BioGaia®

**BioGaia AB** **Press release, 8 May 2019**

# Interim management statement 1 January – 31 March 2019

(Figures in parentheses and comparative figures in the text refer to the corresponding period of last year. The comparative figures in the balance sheet refer to 31 December 2018).

## Comments from the CEO:

**Sales during the first quarter increased by 9% (excluding foreign exchange effects, 2%) compared to the corresponding period last year. Sales of products, excluding royalty revenues, increased by 19% (excluding foreign exchange effects, 11%). Our largest product, BioGaia Protectis baby drops, increased in all markets and our Adult Health portfolio, with above all BioGaia Protectis tablets and BioGaia Prodentis lozenges, grew by 54% which is the result of focus on this target group. Sales in the Americas decreased by 9% which is a consequence of quarterly variations.**
**Costs increased by 28% for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen) due to strategic investments to accelerate future growth. Including the subsidiaries, costs rose by 34%. The higher cost trend compared to the sales increase meant that operating profit decreased by 17% compared to the first quarter of 2018. Naturally, I do not see this as a lasting trend but rather a short-term effect of the change in our royalty agreement with Nestlé at the start of the year at the same time as we are making substantial investment in our operations," says Isabelle Ducellier, President and CEO of BioGaia.**

## First quarter 2019

**Net sales amounted to SEK 171.3 million (156.6), an increase of 9% (excluding foreign exchange effects, 2%).**

**Net sales in the Pediatrics segment amounted to SEK 133.6 million (131.7), an increase of 1%. Product sales, excluding royalty revenue, in Pediatrics segment amounted to SEK 128.1 million (114,5), an increase of 12%.**

**Net sales in the Adult Health segment amounted to SEK 37.6 million (24.4), an increase of 54%.**

**Operating profit amounted to SEK 46.4 million (56.2), a decrease of 17%.**

**Profit after tax was SEK 35.6 million (43.2), a decrease of 18%.**

**Earnings per share amounted to SEK 2.06 (2.49). No dilutive effects arose.**

**Cash flow amounted to SEK 29.3 million (39.8). Cash and cash equivalents at 31 March 2019 amounted to SEK 315.1 million (285.0).**

## Key events in the first quarter of 2019

**A new vegan product, BioGaia Protectis capsules, launched in Finland.**

## Key events after the end of the first quarter

**BioGaia launches BioGaia Osfortis – a new product for the prevention of osteoporosis.**

**Study showing that BioGaia's probiotic decreases pain in patients with diverticulitis published.**

**Teleconference:** **Investors, analysts and the media are invited to take part in a teleconference on the interim management statement to be held today 8 May 2019 at 09:30 CET with CEO Isabelle Ducellier. To participate in the teleconference, please see https://www.biogaia.com/investors/financial-calendar for telephone numbers. The teleconference can also be followed at** https://tv.streamfabriken.com/biogaia-q1-2019.

**This information is information that BioGaia AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the CEO, on 8 May 2019 at 08:00 CET.**

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

## BioGaia AB (publ.)
## Interim management statement 1 January – 31 March 2019

The CEO of BioGaia AB hereby presents the interim management statement for the period 1 January – 31 March 2019.

### CEO'S COMMENTS

Sales during the first quarter increased by 9% (excluding foreign exchange effects, 2%) compared to the corresponding period last year. Sales of products, excluding royalty revenues, increased by 19% (excluding foreign exchange effects, 11%). Our largest product, BioGaia Protectis baby drops, increased in all markets and our Adult Health portfolio, with above all BioGaia Protectis tablets and BioGaia Prodentis lozenges, grew by 54% which is the result of focus on this target group.

Sales in Asia Pacific (APAC) increased by a full 80% driven by sales of BioGaia Protectis tablets and BioGaia Prodentis lozenges in Japan as well as sales of BioGaia Protectis drops in China and South Korea. At the end of March we arranged a workshop for our distributors in APAC in which all our partners in the region took part and reported on marketing activities and experiences from their respective markets. For example, one of our partners in China, Nature Span, showed how they work digitally.

Sales in the Americas decreased by 9% which is a consequence of quarterly variations. Gerber, one of our partners in the USA, is planning two new launches in the second quarter, tablets and minipacks with *Lactobacillus reuteri* Protectis.

Costs increased by 28% for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen) due to strategic investments to accelerate future growth. Including the subsidiaries, costs rose by 34%. The higher cost trend compared to the sales increase meant that operating profit decreased by 17% compared to the first quarter of 2018. Naturally, I do not see this as a lasting trend but rather a short-term effect of the change in our royalty agreement with Nestlé at the start of the year at the same time as we are making substantial investment in our operations.

Over the past 12-month period, sales increased by 20%, costs for the core business rose by 26% and operating profit by 15%.

To meet higher demand from consumers, we launched our first capsule product during the quarter. First market to launch BioGaia Protectis capsules was Finland, where our partner Verman, launched the vegan capsule containing *Lactobacillus reuteri* Protectis (DSM 17938). The product contains no flavor, colorings or other additives. The capsule is small and easy to swallow but can also be opened and sprinkled on food. We plan to launch this product in several markets. Capsules currently account for 52% of the global dietary supplement market and this launch therefore marks a key step in our continued development.

It gives me great pleasure to announce that we launched our first product for bone health at the beginning of May. BioGaia Osfortis is a new and natural alternative for the prevention of osteoporosis, a very common disease among older women and men. A clinical study with the probiotic strain in BioGaia Osfortis, *Lactobacillus reuteri* ATCC PTA 6475, showed that the addition of this strain significantly reduced bone loss compared with a placebo. The study was published in the Journal of Internal Medicine in 2018. BioGaia Osfortis is now available in USA through our partner Everidis. We will continue to launch this product in several markets.

It is extremely important that we extend our product range but also that we continue the rollout of our existing portfolio. During the quarter our partner Abbott launched BioGaia Prodentis lozenges in Colombia, Agefinsa launched BioGaia Gastrus tablets in El Salvador and Honduras, and our partner in Turkey, Ezcasibasi, launched BioGaia Protectis minipack and BioGaia Protectis drops with vitamin D.

I have been CEO for six months and have continued with my travels around the world to visit our distribution partners. I am impressed by their professional attitudes and dedication. Based on our successful medical marketing model, we have established our brand among doctors, midwives and other healthcare professionals. Our strong research results have been our most effective marketing tool. We are now ready, together with our partners, to sell direct to consumers to a greater extent. This is something we have already started in the USA (via Amazon) and in China (via Alibaba).

We continue to work with our sustainability strategy and recently hired a Sustainability Manager who will work with our sustainability initiatives throughout the value chain. He will join the company in August.

In February, we gathered all our employees for our BioGaia Days where among other things we reviewed our strategic three-year plan. I am so grateful to see such passion and commitment among our employees and I am totally convinced that our BioGaia journey has only just begun.

**Isabelle Ducellier**
**President and CEO BioGaia**
**8 May 2019**

## FINANCIAL PERFORMANCE IN THE FIRST QUARTER OF 2019

### *Sales*

Consolidated net sales totaled SEK 171.3 million (156.6) which is an increase of SEK 14.7 million, 9%, (excluding foreign exchange effects, 2%) compared to the corresponding period last year. The lower increase in revenue is due to decreased royalty revenues from Nestlé, as already communicated. Product sales, i.e. excluding royalty revenues, amounted to SEK 164.5 million (138.1) which is an increase of 19% (excluding foreign exchange effects, 11%). In the past 12-month period, sales increased by 20% (excluding foreign exchange effects, 13%).

PEDIATRICS SEGMENT

Sales in the Pediatrics segment amounted to SEK 133.6 million (131.7) an increase of 1% (excluding foreign exchange effects, -5%) compared to the corresponding period last year. Royalty revenues from Nestlé relating to the use of *Lactobacillus reuteri* in growing up milk for children over the age of one year, have decreased. Product sales amounted to SEK 128.1 million (114,5), an increase of 12% (excluding foreign exchange effects, 4%). The increase was mainly driven by sales of BioGaia Protectis drops.

Sales of drops, which make up the bulk of sales, increased in all regions but primarily in EMEA and APAC. In EMEA, sales increased in several countries but mainly in France, Spain/Portugal, Italy and Hungary. In APAC, sales increased primarily in China and South Korea.

Sales of BioGaia Protectis tablets within Pediatrics increased in APAC (Philippines and Taiwan) and were largely unchanged in other regions.

Royalties from sales of growing up milk with *Lactobacillus reuteri* Protectis for children over the age of one year decreased by SEK 10.0 million compared to the corresponding period last year. This is because BioGaia's royalty agreement with Nestlé expired at year-end 2018. Nestlé has renegotiated the royalty agreement which means that the number of markets is limited compared with previously.

Royalty revenues from the earlier collaboration agreement ceased at year-end 2018 which was in accordance with the original agreement and amounted to SEK 0 million (3.0), a decrease of SEK 3.0 million.

Sales of culture, at lower margins, for use in Nestlé's infant formula increased slightly compared to the corresponding period last year.

In the past 12-month period, sales within the Pediatrics segment increased by 17% (excluding foreign exchange effects, 10%).

ADULT HEALTH SEGMENT

Net sales in the Adult Health segment amounted to SEK 37.6 million (24.4), an increase of 54%, (excluding foreign exchange effects, 44%) compared to the corresponding period last year.

Sales of BioGaia Protectis tablets increased compared to the corresponding period last year. Sales increased in APAC (primarily Japan) and in EMEA (mainly Finland).

Sales of oral health products also increased compared to the corresponding period last year. Sales increased in APAC (Japan) while decreasing slightly in EMEA. In the Americas, BioGaia Prodentis oral health lozenges were recently launched in the USA and Colombia.

Sales of BioGaia Gastrus gut health tablets remain at a low level and were largely unchanged compared to the corresponding period last year. The company is actively working on finding additional distribution partners for this product.

In the past 12-month period sales in the Adult Health segment increased by 36% (excluding foreign exchange effects, 28%).

OTHER SALES

Other sales amounted to SEK 0 million (0.5), a decrease of SEK 0.5 million compared to the corresponding period last year.

SALES BY GEOGRAPHIC MARKET

Sales in EMEA amounted to SEK 103.4 million (101.1), an increase of 2%. Sales within Pediatrics decreased due to lower royalty revenues while sales of Adult Health products increased. In the past 12-month period, sales increased by 10%.

Sales in APAC amounted to SEK 34.6 million (19.3), an increase of 80%. The increase was more or less equally distributed between the Pediatrics and Adult Health segments. In the past 12-month period, sales increased by 56%.

In the Americas, sales amounted to SEK 33.2 million (36.3), a decrease of 8%. The decrease was mainly attributable to the Pediatrics segment following a strong fourth quarter in 2018. In the past 12-month period, sales increased by 25%.

THE BIOGAIA BRAND

Of total finished consumer products (drops, gut health tablets, oral health lozenges, oral rehydration solution, etc.) sold in the first quarter, 65% (66%) were sold under the BioGaia brand including co-branding.

### *Gross margin*

The total gross margin amounted to 73% (74%).

The gross margin for Pediatrics amounted to 73% (75%). The lower gross margin was due to lower royalty revenues.

The gross margin for the Adult Health segment was 70% (67%). The increase was mainly due to higher sales in Japan where the margin is higher than in other markets.

### *Operating expenses*

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen) amounted to SEK 69.4 million (54.3) , an increase of 28%. During the quarter several marketing activities were carried out in a number of countries (including Italy, Spain and Sweden). In addition, personnel expenses rose because of an increase in the average number of employees from 121 to 144. A new ERP system is also being introduced in the company which increased costs during the period. Furthermore, costs within R&D increased mainly due to higher patent, product development and laboratory costs due among other things to our Center of Excellence in Eslöv, Sweden, which was opened recently. The increased costs are a consequence of the investments the company is making to support sales of existing products and to develop new unique products in order to ensure continued growth.

For some time now, the Group has included the two research-intensive subsidiaries BioGaia Pharma AB and MetaboGen AB. Expenses for these companies amounted to SEK 4.8 million (0.9). Total operating expenses for the Group thus increased by 34% compared to the corresponding period last year.

Other operating expenses refers to exchange losses on receivables and liabilities of an operating nature. These amounted to SEK -3.7 million (-3.9). At 31 March 2019, the company had outstanding forward exchange contracts for EUR 14.7 million at an average exchange rate of SEK 10.19 and for USD 9.8 million at an average exchange rate of SEK 8.40. The actual exchange loss/gain depends on the exchange rate on the maturity dates of the contracts.

### *Share of profits of associates*

Until 6 April 2018, MetaboGen, see below, was an associated company in BioGaia. Share of profits of associates for 2018 refers to BioGaia's share (36%) of MetaboGen AB's profits up to 6 April 2018.

*Operating profit and operating margin*

Operating profit amounted to SEK 46.4 million (56.2), a decrease of SEK 9.8 million (17%).

Operating margin amounted to 27% (36%).

*Profit after tax*

Profit after tax amounted to SEK 35.6 million (43.2), a decrease of SEK 7.6 million (18%).

The effective tax rate for the Group was 23% (23%).

Owing to the distribution and license agreement signed in Japan at the end of 2016, it will be possible to utilize a large share of the earlier loss carryforward in Japan in the Japanese company. The exclusivity fees relating to product rights will be recognized successively over the term of the agreement and a deferred tax asset was therefore recognized. At 31 March 2019, the deferred tax asset amounted to SEK 8.2 million (SEK 8.4 million at 31 December 2018). No deferred tax has been recognized for the subsidiary MetaboGen.

*Earnings per share*

Earnings per share amounted to SEK 2.06 (2.49). No dilutive effects arose.

*Balance sheet, 31 March 2019*

Total assets amounted to SEK 705.6 million (660.0). During the quarter property, plant and equipment increased by SEK 23.1 million in the item right-of-use assets due to the new accounting standard IFRS 16. The new accounting standard has also had an impact on liabilities of SEK 16.3 million in the item non-current liabilities and SEK 6.9 million in the item current liabilities. Further, trade receivables have decreased while cash and cash equivalents have increased since the start of the year.

*Cash flow*

Cash flow amounted to SEK 29.3 million (39.8). The decrease compared to the same period of last year is due to lower cash flow from operating activities. Cash and cash equivalents at 31 March 2019 amounted to SEK 315.1 million (SEK 285.0 at 31 December 2018).

*Investments in property, plant and equipment*

Investments in property, plant and equipment amounted to SEK 4.9 million (2.8).

*Parent Company*

The Parent Company's net sales amounted to SEK 162.6 million (147.0) and profit before tax was SEK 39.7 million (47.7). The financial performance of the Parent Company is in all material respects in line with that of the Group.

Cash flow amounted to SEK 15.6 million (28.0).

*Subsidiary in Japan*

BioGaia Japan is a wholly owned subsidiary of BioGaia AB.
Net sales relating to the Japanese operations amounted to SEK 15.4 million (11.4). Operating profit for the Japanese operations was SEK 1.8 million (1.3).

*Subsidiary BioGaia Production AB*

BioGaia Production is a wholly owned subsidiary of BioGaia AB that manufactures the company's products, primarily drops.
Net sales amounted to SEK 27.5 million (25.5). Operating profit was SEK 9.3 million (9.4).

*Subsidiary CapAble AB*

CapAble is a wholly owned subsidiary of BioGaia AB. The company was previously owned to 9.9% by CapAble's Managing Director but in February 2019 BioGaia acquired the remaining shareholding for SEK 1.
Net sales in CapAble amounted to SEK 0 million (0.4). Operating profit was SEK -0.7 million (-0.5).

*Subsidiary BioGaia Pharma AB*

BioGaia Pharma is owned to 96% by BioGaia and 4% by the company's Managing Director.
BioGaia Pharma was formed in 2017 to take advantage of the opportunities to develop drugs identified in the R&D activities conducted as part of BioGaia's normal business.
The company does not yet have any revenues. Operating profit for the period was SEK -1.6 million (-0.9). Through 31 March 2019 the company has received a conditional shareholder contribution of SEK 8.0 million from the Parent Company.

*Subsidiary MetaboGen AB*

MetaboGen has been a subsidiary of BioGaia AB since 6 April 2018 (previously an associated company). MetaboGen is owned to 92% by BioGaia AB and 8% by the former owners. BioGaia will acquire the remaining 8% in the company within a three-year period. The additional purchase consideration can amount to a maximum of SEK 12 million depending on how many milestones are achieved. In the first quarter of 2019, the company received a shareholder contribution of SEK 6.0 million from the Parent Company.

MetaboGen is a research-driven company that was founded in 2011 in Gothenburg. The company's founders include Professor Fredrik Bäckhed at the University of Gothenburg and Professor Jens B. Nielsen at Chalmers University of Technology. These researchers still work with the company. MetaboGen conducts research in the microbiome area including sequencing of all genes in the microflora, for example in the human intestine, to find previously unknown components and patterns in the microbial diversity and link this to health and disease.

BioGaia has also initiated a research project with the University of Gothenburg and Chalmers University of Technology which involves costs of SEK 22 million over a three-year period. The project started in the third quarter of 2018.

The company does not yet have any sales revenue but part of the costs for a study on intrahepatic cholestasis of pregnancy (ICP) is funded by Ferring. Operating profit for operations in MetaboGen (including the above research project) amounted to SEK -3.2 million (0.0).

## KEY EVENTS IN THE FIRST QUARTER OF 2019

***Launches in the first quarter***

| Distributor | Country | Product |
|---|---|---|
| Abbott | Colombia | BioGaia Prodentis lozenges |
| Agefinsa | El Salvador and Honduras | BioGaia Gastrus tablets |
| Verman | Finland | BioGaia Protectis capsules |
| Ezcacibasi | Turkey | BioGaia Protectis minipack, BioGaia Protectis drops with vitamin D |

***New product BioGaia Protectis capsules, launched in Finland***

BioGaia's partner in Finland, Oy Verman Ab, launched BioGaia's new product, BioGaia Protectis capsules in Finnish pharmacies in March.

Verman is one of the leading healthcare companies in Finland and also one of BioGaia's oldest partners for finished products. The cooperation started in 2004 when Verman launched BioGaia Protectis tablets under their brand RELA. Today Verman markets the entire BioGaia range of products and RELA is a well-known brand among consumers and healthcare professionals in Finland, with a market share of 36% of the pharmacy probiotic diet supplement market.

BioGaia Protectis capsules is a vegan capsule containing the probiotic stain *Lactobacillus reuteri* Protectis (DSM 17938). The product contains no flavor, colorings or other additives. The capsule is small and easy to swallow but can also be opened and sprinkled on food.

## KEY EVENTS AFTER THE END OF THE FIRST QUARTER

***BioGaia launches BioGaia Osfortis – a new product for the prevention of osteoporosis.***

The USA will be the first market to launch BioGaia's new product for bone health, BioGaia Osfortis. The product will be marketed by Everidis Health Sciences in the US and will be available from mid-May 2019.

In June 2018 a randomized, double-blind, placebo-controlled study with BioGaia's probiotic strain *Lactobacillus reuteri* ATCC PTA 6475 was published, showing that loss in bone density was halved in the probiotic group compared to those given placebo. 90 older women with low bone density were included in the study which was conducted at the University of Gothenburg.

***BioGaia's probiotic decreases pain in patients with diverticulitis***

A randomized, double-blind, placebo-controlled study with BioGaia's probiotic strain *Lactobacillus reuteri* ATCC PTA 4659 was shown to reduce abdominal pain significantly more than placebo in patients with acute uncomplicated diverticulitis. Moreover, as hospitalization time was shorter in the probiotic group the probiotic supplementation also had economic benefits.

The study was published online 22 April 2019 in International Journal of Colorectal Disease.

## EMPLOYEES

The number of employees in the Group at 31 March 2019 was 144 (143 at 31 December 2018).

## 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 an 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 predominantly under the BioGaia brand, successful clinical trials and an expanding distribution network that covers a large share of the key markets, BioGaia's future outlook remains bright.

## SIGNIFICANT RISKS AND UNCERTAINTIES: GROUP AND PARENT COMPANY

Significant risks and uncertainties are described in the administration report of the annual report for 2018 on pages 45 and 46 and in Notes 27 and 28. No significant changes in these risks and uncertainties are assessed to have taken place at 31 March 2019.

## RELATED PARTY TRANSACTIONS

The Parent Company owned 100% of the shares in BioGaia Biologics Inc. USA, BioGaia Japan Inc, BioGaia Production AB, CapAble AB and Tripac AB. The Parent Company also owned 96% of the shares in BioGaia Pharma AB and 92% of the shares in MetaboGen AB.

Annwall & Rothschild Investment AB owns 740,668 class A shares and 359,332 class B shares, corresponding to 6.3% of the share capital and 32.4% of the voting rights in BioGaia AB. Annwall & Rothschild Investment AB is owned by Peter Rothschild and Jan Annwall. Peter Rothschild is Chairman of the Board of BioGaia AB and receives a director's fee of SEK 600 thousand per year. During the quarter Peter Rothschild received additional remuneration for significant working duties, in addition to his assignment on the Board, of SEK 155 thousand per month in accordance with the decision of the Annual General Meeting and the Board of Directors.

## ACCOUNTING POLICIES

In all material respects, this interim management statement has been prepared in accordance with Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim management statement. The accounting policies applied in the consolidated statements of comprehensive income and financial position are consistent with the accounting policies applied in preparation of the most recent annual report with the addition of new accounting standards described below.

The financial statements and segment information are consistent with the presentation used in the interim reports presented in compliance with IAS 34, in order to achieve comparability in presentation between quarters. The interim management statement contains, among other things, comments from the Managing Director, although this is not required according to Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. This information is nonetheless considered important in meeting the users' needs.

***New accounting standards***
The accounting polices applied correspond to those presented in the 2018 annual report with the exception of those applying to "Leases" (IFRS 16 replaces IAS 17).

**IFRS 16 Leases**

IFRS 16 Leases was issued on 13 January 2016 and replaces IAS 17 Leases. IFRS 16 introduces a "right-of-use model" that requires the lessee to recognize almost all leases in the balance sheet, for which reason leases are no longer classified as operating or finance leases. The exceptions are leases that have a term of 12 months or less and leases where the underlying asset has a low value. In the income statement, the entity recognizes depreciation on the asset and interest expenses on the liability. The standard contains more extensive disclosure requirements compared to the current standard. For the lessor, IFRS 16 entails no real changes compared to IAS 17. IFRS 16 is applicable for financial years beginning on 1 January 2019 with earlier adoption permitted provided IFRS 15 is applied at the same time. The standard was endorsed by the EU in December 2016.

BioGaia applies IFRS 16 Leases with effect from 1 January 2019. BioGaia has carried out a review of all leasing and rental contracts. BioGaia has chosen the simplified transition method which means that on the date of initial application the right-of-use is set at an amount that corresponds to the lease liability. The right-of-use assets on the initial application date amount to SEK 24.8 million and leases with the highest materiality are rental contracts for the offices in Stockholm and Lund which amount to SEK 19.7 million and expire at the latest in 2026. At 1 January 2019 the company's assets will increase by SEK 24.8 million and liabilities by a corresponding amount. At 31 March the Group's lease assets amounted to SEK 23.1 million which is recognized in the item right-of-use assets and liabilities amounted to SEK 16.3 million in non-current liabilities and SEK 6.9 million in current liabilities. For the period January-March 2019 an interest expense of SEK 0.2 million and an amortization of SEK 1.7 million are recognized. In cash flow the net change in the lease liability (SEK 1.7 million) is recognized as an item in cash flow from financing activities.

**The Group as lessee**
The Group assesses whether a contract is or contains a lease contract at the commencement date. The Group recognized a right-of-use and a corresponding lease liability for all leases in which the Group is the lessee. This does not apply, however, to short-term leases (defined as leases with a lease term of 12 months or less) and to leases where the underlying asset is of low value. For these leases the Group recognized lease payments as an operating expense on a straight-line basis over the lease term, if no other systematic method better reflects how the economic benefits from the underlying asset will be consumed by the lessee.

The lease liability is measured initially at the present value of lease payments not paid as of the commencement date, discounted by using the lease's implicit interest rate. If this interest rate cannot be easily identified, the Group uses the marginal borrowing rate. The marginal borrowing rate is the interest rate that a lessee would need to pay for financing through borrowing during a corresponding period and with corresponding security, for right-of-use of an asset in a similar economic environment.

Lease payments included in measurement of the lease liability include:

- fixed lease payments (including substantive fixed payments) after deduction for any incentives,
- variable lease payments depending on an index or a rate, initially measured using an index or rate at the commencement date.

Non-current lease liabilities are recognized as a separate item and current lease liabilities are recognized together with other current liabilities.

The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right-of-use) if:

- - The lease term has changed or if there is a change in the assessment of an option to purchase the underlying asset. In such cases the lease liability is remeasured by discounting the changed lease payments with a changed discount rate.
- - Lease payments change due to changes in an index or rate or a change in the amount expected to be paid out under a residual value guarantee. In such cases the lease liability is remeasured by discounting the changed lease payments with the initial discount rate (provided the changes in lease payments are not due to changed variable interest rate, when a changed discount rate will be used instead).
- - A lease contract is changed and the change is not recognized as a separate lease. In such cases, the lease liability is remeasured by discounting the changed lease payments by a changed discount rate.

The Group has not made any such adjustments in the periods presented.

At acquisition right of use assets are recognized at the value of a corresponding lease liability, lease payments made on or before the commencement date as well as any initial direct payments. In subsequent periods they are measured at cost after deduction for cumulative amortization and impairment.

If the Group undertakes to dismantle and remove a lease asset, to restore the site on which the item is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognized according to IAS 37. Such provisions are recognized as part of the cost for right-of-use, unless these payments arise in conjunction with production of goods. Amortization of right-of-use assets takes place over an estimated useful life or over the contractual lease term, if this is shorter. If a lease contract transfers right of ownership to the underlying assets at the end of the lease term or if the cost for right-of-use reflects that the Group expects to exercise a call option, amortization takes place over the useful life of the underlying asset. Amortization starts as per the commencement date for the lease contract.
Right-of-use assets are presented on a separate line in the consolidated statement of financial position.
The Group applies IAS 36 Impairment of Assets to decide whether a impairment requirement exists for the right-of-use and reports any identified impairment in the same manner as described in the principles for property, plant and equipment.
Variable lease payments that are not due to an index or rate are not included in the measurement of the lease liability and right-of-use. Such lease payments are recognized as an expense in the period in which they arise and included on the line administrative expenses in the consolidated income statement.

IFRS 16 permits, as a practical expedient, that the lessee does not separate non-lease components from lease components and instead recognizes each lease component and associated non-lease components as a single lease component. The Group has chosen not to apply this exemption.

**Exchange rate differences**
Most of the company's sales are denominated in foreign currency, primarily EUR but also USD and JPY. With unchanged exchange rates, compared with the first quarter of the previous year, net sales would have been SEK 11.5 million lower in the first quarter of 2019. Exchange rate differences affect both revenues and expenses.

**Consolidated statements of consolidated income**

| (Amounts in SEK 000s) | **Jan-Mar 2019** | Jan-Mar 2018 | Jan-Dec 2018 | April 2018-Mar 2019 | April 2017 Mar 2018 |
|---|---|---|---|---|---|
| Net sales (Note 1) | **171,257** | 156,645 | 741,870 | 756,482 | 630,515 |
| Cost of sales | **-46,845** | -40,879 | -185,956 | -191,922 | -157,147 |
| *Gross profit* | ***124,412*** | *115,766* | *555,914* | *564,560* | *473,368* |
| Selling expenses | **-40,679** | -30,111 | -153,109 | -163,677 | -130,394 |
| Administrative expenses | **-6,640** | -5,720 | -27,653 | -28,573 | -22,948 |
| Research and development expenses | **-26,911** | -19,405 | -99,742 | -107,248 | -78,286 |
| Share of profit of subsidiaries | **-** | -500 | -500 | - | -820 |
| Revaluation of former associate shareholding | **-** | - | 7,004 | 7,004 | - |
| Other operating income/operating expenses | **-3,743** | -3,879 | -4,555 | -4,419 | -7,868 |
| *Operating profit* | ***46,439*** | *56,151* | *277,359* | *267,647* | *233,052* |
| Interest income | **118** | 273 | 641 | 759 | 385 |
| Financial expenses | **-243** | -40 | -405 | -608 | -121 |
| *Profit before tax* | ***46,314*** | *56,384* | *277,595* | *267,798* | *233,316* |
| Deferred tax | **-279** | -160 | -909 | -1,188 | -1,254 |
| Tax | **-10,445** | -13,068 | -62,453 | -59,830 | -51,228 |
| **PROFIT FOR THE PERIOD** | **35,590** | 43,156 | 214,233 | 206,780 | 180,834 |
| **Items that may be subsequently reclassified to profit or loss** | | | | | |
| Gains/losses arising on translation of the statements of foreign operations | **-222** | -322 | -187 | -87 | 328 |
| **Comprehensive income for the period** | **35,368** | 42,834 | 214,046 | 206,693 | 181 862 |
| **Profit for the period attributable to:** | | | | | |
| Owners of the Parent Company | **35,697** | 43,156 | 214,890 | 250,587 | 180,834 |
| Non-controlling interests | **-107** | 0 | -657 | -764 | 0 |
| | **35,590** | 43,156 | 214,233 | 249,823 | 180,834 |
| **Comprehensive income for the period attributable to:** | | | | | |
| Owners of the Parent Company | **35,475** | 42,834 | 214,703 | 207,457 | 181, 862 |
| Non-controlling interests | **-107** | 0 | -657 | -764 | 0 |
| | **35,368** | 42,834 | 214,046 | 206,693 | 181,862 |
| **Earnings per share** | | | | | |
| Earnings per share (SEK) *) | **2.06** | 2.49 | 12.40 | 14.45 | 10.43 |
| Number of shares (thousands) | **17,336** | 17,336 | 17,336 | 17,336 | 17,336 |
| Average number of shares (thousands) | **17,336** | 17,336 | 17,336 | 17,336 | 17,336 |

*) No dilutive effects arose.

| **CONSOLIDATED BALANCE SHEETS** | **31 Mar** | 31-Dec | 31 Mar |
|---|---|---|---|
| Summary (amounts in SEK 000s) | **2019** | 2018 | 2018 |
| ASSETS | | | |
| Property, plant and equipment | **108,820** | 105,935 | 103,388 |
| R&D projects in progress | **45,850** | 45,850 | - |
| Goodwill | **5,300** | 5,300 | - |
| Right-of-use assets (Note 2) | **23,127** | - | - |
| Shares in associates | **-** | - | 9,432 |
| Deferred tax assets | **8,151** | 8,430 | 9,179 |
| Other non-current receivables | **44** | 43 | 40 |
| *Total non-current assets* | ***191,292*** | *165,558* | *122,039* |
| Current assets excl. cash and cash equivalents | **199,167** | 209,453 | 155,214 |
| Cash and cash equivalents | **315,121** | 284,962 | 347,871 |
| *Total current assets* | ***514,288*** | *494,415* | *503,085* |
| **TOTAL ASSETS** | **705,580** | 659,973 | 625,124 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Parent Company | **540,457** | 504,982 | 506,425 |
| Non-controlling interests | **3,032** | 3,139 | -16 |
| Total equity (Note 3) | **543,489** | 508,121 | 506,409 |
| Deferred tax liability | **6,679** | 6,679 | 778 |
| Non-current lease liabilities (Note 2) | **16,256** | - | - |
| Current liabilities | **139,156** | 145,173 | 117,937 |
| **TOTAL LIABILITIES AND EQUITY** | **705,580** | 659,973 | 625,124 |

Other current liabilities include forward exchange contracts with a fair value of SEK 10.7 million (7.0). All forward exchange contracts are attributable to level 2 of the fair value hierarchy. The fair values of other receivables, cash and cash equivalents, trade payables and other liabilities are estimated to be equal to their carrying amounts (amortized cost) due to the short maturity.

| **CONSOLIDATED CASH FLOW STATEMENTS** | **Jan-Mar** | Jan-Mar | Jan-Dec |
|---|---|---|---|
| Summary (amounts in SEK 000s) | **2019** | 2018 | 2018 |
| *Operating activities* | | | |
| Operating profit | **46 439** | 56 151 | 277 359 |
| Depreciation/amortization | **3 746** | 1 845 | 7 546 |
| Unrealized gains/losses on forward exchange contracts | **3 449** | 8 602 | 6 098 |
| Remeasurement of former associate shareholding in MetaboGen | **-** | - | -7 004 |
| Other non-cash items | **-363** | -884 | 1 497 |
| | **53 271** | 65 714 | 285 496 |
| Paid tax | **-23 011** | -12 632 | -52 408 |
| Interest received and paid | **-7** | 161 | 240 |
| ***Cash flow from operating activities before changes in working capital*** | **30 253** | 53 243 | 233 328 |
| Changes in working capital | **5 651** | -10 616 | -50 208 |
| ***Cash flow from operating activities*** | ***35 904*** | *42 627* | *183 120* |
| Acquisition of property, plant and equipment | **-4 919** | -2 823 | -13 454 |
| Sale of property, plant and equipment | **-** | - | 75 |
| Acquisition of subsidiary | **-** | - | -33 922 |
| ***Cash flow from investing activities*** | ***-4 919*** | *-2 823* | *-47 301* |
| Dividends | **-** | - | -156 028 |
| Net change in lease liability | **-1 693** | - | - |
| Provision to the Foundation to Prevent Antibiotic Resistance | **-** | - | -2 700 |
| ***Cash flow from financing activities*** | ***-1 693*** | *0* | *-158 728* |
| **Cash flow for the period** | **29 292** | 39 804 | -22 909 |
| **Cash and cash equivalents at the beginning of the period** | **284 962** | 305 856 | 305 856 |
| Exchange differences in cash and cash equivalents | **867** | 2 211 | 2 015 |
| **Cash and cash equivalents at end of the period** | **315 121** | 347 871 | 284 962 |

## NOTE 1 REPORTING BY SEGMENT - GROUP

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 segment** (drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used ingredients in licensee products (such as infant formula), as well as royalty revenue for pediatric products.)
- **Adult Health segment** (gut health tablets, oral health lozenges, cultures as an ingredient in a licensee's dairy products and royalty for adult health products).
- **Other segment** (Smaller segments such as revenue from packaging solutions.)

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 segments' assets.

| Revenue by segment (SEK 000s) | **Jan-Mar 2019** | Jan-Mar 2018 | Jan-Dec 2018 | April 2018-Mar 2019 | April 2017 Mar 2018 |
|---|---|---|---|---|---|
| Pediatrics | **133,612** | 131,735 | 596,457 | 598,334 | 513,506 |
| Adult Health | **37,645** | 24,435 | 141,680 | 154,890 | 114,106 |
| Other | **0** | 475 | 3,733 | 3,258 | 2,903 |
| Total | **171,257** | 156,645 | 741,870 | 756,482 | 630,515 |
| **Gross profit by segment** | | | | | |
| Pediatrics | **98,186** | 98,832 | 451,636 | 450,990 | 394,975 |
| Adult Health | **26,226** | 16,459 | 100,711 | 110,478 | 75,528 |
| Other | **0** | 475 | 3,567 | 3,092 | 2,865 |
| Total | **124,412** | 115,766 | 555,914 | 564,560 | 473,368 |
| Selling, administrative and R&D expenses | **-74,230** | -55,236 | -280,504 | -299,498 | -231,628 |
| Share of profits of associates | **-** | -500 | -500 | - | -820 |
| Remeasurement of former associate shareholding | **-** | - | 7,004 | 7,004 | - |
| Other operating expenses | **-3,743** | -3,879 | -4,555 | -4,419 | -7,868 |
| Operating profit | **46,439** | 56,151 | 277,359 | 267,647 | 233,052 |
| Net financial items | **-125** | 233 | 236 | 151 | 264 |
| Profit before tax | **46,314** | 56,384 | 277,595 | 267,798 | 233,316 |
| | , | | | | |
| **Sales by geographic market** | , | | | | |
| **Asia Pacific** | | | | | |
| Pediatrics | **14,017** | 7,302 | 49,303 | 56,018 | 32,996 |
| Adult Health | **20,624** | 11,923 | 80,599 | 89,300 | 59,971 |
| Other | **-** | 37 | 172 | 135 | 170 |
| **Total Asia Pacific** | **34,641** | 19,262 | 130,074 | 145,453 | 93,137 |
| **EMEA** | | | | | |
| Pediatrics | **87,460** | 89,575 | 379,144 | 377,029 | 347,942 |
| Adult Health | **15,959** | 11,096 | 55,177 | 60,040 | 50,260 |
| Other | **-** | 438 | 3,555 | 3,117 | 2,279 |
| **Total EMEA** | **103,419** | 101,109 | 437,876 | 440,186 | 400,481 |
| **Americas** | | | | | |
| Pediatrics | **32,135** | 34,858 | 168,010 | 165,287 | 132,568 |
| Adult Health | **1,062** | 1,416 | 5,904 | 5,550 | 3,875 |
| Other | **-** | - | 6 | 6 | 454 |
| **Total Americas** | **33,197** | 36,274 | 173,920 | 170,843 | 136,897 |
| **Total** | **171,257** | 156,645 | 741,870 | 756,482 | 630,515 |

| Date of recognition | | | |
|---|---|---|---|
| **Performance obligations met on specific date (Product sales)** | | | |
| Pediatrics | **128,063** | 114,521 | 523,537 |
| Adult Health | **36,475** | 23,581 | 136,606 |
| Other | **0** | 43 | 2,005 |
| **Total** | **164,538** | 138,145 | 662,148 |
| **Performance obligations met over time (Royalty)** | | | |
| Pediatrics | **5,549** | 17,214 | 72,920 |
| Adult Health | **1,170** | 854 | 5,074 |
| Other | **0** | 432 | 1,728 |
| **Total** | **6,719** | 18,500 | 79,722 |
| **Total** | **171,257** | 156,645 | 741,870 |

## NOTE 2 – CHANGE IN ACCOUNTING STANDARD

**Effects on assets, liabilities and equity, 1 January 2019**

| | Recognized balance sheet items 1 January 2019 | Recalculation to IFRS 16 | Recalculated balance sheet items 1 January 2019 |
|---|---|---|---|
| Right-of-use assets | 0 | 24,820 | 24,820 |
| Non-current liabilities | | | |
| Lease liabilities | | -17,254 | -17,254 |
| Current liabilities | | | |
| Lease liabilities | | -7,566 | -7,566 |
| Undertaking for operating leases at 31 December 2018 | 27,017 | | |
| Discount effect | -2,197 | | |
| Recognized lease liability opening balance, 1 January 2019 | 24,820 | | |

The company has used a weighted average marginal borrowing rate of 3% when determining the lease liability in the opening balance at 1 January 2019.

**Effect on income statement due to change of accounting standard**

| | Jan-Mar 2019 according to IAS17 | Reclassification | Jan-Mar 2019 according to IFRS 16 |
|---|---|---|---|
| Operating expenses | -76,432 | 202 | -76,230 |
| Net financial items | 77 | -202 | -125 |

Depreciations have increased by SEK 1693 thousand while rental/leasing expenses have decreased by corresponding amount. Both amounts are included in administrative expenses.

## NOTE 3 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | **Jan-Mar 2019** | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| Opening balance | **508,121** | 463,888 | 463,888 |
| Remeasurement under IFRS 9 | **-** | -313 | -313 |
| Opening balance after change of accounting standard | **508,121** | 463,575 | 463,575 |
| Dividend | **-** | - | -156,028 |
| Provision to the Foundation to Prevent Antibiotic Resistance [1)] | **-** | - | -2,700 |
| Non-controlling interests related to the acquisition of MetaboGen | **-** | - | 17,062 |
| Transaction between owners related to further acquisition of shares in MetaboGen | **-** | - | -27,834 |
| Comprehensive income for the period | **35,368** | 42,834 | 214,046 |
| **Closing balance** | **543,489** | 506,409 | 508,121 |

1) Provision to the Foundation to Prevent Antibiotic Resistance was approved at the AGM and is in accordance with the Swedish Companies Act, Chapter 17 section 5 on donations for charitable purposes. Support for recognition of the provision in equity is found in the Conceptual Framework for Financial Reporting in the section Financial performance reflected by accrual accounting (1.17ff).

## LARGEST SHAREHOLDERS IN BIOGAIA AT 31 MARCH 2019 (Source: Euroclear)

| | | **A shares 000s** | **B shares 000s** | **Share capital SEK 000s** | **No. of votes 000s** | **Holding %** | **Votes %** |
|---|---|---|---|---|---|---|---|
| **1** | **Annwall & Rothschild Inv. AB** | **741** | **359** | **1,100** | **7,766** | **6.3%** | **32.4%** |
| **2** | **Swedbank Robur fonder** | | **1,631** | **1,631** | **1,631** | **9.4%** | **6.8%** |
| **3** | **Fjärde AP-fonden** | | **1,408** | **1,408** | **1,408** | **8.1%** | **5.9%** |
| **4** | **Öhman Bank S.A** | | **1,092** | **1,092** | **1,092** | **6.3%** | **4.5%** |
| **5** | **State Street Bank & Trust co** | | **773** | **773** | **773** | **4.5%** | **3.2%** |
| **6** | **David Dangoor** | | **519** | **519** | **519** | **3.0%** | **2.2%** |
| **7** | **Banque Pictet &CiE** | | **458** | **458** | **458** | **2.6%** | **1.9%** |
| **8** | **SSB and Trust company, Boston** | | **392** | **392** | **392** | **2.3%** | **1.6%** |
| **9** | **State Street Bank & Trust com., Boston** | | **311** | **311** | **311** | **1.8%** | **1.3%** |
| **10** | **BNY Mellon SA/NV (Former BNY)** | | **309** | **309** | **309** | **1.8%** | **1.3%** |
| | **Other shareholders** | | **9,343** | **9,343** | **9,343** | **53.9%** | **38.9%** |
| | **Total:** | **741** | **16,596** | **17,336** | **24,002** | **100%** | **100%** |

## CONSOLIDATED KEY RATIOS

| | **Jan-Mar 2019** | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| Net sales, SEK 000s | **171,257** | 156,645 | 741,870 |
| Growth,% | **9%** | 11% | 21% |
| Operating profit, SEK 000s | **46,439** | 56,151 | 277,359 |
| Profit after tax, SEK 000s | **35,590** | 43,156 | 214,233 |
| Return on | | | |
| - average equity | **7%** | 9% | 44% |
| - average capital employed | **9%** | 12% | 57% |
| Capital employed, SEK 000s | **566,424** | 507,187 | 514,800 |
| Number of shares (thousands) 1) | **17,336** | 17,336 | 17,336 |
| Average number of shares, thousands | **17,336** | 17,336 | 17,336 |
| Earnings per share, SEK 1) 2) | **2.06** | 2.49 | 12.40 |
| Equity per share, SEK 1) | **31.18** | 29.21 | 29.13 |
| Equity/assets ratio | **77%** | 81% | 77% |
| Operating margin | **27%** | 36% | 37% |
| Profit margin | **27%** | 36% | 37% |
| Average number of employees | **144** | 121 | 130 |

1) No dilutive effects arose
2) Key ratio defined according to IFRS

### Definition of key ratios

| **Key ratio** | **Definition/Calculation** | **Purpose** |
|---|---|---|
| **Return on equity** | Profit attributable to the owners of the Parent Company in relation to 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** | Profit before net financial items 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 average 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. |
| **Operating margin (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 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 company's ability, in addition to cash and liquid assets, to meet the requirements of business operations. |
| **Growth** | Sales for the period less sales for the corresponding period of the previous year divided by sales for the previous period. | Shows the company's realized sales growth over time. |
| **Earnings per share (EPS)** | Profit for the period attributable to the owners of the Parent Company divided by average number of shares outstanding (definition according to IFRS). | EPS measures how much of net profit is available for payment to shareholders as dividends per share.. |
| **Profit margin** | Profit before tax in relation to net sales. | This key ratio makes it possible to compare profitability regardless of corporate income tax rate. |

#### Definition of key ratios, continued

| **Return on average equity** | **Jan-Mar 2019** | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| Profit attributable to owners of the Parent Company (A) | **35,697** | 43,156 | 214,890 |
| Equity attributable to owners of the Parent Company | **540,457** | 506,425 | 504,982 |
| Average equity attributable to owners of the Parent Company (B) | **522,720** | 485,165 | 484,444 |
| Return on equity (A/B) | **7%** | 9% | 44% |

**Definition of key ratios, continued**

| Return on capital employed | Jan-Mar 2019 | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| Operating profit | **46,439** | 56,151 | 277,359 |
| Financial income | **118** | 273 | 641 |
| Profit before net financial items + financial income (A) | **46,557** | 56,424 | 278,000 |
| Total assets | **705,580** | 625,124 | 659,973 |
| Interest-free liabilities | **-139,156** | -117,937 | -145,173 |
| Capital employed | **566,424** | 507,187 | 514,800 |
| Average capital employed (B) | **540,612** | 485,927 | 489,733 |
| Return on capital employed (A/B) | **9%** | 12% | 57% |

| Equity/assets ratio | 31 Mar 2019 | 31 Mar 2018 | 31-Dec. 2018 |
|---|---|---|---|
| Equity (A) | **543,489** | 506,409 | 508,121 |
| Total assets (B) | **705,580** | 625,124 | 659,973 |
| Equity/assets ratio (A/B) | **77%** | 81% | 77% |

| Operating margin | Jan-Mar 2019 | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| Operating profit (A) | **46,439** | 56,151 | 277,359 |
| Net sales (B) | **171,257** | 156,645 | 741,870 |
| Operating margin (A/B) | **27%** | 36% | 37% |

| Profit margin | Jan-Mar 2019 | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| Profit before tax (A) | **46,314** | 56,384 | 277,595 |
| Net sales (B) | **171,257** | 156,645 | 741,870 |
| Profit margin (A/B) | **27%** | 36% | 37% |

| Equity per share | 31 Mar 2019 | 31 Mar 2018 | 31 Dec 2018 |
|---|---|---|---|
| Equity attributable to owners of the Parent Company (A) | **540,457** | 506,425 | 504,982 |
| Average number of shares (B) | **17,336** | 17,336 | 17,336 |
| Equity per share (A/B) | **31.18** | 29.21 | 29.13 |

| Average key exchange rates | Jan-Mar 2019 | Jan-Mar 2018 | Jan-Dec 2018 |
|---|---|---|---|
| EUR | 10.42 | 9.96 | 10.26 |
| USD | 9.17 | 8.11 | 8.69 |
| JPY | 8.33 | 7.49 | 7.87 |

| Key exchange rates on closing date | 31 Mar 2019 | 31-Dec. 2018 |
|---|---|---|
| EUR | 10.42 | 10.28 |
| USD | 9.28 | 8.97 |
| JPY | 8.38 | 8.12 |

**Change in sales by segment including and excluding foreign exchange effects**

| | | Pediatrics Jan-Mar 2019 | Adult Health Jan-Mar 2019 | Other Jan-Mar 2019 | Total Jan-Mar 2019 |
|---|---|---|---|---|---|
| A | Previous year's net sales according to the average rate | 131,735 | 24,435 | 475 | 156,645 |
| B | Net sales for the year according to the average rate | 133,612 | 37,645 | 0 | 171,257 |
| C | Recognized change (B-A) | 1,877 | 13,210 | -475 | 14,612 |
| | Percentage change (C/A) | 1% | 54% | -100% | 9% |
| D | Net sales for the year according to the previous year's average rate (D) | 124,671 | 35,126 | 0 | 159,797 |
| E | Foreign exchange effects (C-F) | 8,941 | 2,519 | 0 | 11,460 |
| | Percentage change (E/A) | 7% | 10% | 0% | 7% |
| F | Organic change (D-A) | -7,064 | 10,691 | -475 | 3,152 |
| | Organic change percent (F/A) | -5% | 44% | -100% | 2% |

**FINANCIAL CALENDAR**

| | |
|---|---|
| 8 May 2019, 9:30 CET | Teleconference with CEO Isabelle Ducellier. 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-q1-2019. |
| 8 May 2019, 16:00 CET | Annual General Meeting at Kapitel 8, Klara strand, Klarabergsviadukten 90 in Stockholm |
| 8 August 2019, 8:00 CET | Interim Report 1 January – 30 June 2019 |
| 23 October 2019, 8:00 CET | Interim Management Statement 1 January – 30 September 2019 |
| 6 February 2020, 8:00 CET | Year-end Report 2019 |

**Stockholm, 8 May 2019**

**Isabelle Ducellier**
**CEO**

**This interim management statement has not been reviewed by the company's 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* in combination with unique packaging solutions that make it possible to create probiotic products with a long shelf life.

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

BioGaia has 144 employees, of whom 123 are based in Sweden (Stockholm, Lund, Eslöv and Gothenburg), two in the USA, one in Singapore and 18 in Japan.

***Business model***

BioGaia works 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. Revenue is also earned from the sale of bacterial cultures to be used in licensee products (such as infant formula and dairy products), as well as royalties 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 approximately 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.

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***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:**

| | |
|---|---|
| 6 May 2019 | BioGaia's probiotic decreases pain in patients with diverticulitis |
| 3 May 2019 | BioGaia launches BioGaia Osfortis – a new product for the prevention of osteoporosis |
| 5 April 2019 | Notice to attend the Annual General Meeting of BioGaia AB (publ) |

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