

# BioGaia®

**Press Release 25 October 2007 (11 pages)**

**BioGaia AB**

**Interim report 1 January – 30 September 2007**

(Figures in brackets refer to the previous year)

- Net sales amounted to SEK 74.6 million (62.1), an increase of SEK 12.5 million (20%) over the same period of last year.
- Operating profit was SEK 3.3 million (1.2), an improvement of SEK 2.1 million compared to the same period of last year.
- Profit after tax was SEK 4.4 million (1.8), an improvement of SEK 2.6 million compared to the same period of last year.
- Earnings per share were 0.25 (0.10).
- The period's cash flow from operating activities before change in working capital was SEK 8.5 million (5.6). Total cash flow for the period was SEK 4.9 million (-2.2). Cash and cash equivalents at 30 September 2007 amounted to SEK 44.6 million.

## Key events in the third quarter of 2007

- Agreement with Verman for distribution of oral health products in Finland.
- Agreement with Thebe Medicare for distribution of oral health products in South Africa.
- Agreement with Ferring for distribution of BioGaia's Probiotic drops in Brazil, Mexico and Greece.
- Agreement with Recalcine for the sale of BioGaia's Probiotic tablets and drops in Chile, Peru, Bolivia, Ecuador and Paraguay.
- Agreement with Sunstar for the sale of oral health products in Scandinavia.
- Agreement with Italchimici for the sale of BioGaia's Probiotic drops, tablets and straws in Turkey.

## **Latest press releases from BioGaia:**

2007-09-25	BioGaia signs agreement for Turkey
2007-09-20	BioGaia signs agreement for probiotic oral health products in Scandinavia
2007-09-06	BioGaia signs agreement in South America

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BioGaia is a biotechnology company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on the lactic acid bacterium *Lactobacillus reuteri* (Reuteri), which has probiotic, health-enhancing effects. The class B share of the Parent Company BioGaia AB is quoted on the Small Cap list of the Nordic Stock Exchange in Stockholm.

## BioGaia AB (publ)

### Interim report

1 January – 30 September 2007

*Figures in brackets refer to the same period of last year.*

The Board of Directors and the Managing Director of BioGaia AB (publ) hereby present the interim report for the period 1 January – 30 September 2007.

### **BIOGAIA AB**

BioGaia is a biotechnology company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on the lactic acid bacterium *Lactobacillus reuteri* (Reuteri) which has health-enhancing effects. BioGaia has also developed unique delivery systems, such as straws and caps containing probiotics, that make it possible to create probiotic products with a long shelf life.

BioGaia's research is focused on selection of different probiotics for gut health, the immune system and oral health. Extensive clinical studies have shown that BioGaia's various probiotic products:

- stimulate the human immune system,
- protect against GI tract and respiratory tract infections
- alleviate the side effects of antibiotic treatment,
- reduce the level of *H. pylori* infection,
- relieve infantile colic,
- reduce gum inflammation and the risk for dental caries, and,
- reduce the risk of infection in premature infants.

BioGaia primarily sells finished probiotic products such as tablets, drops, oral health products (chewing gum and lozenges) and probiotic-containing straws and caps, but also sells license rights for the use of Reuteri cultures in customers' own products, such as dairy products and baby formula.

BioGaia's products are sold through nutrition, food, natural health, pharmaceutical and animal feed companies in some 30 countries worldwide. BioGaia holds patents for the use of Reuteri in all major markets.

BioGaia has 37 employees, of whom 16 are based in Stockholm, 14 in Lund, 2 in Raleigh, USA, and 5 in Hiroshima, Japan.

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

## **KEY EVENTS IN THE THIRD QUARTER OF 2007**

### **Agreement with Verman**

In August BioGaia signed an agreement with Verman OY giving Verman exclusive rights to distribute BioGaia's oral health products in Finland. The products will be sold via pharmacies and dental clinics. The launch of the oral health products is expected at the end of 2007.

Verman is already a distributor of BioGaia's drops and tablets in Finland.

### **Agreement with Thebe**

In August BioGaia signed an agreement with Thebe Medicare giving Thebe exclusive rights to distribute BioGaia's oral health products in South Africa. The first delivery was made in September and the launch will take place in the fourth quarter.

Thebe already sells BioGaia's drops, tablets and straws in South Africa.

### **Agreement with Ferring**

In mid-August BioGaia signed an additional agreement with Ferring Pharmaceuticals giving Ferring exclusive rights to sell BioGaia's Probiotic drops in Mexico, Brazil and Greece.

The products will be sold under the BioGaia brand. The registration process has been started and the launch will take place soon as approval is obtained, which is expected in 2008.

Ferring already sells BioGaia's Probiotic drops in Spain, Portugal, Canada and the Czech Republic. Ferring also has the right to sell BioGaia's probiotic drops in a number of countries in the Middle East.

### **Agreement for South America**

In early September BioGaia signed an agreement with the Chilean pharmaceutical company Corporación Farmacéutica Recalcine. The agreement gives Recalcine exclusive rights to sell BioGaia's probiotic tablets and drops in five countries; Chile, Peru, Bolivia, Ecuador and Paraguay.

Recalcine is the largest pharmaceutical company in Chile and Peru.

The products will be sold under the BioGaia brand. The registration process has been started and the launch will take place soon as approval is obtained, which is expected in 2008.

### ***Agreement with Sunstar in Scandinavia***

In September BioGaia signed an agreement with Sunstar Suisse SA, giving the company exclusive rights to distribute BioGaia's oral health products in Sweden, Norway and Denmark.

Sunstar Suisse already distributes BioGaia's oral health products through pharmacies and dental clinics in Germany, France, Italy and Spain, and has an option to launch the products in a large number of markets worldwide.

In Sweden, Norway and Denmark the goal is also to sell the products through pharmacies and dental clinics. The products will be sold under Sunstar's brand G.U.M. PerioBalance.

### ***Agreement for Turkey***

In September BioGaia signed an additional agreement with Italchimici SpA in Italy giving Italchimici exclusive rights to sell BioGaia's probiotic drops, tablets and straws in Turkey. The products will be sold under BioGaia's own brand name and the registration process will start immediately. The launch is expected in 2008.

### ***Product launches in the third quarter***

Sunstar launched oral health products in France.

Ewopharma launched BioGaia's probiotic drops and tablets in Slovakia.

The length of time between contract and launch varies between countries due to differing amounts of time needed for the registration process. The products are normally registered as dietary supplements and in certain cases as pharmaceuticals.

### ***Stockholm office relocated***

On 1 September the Company's head office in Stockholm moved into new premises at Kungsbrogatan 3A. The Stockholm office serves as a base for BioGaia's management, sales and marketing organisation, quality assurance department and finance/accounting function.

### **EARLIER EVENTS IN 2007**

#### ***Two agreements with Semper***

In January 2007 BioGaia signed an agreement with Semper AB giving Semper the right to sell BioGaia's probiotic drops in Sweden and Norway under the name "Semper Magdroppar".

In March BioGaia signed an additional agreement giving Semper the right to use Reuteri in baby formula products for the Nordic market.

### ***Colic study published***

At the beginning of 2007 the clinical study on the effects of Reuteri on colic was published in the scientific journal *Pediatrics* and attracted considerable attention from the media, including coverage by the American TV broadcasting company ABC and Swedish Science Radio P1. The results of the study demonstrate Reuteri's powerful efficacy in treating colic. This study, together with the study carried out on premature infants and large-scale safety studies performed by BioGaia, has further strengthened BioGaia's position in the paediatric area.

### ***Agreement with Delta Medical***

In February BioGaia signed a distribution agreement with Delta Medical Promotions AG, Switzerland, giving Delta Medical exclusive rights to sell BioGaia's probiotic drops in Ukraine and non-exclusive rights in Russia. The drops will be sold under the BioGaia brand.

The registration process has started and the launch is expected before the end of the year.

### ***Agreement with Everidis***

In March BioGaia signed an agreement with Everidis Health Sciences LLC giving Everidis the right to sell BioGaia's Probiotic drops, tablets and straws in the USA. The products will be sold under the BioGaia brand to pharmacies and doctors throughout the USA. The launch will take place in October at the *American Academy of Pediatrics* congress in San Francisco, California.

### ***Agreement with Sunstar***

In April BioGaia signed an additional agreement with Sunstar Suisse SA giving Sunstar an option within 12 months to obtain exclusive rights to distribute BioGaia's oral health products in more than 100 countries. The first launch under the new agreement is expected to take place in the USA during 2008. Sunstar is paying compensation to BioGaia during the option period.

### ***Annual General Meeting of BioGaia AB***

On 24 April, the AGM resolved unanimously on the following:

- election of Inger Holmström as a new Board member
- election of David Dangoor as the new Board Chairman
- an employee incentive scheme in accordance with the proposal of the Board,
- principles for remuneration and other terms of employment of senior executives in accordance with the proposal of the Board.

### **Agreement with Earth Biochemical**

In June BioGaia signed an agreement with Earth Biochemical, a company in the Otsuka group, for the right to sell oil drops for dogs in Japan. The oil drops contain a Reuteri strain that has been specially developed for dogs.

### **Employee incentive scheme**

In June BioGaia carried out the warrant programme that was approved by the AGM. The employees subscribed for a total of 128,950 warrants, equal to a dilutive effect of approximately 0.7% in the total number of shares and around 0.5% in the total number of votes. Each warrant entitles the holder to subscribe for one class B share at a price of SEK 76.70 during the period from 15 May 2010 to 31 August 2010. The warrant price was calculated according to the general accepted Black & Scholes valuation model and amounted to SEK 5.32 each.

### **BioGaia Japan**

The trial sales of soy beverages with BioGaia's probiotic straw that started during the second quarter were continued in the third quarter. Adaptation of the products and marketing strategy to the Japanese market is in progress. A decision about if and when the launch will take place will be made before the end of the year. The cost of the Japanese venture during the period January–September 2007 amounted to SEK 6.2 million.

### **Product launches in the first half of 2007**

- Sunstar, oral health products in Germany, Spain and Italy
- Kalbe, BioGaia's tablets in Indonesia
- Ferring, BioGaia's Probiotic drops in Spain and the Czech Republic
- Semper, drops and baby formula with Reuteri in Sweden
- Laboratorios Casen, BioGaia's tablets in Spain

### **FINANCIAL PERFORMANCE IN JANUARY-SEPTEMBER 2007**

The Group's net sales amounted to SEK 74.6 million (62.1), an increase of 20% compared to the same period of last year. BioGaia's probiotic drops and oral health products accounted for most of the period's sales growth.

Sales in Europe rose by 70%, mainly due to increased sales of tablets and drops in Italy and Finland and oral health products in Spain, Italy and Germany. In Asia, sales fell by 33%. The drop in Asia is explained by a lump-sum payment in the prior year and a decrease in orders from two Japanese customers in connection with organisational

changes. BioGaia expects sales to these customers to improve.

Gross profit for the period was SEK 49.5 million, an increase of SEK 7.0 million compared to the year-earlier period.

Selling expenses rose by SEK 4.9 million over the same period of last year, mainly due to a cost increase of SEK 3.6 million in Japan and PR activities in the USA.

Operating profit was SEK 3.3 million (1.2), an improvement of SEK 2.1 million compared to same period of last year.

Profit after tax was SEK 4.4 million (1.8), up by SEK 2.6 million over the same period of last year.

The Parent Company BioGaia pays no tax due to the existence of a cumulative loss carryforward. The total loss carryforward in the Group at 31 December 2006 amounted to approximately SEK 135.1 million. No deferred tax assets are reported in the Group.

The Group's cash and cash equivalents at 30 September totalled SEK 44.6 million.

Cash flow for the period was SEK 4.9 million, an improvement of SEK 7.1 million compared to the same period of last year. In the third quarter, the company paid a conditional shareholder contribution of SEK 0.5 million to the associated company TwoPac AB.

Cash flow from operating activities before change in working capital was SEK 8.5 million, an increase of SEK 2.9 million compared to the same period of last year.

Consolidated equity amounted to SEK 79.7 million. The Group's equity/assets ratio was 84% (82%).

Capital expenditure on tangible assets totalled SEK 1.6 million (0.8). Expenditure on intangible assets was SEK 0 million (0).

Amortisation of capitalised development expenses amounted to SEK 2.6 million (2.6).

The Parent Company reported net sales of SEK 75.2 million (61.8) and a profit after net financial items of SEK 10.4 million (2.5).

### **FINANCIAL PERFORMANCE IN THE THIRD QUARTER OF 2007**

Third quarter sales amounted to SEK 23.4 million, up by SEK 2.5 million over the same period of last year. Compared to the second quarter of 2007, sales were down by SEK 1.3 million.

Since BioGaia still has a limited number of customers, the timing of deliveries can lead to variations in income between periods. However, the Company's recurring order

intake is rising steadily, which is helping to reduce quarterly variations.

Operating profit for the third quarter was SEK 0.7 million, a decrease of SEK 0.4 million compared to the same period last year due to increased costs of SEK 1.8 million for the Japanese venture. Compared to the second quarter, operating profit rose by SEK 0.4 million as a result of decreased operating expenses arising from lower activity during the summer holidays.

Profit after tax for the third quarter was SEK 1.1 million, a decrease of SEK 0.2 million from third quarter of last year. Compared to the second quarter of 2007, profit after tax improved by SEK 0.4 million.

Third quarter cash flow was SEK 3.6 million. Cash flow from operating activities before change in working capital was SEK 2.3 million.

#### **EMPLOYEES**

The total number of employees at 30 September 2007 was 37 (34).

#### **SIGNIFICANT RISKS AND UNCERTAINTIES**

The commenced trial sales to the Japanese retail trade are associated with market risk. Although the market has shown a strong

interest in these products, relatively large volumes are needed to achieve adequate profitability. If the trial sales do not have the desired results and the launch is not carried out, this could give rise to one-time costs.

In other respects, no major changes in significant risks and uncertainties have taken place during the period. See pages 4 and 5 and Note 30 of the 2006 annual report.

#### **FUTURE OUTLOOK**

In the fourth quarter of 2007 BioGaia expects the launch of tablets in an additional three countries, drops in four countries and oral health products in four countries. In 2008 BioGaia expects the launch of tablets in an additional ten countries, drops in 13 countries and the oral health products in three countries.

By maintaining a largely stable cost level, increasing its sales to existing customers and developing business with new customers, BioGaia's objective is to attain solid and sustainable profitability.

In view of the Company's strong portfolio of innovative products, successful clinical trials and growing distribution network covering a large share of the key markets, BioGaia's future outlook is bright.

## CONSOLIDATED INCOME STATEMENTS

(Amounts in SEK 000s)

	Jan-Sept 2007	Jan-Sept 2006	July-Sept 2007	July-Sept 2006	Jan-Dec 2006
Net sales	74,551	62,117	23,388	20,899	86,792
Cost of goods sold	-25,080	-19,651	-8,095	-6,928	-27,636
Gross profit	49,471	42,466	15,293	13,971	59,156
Other operating income	765	168	328	62	166
Selling expenses	-27,109	-22,230	-8,917	-7,006	-30,886
Administrative expenses	-5,630	-5,182	-1,663	-1,605	-6,847
Research and development expenses	-13,272	-12,906	-4,256	-4,068	-18,755
Other operating expenses	-	-424	-	-36	-433
Share in profit/loss of associated company	-960	-650	-120	-200	-685
Operating profit	3,265	1,242	665	1,118	1,716
Financial income and expenses	1,119	532	433	162	1,039
Tax expense for the period	-	-	-	-	-35
<b>PROFIT FOR THE PERIOD</b>	<b>4,384</b>	<b>1,774</b>	<b>1,098</b>	<b>1,280</b>	<b>2,720</b>

### Earnings per share

Earnings per share (average number of shares), SEK

	0.25	0.10	0.06	0.07	0.16
Earnings per share after dilution, SEK	0.25	0.10	0.06	0.07	0.16
Number of shares, thousands	17,208	17,208	17,208	17,208	17,208
Average number of shares, thousands	17,208	17,208	17,208	17,208	17,208
Average number of shares after dilution, thousands	17,258	17,208	17,258	17,208	17,208

## CONSOLIDATED BALANCE SHEETS

(Amounts in SEK 000s)

### ASSETS

	30 Sept 2007	31 Dec 2006	30 Sept 2006
Intangible assets	8,829	11,416	12,368
Tangible assets	2,443	1,389	1,326
Participations in associated company	4,728	5,188	4,223
Long-term receivables	5,417	5,418	5,419
Current assets excl. cash and cash equivalents	28,529	27,633	20,019
Cash and cash equivalents	44,633	39,719	45,964
<b>TOTAL ASSETS</b>	<b>94,579</b>	<b>90,763</b>	<b>89,319</b>

### EQUITY AND LIABILITIES

Shareholders' equity	79,693	74,530	73,462
Interest-bearing current liabilities	-	-	2,984
Interest-free current liabilities	14,886	16,233	12,873
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>94,579</b>	<b>90,763</b>	<b>89,319</b>

**CONSOLIDATED CASH FLOW STATEMENTS**

(Amounts in SEK 000s)

**Operating activities**

	<b>Jan-Sept 2007</b>	Jan-Sept 2006	<b>July-Sept 2007</b>	July-Sept 2006	Jan-Dec 2006
Operating profit	3,265	1,242	665	1,118	1,716
Depreciation/amortisation	3,151	3,182	1,061	1,057	4,314
Capital gains/losses on the sale of fixed assets	-	-145	-	-38	-147
Share in profit/loss of associated company	960	650	120	200	685
Other non-cash items	-36	93	-3	-	143
Interest received and paid	1,120	532	434	162	1,039
Cash flow from operating activities before changes in working capital	8,460	5,554	2,277	2,499	7,750
Changes in working capital	-2,121	-4,485	2,062	-2,842	-8,581
<i>Cash flow from operating activities</i>	<b>6,339</b>	1,069	<b>4,339</b>	-343	-831
<i>Cash flow from investing activities</i>	<b>-2,129</b>	-3,303	<b>-789</b>	-830	-4,566
<i>Cash flow from financing activities</i>	<b>686</b>	-	-	-	-2,984
Cash flow for the period	4,896	-2,234	3,550	-1,173	-8,381
Cash and cash equivalents at beginning of period	39,719	48,349	41,087	47,167	48,349
Exchange differences in cash and cash equivalents	18	-151	-4	-30	-249
Cash and cash equivalents at end of period	<b>44,633</b>	45,964	<b>44,633</b>	45,964	39,719

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(Amounts in SEK 000s)

	<b>Jan-Sept 2007</b>	Jan-Sept 2006	Jan-Dec 2006
At beginning of period	74,530	71,779	71,779
The period's translation difference	93	-91	31
Warrants in BioGaia AB	686	-	-
Profit for the period	4,384	1,774	2,720
At end of period	<b>79,693</b>	73,462	74,530

**SEGMENT REPORTING – GROUP**

(Amounts in SEK 000s)

**Sales**

	<b>Jan-Sept 2007</b>	Jan-Sept 2006	Jan-Dec 2006
Europe	44,718	26,302	37,290
USA and Canada	5,734	4,670	6,888
Asia	17,056	25,289	32,027
Rest of world	7,043	5,856	10,587
	<b>74,551</b>	62,117	86,792

**PARENT COMPANY INCOME STATEMENTS**

	<b>Jan-Sept 2007</b>	<b>Jan-Sept 2006</b>	<b>Jan-Dec 2006</b>
Net sales	<b>75,237</b>	61,824	86,855
Cost of goods sold	<b>-25,932</b>	-19,597	-27,777
<i>Gross profit</i>	<b>49,305</b>	42,227	59,078
Selling expenses	<b>-21,950</b>	-21,821	-28,676
Administrative expenses	<b>-5,630</b>	-5,181	-6,846
Research and development expenses	<b>-13,251</b>	-12,891	-18,553
Other operating income	-	-	80
Other operating expenses	<b>765</b>	-343	-433
<i>Operating profit</i>	<b>9,239</b>	1,991	4,650
Result from participations in associated company	-	-	-3,712
Net financial items	<b>1,177</b>	532	1,036
<b>PROFIT FOR THE PERIOD</b>	<b>10,416</b>	2,523	1,974

**PARENT COMPANY BALANCE SHEETS**

	<b>30 Sept 2007</b>	<b>31 Dec 2006</b>	<b>30 Sept 2006</b>
<b><u>ASSETS</u></b>			
Intangible assets	<b>8,829</b>	11,416	12,368
Tangible assets	<b>2,272</b>	1,145	1,210
Shares in group companies	<b>4,137</b>	4,137	4,138
Shares in associated companies	<b>5,688</b>	5,188	7,900
Long-term receivables from subsidiaries	<b>6,831</b>	-	-
Long-term receivables from associated company	<b>5,400</b>	5,400	5,400
Current assets excl. cash and cash equivalents	<b>27,725</b>	28,450	19,756
Cash and cash equivalents	<b>43,705</b>	38,640	45,007
<b>TOTAL ASSETS</b>	<b>104,587</b>	94,376	95,779
<b><u>EQUITY AND LIABILITIES</u></b>			
Shareholders' equity	<b>87,280</b>	76,178	76,727
Interest-bearing current liabilities	-	-	2,984
Interest-free current liabilities	<b>17,307</b>	18,198	16,068
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>104,587</b>	94,376	95,779



**PARENT COMPANY CASH FLOW STATEMENTS**

	<b>Jan-Sept 2007</b>	Jan-Sept 2006	Jan-Dec 2006
<u>Operating activities</u>			
Operating profit	<b>9,239</b>	1,991	4,650
Depreciation/amortisation	<b>3,090</b>	3,109	4,187
Capital gains/losses on the sale of fixed assets	-	-58	-60
Other non-cash items	<b>-39</b>	91	143
Interest received and paid	<b>1,177</b>	532	1,036
Cash flow from operating activities before changes in working capital	<b>13,467</b>	<b>5,665</b>	<b>9,956</b>
Changes in working capital	<b>-167</b>	-4,301	-10,864
<i>Cash flow from operating activities</i>	<b>13,300</b>	1,364	-908
<i>Cash flow from investing activities</i>	<b>-8,960</b>	-3,870	-4,931
<i>Cash flow from financing activities</i>	<b>686</b>	-	-2,984
Cash flow for the period	<b>5,026</b>	-2,506	-8,823
Cash and cash equivalents at beginning of period	<b>38,640</b>	47,606	47,606
Exchange differences in cash and cash equivalents	<b>39</b>	-93	-143
Cash and cash equivalents at end of period	<b>43,705</b>	45,007	38,640

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

(Amounts in SEK 000s)

	<b>Jan-Sept 2007</b>	Jan-Sept 2006	Jan-Dec 2006
At beginning of period	<b>76,178</b>	74,204	74,204
New issue of warrants	<b>686</b>	-	-
Profit for the period	<b>10,416</b>	2,523	1,974
<b>At end of period</b>	<b>87,280</b>	76,727	76,178

**SEGMENT REPORTING – PARENT COMPANY**

(Amounts in SEK 000s)

	<b>Jan-Sept 2007</b>	Jan-Sept 2006	Jan-Dec 2006
Europe	<b>44,634</b>	26,214	37,205
USA and Canada	<b>5,587</b>	4,465	6,583
Asia	<b>17,973</b>	25,289	32,480
Rest of world	<b>7,043</b>	5,856	10,587
	<b>75,237</b>	61,824	86,855

## **RELATED PARTY TRANSACTIONS** **GROUP AND PARENT COMPANY**

(Amounts in SEK 000s)

The Group has a 50% holding in TwoPac AB, which is reported as an associated company.

The following transactions have taken place with TwoPac AB.

	<b>Jan-Sept 2007</b>	<b>Jan-Sept 2006</b>	<b>Jan-Dec 2006</b>
Interest income	219	161	227
Conditional shareholder contribution	500	1 900	2 900
Purchase of goods	1 087	277	527
Advance payments for future deliveries	600	-	-
Purchase of machinery and equipment	1,196	-	-

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

*Long-term receivables from TwoPac AB*

	<b>30 Sept 2007</b>	<b>31 Dec 2006</b>	<b>30 Sept 2006</b>
<i>Long-term receivables from TwoPac AB</i>	5,400	5,400	5,400
<i>Current transactions with related parties</i>			
Current receivables from TwoPac AB	77	65	-
Current liabilities to TwoPac AB	-114	-44	-119
	-37	21	-119

## **KEY RATIOS FOR THE GROUP<sup>1)</sup>**

	<b>Jan-Sept 2007</b>	<b>Jan-Sept 2006</b>	<b>Jan-Dec 2006</b>
<b>Return on</b>			
- average shareholders' equity	5.7%	2.4%	4.0%
- average capital employed	5.8%	2.3%	4.0%
<b>Capital employed, SEK 000s</b>	79,693	76,446	74,530
<b>Number of shares, thousands</b>	17,208	17,208	17,208
<b>Average number of shares, thousands</b>	17,208	17,208	17,208
<b>Number of outstanding warrants, thousands</b>	129	-	-
<b>Average number of outstanding warrants with a dilutive effect, thousands</b>	50	-	-
<b>Average number of shares after dilution, thousands</b>	17,258	17,208	17,208
<b>Earnings per share, SEK</b>	0.25	0.10	0.16
<b>Earnings per share after dilution, SEK</b>	0.25	0.10	0.16
<b>Equity per share, SEK</b>	4.63	4.27	4.33
<b>Equity per share after dilution, SEK</b>	4.62	4.27	4.33
<b>Equity/assets ratio</b>	84%	82%	82%
<b>Average number of employees</b>	37	33	34

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

## **ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) that have been endorsed by the European Commission for application in the EU. This consolidated interim report has been prepared for the group in accordance with IAS 34, Interim Financial Reporting and for the parent Company in accordance with the Annual Accounts Act. The Group and the parent company apply the same accounting and valuation principles as in the 2006 annual report.

## **FINANCIAL CALENDAR**

13 February 2008	2007 year-end report
23 April 2008	Interim report 1 January – 31 March 2008
23 April 2008	Annual General Meeting

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

**Stockholm, 25 October 2007**

**David Dangoor**  
Board Chairman

**Jan Annwall**  
Board Member & Deputy  
Managing Director

**Stefan Elving**  
Board Member

**Thomas Flinck**  
Board Member

**Stina Gestrelus**  
Board Member

**Inger Holmberg**  
Board Member

**Paula Zeilon**  
Board Member

**Peter Rothschild**  
Managing Director

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