

BioGaia AB

Interim management statement January 1 – September 30, 2017

(Figures in brackets refer to the same period of last year. The comparative figures in the balance sheet refer to 31 December 2016.)



Comments from the Managing Director:

“Sales in the third quarter of 2017 amounted to SEK 148 million, which is an increase of 17% compared to the same period of last year. The strong third quarter, with good sales in both the Pediatrics and Adult Health segments, means that after nine months we have achieved sales of SEK 445 million, a gross margin of 75% and an operating profit SEK 169 million. The ongoing strengthening of the organization and the close collaboration with our partners are paying off and we are continuing to pursue our strategic initiatives. I am also very pleased that we have launched the first products with our new Japanese partner Nippon Kabaya Ohayo Holdings Inc., and that these have been well received by the market,” says Axel Sjöblad, Managing Director of BioGaia AB.

Third quarter 2017

Net sales amounted to SEK 147.7 million (126.0), an increase of 17% (excluding foreign exchange effects, 21%).

Net sales in the Pediatrics segment reached SEK 111.1 million (99.0), an increase of 12%.

Net sales in the Adult Health segment amounted to SEK 35.7 million (22.6), an increase of 58%.

Operating profit was SEK 53.6 million (48.4), an increase of 11%.

Profit after tax was SEK 42.1 million (35.1), an increase of 20%.

Earnings per share totaled SEK 2.43 (2.02). No dilutive effects arose during the period.

The period's cash flow was SEK 37.9 (52.2) million.

Key events in the third quarter of 2017

Launch of:
Prodentis oral health lozenges in the Philippines and Vietnam.
Protectis digestive health tablets in Colombia and Honduras.
Protectis drops in the Philippines.
Yoghurt with Prodentis bacteria culture in Japan.

January 1 – September 30, 2017

Net sales amounted to SEK 444.9 million (395.9), an increase of 12% (excluding foreign exchange effects, 11%).

Net sales in the Pediatrics segment reached SEK 354.0 million (313.8), an increase of 13%.

Net sales in the Adult Health segment amounted to SEK 85.2 million (69.4), an increase of 23%.

Operating profit was SEK 169.1 million (153.1)¹⁾, an increase of 10%.

Profit after tax was SEK 132.2 million (112.4)¹⁾, an increase of 18%.

Earnings per share totaled SEK 7.63 (6.48)¹⁾. No dilutive effects arose during the period.

The period's cash flow was SEK -2.0 million (-27.6). Cash and cash equivalents at September 30, 2017 amounted to SEK 240.2 million (201.6).

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

Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the interim report that will be held today, October 25, 2017, at 9:30 a.m. CET by Managing Director Axel Sjöblad. To participate in the teleconference, please see www.biogaia.com/investors/agenda. The teleconference can also be followed at <https://tv.streamfabriken.com/biogaia-q3-2017>.

This information is information that BioGaia AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at October 25, 2017, 8:00 a.m. CET.



BioGaia AB (publ.)

Interim report January 1 – September 30, 2017

The Managing Director hereby present BioGaia AB's interim management statement for the period from January 1 to September 30, 2017. A description of the company's operations is provided on page 11.

MANAGING DIRECTOR'S COMMENTS

Sales for the third quarter of 2017 amounted to SEK 148 million (126), which was an increase of 17% compared to the same period of last year.

The sales growth was fueled mainly by good development in the Asia Pacific and Americas regions. In Asia Pacific sales rose by 45% thanks to the continued upward trend in Japan and new orders from South Korea, Australia, Thailand and Hong Kong. I am especially pleased that we are moving forward according to the timetable we set with our new Japanese partner Nippon Kabaya Ohayo Holding Inc. They work with a high degree of professionalism and in September launched the first yoghurt product with our Prodentis bacteria culture, for which the market reception was positive. Sales in the Americas were up by 68%, most of which is explained by sales to Brazil and continued strong sales to Canada and Mexico.

In EMEA sales declined by 1%. Good sales to Eastern Europe, Finland and Germany were insufficient to compensate for the relatively weak sales to Italy during the year. As previously mentioned, in Italy we are seeing the consequences of both inventory build-up and the merger of sales organizations following Recordati's acquisition of our earlier distributor Italtchimici.

The Pediatrics segment increased by 12%, a positive trend driven by sustained strong sales of drops and continued growth in royalty revenue from Nestlé. In the Adult Health segment, our sales grew by 58%, which was very encouraging after a weak second quarter. The increase is attributable to strong sales of Protectis tablets to Finland and Belgium and sales of Prodentis tablets and culture to Japan. Since our Adult Health segment remains comparatively small, we will continue to see variations between quarters in the future. It is therefore satisfying to see that cumulative growth for the year is 23%.

The strong third quarter means that after nine months we have achieved sales of SEK 445 million (an increase of 12% compared to the same period of last year) and a gross margin of 75% (72%). After nine months, our operating expenses amounted to SEK 155.5 million. This is an increase by 15% compared to the same period of last year, and is above all attributable to higher personnel, marketing and R&D expenses in line with our strategic plan. Operating profit rose by 10% to SEK 169 million, which resulted in an operating margin of 38% (39%).

The roll-out of EasyDropper, our new drop package with improved dosing, is continuing at the same time that we are seeking additional distribution partners for Prodentis and Gastrus.

The ongoing strengthening of the organization include the reinforcement of our Discovery and Research department which will give us greater opportunities to accelerate the development of innovative and customer-adapted products.

Finally, I would like to point out in addition to the above-mentioned launch in Japan, we launched Prodentis oral health lozenges in the Philippines and Vietnam, Protectis gut health tablets in Colombia and Honduras and Protectis drops in the Philippines during the last quarter. It is enormously exciting to follow the roll-out of our product portfolio in country after country.

Axel Sjöblad, 25 October 2017

FINANCIAL PERFORMANCE IN THE THIRD QUARTER OF 2017

Net sales, third quarter 2017

Consolidated net sales amounted to SEK 147.7 million (126.0) which is an increase of SEK 21.7 million (17%) (excluding foreign exchange effects, 21%) compared to the third quarter of last year. Sales were up in both Pediatrics and Adult Health.

Sales in the Pediatrics segment grew by 12%, (excluding foreign exchange effects, 15%) to SEK 111.1 million during the quarter. This was driven mainly by growth in sales of drops (primarily to Brazil but also to Mexico, the USA, Canada, Germany and Eastern Europe) and increased royalty revenue from Nestlé for the use of *Lactobacillus reuteri* in Growing Up Milk for children over the age of one year. Sales of Protectis digestive health tablets also rose during the quarter while sales of cultures for infant formula declined.

In the Adult Health segment, sales increased by 58% (excluding foreign exchange effects, 66%) to SEK 35.7 million. This was driven mainly by powerful growth in sales of Protectis digestive health tablets attributable to Finland and Belgium. Sales of Prodentis oral health lozenges, especially to the Japanese market, also rose during the quarter, as did sales of cultures to BioGaia's new distributor in Japan, Nippon Kabaya Ohayo Holding Inc., ahead of the company's launch of yoghurt products.

Other sales amounted to SEK 0.9 million (4.5), a decrease of SEK 3.6 million that is explained by lower revenue from the collaboration agreement with Nestlé (for more information see below under "Other sales, January – September").

Gross margin, third quarter

The total gross margin for the quarter was 74% (72%).

The increase was driven by the Pediatrics segment, where the gross margin reached 77% (73%). This is due to increased royalty revenue for the use of *Lactobacillus reuteri* in Growing Up Milk for children over the age of one year (with a 100% margin), higher sales of drops, and lower sales of bacteria cultures for infant formula with very low margins.

The gross margin for the Adult Health segment was 61% (64%). This mainly due to sales of cultures to the distributor in Japan where the margin is lower than for other products.

Operating expenses and operating profit, third quarter

Operating expenses rose by 11% compared to the third quarter of last year to SEK 51.0 million. This is mainly explained by higher costs for marketing activities and clinical studies but also by increased personnel expenses.

Operating profit was SEK 53.6 million (48.4), up by 11% (excluding foreign exchange effects, 17%). Operating margin was 36% (38%).

Profit after tax and earnings per share, third quarter

Profit after tax was SEK 42.1 million (35.1), an increase of SEK 7.0 million (20%). The tax rate was 22% (23%).

Earnings per share amounted to SEK 2.43 (2.02). No dilutive effects arose during the period.



KEY EVENTS IN THE THIRD QUARTER

Launches in the third quarter

Distributor/licensee	Country	Product
Abbott	Colombia	Protectis digestive health tablets
Agefinsa	Honduras	Protectis digestive health tablets
BioCulture	Philippines	Prodentis oral health lozenges
Kabaya	Japan	Yoghurt with Prodentis bacteria culture
MTC Pharma	Vietnam	Prodentis oral health lozenges
Unilab	Philippines	Drops

FINANCIAL PERFORMANCE, January 1 – September 30, 2017

Consolidated net sales amounted to SEK 444.9 million (395.9) which is an increase of SEK 49.0 million (12%), excluding foreign exchange effects, 11%) compared to the same period of last year.

Sales by segment

PEDIATRICS SEGMENT, JANUARY – SEPTEMBER

Net sales in BioGaia's core area Pediatrics amounted to SEK 354.0 million (313.8), an increase of SEK 40.2 million (13%), (excluding foreign exchange effects, 11%). For the past rolling 12-month period, sales were up by 21% (excluding foreign exchange effects, 18%). This growth was driven mainly by higher sales of drops and increased royalty revenue from Nestlé for the use of *Lactobacillus reuteri* in Growing Up Milk for children older than one year.

Sales of drops, which make up the bulk of sales, rose primarily in the Americas and above all in Brazil, but also in Canada. Sales were also up somewhat in Asia Pacific. Sales in the EMEA region declined, which was attributable to Italy. As previously mentioned, our distributor there was acquired by Recordati, which has had a temporary negative impact on sales as a result of the earlier inventory build-up and the merger of sales organizations. For the past 12-month period, the positive sales trend for drops continued.

Royalty revenue from Nestlé for the use of *Lactobacillus reuteri* Protectis in Growing Up Milk for children older than one year rose sharply compared to the same period of last year and for the past 12-month period.

Sales of Protectis digestive health tablets rose slightly compared to the same period of last year. Tablet sales were up primarily in the Americas but also in the EMEA. In Asia Pacific, sales of Protectis digestive health tablets declined during the period. For the past 12-month period, tablet sales were satisfactory.

Sales of culture, at low margins, for use in Nestlé's infant formula declined compared to the same period of last year and for the past 12-month period, which is in line with the plan from 2012 when Nestlé acquired the rights to this product and now produces the culture itself to a greater extent.

Royalty revenue from the collaboration agreement with Nestlé in the Pediatrics segment amounted to SEK 11.4 million (7.5). For more information, see below under "Other sales".

ADULT HEALTH SEGMENT, JANUARY – SEPTEMBER

Net sales in the Adult Health segment amounted to SEK 85.2 million (69.4), an increase of SEK 15.8 million (23%), (excluding foreign exchange effects, 24%). For the past rolling 12-month period, sales were up by 13% (excluding foreign exchange effects, 12%).

The increase in sales for Adult Health is mainly due to revenue attributable to the new agreements signed in December 2016 with Kabaya Ohayo Holding Inc. in Japan. The revenue consists partly of compensation for knowhow, education and preparations for the launch, and from the second quarter also exclusivity fees that will be recognized successively over the term of the agreement. The entire exclusivity fee was paid at the beginning of 2017. In the third quarter BioGaia also started sales of culture for yoghurt products that were launched by Kabaya at the end of the quarter.

Sales of Protectis digestive health tablets also grew sharply compared to the same period of last year. Sales were up in EMEA (primarily Finland and Belgium) and in Asia Pacific (primarily Hong Kong). In the Americas, the first Protectis tablets in the Adult Health segment were sold to Colombia and Mexico. For the past 12-month period, Protectis tablet sales in Adult Health shows good development.

Sales of oral health products were down somewhat compared to the same period of last year. Sales rose in Asia Pacific (mainly Japan) but fell in other markets. Sales also decreased for the past 12-month period and the company is working actively to find additional distribution partners for the product.

Sales of Gastrus digestive health tablets remain very low and declined slightly in the first nine months compared to the same period of last year. The company is working actively to find additional distribution partners for the product.

OTHER SALES, JANUARY – SEPTEMBER

Other sales amounted to SEK 5.7 million (12.8), a decrease of SEK 7.1 million (55%). No foreign exchange effects arose during the period.

Other sales include royalty revenue of SEK 3.5 million (10.5) from the collaboration agreement that was signed with Nestlé in March 2014. The royalty revenue amounts to a total of SEK 91.8 million for the period 2014-2017 and is distributed between the segments Pediatrics and Other sales. Under the agreement, BioGaia has undertaken to carry out clinical studies on children and develop new products in new areas. BioGaia will recognize the royalty revenue in pace with completion of the projects. As of September 30, 2017, BioGaia had recognized revenue of SEK 78.7 million, of which SEK 42.2 million in other sales and SEK 36.5 million in the Pediatrics segment. The assessment is that the remaining revenue of SEK 13.1 million will be recognized during 2017 and in the beginning of 2018 in the Pediatric segment.

SALES BY GEOGRAPHIC MARKET, JANUARY – SEPTEMBER

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

Sales in EMEA amounted to SEK 278.5 million (283.5), a decrease of 2%. For the past 12-month period, sales rose by 4%.



Sales in Asia Pacific amounted to SEK 60.3 million (42.1), an increase of 43%. For the past 12-month period, sales were up by 33%.

In the Americas sales amounted to SEK 106.1 million (70.3), an increase of 51%. For the past 12-month period, sales grew by 56%.

THE BIOGAIA BRAND, JANUARY – SEPTEMBER

Of total finished consumer products, (drops, digestive health tablets, oral health lozenges, oral rehydration solution, etc.) 69% (57%) were sold under the BioGaia brand, including co-branding, during the period from January to September 2017.

Gross profit, January – September

Gross profit amounted to SEK 332.2 million (283.8), which is an increase of SEK 17% compared to last year. The total gross margin was 75% (72%).

Gross margin for the Pediatrics segment was 76% (72%). This is due to higher royalty revenue for the use of bacteria culture in Growing Up Milk for children over the age of one year (with a 100% margin), increased sales of drops, and lower sales of cultures for infant formula with a very low margin.

Gross margin for the Adult Health segment was 66% (64%). The increase is due to the new agreements in Japan (see above under "Adult Health Segment").

In general, gross margin is lower for the products in Adult Health since the volumes are smaller and all manufacturing is carried out by external contractors, compared, for example, to the Protectis drops which are partly manufactured by BioGaia's subsidiary BioGaia Production in Eslöv.

Operating expenses, January – September

Operating expenses (selling, administrative and R&D expenses) amounted to SEK 155.5 million (135.6)¹, an increase of 15%. For the past 12-month period, operating expenses rose by 21%.

The increase is mainly attributable to higher R&D and selling expenses. This is due primarily to increased personnel and market expenses and higher costs for research projects and clinical studies.

Other operating expenses/income refer to exchange gains/losses on receivables and liabilities of an operating nature. These amounted to SEK -6.5 million (5.4).

Share in profit of associates, January – September

Share in profit of associates refers to BioGaia's share of profit (36%) in Metabogen AB's profit and amounted to SEK -1.2 million (-0.4).

Operating profit and operating margin, January – September

Operating profit was SEK 169.1 million (153.1)¹, an increase of SEK 16.0 million (10%), (excluding foreign exchange effects, 7%). Operating margin was 38% (39%)¹. For the past 12-month period, operating profit rose by 16%.

Financial items and profit before tax, January – September

Profit before tax was SEK 170.9 million (148.7)¹, an increase of 15%. Net financial items include a foreign exchange gain/loss of SEK 2.0 million (-5.6). At September 30, 2017, the company had outstanding forward exchange contracts for EUR 13.9 million at an average exchange rate of SEK 9.57 and USD 8.1 million at an average exchange rate of SEK 8.34. The actual exchange gain/loss depends on the exchange rate on the maturity date of the contracts.

Profit after tax, January – September

Profit after tax was SEK 132.2 million (112.4)¹, an increase of SEK 19.8 million (18%). The tax rate for the Group was 23% (24%). Owing to the new distribution and license agreement that was signed in Japan at the end of 2016 (see annual report for 2016), a large share of the earlier loss carryforward in Japan will be utilized in the Japanese company. In the Group, the exclusivity fees will be recognized successively over the term of the agreement and a deferred tax asset was therefore recognized in 2016. At September 30, 2017, the deferred tax asset amounted to SEK 10.0 million. The Group thus has no loss carryforwards for which no deferred tax is recognized.

Earnings per share, January – September

Earnings per share amounted to SEK 7.63 (6.48)¹. No dilutive effects arose during the period.

Cash flow, January – September

Cash flow amounted to SEK -2.0 million (-27.6)¹. This cash flow includes dividends of SEK 130.0 million (86.7) and investments of SEK 25 million (3.5) in property, plant and equipment, primarily at the production facility in Eslöv where a new laboratory has been built. The cash flow also includes payment of exclusivity fees pertaining to the new license and distribution agreement in Japan that was signed in December 2016. These fees will be recognized successively over the term of the agreement. Cash and cash equivalents at September 30, 2017, amounted to SEK 240.2 million (201.6).

Investments in property, plant and equipment, January – September

Investments in property, plant and equipment amounted to SEK 25.1 million (3.5), which the majority refers to the subsidiary BioGaia Production (formerly TwoPac).

Parent Company, January – September

Net sales in the Parent Company amounted to SEK 427.2 million (382.4) and profit before tax was SEK 152.5 million (137.9). Cash flow in the Parent Company was SEK 2.7 million (-3.2).

Subsidiary in Japan, January – September

Net sales in the wholly owned subsidiary in Japan reached SEK 26.7 million (17.4). Operating profit for the Japanese subsidiary was SEK 4.2 million (-2.4) (including revenue from Kabaya from the agreement signed at the end of 2016 – see above under net sales in the Adult Health segment).

Subsidiary BioGaia Production (formerly TwoPac AB), January – September

BioGaia Production is a wholly owned subsidiary to BioGaia that manufactures and develops products, primarily drops, exclusively for BioGaia. Net sales in BioGaia Production amounted to SEK 59.2 million (53.1). Operating profit was SEK 19.4 million (14.1).

Subsidiary CapAble AB, January – September

CapAble is owned 90.1% by BioGaia and 9.9% by CapAble's President. Net sales in CapAble amounted to SEK 1.8 million (0.0). Operating profit was SEK -0.5 million (-2.6).



Subsidiary BioGaia Pharma AB

In June BioGaia announced that the company had established a subsidiary, BioGaia Pharma, to take advantage of the opportunities to develop drugs identified in the R&D activities conducted as part of the company's normal operations. Since foundation of BioGaia, the company has focused its development efforts on the regulatory categories of dietary supplements and food for special medical purposes. For certain target segments, these categories are limiting and in some cases BioGaia also lacks distribution channels for pipeline products. For this reason, the Board of Directors has decided to also develop probiotic drugs through BioGaia Pharma.

Drug candidates will be primarily developed to be licensed to appropriate partners at relatively early stages and BioGaia's capital commitment is therefore initially limited. If the capital requirements were to increase significantly, the assessment is that external funding is possible.

BioGaia Pharma is 96% owned by BioGaia and 4% by the company's President. Operating profit for the company's first months amounts to SEK -0.4 million (0.0).

EMPLOYEES

The number of employees in the Group at September 30, 2017, was 115 (109).

SIGNIFICANT RISKS AND UNCERTAINTIES: GROUP AND PARENT COMPANY

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

ACCOUNTING POLICIES

This interim management statement has in all material aspects been prepared in accordance with Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. The accounting standards applied in the consolidated profit and loss account and balance sheet are consistent with those used in preparation of the most recent annual report.

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

New accounting policies

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

The company has carried out a preliminary analysis of the effects of IFRS 9 and IFRS 15. It is the company's assessment that aside from increased disclosure requirements, the implementation of these new standards will not have any significant impact.

Exchange rate differences

Most of the company's sales are denominated in foreign currency, primarily EUR but also USD, CHF and JPY. With unchanged exchange rates compared to the same period of last year, net sales would have been SEK 5.8 million lower for the 9-month period and SEK 4.7 million higher for the quarter. Changes in foreign exchange rates affect both income and expenses. With unchanged exchange rates, operating profit for the period would have been SEK 4.9 lower (SEK 3.0 million higher for the quarter). Expenses arise mainly in SEK but also in JPY, EUR and USD.

FUTURE OUTLOOK

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

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

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

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

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



Consolidated statements of comprehensive income

(Amounts in SEK 000s)	Jan-Sept 2017	Jan-Sept 2016	July-Sept 2017	July-Sept 2016	Jan-Dec 2016	Oct 2016- Sept 2017	Oct 2015- Sept 2016
Net sales	444,855	395,946	147,676	126,049	534,696	583,605	500,337
Cost of goods sold	-112,625	-112,191	-38,853	-34,769	-146,889	-147,323	-143,219
<i>Gross profit</i>	332,230	283,755	108,823	91,280	387,807	436,282	357,118
Selling expenses	-87,466	-74,295	-28,334	-24,734	-108,108	-121,279	-97,828
Administrative expenses	-16,032	-15,673	-5,154	-4,946	-20,893	-21,252	-20,614
Research and development expenses	-51,957	-45,670	-17,490	-16,383	-63,795	-70,082	-57,259
Shares of profit of associates	-1,200	-400	-200	123	-1,184	-1,984	-465
Other operating income/expenses	-6,456	5,362	-4,013	3,037	5,610	-6,208	4,103
<i>Operating profit</i>	169,119	153,079	53,632	48,377	199,437	215,477	185,055
Interest income	-	1,364	-	41	1,429	65	1,413
Foreign exchange gains/losses, forward exchange contracts	1,983	-5,583	195	-2,501	-4,685	2,881	-2,055
Financial expenses	-154	-130	-24	-10	-122	-146	-195
<i>Profit before tax</i>	170,948	148,730	53,803	45,907	196,059	218,277	184,218
Deferred tax	-	-	-	-	10,433	10,433	-
Tax expense	-38,736	-36,356	-11,857	-10,845	-47,143	-49,523	-46,663
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	132,212	112,374	42,146	35,062	159,349	179,187	137,555
Discontinued operations (Distribution of IBT)							
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	-	67,935	-	-	67,935	-	-
PROFIT FOR THE PERIOD	132,212	180,309	42,146	35,062	227,284		
Items that may be reclassified subsequently to profit or loss							
Gains/losses arising on translation of the statements of foreign operations	854	2,116	421	788	889		
Comprehensive income for the period	133,066	182,425	42,567	35,850	228,173		
Profit for the period from continuing operations attributable to:							
Owners of the Parent Company	132,212	112,374	42,146	35,062	159,349	179,187	137,555
Non-controlling interests	0	0	0	0	0	0	0
	132,212	112,374	42,146	35,062	159,349	179,187	137,555
Profit for the period attributable to:							
Owners of the Parent Company	132,212	180,593	42,146	35,062	227,568		
Non-controlling interests	0	-284	0	0	-284		
	132,212	180,309	42,146	35,062	227,284		
Comprehensive income for the period attributable to:							
Owners of the Parent Company	133,066	182,709	42,567	35,850	228,457		
Non-controlling interests	0	-284	0	0	-284		
	133,066	182,425	42,567	35,850	228,173		
Earnings per share							
Earnings per share in continuing operations (average number of shares), SEK	7.63	6.48	2.43	2.02	9.19	10.34	7.93
Earnings per share including discontinued operations (average number of shares), SEK	7.63	10.42	2.43	2.02	13.13		
Number of shares (thousands)	17,336	17,336	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	17,336	17,336



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	Sept 30	30 Sept	31 Dec
Summary (Amounts in SEK 000s)	2017	2016	2016
ASSETS			
Property, plant and equipment	103,061	82,395	82,430
Investments in associates	9,552	7,535	10,752
Deferred tax asset	10,010	-	10,433
Other non-current receivables	39	-	23
<i>Total non-current assets</i>	122,662	89,930	103,638
Current assets excl. cash and cash equivalents	160,014	159,841	142,271
Cash and cash equivalents	240,154	201,554	243,069
<i>Total current assets</i>	400,168	361,395	385,340
TOTAL ASSETS	522,830	451,325	488,978
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	418,239	369,450	415,198
Non-controlling interests	-16	-18	-18
Total equity	418,223	369,432	415,180
Provision for deferred tax	332	351	332
Interest-free current liabilities	104,275	81,542	73,466
TOTAL EQUITY AND LIABILITIES	522,830	451,325	488,978

CONSOLIDATED CASH FLOW STATEMENTS	Jan-Sept	Jan-Sept	July-Sept	July-Sept	Jan-Dec
Summary (Amounts in SEK 000s)	2017	2016	2017	2016	2016
<i>Operating activities</i>					
Operating profit (including discontinued operations)	169,119	147,917	53,632	48,377	194,275
Depreciation/amortization (non-cash)	4,377	5,051	1,608	1,674	7,074
Other non-cash items	2,245	-1,672	620	-954	-1,885
	175,741	151,296	55,860	49,097	199,464
Gains/losses on realized forward exchange contracts	-784	-1,393	382	-806	-2,081
Paid tax	-37,160	-37,096	-12,386	-12,387	-43,381
Interest received and paid	-155	1,122	-24	-78	1,305
Cash flow from operating activities before changes in working capital	137,642	113,929	43,832	35,826	155,307
Changes in working capital	15,543	-13,726	-285	17,163	-7,378
Cash flow from operating activities	153,185	100,203	43,547	52,989	147,929
Acquisition of property, plant and equipment	-25,126	-3,510	-5,694	-836	-5,611
Acquisition of financial assets	-	-	-	-	-4,000
Cash flow from investing activities	-25,126	-3,510	-5,694	-836	-9,611
Dividends	-130,023	-86,682	-	-	-86,682
Distribution of shares in IBT	-	-37,629	-	-	-37,629
Cash flow from financing activities	-130,023	-124,311	0	0	-124,311
Cash flow for the period	-1,964	-27,618	37,853	52,153	14,007
Cash and cash equivalents at beginning of period	243,069	226,882	202,582	148,205	226,882
Exchange difference in cash and cash equivalents	-951	2,290	-281	1,196	2,180
Cash and cash equivalents at end of period	240,154	201,554	240,154	201,554	243,069



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in SEK 000s)

	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
At beginning of period	415,180	395,833	395,833
Dividends	-130,023	-86,682	-86,682
Distribution of shares in IBT	-	-122,144	-122,144
Comprehensive income for the period	133,066	182,425	228,173
At end of period	418,223	369,432	415,180

REPORTING BY SEGMENT – GROUP

(Amounts in SEK 000s)

	Jan-Sept 2017	Jan-Sept 2016	July-Sept 2017	July-Sept 2016	Jan-Dec 2016	Oct 2016- Sept 2017	Oct 2015- Sept 2016
Revenue by segment							
Pediatrics	353,960	313,792	111,118	99,007	433,028	473,196	390,396
Adult Health	85,179	69,394	35,652	22,567	85,274	101,059	89,435
Other	5,716	12,760	906	4,475	16,394	9,350	20,506
Total	444,855	395,946	147,676	126,049	534,696	583,605	500,337

	Jan-Sept 2017	Jan-Sept 2016	July-Sept 2017	July-Sept 2016	Jan-Dec 2016	Oct 2016- Sept 2017	Oct 2015- Sept 2017
Gross profit by segment							
Pediatrics	270,437	227,001	86,097	72,293	318,811	362,247	279,606
Adult Health	56,077	44,275	21,820	14,517	52,917	64,719	57,504
Other	5,716	12,479	906	4,470	16,079	9,316	20,008
Total	332,230	283,755	108,823	91,280	387,807	436,282	357,118

	Jan-Sept 2017	Jan-Sept 2016	July-Sept 2017	July-Sept 2016	Jan-Dec 2016	Oct 2016- Sept 2017	Oct 2015- Sept 2017
Revenue by geographic market							
Asia Pacific	60,249	42,066	22,598	15,587	55,550	73,733	55,455
EMEA	278,495	283,556	86,249	87,377	376,439	371,378	356,397
Americas (North and South America)	106,111	70,324	38,829	23,085	102,707	138,494	88,485
Total	444,855	395,946	147,676	126,049	534,696	583,605	500,337

Profit from discontinued operations (distribution)

(Amounts in SEK 000s)

	Jan-Sept 2017	Jan-Sept 2016
Net sales	-	-
Selling expenses	-	-
Research and development expenses	-	-5,101
Other operating income/expenses	-	-61
Operating profit	-	-5,162
Financial expenses	-	-2
Difference between fair value of IBT's shares and the carrying amount	-	73,099
Profit for the period before tax	-	67,935
Tax relief due to group contributions	-	-
Profit for the period after tax	-	67,935

Cash flow from discontinued operations

(Amounts in SEK 000s)

	Jan-Sept 2017	Jan-Sept 2016
Operating activities	-	-6 781
Investing activities	-	-
Total cash flow	-	-6 781



CONSOLIDATED KEY RATIOS

	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Net sales, SEK 000s	444,855	395,946	534,696
Operating profit, SEK 000s ¹⁾	169,119	153,079	199,437
Profit after tax, SEK 000s ¹⁾	132,212	112,374	159,349
Return on			
- average equity ¹⁾	32%	29%	39%
- average capital employed ¹⁾	41%	40%	49%
Capital employed, SEK 000s	418,555	369,783	415,512
Number of shares, thousands ²⁾	17,336	17,336	17,336
Average number of shares, thousands	17,336	17,336	17,336
Earnings per share in continuing operations, SEK ¹⁾	7.63	6.48	9.19
Earnings per share, SEK ³⁾	7.63	10.42	13.13
Diluted earnings per share, SEK ^{2,3)}	7.63	10.42	13.13
Equity per share, SEK	24.13	21.31	23.95
Diluted equity per share, SEK ²⁾	24.13	21.31	23.95
Equity/assets ratio	80%	82%	85%
Operating margin ¹⁾	38%	39%	37%
Profit margin ¹⁾	38%	38%	37%
Average number of employees ¹⁾	113	102	107

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

Definition of key ratios

The company presents certain financial ratios in the interim management statement that are not defined according to IFRS. The company is of the opinion that these performance measures provide valuable supplementary information to investors and the company's management since they enable evaluation and benchmarking of the company's performance. Since not all companies calculate financial ratios in the same manner, these are not always comparable to the performance measures used by other companies. Consequently, these financial ratios should not be seen as a replacement for performance measures that are defined according to IFRS. The following key ratios are not defined according to IFRS unless otherwise stated.

Average number of shares: Weighted average number of shares during a certain period.

Capital employed: Total assets less interest-free liabilities.

Earnings per share: Profit attributable to owners of the Parent Company divided by the average number of shares (definition according to IFRS).

Earnings per share in continuing operations: Profit from continuing operations attributable to owners of the Parent Company divided by the average number of shares.

Equity/assets ratio: Shareholders' equity divided by total assets.

Equity per share: Shareholders' equity attributable to the owners of the Parent Company divided by the number of shares.

Growth: Sales for the current year less sales for the previous year divided by sales for the previous year.

Net financial items: The result from financial income and financial expenses.

Operating margin: Operating profit in relation to net sales.

Operating profit: Sales less cost of goods sold, selling expenses, administrative expenses, R&D expenses and other operating expenses plus other operating income.

Profit margin: Profit before tax in relation to net sales.

Return on capital employed: Profit before financial items plus financial income divided by average capital employed.

Return on equity: Profit attributable to the owners of the Parent Company divided by average shareholders' equity attributable to the owners of the Parent Company.

	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Return on capital employed			
Operating profit	169,119	153,079	199,437
Financial income	1,983	1,364	1,429
Profit before financial items plus financial income	171,102	154,443	200,866
Total assets	522,830	451,325	488,978
Interest-free liabilities	-104,275	-81,542	-73,466
Capital employed	418,555	369,783	415,512
Average capital employed	417,034	382,984	405,848
Return on capital employed	41%	40%	49%

	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Return on equity			
Profit attributable to owners of the Parent Company	132,212	112,374	159,349
Equity attributable to owners of the Parent Company	418,239	369,450	415,198
Average equity attributable to owners of the Parent Company	416,719	382,651	405,525
Return on equity	32%	29%	39%

	Pediatrics		Adult Health				Other				Total			
	Jan-Sept		July-Sept		Jan-Sept		July-Sept		Jan-Sept		July-Sept		Jan-Sept	
	2017	%	2017	%	2017	%	2017	%	2017	%	2017	%	2017	%

Change in sales by segment

Organic growth	33,722	11%	14,902	15%	16,409	24%	14,974	66%	-7,044	-55%	3,569	-80%	43,087	11%	26,307	21%
Foreign exchange effects	6,446	2%	-2,791	-3%	-624	-1%	-1,889	-8%	-	-	-	-	5,822	0%	-4,680	-4%
Reported change	40,168	13%	12,111	12%	15,785	23%	13,085	58%	-7,044	-55%	3,569	-17%	48,909	12%	21,627	17%



RELATED PARTY TRANSACTIONS

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

Annwall & Rothschild Investment AB holds 740,668 class A shares and 759,332 class B shares, which is equal to 8.7% of the share capital and 34.1% of the votes in BioGaia AB. Annwall & Rothschild Investment AB is owned by Peter Rothschild, Group President of BioGaia, and Jan Annwall, a member of the Board of BioGaia AB. The only transaction that took place during the period was a dividend of SEK 7.50 per share.

FINANCIAL CALENDAR

October 25, 2017 9:30 a.m	Teleconference at 9:30 a.m, with Managing Director Axel Sjöblad. To take part in the conference, see www.biogaia.com/investors/agenda . The teleconference can also be followed at https://tv.streamfabriken.com/biogaia-q3-2017
February 8, 2018, 8:00 a.m	Year-end report 2017
April 25, 2018, 8:00 a.m	Interim management statement January 1 – March 31, 2018
April 25, 2018, 4:00 p.m	Annual General Meeting at Lundqvist & Lindqvist Konferens, Klarabergsviadukten 90, Stockholm. For more information see www.biogaia.com/investors/agenda
August 17, 2018, 8:00 a.m	Interim report January 1 – June 30, 2018
October 24, 2018, 8:00 a.m	Interim management statement January 1 – September 30, 2018

Stockholm, October 25, 2017

Axel Sjöblad
Managing Director

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



BioGaia AB

The company

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

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

BioGaia has 115 employees, of whom 104 are based in Sweden (Stockholm, Lund and Eslöv), two in the USA and nine in Japan.

Business model

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

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

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

The BioGaia brand

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

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

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

Research and clinical studies

BioGaia's strains of *Lactobacillus reuteri* are some of the world's most well researched probiotics, especially in young children. To date, 173 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 14,800 individuals of all ages. The results have been published in 146 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)
- Necrotizing enterocolitis (NEC)

Latest press releases from BioGaia:

2017-08-18	BioGaia AB – Interim report January 1 – June 30, 2017
2017-06-21	BioGaia sets up subsidiary for development of probiotic drugs
2017-05-04	Annual General Meeting of BioGaia

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