

Interim management statement 1 January – 30 September 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 in the third quarter decreased by 4% (excluding foreign exchange effects, 9%) compared to the corresponding period last year. As earlier mentioned the reduction was due to delivery delays from our supplier in Belgium and lower royalty revenues. Sales of products increased by 3% (excluding foreign exchange effects a decrease of 1%). Our increased focus on Asia Pacific (APAC) and Americas continues to yield results. Sales in the region rose 16% and 17% respectively during the quarter.

In the past 12-month period, sales rose by 10%, driven by higher consumer demand as well as product launches in both existing and new markets.

Due to delivery problems at our supplier in Belgium, sales of primarily BioGaia Protectis tablets to our distribution partners decreased. These delivery delays are of course very unfortunate but we believe that the decline in sales is temporary and that the delays will not affect our long-term expectations and sales and marketing strategies. We are continuing our close cooperation with our suppliers in order to reduce the risk of similar problems in the future,” says Isabelle Ducellier, President and CEO of BioGaia.

Third quarter 2019

Net sales amounted to SEK 167.1 million (174.7), a decrease of 4% (excluding foreign exchange effects, 9%). Product sales, net sales excluding royalty revenues, amounted to SEK 161.9 million (156.5), an increase of 3% (excluding foreign exchange effects, a decrease of 1%).

Net sales in the Paediatrics segment reached SEK 128.0 million (138.3), a decrease of 7%. Product sales within Paediatrics amounted to SEK 124.3 million (121.3), an increase of 3%.

Net sales in the Adult Health segment amounted to SEK 38.8 million (36.0), an increase of 8%.

Operating profit amounted to SEK 49.5 million (66.2), a decrease of 25%.

Profit after tax was SEK 38.0 million (51.4), a decrease of 26%.

Earnings per share totalled SEK 2.19 (2.97). No dilutive effects arose.

Cash flow amounted to SEK 51.4 million (44.3).

Key events in third quarter of 2019

New agreement with Abbott for exclusive rights to sell BioGaia's products in Uruguay.

Additional products launched in Ghana, Greece, Mexico and the USA.

1 January – 30 September 2019

Net sales amounted to SEK 560.7 million (532.2), an increase of 5% (excluding foreign exchange effects, 0%). Product sales, net sales excluding royalty revenues, amounted to SEK 544.8 million (476.6), an increase of 14% (excluding foreign exchange effects, 8%).

Net sales in the Paediatrics segment reached SEK 442.7 million (438.5), an increase of 1%. Product sales within Paediatrics amounted to SEK 431.0 million (386.5), an increase of 12%.

Net sales in the Adult Health segment amounted to SEK 117.4 million (92.6), an increase of 27%.

Operating profit amounted to SEK 174.4 million (202.3). Operating profit excluding revaluation of former associate shareholding amounted to SEK 174.4 million (195.3)¹⁾, a decrease of 11%.

Profit after tax amounted to SEK 134.7 million (150.3)¹⁾, a decrease of 10%.

Earnings per share totalled SEK 7.78 (8.70)¹⁾. No dilutive effects arose.

Cash flow amounted to SEK -75.1 million (-49.8). Cash and cash equivalents at 30 September 2019 amounted to SEK 213.0 million (285.0).

Key events after the end of the third quarter

Study published shows that BioGaia Gastrus tablets are effective as an adjunct to patients with *Helicobacter pylori* infections.

1) Excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.

Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the interim management statement to be held today 23 October 2019 at 9:30 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-q3-2019>.

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



BioGaia AB (publ.) Interim management statement 1 January – 30 September 2019

The CEO of BioGaia AB hereby presents the interim management statement for the period 1 January – 30 September 2019.

CEO's COMMENTS

Sales in the third quarter decreased by 4% (excluding foreign exchange effects, 9%) compared to the corresponding period last year. As earlier mentioned the reduction was due to delivery delays from our supplier in Belgium and lower royalty revenues.

Sales of products, net sales excluding royalty revenues, increased by 3% (excluding foreign exchange effects, -1%).

Product sales within Paediatrics increased by 3% and were driven by our largest product, BioGaia Protectis drops.

Our Adult Health portfolio, primarily BioGaia Gastrus and BioGaia Prodentis, grew by 8%.

During the quarter we suffered from delivery delays to our distribution partners from one of our external suppliers. The supplier, which is based in Belgium, packs BioGaia Protectis tablets, BioGaia Prodentis lozenges and BioGaia Gastrus tablets. The delays are caused by the supplier's implementation of a new IT system in its production. We estimate that the delays will also affect sales to distribution partners in the fourth quarter. It is too early to comment on the earnings impact in the fourth quarter of these delivery delays, but our assessment is that product sales on an annual basis will be satisfactory. Delivery delays are of course very unfortunate but we believe that the decline in sales is temporary and that the delays will not affect our long-term expectations and sales and marketing strategies. We are continuing our close cooperation with our suppliers in order to reduce the risk of similar problems in the future.

Our increased focus on Asia Pacific (APAC) continues to yield results. Sales in the region rose 16% during the quarter, mainly due to increased sales to China, South Korea, Indonesia and Vietnam, where we launched our products relatively recently. Our subsidiary in Japan, however, was badly affected by our delivery problems and sales there fell sharply during the quarter.

Sales in the Americas increased by 17%. The increase was mainly driven by higher sales in the USA but also in Mexico.

Sales in EMEA decreased by 21% which is mainly due to reduced royalty revenues from Nestlé. Products sales, sales excluding royalty revenues, also decreased by 8% in the quarter due to lower sales in Italy, Finland, Germany and Turkey. We see the decline in these countries, except Germany, either as normal quarterly variations or as a result of delivery delays, since sales to consumers are rising despite these being mature markets. In Germany, our products had Food for Special Medical Purposes (FSMP) status, a category which is no longer allowed for our products. This resulted in our German distributor choosing to sell out its stocks before taking in products with the new labelling.

During the quarter Gerber launched Protectis tablets in the USA, Abbott launched BioGaia Gastrus in Mexico, Cube launched BioGaia Prodentis in Greece and Phillips Pharmaceuticals launched BioGaia Protectis drops and tablets in Ghana.

The strategy to increase sales in the Adult Health portfolio (increased by 35% over the past 12-month period) as well as seeking a more even distribution between the regions in order to spread the risks between markets has been successful. In the last 12 months, APAC accounted for 22% (17) EMEA for 53% (62) and the Americas for 25% (21).

The gross margin decreased from 75% to 73% due to a lower proportion of royalty revenues which is in line with our expectations.

Operating expenses rose 6% for the core business (excluding the research-intensive companies BioGaia Pharma and MetaboGen). In the past 12-month period, costs for the core business increased by 13% and sales by 10%. The aim is that the costs of the core business should increase in step with sales. Including the subsidiaries BioGaia Pharma and MetaboGen costs increased by 9% during the quarter.

This resulted in an operating profit of SEK 49.5 million which is a decrease of 25%. This is mainly due, as explained above, to lower sales and gross profit. The operating margin amounted to 30% (38%).

Over the past 12-month period, sales increased by 10%, gross profit by 7% and costs for the core business rose by 13%. Operating profit decreased by 3%¹⁾.

A study published recently showed that *Lactobacillus reuteri* Gastrus, as an adjunct to quadruple therapy, improved the treatment of infections caused by the *Helicobacter pylori* bacteria. The addition of *Lactobacillus reuteri* Gastrus also significantly reduced side effects.

We continue to build on our partnership with Nestlé into new areas with a new collaboration with CPW (Cereals Partners Worldwide), the joint venture between General Mills and Nestlé. As part of this collaboration BioGaia will support CPW in producing probiotic cereals for new product launches in the UK during the fourth quarter 2019.

Our production premises in Eslöv, Sweden, BioGaia Production, have expanded with an additional production facility. This will go into operation at the beginning of next year when production of BioGaia Protectis minipack (single-portion sachets of probiotic powder) will be moved here from its old facility. Minipack was previously packed and checked manually but in conjunction with the move we are also investing in mechanical packaging equipment which will make the process more efficient.

We can see growing interest in research and in our oral health products, which was confirmed at the two dental trade fairs in which we participated during the quarter. Above all the International Symposium On Dental Hygiene in Brisbane, a trade fair primarily focused on dental hygienists, there were many interested visitors to our stand. There was also considerable interest in BioGaia Prodentis at the World Dental Congress in San Francisco. During the quarter we also took part with our Adult Health products at the World Congress of Gastroenterology in Istanbul. During the rest of the year we will participate in as many as seven international congresses in different parts of the world.

The medical marketing model is and will remain the base of our operations but as I announced earlier, this model needs to be complemented with B2C marketing and we are therefore working in parallel, and together with our partners, to develop B2C marketing.

Isabelle Ducellier
President and CEO BioGaia
23 October 2019

1) Excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.



FINANCIAL PERFORMANCE IN THE THIRD QUARTER OF 2019

Sales, third quarter

Consolidated net sales totalled SEK 167.1 million (174.7) which is a decrease of SEK 7.6 million (4%) (excluding foreign exchange effects, 9%) compared to the third quarter of last year. Product sales increased by 3% while royalty revenues decreased by 71% due to lower royalties from Nestlé.

Sales in the Paediatrics segment amounted to SEK 128.0 million (138.3), a decrease of 7% (excluding foreign exchange effects, 12%) compared to the third quarter of last year. Product sales within Paediatrics amounted to SEK 124.3 million (121.3) an increase of 3% mainly due to higher sales of BioGaia Protectis drops which showed a strong increase in APAC and the Americas while decreasing in EMEA. Sales of gut health tablets in the Paediatrics segment decreased during the quarter in all regions, due to delivery delays (see CEO's comments above). Royalty revenues, primarily from sales to Nestlé of growing up milk with *Lactobacillus reuteri* Protectis for children over the age of one decreased by SEK 13.4 million compared to the third quarter of 2018.

In the Adult Health segment, sales amounted to SEK 38.8 million (36.0), an increase of 8% (excluding foreign exchange effects, 3%). This was mainly due to higher sales of BioGaia Gastrus tablets which increased in all markets but above all in APAC. Sales of BioGaia Prodentis oral health lozenges also increased which was attributable to EMEA. Sales of BioGaia Protectis tablets decreased sharply during the quarter due to delivery delays (see CEO's comments above).

Sales in the EMEA amounted to SEK 76.6 million (97.1), a decrease of 21%, which was mainly due to lower royalty revenues but also to lower sales of both BioGaia Protectis drops and tablets. The decrease was mainly attributable to Italy and Germany. In Germany our products had Food for Special Medical Purposes (FSMP) status, a category no longer allowed for our products. This has resulted in our German distributor choosing to sell off its stocks before taking in products with the new labelling.

In APAC, sales amounted to SEK 42.1 million (36.4), an increase of 16%. Sales increased strongly in the Paediatrics segment while they decreased in the Adult Health segment mainly due to delays in deliveries to Japan. In the Americas, sales amounted to SEK 48.4 million (41.3), an increase of 17%. The increase was mainly attributable to the Paediatrics segment.

Gross margin, third quarter

The total gross margin for the quarter was 73% (75%). The gross margin for the Paediatrics segment was 74% (76%). The decrease is related to lower royalty revenues. The gross margin for the Adult Health segment amounted to 71% (71%).

Operating expenses and operating profit, third quarter

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen AB) totalled SEK 66.6 million (62.9), an increase of 6%. The increase is due to higher selling costs from various marketing activities, in Sweden, the USA and other countries. Furthermore, personnel expenses rose due to an increased number of employees.

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 5.2 million (3.0). Total operating expenses for the Group thus increased by 9% compared to the corresponding period last year.

Other operating expenses refers to exchange gains/losses on receivables and liabilities of an operating nature and amounted to SEK -0.7 million (+1.5).

Operating profit amounted to SEK 49.5 million (66.2), a decrease of 25%. The operating margin amounted to 30% (38%).

Profit after tax and earnings per share, third quarter

Profit after tax amounted to SEK 38.0 million (51.4) a decrease of 26%. The effective tax rate was 23% (22%).

Earnings per share amounted to SEK 2.19 (2.97). No dilutive effects arose.

KEY EVENTS IN THE THIRD QUARTER OF 2019

Launches in the third quarter

Distributor	Country	Product
Philips Pharmaceuticals	Ghana	BioGaia Protectis drops and tablets
Cube	Greece	BioGaia Prodentis lozenges
Abbott	Mexico	BioGaia Gastrus tablets
Gerber	USA	Protectis tablets

Exclusive agreement with Abbott in Uruguay

At the beginning of July, BioGaia signed an agreement with Abbott for the exclusive rights to sell BioGaia's products under the BioGaia brand in Uruguay. The launch is planned for 2020.

KEY EVENTS AFTER THE END OF THE THIRD QUARTER

Publication of study on BioGaia Gastrus tablets

A double-blind, randomised and placebo-controlled study showed that *Lactobacillus reuteri* Gastrus, combined with quadruple therapy, improved treatment of infections caused by the *Helicobacter pylori* bacteria. The adjunct of *Lactobacillus reuteri* Gastrus also significantly reduced side effects.

The study was conducted at Thammasat University Hospital in Thailand and published in the September issue of the [Asian Journal of Cancer Prevention](#).



FINANCIAL PERFORMANCE 1 January – 30 September 2019

Sales, January-September 2019

Consolidated net sales totalled SEK 560.7 million (532.2) which is an increase of SEK 28.5 million, 5% (excluding foreign exchange effects, 0%) compared to the same period last year. The lower revenue increase is mainly due to reduced royalty revenues from Nestlé. Product sales, excluding royalty revenues, amounted to SEK 544.8 million (476.6) which is an increase of 14% (excluding foreign exchange effects, 8%).

Over the past 12-month period, sales increased by 10% (excluding foreign exchange effects, 3%) and product sales were up 18%, (excluding foreign exchange effects, 12%).

PAEDIATRICS SEGMENT

Sales in the Paediatrics segment amounted to SEK 442.7 million (438.5) an increase of 1% (excluding foreign exchange effects, a decrease of 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 decreased considerably. Product sales amounted to SEK 431.0 million (386.5), an increase of 12% (excluding foreign exchange effects, 5%).

Sales of drops, which make up the bulk of sales, increased in all regions but primarily in the Americas and APAC. In EMEA, sales increased in several countries but primarily in Italy, France, Germany, Spain/Portugal and Turkey. In APAC, sales increased primarily in China and South Korea. In the Americas, the increase was mainly attributable to the USA and Mexico.

Sales of BioGaia Protectis tablets within Paediatrics decreased due to delivery problems in the third quarter. For the nine-month period, the decrease was mainly attributable to EMEA while some increase could still be seen in the other two regions.

Royalties from sales of growing up milk with *Lactobacillus reuteri* Protectis for children over the age of one decreased by SEK 34.8 million compared to the corresponding period last year. This is because BioGaia's royalty agreement with Nestlé expired at year-end 2018. The agreement has been renegotiated resulting in a limited number of markets compared with previously.

Royalty revenues from the earlier collaboration agreement ceased at year-end in accordance with the original agreement and amounted to SEK 0 million (7.2), a decrease of SEK 7.2 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 Paediatrics segment increased by 4% (excluding foreign exchange effects, a decrease of 2%). Product sales increased by 14% (excluding foreign exchange effects, 8%).

ADULT HEALTH SEGMENT

Net sales in the Adult Health segment amounted to SEK 117.4 million (92.6), an increase of 27% (excluding foreign exchange effects, 20%), compared to the corresponding period last year.

Sales of BioGaia Protectis tablets showed a modest increase compared to the corresponding period last year. The reason for the lower increase is delivery delays in the third quarter (see CEO's comments above). For the nine-month period, sales increased in EMEA (primarily Finland) while sales decreased in APAC (mainly due to delivery delays to Japan). In the Americas, BioGaia Protectis tablets for Adult Health are so far sold in small volumes.

Sales of oral health products increased compared to the corresponding period last year. Sales increased in APAC (Japan, despite the decline in the third quarter, and South Korea) while sales decreased 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 increased strongly compared to the previous year although from a low level. The

increase was mainly attributable to APAC (several countries) but also to the Americas (USA and Mexico). The company is making active efforts to find additional distribution partners for the product.

In the past 12-month period, sales in the Adult Health segment increased by 35% (excluding foreign exchange effects, 27%).

OTHER SALES

Other sales amounted to SEK 0.6 million (1.1), a decrease of SEK 0.5 million compared to the corresponding period last year.

SALES BY GEOGRAPHIC MARKET

Sales in EMEA amounted to SEK 292.5 million (318.6), a decrease of 8%. Sales within Paediatrics decreased due to lower royalty revenues while sales of Adult Health products increased slightly. For the past 12-month period, total sales in EMEA decreased by 5% while the product sales increased by 8%.

Sales in APAC amounted to SEK 121.9 million (84.3), an increase of 45%. Sales showed strong growth in both the Paediatrics and Adult Health segments. For the past 12-month period, sales increased by 40%.

In the Americas, sales amounted to SEK 146.3 million (129.4), an increase of 13%. The increase was mainly attributable to the Paediatrics segment. For the past 12-month period, sales increased by 28%.

THE BIOGAIA BRAND

Of total finished consumer products (drops, gut health tablets, oral health lozenges, oral rehydration solution, etc.) sold in January-September 2019, 71% (68%) were sold under the BioGaia brand including co-branding.

Gross margin, January - September 2019

The total gross margin amounted to 73% (75%). Gross margin for Paediatrics amounted to 74% (76%). The lower gross margin was due to lower royalty revenues. The gross margin for the Adult Health segment was unchanged at 71% (71%).

Operating expenses, January - September 2019

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen) totalled SEK 213.6 million (191.4), an increase of 12%. The increase is attributable to marketing activities in a number of countries (including Sweden) as well as brand-related activities such as market surveys.

In addition, personnel expenses rose since the number of employees has increased.

The costs of a new ERP system (SEK 4.8 million) were capitalised and will be written off over a three-year period when it goes into operation at year-end.

R&D expenses increased mainly due to increased product development and laboratory costs due among other things to the new laboratory in Eslöv, Sweden. The cost increases are a consequence of the investments the company is making to support sales of existing products and develop new unique products to ensure continued growth. Over the past 12-month period, operating expenses for the core business amounted to SEK 294.3 million (259.9), an increase of 13%.

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 14.4 million (6.1). Total operating expenses for the Group thus increased by 15% 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 -7.4 million (-5.0). At 30 September 2019, the company had outstanding forward exchange contracts for EUR 15.5 million at an average exchange rate of SEK 10.48 and for USD 9.3 million at an average exchange rate of SEK 8.75. The actual exchange loss/gain depends on the exchange rate on the maturity dates of the contracts.



Share of profits of associates and revaluation of former associate shareholding

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.

BioGaia increased its shareholding in MetaboGen from 36% to 62% on 6 April 2018. In a step acquisition, all previous equity interests in the acquiree are adjusted to fair value and all gains and losses thus arising are recognised in profit or loss. As a result of this, a gain of SEK 7.0 million was recognised in operating profit for 2018 regarding the former associate shareholding in MetaboGen.

Operating profit and operating margin, January-September 2019

Operating profit amounted to SEK 174.4 million (195.2)¹⁾, a decrease of SEK 20.9 million (11%).

Operating margin was 31% (37%)¹⁾.

Profit after tax, January-September 2019

Profit after tax amounted to SEK 134.7 million (150.3)¹⁾, a decrease of SEK 15.6 million (10%).

The effective tax rate for the Group was 23% (22%).

Owing to the distribution and license agreement signed in Japan at the end of 2016, it will be possible to utilise a large share of the earlier loss carryforward in Japan in the Japanese company. The exclusivity fees relating to product rights will be recognised successively over the term of the agreement and a deferred tax asset was therefore recognised. At 30 September 2019, the deferred tax asset amounted to SEK 7.6 million (SEK 8.4 million at 31 December 2018).

Earnings per share, January - September 2019

Earnings per share amounted to SEK 7.78 (8.70)¹⁾. No dilutive effects arose.

Balance sheet, 30 September 2019

Total assets amounted to SEK 638.7 million (660.0). During the period January-September property, plant and equipment increased by SEK 19.7 million in the item right-of-use assets due to the new accounting standard IFRS 16. The new accounting standard also had an impact on liabilities of SEK 12.2 million in the item non-current liabilities and SEK 7.5 million in the item current liabilities. Investments in both tangible and intangible assets (the ERP system) further increased property, plant and equipment. In addition, cash and cash equivalents decreased mainly due to dividends.

Cash flow, January-September 2019

Cash flow amounted to SEK -75.1 million (-49.8). Cash flow includes a dividend of SEK 173.3 million (158.7) as well as a provision to the Foundation to Prevent Antibiotic Resistance of SEK 3.2 million (2.7). Furthermore, the decrease compared to the corresponding period last year is mainly related to lower cash flow from operating activities due partly to lower earnings and partly to higher tax payments, partly attributable to lower payments in the previous year. Cash and cash equivalents at 30 September 2019 amounted to SEK 213.0 million (SEK 285.0 million at 31 December 2018).

Investments in property, plant and equipment

Investments in property plant and equipment amounted to SEK 19.8 million (10.6).

Parent Company

The Parent Company's net sales amounted to SEK 537.0 million (500.6) and profit before tax was SEK 156.8 million (169.6). The financial performance of the Parent Company is in all material respects in line with that of the Group.

Cash flow amounted to SEK -72.2 million (-62.4).

Subsidiary in Japan

BioGaia Japan is a wholly owned subsidiary of BioGaia AB. Net sales relating to the Japanese operations amounted to SEK 44.8 million (41.6). Operating profit for the Japanese operations was SEK 3.4 million (8.1).

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 83.0 million (81.1). Operating profit amounted to SEK 27.3 million (29.2).

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 0.5 million (1.0). Operating profit amounted to SEK -1.1 million (-1.2).

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 -4.6 million (-3.8). Through 30 September 2019 the company has received a conditional shareholder contribution of SEK 8.0 million from the Parent Company.

Subsidiary MetaboGen AB

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 to find previously unknown components and patterns in the microbial diversity and link these to health and disease.

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 when most agreed milestones are achieved. Since it is highly probable that BioGaia will acquire the remaining holding for the maximum amount of SEK 11.4 million, the company has recognised a non-current liability for the corresponding amount. Recognition took place in equity.

MetaboGen received a shareholder contribution of SEK 15.0 million from the Parent Company during the period January-September 2019.

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 -9.8 million (-3.6).



EMPLOYEES

The number of employees in the Group at 30 September 2019 was 152 (143 at 31 December 2018).

The company has an incentive programme for all employees based on the company's sales and profit. The maximum bonus is equal to 12% of salary. Some of the bonus (a maximum of one-third) relates to a long-term incentive programme where the employee is required to reinvest the yearly paid-out compensation (after tax) in BioGaia class B shares and hold these for at least three years.

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 organisation.

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

In view of the company's strong portfolio consisting of an increased number of innovative products that are sold 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 30 September 2019.

RELATED-PARTY TRANSACTIONS

The Parent Company owns 100% of the shares in BioGaia Biologics Inc. USA, BioGaia Japan Inc, BioGaia Production AB, CapAble AB and Tripac AB. The Parent Company also owns 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 229,332 class B shares, corresponding to 5.6% of the share capital and 31.8% 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 period January-September, Peter Rothschild received additional remuneration for significant working duties, in addition to his assignment on the Board, of SEK 1,145 thousand in accordance with the decision of the Annual General Meeting and the Board of Directors.

Further, during the period a dividend of SEK 10 per share was paid to Annwall & Rothschild Investment AB

1) Excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.



ACCOUNTING POLICIES

This interim management statement has in all material respects been prepared in accordance with Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. Disclosures in accordance with IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim management statement. The consolidated financial statements have been prepared in compliance with the accounting policies applied in preparation of the most recent annual report with the addition of new accounting standards as set out below.

The financial statements and segment information correspond to the presentation used in the interim reports prepared in accordance with IAS 34 in order to achieve comparability in the presentation between the quarters. The interim management statement also includes CEO's comments although this is not a requirement according to Nasdaq Stockholm's Guidelines for preparing interim management statements. This information is still judged important to meet user requirements.

New accounting standards

The accounting policies 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 recognise 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 recognises 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 a total of SEK 19.7 million and expire at the latest in 2026. At 1 January 2019 the company's assets therefore increased by SEK 24.8 million and liabilities by a corresponding amount. At 30 September the Group's lease assets amounted to SEK 19.7 million which is recognised in the item right-of-use assets and liabilities amounted to SEK 12.2 million in non-current liabilities and SEK 7.5 million in current liabilities. For the period January-September 2019 an interest expense of SEK 0.6 million and an amortisation of SEK 5.1 million are recognised. In cash flow the net change in the lease liability (SEK 5.1 million) is recognised 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 recognised 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 recognised 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 recognised as a separate item and current lease liabilities are recognised 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 recognised 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 recognised 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 amortisation 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 recognised according to IAS 37. Such provisions are recognised as part of the cost for right-of-use, unless these payments arise in conjunction with production of goods.

Amortisation 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, amortisation takes place over the useful life of the underlying asset. Amortisation 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 an 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 recognised 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 recognises 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 nine months of the previous year, net sales would have been SEK 31.1 million lower in January - September 2019.



Consolidated statements of comprehensive income

(Amounts in SEK 000s)	Jan-Sept 2019	Jan-Sept 2018	July- Sept 2019	July-Sept 2018	Jan-Dec 2018	Oct 2018- Sept 2019	Oct 2017 Sept 2018
Net sales (Note 1)	560,731	532,197	167,144	174,673	741,870	770,404	702 345
Cost of sales	-150,917	-133,864	-45,175	-44,096	-185,956	-203,009	-172 894
<i>Gross profit</i>	409,814	398,333	121,969	130,577	555,914	567,395	529 451
Selling expenses	-128,733	-106,850	-39,274	-34,522	-153,109	-174,992	-146 499
Administrative expenses	-17,726	-20,767	-6,052	-6,187	-27,653	-24,612	-26 798
Research and development expenses	-81,536	-69,920	-26,526	-25,164	-99,742	-111,358	-93 663
Share of profits of associates	-	-500	-	-	-500	-	-120
Revaluation of former associate shareholding	-	7,004	-	-	7,004	-	7 004
Other operating expenses/operating income	-7,414	-5,049	-664	1,487	-4,555	-6,920	-5 235
<i>Operating profit</i>	174,405	202,251	49,453	66,191	277,359	249,513	264 140
Interest income	264	274	169	0	641	905	386
Financial expenses	-616	-201	-188	204	-405	-820	-239
<i>Profit before tax</i>	174,053	202,324	49,434	66,395	277,595	249,598	264 287
Deferred tax	-814	-693	0	0	-909	-1,723	-1 787
Tax	-38,547	-44,351	-11,392	-15,023	-62,453	-56,649	-56 868
PROFIT FOR THE PERIOD	134,692	157,280	38,042	51,372	214,233	191,226	205 632
Items that may be subsequently reclassified to profit or loss							
Gains/losses arising on translation of the statements of foreign operations	207	-272	402	46	-187		
Comprehensive income for the period	134,899	157,008	38,444	51,418	214,046		
Profit for the period attributable to:							
Owners of the Parent Company	134,799	157,842	38,042	51,455	214,890		
Non-controlling interests	-107	-562	0	-83	-657		
	134,692	157,280	38,042	51,372	214,233		
Comprehensive income for the period attributable to:							
Owners of the Parent Company	135,006	157,570	38,444	51,501	214,703		
Non-controlling interests	-107	-562	0	-83	-657		
	134,899	157,008	38,444	51,418	214,046		
Earnings per share							
Earnings per share (SEK) *)	7.78	8.70	2.19	2.97	11.99		
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		

*) Figures for 2018, excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.



CONSOLIDATED BALANCE SHEETS	30 Sept	31 Dec	30 Sept
Summary (amounts in SEK 000s)	2019	2018	2018
ASSETS			
Property, plant and equipment	119,435	105,935	104,963
R&D projects in progress	50,222	45,850	52,242
Goodwill	5,300	5,300	-
Right-of-use assets (Note 2)	19,737	-	-
Deferred tax asset	7,616	8,430	8,646
Other non-current receivables	47	43	43
<i>Total non-current assets</i>	202,357	165,558	165,894
Current assets excl. cash and cash equivalents	223,368	209,453	174,713
Cash and cash equivalents	212,953	284,962	257,491
<i>Total current assets</i>	436,321	494,415	432,204
TOTAL ASSETS	638,678	659,973	598,098
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	455,012	504,982	447,849
Non-controlling interests	2	3,139	3,234
<i>Total equity (Note 3)</i>	455,014	508,121	451,083
Deferred tax liability	6,679	6,679	7,633
Non-current liabilities (Note 2)	23,629	-	-
Current liabilities	153,356	145,173	139,382
TOTAL LIABILITIES AND EQUITY	638,678	659,973	598,098

Other current liabilities include forward exchange contracts with a fair value of SEK 12.1 million (9.6). 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 (amortised cost) due to the short maturity.

CONSOLIDATED CASH FLOW STATEMENTS	Jan-Sept	Jan-Sept	July-Sept	July-Sept	Jan-Dec
Summary (amounts in SEK 000s)	2019	2018	2019	2018	2018
<i>Operating activities</i>					
Operating profit	174,405	202,251	49,453	66,191	277,359
Depreciation/amortisation	11,515	5,615	3,957	1,880	7,546
Unrealised gains/losses on forward contracts	5,085	8,679	2,631	-4,966	6,098
Revaluation of former associate shareholding in MetaboGen	-	-7,004	-	-	-7,004
Other non-cash items	-1,381	-556	-734	1,958	1,497
	189,624	208,985	55,307	65,063	285,496
Paid tax	-50,742	-38,336	-14,443	-12,803	-52,408
Interest received and paid	-352	72	-19	204	240
Cash flow from operating activities before changes in working capital	138,530	170,721	40,845	52,464	233,328
Changes in working capital	-7,779	-17,305	19,828	22,195	-50,208
Cash flow from operating activities	130,751	153,416	60,673	74,659	183,120
Acquisition of property, plant and equipment	-19,821	-10,581	-6,444	-2,537	-13,454
Acquisition of intangible assets	-4,372	-	-1,143	-	75
Acquisition of subsidiary	-	-33,922	-	-27,835	-33,922
Cash flow from investing activities	-24,193	-44,503	-7,587	-30,372	-47,301
Dividend	-173,365	-156,028	0	-	-156,028
Net change in lease liability	-5,083	-	-1,722	-	-
Provision to the Foundation to Prevent Antibiotic Resistance	-3,200	-2,700	0	-	-2,700
Cash flow from financing activities	-181,648	-158,728	-1,722	0	-158,728
Cash flow for the period	-75,090	-49,815	51,364	44,287	-22,909
Cash and cash equivalents at the beginning of the period	284,962	305,856	160,059	215,477	305,856
Exchange differences in cash and cash equivalents	3,081	1,450	1,530	-2,273	2,015
Cash and cash equivalents at the end of the period	212,953	257,491	212,953	257,491	284,962



NOTE 1 REPORTING BY SEGMENT – GROUP

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

- **Paediatrics 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 paediatric products.)
- **Adult Health segment** (gut health tablets, oral health lozenges and cultures as an ingredient in a licensee's dairy 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 CEO (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.

	Jan-Sept	Jan-Sept	July-Sept	July-Sept	Jan-Dec	Oct	Oct
	2019	2018	2019	2018	2018	2018-Sept	2018-Sept
Revenue by segment (SEK 000s)							
Paediatrics	442,712	438,476	127,965	138,255	596,457	600,693	577,066
Adult Health	117,401	92,577	38,841	36,041	141,680	166,504	123,574
Other	618	1,144	338	377	3,733	3,207	1,705
Total	560,731	532,197	167,144	174,673	741,870	770,404	702,345
Gross profit by segment							
Paediatrics	326,062	331,919	93,987	104,594	451,636	445,779	440,418
Adult Health	83,134	65,436	27,644	25,759	100,711	118,409	87,532
Other	618	978	338	224	3,567	3,207	1,501
Total	409,814	398,333	121,969	130,577	555,914	567,395	529,451
Selling, administrative and R&D expenses	-227,995	-197,537	-71,852	-65,873	-280,504	-310,962	-266,960
Share of profits of associates	-	-500	-	-	-500	-	-120
Revaluation of former associate shareholding	-	7,004	-	-	7,004	-	7,004
Other operating expenses	-7,414	-5,049	-664	1,487	-4,555	-6,920	-5,235
Operating profit	174,405	202,251	49,453	66,191	277,359	249,513	264,140
Net financial items	-352	73	-19	204	236	85	147
Profit before tax	174,053	202,324	49,434	66,395	277,595	249,598	264,287
Sales by geographic market							
Asia Pacific							
Paediatrics	53,431	32,289	20,361	11,741	49,303	70,445	47,109
Adult Health	68,423	51,806	21,760	24,541	80,599	97,216	72,212
Other	68	172	0	74	172	68	172
Total Asia Pacific	121,922	84,267	42,121	36,356	130,074	167,729	119,493
EMEA							
Paediatrics	249,431	280,862	61,948	86,708	379,144	347,713	384,979
Adult Health	42,530	36,751	14,362	10,046	55,177	60,956	47,110
Other	550	966	338	303	3,555	3,139	1,465
Total EMEA	292,511	318,579	76,648	97,057	437,876	411,808	433,554
Americas							
Paediatrics	139,850	125,325	45,656	39,806	168,010	182,535	144,978
Adult Health	6,448	4,020	2,719	1,454	5,904	8,332	4,252
Other	0	6	0	0	6	0	68
Total Americas	146,298	129,351	48,375	41,260	173,920	190,867	149,298
Total	560,731	532,197	167,144	174,673	741,870	770,404	702,345
Date of recognition							
Performance obligations met on specific date (Product sales)							
Paediatrics	431,007	386,485	124,337	121,260	523,537	568,059	496,149
Adult Health	113,741	89,948	37,586	35,174	136,606	160,399	120,554
Other	68	178	0	74	2,005	1,895	684
Total	544,816	476,611	161,923	156,508	662,148	730,353	617,387
Performance obligations met over time (Royalty)							
Paediatrics	11,705	51,991	3,628	16,995	72,920	32,634	80,917
Adult Health	3,660	2,629	1,255	867	5,074	6,105	3,020
Other	550	966	338	303	1,728	1,312	1,021
Total	15,915	55,586	5,221	18,165	79,722	40,051	84,958
Total	560,731	532,197	167,144	174,673	741,870	770,404	702,345



NOTE 2 – NON-CURRENT LIABILITIES

Non-current lease liabilities	12,188
Non-current liability related to acquisition of MetaboGen	11,441
Total non-current liabilities	23,629

CHANGE IN ACCOUNTING STANDARD – IFRS 16

Effects on assets, liabilities and equity, 1 January 2019

	Recognised 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		
Recognised 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-September 2019 according to IAS 17	Reclassification	Jan-September 2019 according to IFRS 16
Operating expenses	-228,571	576	-227,995
Net financial items	224	-576	-352

Amortisation increased by SEK 3,361 thousand while rental/lease costs decreased by a corresponding amount. Both are included in the item administrative expenses.

NOTE 3 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Jan-Sept 2019	Jan-Sept 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	-173,365	-156,028	-156,028
Provision to the Foundation to Prevent Antibiotic Resistance ¹⁾	-3,200	-2,700	-2,700
Non-controlling interests related to the acquisition of MetaboGen	-	17,062	17,062
Transaction between owners related to further acquisition of shares in MetaboGen	-11,441	-27,834	-27,834
Comprehensive income for the period	134,899	157,008	214,046
Closing balance	455,014	451,083	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 30 SEPTEMBER 2019 (source: Euroclear)

	A shares 000s	B shares 000s	Share capital SEK 000s	No. of votes 000s	Capital %	Votes %
1 Annwall & Rothschild Inv. AB	741	229	970	7,636	5.6%	31.8%
2 Swedbank Robur fonder		1,624	1,624	1,624	9.4%	6.8%
3 Fjärde AP-fonden		1,496	1,496	1,496	8.6%	6.2%
4 State Street Bank & Trust co		1,294	1,294	1,294	7.5%	5.4%
5 Öhman Bank S.A		1,086	1,086	1,086	6.3%	4.5%
6 BNY Mellon SA/NV (Former BNY)		550	550	550	3.2%	2.3%
7 David Dangoor		449	449	449	2.6%	1.9%
8 Banque Pictet & CIE		452	452	452	2.6%	1.9%
9 Handelsbanken fonder		325	325	325	1.9%	1.4%
10 JP Morgan Chase N.A		323	323	323	1.9%	1.3%
Other shareholders		8,767	8,767	8,767	50.6%	36.5%
Total:	741	16,596	17,336	24,002	100%	100%



CONSOLIDATED KEY RATIOS

	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Net sales, EK 000s	560,731	532 197	741 870
Growht, %	5%	20%	21%
Operating profit, SEK 000s	174,405	202 251	277 359
Profit after tax, SEK 000s	134,692	157 280	214 233
Return on			
-average quity, %	28%	35%	44%
-average capital employed, %	36%	44%	57%
Capital employed, SEK 000s	461,693	458 716	514 800
Average number of shares (thousands)	17,336	17 336	17 336
Earnings per share, SEK	7.78	8,70	11,99
Equity per share, SEK	26	26	29
Equity/assets ratio, %	71%	75%	77%
Operating margin, %	31%	38%	37%
Profit margin, %	31%	38%	37%
Average number of employees	149	125	130

- 1) No dilutive effects arose
- 2) Key ratio defined according to IFRS
- 3) Figures for 2018, excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.

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 analyse 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 realised 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

	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Return on average equity			
Profit attributable to owners of the Parent Company (A)	134,799	157,842	214,890
Equity attributable to owners of the Parent Company	455,012	447,849	504,982
Average equity attributable to owners of the Parent Company (B)	479,997	455,877	484,444
Return on equity (A/B)	28%	35%	44%

	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Return on average capital employed			
Operating profit	174,405	202,251	277,359
Financial income	264	274	641
Profit before net financial items + financial income (A)	174,669	202,525	278,000
Total assets	638,678	598,098	659,973
Interest-free liabilities	-176,985	-139,382	-145,173
Capital employed	461,693	458,716	514,800
Average capital employed (B)	488,247	461,691	489,733
Return on capital employed (A/B)	36%	44%	57%

Definition of key ratios, continued

30 Sept	30 Sept	31 Dec
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Equity/assets ratio	2019	2018	2018
Equity (A)	455,014	451,083	508,121
Total assets (B)	638,678	598,098	659,973
Equity/assets ratio (A/B)	71%	75%	77%

Operating margin	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Operating profit (A)	174,405	202,251	277,359
Net sales (B)	560,731	532,197	741,870
Operating margin (A/B)	31%	38%	37%
Profit margin			
Profit before tax (A)	174,053	202,324	277,595
Net sales (B)	560,731	532,197	741,870
Profit margin (A/B)	31%	38%	37%

Equity per share	30 Sept 2019	30 Sept 2018	31 Dec 2018
Equity attributable to owners of the Parent Company (A)	455,012	447,849	504,982
Average number of shares (B)	17,336	17,336	17,336
Equity per share (A/B)	26.25	25.83	29.13

Change in sales by segment including and excluding foreign exchange effects

Description	Paediatrics		Adult Health		Other		Total	
	Jan-Sept	July-Sept	Jan-Sept	July-Sept	Jan-Sept	July-Sept	Jan-Sept	July-Sept
	2019	2019	2019	2019	2019	2019	2019	2019
A Previous year's net sales according to the average rate	438,476	138,255	92,577	36,041	1,144	377	532,197	174,673
B Net sales for the year according to the average rate	442,712	127,965	117,401	38,841	618	338	560,731	167,144
C Recognised change (B-A)	4,236	-10,290	24,824	2,800	-526	-39	28,534	-7,529
Percentage change (C/A)	1%	-7%	27%	8%	-46%	-10%	5%	-4%
D Net sales for the year according to the previous year's average rate (D)	418,114	121,992	110,876	37,019	618	338	529,608	159,349
E Foreign exchange effects (C-F)	24,598	5,973	6,525	1,822	0	0	31,123	7,795
Percentage change (E/A)	6%	4%	7%	5%	0%	0%	6%	4%
F Organic change (D-A)	-20,362	-16,263	18,299	978	-526	-39	-2,589	-15,324
Organic change per cent (F/A)	-5%	-12%	20%	3%	-46%	-10%	0%	-9%

Average key exchange rates	Jan-Sept 2019	July-Sept 2019	Jan-Sept 2018	July-Sept 2018	Jan-Dec 2018
EUR	10.57	10.66	10.23	10.41	10.26
USD	9.40	9.59	8.58	8.95	8.69
JPY	8.62	8.93	7.82	8.03	7.87

Key exchange rates on closing date	30 Sept 2019	31 Dec 2018
EUR	10.73	10.28
USD	9.80	8.97
JPY	9.09	8.12

Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
	30 Sept 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
Floating charges	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000
Contingent liabilities	None	None	None	None



FINANCIAL CALENDAR

23 October 2019, 09:30 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-q3-2019 .
6 February 2020, 08:00 CET	Year-end report 2019
March 2020	Annual Report 2019
7 May 2020	Interim Management Statement 1 January – 31 March 2020
7 May 2020, 4pm	Annual General Meeting of BioGaia in the Swedish Society of Medicine's premises, Klara Östra Kyrkogatan 10 in Stockholm
13 August 2020	Interim Report 1 January – 30 June 2020
23 October 2020	Interim Management Statement 1 January – 30 September 2020

Stockholm, 23 October 2019

**Isabelle Ducellier
President and 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 152 employees, of whom 127 are based in Sweden (Stockholm, Lund, Eslöv and Gothenburg), two in the USA, two in Singapore and 21 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.

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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, 203 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 17,200 individuals of all ages.

Studies have been performed on:

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

Latest press releases from BioGaia:

15 October 2019 BioGaia's probiotic effective as adjunct in patients with *Helicobacter pylori* infection
10 October 2019 Reduced sales due to delivery delays
8 August 2019 BioGaia AB Interim Report 1 January – 30 June 2019

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