Press Release, 10 May 2011 (12 pages)
BioGaia AB
Interim report 1 January – 31 March 2011
(Figures in brackets refer to the same period of last year)

1 January – 31 March 2011

- **Net sales reached SEK 69.9 million (58.6), an increase of SEK 11.3 million (19%). Excluding foreign exchange effects, the increase was 31%[1].**
- **Operating profit was SEK 23.4 million (14.1)[2], an improvement of SEK 9.3 million (66%). Excluding foreign exchange effects, the increase was 99%[1].**
- **Profit before tax was SEK 25.6 million (18.1)[2], an increase of SEK 7.5 million (41%).**
- **Profit after tax was SEK 18.5 (12.2)[2] million, an improvement of SEK 6.3 million (52%).**
- **Earnings per share amounted to SEK 1.04 (0.71).**
- **The period's cash flow from operating activities before changes in working capital was SEK 8.8 million (14.7). Total cash flow for the period was SEK 1.9 million (14.7). Corporate tax of SEK 18.4 million pertaining to the financial year 2010 was paid during the period. Cash and cash equivalents at 31 March 2011 amounted to SEK 148.5 million (112.3).**

Key events in the first quarter of 2011

- **BioGaia signs agreement with Cube Pharmaceuticals for the sale of its Oral Rehydration Solution with Reuteri in Greece.**
- **BioGaia's 50%-owned company TwoPac invests in a new facility in Eslöv.**

"It is highly satisfying that we have succeeded in keeping our fixed costs down while at the same time achieving continued growth in sales, and are thus showing increased profitability," says Peter Rothschild, President of BioGaia.

1) Most of the company's sales are denominated in EUR. With unchanged exchange rates, net sales would have been SEK 6.8 million higher and operating profit would have been SEK 4.7 million higher during the period.

2) The 50%-owned company TwoPac AB is consolidated as a group company with effect from 1 January 2011. TwoPac was previously reported as an associated company. If TwoPac had been consolidated in the previous year, operating profit for the corresponding period of last year would have been SEK 14.5 million, profit before tax would have been SEK 18.6 million and profit after tax would have been SEK 12.6 million. Earnings per share would have been unchanged. See also information on page 7.

BioGaia has published this information in accordance with the Swedish Securities Market Act. The information was issued for publication on 10 May 2011, 8:00 a.m. CET.

BioGaia AB (publ.)

Interim report 1 January – 31 March 2011
The figures in brackets refer to the same period of last year.

The Board of Directors and the President of BioGaia AB (publ) hereby present the interim report for the period from 1 January to 31 March 2011. A brief description of the company's operations is provided on page 12.

PRESIDENT'S COMMENTS

The year got off to a good start and we are seeing how all products aside from the oral health segment are showing good growth compared to the first quarter of last year.

Sales of cultures to Nestlé are rising more than average and the company is thereby becoming an increasingly important customer. This year we will be working with a special focus on the oral health products and have therefore renegotiated our agreement with Sunstar and phased out markets where we are not satisfied with sales development. We have given two of our existing distribution partners rights for a few Eastern European countries (Ukraine, Bulgaria, Slovakia) in order to accelerate sales of these products. In addition, a very strong clinical programme is underway and we are hopeful that the oral health products will make a significant contribution to our growth in the future.

The positive trend seen in Japan at the end of last year as a result of our determined efforts there continued into the first quarter, although we had certain delivery problems at the end of March in the wake of the terrible catastrophes suffered by the country. However, these problems had no appreciable impact on sales for the quarter. Our expectation is that second quarter sales in Japan will be lower than anticipated at the beginning of this year but that we will nonetheless see important growth compared to 2010. The increase we are seeing in Asia is also due to the resolutions to earlier problems with our customers Purmil in Korea and Yili in China. The contract with Yili will expire in the second quarter and we do not expect it to be extended, while the agreement with Purmil is long-term.

It is highly satisfying that we have succeeded in keeping our fixed costs down while at the same time achieving continued growth in sales, and are thus showing increased profitability.

In this context it is worth pointing out that quarterly sales development is affected by the timing of deliveries to major customers. 12-month rolling periods provide a more accurate picture of long-term trends (see page 5).

FINANCIAL PERFORMANCE IN THE FIRST QUARTER OF 2011

Introduction

Until 31 December 2010, BioGaia's 50%-owned company TwoPac AB was reported as an associated company. As a result of BioGaia's decision to finance TwoPac's new factory in Eslöv (for more information see below), BioGaia has gained a controlling influence over TwoPac which is thus consolidated in the BioGaia Group as of January 2011. For comparative figures for the corresponding period of last year, see page 7.

Sales

Consolidated net sales reached SEK 69.9 million (58.6) an increase of 19% compared to the same period of last year. Most of the company's sales are denominated in EUR. The EUR rate was lower in the first quarter of 2011 than in the same period 2010. If the EUR rate had been the same, net sales would have been SEK 6.8 million higher. Excluding foreign exchange effects, net sales increased by 31%. Exchange rate fluctuations have reduced both income and expenses. Operating profit would have been SEK 4.7 million higher in the event of unchanged exchange rates.

Sales increased in all markets except North America.

Sales in Asia were up by SEK 5,6 million (174%), from SEK 3.2 million to SEK 8.8 million. This is largely due to the fact that sales in Japan have picked up but also that the negotiations with Yili and Purmil, which were reported on in the previous quarterly report, led to a solution that contributed to higher sales in Asia during the quarter. The increase in Asia referred to both finished consumer products and component products.

Sales in Europe rose by SEK 5.5 million (11%), which is mainly explained by sales of bacteria cultures to Nestlé but also increased sales of finished consumer products above all in Italy. Final sales of Nestlé's products also take place outside Europe.

Sales in the USA and Canada fell from SEK 4.4 million to SEK 1.2 million, mainly because Nestlé discontinued its sales of beverages with BioGaia's Lifetop Straw and due to lower sales of finished consumer products after the build-up of inventories during 2010. However, sales of drops and tablets from our distributors in the USA and Canada show positive development.

Sales in the rest of the world rose from SEK 2.7 million to SEK 6.1 million (127%) as a result of higher sales of finished consumer products in South Africa, Australia and South America.

Compared to the preceding quarter, net sales were up by 11%. The increase is mainly attributable to sales of finished consumer products in Europe and "the rest of the world" and sales of component products in Asia.

Of total finished consumer products, 40% (35) were sold under the BioGaia brand.

Gross profit

Gross profit amounted to SEK 48.5 million (39.3), an improvement of SEK 9.2 million compared to the same period of last year. Gross margin rose from 67.1% to 69.5%, mainly because the consolidation of TwoPac in 2011 has reduced the company's cost of goods sold. For more information see page 7.

Operating expenses

Selling expenses decreased by SEK 0.1 million compared to the same period of last year, mainly owning to lower costs in Japan. However, costs for the Group's marketing activities increased. Compared to the preceding quarter, selling expenses fell by SEK 2.3 million, which is also due to lower costs in Japan. The fourth quarter of 2010 included significant non-recurring expenses in Japan.

Administrative expenses were up by SEK 0.2 million, mainly due to the fact that administrative expenses in TwoPac AB, which is now reported as a group company, were not included in the same period of last year.

R&D expenses amounted to SEK 8.0 million (7.6), which is equal to 17% (17) of total operating expenses and 11% (13) of net sales. The increase of SEK 0.4 million is explained by higher activity in product development and clinical trials.

The amortisation component of R&D expenses was SEK 0.3 million (0.4). Investments in capitalised development expenses totalled SEK 0 million (0).

Other operating expenses refer to foreign exchange losses on operating receivables and liabilities. These fell by SEK 1.0 million compared to the same period of last year.

Operating profit

Operating profit was SEK 23.4 million (14.1), which is SEK 9.3 million (66%) better than in the same period of last year. Excluding foreign exchange effects (see above under *"Sales"*) operating profit improved by 99%.

Financial items and profit before tax

Profit before tax was SEK 25.6 million (18.1), which is SEK 7.5 million better than in the same period of last year. Net financial items include an unrealised foreign exchange gain of SEK 1.3 million (3.3) on forward exchange contracts in EUR. At 31 March 2011 the company had outstanding forward exchange contracts for EUR 14.3 million at an average exchange rate of SEK 9.47. Forward exchange contracts amounting to EUR 7.2 million will mature in 2011, EUR 6.6 million in 2012 and the remaining EUR 0.5 million in 2013. The actual foreign exchange gain/loss depends on the exchange rate on the maturity date of the contracts. If the EUR rate on the maturity date is lower/higher than that at 31 March 2011 (8.93), an exchange gain/loss will be recognised in the future.

Profit after tax

Profit after tax was SEK 18.5 million (12.2), which represents an increase of SEK 6.3 million over the same period of last year.

The tax rate for the Group was 28% (33). The Group pays tax on profits in the Swedish companies. The loss in Japan is not deductible against the Swedish profits. Since the loss in Japan has fallen compared to the same period of last year, the tax rate for the Group has decreased. Loss carry forwards in the Japanese subsidiary amount to SEK 48.3 million. No deferred tax asset for these has been recognised, since a sustainable profit level has not yet been shown in the Japanese subsidiary.

Earnings per share

Earnings per share amounted to SEK 1.04 (0.74).

Cash flow

The Group's cash and cash equivalents at 31 March 2011 totalled SEK 148.5 (112.3).

Cash flow for the quarter was SEK 1.9 million (12.2), down by SEK 10.3 million compared to the same period of last year. This is mainly explained by the payment of SEK 18.4 million in tax pertaining to the financial year 2010 during the period. In addition, working capital rose by SEK 8.4 million, primarily as a result of trade receivables and accrued income.

Cash flow from investing activities was positive, which is due to the effects of the changed group structure arising from the consolidation of TwoPac.

Equity

Consolidated equity amounted to SEK 202.7 million (173.3) and the equity/assets ratio was 85% (88).

The Board has proposed to the Annual General Meeting a dividend of SEK 2 per share, amounting to a total payment of SEK 34.5 million in May.

Capital expenditure

Capital expenditure on property, plant and equipment totalled SEK 1.1 million (0.1), of which SEK 1.0 million refers to TwoPac AB.

Parent Company

The Parent Company's net sales are reported at SEK 68.7 million (58.0) and profit before tax was SEK 23.5 million (18.4). Due to uncertainty about whether the receivable from BioGaia Japan will be recovered in the foreseeable future, a provision has been made for this amount. This has led to an impairment loss of SEK 3.9 million (3.4), which has had a negative impact on earnings. Profit after tax was SEK 16.4 million (13.5). Cash flow in the Parent Company amounted to SEK -7.1 million (12.6). Cash flow from operating activities includes a tax payment of SEK 18.4 million attributable to corporate tax for 2010. Cash flow from investing activities includes a loan of SEK 2.4 million (3.2) to the Japanese subsidiary and a loan of SEK 7.1 million (0) to the subsidiary TwoPac.

KEY EVENTS IN THE FIRST QUARTER OF 2011

Launches in the first quarter of 2011

Distributor/ licensee	Product	Country
Blackmores	Relaunch of tablets	Australia and New Zealand
Ferring	Tablets and drops	Guatemala
Ferring	Tablets (new flavour)	Greece
Verman	Oral Rehydration Solution (ORS) and drops with Vitamin D	Finland

Agreement with Cube Pharmaceuticals

At the beginning of 2011 BioGaia signed an agreement with Cube Pharmaceuticals giving the company exclusive rights to distribute BioGaia's new Oral Rehydration Solution (ORS) in Greece. The launch is planned for the summer of 2011.

Decision to invest in new production facility

TwoPac, which is owned 50% by BioGaia and 50% by TwoPac's management, produces straws and oil drops containing probiotics as well as LifeTop Cap, a bottle cap which contains sensitive ingredients, for BioGaia. Due to growing volumes and increasing quality demands from the authorities and customers, the current facilities are no longer suitable. TwoPac has therefore decided to build its own facility in Eslöv where the company presently rents premises.

The investment is estimated at approximately SEK 20 million and will be financed with TwoPac's own operating profit and through a loan from BioGaia. The factory is expected to go into operation at the beginning of 2012.

Until 31 December 2010, TwoPac was reported as an associated company. As a result of the financing arrangement described above, BioGaia has gained a controlling influence over TwoPac, which is thus consolidated in the BioGaia Group as of January 2011. No additional consideration has been paid for the associated company. The fair value of the shares has been determined as the existing historical cost and no surplus values have been identified. This means that no revaluation effects will arise.

For comparative information showing how the Group results would have been affected if TwoPac had been consolidated in the Group during 2010, see page 7.

EMPLOYEES

The number of employees in the Group at 31 March 2011 was 60 (45), of which the number of employees in TwoPac was 12.

SIGNIFICANT RISKS AND UNCERTAINTIES; GROUP AND PARENT COMPANY

The business model previously used in Japan was found to be unsuccessful and the company has changed to the business model that is used successfully in other markets. The Japanese subsidiary's sales have now picked up and are expected to gradually increase. On the balance sheet date, assets in the Japanese subsidiary were reported at SEK 7.0 million. BioGaia's assessment is that there is no indication of impairment of these assets.

The shares in the subsidiary CapAble amount to a total of SEK 6.9 million in the Parent Company. So far CapAble has reported a loss. CapAble, which is 90.1% owned by BioGaia AB, was started in November 2008 to manufacture and sell the patented LifeTop Cap. BioGaia made total conditional shareholder contributions of SEK 6 million to CapAble in 2009 and 2010. BioGaia's assessment is that CapAble will generate good profitability, for which reason there was no indication of impairment on the balance sheet date.

For further information see the administration report and Notes 29 and 30 in the annual report for 2010.

ACCOUNTING POLICIES

The consolidated financial statements are presented in compliance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations published by the IFRS Interpretations Committee (IFRIC) that have been endorsed by the European Commission for application in the EU.

This interim report has been prepared for the Group in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Unless otherwise stated below, the Group and the Parent Company have applied the same accounting and valuation standards as in the most recent annual report.

New accounting standards

The following new standards and interpretations are effective as of 1 January 2011:

- √ IAS 32 Financial Instruments: Presentation – Classification of rights issues – amendments
- √ IFRS 1 First-time Adoption of IFRS – amendments
- √ IFRIC 14 Prepayment of a Minimum Funding Requirement – amendments
- √ IAS 24 Related Party Disclosures – revision
- √ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – interpretation
- √ Annual improvements

The changed IFRS standards and IFRIC interpretations have not had any significant impact on the Group's profit, financial position or disclosures.

Standards and interpretations that are not yet effective and are awaiting approval from the EU have not been evaluated by BioGaia.

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 financial target is a sustainable operating margin (operating profit in relation to sales) of at least 30% with continued strong growth and increased investments in research, product development and brand building.

BioGaia's ambition is to pay a shareholder dividend equal to 30% of profit after tax.

Product launches are planned in a number of countries in the coming 12-18 months. In view of the Company's strong portfolio consisting of an increased number of innovative products partly under the company's own brand, together with successful clinical trials and a growing distribution network covering a large share of the key markets, BioGaia's future outlook is bright.

Consolidated statement of comprehensive income

(Amounts in SEK 000s	**Jan-Mar 2011**	Jan-Mar 2010	Jan-Dec 2010	April 2010- March 2011
Net sales	**69,855**	58,568	236,033	247,320
Cost of goods sold	**-21,338**	-19,298	-77,150	-79,190
Gross profit	***48,517***	*39,270*	*158,883*	*168,130*
Selling expenses	**-14,140**	-14,216	-61,336	-61,260
Administrative expenses	**-2,813**	-2,558	-9,849	-10,104
Research and development expenses	**-7,968**	-7,617	-29,386	-29,737
Other operating expenses	**-211**	-1,235	-3,242	-2,218
Share in profit/loss of associated company	**-**	430	1,200	770
Operating profit	***23,385***	*14,074*	*56,270*	*65,581*
Financial income	**2,202**	4,092	13,517	11,627
Financial expenses	**-35**	-33	-100	-102
Profit before tax	***25,552***	*18,133*	*69,687*	*77,106*
Tax expense	**-7,071**	-5,933	-22,519	-23,657
PROFIT FOR THE PERIOD	**18,481**	12,200	47,168	53,449
Other comprehensive income				
Gains and losses arising on translation of the				
financial statements of foreign operations	**-478**	-35	-15	-458
Comprehensive income for the period	**18,003**	12,165	47,153	52,991
Profit for the period attributable to:				
Owners of the Parent Company	**17,914**	12,249	47,250	52,915
Non-controlling interests	**567**	-49	-82	534
	18,481	12,200	47,168	53,449
Comprehensive income for the period attributable to:				
Owners of the Parent Company	**17,436**	12,214	47,235	52,457
Non-controlling interests	**567**	-49	-82	534
	18,003	12,165	47,153	52,991
Earnings per share				
Basic earnings per share (average number of shares), SEK	**1,04**	0,71	2,74	3,07
Diluted earnings per share, SEK	**1,04**	0,71	2,74	3,06
Number of shares, thousands	**17,271**	17,208	17,271	17,271
Average number of shares, thousands	**17,271**	17,208	17,230	17,246
Number of outstanding warrants, thousands	**-**	129	-	-
Average number of outstanding warrants with a dilutive effect, thousands	**-**	129	-	-
Number of shares after dilution, thousands	**17,271**	17,337	17,271	17,271

CONSOLIDATED BALANCE SHEETS	**31 Mar**	31 Dec	31 Mar
(Amounts in SEK 000s)	**2011**	2010	2010
ASSETS			
Intangible assets	**933**	1 173	1 931
Property, plant and equipment	**13,926**	4,216	5,141
Shares in associated company	**-**	10,641	9,871
Non-current receivables from associated company	**-**	4,400	4,400
Other non-current receivables	**17**	18	19
Total non-current assets	***14,876***	*20,448*	*21,362*
Current assets excl. cash and cash equivalents	**74,409**	60,471	63,076
Cash and cash equivalents	**148,514**	146,903	112,255
Total current assets	***222,923***	*207,374*	*175,331*
TOTAL ASSETS	**237,799**	227,822	196,693
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	**204,662**	187,225	173,498
Non-controlling interests	**-1,996**	98	-215
Total equity	**202,666**	187,323	173,283
Interest-free current liabilities	**35,133**	40,499	23,410
TOTAL EQUITY AND LIABILITIES	**237,799**	227,822	196,693

CONSOLIDATED CASH FLOW STATEMENTS	**Jan-Mar**	Jan-Mar	Jan-Dec
(Amounts in SEK 000s)	**2011**	2010	2010
Operating activities			
Operating profit	**23,385**	14,074	56,270
Depreciation/amortisation	**1,239**	742	2,836
Share in profit/loss of associated company	**-**	-430	-1,200
Other non-cash items	**137**	243	986
	24,761	14,629	58,892
Realised forward exchange contracts	**1,935**	-	6,144
Paid tax	**-18,375**	-	-
Interest received and paid	**514**	39	995
Cash flow from operating activities before changes in working capital	**8,835**	14,668	66,031
Changes in working capital	**-8,402**	-2,411	2,934
Cash flow from operating activities	***433***	*12,257*	*68,965*
Cash flow from investing activities	***1,488***	-92	-522
Cash flow from financing activities	**-**	-	-20,948
Cash flow for the period	**1,921**	12,165	47,495
Cash and cash equivalents at beginning of period	**146,903**	100,327	100,327
Exchange difference in cash and cash equivalents	**-310**	-237	-919
Cash and cash equivalents at end of period	**148,514**	112,255	146,903

Effect of consolidation of TwoPac as a group company
In 2010 TwoPac was reported as an associated company in the BioGaia Group. As of 1 January 2011 TwoPac is reported as a group company.
If TwoPac had been consolidated in 2010, the figures for that year would have been affected as follows.

	Jan-Mar 2010 1)	Jan-Mar 2010 2)
Net sales	58,568	58,568
Gross profit	40,537	39,270
Operating profit	14,535	14,074
Profit before tax	18,570	18,133
Profit for the period	12,632	12,200
Profit for the period attributable to owners of the Parent Company	12,249	12,249
Basic earnings per share	0,71	0,71
Operating margin	25%	24%
Profit margin	32%	31%
Number of employees	55	45
Balance sheet items on the balance sheet date, 31 March 2010:		
Property, plant and equipment	14,540	5,141
Balance sheet total	196,282	196,693
Equity	169,850	173,283
Equity attributable to owners of the Parent Company	173,498	173,498

1) If TwoPac had been reported as a group company in 2010
2) The comparative information in the figures above, i.e. TwoPac is reported as an associated company.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in SEK 000s)

	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
At beginning of year	**187,323**	161,118	161,118
New share issue in BioGaia (warrant programme)	**-**	-	4,863
Dividends	**-**	-	-25,811
Change in group structure	**-2,660**	-	-
Comprehensive income for the period	**18,003**	12,165	47,153
At end of period	**202,666**	173,283	187,323

REPORTING BY SEGMENT – GROUP

Revenue by segment	**Jan-Mar 2011**	Jan-Mar 2010	Jan-Dec 2010
Finished consumer products	**53,565**	48,394	165,590
Component products	**15,924**	9,766	68,559
Other products	**366**	408	1,884
	69,855	58,568	236,033
Gross profit by segment			
Finished consumer products	**36,681**	32,065	109,476
Component products	**11,474**	6,801	47,680
Other products	**363**	404	1,727
	48,518	39,270	158,883

Revenue by geographical market	**Jan-Mar**	Jan-Mar	Jan-Dec
Sales	**2011**	2010	2010
Europe	**53,793**	48,291	183,858
USA and Canada	**1,228**	4,405	13,879
Asia	**8,784**	3,202	19,564
Rest of world	**6,050**	2,670	18,732
	69,855	58,568	236,033

PARENT COMPANY INCOME STATEMENTS	Jan-mars	Jan-mars	Jan-Dec
(Amounts in SEK 000s)	2011	2010	2010
Net sales	68,718	58,009	233,988
Cost of goods sold	-22,884	-18,874	-76,698
Gross profit	45,834	39,135	157,290
Selling expenses	-10,548	-10,178	-42,355
Administrative expenses	-2,565	-2,538	-9,743
Research and development expenses	-7,856	-7,663	-29,497
Other operating expenses	-211	-1,235	-3,242
Operating profit	24,654	17,521	72,453
Result from shares in associated company	-	-	1,200
Impairment loss on receivable from subsidiary	-3,932	-3,384	-16,928
Net financial items	2,736	4,275	14,665
Profit before tax	23,458	18,412	71,390
Tax expense	-7,068	-4,883	-23,038
PROFIT FOR THE PERIOD	16,390	13,529	48,352

PARENT COMPANY BALANCE SHEETS	31-Mar	31-Mar	31-Dec
	2011	2010	2010
ASSETS			
Intangible assets	933	1,931	1,173
Property, plant and equipment	2,771	3,646	3,034
Shares in subsidiaries	21,110	7,469	10,469
Shares in associated company	-	9,441	10,641
Non-current receivables from subsidiary	12,513	1,022	1,022
Non-current receivables from associated company	-	4,400	4,400
Total non-current assets	*37,327*	*27,909*	*30,739*
Current assets excl. cash and cash equivalents	68,147	60,650	56,430
Cash and cash equivalents	133,614	108,729	140,840
Total current assets	*201,761*	*169,379*	*197,270*
TOTAL ASSETS	239,088	197,288	228,009
EQUITY AND LIABILITIES			
Equity	193,022	167,222	176,632
Interest-free current liabilities	46,066	30,066	51,377
TOTAL EQUITY AND LIABILITIES	239,088	197,288	228,009

PARENT COMPANY CASH FLOW STATEMENTS	**Jan-Mar 2011**	Jan-Mar 2010	Jan-Dec 2010
Operating activities			
Operating profit	**24,654**	17,521	72,453
Depreciation/amortisation	**558**	662	2,369
Other non-cash items	**134**	243	968
Realised foreign exchange contracts	**1,935**	-	6,144
Paid tax	**-18,375**	-	-
Interest received and paid	**567**	39	988
Cash flow from operating activities before changes in working capital	**9,473**	18,465	82,922
Changes in working capital	**-6,972**	-2,600	1,231
Cash flow from operating activities	**2,501**	15,865	84,153
Cash flow from investing activities	**-9,594**	-3,275	-17,780
Cash flow from financing activities	**-**	-	-20,948
Cash flow for the period	**-7,093**	12,590	45,425
Cash and cash equivalents at beginning of period	**140,840**	96,379	96,379
Exchange differences in cash and cash equivalents	**-133**	-240	-964
Cash and cash equivalents at end of period	**133,614**	108,729	140,840

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

(Amounts in SEK 000s)	**Jan-Mar 2011**	Jan-Mar 2010	Jan-Dec 2010
At beginning of year	**176,632**	153,693	153,693
New share issue (warrant programme)	**-**	-	4,863
Dividends	**-**	-	-25,811
Group contributions	**-**	-	-4,465
Profit for the period	**16,390**	13,529	48,352
At end of period	**193,022**	167,222	176,632

RELATED PARTY TRANSACTIONS, PARENT COMPANY
(Amounts in SEK 000s)

The Parent Company holds 100% of the shares in BioGaia Biologics Inc, USA , BioGaia Japan Inc and in Tripac AB.
The Parent Company holds 90.1% of the shares in CapAble AB.
The Parent Company holds 50% of the shares in TwoPac AB, which is reported as a group company as of 1 January 2011 (previously as an associated company).

The following transactions have taken place with TwoPac AB (incl. subsidiary)

	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Interest income	**43**	25	119
Loan provided	**-7,091**	-	-
Purchase of goods	**-4,968**	-4,449	-15,974

The closing balance at the end of the period was as follows:

	31 Mar 2011	31 Mar 2010	31 Dec 2010
Non-current receivables from TwoPac AB (incl. subsidiary)	**11,491**	4,400	4,400
Current transactions with related parties			
Current receivables from TwoPac AB	**43**	25	37
Current liabilities to TwoPac AB	**-2,191**	-739	-1,066
	-2,148	-714	-1,029

The following transactions have taken place with BioGaia Japan	**Jan-Dec 2011**	Jan-Mar 2010	Jan-Dec 2010
Interest income	**506**	210	1,224
Loan provided	**2,448**	3,175	14,339
Sale of goods	**978**	-	1,364

Due to uncertainty about whether the receivable from BioGaia Japan will be recovered in the foreseeable future, a provision has been made for this amount.

No significant transactions have taken place with other related parties.

Annwall & Rothschild Investment AB holds 740,668 class A shares and 1,251,391 class B shares, corresponding to 11.6% of the share capital and 36.2% of the votes. Annwall & Rothschild Investment AB is owned by Peter Rothschild, President of BioGaia AB, and Jan Annwall, member of the Board of the Parent Company. No transactions have taken place between BioGaia and Annwall & Rothschild Investment AB.

CONSOLIDATED KEY RATIOS 1)	**Jan-Mar 2011**	Jan-Mar 2010
Return on		
- average equity	**9%**	7%
- average capital employed	**13%**	11%
Capital employed, SEK 000s	**202,666**	173,283
Number of shares, thousands	**17,271**	17,208
Average number of shares, thousands	**17,271**	17,208
Number of outstanding warrants, thousands	**-**	129
Average number of outstanding warrants with a dilutive effect, thousands	**-**	129
Number of shares after dilution, thousands	**17,271**	17,337
Basic earnings per share, SEK	**1.04**	0.71
Diluted earnings per share, SEK	**1.04**	0.71
Basic equity per share, SEK	**11.85**	10.08
Diluted equity per share, SEK	**11.85**	10.01
Equity/assets ratio	**85%**	88%
Operating margin	**33%**	24%
Profit margin	**37%**	31%
Average number of employees	**59**	45

1) The definitions of key ratios correspond to those in the annual report.

FINANCIAL CALENDAR

17 August 2011	Interim report 1 January – 30 June 2011
25 October 2011	Interim report 1 January – 30 September 2011
10 February 2012	Year-end report 2011

This interim report provides a true and fair picture of the business activities, financial position and results of operations of the Parent Company and the Group, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 10 May 2011

David Dangoor
Board Chairman

Jan Annwall
Board member

Stefan Elving
Board member

Thomas Flinck
Board member

Inger Holmström
Board member

Jörgen Thorball
Board member

Paula Zeilon
Board member

Peter Rothschild
President

This interim report has not been examined by the Company's independent auditors.

BioGaia AB

The company

BioGaia is a biotechnology 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), which has health-enhancing effects. BioGaia has also developed unique delivery systems, such as probiotic-containing straws and caps that make it possible to create probiotic products with a long shelf life.

BioGaia has 60 employees, of whom 19 are based in Stockholm, 20 in Lund, 12 in Eslöv, 2 in Raleigh, USA, 5 in Hiroshima, Japan, and 2 in Shanghai, China.

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

Business model

BioGaia's net sales consist mainly of revenue from the sale of finished consumer products (tablets, drops and oral health products) to distributors, but also of revenue from the sale of component products such as Reuteri cultures, straws and caps.

BioGaia's products are sold through nutrition, food, natural health and pharmaceutical companies in some 60 countries worldwide.

In Sweden, BioGaia's products are sold under the brands Semper Magdroppar and Vätskeersättning and Gum PerioBalance lozenges in pharmacy chains, as well as Semper whole grain cereal and infant formula with active culture in grocery stores and Probiomax gut health tablets in pharmacies and grocery stores.

BioGaia holds patents for the use of Reuteri and certain delivery systems in all major markets.

The BioGaia brand

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

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.

At the end of 2005 BioGaia launched its own consumer brand and today there are a number of distributors that sell BioGaia's 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.

Research and clinical studies

Lactobacillus reuteri is one of the world's most well researched probiotics, especially in young children. To date, 80 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on more than 5,000 individuals of all ages. The results have been published in 46 articles in scientific journals.

Studies have been performed on:

- Infantile colic
- Antibiotic-associated diarrhoea (AAD)
- Acute diarrhoea
- Oral health
- General health
- *Helicobacter pylori* (the gastric ulcer bacterium).

REPORTING OF CLINICAL STUDIES

Publication of clinical trial results is a key success factor for BioGaia. The International Committee of Medical Journal Editors has initiated a policy requiring clinical investigators to deposit information about trial design into an accepted clinical trials registry before the onset of patient enrolment, and has now become a prerequisite for publication of trial outcomes in major medical journals. ClinicalTrials.gov is a registry of clinical trials provided by the U.S. National Institutes of Health and BioGaia encourages all clinicians working with BioGaia products to register their trials on this site. Many of the trials are registered at an early stage, which means that some of the registered trials will not be performed as planned.

Consequently, BioGaia take no responsibility for ensuring that the registered trials reach completion or are successfully reported in the register or the scientific literature. When clinical trials results do become available, BioGaia will report these through press releases.

Latest press releases from BioGaia:
2011-04-04 Notice to attend the Annual General Meeting of BioGaia AB
2011-01-14 BioGaia's 50%-owned company TwoPac invests in new facility in Eslöv
2011-01-11 BioGaia signs agreement for its new Oral Rehydration Solution product for Greece

BioGaia AB
Box 3242 SE-103 64 STOCKHOLM, Sweden
Street address: Kungsbroplan 3A, Stockholm
Telephone: +46 (0)8 555 293 00 Corp. identity no. 556380-8723
www.biogaia.com

For additional information contact:
Peter Rothschild, President, BioGaia AB, telephone: +46 (0)8-555 293 00
Margareta Hagman, Executive Vice President, BioGaia AB, telephone: +46 (0)8-555 293 00