

BioGaia AB Interim report 1 January – 31 March (13 pages)

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

1 January – 31 March 2012

- Net sales reached SEK 434.3 million (69.9). This figure includes licence revenue of SEK 356 million from Nestlé that is regarded as non-recurring revenue. Excluding non-recurring revenue from Nestlé, net sales amounted to SEK 78.3 million (69.9), an increase of SEK 8.4 million (12%).
- Operating profit was SEK 382.1 (23.4) million. Excluding non-recurring revenue, operating profit was SEK 26.1 million (23.4), an improvement of SEK 2.7 million (12%).
- Profit before tax was SEK 384.9 (25.6) million. Excluding non-recurring revenue, profit before tax was SEK 28.9 million (25.6), an increase of SEK 3.3 million (13%).
- Profit after tax was SEK 283.2 million (18.5). Excluding non-recurring revenue, profit after tax was SEK 20.8 million (18.5), an improvement of SEK 2.3 million (12%).
- Earnings per share amounted to SEK 16.37 (1.04). Excluding non-recurring revenue, earnings per share were SEK 1.18.
- The period's total cash flow was SEK 358.7 million (1.9). Excluding non-recurring revenue, cash flow was SEK 2.7 million. The period's cash flow includes investments in TwoPac of approximately SEK 9 million. Cash and cash equivalents at 31 March 2012 totalled SEK 529.9 million (148.5).

Key events in the first quarter of 2012

- BioGaia signs an agreement to extend its collaboration with Nestlé, including the sale of a license for EUR 50.8 million, of which EUR 40 million (SEK 356 million) was paid and recognised during the quarter.
- Results of a clinical study show that *Lactobacillus reuteri* Protectis reduces diarrhoea in children.
- The Board of BioGaia proposes that the AGM approve an additional extraordinary dividend of SEK 2 per share, amounting to a total dividend of SEK 6 per share.

Key events after the end of the first quarter of 2012

- BioGaia signs exclusive distribution agreement for the sale of its probiotic drops and tablets in Taiwan.

“The highlight of the quarter was naturally the new agreement we signed with Nestlé in February, which is of great strategic importance to BioGaia leading to an enhanced and extended collaboration. The agreement also creates an opportunity for us to let Nestlé market our products under the BioGaia brand in some of the larger markets.” says Peter Rothschild, President of BioGaia.

A telephone conference on the interim report will be held today at 10:00 a.m. by President Peter Rothschild and CFO Margareta Hagman. To participate in the conference, please see BioGaia's website for telephone numbers <http://www.biogaia.com/investors/agenda>.

BioGaia is a healthcare company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on the lactic acid bacterium *Lactobacillus reuteri*, which has probiotic, health-enhancing effects. The class B share of the Parent Company BioGaia AB is quoted on the Mid Cap list of the NASDAQ OMX Nordic Exchange Stockholm. www.biogaia.com

BioGaia has published this information in accordance with the Swedish Securities Market Act. The information was issued for publication on 8 May 2012, 8:00 a.m. CET.

BioGaia AB (publ.)

INTERIM REPORT 1 JANUARY – 31 MARCH 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 interim report for the period from 1 January to 31 March 2012. A brief description of the company's operations is provided on page 13.

PRESIDENT'S COMMENTS

The highlight of the quarter was naturally the new agreement we signed with Nestlé in February, which is of great strategic importance to BioGaia leading to an enhanced and extended collaboration. This could be in both infant nutrition and other nutrition categories. The amount we have received as payment for the license in the infant formula area is substantial and will enable us to continue developing both our brand and innovative new products, whilst at the same time allowing the Board to propose generous dividends. The agreement also creates an opportunity for us to let Nestlé market our products under the BioGaia brand in some of the larger markets.

The program of clinical studies we have pursued for many years has continued to produce significant results. An important study on diarrhoea in children in Indonesia was published during the period, showing significant effects of *Lactobacillus reuteri*. One key aspect of the study, which was conducted by an independent institute, is that it also tested another probiotic strain belonging to a competitor, which showed no effects. These results clearly demonstrate that different probiotic strains behave differently, which means that studies on one strain cannot be used to market another. This is a message we have communicated to doctors and other healthcare professionals for several years.

Sales for the quarter grew by 12%, excluding the license revenue from Nestlé. The expected drop in sales of component products in 2012 as a consequence of the agreement with Nestlé is something we have mentioned earlier. However, this did not occur in the first quarter. Sales of finished consumer products rose by 2% during the quarter, which is lower than the increase in the first quarter of 2011. This is partly explained by large deliveries made at the end of December, after which several distributors did not order products for delivery during the quarter. As previously pointed out, a quarter is a short period of time and fluctuations can arise through the timing of deliveries before or after the quarterly shift. I therefore wish to emphasise the importance of looking at rolling 12-month sales to obtain a more accurate picture of our business development. Over the past 12-month period, our sales improved by 31%.

BioGaia's leading products in the finished consumer products category, drops and tablets, are currently sold in some 50 countries. Furthermore, we have agreements covering an additional 20 or so countries where we are in the process of registering our products. Launches will take place as soon as registration is completed. We are continuing to widen our geographic spread but for obvious reasons cannot expect to add a large number of new countries, although a few major markets remain. The focus is instead on reviewing our existing distribution agreements and expanding our distributors' portfolios with our new products. This means that we will replace our distributors in a number of markets, which will lead to a temporary decrease in our growth rate for a short period of time while the changes are carried out. Because changes will be made only where we sell

products under the BioGaia brand, the transfer will be simpler than would otherwise be the case. Some slowing down of sales was already noted during the quarter in connection with ongoing negotiations for the termination of existing distribution agreements and the start of new ones. However, I am convinced that the changes we are making will contribute to faster growth in a number of markets. Changes have already been done in Spain and Sweden and will take place in many more countries during the current year, which will leave us even better positioned for sustained good growth.

FINANCIAL PERFORMANCE IN THE FIRST QUARTER OF 2012

Sales

Consolidated net sales reached SEK 434.3 million (69.9). This figure includes license revenue from Nestlé (see below) of SEK 356 million that is regarded as non-recurring revenue. All expenses related to the license have been taken as incurred. Excluding non-recurring revenue from Nestlé, net sales amounted to SEK 78.3 million (69.9), an increase of SEK 8.4 million (12%) compared to the first quarter of 2011. For the past 12-month period, sales were up by 31% over the same period of last year.

Sales of finished consumer products rose by SEK 1.2 million (2%) to SEK 54.8 million. The increase is smaller than the increase in the first quarter in 2011, partly due to large deliveries made at the end of 2011. Sales for the past 12-month period, which eliminates the effect of sales before or after the quarterly shift, show growth of 27% in this segment. Sales of finished consumer products rose in Asia and the USA, but declined in Europe and the rest of the world during the quarter compared to the same period of last year. The increase in Asia is mainly explained by higher sales in Japan. The decrease in Europe is due primarily to the large deliveries made in the fourth quarter of 2011 but also to the ongoing negotiations regarding change of distributors in a number of countries.

Sales of component products improved by SEK 363.1 million. Excluding non-recurring revenue from Nestlé, sales were up by SEK 7.1 million (45%) compared to the same period of last year. This is mainly due to a large delivery to Nestlé at the beginning of the year. Sales of component products rose in Europe but fell in Asia. The decrease in Asia is explained by the fact that the figures for the previous year include income from the termination agreement with Yili in China. Sales of component products for the past 12-month period (excluding non-recurring revenue from Nestlé) grew by 40 per cent.

Sales in Europe improved by SEK 361.8 million. Excluding non-recurring revenue from Nestlé, sales increased by SEK 5.8 million (11%), mainly as a result of large deliveries to Nestlé. Final sales of Nestlé's products also take place outside Europe. For the past 12-month period, sales in Europe were up by 27 per cent (excluding non-recurring revenue).

Sales in Asia fell by SEK 0.4 million (4%). Sales of finished consumer products rose in Asia, but due to the fact that the first quarter of 2011 included income from the termination agreement with Yili in China, total sales in Asia declined for the period. For the past 12-month period, sales in Asia grew by 46%.

Sales in the USA and Canada strengthened by SEK 4.1 million (342%) as a result of increased sales of finished consumer products in the USA (mainly owing to Fleet's launch of strawberry-flavoured tablets) and higher sales in

Canada. For the past 12-month period, sales in USA and Canada were up by 104%.

Sales in the rest of the world fell by SEK 1.0 million (17%), which is entirely attributable to temporary variations in deliveries. For the past 12-month period, sales improved by 11%.

Of total finished consumer products, 45% (40) were sold under the BioGaia brand. Including so-called co-branding, the percentage was 50% (48).

Gross profit

Gross profit amounted to SEK 411.5 million (48.5). Excluding non-recurring revenue from Nestlé, gross profit was SEK 55.5 million (48.5), which is an improvement of SEK 7.0 million (14%) compared to the same period of last year. Gross margin (excluding non-recurring revenue) rose from 69% to 71%. This is partly attributable to increased sales in Japan, where the margins are higher.

Operating expenses

Selling expenses amounted to SEK 17.7 million (14.1), which is equal to 23% (20) of net sales (excluding non-recurring revenue). The increase of SEK 3.6 million (26%) is mainly attributable to increased personnel expenses and marketing activities, as well as higher costs in Japan resulting partly from exchange rate fluctuations. For the past 12-month period, selling expenses rose by 14%.

Administrative expenses totalled SEK 3.2 million (2.8), which is equal to 4% (4) of net sales (excluding non-recurring revenue). The increase of SEK 0.4 million (14%) is explained primarily by higher personnel expenses. Administrative expenses for the past 12-month period rose by 33%, mainly due to the consolidation of TwoPac as of 1 January 2011.

R&D expenses amounted to SEK 8.4 million (8.0), which is equal to 11% (11) of net sales (excluding non-recurring revenue).

The amortisation component of R&D expenses was SEK 0.2 million (0.3). Investments in capitalised development expenses totalled SEK 0 million (0). For the past 12-month period, R&D expenses grew by 17%.

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

Operating profit

Operating profit was SEK 382.1 million (23.4). Excluding non-recurring revenue from Nestlé, Operating profit was SEK 26.1 million, which is SEK 2.7 million (12%) better than in the same period of last year.

Financial items and profit before tax

Profit before tax was SEK 384.9 million (25.6). Excluding non-recurring revenue, profit before tax was SEK 28.9 million, which is an improvement of SEK 3.3 million (13%) over the same period of last year.

Net financial items include a foreign exchange gain of SEK 1.4 million (1.7) on forward exchange contracts in EUR. At 31 March 2012, the company had outstanding forward exchange contracts for EUR 11.6 million at an average exchange rate of SEK 9.25. Forward exchange contracts amounting to EUR 6.4 million will mature for payment in

2012, EUR 4.8 million in 2013 and the remaining EUR 0.3 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 March 2012 (8.85), an exchange gain/loss will be recognised in the future.

Profit after tax

Profit after tax was SEK 283.2 million (18.5). Excluding non-recurring revenue from Nestlé, profit after tax was SEK 20.8 million, which represents an increase of SEK 2.3 million (16%) over the same period of last year. The tax rate for the Group was 28% (28). The Group pays tax on profits in the Swedish companies. The loss in Japan is not deductible against the Swedish profits. Loss carryforwards in the Japanese subsidiary at 31 March 2012 amounted to SEK 63.7 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 16.37 (1.04). Excluding non-recurring revenue, earnings per share were SEK 1.18.

Cash flow

The Group's cash and cash equivalents at 31 March 2012 totalled SEK 529.9 million (148.5).

Cash flow amounted to SEK 358.7 million (1.9). Excluding non-recurring revenue, cash flow was SEK 2.7 million.

The period's cash flow includes investments in property, plant and equipment of SEK 9.8 million (1.1), of which SEK 9.0 million refers to TwoPac.

Equity

Consolidated equity amounted to SEK 512.9 million (202.7) and the equity/assets ratio was 80% (85).

Dividend 2012

In connection with the year-end report and Annual Report, the Board proposed a dividend of SEK 4 per share. After the signing of the new agreement with Nestlé, the Board decided to propose an additional extraordinary dividend of SEK 2 per share. The total proposed dividend to be approved by the 2012 is thus SEK 6 per share.

Investments in property, plant and equipment

Investments in property, plant and equipment amounted to SEK 9.8 (1.1) million, of which SEK 9.0 million (1.0) refers to TwoPac AB.

Subsidiary in Japan

Net sales in the Japanese subsidiary were reported at SEK 3.7 million (2.1). Operating profit amounted to SEK -0.6 million (-1.4).

Subsidiary Twopac AB

TwoPac is owned 50 per cent by BioGaia AB and 50 per cent by TwoPac's management. Since 1 January 2011 TwoPac AB is consolidated in the BioGaia group. Net sales in TwoPac were reported at SEK 6.3 million (5.0). Operating profit amounted to SEK 1.5 million (1.3). The profit after tax amounted to SEK 0.9 million (1.3). Construction of the new production facility in Eslöv is somewhat behind schedule and the facility is expected to be completed and taken into operation in the summer of 2012.

Parent Company

Net sales in the Parent Company are reported at SEK 431.2 million (68.7) and profit before tax was SEK 384.4 million (23.5). Profit after tax was SEK 283.1 million (16.4). Cash flow in the Parent Company Totalled SEK 362.3 million (-7.1).

KEY EVENTS IN THE FIRST QUARTER OF 2012

Launches in the first quarter of 2012

Distributor/licensee	Product	Country
Cube Pharmaceuticals	Oral rehydration solution (ORS)	Greece
Fleet Laboratories	Digestive health tablets with strawberry flavour	USA
Nestlé	Infant formula with <i>Lactobacillus reuteri</i> Protectis	Bangladesh, Burma, Cambodia, the Caribbean, Laos and Singapore
Recalcine	Digestive health tablets and drops	Bolivia

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.

The agreements are of significant strategic value for BioGaia, since they not only involve an extended collaboration with Nestlé but also provide greater financial freedom for BioGaia to further invest in its own brand, develop its own new products, conduct research on new indications and increase the distribution of BioGaia-branded products. The additional finances also give the Board scope to propose a generous dividend policy.

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

As a result of the up-front payments for the acquisition of the licence, BioGaia estimates that revenue from Nestlé during 2012, excluding the up-front payment, will be equal to around 50% of the value of sales during 2011, and will increase in 2013 to 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. A 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 has been published in *Journal of Pediatrics*.

KEY EVENTS AFTER THE END OF THE FIRST QUARTER OF 2012

Agreement for BioGaia's probiotic drops and tablets in Taiwan

In mid-April BioGaia signed an agreement with United Laboratories Group for exclusive rights to sell BioGaia's probiotic drops and digestive health tablets in Taiwan. The products will be sold under the BioGaia brand and the launch is planned for 2012.

EMPLOYEES

The number of employees in the Group at 31 March 2012 was 67 (60).

Incentive scheme for the employees

The Board has proposed that the 2012 AGM approve the implementation of a subscription warrant programme for the employees in the BioGaia Group involving the issue of 200,000 warrants. The warrants are proposed to be transferred at a market price calculated according to the Black & Scholes formula. If all 200,000 warrants are exercised for subscription to shares, the company's share capital will be increased by SEK 200,000, equal to a dilutive effect of around 1.14% on the share capital and approximately 0.83% on the total number of votes.

SIGNIFICANT RISKS AND UNCERTAINTIES; GROUP AND PARENT COMPANY

The business model previously used in Japan was found to be unsuccessful and the company changed in 2010 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 5.6 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. BioGaia's assessment is that CapAble will show 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 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 per cent with continued strong growth and increased investments in research, product development and brand building.

BioGaia's dividend policy is to pay a shareholder dividend equal to 30 per cent of profit after tax.

Product launches are planned in a number of countries during the 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.

Consolidated statements of comprehensive income

(Amounts in SEK 000s)

	Jan-Mar 2012	Jan-Mar 2011	Jan-Dec 2011	Apr 2011- Mar 2012	Apr 2010- Mar 2011
Net sales	78,289	69,855	314,992	323,426	247,320
License revenue	356,004	-	-	356,004	-
Cost of goods sold	-22,764	-21,338	-98,727	-100,153	-79,190
<i>Gross profit</i>	411,529	48,517	216,265	579,277	168,130
Selling expenses	-17,677	-14,140	-66,079	-69,616	-61,260
Administrative expenses	-3,153	-2,813	-13,014	-13,354	-10,104
Research and development expenses	-8,414	-7,968	-34,317	-34,763	-29,737
Other operating income/expenses	-204	-211	304	311	-2,218
Share in profit/loss of associated company	-	-	-	-	770
<i>Operating profit</i>	382,081	23,385	103,159	461,855	65,581
Financial income	2,855	2,202	5,792	6,445	11,627
Financial expenses	-22	-35	-84	-71	-102
<i>Profit before tax</i>	384,914	25,552	108,867	468,229	77,106
Tax expense	-101,719	-7,071	-29,345	-123,993	-23,657
PROFIT FOR THE PERIOD	283,195	18,481	79,522	344,236	53,449
<u>Other comprehensive income</u>					
Gains/losses arising on translation of the financial statements of foreign operations	-696	-478	712	494	-458
Comprehensive income for the period	282,499	18,003	80,234	344,730	52,991
<u>Profit for the period attributable to:</u>					
Owners of the Parent Company	282,808	17,914	76,369	341,263	52,915
Non-controlling interests	387	567	3,153	2,973	534
	283,195	18,481	79,522	344,236	53,449
<u>Comprehensive income for the period attributable to:</u>					
Owners of the Parent Company	282,112	17,436	77,081	341,757	52,457
Non-controlling interests	387	567	3,153	2,973	534
	282,499	18,003	80,234	344,730	52,991
<u>Earnings per share</u>					
Basic earnings per share (average number of shares), SEK	16.37	1.04	4.42	19.76	3.07
Diluted earnings per share, SEK	16.37	1.04	4.42	19.76	3.06
Number of shares, thousands	17,271	17,271	17,271	17,271	17,271
Average number of shares, thousands	17,271	17,271	17,271	17,271	17,246
Number of outstanding warrants, thousands	-	-	-	-	-
Number of outstanding warrants with a dilutive effect, thousands	-	-	-	-	-
Number of shares after dilution, thousands	17,271	17,271	17,271	17,271	17,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in SEK 000s)

ASSETS

	31 Mar 2012	31 Dec 2011	31 Mar 2011
Intangible assets	177	264	933
Property, plant and equipment	32,256	24,158	13,926
Other non-current receivables	18	18	17
Total non-current assets	32,451	24,440	14,876
Current assets excl. cash and cash equivalents	79,316	83,858	74,409
Cash and cash equivalents	529,923	171,534	148,514
Total current assets	609,239	255,392	222,923
TOTAL ASSETS	641,690	279,832	237,799

EQUITY AND LIABILITIES

Equity attributable to owners of the Parent Company	511,876	229,764	204,662
Non-controlling interests	978	591	-1,996
Total equity	512,854	230,355	202,666
Provision for deferred tax	185	185	-
Interest-free current liabilities	128,651	49,292	35,133
TOTAL EQUITY AND LIABILITIES	641,690	279,832	237,799

CONSOLIDATED CASH FLOW STATEMENTS

(Amounts in SEK 000s)

Operating activities

	Jan-Mar 2012	Jan-Mar 2011	Jan-Dec 2011
Operating profit	382,081	23,385	103,159
Depreciation/amortisation	1,260	1,239	5,425
Other non-cash items	266	137	1,398
	383,607	24,761	109,982
Gains/losses on realised forward exchange contracts	285	1,935	-164
Paid tax	-17,246	-18,375	-35,768
Interest received and paid	1,394	514	3,189
Cash flow from operating activities before changes in working capital	368,040	8,835	77,239
Changes in working capital	462	-8,402	-4,447
Cash flow from operating activities	368,502	433	72,792
Cash flow from investing activities	-9,821	1,488	-13,567
Cash flow from financing activities	-	-	-34,542
Cash flow for the period	358,681	1,921	24,683
Cash and cash equivalents at beginning of period	171,534	146,903	146,903
Exchange difference in cash and cash equivalents	-292	-310	-52
Cash and cash equivalents at end of period	529,923	148,514	171,534

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000's)

	Jan-Mar 2012	Jan-Mar 2011	Jan-Dec 2011
At beginning of period	230,355	187,323	187,323
Dividends	-	-	-34,542
Change in group structure	-	-2,660	-2,660
Comprehensive income for the period	282,499	18,003	80,234
At end of period	512,854	202,666	230,355

REPORTING BY SEGMENT - GROUP

(Amounts in SEK 000's)

Revenue by Segment

	Jan-March 2012	Jan-March 2011	Jan-Dec 2011	April 2011- - March 2012	April 2010- - March 2011
Finished consumer products	54 771	53 565	215 431	216 637	170 761
Component products	23 007	15 924	97 731	104 814	74 717
Licence revenue (component products) 1)	356 004	-	-	356 004	-
Other products	511	366	1 830	1 975	1 842
	434 293	69 855	314 992	679 430	247 320

Gross profit by segment

	Jan-March 2012	Jan-March 2011	Jan-Dec 2011	April 2011- - March 2012	April 2010- - March 2011
Finished consumer products	39 464	36 681	154 015	156 798	114 092
Component products	15 677	11 474	60 523	64 726	52 353
Licence revenue (component products) 1)	356 004	-	-	356 004	-
Other products	384	363	1 727	1 748	1 685
	411 529	48 518	216 265	579 276	168 130

1) The licence fee refers to the non-recurring revenue from Nestlé (please see above in the text). The licence fee should be included in the component products but is reported separately to allow a better comparison between the years.

Revenue by geographical market

	Jan-March 2012	Jan-March 2011	Jan-Dec 2011	April 2011- - March 2012	April 2010- - March 2011
Sales					
Europe	59 549	53 793	234 505	240 261	189 360
Licence revenue (Europe) 2)	356 004	-	-	356 004	-
USA and Canada	5 303	1 228	17 816	21 891	10 702
Asia	8 394	8 784	37 117	36 727	25 146
Rest of world	5 043	6 050	25 554	24 547	22 112
	434 293	69 855	314 992	679 430	247 320

2) The licence fee refers to the non-recurring revenue from Nestlé (please see above in the text). The licence fee should be included in Europe sales but is reported separately to allow a better comparison between the years.

PARENT COMPANY INCOME STATEMENTS	Jan-Mar	Jan-Mar	Jan-Dec
(Amounts in SEK 000s)	2012	2011	2011
Net sales	75,161	68,718	306,182
License revenue	356,004	-	-
Cost of goods sold	-24,503	-22,884	-106,868
<i>Gross profit</i>	406,662	45,834	199,314
Selling expenses	-13,246	-10,548	-49,406
Administrative expenses	-2,874	-2,565	-11,607
Research and development expenses	-8,433	-7,856	-34,283
Other operating income	-	-	304
Other operating expenses	-204	-211	-
<i>Operating profit</i>	381,905	24,654	104,322
Impairment loss on receivable from subsidiary	-1,183	-3,932	-10,453
Net financial items	3,651	2,736	8,391
Profit before tax	384,373	23,458	102,260
Tax expense	-101,290	-7,068	-29,781
PROFIT FOR THE PERIOD	283,083	16,390	72,479

PARENT COMPANY BALANCE SHEETS	31 Mar	31 Dec	31 Mar
	2012	2011	2011
ASSETS			
Intangible assets	177	264	933
Property, plant and equipment	2,138	2,068	2,771
Shares in group companies	21,160	21,160	21,110
Non-current receivables from subsidiaries	16,513	16,513	12,513
<i>Total non-current assets</i>	39,988	40,005	37,327
Current assets excl. cash and cash equivalents	69,787	73,643	68,147
Cash and cash equivalents	524,037	161,865	133,614
<i>Total current assets</i>	593,824	235,508	201,761
TOTAL ASSETS	633,812	275,513	239,088
EQUITY AND LIABILITIES			
Equity	495,839	212,756	193,022
Interest-free current liabilities	137,973	62,757	46,066
TOTAL EQUITY AND LIABILITIES	633,812	275,513	239,088

PARENT COMPANY CASH FLOW STATEMENTS

	Jan-Mar	Jan-Mar	Jan-Dec
	2012	2011	2011
<u>Operating activities</u>			
Operating profit	381,905	24,654	104,322
Depreciation/amortisation	379	558	2,096
Other non-cash items	176	134	51
Gain/losses on realised foreign exchange contracts	285	1,935	-164
Paid tax	-17,246	-18,375	-35,769
Interest received and paid	1,545	567	3,582
Cash flow from operating activities before changes in working capital	367,044	9,473	74,118
Changes in working capital	-4,333	-6,972	-2,686
<i>Cash flow from operating activities</i>	362,711	2,501	71,432
<i>Cash flow from investing activities</i>	-363	-9,594	-15,813
<i>Cash flow from financing activities</i>	-	-	-34,542
Cash flow for the period	362,348	-7,093	21,077
Cash and cash equivalents at beginning of period	161,865	140,840	140,840
Exchange difference in cash and cash equivalents	-176	-133	-52
Cash and cash equivalents at end of period	524,037	133,614	161,865

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

(Amounts in SEK 000s)

	Jan-Mar	Jan-Mar	Jan-Dec
	2012	2011	2011
At beginning of year	212,756	176,632	176,632
Dividends	-	-	-34,542
Group contributions	-	-	-1,813
Profit for the period	283,083	16,390	72,479
At end of period	495,839	193,022	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.

The following transactions have taken place with BioGaia Japan

	Jan-Mar 2012	Jan-Mar 2011	Jan-Dec 2011
Interest income	656	506	2,244
Loan provided	-	-2,448	-4,451
Purchase of goods	527	978	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-Mar 2012	Jan-Mar 2011	Jan-Dec 2011
Interest income	149	43	487
Loan provided	-	-7,091	-11,091
Purchase of goods	-6,331	-4,968	-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 Mar 2012	31 Mar 2011	31 Dec 2011
Non-current receivables from TwoPac AB (incl. subsidiary)	15,491	11,491	15,491
Current transactions with related parties			
Current receivables from TwoPac AB	149	43	349
Current liabilities to TwoPac AB	-2,156	-2,191	-3,339
	-2,007	-2,148	-2,990

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. No transactions took place between BioGaia and Annwall & Rothschild Investment AB during the period.

<u>CONSOLIDATED KEY RATIOS 1)</u>	Jan-Mar	Jan-Mar 2012	Jan-Mar
	2012	excl. non-recurring revenue 2)	2011
Return on			
- average equity	76%	9%	9%
- average capital employed	104%	12%	13%
Capital employed, SEK 000s	513,039	250,664	202,666
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	-	-	-
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	16.37	1.18	1.04
Diluted earnings per share, SEK	16.37	1.18	1.04
Basic equity per share, SEK	29.64	14.45	11.85
Diluted per equity per share, SEK	29.64	14.45	11.85
Equity/assets ratio	80%	88%	85%
Operating margin	88%	33%	33%
Profit margin	89%	37%	37%
Average number of employees	66	66	59

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 the first quarter of 2012").

FINANCIAL CALENDAR

8 May 2012	10:00 a.m. Teleconference with President Peter Rothschild and CFO Margareta Hagman. To participate in the conference, please see BioGaia's website for telephone numbers http://www.biogaia.com/investors/agenda .
8 May 2012	4:00 p.m. Annual General Meeting at Citykonferensen Ingenjörshuset, Malmskillnadsgatan 46 in Stockholm.
21 August 2012	Interim report 1 January – 30 June 2012
23 October 2012	Interim report 1 January – 30 September 2012

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 May 2012

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 auditor.

BioGaia AB

The company

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

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

BioGaia has 67 employees, of whom 22 are based in Stockholm, 23 in Lund, 13 in Eslöv, two in Raleigh, USA, five in Hiroshima, Japan, and two 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 products) 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, 92 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 7,700 individuals of all ages. The results have been published in 55 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 trials results of significance to the company's business do become available, BioGaia will report these through press releases.

Latest press releases from BioGaia:

2012-04-17 BioGaia signs exclusive distribution agreement for its probiotic drops and tablets in Taiwan
2012-04-04 Notice to attend the Annual General Meeting of BioGaia AB
2012-03-21 The Board of BioGaia proposes that the AGM approve an extraordinary dividend...

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