

BioGaia AB Interim management statement 1 January – 31 March 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 during the first quarter of 2017 amounted to SEK 141 million, which was an increase of 5% compared to the corresponding period last year. This in combination with a strong gross margin meant that the operating profit reached SEK 56 million and increased by 9%. After the strong end of 2016, some countries had a slower sales start in 2017. Therefore, it was gratifying that we could compensate for this through revenues linked to the new agreements signed in December 2016 with Kabaya Ohayo Holding in Japan and continued growing royalty revenues by Nestlé,” says Axel Sjöblad, Managing Director of BioGaia AB.

Period from 1 January – 31 March 2017

Net sales amounted to SEK 141.1 million (133.9), an increase of SEK 7.2 million (5%). For the past 12-month period, sales increased by 13%.

Net sales in segment Pediatrics reached SEK 110.0 million (108.1), an increase of 3%.

Net sales in segment Adult Health amounted to SEK 26.5 million (21.1), an increase of 26%.

Operating profit was SEK 55.8 million (51.3)¹⁾, an increase of SEK 4.5 million (9%). For the past 12-month period, operating profit increased by 22%.

Profit after tax was SEK 42.9 million (38.7)¹⁾, an increase of SEK 4.2 million (11%).

Earnings per share amounted to SEK 2.47 (2.23)¹⁾. No dilutive effect arose.

The period's cash flow was SEK 77.5 million (39.0)¹⁾. Cash and cash equivalents at 31 March amounted to SEK 320.6 million (243.1).

Key events in the first quarter of 2017

BioGaia's products to be launched in Thailand.

BioGaia signs exclusive agreement in Australia.

Key events after the end of first quarter 2017

BioGaia's oral health probiotic to be launched in three new markets.

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

Teleconference: You are welcome to take part in a teleconference on the year-end report that will be held today, 3 May 2017, at 9:30 a.m. CET with Managing Director Axel Sjöblad. To participate in the teleconference, please see telephone numbers at www.biogaia.com/agenda. The teleconference can also be followed at <https://tv.streamfabriken.com/biogaia-q1-2017>.

This information is information that BioGaia AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the Managing Director, at 3 May 2017, 8:00 a.m. CET.

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 – 31 March 2017

The Managing Director of BioGaia AB hereby present the Interim management statement for first quarter of 2017. A description of the company's operations is provided on page 10.

MANAGING DIRECTOR'S COMMENTS

Sales during the first quarter of 2017 amounted to SEK 141 (134) million, an increase of 5% compared to the corresponding period last year. This meant that for the latest rolling 12-month period, our sales increased by 13% (excluding foreign exchange effects 11%).

Revenue growth in the first quarter was primarily due to good development in Asia and North America. In Asia, sales increased by 68%, and I am especially pleased with developments in Japan, Hong Kong and Singapore, while sales in South Korea have not yet reached our expectations. In the USA, we are now working very closely with our partners Gerber and Everidis. In Canada, where we recently launched drops with vitamin D, for which we received several new health claims approved by Health Canada, sales were very positive.

In Europe and in "Rest of World", sales fell by 4% and 1%, respectively. In Europe, the positive development in Eastern Europe, Sweden and Turkey could not compensate for the situation in Italy. As previously announced, we see the consequences of both stock building and merger of sales organizations following Recordati's acquisition of our former distributor Italmichimi. In "Rest of World" variations between the quarters resulted in lower sales to South Africa and Brazil compared to the corresponding period of last year. This overshadowed a positive trend in several of the Latin American countries as well as the fact that sales to customer from our Brazilian partner Aché continue to be very good.

After the strong end of 2016, some countries had a slower sales start in 2017. Therefore, it was gratifying that we could compensate for this through revenues linked to the new agreements signed in December 2016 with Kabaya Ohayo Holding in Japan and continued growing royalty revenues by Nestlé for the use of *Lactobacillus reuteri* Protectis for Growing Up Milk for children above the age of one year.

The rising royalties from Nestlé and revenues from Kabaya Ohayo Holding, coupled with Nestlé buying less culture of low-margin infant formula, increased our gross margin to 75% (71%).

Our operating expenses rose by 15%¹⁾. The increase was primarily due to increased staff, research and development costs in line with our strategic plan. Operating profit increased by 9% to SEK 56 million, giving us an operating margin of 40% (38%)¹⁾.

With our keywords Growth, Customer focus, Operational excellence, Innovation and Sustainability as benchmarks we are continuing the work with our strategic initiatives. Internally, this means that the efforts to streamline our processes and develop our organization continue. Externally, our launch of Easy Dropper - our new drop package with improved dosing - continues and we are looking for additional distribution partners for Prodentis and Gastrus. Furthermore, we are focusing on broadening our key opinion leader and researcher network, to increase our presence in chosen strategic markets and to ensure that our partners sell as much of our product portfolio as possible.

Finally, I am pleased that during the first quarter we signed an agreement with Abbott in Thailand, an agreement with Nestlé in Australia and three exclusive Prodentis agreements in Vietnam, the Philippines and Canada.

Axel Sjöblad
3 May 2017

FINANCIAL PERFORMANCE FIRST QUARTER 2017

Net sales

Consolidated net sales amounted to SEK 141.1 million (133.9), which is an increase of SEK 7.2 million (5%) (excluding foreign exchange effects, 3%) compared to the same period of last year.

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 3.9 million lower. Changes in foreign exchange rates affect both income and expenses. With unchanged exchange rates, operating profit would have been SEK 2.8 million lower. Expenses arise mainly in SEK but also in JPY, EUR and USD.

Sales by segment

SEGMENT PEDIATRICS

Net sales in BioGaia's core area Pediatrics amounted to SEK 110.8 million (108.1), an increase of SEK 2.7 million (3%) (excluding foreign exchange effects -1%). For the past 12-month period, sales increased by 14% (excluding foreign exchange effects, 12%).

Sales of drops, which represents the largest part of the sales, were largely unchanged compared to the same period of last year. Sales of drops increased in all markets, except for Europe where the decrease relates to Italy. For the past 12-month period the positive sales development of drops continued.

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

Sales of Protectis digestive health tablets decreased compared to the same period of last year. Tablet sales rose in Europe but decreased in the other markets. For the past 12-month period the sales increase of tablets was good.

Sales of cultures for infant formula decreased compared to the same period of last year and for the past 12-month period.

Royalty revenue from the collaboration agreement with Nestlé (for more information, see below under other sales) in segment Pediatrics amounted to SEK 2.4 million (2.4).

SEGMENT ADULT HEALTH

Net sales in the segment Adult Health amounted to SEK 26.5 million (21.1), an increase of SEK 5.4 million (26%) (excluding foreign exchange effects, 24%). For the past 12-month period, sales increased by 19% ((excluding foreign exchange effects, 15%).

The increase of sales in Adult Health is primarily due to revenue related to the new agreements signed in December 2016 with Kabaya Ohayo Holding in Japan. The revenue in first quarter relates to compensation for knowhow, education and preparation for the launch. The exclusivity fees will be recognized successively over the term of the agreement, starting in quarter 2, 2017. The total exclusivity fee has been paid in the beginning of 2017.

Sales of Protectis digestive health tablets were largely unchanged compared to the same period of last year. Sales rose in Asia but fell in Europe and Rest of World (South Africa). In North and Latin America, no Protectis digestive health tablets are sold in the Adult Health segment. For the past 12-month period the sales development of tablets was very good.

Sales of oral health products were down compared to the same period of last year. Sales increased in Asia but decreased in the other markets. For the past 12-month period sales increased but



the Company is actively working to find new and better distribution partners for this product.

The sales of Gastrus digestive health tablets are still very low and decreased slightly during the quarter compared to the same period of last year. The Company is actively working to find new distribution partners for this product.

OTHER SALES

Other sales amounted to SEK 3.8 million (4.7), a decrease of SEK 0.9 million (18%). No foreign exchange effects arose during the period.

Other sales include royalty revenue of SEK 3.5 million (3.5) from the collaboration agreement that was signed with Nestlé in March 2014. The royalty revenue amounts to a total of SEK 92.0 million for the period 2014-2017 and is distributed between the segments Pediatrics and New Business. 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 31 March 2017, BioGaia had recognized revenue of SEK 69.9 million of a total of SEK 92 million, of which SEK 42.2 in other sales and SEK 27.7 million in the segment Pediatrics.

SALES BY GEOGRAPHICAL MARKET

The sales in Europe amounted to SEK 90.0 million (93.3), a decrease of 4 %. For the past 12-month period, sales increased by 21%.

The sales in USA and Canada amounted to SEK 11.4 million (9.9), an increase of 15%. For the past 12-month period, sales increased by 7%.

The sales in Asia amounted to SEK 22.7 million (13.5), an increase of 68%. For the past 12-month period, sales increased by 37%.

The sales in Rest of world amounted to SEK 17.0 million (17.1), a decrease of 1 %. For the past 12-month period, sales decreased by 17%.

THE BIOGAIA BRAND

Of total finished consumer products, (drops, digestive health tablets, oral health lozenges, oral rehydration solution, etc.), 66% (57%) were sold under the BioGaia brand, including co-branding, during the first quarter of 2017.

Gross profit

Gross profit amounted to SEK 105.7 million (94.8), which is an increase of SEK 10.9 million (11%) compared to the same period of last year. The total gross margin amounted to 75% (71).

Gross margin for the Pediatrics segment amounted to 75% (71). This is due to higher royalty revenue for the use of cultures in Growing Up Milk for children over the age of one year (with a 100% margin) and lower sales of cultures for infant formula with a very low margin.

Gross margin for the segment Adult Health amounted to 72% (64). This is due to the revenue related to the new agreements in Japan (see above under the segment Adult Health).

Operating expenses

Total operating expenses (selling, administrative and research and development expenses) amounted to SEK 48.5 million (42.3)¹⁾, an increase of 15%. For the past 12-month period, operating expenses increased by 22%.

The increase is mainly due to increased research and development expenses and selling expenses. This is mainly due to

increased personnel cost and increased cost for research and clinical studies.

Other operating expenses refer to foreign exchange losses on operating receivables and liabilities. These amounted to SEK 0.9 million (0.9).

Share in profit of associates

Share in profit of associates refers to BioGaia's share of profit in MetaboGen AB (36%) and amounted to SEK -0.5 million (-0.2).

Operating profit

Operating profit was SEK 55.8 million (51.3)¹⁾, an increase of SEK 4.5 million (9%) (excluding foreign exchange effects 3%). The operating margin was 40% (38%)¹⁾. For the past 12-month period, operating profit increased by 22%.

Financial items and profit before tax

Profit before tax was SEK 56.0 million (50.7)¹⁾, an increase of SEK 5.3 million (10%).

Net financial items include a foreign exchange profit/loss of SEK 0.3 million (-0.5) on forward exchange contracts. At 31 March 2017, the company had outstanding forward exchange contracts for EUR 12.0 million at an average exchange rate of SEK 9.48 and USD 4.2 million at an average exchange rate of SEK 8.84. The actual exchange gain/loss depends on the exchange rate on the maturity date of the contracts.

Profit after tax

Profit after tax was SEK 42.9 million (38.7)¹⁾, an increase of SEK 4.2 million (11%). The tax rate for the Group was 23% (24). Owing to the new distribution and license agreement which was signed in Japan at the end of 2016 (see Annual report for 2016), a large share of the loss carryforward 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 of SEK 10.4 million has therefore been recognized in 2016. There are therefore no unrecognized loss carryforwards in the group.

Earnings per share

Earnings per share excluding IBT amounted to SEK 2.47 (2.23)¹⁾. No dilutive effects arose.

Cash flow

Cash flow for the period was SEK 77.5 million (39.0)¹⁾. The increase compared to the same period of last year is mainly due to the payment of the exclusivity fees regarding the new license and distribution agreement in Japan which was signed in December 2016. The revenue will be recognized successively over the term of the agreement and is as of March 31 2017 reported as prepayments from customers. Cash and cash equivalents at 31 March 2017 amounted to SEK 320.6 million (243.1).

Investments in property, plant and equipment, 2016

Investments in property, plant and equipment amounted to SEK 6.6 million (1.5), of which the majority refers to the subsidiary TwoPac.

Investments in capitalized development expenditure amounted to SEK 0.0 million (0.0).



Parent Company

Net sales in the Parent Company amounted to SEK 139.0 million (129.7) and profit before tax was SEK 75.6 million (49.2). Cash flow in the Parent Company totaled SEK 70.8 million (-34.3).

Subsidiary in Japan

Net sales in the wholly owned subsidiary in Japan reached SEK 6.3 million (5.0). Operating profit/loss in the Japanese subsidiary was SEK -0.5 million (-0.9).

Subsidiary TwoPac AB

TwoPac AB is a wholly owned subsidiary of BioGaia that manufactures and develops products, such as drops, exclusively for BioGaia. Net sales in TwoPac totaled SEK 19.3 million (13.7). Operating profit was SEK 5.8 million (2.2).

Subsidiary CapAble AB

CapAble, is owned 90.1% by BioGaia and 9.9% by CapAble's President. Net sales in CapAble amounted to SEK 0.2 million (0.0). Operating profit was SEK -0.6 million (-0.9).

KEY EVENTS IN THE FIRST QUARTER

Launches in the first quarter

Distributor/licensee	Country	Product
Ferring	Canada	Drops with vitamin D
Ewopharma	Kosovo	Drops
InfectoPharm	Germany	Protectis digestive health tablets with strawberry flavor
Verman	Finland	Protectis digestive health tablets with apple flavor

BioGaia's probiotic to be launched in Thailand

In January 2017 BioGaia signed an exclusive agreement with Abbott for the rights to sell BioGaia's products in the area of pediatrics and gastroenterology in Thailand. The products will be co-branded under the BioGaia and Abbott brands. The launch is planned for 2017.

BioGaia signs exclusive agreement in Australia

BioGaia has extended its global collaboration with Nestlé by signing an agreement with Nestlé Australia Ltd for the exclusive rights to sell BioGaia Protectis drops in Australia. The product will be co-branded under the BioGaia and Nestlé brands. BioGaia Probiotic Drops, as the product will be called in Australia, are planned to be launched mid 2017.

KEY EVENTS AFTER THE FIRST QUARTER

BioGaia's oral health probiotic to be launched in three new markets

BioGaia has signed three new exclusive agreements for Prodentis, with Hansamed Ltd for sales in Canada, with BioCulture for sales in the Philippines and with MTC Pharma Co Ltd for sales in Vietnam. All three distribution partners will sell Prodentis under the BioGaia brand and plan to launch during 2017.

EMPLOYEES

The number of employees in the Group at 31 March 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 31 March 2017.

ACCOUNTING POLICIES

In all material aspects, this interim management statement has been prepared in accordance with Nasdaq OMX Stockholm's Guidelines for preparing interim management statements.

The accounting policies 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, comments from the Managing Director, although this is not required according to Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. This information is nonetheless considered important in meeting the users' needs.

New accounting standards

The 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.

FUTURE OUTLOOK

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

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

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

In view of the Company's strong portfolio consisting of an increased number of innovative products that are sold 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



Statements of comprehensive income - Group

(Amounts in SEK 000s)

	Jan-March 2017	Jan-March 2016	Jan-Dec 2016	April 2016- March 2017	April 2015- March 2016
Net sales	141,133	133,853	534,696	541,976	478,248
Cost of goods sold	-35,387	-39,079	-146,889	-143,197	-144,726
<i>Gross profit</i>	105,746	94,774	387,807	398,779	333,522
Selling expenses	-26,832	-23,111	-108,108	-111,829	-92,081
Administrative expenses	-4,835	-5,589	-20,893	-20,139	-19,139
Research and development expenses	-16,819	-13,621	-63,795	-66,993	-51,613
Participation in associated company's result	-500	-233	-1,184	-1,451	-298
Other operating income/expenses	-938	-923	5,610	5,595	-2,551
<i>Operating profit</i>	55,822	51,297	199,437	203,962	167,840
Interest income	-	10	1,429	1,419	198
Foreign exchange gain/loss, forward contracts	268	-541	-4,685	3,876	1,382
Financial expenses	-111	-35	-122	198	-266
<i>Profit before tax</i>	55,979	50,731	196,059	201,307	169,154
Deferred tax	-	-	10,433	10,433	-
Tax	-13,093	-11,986	-47,143	-48,250	-39,134
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	42,886	38,745	159,349	163,490	130,020
Discontinued operations (Distribution of IBT)					
PROFIT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	-	67,935	67,935	-	67,935
	42,886	106,680	227,284	163,490	197,955
Items that will be reclassified to profit or loss					
Gains/losses arising on translation of the financial statements of foreign operations	-85	-341	889	1,145	-561
Comprehensive income for the period	42,801	106,339	228,173	164,635	197,394
Profit for the period from continuing operations attributable to:					
Owners of the Parent Company	42,886	38,745	159,349	163,490	130,020
Non-controlling interests	0	0	0	0	0
	42,886	38,745	159,349	163,490	130,020
Profit for the period attributable to:					
Owners of the Parent Company	42,886	106,964	227,568	163,490	198,356
Non-controlling interests	0	-284	-284	0	-401
	42,886	106,680	227,284	163,490	197,955
Comprehensive income for the period attributable to:					
Owners of the Parent Company	42,801	106,456	228,457	164,802	197,795
Non-controlling interests	0	-117	-284	-167	-401
	42,801	106,339	228,173	164,635	197,394
Earnings per share					
Basic earnings per share in continuing operations, SEK	2.47	2.23	9.19	9.43	7.50
Earnings per share including discontinued operations, SEK	2.47	6.17	13.13	9.43	11.44
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



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in SEK 000s)

ASSETS

	31 March 2017	31 March 2016	31 Dec 2016
Property, plant and equipment	87,769	83,741	82,430
Participation in associated companies	10,252	7,702	10,752
Deferred tax asset	10,433	-	10,433
Other non-current receivables	43	22	23
Total non-current assets	108,497	91,465	103,638
Current assets excl. Cash and cash equivalents	134,641	138,869	142,271
Cash and cash equivalents	320,617	221,494	243,069
Total current assets	455,258	360,363	385,340
TOTAL ASSETS	563,755	451,828	488,978

EQUITY AND LIABILITIES

Equity attributable to owners of the Parent Company	457,999	380,048	415,198
Non-controlling interests	-18	-18	-18
Total equity	457,981	380,028	415,180
Provision for deferred tax	332	351	332
Interest-free current liabilities	105,442	71,449	73,466
TOTAL EQUITY AND LIABILITIES	563,755	451,828	488,978
Pledged assets	2,253	2,253	2,253

CONSOLIDATED CASH FLOW STATEMENTS

(Amounts in SEK 000s)

Operating activities

	Jan-March 2017	Jan-March 2016	Jan-Dec 2016
Operating profit	55,822	46,135	194,275
Depreciation/amortization	1,307	1,690	7,074
Other non-cash items	637	679	-1,885
	57,766	48,504	199,464
Gains/losses on realized forward exchange contracts	-591	-290	-2,081
Paid tax	-12,387	-12,323	-43,381
Interest received and paid	-111	-26	1,305
Cash flow from operating activities before changes in working capital	44,677	35,865	155,307
Changes in working capital	39,506	-1,508	-7,378
Cash flow from operating activities	84,183	34,357	147,929
Purchase of property, plant and equipment	-6,653	-1,495	-5,611
Purchase of financial assets	-	-	-4,000
Cash flow from investing activities	-6,653	-1,495	-9,611
Dividend	-	-	-86,682
Distribution of the shares in IBT	-	-37,629	-37,629
Cash flow from financing activities	-	-37,629	-124,311
Cash flow for the period	77,530	-4,767	14,007
Cash and cash equivalents at beginning of period	243,069	226,882	226,882
Exchange difference in cash and cash equivalents	18	-621	2,180
Cash and cash equivalents at end of period	320,617	221,494	243,069



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amount in SEK 000'a)

	Jan-March 2017	Jan-March 2016	Jan-Dec 2016
At beginning of period	415,180	395,833	395,833
Dividend	-	-	-86,682
Distribution of shares in IBT	-	-122,144	-122,144
Comprehensive income for the period	42,801	106,339	228,173
At end of period	457,981	380,028	415,180

REPORTING OF SEGMENT – GROUP (Amounts in SEK 000's)

<u>Sales per segment</u>	Jan-March 2017	Jan-March 2016	Jan-Dec 2016	April 2016- March 2017	April 2015- March 2016
Pediatrics	110,779	108,056	433,028	435,751	382,367
Adult health	26,505	21,096	85,274	90,683	76,000
Other	3,849	4,701	16,394	15,542	19,881
Total	141,133	133,853	534,696	541,976	478,248

<u>Gross profit by segments</u>	Jan-March 2017	Jan-March 2016	Jan-Dec 2016	April 2016- March 2017	April 2015- March 2016
Pediatrics	82,793	76,753	318,811	324,851	263,114
Adult health	19,104	13,596	52,917	58,425	51,375
Other	3,849	4,425	16,079	15,503	19,033
Total	105,746	94,774	387,807	398,779	333,522

<u>Revenue from geographical market</u>	Jan-March 2017	Jan-March 2016	Jan-Dec 2016	April 2016- March 2017	April 2015- March 2016
Europe	90,061	93,294	348,175	344,942	286,023
USA and Canada	11,377	9,869	40,222	41,730	38,980
Asia	22,719	13,536	61,963	71,146	52,043
Rest of world	16,976	17,154	84,336	84,158	101,202
Total	141,133	133,853	534,696	541,976	478,248

Profit from discontinued operations (Distribution of IBT)

(Amount in SEK 000's)

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

Cash flow from discontinued operations

(Amount in SEK 000's)

	Jan-March 2017	Jan-March 2016
Operating activity	-	-6,781
Investing activity	-	-
<i>Total cash flow</i>	-	-6,781



CONSOLIDATED KEY RATIOS	Jan-March	Jan-March	Jan-Dec
	2017	2016	2016
Net sales, SEK 000s	141,133	133,853	534,696
Operating profit, SEK 000s ¹⁾	55,822	51,297	199,437
Profit after tax, SEK 000s ¹⁾	-42,866	38,745	159,349
Return on			
- average equity	10%	31%	56%
- average capital employed ¹⁾	13%	13%	49%
Capital employed, SEK 000s	458,313	380,379	415 512
Number of shares, thousands ²⁾	17,336	17,336	17,336
Average number of shares, thousands	17,336	17,336	17,336
Basic earnings per share in continuing operations, SEK ³⁾	2.47	2.23	9.19
Basic earnings per share, SEK ³⁾	2.47	6.17	13.13
Diluted earnings per share, SEK ²⁾	2.48	6.17	13.14
Basic equity per share, SEK	26.42	21.92	23.95
Diluted equity per share, SEK ²⁾	26.42	21.92	23.95
Equity/assets ratio	81%	84%	85%
Operating margin ¹⁾	40%	38%	37%
Profit margin ¹⁾	40%	38%	37%
Average number of employees	115	103	107

- 1) The figures for 2016 excluding discontinued operations (distribution of IBT)
2) No dilutive effect arose during the period
3) The ratios are defined according to IFRS

Definition of key ratios

The company presents certain financial ratios in the interim report 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 above 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.

Reconciliation against IFRS	Jan-March	Jan-March	Jan-Dec
	2017	2016	2016
Return on capital employed			
Operating profit	55,822	51,297	199,437
Financial income	-	10	1,429
Profit before financial items + financial income	55,822	51,307	200,866
Total assets	563,755	451,828	488,978
Interest-free liabilities	-105,442	-71,449	-73,466
Capital employed	458,313	380,379	415,512
Average capital employed	436,913	388,282	405,848
Return on capital employed	13%	13%	49%

	Pediatrics		Adult Health		Other		Total	
	Jan-March		Jan-March		Jan-March		Jan-March	
	2017	%	2017	%	2017	%	2017	%
Change in sales by segment								
Organic growth	-774	-1%	5,018	24%	-852	-18%	3,392	3%
Foreign exchange effects	3,497	3%	391	2%	-		3,888	2%
Reported change	2,723	3%	5,409	26%	-852	-18%	7,280	5%



RELATED PARTY TRANSACTIONS

The Parent Company holds 100% of the shares in BioGaia Biologics Inc. USA, BioGaia Japan Inc., TwoPac AB and Tripac AB. The Parent Company holds 90.1 % of the shares in CapAble AB.

On 29 March 2016, the shares in IBT were distributed to BioGaia's shareholders (see above).

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 5 per share.

FINANCIAL CALENDAR

3 May 2017	Teleconference at 9:30 a.m. with Managing Director Axel Sjöblad. To take part in the conference, please see telephone numbers at www.biogaia.com/agenda . The teleconference can also be followed at: https://tv.streamfabriken.com/biogaia-q1-2017
3 May 2017	Annual General Meeting, 5:00 p.m. at Lundqvist & Lindqvist Conference, Klarabergsviadukten 90, in Stockholm.
18 August 2017	Interim report 1 January – 30 June 2017
25 October 2017	Interim management statement, 1 January – 30 September 2017

Stockholm, 3 May 2017

Axel Sjöblad
Managing Director

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* (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 105 are based in Sweden (Stockholm, Lund, and Eslöv), one in Raleigh, USA and nine in Hiroshima, 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 90 countries worldwide. BioGaia holds patents for the use of *Lactobacillus reuteri* and certain packaging solutions in all major markets.

The BioGaia brand

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

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

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

Research and clinical studies

BioGaia's strains of *Lactobacillus reuteri* are some of the world's most well researched probiotics, especially in young children. To date, 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:

2017-04-20 BioGaia's oral health probiotic to be launched in three new markets
2017-04-04 Notice to attend the Annual General Meeting of BioGaia AB (publ)
2017-03-16 BioGaia signs exclusive agreement in Australia

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