SEK 59.5 million (14%, excluding foreign exchange effects, 13%). This growth was driven mainly by higher sales of drops, as well as increased royalty revenue from Nestlé for the use of *Lactobacillus reuteri* in Growing Up Milk for children older than one year and sales of BioGaia Protectis tablets.

Sales of drops, which make up the bulk of sales, rose in all regions and above all in Brazil, but also in Canada. Sales were also up in Asia Pacific and EMEA thanks to a strong fourth quarter in these regions. In both EMEA and Asia Pacific, growth for the year was attributable to several countries but was strongest in Eastern Europe, Germany, Turkey, China and South Korea.

The increase in sales of BioGaia Protectis tablets was attributable to EMEA and Asia Pacific. In the Americas, sales declined after a weaker fourth quarter.

Sales of culture, at low margins, for use in Nestlé's infant formula decreased compared to the same period of last year, which is in line with the plan from 2012 when Nestlé acquired the rights to this product and now produces the culture itself to a greater extent.

Royalty revenue from the collaboration agreement with Nestlé in the Pediatric segment amounted to SEK 14.3 million (9.4). For more information, see below under "Other sales 2017".

ADULT HEALTH SEGMENT 2017

Net sales in the Adult Health segment amounted to SEK 116.2 million (85.3), an increase of SEK 30.9 million (36%, excluding foreign exchange effects, 39%). The increase in sales for Adult Health is mainly due to revenue attributable to the agreements signed in December 2016 with Kabaya Ohayo in Japan and from sales of BioGaia Protectis tablets. Revenue from the agreements with Kabaya Ohayo in Japan consists partly of compensation for knowhow, education and preparations for the launch, and, from the second quarter, also exclusivity fees that will be recognized successively over the term of the agreement. The entire exclusivity fee was paid at the beginning of 2017. In the third quarter BioGaia also started sales of culture for yoghurt products that were launched at the end of the third quarter. In the fourth quarter BioGaia received the first royalty revenue from the sale of yoghurt products.

Sales of BioGaia Protectis tablets also grew well compared to the same period of last year. Sales were up in EMEA (primarily Finland) and in Asia Pacific (primarily Hong Kong). In the Americas, the first BioGaia Protectis tablets in the Adult Health segment were sold in Colombia and Mexico during the year, but the level of sales is still very low.

Sales of oral health products also increased compared with the previous year thanks to a strong fourth quarter. Sales rose in Asia Pacific (mainly Japan but also South Korea) but fell in other regions. BioGaia is working actively to find additional distribution partners for the product.

Sales of BioGaia Gastrus tablets remain very low but increased compared to the previous year thanks to strong sales in the fourth quarter. The increase was attributable to Asia Pacific. BioGaia is working actively to find additional distribution partners for the product.

OTHER SALES 2017

Other sales amounted to SEK 6.3 million (16.4), a decrease of SEK 10.1 million (62%). No foreign exchange effects arose.

Other sales include royalty revenue of SEK 3.5 million (14.5) from the collaboration agreement that was signed with Nestlé in March 2014. The royalty revenue amounts to a total of SEK 91.8 million for the period 2014-2017 and is distributed between the segments Pediatric and Other sales. 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. As of December 31, 2017, BioGaia had recognized revenue of SEK 81.7 million, of which SEK 42.2 million in other sales and SEK 39.5 million in the Pediatric segment. The assessment is that the remaining revenue of SEK 10.1 will be recognized during 2018 in the Pediatric segment.

SALES BY GEOGRAPHIC MARKET 2017

Starting with the interim report for the second quarter of 2017, sales are reported according to the geographic markets EMEA (Europe, Middle East, Africa), Asia Pacific (Asia, excluding Middle East, and including Oceania) and the Americas (North and South America). Previously, sales were reported by geographic market according to the following regions: Europe, Asia, USA and Canada and Rest of the World.

Sales in EMEA amounted to SEK 393.5 million (376.4), an increase of 5%. The increase was mainly attributable to the Pediatric segment but to a certain extent also to Adult Health (for more information, see above).

Sales in Asia Pacific amounted to SEK 95.5 million (55.6), an increase of 72%. The increase was mainly attributable to Adult Health but to a certain extent also to Pediatric (for more information, see above).

In the Americas sales amounted to SEK 126.1 million (102.7), an increase of 23%. The increase was almost exclusively attributable to Pediatric segment (for more information, see above).

THE BIOGAIA BRAND 2017

Of total finished consumer products, (drops, gut health tablets, oral health lozenges, oral rehydration solution, etc.), 69% (59%) were sold under the BioGaia brand, including co-branding, during 2017.

Gross profit, 2017

Gross profit amounted to SEK 463.3 million (387.8), which is an increase of 19% compared to last year. The total gross margin was 75% (73%).

Gross margin for the Pediatric segment was 77% (74%). This is due to higher royalty revenue for the use of bacteria culture in Growing Up Milk for children over the age of one year (with a 100% margin), increased sales of drops where a large share is manufactured by the company's wholly owned subsidiary BioGaia Production, and lower sales of cultures for infant formula with a very low margin.

Gross margin for the Adult Health segment was 67% (62%). The increase is due primarily to royalties and exclusivity fees attributable to the agreements from 2016 in Japan (see above under Adult Health Segment) but also somewhat better margins for other products in the segment. In general, gross margin is lower for the products in Adult Health since the volumes are smaller and all manufacturing is carried out by external contractors, compared, for example, to the BioGaia Protectis drops which are partly manufactured by BioGaia's subsidiary BioGaia Production.



Operating expenses, 2017

Operating expenses (selling, administrative and R&D expenses) amounted to SEK 224.9 million (192.8)¹⁾, an increase of 17%.

The increase is mainly attributable to increased personnel and market expenses and higher costs for research projects and clinical studies.

Other operating expenses/income refer to exchange gains/losses on receivables and liabilities of an operating nature. These amounted to SEK -3.8 million (5.6).

Share in profit of associates, 2017

Share in profit of associates refers to BioGaia's share (36%) in MetaboGen AB's profit and amounted to SEK -0.8 million (-1.2).

Operating profit and operating margin, 2017

Operating profit was SEK 233.8 million (199.4)¹⁾, an increase of SEK 34.4 million (17%, excluding foreign exchange effects, 16%). Operating margin was 38% (37%)¹⁾.

Financial items and profit before tax, 2017

Profit before tax was SEK 232.9 million (196.1)¹⁾, an increase of 19%. Net financial items include a foreign exchange loss of SEK 0.8 million (4.7). At December 31, 2017, the company had outstanding forward exchange contracts for EUR 15.3 million at an average exchange rate of SEK 9.63 and USD 9.4 million at an average exchange rate of SEK 8.21. The actual exchange gain/loss depends on the exchange rate on the maturity date of the contracts.

Profit after tax, 2017

Profit after tax was SEK 180.5 million (159.3)¹⁾, an increase of SEK 21.2 million (13%). The tax rate for the Group was 22% (19%). Owing to the distribution and license agreements that were signed in Japan at the end of 2016 (see annual report for 2016), it will be possible to utilize a large share of the earlier loss carryforward in Japan in the Japanese company. In the Group, the exclusivity fees will be recognized successively over the term of the agreement and a deferred tax asset was therefore recognized in 2016. At December 31, 2017, the deferred tax asset amounted to SEK 9.3 million. The Group thus has no loss carryforwards for which no deferred tax is recognized.

Earnings per share, 2017

Earnings per share amounted to SEK 10.42 (9.19)¹⁾. No dilutive effects arose during the period.

Balance sheet, December 31, 2017

Total assets rose from SEK 489.0 to SEK 576.1 million. This is mainly due to an increase in cash and cash equivalents (see below under "Cash flow, 2017") and the investment in the new laboratory at BioGaia Production in Eslöv. Interest-free liabilities rose from SEK 73.5 million to SEK 111.4 million, mainly because the entire exclusivity fee from the agreement with Kabaya Ohayo that was paid at the beginning of 2017, but is being recognized successively over the term of the agreement, and has been reported as deferred income.

Cash flow, 2017

Cash flow amounted to SEK 63.6 million (58.4)¹⁾. This cash flow includes dividends of SEK 130.0 million (86.7) and investments in property, plant and equipment of SEK 26.6 million (5.6), primarily at the BioGaia Production in Eslöv where a new laboratory has been built. Cash flow for 2017 also includes payment of exclusivity fees pertaining to the license and distribution agreement in Japan that was signed in December 2016. Cash and cash equivalents at December 31, 2017, amounted to SEK 305.9 million (243.1).

Investments in property, plant and equipment, 2017

Investments in property, plant and equipment amounted to SEK 26.6 million (5.6), of which the majority refers to the subsidiary BioGaia Production (formerly TwoPac) in Eslöv.

Parent Company, 2017

Net sales in the Parent Company amounted to SEK 587.9 million (518.3) and profit before tax was SEK 232.1 million (180.1). This figure includes the reversal of a previously impaired receivable on a loan to the subsidiary in Japan since the subsidiary has repaid part of the loan. Cash flow in the Parent Company was SEK 55.1 million (40.9).

Subsidiary in Japan, 2017

Net sales from the Japanese business reached SEK 44.7 million (24.4). Operating profit for the Japanese business was SEK 3.1 million (-2.0) (including revenue from Kabaya Ohayo from the agreement signed at the end of 2016 – see above under Adult Health segment 2017).

Subsidiary BioGaia Production AB (former TwoPac AB), 2017

BioGaia Production is a wholly owned subsidiary to BioGaia that manufactures and develops products, primarily drops, exclusively for BioGaia. Net sales in BioGaia Production amounted to SEK 81.7 million (71.1). Operating profit was SEK 25.5 million (17.9).

Subsidiary CapAble AB, 2017

CapAble is owned 90.1% by BioGaia and 9.9% by CapAble's Managing Director. Net sales in CapAble amounted to SEK 1.9 million (0.0). Operating profit was SEK -1.4 million (-3.6).

Subsidiary BioGaia Pharma AB

In June BioGaia announced that the company had established a subsidiary, BioGaia Pharma, to take advantage of the opportunities to develop drugs identified in the R&D activities conducted as part of the company's normal operations. Since the start of the company's operations, BioGaia has focused its development work on the regulatory categories of dietary supplements and food for special medical purposes. For certain target segments, these categories are limiting and, in some cases, BioGaia also lacks distribution channels for pipeline products. For this reason, the Board of Directors has decided to also develop probiotic drugs through BioGaia Pharma. Drug candidates will be primarily developed to be licensed to appropriate partners at relatively early stages and BioGaia's capital commitment is therefore initially limited. If the capital requirements were to increase significantly, the assessment is that external funding is possible.

BioGaia Pharma is 96% owned by BioGaia and 4% by the company's Managing Director. Operating profit for the company's first six months amounts to SEK -1.4 million (0.0).

EMPLOYEES

The number of employees in the Group at December 31, 2017, was 120 (109). During the year, 18 people were hired and 7 left the Group.



SIGNIFICANT RISKS AND UNCERTAINTIES: GROUP AND PARENT COMPANY

Significant risks and uncertainties are described in the administration report of the annual report for 2016, on pages 40 and 41 and in Notes 29 and 30. No significant changes in these risks and uncertainties are assessed to have taken place at December 31, 2017.

ACCOUNTING POLICIES

Unless otherwise stated below, the accounting standards applied for the Group and the Parent Company are consistent with those used in preparation of the most recent annual report.

This interim report has been prepared for the Group in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act. Disclosures in accordance with IAS 34 are provided both in notes and in other parts of the interim report.

The consolidated financial statements are presented in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations published by the IFRS Interpretations Committee (IFRIC) that have been endorsed by the European Commission for application in the EU. Unless otherwise stated below, the accounting standards applied for the Group and the Parent Company are consistent with those used in preparation of the most recent annual report.

The Parent Company presents its financial statements in accordance with RFR 2, Accounting for Legal Entities, and the Annual Accounts Act, and applies the same accounting and valuation policies as in the most recent annual report.

The company applies IFRIC 17, which means that the distribution of the subsidiary IBT in 2016 is carried at the fair value of the assets that have been distributed. The difference between the carrying amount of the net assets distributed and the carrying amount of the unpaid distribution at settlement is recognized in the income statement. The profit in the income statement reflects the difference between the fair value (based on the average price of the share on the first day of trading on March 29, 2016) and the company's recorded value in the consolidated balance sheet on March 18, 2016.

New accounting standards

The applied accounting policies correspond to those presented in the annual report for 2016. A number of new standards and interpretations have been published but are not yet effective.

The company has carried out an analysis of the effects of IFRS 9 and IFRS 15, which are effective for reporting periods beginning on or after January 1, 2018.

The Group has reviewed its financial assets and liabilities and found that the effects of IFRS 9 will not have any material impact on BioGaia's consolidated financial statements.

The Group has carried out an analysis of the effects of IFRS 15 on the company's income and found that these will not have any material impact on BioGaia's consolidated financial statements.

At this stage the Group cannot quantify the impact on the consolidated financial statements of IFRS 16, which is expected to be effective as of January 1, 2019.

Exchange rate differences

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 0.3 million lower for the year and SEK 6.1 million higher for the quarter. Changes in foreign exchange rates affect both income and expenses. With unchanged exchange rates, operating profit for the year would have been SEK 1.6 million lower (SEK 3.9 million higher for the quarter). Expenses arise mainly in SEK but also in JPY, EUR and USD.

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 long-term financial target is a sustainable operating margin (operating profit in relation to sales) of at least 34% with continued strong growth and increased investments in research, product development, brand building and the sales organization.

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 the former subsidiary Infant Bacterial Therapeutics (IBT) AB that was distributed to the shareholders in March 2016.



Consolidated statements of comprehensive income

(Amounts in SEK 000s)

	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	615,003	534,696	170,148	138,750
Cost of sales	-151,655	-146,889	-39,030	-34,698
<i>Gross profit</i>	463,348	387,807	131,118	104,052
Selling expenses	-127,115	-108,108	-39,649	-33,813
Administrative expenses	-22,063	-20,893	-6,031	-5,220
Research and development expenses	-75,700	-63,795	-23,743	-18,125
Shares of profit of associates	-820	-1,184	380	-784
Other operating income/expenses	-3,817	5,610	2,639	248
<i>Operating profit</i>	233,833	199,437	64,714	46,358
Interest income	112	1,429	112	65
Foreign exchange gains/losses, forward exchange contracts	-842	-4,685	-2,825	898
Financial expenses	-192	-122	-38	8
<i>Profit before tax</i>	232,911	196,059	61,963	47,329
Deferred tax	-1,094	10,433	-1,094	10,433
Tax expense	-51,253	-47,143	-12,517	-10,787
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	180,564	159,349	48,352	46,975
Discontinued operations (Distribution of IBT)				
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	-	67,935	-	-
PROFIT FOR THE PERIOD	180,564	227,284	48,352	46,975
<u>Items that may be reclassified subsequently to profit or loss</u>				
Gains/losses arising on translation of the statements of foreign operations	567	889	-287	-1,227
Comprehensive income for the period	181,131	228,173	48,065	45,748
<u>Profit for the period from continuing operations attributable to:</u>				
Owners of the Parent Company	180,564	159,349	48,352	46,975
Non-controlling interests	0	0	0	0
	180,564	159,349	48,352	46,975
<u>Profit for the period attributable to:</u>				
Owners of the Parent Company	180,564	227,568	48,352	46,975
Non-controlling interests	0	-284	0	0
	180,564	227,284	48,352	46,975
<u>Comprehensive income for the period attributable to:</u>				
Owners of the Parent Company	181,131	228,457	48,065	45,748
Non-controlling interests	0	-284	0	0
	181,131	228,173	48,065	45,748
<u>Earnings per share</u>				
Earnings per share in continuing operations (average number of shares), SEK	10.42	9.19	2.79	2.71
Earnings per share including discontinued operations (average number of shares), SEK	10.42	13.13	2.79	2.71
Earnings per share after dilution	10.42	13.13	2.79	2.71
Number of shares (thousands)	17,336	17,336	17,336	17,336
Average number of shares (thousands)	17,336	17,336	17,336	17,336



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Summary (Amounts in SEK 000s)

ASSETS

	Dec 31 2017	Dec 31 2016
Property, plant and equipment	102,465	82,430
Shares in associates	9,932	10,752
Deferred tax asset	9,339	10,433
Other non-current receivables	39	23
<i>Total non-current assets</i>	<i>121,775</i>	<i>103,638</i>
Current assets excl. cash and cash equivalents	148,481	142,271
Cash and cash equivalents	305,856	243,069
<i>Total current assets</i>	<i>454,337</i>	<i>385,340</i>
TOTAL ASSETS	576,112	488,978

EQUITY AND LIABILITIES

Equity attributable to owners of the Parent Company	463,904	415,198
Non-controlling interests	-16	-18
Total equity	463,888	415,180
Provision for deferred tax	778	332
Interest-free current liabilities	111,446	73,466
TOTAL EQUITY AND LIABILITIES	576,112	488,978

Other current liabilities include foreign exchange contracts with a fair value of SEK 0.9 million.

CONSOLIDATED CASH FLOW STATEMENTS

Summary (Amounts in SEK 000s)

Operating activities

	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Operating profit (including discontinued operations)	233,833	194,275	64,714	46,358
Depreciation/amortization (non-cash)	6,573	7,074	2,196	2,023
Other non-cash items	1,716	-1,885	-529	-213
	242,122	199,464	66,381	48,168
Gains/losses on realized forward exchange contracts	-1,337	-2,081	-553	-688
Paid tax	-49,547	-43,381	-12,387	-6,285
Interest received and paid	-157	1,305	-2	183
Cash flow from operating activities before changes in working capital	191,081	155,307	53,439	41,378
Changes in working capital	31,534	-7,378	15,991	6,348
Cash flow from operating activities	222,615	147,929	69,430	47,726
Acquisition of property, plant and equipment	-26,624	-5,611	-1,498	-2,101
Acquisition of financial assets	-	-4,000	-	-4,000
Reduction of non-current receivables	-19	-	-19	-
Cash flow from investing activities	-26,643	-9,611	-1,517	-6,101
Dividends	-130,023	-86,682	-	-
Provision to Foundation	-2,400	-	-2,400	-
Cash effect from distribution of subsidiary	-	-37,629	-	-
Formation of BioGaia Pharma	2	-	2	-
Cash flow from financing activities	-132,421	-124,311	-2,398	0
Cash flow for the period	63,551	14,007	65,515	41,625
Cash and cash equivalents at beginning of period	243,069	226,882	240,154	201,554
Exchange difference in cash and cash equivalents	-764	2,180	187	-110
Cash and cash equivalents at end of period	305,856	243,069	305,856	243,069

1) For cash flow from discontinued operations in 2016 – see page 9.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in SEK 000s)	Jan-Dec 2017	Jan-Dec 2016
At beginning of period	415,180	395,833
Dividends	-130,023	-86,682
Distribution of shares in IBT	-	-122,144
Provision to Foundation to Fight Antibiotic Resistance	-2,400	-
Comprehensive income for the period	181,131	228,173
At end of period	463,888	415,180

REPORTING BY SEGMENT – GROUP

The Executive Management has analyzed the Group's internal reporting system and established that the Group's operations are governed and evaluated based on the following segments:

- **Pediatrics** (drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used in licensee products (such as infant formula and dairy products), as well as royalty revenue for pediatric products.
- **Adult Health** (gut health tablets, oral health lozenges and cultures as an ingredient in a licensee's dairy products).
- **Other segment** (royalties related to development projects, animal health products, etc.)

For the above segments BioGaia reports revenue and gross profit which are monitored regularly by the Managing Director (who is regarded as the chief operating decision maker) together with the Executive Management. There is no monitoring of the company's total assets against the segment's assets.

<u>Revenue by segment</u>	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Pediatrics	492,550	433,028	138,590	119,236
Adult Health	116,176	85,274	30,997	15,880
Other	6,277	16,394	561	3,634
Total	615,003	534,696	170,148	138,750

<u>Gross profit by segment</u>	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Pediatrics	378,936	318,811	108,499	91,810
Adult Health	78,173	52,917	22,096	8,642
Other	6,239	16,079	523	3,600
Total	463,348	387,807	131,118	104,052

Selling, administrative and R&D expenses	-224,878	-192,796	-69,423	-57,158
Share in profit of associates	-820	-1,184	380	-784
Other operating income/expenses	-3,817	5,610	2,639	248
Operating profit	233,833	199,437	64,714	46,358

<u>Revenue by geographic market</u>	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Asia Pacific	95,475	55,551	35,226	13,485
EMEA	393,470	376,438	114,975	92,882
Americas	126,058	102,707	19,947	32,383
Total	615,003	534,696	170,148	138,750

DISCONTINUED OPERATIONS

<u>Profit from discontinued operations (distribution)</u> (Amounts in SEK 000s)	Jan-Dec 2017	Jan-Dec 2016
Net sales	-	-
Selling expenses	-	-
Research and development expenses	-	-5,101
Other operating income/expenses	-	-61
Operating profit	-	-5,162
Financial expenses	-	-2
Difference between the group's value of assets and liabilities in IBT and the net book value	-	73,099
Profit for the period before tax	-	67,935
Tax relief due to group contributions	-	-
Profit for the period after tax	-	67,935

<u>Cash flow from discontinued operations</u> (Amounts in SEK 000s)	Jan-Dec 2017	Jan-Dec 2016
Operating activities	-	-6,781
Investing activities	-	-
Financing activities	-	-
Total cash flow	-	-6,781



CONSOLIDATED KEY RATIOS

	Jan-Dec 2017	Jan-Dec 2016
Net sales, SEK 000s	615,003	534,696
Operating profit, SEK 000s ¹⁾	233,833	199,437
Profit after tax, SEK 000s ¹⁾	180,564	159,349
Return on		
- average equity ¹⁾	41%	39%
- average capital employed ¹⁾	53%	49%
Capital employed, SEK 000s	464 666	415,512
Number of shares, thousands ²⁾	17,336	17,336
Average number of shares, thousands	17,336	17,336
Earnings per share in continuing operations, SEK ¹⁾	10.42	9.19
Earnings per share, SEK ³⁾	10.42	13.13
Diluted earnings per share, SEK ^{2,3)}	10.42	13.13
Equity per share, SEK	26.76	23.95
Diluted equity per share, SEK ²⁾	26.76	23.95
Equity/assets ratio	81%	85%
Operating margin ¹⁾	38%	37%
Profit margin ¹⁾	38%	37%
Average number of employees ¹⁾	115	102

- 1) The figures for 2016 do not include discontinued operations (distribution of IBT)
- 2) No dilutive effect arose during the period
- 3) Key ratio defined according to IFRS

Definition of key ratios

key ratios	Definition/Calculation	Purpose
Return on equity	Profit attributable to the owners of the Parent Company divided by average equity attributable to the owners of the Parent Company.	Return on equity is used to measure profit generation, over time, given the resources attributable to the owners of the Parent Company.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed.	Return on capital employed is used to analyze profitability, based on the amount of capital used.
Equity per share	Equity attributable to the owners of the Parent Company divided by the number of shares.	Equity per share measures the company's net value per share and indicates whether a company will increase the shareholders' wealth over time.
Equity per share, diluted	Equity attributable to the owners of the Parent Company at the end of the period divided by the number of shares at the end of the period, after dilution.	Equity per share, diluted, measures the company's net value per share after any dilution owing to ongoing incentive schemes or similar and indicates whether a company will increase the shareholders' wealth over time.
Operating profit (EBIT margin)	Operating profit expressed as a percentage of net sales.	The operating profit margin is used to measure operational profitability.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets.	A traditional measure to show financial risk expressed as the share of total assets financed by the shareholders. Shows the company's stability and ability to withstand losses.
Capital employed	Total assets less interest-free liabilities.	Capital employed measures the total amount of investment needed to keep a company running and includes both equity and debt.
Growth	Sales for the current year less sales for the previous year divided by sales for the previous year.	Shows the company's realized sales growth over time.
Earnings per share (EPS)	Equity attributable to the owners of the Parent Company divided by the number of shares (definition according to IFRS).	EPS measures how much of net profit is available for payment to the shareholders as dividends per share.
Earnings per share (EPS), diluted	Equity attributable to the owners of the Parent Company divided by the number of shares after dilution.	EPS, diluted, measures how much of net profit is available for payment to the shareholders as dividends per share after any dilution owing to ongoing incentive schemes or similar.
Earnings per share (EPS) in continuing operations	Profit from continuing operations attributable to owners of the Parent Company divided by the average number of shares	EPS in continuing operations measures how much of net profit is available for payment to the shareholders as dividends per share in continuing operations.
Profit margin	Profit before tax in relation to net sales.	This key ratio makes it possible to compare profitability regardless of the corporate income tax.



CONT'D Definition OF KEY RATIOS

Return on capital employed

	Jan-Dec 2017	Jan-Dec 2016
Operating profit	233,833	199,437
Financial income	112	1,429
Profit before financial items plus financial income	233,945	200,866
Total assets	576,112	488,978
Interest-free liabilities	-111,446	-73,466
Capital employed	464,666	415,512
Average capital employed	440,089	405,848
Return on capital employed	53%	49%

Return on equity

	Jan-Dec 2017	Jan-Dec 2016
Profit attributable to owners of the Parent Company	180,564	159,349
Equity attributable to owners of the Parent Company	463,904	415,198
Average equity attributable to owners of the Parent Company	439,551	405,525
Return on equity	41%	39%

Organic change

	Pediatrics		Adult Health				Total					
	Jan-Dec 2017	%	Oct-Dec 2017	%	Jan-Dec 2017	%	Oct-Dec 2017	%	Jan-Dec 2017	%	Oct-Dec 2017	%
Change in sales by segment												
The previous year's net sales according to the average rate (A)	433,028		119,236		85,274		15,880		534,696		138,750	
Net sales for the year according to the average rate (B)	492,550		138,590		116,176		30,997		615,003		170,148	
Reported change (C=B-A)	59,522	14%	19,354	16%	30,902	36%	15,117	95%	80,307	15%	31,398	23%
Net sales for the year according to the previous year's average rate (D)	490,669		143,155		118,375		32,572		615,321		176,288	
Foreign exchange effects (+ positive effect/- negative effect) (C-E)	1,881	0%	-4,565	-4%	-2,199	-3%	-1,575	-10%	-318	0%	-6,140	-4%
Organic change (E=D-A)	57,641	13%	23,919	20%	33,101	39%	16,692	105%	80,625	15%	37,538	27%

The segment "Other" contains no foreign exchange effects.

<u>Average key currencies</u>	2017	2016	Q4 2017	Q4 2016
EUR	9.63	9.47	9.79	9.76
USD	8.54	8.56	8.31	9.04
JPY	7.61	7.90	7.37	8.28



PARENT COMPANY INCOME STATEMENT

(Amounts in SEK 000s)

	Jan-Dec 2017	Jan-Dec 2016
Net sales	587,937	518,307
Cost of sales	-177,578	-164,201
Gross profit	410,359	354,106
Selling expenses	-102,332	-90,308
Administrative expenses	-20,227	-19,119
Research and development expenses	-74,032	-64,203
Other operating income	-3,806	6,002
Operating profit	209,962	186,478
Impairment loss on shares in subsidiary	-1,427	-3,578
Reversal of earlier impairment loss on receivable from subsidiary	26,180	-
Net financial items	-2,593	-2,791
Profit before tax	232,122	180,109
Tax expense	-45,502	-43,156
PROFIT FOR THE PERIOD	186,620	136,953

PARENT COMPANY BALANCE SHEET**ASSETS**

	Dec 31 2017	Dec 31 2016
Property, plant and equipment	4,076	694
Shares in group companies	54,570	51,133
Shares in associates	12,001	12,000
Non-current receivables from subsidiaries	55,835	55,835
Total non-current assets	126,482	119,662
Current assets excl. cash and cash equivalents	127,674	131,954
Cash and cash equivalents	270,050	215,880
Total current assets	397,724	347,834
TOTAL ASSETS	524,206	467,496
EQUITY AND LIABILITIES		
Equity	433,231	379,034
Interest-free current liabilities	90,975	88,462
TOTAL EQUITY AND LIABILITIES	524,206	467,496

PARENT COMPANY CASH FLOW STATEMENT**Operating activities**

	Jan-Dec 2017	Jan-Dec 2016
Operating profit	209,962	186,478
Depreciation	515	449
Other non-cash items	897	-1,944
Gain/losses on realized foreign exchange contracts	-1,337	-2,082
Tax paid	-46,698	-40,637
Interest received and paid	1,078	1,895
Cash flow from operating activities before changes in working capital	164,417	144,159
Changes in working capital	5,668	-12,333
Cash flow from operating activities	170,085	131,826
Acquisition of property, plant and equipment	-3,897	-283
Acquisition of financial assets	-2,049	-4,000
Repayment of loan by subsidiary	23,352	-
Cash flow from investing activities	17,406	-4,283
Dividends	-130,023	-86,682
Provision to Foundation to Fight Antibiotic Resistance	-2,400	-
Cash flow from financing activities	-132,423	-86,682
Cash flow for the year	55,068	40,861
Cash and cash equivalents at beginning of period	215,880	173,077
Exchange rate difference in cash and cash equivalents	-898	1,942
Cash and cash equivalents at end of period	270,050	215,880

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)

	Jan-Dec 2017	Jan-Dec 2016
Carried forward	379,034	410,569
Distribution of shares in IBT	-	-81,806
Dividend	-130,023	-86,682
Provision to Foundation to Fight Antibiotic Resistance	-2,400	-
Profit for the period	186,620	136,953
Closing balance	433,231	379,034

PLEGDED ASSETS AND CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
Floating charges	2,000	2,000	2,000	2,000
Blocked funds for construction of BioGaia Production AB	-	253	-	-
Total	2,000	2,253	2,000	2,000
Contingent liabilities	None	None	None	None



RELATED PARTY TRANSACTIONS

The Parent Company holds 100% of the shares in BioGaia Biologics Inc. USA, BioGaia Japan Inc., BioGaia Production AB (formerly TwoPac AB) and Tripac AB. The Parent Company also holds 90.1 % of the shares in CapAble AB and 96% of the shares in BioGaia Pharma AB.

Annwall & Rothschild Investment AB holds 740,668 class A shares and 509,332 class B shares, which is equal to 7.2% of the share capital and 33% of the votes in BioGaia AB. Annwall & Rothschild Investment AB is owned by Peter Rothschild and Jan Annwall, who is Group President and a member of the Board of BioGaia. The only transaction that took place during the period was a dividend of SEK 7.50 per share.

FINANCIAL CALENDAR

February 8, 2018, 9:30 am Teleconference at 9:30 a.m., with Managing Director Axel Sjöblad. To take part in the conference, please see www.biogaia.com/investors/agenda for telephone numbers. The teleconference can also be followed at <https://tv.streamfabriken.com/biogaia-q4-2017>.

April 25, 2018, 8:00 am Interim management statement, January 1 – March 31, 2018

April 25, 2018, 4:00 pm AGM at Lundqvist & Lindqvist konferens, Klarabergsviadukten 90, Stockholm. For more information, go to www.biogaia.com/investors/agenda. Shareholders who wish to have a matter dealt with at the AGM must submit a request by March 5, 2018, 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.

August 17, 2018, 8:00 am Interim report, January 1 – June 30, 2018

October 24, 2018, 8:00 am Interim management statement January 1 – September, 30, 2018

Stockholm, February 8, 2018

David Dangoor
Board Chairman

Jan Annwall
Board member

Ewa Björling
Board member

Stefan Elving
Board member

Margaretha Gadnell
Board member

Inger Holmström
Board member

Antho Jahreskog
Board member

Brit Stakston
Board member

Axel Sjöblad
Managing Director

Auditor's report on the review of the interim financial information (year-end report)

Introduction

We have reviewed the accompanying condensed interim financial statements of BioGaia AB (publ) at December 31, 2017 and for the twelve-month period then ended. The Board of Directors and Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA (International Standards on Auditing) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not, in all material aspects, give a true and fair view of the financial position of the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and of the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, February 8, 2018

Deloitte AB

Birgitta Lööf
Authorized Public Accountant



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 120 employees, of whom 110 are based in Sweden (Stockholm, Lund and Eslöv), two in the USA and eight in Japan.

Business model

BioGaia is working with three international networks within the areas of research, production and distribution.

BioGaia's revenue comes mainly from the sale of drops, gut 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 almost 100 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. On these products, the BioGaia brand is shown on the consumer package since BioGaia is both the manufacturer and licensor.

BioGaia's licensees add *Lactobacillus 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, 184 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 15,500 individuals of all ages. The results have been published in 159 articles in scientific journals.

Studies have been performed on:

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

Latest press releases from BioGaia:

2018-01-18	BioGaia's probiotic to be launched in China
2018-01-11	BioGaia Protectis with vitamin D soon on the Swedish market
2018-01-10	Two new meta-analyses confirm effectiveness of BioGaia's probiotic in infant colic

**BioGaia AB Box 3242, SE-103 64 STOCKHOLM Street address: Kungsbrogatan 3, Stockholm
Telephone: +46 8-555 293 00, Corp, identity no, 556380-8723 www.biogaia.com**

For additional information, contact:

**Axel Sjöblad, Managing Director, BioGaia AB, tel +46 8-555 293 00
Margareta Hagman, Executive Vice President, BioGaia AB, telephone +46 8-555 293 00**

