BioGaia®

Press Release, 8 February 2013

BioGaia AB Year-end report 2012 (16 pages)

(Figures in brackets refer to the same period of last year)

2012

- **Net sales reached SEK 645.2 (315.0). This figure includes licence revenue of SEK 356.0 million from Nestlé that is regarded as non-recurring revenue but is to a certain extent attributable to sales in 2012 (according to the company´s own calculations, approximately SEK 40 million). Excluding license revenue from Nestlé, net sales amounted to 289.2 million (315.0), a decrease of SEK 25.8 million (-8%). Excluding foreign exchange effects, the decrease was -6%.**
- **Net sales of finished consumer products amounted to SEK 237.6 million (215.4), an increase of SEK 22.2 million (10%). Excluding foreign exchange effects, net sales rose by 12%.**
- **Net sales of component products totalled SEK 406.6 million (97.7). Excluding license revenue from Nestlé, net sales of component products reached SEK 50.6 million (97.7), down by SEK 47.1 million (-48%), which mainly is a result of the license agreement with Nestlé. According to the company´s own calculations, approximately SEK 40 million of the licence revenue is attributable to 2012.**
- **Operating profit was SEK 428.1 million (103.2), an improvement of SEK 324.9 million. Excluding license revenue from Nestlé, operating profit was SEK 72.1 million (103.2), a decrease of SEK 31.1 million (-30%). Excluding foreign exchange effects, the decrease was -26%.**
- **Profit after tax was SEK 329.9 million (79.5), an increase of SEK 250.4 million. Excluding license revenue, profit after tax was SEK 63.7 million (79.5), a decrease of SEK 15.8 million (-20%).**
- **Earnings per share totalled SEK 18.93 (4.42). Excluding license revenue, earnings per share amounted to SEK 3.52.**
- **The period's total cash flow was SEK 203.8 million (24.7). Cash flow includes a payment from Nestlé amounting to SEK 356.0 million, investments in TwoPac of SEK 27.5 million (15.8), tax payments of SEK 105.7 million (35.8) and dividends of SEK 103.6 million (34.5). Cash and cash equivalents at 31 December 2012 totalled SEK 375.0 million (171.5).**
- **The Board proposes to the upcoming AGM an ordinary dividend of SEK 4.15 and an extraordinary dividend of SEK 5.85, for a total dividend of SEK 10.00 per share.**
- **The Board has decided to change the dividend policy for the coming years from 30% to 40% of profit after tax.**

Fourth quarter 2012

- **Net sales reached SEK 72.4 million (82.4), a decrease of SEK 10.0 million (-12%) resulting from the license agreement med Nestlé (see above). Excluding foreign exchange effects, net sales fell by -8%.**
- **Net sales of finished consumer products amounted to SEK 65.6 million (57.5), an increase of SEK 8.1 million (14%). Excluding foreign exchange effects, net sales rose by 19%.**
- **Net sales of component products totalled SEK 6.8 million (24.5), a decrease of SEK 17.7 million (-72%) mainly resulting from the license agreement with Nestlé. Excluding foreign exchange effects, net sales fell by -71%.**
- **Operating profit was SEK 13.1 million (23.8), a decrease of SEK 10.7 million (-45%). Excluding foreign exchange effects, operating profit declined by -37%.**
- **Profit after tax was SEK 15.8 million (21.8), a decrease of SEK 6.0 million (-28%).**

Key events in the fourth quarter of 2012

- **Agreement for the sale of tablets and drops in Pakistan.**
- **Publication of study showing that *Lactobacillus reuteri* Protectis helps premature infants.**
- **Agreement for the sale of drops in Mexico.**
- **Progress in the oral health area (one new study and two new agreements)**

> **"2012 was an exceptional year that created a strong platform for future development and gave us very strong earnings. We signed several major agreements with our customer Nestlé that both gave us substantial license revenue and opened opportunities to extend our collaboration with Nestlé in several areas. It also gives us financial freedom to pursue additional projects. All in all, I would say that 2012 was a fantastic year," says Peter Rothschild, President of BioGaia AB.**

You are welcome to take part in a teleconference on the interim report that will be held today at 10:00 a.m. by President Peter Rothschild. To participate in the conference, please see telephone numbers on www.biogaia.com/agenda.

BioGaia has published this information in accordance with the Swedish Securities Market Act. The information was issued for publication on 8 February 2013, 8:00 a.m. CET.

BioGaia AB (publ.)

YEAR-END REPORT 2012
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 year-end report for the financial year 2012. A brief description of the company's operations is provided on page 16.

PRESIDENT'S COMMENTS

2012 was an exceptional year that created a strong platform for future development and gave us very strong earnings. We signed several major agreements with our customer Nestlé that both gave us substantial license revenue and opened opportunities to extend our collaboration with Nestlé in several areas. It also gives us financial freedom to pursue additional projects. All in all, I would say that 2012 was a fantastic year.

To provide some background to the Nestlé deal, in 2008 we signed a long-term contract with Nestlé that gave them virtually global rights to use *Lactobacillus reuteri* Protectis in their infant formula. To gain better control over this business, Nestlé wished to buy a perpetual license covering the entire term of the patent. For this they paid a sum of SEK 356 million in February and will pay an additional EUR 10.8 million on the achievement of certain milestones during the period until 2017. One condition for the contract from our side was to formalise a number of business initiatives and development projects that we have already started with Nestlé. The content of these agreements will be announced closer to the launch dates. Two of them have already been announced, namely the agreement with Gerber, Nestlé's subsidiary in the USA, and that with Nestlé Mexico for the sale of BioGaia's probiotic drops in these countries. The goal is to quickly build up our sales to Nestlé at least on par with the level in 2011, and we are well on our way. How should we then value the SEK 356 million we have already received? In our books it has already been recognised in income, and our operating profit for 2012 thus amounts to a fantastic SEK 428.1 million. Excluding this non-recurring revenue our profit is "only" SEK 72.1 million. But this doesn't tell the whole story either, since part of the revenue from Nestlé should be attributed to 2012. Our own calculations show that the amount should be around SEK 40 million, which gives a total operating profit of around SEK 112 million and an improvement of around 9% compared to 2011.

In 2012 we have worked intensively to change our distribution partners in a number of markets. Since this involves markets where we sell under the BioGaia brand, it has gone relatively smoothly, although it did affect growth in the past year. We have not lost sales, but our growth did not reach the level we are used to. Finished consumer products have increased by around 12% excluding foreign exchange effects, which is significantly weaker than our five-year average of around 30%. The change of partners is naturally motivated by our belief that this will accelerate growth and we have relatively high expectations for what Nestlé can do for our drops in the US market.

Our foremost marketing tool is our clinical studies, and 2012 was an exceptional year when no fewer than 19 studies on *Lactobacillus reuteri* were published.

In the past year, TwoPac, our 50%-owned manufacturing company in Eslöv, Sweden, built a new state-of-the-art factory that will enable us to take on whole new challenges with regard to demands on production quality. It is also satisfying to see that TwoPac is highly profitable, in spite of the considerable energy and resources devoted to the construction project.

The rising sales trend for our oral health products in Japan has continued and we are convinced that the business model we use there, based on sales through dentists, can be exported to other countries.

In the fourth quarter, sales of our finished consumer products rose by 19% excluding foreign exchange effects, while sales of component products fell, as a result of the agreement with Nestlé in February 2012, which was in accordance to plan.

For 2013 our ambition is to penetrate the BRIC countries and to have continuous focus on the US market. We are also continuing our efforts to boost sales of the oral health products. In time, we believe that this area will account for a significant share of our sales. At the same time, we are continuing to work on a number of development projects for Nestlé.

In light of all these opportunities, it is difficult not to feel optimistic about the future.

FINANCIAL PERFORMANCE IN 2012

Sales

Consolidated net sales reached SEK 645.2 million (315.0). This figure includes license revenue from Nestlé of SEK 356 million that is regarded as non-recurring revenue but is to a certain extent attributable to sales in 2012. In February 2012 BioGaia signed several new agreements with Nestlé including the acquisition of a perpetual license to use BioGaia's probiotic in infant formula during the remaining term of the patent. The purchase price was EUR 50.8 million, of which EUR 40.0 million (SEK 356 million) was received and recognised in the first quarter of 2012. The additional payments of EUR 10.8 million will be received over a five-year period on the achievement of predefined milestones.

The sale of the license led to a decrease in culture revenue from Nestlé during 2012. BioGaia's revenue from Nestlé in 2012 (excluding license revenue) was equal to approximately 58% of sales in 2011. BioGaia's assessment is that revenue from Nestlé in 2013 will be close to the 2011 level. From 2014 forward, sales are expected to exceed those in 2011. Excluding license revenue from Nestlé, net sales amounted to SEK 289.2 million (315.0), a decrease of SEK 25.8 million (8%) compared to the previous year.

Most of the company's sales are denominated in foreign currency, primarily EUR but also USD and JPY. With unchanged exchange rates, net sales would have been SEK 5.8 million higher. Excluding foreign exchange effects, the decrease in net sales (excluding license revenue) was -6%. Exchange rate fluctuations for EUR, USD and JPY have reduced both revenue and expenses. Operating profit would have been SEK 4.7 million higher in the event of unchanged exchange rates.

Sales by segment

Sales of finished consumer products rose by SEK 22.2 million (10%) to SEK 237.6 million. Excluding foreign exchange effects, the increase was 12%. Sales of finished consumer products rose in North America, Europe and Asia but declined somewhat in the rest of the world compared to the previous year. The increase in Asia is mainly due to higher sales in Japan and Indonesia. The increase in North America is explained primarily by the sale of drops and Fleet's launch of strawberry-flavoured tablets in the USA. Everidis is continuing to sell the drops until Gerber's launch, which is planned for the second quarter of 2013. In Europe, the increase is attributable to countries such as Finland, Italy and France. In the rest of the world, sales were up in South Africa but fell in Australia and South America.

Sales of component products improved by SEK 308.9 million. Excluding license revenue from Nestlé, sales fell by SEK 47.1 million (-48%) compared to the previous year. Sales of component products decreased primarily in Europe and Asia. The drop in Europe is a consequence of the agreement with Nestlé (see above).

The decrease in Asia is explained by the fact that the figures for the previous year include income from the agreement with Yili in China and that sales to a dairy in South Korea deceased sharply.

Sales by geographic market

Sales in Europe improved by SEK 324.8 million. Excluding license revenue from Nestlé, sales fell by SEK 31.2 million (-13%).

Sales in Asia were down by SEK 4.7 million (-13%).

Sales in the USA and Canada rose by SEK 10.6 million (60%).

Sales in the rest of the world fell by SEK 0.5 million (-2%).

The BioGaia brand

Of total finished consumer products, 45% (43) were sold under the BioGaia brand. Including so-called co-branding, the percentage was 51% (50).

Gross profit

Gross profit amounted to SEK 557.1 million (216.3). Excluding license revenue from Nestlé, gross profit was SEK 201.1 million (216.3), which is SEK 15.2 million (-7%) lower than in the previous year.

The total gross margin (excluding license revenue) rose slightly from 69% to 70%.

Gross margin for component products fell somewhat from 62% to 59% for the full year. This is due to a lower margin on sales of culture to Nestlé.

Gross margin for finished consumer products increased somewhat due to the mix of products.

Operating expenses

Selling expenses totalled SEK 77,4 million (66,1), which is equal to 27% (21) of net sales (excluding license revenue). The increase of SEK 11.3 million (17%) is mainly attributable to higher expenses for personnel and marketing activities (increased participation in conferences, new websites and product samples) as well as higher costs in Japan owing partly to exchange rate fluctuations.

Administrative expenses amounted to SEK 13.4 million (13.0), which is equal to 5% (4) of net sales (excluding license revenue). The increase of SEK 0.4 million (3%) is mainly attributable to higher personnel expenses.
R&D expenses are reported at SEK 35.8 million (34.3), which is equal to 12% (11) of net sales (excluding license revenue). External expenses for clinical studies have decreased somewhat, while personnel expenses have increased.

The amortisation component of R&D expenses was SEK 0.6 million (1.2). Investments in capitalised development expenses totalled SEK 0 million (0).

Other operating income/expenses refer to foreign exchange gains/losses on operating receivables and liabilities.

Operating profit

Operating profit was SEK 428.1 million (103.2), an increase of SEK 324.9 million. Excluding license revenue from Nestlé, operating profit was SEK 72.1 million, which is SEK 31.1 million (30%) lower than in the previous year.

Financial items and profit before tax

Profit before tax was SEK 442,2 million (108,9), an improvement of SEK 333.3 million. Excluding license revenue from Nestlé, profit before tax was SEK 86.2 million, a decrease of SEK 22.7 million (21%) compared to the previous year.

Net financial items include a foreign exchange gain of SEK 5.7 million (2.5) on forward exchange contracts in EUR. At 31 December 2012 the company had outstanding forward exchange contracts for EUR 10.7 million at an average exchange rate of SEK 9.01. Forward exchange contracts amounting to EUR 7.1 million will mature for payment in 2013, and the remaining EUR 3.6 million in 2014. The actual 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 December 2012 (8.61), an exchange gain/loss will be recognised in the future.

Profit after tax

Profit after tax was SEK 329.9 million (79.5), an increase of SEK 250.4 million. Excluding license revenue from Nestlé, profit after tax was SEK 63.7 million, which is a decrease of SEK 15.8 million (20%) compared to the previous year.

The tax rate for the Group was 25% (27). The Group pays tax on profits in the Swedish companies. The Swedish companies have made provisions to untaxed reserves for which deferred tax of SEK 24.5 million has been recognised. The loss in Japan is not deductible against the Swedish profits. Loss carryforwards in the Japanese subsidiary at 31 December 2012 amounted to SEK 52.5 million. The deferred tax asset for these has not 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 18.93 (4.42). Excluding license revenue, earnings per share were SEK 3.52.

Cash flow

The Group's cash and cash equivalents at 31 December 2012 totalled SEK 375.0 million (171.5).

Cash flow amounted to SEK 203.8 million (24.7). Cash flow includes a license payment from Nestlé of SEK 356 million, investments in TwoPac of SEK 27.5 million (15.8), tax payments of 105.7 million (35.8) and dividends of SEK 103.6 million (34.5).

Equity

Consolidated equity amounted to SEK 456.8 million (230.4) and the equity/assets ratio was 88% (82).

In June BioGaia carried out the warrant programme that was decided by the Annual General Meeting on 8 May 2012. A total of 87,000 warrants were subscribed for, of which the management subscribed for 41,000. The warrants were issued at a market price of SEK 14.27 each following valuation according to the Black & Scholes formula, which provided the Parent Company with proceeds of SEK 1.3 million. Each warrant entitles the holder to subscribe for one class B share for SEK 241.90 on 1 June 2015. Volatility was estimated at 40%.

If all of the subscription warrants are exercised, the company's equity will be increased by SEK 21.0 million. This represents a dilutive effect of approximately 0.5% on the share capital and 0.4% on the total number of votes upon the full exercise of warrants.

In order to achieve a high level of participation, the AGM decided to pay a subsidy of SEK 10 per warrant (after 1 June 2015) to the employees who have subscribed for subscription warrants but have not exercised the right to buy shares. No provisions for this obligation have yet been made, but will be continuously assessed.

Dividend
The Board of BioGaia AB proposes to the upcoming AGM an ordinary dividend of SEK 4.15 and an extraordinary dividend of SEK 5.85, for a total dividend of SEK 10.00 per share. For more information, see below under "Proposed appropriation of profits".

Investments in property, plant and equipment

The year's investments in property, plant and equipment amounted to SEK 29.4 million (16.2), of which SEK 27.5 million (15.8) refers to TwoPac AB.

Subsidiary in Japan

Net sales in the Japanese subsidiary are reported at SEK 15.1 million (12.6). Operating profit of the Japanese business amounted to SEK –4.6 million (-3.9).

Subsidiary TwoPac AB

TwoPac AB is owned 50% by BioGaia and 50% by TwoPac's management. Since 1 January 2011, TwoPac is consolidated in the BioGaia Group.

Net sales in TwoPac amounted to SEK 29.3 million (26.2). Operating profit was SEK 8.8 million (7.3). The company pays tax since 2012. Profit after tax was SEK 6.2 million (6.7). The new production facility is now finished and relocation of the most important production line from the old facility was completed in November. The other production lines are scheduled for relocation during 2013.

Parent Company

Net sales in the Parent Company reached SEK 634.5 million (306.2) and profit before tax and appropriations was SEK 434.9 million (102.2).

Since it is uncertain whether the receivable from BioGaia Japan will be recovered in the foreseeable future, a provision has been made for this amount. This has resulted in an impairment loss of SEK 8.5 million (10.5) that has had a negative impact on profit. In addition, an impairment loss of SEK 2.6 million was recognised on the shares in CapAble (for more information see below under "Significant risks and uncertainties; Group and Parent Company").

Profit after tax was SEK 239.3 million (72.5). Cash flow in the Parent Company totalled SEK 209.9 million (21.1).

A resolution was passed by the AGM in May to reduce the entire statutory reserve of SEK 77.8 million and transfer this amount to non-restricted reserves. The reduction was registered in August 2012.

FINANCIAL PERFORMANCE IN THE FOURTH QUARTER OF 2012

Fourth quarter sales

Net sales for the fourth quarter reached SEK 72.4 million (82.4), a decrease of SEK 10.0 million (-12%) compared to the same period of last year. The decrease is attributable to component products and is mainly explained by lower sales to Nestlé. Excluding foreign exchange effects (see above), sales were down by 8%.

Sales of finished consumer products amounted to SEK 65.6 million (57.5), an increase of SEK 8.1 million (14%). Excluding foreign exchange effects, sales of finished consumer products rose by 19%. Compared to the third quarter, sales of finished consumer products increased by SEK 15.4 million (31%).

Sales of component products totalled SEK 6.8 million (24.5), a decrease of SEK 17.7 million that is mainly explained by lower sales to Nestlé, which is described above under sales during 2012, but also to decreased sales to a dairy in South Korea.

Gross profit for the fourth quarter

Gross profit was SEK 48.1 million (57.2), down by SEK 9.1 million compared to the same period of last year. Gross margin was 66%, which is lower than in earlier quarters of 2012. This is due to the fact that since the end of the third quarter, culture is sold to Nestlé with no margin according to the agreement signed in February 2012 (see above).

Other operating expenses for the fourth quarter

Selling expenses for the fourth quarter were SEK 3.2 million (17%) higher than the same period of last year, which is mainly due to increased personnel expenses.

Administrative expenses fell by SEK 0.5 million (11%) compared to the same period of last year, mainly because the fourth quarter of 2011 included a couple of minor non-recurring items related to personnel expenses.

R&D expenses rose by SEK 0,7 million (7%) compared to the same period of last year, which is due to increased costs for clinical studies and personnel expenses.

Other operating income/expenses refer to foreign exchange gains/losses on operating receivables and liabilities.

Compared to the previous quarter, selling, administrative and R&D expenses increased, which is a result of lower activity during the third quarter due to the customary summer holiday in Sweden and the rest of Europe.

Operating profit for the fourth quarter

Operating profit for the fourth quarter was SEK 13.1 million (23.8), which is SEK 10.7 million lower than in the same period of last year.

Profit before tax for the fourth quarter

Profit before tax for the fourth quarter was SEK 13.6 million (29.6), a decrease of SEK 16.0 million compared to the same period of last year. Net financial items include a foreign exchange loss of SEK 1.6 million on forward exchange contracts in EUR (for more information – see above under ”Financial items and profit before tax”). The corresponding period of 2011 included a foreign exchange gain of SEK 4.8 million.

Profit after tax for the fourth quarter

The Swedish companies have made provisions to untaxed reserves, which resulted in a positive tax effect of SEK 2.3 million in the fourth quarter.

Profit after tax for the fourth quarter was SEK 15.8 million (21.8), a decrease of SEK 6.0 million compared to the same period of last year.

Cash flow for the fourth quarter

Cash flow for the fourth quarter was SEK -29.5 million (10.5).

During the quarter, the Group has paid tax of SEK 32,2 million (5.6) and made investments of SEK 5.9 million (5.4). In addition, working capital rose by SEK 7.6 million (5.1) during the quarter, mainly as a result of increased trade receivables.

KEY EVENTS IN THE FOURTH QUARTER OF 2012

Launches in the fourth quarter of 2012

Distributor/licensee	Product	Country
Avipha	Gut health tablets and drops	Taiwan
J Health	Drops	Hong Kong
Next Force	Oral health tablets	Czech Republic
Recalcine	Drops	Colombia

Agreement for the sale of tablets and drops in Pakistan

In October BioGaia signed an agreement with Ferozsons Laboratories Limited, granting them exclusive rights to sell BioGaia’s probiotic drops and tablets in Pakistan. The products will be sold under the BioGaia brand and the launch is planned for 2013.

BioGaia’s probiotic helps premature infants

Results from the largest probiotic study to date in premature infants showed that necrotising enterocolitis (NEC), the most common gastrointestinal cause of death and illness in premature infants, decreased by 40% in the infants supplemented by *Lactobacillus reuteri* Protectis compared to placebo. Further, in the infants below 1500 grams *Lactobacillus reuteri* Protectis reduced episodes of feeding intolerance by 43%.

The study was published online in Pediatrics on 15 October 2012.

Agreement with Nestlé in Mexico

During the autumn, BioGaia signed an agreement with Nestlé for exclusive rights to sell BioGaia’s probiotic drops in Mexico as of 2013. Since the drops are already sold in Mexico, this is part of BioGaia’s ongoing programme to change distribution partners.

New events in the oral health area

A new study on twenty patients with periodontitis was published in November. The results show that pocket depth, the most important disease indicator, was significantly reduced in the patients supplemented with the probiotic *Lactobacillus reuteri* Prodentis compared to those in the placebo group.

In addition, two different agreements were signed for the sale of oral health products, one with Pharmaforte for Singapore and one with Dexcel Pharma for Israel.

KEY EVENTS EARLIER IN 2012

Launches during January-September, 2012

Distributor/licensee	Product	Country
Cube Pharmaceuticals	Oral rehydration solution (ORS)	Greece
Ewopharma	Oral health tablets	Croatia, Slovenia, Serbia and Poland
Ewopharma	Gut health tablets with strawberry flavour	Romania
Fleet Laboratories	Gut health tablets with strawberry flavour	USA
Interbat	Drops	Indonesia
Nestlé	Infant formula with *Lactobacillus reuteri* Protectis	Bangladesh, Burma, Cambodia, Caribbean, Laos, Puerto Rico, Singapore, Sri Lanka and the USA
Oral Company	Oral health tablets	The Netherlands and Belgium
Recalcine	Oral health tablets and drops	Bolivia
Sunstar	Oral health tablets	Canada

BioGaia extends collaboration with Nestlé

Since 2008, BioGaia and Nestlé have collaborated in the field of infant nutrition products. After the signing of several new agreements in mid-February 2012, the parties have further extended this collaboration. The agreements include the entry by Nestlé into a perpetual licence to use BioGaia's patented *Lactobacillus reuteri* in infant nutrition products for EUR 50.8 million. The initial payment of EUR 40 million (SEK 356 million) was made and recognised in the first quarter of 2012. Additional payments of EUR 10.8 million will be paid and recognised over a five-year period on the achievement of certain milestones.

In addition, Nestlé has signed an option agreement with BioGaia to extend the use of *Lactobacillus reuteri* Protectis to other product areas.

Furthermore, Nestlé and BioGaia are working on several other projects, including the development of innovative products in the infant nutrition and other nutrition categories and the distribution of BioGaia-branded products in new markets. These further developments will be announced at an appropriate time closer to launch. Two of the agreements were announced in 2012. The first agreement, which was announced in June, is the agreement with Gerber for the sale of BioGaia’s probiotic baby drops on the US market (see below). The second agreement refers to the sale of drops in Mexico (see above).

BioGaia's revenue from Nestlé in 2012 (excluding license revenue) was equal to approximately 58% of the value of sales during 2011. BioGaia's assessment is that revenue from Nestlé in 2013 will be close to the 2011 level. From 2014 forward, sales are expected to exceed those in 2011.

Results of study show that Lactobacillus reuteri Protectis reduces diarrhoea in children

A double-blind, placebo-controlled study of 494 children showed that supplementation of *Lactobacillus reuteri* Protectis significantly reduced episodes of diarrhoea. *Lactobacillus reuteri* Protectis was particularly effective in children with lower nutritional status. Another probiotic strain from another company, which was also tested, was without effect.

The study was conducted independently from BioGaia and the results were announced in a press release by NIZO food research on 21 February 2012. The study was published in Journal of Pediatrics.

Agreement for probiotic drops and tablets in Taiwan

In mid-April BioGaia signed an agreement with Unilab Group for exclusive rights to sell BioGaia's probiotic drops and tablets in Taiwan. The products will be sold under the BioGaia brand and the launch took place at the end of 2012.

New study on type 2 diabetics

BioGaia has initiated an investigative study on type 2 diabetics together with Gothia Forum for Clinical Research at Sahlgrenska University Hospital in Gothenburg in collaboration with Sahlgrenska Center for Cardiovascular and Metabolic Research.

Based on encouraging findings after supplementation with BioGaia's probiotic strain *Lactobacillus reuteri* Protectis in patients with type 2 diabetes in an earlier pilot study, this double-blind, placebo-controlled study will examine the effects of *Lactobacillus reuteri* Protectis supplementation on blood glucose control over a 12-week period. The study will address both clinical outcome parameters as well as attempting to define potential mechanistic explanations for the effects seen.

Agreements for oral health products in the Czech Republic, the Benelux countries and South Africa

In May BioGaia signed three different agreements, one with Next Force giving Next Force exclusive sales rights for BioGaia's oral health products in the Czech Republic, one with Ivodent giving Ivodent exclusive sales rights in South Africa, and one with Oral Company giving Oral Company exclusive sales rights in the Netherlands, Belgium and Luxembourg. In all countries, the products will be sold under the BioGaia brand and the launch took place in the Benelux countries and the Czech Republic during 2012.

Agreement with Nestlé's Gerber division for the sale of drops in the USA

In June, BioGaia and Gerber Products Company, a division of Nestlé S.A., signed an agreement giving Gerber exclusive sales rights for BioGaia's probiotic drops and oral rehydration solution in the USA. The products will be marketed and sold under the well known and highly regarded US Gerber brand. The probiotic drops are planned to launch in the second quarter of 2013 and will support Gerber's Maternal and Infant Nutrition strategy to offer mothers benefits regardless of whether they choose to breastfeed or supplement with formula.

BioGaia's probiotics prevented necrotising enterocolitis (NEC) in premature infants

A study carried out on premature infants, born with a weight below 1000 grams, showed that prophylactic supplementation of *Lactobacillus reuteri* Protectis resulted in a statistically significant reduction in necrotising enterocolitis (NEC), the most common gastrointestinal cause of death and illness in premature infants.

Following the introduction of preventive supplementation of *Lactobacillus reuteri* Protectis to all premature infants in the neonatal intensive care unit where the study was performed, one case of NEC was avoided for every eight infants treated.

The study was published online in the journal BMC Pediatrics on 4 September 2012.

Lactobacillus reuteri Protectis shown to reduce colic in infants

A double-blind, placebo-controlled study of 80 colicky infants showed that the crying time was significantly reduced among the infants supplemented by drops with the probiotic *Lactobacillus reuteri* Protectis compared to those in the placebo group. The quality of life for the parents and families were also significantly improved in the probiotic group compared to the placebo group.

The study was done by Hania Szajewska Professor and Chair of the Department of Paediatrics at the Medical University of Warsaw in Poland. She is one of the world's most well reputed experts on probiotics and has conducted numerous clinical trials.

The study was performed according to the highest standards of clinical trial reporting (CONSORT) and was published in The Journal of Pediatrics on 14 September 2012.

This is the third independent study with *Lactobacillus reuteri* Protectis in colicky infants, and it once again confirms the effectiveness of BioGaia's probiotic drops in reducing the symptoms of colic.

EMPLOYEES

The number of employees in the Group at (including TwoPac) at 31 December 2012 was 76 (64).

Incentive scheme for the employees

In June BioGaia carried out the subscription warrant programme for all employees in the BioGaia Group that was decided by the AGM on 8 May 2012. For more information, see above under "Equity" on page 4.

SIGNIFICANT RISKS AND UNCERTAINTIES; GROUP AND PARENT COMPANY

The business model previously used in Japan was found to be ineffective and the company has changed to the business model that is being used successfully in other markets. The Japanese subsidiary's sales have now picked up and are expected to increase continuously.

On the balance sheet date, assets in the Japanese subsidiary were reported at SEK 7.0 million in the Group. BioGaia's assessment is that there is no indication of impairment of these assets. In the Parent Company, all receivables and participations in the Japanese subsidiary have been written down to zero.

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. In 2012 BioGaia made a group contribution of SEK 2.6 million to CapAble AB.

On the balance sheet date, assets in CapAble were reported at SEK 2.7 million in the Group. BioGaia's assessment is that CapAble will show profitability in coming years, for which reason there was no indication of impairment on the balance sheet date.

For further information see the administration report and Notes 28 and 29 of the annual report for 2011.

ACCOUNTING POLICIES

The consolidated financial statements are presented in compliance with the International Financial Reporting Standards (IFRS) issued 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 Parent Company have applied the same accounting and valuation standards as in the latest annual report.

New accounting standards

The applied accounting policies correspond to those described in the annual report for 2011, aside from a number of minor amendments to existing standards and new interpretations that are effective as of 1 January 2012. These are not assessed to have any significant impact on the Group's or the Parent Company's profit, financial position or disclosures.

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 dividend policy has previously been to pay a shareholder dividend equal to 30% of profit after tax. The Board has now decided to change the policy so that shareholder dividends in the coming years amount to 40% of the profit after tax.

Product launches are planned in a number of countries in the coming year. 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.

PROPOSED APPROPRIATION OF PROFITS

The following funds in the Parent Company are at the disposal of the Annual General Meeting (SEK 000s):

Retained profit:	91,860
Profit for the year:	239,277
Together amounting to:	331,137

The Board of Directors and the President propose that the company pay an ordinary dividend of SEK 4.15 and, in view of the company's good liquidity and strong balance sheet, an extraordinary dividend of SEK 5.85, amounting to a total dividend of SEK 10.00 per share. This is equal to a total distribution of SEK 172.7 million. It is proposed that the remaining profits of SEK 158.4 million be carried forward to new account.

Consolidated statements of comprehensive income

(Amounts in SEK 000s)	**Jan-Dec 2012**	Jan-Dec 2011	**Oct-Dec 2012**	Oct-Dec 2011
Net sales	**289,248**	314,992	**72,403**	82,396
License revenue	**356,004**	-	**-**	-
Cost of goods sold	**-88,179**	-98,727	**-24,308**	-25,160
Gross profit	***557,073***	*216,265*	***48,095***	*57,236*
Selling expenses	**-77,361**	-66,079	**-21,466**	-18,288
Administrative expenses	**-13,423**	-13,014	**-3,687**	-4,165
Research and development expenses	**-35,788**	-34,317	**-10,561**	-9,873
Other operating expenses/operating income	**-2,431**	304	**758**	-1,152
Operating profit	***428,070***	*103,159*	***13,139***	*23,758*
Financial income [1)]	**14,245**	5,792	**438**	5,892
Financial expenses	**-73**	-84	**-25**	-22
Profit before tax	***442 242***	*108 867*	***13 552***	*29 628*
Tax	**-112 371**	-29 345	**2 255**	-7 869
PROFIT FOR THE PERIOD	**329,871**	79,522	**15,807**	21,759
Other comprehensive income				
Gains/losses arising on translation of the financial statements of foreign operations	**-1,059**	712	**-687**	32
Comprehensive income for the period	**328,812**	80,234	**15,120**	21,791
Profit for the period attributable to:				
Owners of the Parent Company	**326,970**	76,369	**14,855**	20,413
Non-controlling interests	**2,901**	3,153	**952**	1,346
	329,871	79,522	**15,807**	21,759
Comprehensive income for the period attributable to:				
Owners of the Parent Company	**325,911**	77,081	**14,168**	20,445
Non-controlling interests	**2,901**	3,153	**952**	1,346
	328,812	80,234	**15,120**	21,791
Earnings per share				
Basic earnings per share (average number of shares), SEK	**18,93**	4,42	**0,86**	1,18
Diluted earnings per share, SEK	**18,93**	4,42	**0,86**	1,18
Number of shares, thousands	**17,271**	17,271	**17,271**	17,271
Average number of shares, thousands	**17,271**	17,271	**17,271**	17,271
Number of outstanding warrants, thousands	**87**	-	**87**	-
Number of outstanding warrants with a dilutive effect, thousands	**-**	-	**-**	-
Number of shares after dilution, thousands	**17,271**	17,271	**17,271**	17,271

1) Financial income consists of:

Interest income	**8 569**	3 270	**2 050**	1 121
Foreign exchange gains/losses on forward contracts	**5 676**	2 522	**-1 612**	4 771
	14 245	5 792	**438**	5 892

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	**31 Dec**	31 Dec
(Amounts in SEK 000s)	**2012**	2011
ASSETS		
Intangible assets	**-**	264
Property, plant and equipment	**49,193**	24,158
Other non-current receivables	**17**	18
Total non-current assets	***49,210***	*24,440*
Current assets excl. cash and cash equivalents	**92,838**	83,858
Cash and cash equivalents	**374,974**	171,534
Total current assets	***467,812***	*255,392*
TOTAL ASSETS	**517,022**	279,832
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Company	**453,303**	229,764
Non-controlling interests	**3,491**	591
Total equity	**456,794**	230,355
Provision for deferred tax	**24,710**	185
Interest-free current liabilities	**35,518**	49,292
TOTAL EQUITY AND LIABILITIES	**517,022**	279,832
Pledged assets	**2,000**	5,874

CONSOLIDATED CASH FLOW STATEMENTS	**Jan-Dec**	Jan-Dec	**Oct-Dec**	Oct-Dec
(Amounts in SEK 000s)	**2012**	2011	**2012**	2011
Operating activities				
Operating profit	**428,070**	103,159	**13,139**	23,758
Depreciation/amortisation	**4,545**	6,765	**521**	1,088
Other non-cash items	**346**	58	**-277**	148
	432,961	109,982	**13,383**	24,994
Gains/losses on realised forward exchange contracts	**2,818**	-164	**853**	-144
Paid tax	**-105,736**	-35,768	**-32,221**	-5,647
Interest received and paid	**8,496**	3,189	**2,025**	963
Cash flow from operating activities before changes in working capital	**338,539**	77,239	**-15,960**	20,166
Changes in working capital	**-2,982**	-4,447	**-7,560**	-4,576
Cash flow from operating activities	***335,557***	*72,792*	***-23,520***	*15,590*
Cash flow from investing activities	***-29,391***	-13,567	**-5,916**	-5,120
Cash flow from financing activities	***-102,373***	-34,542	**-21**	-
Cash flow for the period	**203,793**	24,683	**-29,457**	10,470
Cash and cash equivalents at beginning of period	**171,534**	146,903	**404,065**	161,434
Exchange difference in cash and cash equivalents	**-353**	-52	**366**	-370
Cash and cash equivalents at end of period	**374,974**	171,534	**374,974**	171,534

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)	**Jan-Dec 2012**	Jan-Dec 2011
At beginning of period	**230 355**	187 323
Dividends	**-103,626**	-34,542
Subscription warrants	**1,253**	-
Change in group structure	**-**	-2,660
Comprehensive income for the period	**328,812**	80,234
At end of period	**456,794**	230,355

REPORTING BY SEGMENT – GROUP

(Amounts in SEK 000s)

Revenue by segment	**Jan-Dec 2012**	Jan-Dec 2011	**Oct-Dec 2012**	Oct-Dec 2011
Finished consumer products	**237 583**	215 431	**65 581**	57 475
Component products	**50 577**	97 731	**6 774**	24 545
License revenue (component products) 1)	**356 004**	-	**-**	-
Other products	**1 088**	1 830	**48**	376
	645 252	314 992	**72 403**	82 396

Gross profit by segment	**Jan-Dec 2012**	Jan-Dec 2011	**Oct-Dec 2012**	Oct-Dec 2011
Finished consumer products	**170,275**	154,015	**46,799**	42,925
Component products	**29,935**	60,523	**1,292**	13,965
License revenue (component products) 1)	**356,004**	-	**-**	-
Other products	**859**	1,727	**4**	346
	557,073	216,265	**48,095**	57,236

1) License revenue refers to revenue from Nestlé (see above in text). The license revenue is included in component products but is reported on a separate line in order to achieve better comparability between years.

Revenue by geographical market	**Jan-Dec 2012**	Jan-Dec 2011	**Oct-Dec 2012**	Oct-Dec 2011
Europe	**203,328**	234,505	**51,760**	60,728
License revenue (Europe) 1)	**356,004**	-	**-**	-
USA and Canada	**28,422**	17,816	**7,747**	8,528
Asia	**32,420**	37,117	**6,253**	7,591
Rest of world	**25,078**	25,554	**6,643**	5,549
	645,252	314,992	**72,403**	82,396

PARENT COMPANY INCOME STATEMENTS	**Jan-Dec**	Jan-Dec
(Amounts in SEK 000s)	**2012**	2011
Net sales	**278,515**	306,182
License revenue	**356,004**	-
Cost of goods sold	**-97,475**	-106,868
Gross profit	**537,044**	199,314
Selling expenses	**-57,673**	-49,406
Administrative expenses	**-12,248**	-11,607
Research and development expenses	**-35,868**	-34,283
Other operating income	**-**	304
Other operating expenses	**-2,430**	-
Operating profit	**428,825**	104,322
Impairment loss on receivable from subsidiary	**-8,574**	-10,453
Impairment loss on shares in subsidiary	**-2,583**	-
Net financial items, other	**17,220**	8,391
Profit before appropriations and tax	**434,888**	102,260
Provisions to tax allocation reserve	**-109,341**	-
Profit before tax	**325,547**	102,260
Tax expense	**-86,270**	-29,781
PROFIT FOR THE PERIOD	**239,277**	72,479

PARENT COMPANY BALANCE SHEETS	**31 Dec**	31 Dec
	2012	2011
ASSETS		
Intangible assets	**-**	264
Property, plant and equipment	**2,275**	2,068
Shares in group companies	**21,160**	21,160
Non-current receivables from subsidiaries	**24,513**	16,513
Total non-current assets	***47,948***	*40,005*
Current assets excl. cash and cash equivalents	**85,009**	73,643
Cash and cash equivalents	**371,448**	161,865
Total current assets	***456,457***	*235,508*
TOTAL ASSETS	**504,405**	275,513
EQUITY AND LIABILITIES		
Equity	**349,660**	212,756
Tax allocation reserve	**109,341**	
Interest-free current liabilities	**45,404**	62,757
TOTAL EQUITY AND LIABILITIES	**504,405**	275,513
Pledged assets	**2,000**	2,000

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PARENT COMPANY CASH FLOW STATEMENTS

	Jan-Dec 2012	Jan-Dec 2011
Operating activities		
Operating profit	**428,825**	104,322
Depreciation/amortisation	**1,510**	2,096
Other non-cash items	**308**	51
Gain/losses on realised foreign exchange contracts	**2,818**	-164
Paid tax	**-105,690**	-35,769
Interest received and paid	**9,120**	3,582
Cash flow from operating activities before changes in working capital	**336,891**	74,118
Changes in working capital	**-13,512**	-2,686
Cash flow from operating activities	**323,379**	71,432
Cash flow from investing activities	**-11,123**	-15,813
Cash flow from financing activities	**-102,373**	-34,542
Cash flow for the period	**209,883**	21,077
Cash and cash equivalents at beginning of period	**161,865**	140,840
Exchange difference in cash and cash equivalents	**-300**	-52
Cash and cash equivalents at end of period	**371,448**	161,865

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

(Amounts in SEK 000s)	Jan-Dec 2012	Jan-Dec 2011
At beginning of year	**212,756**	176,632
Dividends	**-103,626**	-34,542
Group contributions	**-**	-1,813
Subscription warrant programme	**1,253**	-
Profit for the period	**239,277**	72,479
At end of period	**349,660**	212,756

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., Tripac AB and Infant Baby 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.

Annwall & Rothschild Investment AB holds 740,668 class A shares and 1,259,332 class B shares, which is equal 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, and Jan Annwall, a member of the Board of the Parent Company. The only transaction carried out during 2012 is the payment of a dividend of SEK 6 per share. No other transactions have taken place between BioGaia and Annwall & Rothschild Investment AB.

At the end of 2012, BioGaia entered into a project agreement with Board member Jörgen Thorball's partly owned company XOventure. Under the agreement, and within the framework of XOventure's network, consultants will be hired to prepare preclinical documentation and product development strategy. The consulting assignment will begin in 2013.

The following transactions have taken place with *BioGaia Japan*	**Jan-Dec 2012**	Jan-Dec 2011
Interest income	**2,386**	2,244
Loan provided	**-1,670**	-4,451
Sale of goods	**4,518**	3,759

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.

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

	Jan-Dec 2012	Jan-Dec 2011
Interest income	**643**	487
Loan provided	**-8,000**	-11,091
Purchase of goods	**-29,314**	-26,179

No significant transactions have taken place with other closely related companies.

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

	31 Dec 2012	31 Dec 2011
Non-current receivables from TwoPac AB (incl. subsidiary)	**23,491**	15,491
Current transactions with related parties		
Current receivables from TwoPac AB	**164**	349
Current liabilities to TwoPac AB	**-1,972**	-3,339
	-1,808	-2,990

No significant transactions have taken place with other closely related companies.

CONSOLIDATED KEY RATIOS [1]	Jan-Dec 2012	Jan-Dec 2012 licence revenue 2)	Jan-Dec 2011
Return on			
- average equity	**96%**	**29%**	37%
- average capital employed	**124%**	**38%**	52%
Capital employed, SEK 000s	**481,504**	**219,261**	230,540
Number of shares, thousands	**17,271**	**17,271**	17,271
Average number of shares, thousands	**17,271**	**17,271**	17,271
Number of outstanding warrants, thousands	**87**	**87**	-
Average number of outstanding warrants with a dilutive effect, thousands	**-**	**-**	-
Number of shares after dilution, thousands	**17,271**	**17,271**	17,271
Basic earnings per share, SEK	**18.93**	**3.52**	4.42
Diluted earnings per share, SEK	**18.93**	**3.52**	4.42
Basic equity per share, SEK	**26.25**	**11.06**	13.30
Diluted per equity per share, SEK	**26.25**	**11.06**	13.30
Equity/assets ratio	**88%**	**76%**	82%
Operating margin	**66%**	**25%**	33%
Profit margin (profit before tax)	**69%**	**30%**	35%
Average number of employees	**70**	**70**	61

1) The definitions of key ratios correspond to those in the annual report.
2) Key ratios excluding non-recurring revenue from Nestlé (see above under "Financial performance in 2012)

FINANCIAL CALENDAR

The annual report for 2012 will be distributed to all shareholders during the last week of March 2013. At that time it will also be available on BioGaia's website and can be ordered by telephone +46 8-55529300 or by email to info@biogaia.se.

8 February 2013	10:00 a.m. Teleconference with President Peter Rothschild. To participate in the conference, please see telephone numbers on www.biogaia.com/agenda
26 April 2013	Interim report 1 January – 31 March 2013
26 April 2013	Annual General Meeting, 1:00 p.m. at Lundqvist och LIndqvist Klara Strand, Klarabergsviadukten 90 in Stockholm. Shareholders who wish to have a matter addressed at the AGM must submit a request no later than 15 March 2013 by mail to Board Chairman, BioGaia AB, Box 3242, SE-103 64 STOCKHOLM, Sweden, or by e-mail to: pea@biogaia.se
22 August 2013	Interim report 1 January – 30 June 2013
23 October 2013	Interim report 1 January – 30 September 2013

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, 8 February 2013

David Dangoor
Board Chairman

Jan Annwall
Board member

Stefan Elving
Board member

Thomas Flinck
Board Chairman

Inger Holmström
Board member

Jörgen Thorball
Board member

Paula Zeilon
Board member

Peter Rothschild
President

Auditor’s report on the review of the interim financial information (interim report)

Introduction
We have reviewed the interim financial information (interim report) of BioGaia AB (publ), corporate identity number 556380-8723, at 31 December 2012 and the accompanying condensed statements of income, changes in equity and cash flow for the financial period then ended, as well as a summary of significant accounting policies and other explanatory information. The Board of Directors and President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review
We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA (International Standards on Auditing) 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 based on an audit.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not, in all material aspects, give a true and fair view of the financial position of the Group and the Parent Company as of 31 December 2012 and of its financial performance and cash flow for the period then ended in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, 8 February 2013

Grant Thornton Sweden AB

Lena Möllerström Nording
Authorised 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* (Reuteri) in combination with unique packaging solutions that make it possible to create probiotic products with a long shelf life.

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

BioGaia has 76 employees, of whom 29 are based in Stockholm, 22 in Lund, 16 in Eslöv, two in Raleigh, USA, six in Hiroshima, Japan, and one in Shanghai, China.

Business model

BioGaia's revenue comes mainly from the sale of finished consumer products (digestive health tablets, drops, oral rehydration solution (ORS) and oral health tablets) to distributors, but also of revenue from the sale of component products such as Reuteri cultures, straws and caps. The products are sold through nutrition, food, natural health and pharmaceutical companies in some 70 countries worldwide.

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

The* BioGaia *brand

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

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

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

Research and clinical studies

Lactobacillus reuteri is one of the world's most well researched probiotics, especially in young children. To date, 108 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 8,600 individuals of all ages. The results have been published in 72 articles in scientific journals.

Studies have been performed on:

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

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 this 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 takes no responsibility for ensuring that the registered trials reach completion or are successfully reported in the register or the scientific literature. When clinical trial results of significance for the company's operations do become available, BioGaia will report these through press releases.

Latest press releases from BioGaia:

2012-12-17	BioGaia signs two new distribution agreements and yet another study on periodontitis shows positive results
2012-11-22	BioGaia has entered into an exclusive agreement for its probiotic drops with Nestlé in Mexico
2012-10-23	BioGaia AB Interim report 1 January - 30 September 2012

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