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

Interim report 1 January – 30 June 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 second quarter increased by 11% (excluding foreign exchange effects, 5%) compared to the corresponding period last year. Sales of products, net sales excluding royalty revenues, increased by 20% (excluding foreign exchange effects, 14%). Product sales within Pediatrics increased by 19% and were mainly driven by our largest product, BioGaia Protectis drops, but also by BioGaia Protectis tablets. Our Adult Health portfolio, primarily BioGaia Prodentis and BioGaia Protectis tablets, grew by 27%. The launch of BioGaia Osfortis during the quarter also contributed to this increase. The increase within Adult Health is the result of a focused investment on this target group.
Operating expenses increased by 7% during the quarter which resulted in an operating profit of SEK 78.5 million, an increase of 8% compared to the second quarter of 2018 and an operating margin of 35%. We continue to launch our products in new markets at the same time as we invest in operations to continue our growth," says Isabelle Ducellier, President and CEO of BioGaia.

Second quarter 2019

Net sales amounted to SEK 222.3 million (200.9), an increase of 11% (excluding foreign exchange effects, 5%). Product sales, net sales excluding royalty revenues, increased by 20% (excluding foreign exchange effects, 14%).

Net sales in the Pediatrics segment reached SEK 181.1 million (168.5), an increase of 8%. Product sales within Pediatrics amounted to SEK 178.6 million (150.7), an increase of 19%.

Net sales in the Adult Health segment amounted to SEK 40.9 million (32.1), an increase of 27%.

Operating profit amounted to SEK 78.5 million (79.9). Operating profit excluding revaluation of former associate shareholding amounted to SEK 78.5 million (72.9)1), an increase of 8%.

Profit after tax was SEK 61.1 million (55.7)1), an increase of 10%.

Earnings per share totaled SEK 3.52 (3.22)1). No dilutive effects arose.

Cash flow amounted to SEK -155.7 million (-133.9). Cash flow included a dividend of SEK 173.4 million (156.0).

Key events in the second quarter of 2019

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

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

1 January – 30 June 2019

Net sales amounted to SEK 393.6 million (357.5), an increase of 10% (excluding foreign exchange effects, 4%). Product sales, net sales excluding royalty revenues, increased by 20% (excluding foreign exchange effects, 13%).

Net sales in the Pediatrics segment reached SEK 314.7 million (300.2), an increase of 5%. Product sales, excluding royalty revenues, within Pediatrics amounted to SEK 306.7 million (265.2), an increase of 16%.

Net sales in the Adult Health segment amounted to SEK 78.6 million (56.5), an increase of 39%.

Operating profit amounted to SEK 125.0 million (136.1). Operating profit excluding revaluation of the former associate shareholding amounted to SEK 125.0 million (129.1)1), a decrease of 3%.

Profit after tax was SEK 96.7 million (98.9)1), a decrease of 2%.

Earnings per share totaled SEK 5.58 (5.73)1). No dilutive effects arose.

Cash flow amounted to SEK -126.5 million (-94.1). Cash and cash equivalents at 30 June 2019 amounted to SEK 160.1 million (285.0).

Key events after the end of the second quarter

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

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 report to be held today 8 August 2019 at 09:30 CET with CEO Isabelle Ducellier. To participate in the teleconference, please see https://www.biogaia.com/investors/financial-calendar for telephone numbers. The teleconference can also be followed at https://tv.streamfabriken.com/biogaia-q2-2019 .

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

BioGaia AB (publ.)
Interim report 1 January – 30 June 2019

The Board of Directors and the CEO of BioGaia AB hereby present the interim report for the period 1 January – 30 June 2019.

CEO'S COMMENTS

Sales in the second quarter increased by 11% (excluding foreign exchange effects, 5%) compared to the corresponding period last year. Sales of products, net sales excluding royalty revenues, increased by 20% (excluding foreign exchange effects, 14%). Product sales within Pediatrics increased by 19% and were mainly driven by our largest product, BioGaia Protectis drops but also by BioGaia Protectis tablets. Our Adult Health portfolio, primarily BioGaia Prodentis and BioGaia Protectis tablets, grew by 27%. The launch of BioGaia Osfortis during the quarter also contributed to this increase. The increase within Adult Health is the result of a focused investment on this target group.

Sales in Asia Pacific (APAC) increased by 58% during the quarter, which is the result of our increased focus on the region and driven by sales of BioGaia Prodentis lozenges in Japan and South Korea as well as BioGaia Protectis drops in China and South Korea.

Sales in the Americas increased by 25% which is satisfactory after a somewhat weaker first quarter. The increase was mainly driven by higher sales in the USA but also by sales in Brazil. During the quarter, Gerber, one of our partners in the USA, launched *Lactobacillus reuteri* Protectis in minipacks (single-portion sachets of probiotic powder). The launch of Protectis tablets will take place in the third quarter.

Sales in EMEA decreased by 7% which is due to reduced royalty revenues from Nestlé. Product sales increased by 8% mainly driven by sales in Turkey, Germany and Italy.
Our partners in EMEA came to Stockholm for a two-day workshop during the period. The focus was primarily on digital marketing and e-commerce.

Sales by region, based on the last 12-month period, are divided as follows: EMEA 55% (62), APAC 21% (16) and Americas 24% (22).

The gross margin decreased from 76% to 74% due to a lower proportion of royalty revenues, which is in line with our expectations.

Costs rose 6% for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen), which is a significantly more modest increase than in the first quarter. This is because, with effect from the second quarter of the previous year, comparative figures are higher than in previous quarters. In addition, we capitalized the costs of our new ERP system (SEK 3.2 million) which resulted in lower costs for the quarter.
We continue to invest in the business through recruitments and increased marketing activities to strengthen the brand at the same time as we are developing new products to accelerate future growth. Including the subsidiaries BioGaia Pharma and MetaboGen, costs increased by 7%.

This resulted in an operating profit of SEK 78.5 million which is an 8%[1)] improvement over the corresponding period last year despite a lower gross margin. The operating margin amounted to 35% (36%)[1)].

Over the past 12-month period, sales increased by 15%, costs for the core business rose by 18% and operating profit by 9%.

During the quarter we launched our product for bone health - BioGaia Osfortis. This product is a new and natural alternative for the prevention of osteoporosis, a very common disease among older women and men. A clinical study with the probiotic strain in BioGaia Osfortis *Lactobacillus reuteri* ATCC PTA 6475 showed that the addition of this strain significantly reduced bone loss compared with a placebo. The study was published in the Journal of Internal Medicine in 2018. BioGaia Osfortis is now available in the American market through our partner Everidis and can be ordered on the Everidis webstore and on Amazon. We will continue to launch this product in several markets.

It is extremely important that we extend our product range but also that we continue the rollout of our existing portfolio. During the quarter our partner Abbott launched BioGaia Protectis drops in the Bahamas, Curacao and Barbados and BioGaia Protectis drops with vitamin D in Chile. Casen Recordati launched BioGaia Protectis tablets with a new flavor in Spain and Portugal and Gerber launched Protectis minipack in the USA.
In APAC, United Lab launched BioGaia Protectis drops with vitamin D in Taiwan and Monos Pharma launched both BioGaia Protectis drops and tablets with vitamin D as well as BioGaia Gastrus tablets in Mongolia.

BioGaia regularly takes part in international congresses. During the quarter we participated in ESPGHAN (European Society for Pediatric Gastroenterology, Hepatology and Nutrition) in Glasgow. Here we arranged, among other things, a symposium with several researchers who gave presentationon the subject of "*L. reuteri* DSM 17938 in Functional GI Disorders and beyond - The potential role in infection protection and fighting antibiotic resistance". The symposium was attended by 175 physicians.
During the quarter BioGaia also took part in the IADR (International Association for Dental Research) congress in Vancouver.

It is a sign of strength that, despite the loss of some royalty revenues from Nestlé, we increased our sales due to continued strong product sales. Furthermore, we are continuing to build on our collaboration with Nestlé by developing products adapted to their requirements.

I devote a considerable amount of my time together with our partners, developing their consumer marketing since we see this as an important complement to our medical marketing model. I believe it is this combination that is the key to our future growth and to strengthening the BioGaia brand.

Isabelle Ducellier
President and CEO BioGaia
8 August 2019

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

FINANCIAL PERFORMANCE IN THE SECOND QUARTER OF 2019

Sales, second quarter

Consolidated net sales totaled SEK 222.3 million (200.9) which is an increase of SEK 21.4 million (11%) (excluding foreign exchange effects, 5%) compared to the second quarter of last year. Product sales increased by 20% (excluding foreign exchange effects, 14%) while royalty revenues decreased by 79% due to lower royalties from Nestlé.

Sales in the Pediatrics segment amounted to SEK 181.1 million (168.5), an increase of 8% (excluding foreign exchange effects, 2%) compared to the second quarter of last year. Product sales within Pediatrics amounted to SEK 178.6 million (150.7), an increase of 19% mainly due to higher sales of BioGaia Protectis drops which increased in all regions. Sales of gut health tablets in the Pediatrics segment also increased during the period, attributable to the Americas and EMEA. Royalty revenues 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 second quarter of last year.

In the Adult Health segment, sales amounted to SEK 40.9 million (32.1), an increase of 27% (excluding foreign exchange effects, 21%). This is mainly due to sales of BioGaia Prodentis oral health lozenges in APAC and increased sales of BioGaia Protectis tablets in APAC and the Americas. Sales of BioGaia Gastrus tablets also rose slightly during the quarter.

Sales in EMEA amounted to SEK 112.4 million (120.4), a decrease of 7% due to lower royalty revenues.
In APAC, sales amounted to SEK 45.2 million (28.6), an increase of 58%. Sales showed a strong increase in both the Pediatrics and Adult Health segments.
In the Americas, sales amounted to SEK 64.7 million (51.8), an increase of 25%. The increase was mainly attributable to the Pediatrics segment.

Gross margin, second quarter

The total gross margin for the quarter was 74% (76%). The gross margin for the Pediatrics segment amounted to 74% (76%). The decrease is related to lower royalty revenues. The gross margin for the Adult Health segment was 72% (72%).

Operating expenses and operating profit, second quarter

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen AB) totaled SEK 77.6 million (73.4), an increase of 6%. The increase is due to higher selling costs from various marketing activities, in Sweden and other countries. Furthermore, the number of employees increased in both Sweden and Japan. The relatively modest increase is due to the company capitalizing the costs of the new ERP system which amount to SEK 3.2 million (recognized as an expense in the first quarter) as well as expenses in the second quarter of 2018 included a one-time expense for the then outgoing Managing Director.

For some time now, the Group has included the two research-intensive subsidiaries BioGaia Pharma AB and MetaboGen AB. Expenses for these companies amounted to SEK 4.3 million (3.0).
Total operating expenses for the Group thus increased by 7% 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 -3.0 million (-2.7).

Operating profit amounted to SEK 78.5 million (72.9)[1)], an increase of 8%. Operating margin amounted to 35% (36%)[1)]. In the previous year the quarter included revaluation of a former associate shareholding in MetaboGen of SEK 7.0 million. Including the revaluation, operating profit amounted to SEK 78.5 million (79.9).

Profit after tax and earnings per share, second quarter
Profit after tax amounted to SEK 61.1 million (55.7)[1)] an increase of 10%. The effective tax rate was 22% (21%).

Earnings per share amounted to SEK 3.52 (3.22)[1)]. No dilutive effects arose.

KEY EVENTS IN THE SECOND QUARTER OF 2019

Launches in the second quarter

Distributor	Country	Product
Abbott	Chile	BioGaia Protectis drops with vitamin D
Abbott	Bahamas, Curacao and Barbados	BioGaia Protectis drops
Casen Recordati	Spain	BioGaia Protectis tablets with a new flavor (apple)
Everidis	USA	BioGaia Osfortis capsules
Gerber	USA	Protectis minipack
Monos Pharma	Mongolia	BioGaia Protectis drops and tablets with vitamin D and BioGaia Gastrus
United Lab	Taiwan	BioGaia Protectis drops with vitamin D

BioGaia launches BioGaia Osfortis – a new product for prevention of osteoporosis

The USA is the first market to launch BioGaia's new product for bone health, BioGaia Osfortis. The product is marketed here by Everidis Health Sciences and has been available since mid-May 2019.

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

BioGaia's probiotic reduces pain in patients with diverticulitis

A randomized, double-blind, placebo-controlled study with BioGaia's probiotic strain *Lactobacillus reuteri* ATCC PTA 4659 was shown to reduce abdominal pain significantly more than placebo in patients with acute uncomplicated diverticulitis. The group that received the probiotic supplement also had a shorter hospital stay which resulted in economic benefits.

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

KEY EVENTS AFTER THE END OF THE SECOND QUARTER

Exclusive agreement with Abbott LatAm in Uruguay

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

FINANCIAL PERFORMANCE 1 January – 30 June 2019

Sales, first half of 2019

Consolidated net sales totaled SEK 393.6 million (357.5), which is an increase of SEK 36.1 million, 10% (excluding foreign exchange effects, 4%) compared to the same period last year. The lower revenue increase is due to decreased royalty revenues from Nestlé. Product sales, excluding royalty revenues, amounted to SEK 382.9 million (320.1) which is an increase of 20% (excluding foreign exchange effects, 13%).
Over the past 12-month period, sales increased by 15% (excluding foreign exchange effects, 8%).

PEDIATRICS SEGMENT

Sales in the Pediatrics segment amounted to SEK 314.7 million (300.2), an increase of 5% (excluding foreign exchange effects -1%) compared to the corresponding period last year. Royalty revenues from Nestlé relating to the use of *Lactobacillus reuteri* in growing up milk for children over the age of one year have decreased. Product sales amounted to SEK 306.7 million (265.2), an increase of 16% (excluding foreign exchange effects, 9%).

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

Sales of BioGaia Protectis tablets within Pediatrics increased in all regions primarily in the Americas (the USA and Brazil).

Royalties from sales of growing up milk with *Lactobacillus reuteri* Protectis for children over the age of one decreased by SEK 22.6 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 (5.4), a decrease of SEK 5.4 million.

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

In the past 12-month period, sales within the Pediatrics segment increased by 11% (excluding foreign exchange effects, 4%).

ADULT HEALTH SEGMENT

Net sales in the Adult Health segment amounted to SEK 78.6 million (56.5), an increase of 39% (excluding foreign exchange effects, 31%), compared to the corresponding period last year.

Sales of BioGaia Protectis tablets increased strongly compared to the corresponding period last year. Sales increased in APAC (primarily Hong Kong) and in EMEA (primarily Finland). BioGaia's partner in Finland launched vegan capsules in the first quarter which were a success and contributed to the increase during the period.

Sales of oral health products also showed a strong increase compared to the corresponding period of 2018. Sales increased in APAC (Japan and South Korea) while they 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 remain at a low level and were largely unchanged compared to the corresponding period last year. The company is actively working on finding additional distribution partners for this product.

In the past 12-month period, sales in the Adult Health segment increased by 33% (excluding foreign exchange effects, 24%).

OTHER SALES

Other sales amounted to SEK 0.3 million (0.8), a decrease of SEK 0.5 million compared to the corresponding period last year.

SALES BY GEOGRAPHIC MARKET

Sales in EMEA amounted to SEK 215.9 million (221.5), a decrease of 3%. Sales within Pediatrics decreased due to lower royalty revenues while sales of Adult Health products increased slightly. For the past 12-month period, sales increased by 2%.

Sales in APAC amounted to SEK 79.8 million (47.9), an increase of 67%. Sales showed strong growth in both the Pediatrics and Adult Health segments. For the past 12-month period, sales increased by 53%.

In the Americas, sales amounted to SEK 97.9 million (88.1), an increase of 11%. The increase was mainly attributable to the Pediatrics segment. For the past 12-month period, sales increased by 25%.

THE BIOGAIA BRAND

Of total finished consumer products (drops, gut health tablets, oral health lozenges, oral rehydration solution, etc.) sold in the first half of 2019, 70% (67%) were sold under the BioGaia brand including co-branding.

Gross margin, first half of 2019

The total gross margin amounted to 73% (75%).

Gross margin for Pediatrics amounted to 74% (76%). The lower gross margin was due to lower royalty revenues.

Gross margin for the Adult Health segment was 71% (70%).

Operating expenses, first half of 2019

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen AB) totaled SEK 147.0 million (127.7), an increase of 15%. 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 increased from 124 to 148. The second quarter of last year included a one-time expense for the then outgoing Managing Director. This means that the increase in personnel costs is slightly lower than the increase in the number of employees.
The costs of a new ERP system (SEK 3.2 million) were capitalized 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.

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 9.1 million (3.9). Total operating expenses for the Group thus increased by 19% 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 -6.7 million (-6.5). At 30 June 2019, the company had outstanding forward exchange contracts for EUR 13.6 million at an average exchange rate of SEK 10.31 and for USD 7.7 million at an average exchange rate of SEK 8.40. The actual exchange loss/gain depends on the exchange rate on the maturity dates of the contracts.

Share of profits of associates in the first half of 2018 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 recognized in profit or loss. As a result of this, a gain of SEK 7.0 million was recognized in operating profit for 2018 regarding the former associate shareholding in MetaboGen.

Operating profit and operating margin, first half of 2019

Operating profit amounted to SEK 125.0 million (129.1)[1)], a decrease of SEK 4.1 million (3%).

Operating margin was 32% (36%)[1)].

Profit after tax, first half of 2019

Profit after tax was SEK 96.7 million (98.9)[1)], a decrease of SEK 2.2 million (2%).

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

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

Earnings per share, first half of 2019

Earnings per share amounted to SEK 5.58 (5.73)[1)]. No dilutive effects arose.

Balance sheet, 30 June 2019

Total assets amounted to SEK 596.6 million (660.0). In the first half, property, plant and equipment increased by SEK 21.5 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 13.9 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 fixed assets. In addition, cash and cash equivalents decreased mainly due to dividends but also to increased working capital (primarily increased trade receivables and inventories).

Cash flow, first half of 2019

Cash flow amounted to SEK -126.5 million (-94.1). Cash flow includes a dividend of SEK 173.4 million (156,0) 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 the previous year. Cash and cash equivalents at 30 June 2019 amounted to SEK 160.1 million (SEK 285.0 million at 31 December 2018).

Investments in property, plant and equipment

Investments in property plant and equipment amounted to SEK 13.4 million (8.0).

Parent Company

The Parent Company's net sales amounted to SEK 375.9 million (339.0) and profit before tax was SEK 108.2 million (109.1). The financial performance of the Parent Company is in all material respects in line with that of the Group.

Cash flow amounted to SEK -119.8 million (-103.4).

Subsidiary in Japan

BioGaia Japan is a wholly owned subsidiary of BioGaia AB. Net sales relating to the Japanese operations amounted to SEK 34.2 million (24.5). Operating profit for the Japanese operations was SEK 4.3 million (3.7).

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 58.9 million (59.8). Operating profit amounted to SEK 19.6 million (22.4).

Subsidiary CapAble AB

CapAble is a wholly owned subsidiary of BioGaia AB. The company was previously owned to 9.9% by CapAble's Managing Director but in February 2019 BioGaia acquired the remaining shareholding for SEK 1.
Net sales in CapAble amounted to SEK 0.2 million (0.7). Operating profit was SEK -1.0 million (-0.8).

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 -2.9 million (-2.7). Up to 30 June 2019 the company has received a conditional shareholder contribution of SEK 8.0 million from the Parent Company.

Subsidiary MetaboGen AB

MetaboGen has been a subsidiary of BioGaia AB since 6 April 2018 (previously an associated company). MetaboGen is owned to 92% by BioGaia AB and 8% by the former owners. BioGaia will acquire the remaining 8% in the company within a three-year period 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 recognized a non-current liability for the corresponding amount. Recognition took place in equity.

In the first half of 2019, the company received a shareholder contribution of SEK 6.0 million from the Parent Company.

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

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

The company does not yet have any sales revenue but part of the costs for a study on intrahepatic cholestasis of pregnancy (ICP) is funded by Ferring. Operating profit for operations in MetaboGen (including the above research project) amounted to SEK -2.6 million (-1.3).
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EMPLOYEES

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

The company has an incentive program 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 program 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 organization.

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

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

SIGNIFICANT RISKS AND UNCERTAINTIES, GROUP AND PARENT COMPANY

Significant risks and uncertainties are described in the administration report of the annual report for 2018 on pages 45 and 46 and in Notes 27 and 28. No significant changes in these risks and uncertainties are assessed to have taken place at 30 June 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 first half, Peter Rothschild received additional remuneration for significant working duties, in addition to his assignment on the Board, of SEK 580 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 report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim report.

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application in the EU. The accounting policies applied by the Group and the Parent Company are consistent, unless otherwise stated below, with the accounting policies applied in preparation of the most recent annual report. The Parent Company prepares its financial statements in accordance with RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act, and applies the same accounting policies and valuation methods as in the most recent annual report..

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

IFRS 16 Leases

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

BioGaia applies IFRS 16 Leases with effect from 1 January 2019. BioGaia has carried out a review of all leasing and rental contracts. BioGaia has chosen the simplified transition method which means that on the date of initial application the right-of-use is set at an amount that corresponds to the lease liability. The right-of-use assets on the initial application date amount to SEK 24.8 million and leases with the highest materiality are rental contracts for the offices in Stockholm and Lund which amount to 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 June the Group's lease assets amounted to SEK 21.4 million which is recognized in the item right-of-use assets and liabilities amounted to SEK 13.9 million in non-current liabilities and SEK 7.5 million in current liabilities. For the period January-June 2019 an interest expense of SEK 0.4 million and an amortization of SEK 3.4 million are recognized. In cash flow the net change in the lease liability (SEK 3.4 million) is recognized as an item in cash flow from financing activities.

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

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

Lease payments included in measurement of the lease liability include:
- - fixed lease payments (including substantive fixed payments) after deduction for any incentives,
- variable lease payments depending on an index or a rate, initially measured using an index or rate at the commencement date.

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right-of-use) if:
- The lease term has changed or if there is a change in the assessment of an option to purchase the underlying asset. In such cases the lease liability is remeasured by discounting the changed lease payments with a changed discount rate.

- Lease payments change due to changes in an index or rate or a change in the amount expected to be paid out under a residual value guarantee. In such cases the lease liability is remeasured by discounting the changed lease payments with the initial discount rate (provided the changes in lease payments are not due to changed variable interest rate, when a changed discount rate will be used instead).

- A lease contract is changed and the change is not recognized as a separate lease. In such cases, the lease liability is remeasured by discounting the changed lease payments by a changed discount rate.
The Group has not made any such adjustments in the periods presented.

At acquisition right of use assets are recognized at the value of a corresponding lease liability, lease payments made on or before the commencement date as well as any initial direct payments. In subsequent periods they are measured at cost after deduction for cumulative amortization and impairment.
If the Group undertakes to dismantle and remove a lease asset, to restore the site on which the item is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognized according to IAS 37. Such provisions are recognized as part of the cost for right-of-use, unless these payments arise in conjunction with production of goods.
Amortization of right-of-use assets takes place over an estimated useful life or over the contractual lease term, if this is shorter. If a lease contract transfers right of ownership to the underlying assets at the end of the lease term or if the cost for right-of-use reflects that the Group expects to exercise a call option, amortization takes place over the useful life of the underlying asset. Amortization starts as per the commencement date for the lease contract.
Right-of-use assets are presented on a separate line in the consolidated statement of financial position.
The Group applies IAS 36 Impairment of Assets to decide whether a impairment requirement exists for the right-of-use and reports any identified impairment in the same manner as described in the principles for property, plant and equipment.
Variable lease payments that are not due to an index or rate are not included in the measurement of the lease liability and right-of-use. Such lease payments are recognized as an expense in the period in which they arise and included on the line administrative expenses in the consolidated income statement.
IFRS 16 permits, as a practical expedient, that the lessee does not separate non-lease components from lease components and instead recognizes each lease component and associated non-lease components as a single lease component. The Group has chosen not to apply this exemption.

Exchange rate differences
Most of the company's sales are denominated in foreign currency, primarily EUR but also USD and JPY. With unchanged exchange rates, compared with the first half of the previous year, net sales would have been SEK 23.3 million lower in the first half of 2019. Exchange rate differences affect both revenues and expenses.

Consolidated statements of comprehensive income

(Amounts in SEK 000s)	**Jan-June 2019**	Jan-June 2018	**April-June 2019**	April-June 2018	Jan-Dec 2018	July 2018-June 2019	July 2017 June 2018
Net sales (Note 1)	**393,587**	357,524	**222,330**	200,879	741,870	777,933	675,348
Cost of sales	**-105,742**	-89,768	**-58,897**	-48,889	-185,956	-201,930	-167,651
Gross profit	***287,845***	*267,756*	***163,433***	*151,990*	*555,914*	*576,003*	*507,697*
Selling expenses	**-89,459**	-72,328	**-48,780**	-42,217	-153,109	-170,240	-140,311
Administrative expenses	**-11,674**	-14,580	**-5,034**	-8,860	-27,653	-24,747	-25,765
Research and development expenses	**-55,010**	-44,756	**-28,099**	-25,351	-99,742	-109,996	-85,989
Share of profits of associates	**-**	-500	**-**	-	-500	-	-320
Revaluation of former associate shareholding	**-**	7,004	**-**	7,004	7,004	-	7,004
Other operating income/operating expenses	**-6,750**	-6,536	**-3,007**	-2,657	-4,555	-4,769	-10,540
Operating profit	***124,952***	*136,060*	***78,513***	*79,909*	*277,359*	*266,251*	*251,776*
Interest income	**95**	274	**-23**	1	641	736	386
Financial expenses	**-428**	-405	**-185**	-365	-405	-428	-467
Profit before tax	***124,619***	*135,929*	***78,305***	*79,545*	*277,595*	*266,559*	*251,695*
Deferred tax	**-814**	-693	**-535**	-533	-909	-1,723	-1,787
Tax	**-27,155**	-29,328	**-16,710**	-16,260	-62,453	-60,280	-53,502
PROFIT FOR THE PERIOD	**96,650**	105,908	**61,060**	62,752	214,233	204,556	196,406
Items that may be subsequently reclassified to profit or loss							
Gains/losses arising on translation of the statements of foreign operations	**-195**	-318	**27**	4	-187		
Comprehensive income for the period	**96,455**	105,590	**61,087**	62,756	214,046		

Profit for the period attributable to:					
Owners of the Parent Company	**96,757**	106,387	61,060	62,752	214,890
Non-controlling interests	**-107**	-479	**-**	0	-657
	96,650	105,908	**61,060**	62,752	214,233
Comprehensive income for the period attributable to:					
Owners of the Parent Company	**96,562**	106,069	**61,087**	62,756	214,703
Non-controlling interests	**-107**	-479	**-**	0	-657
	96,455	105,590	**61,087**	62,756	214,046
Earnings per share					
Earnings per share (SEK) *)	**5.58**	5.73	**3.52**	3.22	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 June**	31 Dec	30 June
Summary (amounts in SEK 000s)	**2019**	2018	2018
ASSETS			
Property, plant and equipment	**115,157**	105,935	107,098
R&D projects in progress	**49,080**	45,850	52,242
Goodwill	**5,300**	5,300	-
Right-of-use assets (Note 2)	**21,459**	-	-
Deferred tax asset	**7,616**	8,430	8,646
Other non-current receivables	**44**	43	43
Total non-current assets	***198,656***	*165,558*	*168,029*
Current assets excl. cash and cash equivalents	**237,856**	209,453	207,625
Cash and cash equivalents	**160,059**	284,962	215,477
Total current assets	***397,915***	*494,415*	*423,102*
TOTAL ASSETS	**596,571**	659,973	591,131
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	**416,568**	504,982	410,932
Non-controlling interests	**2**	3,139	16,567
Total equity (Note 3)	**416,570**	508,121	427,499
Deferred tax liability	**6,679**	6,679	7,633
Non-current liabilities (Note 2)	**25,350**	-	-
Current liabilities	**147,972**	145,173	155,999
TOTAL LIABILITIES AND EQUITY	**596,571**	659,973	591,131

Other current liabilities include forward exchange contracts with a fair value of SEK 9.5 million (7.0). All forward exchange contracts are attributable to level 2 of the fair value hierarchy. The fair values of other receivables, cash and cash equivalents, trade payables and other liabilities are estimated to be equal to their carrying amounts (amortized cost) due to the short maturity.

CONSOLIDATED CASH FLOW STATEMENTS	**Jan-June**	Jan-June	**April-June**	April-June	Jan-Dec
Summary (amounts in SEK 000s)	**2019**	2018	**2019**	2018	2018
Operating activities					
Operating profit	**124,952**	136,060	**78,513**	79,909	277,359
Depreciation/amortization	**7,558**	3,735	**3,812**	1,890	7,546
Unrealized gains/losses on forward contracts	**2,454**	13,645	**-995**	5,043	6,098
Revaluation of former associate shareholding in MetaboGen	**-**	-7,004	**-**	-7,004	-7,004
Other non-cash items	**-647**	-2,514	**-284**	-1,630	1,497
	134,317	143,922	**81,046**	78,208	285,496
Paid tax	**-36,299**	-25,533	**-13,288**	-12,901	-52,408
Interest received and paid	**-333**	-132	**-326**	-293	240
Cash flow from operating activities before changes in working capital	**97,685**	118,257	**67,432**	65,014	233,328
Changes in working capital	**-27,607**	-39,500	**-33,258**	-28,884	-50,208
Cash flow from operating activities	***70,078***	*78,757*	***34,174***	*36,130*	*183,120*
Acquisition of property, plant and equipment	**-13,377**	-8,044	**-8,458**	-5,221	-13,454
Acquisition of intangible assets	**-3,229**	-	**-3,229**	-	75
Acquisition of subsidiary	**-**	-6,087	**-**	-6,087	-33,922
Cash flow from investing activities	***-16,606***	*-14,131*	***-11,687***	*-11,308*	*-47,301*
Dividend	**-173,365**	-156,028	**-173,365**	-156,028	-156,028
Net change in lease liability	**-3,361**	-	**-1,668**	-	-
Provision to the Foundation to Prevent Antibiotic Resistance	**-3,200**	-2,700	**-3,200**	-2,700	-2,700
Cash flow from financing activities	***-179,926***	*-158,728*	***-178,233***	*-158,728*	*-158,728*
Cash flow for the period	**-126,454**	-94,102	**-155,746**	-133,906	-22,909
Cash and cash equivalents at the beginning of the period	**284,962**	305,856	**315,121**	347,871	305,856
Exchange differences in cash and cash equivalents	**1,551**	3,723	**684**	1,512	2,015
Cash and cash equivalents at the end of the period	**160,059**	215,477	**160,059**	215,477	284,962

NOTE 1 REPORTING BY SEGMENT – GROUP

Executive Management has analyzed the Group's internal reporting system and established that the Group's operations are governed and evaluated based on the following segments:
- **Pediatrics segment** (drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used ingredients in licensee products (such as infant formula), as well as royalty revenue for pediatric products.)
- **Adult Health segment** (gut health tablets, oral health lozenges 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..

Revenue by segment (SEK 000s)	**Jan-June 2019**	Jan-June 2018	**April-June 2019**	April-June 2018	Jan-Dec 2018	July 2018-June 2019	July 2017 June 2018
Pediatrics	**314,747**	300,221	**181,135**	168,486	596,457	610,983	549,929
Adult Health	**78,560**	56,536	**40,915**	32,101	141,680	163,704	123,185
Other	**280**	767	**280**	292	3,733	3,246	2,234
Total	**393,587**	357,524	**222,330**	200,879	741,870	777,933	675,348
Gross profit by segment							
Pediatrics	**232,075**	227,325	**133,889**	128,493	451,636	456,386	421,921
Adult Health	**55,490**	39,677	**29,264**	23,218	100,711	116,524	83,593
Other	**280**	754	**280**	279	3,567	3,093	2,183
Total	**287,845**	267,756	**163,433**	151,990	555,914	576,003	507,697
Selling, administrative and R&D expenses	**-156,143**	-131,664	**-81,913**	-76,428	-280,504	-304,983	-252,065
Share of profits of associates	**-**	-500	**-**	-	-500	-	-320
Revaluation of former associate shareholding	**-**	7,004	**-**	7,004	7,004	-	7,004
Other operating expenses	**-6,750**	-6,536	**-3,007**	-2,657	-4,555	-4,769	-10,540
Operating profit	**124,952**	136,060	**78,513**	79,909	277,359	266,251	251,776
Net financial items	**-333**	-131	**-208**	-364	236	308	-81
Profit before tax	**124,619**	135,929	**78,305**	79,545	277,595	266,559	251,695
Sales by geographic market							
Asia Pacific							
Pediatrics	**33,070**	20,548	**19,053**	13,246	49,303	61,825	40,073
Adult Health	**46,663**	27,265	**26,039**	15,342	80,599	99,997	65,542
Other	**68**	98	**68**	61	172	142	118
Total Asia Pacific	**79,801**	47,911	**45,160**	28,649	130,074	161,964	105,733
EMEA							
Pediatrics	**187,483**	194,154	**100,023**	104,579	379,144	372,473	367,567
Adult Health	**28,168**	26,705	**12,209**	15,609	55,177	56,640	53,525
Other	**212**	663	**212**	225	3,555	3,104	1,657
Total EMEA	**215,863**	221,522	**112,444**	120,413	437,876	432,217	422,749
Americas							
Pediatrics	**94,194**	85,519	**62,059**	50,661	168,010	176,685	142,289
Adult Health	**3,729**	2,566	**2,667**	1,150	5,904	7,067	4,118
Other	**-**	6	**-**	6	6	-	459
Total Americas	**97,923**	88,091	**64,726**	51,817	173,920	183,752	146,866
Total	**393,587**	357,524	**222,330**	200,879	741,870	777,933	675,348
Date of recognition							
Performance obligations met on specific date (Product sales)							
Pediatrics	**306,670**	265,225	**178,607**	150,704	523,537		
Adult Health	**76,155**	54,774	**39,680**	31,193	136,606		
Other	**68**	104	**68**	61	2,005		
Total	**382,893**	320,103	**218,355**	181,958	662,148		
Performance obligations met over time (Royalty)							
Pediatrics	**8,077**	34,996	**2,528**	17,782	72,920		
Adult Health	**2,405**	1,762	**1,235**	908	5,074		
Other	**212**	663	**212**	231	1,728		
Total	**10,694**	37,421	**3,975**	18,921	79,722		
Total	**393,587**	357,524	**222,330**	200,879	741,870		

NOTE 2 – NON-CURRENT LIABILITIES

Non-current lease liabilities	13,909
Non-current liability related to acquisition of MetaboGen	11,441
Total non-current liabilities	**25,350**

CHANGE IN ACCOUNTING STANDARD – IFRS 16

Effects on assets, liabilities and equity, 1 January 2019

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

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

Effect on income statement due to change of accounting standard

	Jan-June 2019 according to IAS17	Reclassification	Jan-June 2019 according to IFRS 16
Operating expenses	-156 537	394	-156 143
Net financial items	61	-394	-333

Amortization 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-June 2019	Jan-June 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
Comprehensive income for the period	**96,455**	105,590	214,046
Closing balance	**416,570**	427,499	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 JUNI 2019 (source: Euroclear)

		A shares 000s	**B shares 000s**	**Share capital 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**		**1,476**	**1,476**	**1,476**	**8.5%**	**6.2%**
4	**Öhman Bank S.A**		**1,092**	**1,092**	**1,092**	**6.3%**	**4.5%**
5	**State Street Bank & Trust co**		**748**	**748**	**748**	**4.3%**	**3.1%**
6	**BNY Mellon SA/NV (Former BNY)**		**485**	**485**	**485**	**2.8%**	**2.0%**
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**		**321**	**321**	**321**	**1.8%**	**1.3%**
	Other shareholders		**9,395**	**9,395**	**9,395**	**54.2%**	**39.1%**
	Total:	**741**	**16,596**	**17,336**	**24,002**	**100%**	**100%**

CONSOLIDATED KEY RATIOS

	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
Net sales, SEK 000s	**393,587**	357,524	741,870
Growth,%	**10%**	20%	21%
Operating profit, SEK 000s	**124,952**	136,060	277,359
Profit after tax, SEK 000s	**96,650**	105,908	214,233
Return on			
- average equity	**21%**	24%	44%
- average capital employed	**27%**	30%	57%
Capital employed, SEK 000s	**423,249**	435,132	514,800
Number of shares (thousands) 1)	**17,336**	17,336	17,336
Average number of shares (thousands)	**17,336**	17,336	17,336
Earnings per share, SEK [1) 2)]	**5.58**	6.14	12.40
Equity per share, SEK [1)]	**24.03**	23.70	29.13
Equity/assets ratio	**70%**	72%	77%
Operating margin	**32%**	38%	37%
Profit margin	**32%**	38%	37%
Average number of employees	**148**	124	130

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

Definition of key ratios

Key ratio	Definition/Calculation	Purpose
Return on equity	Profit attributable to the owners of the Parent Company in relation to average equity attributable to the owners of the Parent Company.	Return on equity is used to measure profit generation, over time, given the resources attributable to the owners of the Parent Company.
Return on capital employed	Profit before net financial items plus financial income as a percentage of average capital employed.	Return on capital employed is used to analyze profitability, based on the amount of capital used. .
Equity per share	Equity attributable to the owners of the Parent Company divided by the average number of shares.	Equity per share measures the company's net value per share and indicates whether a company will increase the shareholders' wealth over time.
Operating margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	The operating profit margin is used to measure operational profitability.
Equity/assets ratio	Equity as a percentage of total assets	A traditional measure to show financial risk expressed as the share of total assets financed by the shareholders. Shows the company's stability and ability to withstand losses.
Capital employed	Total assets less interest-free liabilities.	Capital employed measures the company's ability, in addition to cash and liquid assets, to meet the requirements of business operations.
Growth	Sales for the period less sales for the corresponding period of the previous year divided by sales for the previous period.	Shows the company's realized sales growth over time.
Earnings per share (EPS)	Profit for the period attributable to the owners of the Parent Company divided by average number of shares outstanding (definition according to IFRS).	EPS measures how much of net profit is available for payment to shareholders as dividends per share.
Profit margin	Profit before tax in relation to net sales.	This key ratio makes it possible to compare profitability regardless of corporate income tax rate.

Definition of key ratios, continued

Return on average equity	**Jan-June 2019**	Jan-June 2018	Jan-Dec 2018
Profit attributable to owners of the Parent Company (A)	**96,757**	106,387	214,890
Equity attributable to owners of the Parent Company	**416,568**	410,932	504,982
Average equity attributable to owners of the Parent Company (B)	**460,775**	437,418	484,444
Return on equity (A/B)	**21%**	24%	44%

Return on average capital employed	**Jan-June 2019**	Jan-June 2018	Jan-Dec 2018
Operating profit	**124,952**	136,060	277,359
Financial income	**95**	274	641
Profit before net financial items + financial income (A)	**125,047**	136,334	278,000
Total assets	**596,571**	591,131	659,973
Interest-free liabilities	**-173,322**	-155,999	-145,173
Capital employed	**423,249**	435,132	514,800
Average capital employed (B)	**469,025**	449,899	489,733
Return on capital employed (A/B)	**27%**	30%	57%

Definition of key ratios, continued

Equity/assets ratio	30 June 2019	30 June 2018	31 Dec 2018
Equity (A)	**416,570**	427,499	508,121
Total assets (B)	**596,571**	591,131	659,973
Equity/assets ratio (A/B)	**70%**	72%	77%

Operating margin	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
Operating profit (A)	**124,952**	136,060	277,359
Net sales (B)	**393,587**	357,524	741,870
Operating margin (A/B)	**32%**	38%	37%
Profit margin			
Profit before tax (A)	**124,619**	135,929	277,595
Net sales (B)	**393,587**	357,524	741,870
Profit margin (A/B)	**32%**	38%	37%

Equity per share	30 June 2019	30 June 2018	31 Dec 2018
Equity attributable to owners of the Parent Company (A)	**416,568**	410,932	504,982
Average number of shares (B)	**17,336**	17,336	17,336
Equity per share (A/B)	**24.03**	23.70	29.13

Average key exchange rates	Jan-June 2019	April-June 2018	Jan-June 2018	April-June 2018	Jan-Dec 2018
EUR	10.51	10.62	10.14	10.33	10.26
USD	9.31	9.45	8.38	8.67	8.69
JPY	8.46	8.60	7.71	7.94	7.87

Key exchange rates on closing date	30 June 2019	31 Dec 2018
EUR	10.56	10.28
USD	9.27	8.97
JPY	8.61	8.12

Change in sales by segment including and excluding foreign exchange effects

		Pediatrics		Adult Health		Other		Total	
		Jan-June 2019	April-June 2019	Jan-June 2019	April-June 2019	Jan-June 2019	April-June 2019	Jan-June 2019	April-June 2019
	Description								
A	Previous year's net sales according to the average rate	300,221	168,486	56,536	32,101	767	292	357,524	200,879
B	Net sales for the year according to the average rate	314,747	181,135	78,560	40,915	280	280	393,587	222,330
C	Recognized change (B-A)	14,526	12,649	22,024	8,814	-487	-12	36,063	21,451
	Percentage change (C/A)	**5%**	**8%**	**39%**	**27%**	**-63%**	**-4%**	**10%**	**11%**
D	Net sales for the year according to the previous year's average rate (D)	296,122	171,451	73,857	38,731	280	280	370,259	210,462
E	Foreign exchange effects (C-F)	18,625	9,684	4,703	2,184	0	0	23,328	11,868
	Percentage change (E/A)	6%	6%	8%	7%	0%	0%	7%	6%
F	Organic change (D-A)	-4,099	*2,965*	17,321	6,630	-487	-12	12,735	9,583
	Organic change percent (F/A)	**-1%**	**2%**	**31%**	**21%**	**-63%**	**-4%**	**4%**	**5%**

Pledged assets and contingent liabilities	GROUP		PARENT COMPANY	
	30 June 2019	31 Dec 2018	**30 June 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

PARENT COMPANY INCOME STATEMENT	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
(Amounts in SEK 000s)			
Net sales	**375,858**	339,095	705,762
Cost of sales	**-128,113**	-110,100	-219,991
Gross profit	**247,745**	228,995	485,771
Selling expenses	**-72,349**	-58,922	-130,219
Administrative expenses	**-11,226**	-13,433	-23,547
R&D expenses	**-49,604**	-41,297	-91,834
Other operating expenses	**-6,754**	-6,613	-4,625
Operating profit	**107,812**	108,730	235,546
Impairment loss on shares in subsidiary	**-**	-	-7,465
Net financial items	**377**	357	1,480
Profit before tax	**108,189**	109,087	229,561
Tax	**-22,800**	-24,567	-53,962
PROFIT FOR THE PERIOD	**85,389**	84,520	175,599

PARENT COMPANY BALANCE SHEET	31-dec 2019	30-June 2018	31-dec 2018
ASSETS			
Property, plant and equipment	**7,557**	5,218	5,218
Intangible assets	**3,230**	-	-
Shares in group companies	**115,902**	82,259	109,902
Non-current receivables from subsidiaries	**35,835**	45,835	45,835
Total non-current assets	***162,524***	*133,312*	*160,955*
Current assets excl. cash and cash equivalents	**215,221**	177,041	188,052
Cash and cash equivalents	**105,610**	169,787	224,732
Total current assets	***320,831***	*346,828*	*412,784*
TOTAL ASSETS	**483,355**	480,140	573,739
EQUITY AND LIABILITIES			
Equity	**358,926**	359,023	450,102
Interest-free current liabilities	**124,429**	121,117	123,637
TOTAL LIABILITIES AND EQUITY	**483,355**	480,140	573,739

PARENT COMPANY CASH FLOW STATEMENTS	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
Operating activities			
Operating profit	**107,812**	108,730	235,546
Depreciation	**732**	438	950
Other non-cash items	**-647**	-3,100	-1,851
Forward exchange contracts	**2,454**	13,645	6,098
Tax paid	**-33,453**	-23,349	-48,100
Interest received and paid	**377**	357	1,480
Cash flow from operating activities before changes in working capital	**77,275**	96,721	194,123
Changes in working capital	**-18,180**	-34,089	-44,381
Cash flow from operating activities	**59,095**	62,632	149,742
Acquisition of intangible assets	**-3,229**	-	-
Acquisition of property, plant and equipment	**-3,071**	-1,581	-2,093
Sale of property, plant and equipment	**-**	-	75
Acquisition of financial assets	**-6,000**	-15,688	-45,523
Repayment of loan from subsidiary	**10,000**	10,000	10,000
Cash flow from investing activities	**-2,300**	-7,269	-37,541
Dividend	**-173,364**	-156,028	-156,028
Provision to Foundation to Prevent Antibiotic Resistance	**-3,200**	-2,700	-2,700
Cash flow from financing activities	**-176,564**	-158,728	-158,728
Cash flow for the period	**-119,769**	-103,365	-46,527
Cass and cash equivalents at beginning of the period	**224,732**	270,050	270,050
Exchange rate differences in cash and cash equivalents	**647**	3,102	1,209
Cash and cash equivalent at end of the period	**105,610**	169,787	224,732

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
Opening balance	**450,102**	433,231	433,231
Dividend	**-173,365**	-156,028	-156,028
Provision to Foundation to Prevent Antibiotic Resistance	**-3,200**	-2,700	-2,700
Profit for the period	**85,389**	84,520	175,599
Closing balance	**358,926**	359,023	450,102

FINANCIAL CALENDAR

8 August 2019, 9:30 CET	Teleconference with CEO Isabelle Ducellier. To take part in the conference, please see www.biogaia.com/investors/agenda for telephone numbers. The teleconference can also be followed at https://tv.streamfabriken.com/biogaia-q2-2019 .
23 October 2019, 8:00 CET	Interim Management Statement 1 January – 30 September 2019
6 February 2020, 8:00 CET	Year-end Report 2019
March 2020	Annual Report 2019
7 May 2020	Interim Management Statement 1 January – 31 March 2020
7 May 2020	Annual General Meeting of BioGaia in Stockholm
13 August 2020	Interim Report 1 January – 30 June 2020

The Board of Directors and the Managing Director hereby give their assurance that the interim report gives a true and fair view of the financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 8 August 2019

Peter Rothschild **Board Chairman**	**David Dangoor** **Board Vice Chairman**	**Ewa Björling** **Board member**
Peter Elving **Board member**	**Inger Holmström** **Board member**	**Anthon Jahreskog** **Board member**
Brit Stakston **Board member**	**Isabelle Ducellier** **CEO**	

Auditor's report on the review of the interim financial information

Introduction
We have reviewed the interim report of BioGaia AB (publ) for the period 1 January – 30 June 2019. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 8 August 2019

Deloitte AB

Birgitta Lööf
Authorized Public Accountant

BIOGAIA AB

The company

BioGaia is a healthcare company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on different strains of the lactic acid bacterium *Lactobacillus reuteri* 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 130 are based in Sweden (Stockholm, Lund, Eslöv and Gothenburg), two in the USA, two in Singapore and 18 in Japan.

Business model

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

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

The products are sold through nutrition and pharmaceutical companies in approximately 100 countries worldwide.

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

The* BioGaia *brand

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

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

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

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Research and clinical studies

BioGaia's strains of *Lactobacillus reuteri* are some of the world's most well-researched probiotics, especially in young children. To date, 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 diarrhea (AAD)
- Acute diarrhea
- Gingivitis (inflammation of the gums)
- Periodontal disease
- General health
- *Helicobacter pylori* (the gastric ulcer bacterium)
- Osteoporosis

Latest press releases from BioGaia:

2 July 2019	BioGaia signs exclusive agreement in Uruguay
24 June 2019	Sale of shares in BioGaia AB
9 May 2019	Annual General Meeting of BioGaia

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