

BioGaia®

Press Release, 20 August 2008 (12 pages)

BioGaia AB Interim report 1 January – 30 June 2008

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

- **Net sales amounted to SEK 72.4 million (51.2), an increase of SEK 21.2 million (41%) compared to the same period of last year.**
- **Operating profit was SEK 12.6 million (2.6), an improvement of SEK 10 million over same period of last year.**
- **Profit before tax was 13.6 million (3.3), an increase of SEK 10.3 million compared to the same period of last year.**
- **Profit after tax was SEK 22.1 million (3.3), an improvement of SEK 18.8 million over the same period of last year. The profit includes a tax benefit of SEK 8.5 million pertaining to a change in the deferred tax asset.**
- **Earnings per share were SEK 1.29 (0.19).**
- **The period's cash flow from operating activities before change in working capital was SEK 16.2 (6.2) million. Total cash flow for the period was SEK 5.0 (1.3) million. Cash and cash equivalents at 30 June 2008 totalled SEK 47.9 (41,1) million.**

Key events in the second quarter of 2008

- **Agreement with NeoCare for the sale of BioGaia's Probiotic drops and tablets in Belgium and Luxembourg.**
- **Agreement with BERICAP for the sale of LifeTop Cap.**
- **Agreement with Verman for the sale of drops and tablets in Russia.**

Key events after the end of the second quarter

- **Extended agreement with Ferring for the sale of BioGaia's Probiotic drops and tablets in 10 countries in Latin America.**
- **Agreement with AllergyCare AG for the sale of BioGaia's Probiotic drops and tablets in Switzerland.**

"What we are now seeing in the form sales and earnings growth is the fruit of a long-term focus on R&D and product development, and that we have a well functioning business model. Our market is growing fast and our own brand is gaining increasingly widespread recognition. We anticipate continued strong sales development," says Managing Director Peter Rothschild.

Latest press releases from BioGaia:

2008-07-24	BioGaia completes its Latin American market coverage and signs agreement for Switzerland
2008-06-24	BioGaia extends partnership with Verman
2008-04-29	BioGaia in strategic alliance with BERICAP

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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 OMX Nordic Exchange Stockholm.
www.biogaia.com

BioGaia AB (publ.)

Interim report

1 January – 30 June 2008

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 June 2008.

BioGaia AB

The company

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

BioGaia has 38 employees, of whom 15 are based in Stockholm, 16 in Lund, 3 in Raleigh, USA, and 4 in Hiroshima, Japan.

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

Business model

BioGaia's revenue is derived mainly from the sale of finished products, but also from license rights for the use of Reuteri cultures in customers' own products (such as baby formula and dairy products).

The finished probiotic products consist of tablets, drops and oral health products (chewing gum and lozenges), as well as probiotic-containing straws and caps. BioGaia's products are sold through nutrition, food, natural health, pharmaceutical and animal feed companies in 36 countries worldwide. In Sweden, BioGaia's products are sold under the brands Semper Magdroppar and Gum PerioBalance chewing gum in pharmacies, as well as Semper baby and infant formula with active culture and Probiomax gut health tablets in grocery stores. BioGaia holds patents for the use of Reuteri in all major markets.

The BioGaia brand

Many of BioGaia's products are sold under the customer's own brands. At the end of 2005 BioGaia launched its own brand and today has many distributors in a large number of countries that sell products partly or entirely under the BioGaia brand. Even in cases where customers use their own brands, the BioGaia

brand is featured on the package. BioGaia's strategy is to increase the share of sales consisting of BioGaia-branded products.

Research

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,
- reduce the risk of infection in premature infants.

KEY EVENTS IN THE SECOND QUARTER

Launches during the second quarter

- Ferring, BioGaia's Probiotic drops in Mexico
- Sunstar – Lozenges in the UK
- Semper – infant formula with Reuteri in Sweden

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.

Agreement with NeoCare

In April BioGaia signed an agreement with the Belgium pharmaceutical company NeoCare, giving NeoCare the right to sell BioGaia's Probiotic drops and tablets in Belgium and Luxembourg. The products will be sold under BioGaia's trademark.

Agreement with BERICAP

In April BioGaia entered into a global collaborative agreement with Bericap Sarl, a subsidiary of Bericap, one of the world's largest manufacturers of plastic caps and other packaging closures.

Under the agreement, the two companies will collaborate in development, manufacturing and marketing of BioGaia's patented beverage cap, LifeTop Cap, which has been developed to protect sensitive ingredients such as probiotics from the effects of moisture, heat and light in PET bottles.

The Bericap Group will market LifeTop Cap to its customers worldwide, manufacture the plastic details and develop new varieties for

different bottle types. BioGaia will sell and market the product and, through its 50%-owned company Two Pac, handle the ingredients and manufacture the aluminium blister that protects the ingredients and is placed in the LifeTop Cap.

Agreement with Verman for Russia

In June BioGaia signed an additional collaborative agreement with BioGaia's Finnish partner, Verman OY, for the Russian market. Under the agreement, Verman has been granted a non-exclusive right to distribute and sell BioGaia's Probiotic tablets and drops under Verman's own Rela brand on the Russian market. Today Rela is the top-selling probiotic brand in the Finnish pharmacy market. In autumn 2008 Verman will open its own office in Moscow from which it manage the Russian business activities.

Annual meeting of BioGaia

The Annual General Meeting of BioGaia AB on 22 April 2008 resolved unanimously in favour of the following:

- that no dividend will be paid to the shareholders
- re-election of sitting Board members Jan Annwall, Stefan Elving, Thomas Flinck, David Dangoor, Inger Holmström and Paula Zeilon
- election of Jörgen Thorball as a new Board member
- re-election of David Dangoor as Board Chairman
- principles for remuneration and other terms of employment of senior executives in accordance with the Board's proposal
- principles for nominating committee in accordance with the proposal in the notice of the Annual General Meeting.

KEY EVENTS AFTER THE END OF THE QUARTER

Extended agreement with Ferring

In July BioGaia extended its agreement with Ferring Pharmaceuticals to cover essentially all of Latin America. The agreement gives Ferring exclusive rights to sell BioGaia's Probiotic tablets and drops in 10 additional countries: Colombia, Costa Rica, Nicaragua, Panama, the Dominican Republic, Guatemala, Honduras, Cuba, El Salvador and Trinidad-Tobago. The products will be sold under the BioGaia brand.

Agreement with AllergyCare AG

In July BioGaia signed a distribution agreement with the Swiss-based pharmaceutical company AllergyCare AG. The agreement gives AllergyCare exclusive rights to sell BioGaia's Probiotic drops and tablets in Switzerland and

Liechtenstein. The products will be sold under the BioGaia brand.

EARLIER EVENTS IN 2008

Launches during the first quarter

- Ferring, BioGaia's Probiotic drops in Jordan
- Delta Medical, BioGaia's Probiotic drops in Ukraine
- Ewopharma, BioGaia's Probiotic drops and tablets in Hungary and Bulgaria
- Ewopharma, BioGaia's Probiotic tablets in the Czech Republic

Global agreement with Sunstar

Sunstar Suisse SA already had an option for a distribution agreement covering a large number of countries. At the beginning of January 2008, Sunstar exercised this option and signed an additional agreement with BioGaia that gives Sunstar exclusive rights to distribute BioGaia's probiotic oral health products in more than 100 countries.

The products will be sold under Sunstar's GUM PerioBalance brand. The agreement also includes possibilities for joint development of new oral products. The launch will be carried out within a 2-year period. One of the first launches will take place in the USA during 2008.

Sunstar already distributes BioGaia's oral health products in Germany, France, Italy, Spain, Sweden and Norway.

BioGaia continues its Japanese venture

The sales of BioGaia's Probiotic drops and soy drinks with BioGaia's Probiotic straw that were started in 2007 are continuing in 2008. Efforts to adapt the products and marketing to the Japanese market are in progress. This venture is part of BioGaia's long-term focus on its own brand. The cost of the Japanese venture during the six-month period amounted to SEK 3.5 million (3.2), which is higher than anticipated. The net cost on a full-year basis is expected to be lower than in the prior year.

New agreement with Ferring

In February BioGaia signed a new agreement with Ferring Pharmaceuticals in Switzerland, giving Ferring exclusive rights to sell BioGaia's Probiotic drops in Australia, New Zealand and Israel, and BioGaia's Probiotic tablets in Brazil, Egypt, Greece, Iran, Jordan, Canada, Lebanon, Mexico, Saudi Arabia and Syria.

The partnership began in the spring of 2006 and has been so successful that Ferring decided, in connection with the extension of its earlier agreement, to begin marketing

BioGaia's Probiotic drops in new markets and to add BioGaia's Probiotic tablets to its product portfolio.

The drops have been launched in Spain, Portugal, the Czech Republic, Canada, Jordan, and Mexico. Ferring also has exclusive rights to sell BioGaia's Probiotic drops in Brazil, Egypt, Greece, Iran, Lebanon, Saudi Arabia and Syria.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2008

The Group's net sales amounted to SEK 72.4 million (51.2), an increase of 41% compared to the same period of last year. BioGaia's Probiotic drops in Europe accounted for most of the period's sales growth.

Gross profit reached SEK 47.8 million, an improvement of SEK 13.6 million over the same period of last year.

Selling expenses rose by SEK 1.7 million compared to the same period of last year, which is mainly explained by higher personnel costs and increased costs for the registration of new products.

The period's R&D expenses amounted to SEK 10.7 million (9.0), which is equal to 18% (19%) of total operating expenses. The higher R&D expenses are due to an increased level of activity in clinical studies that began during the half-year period. The amortisation component of R&D expenses amounted to SEK 2.0 million (2.1). Investments in capitalised development expenses totalled SEK 0 million (0).

Operating profit was SEK 12.6 million (2.6), an improvement of SEK 10.0 million compared to the same period of last year.

Profit after tax was SEK 22.1 million (3.3), an increase of SEK 18.8 million compared to the same period of last year.

The Group pays no tax due to the existence of a cumulative loss carryforward. The total loss carryforward in the Group at 31 December 2007 was SEK 123.1 million, of which SEK 113.1 million was attributable to the Swedish companies.

At 30 June 2008 BioGaia recognised a deferred tax asset of SEK 17.5 million, resulting in a tax benefit of SEK 8.5 million in the income statement. In connection with future reports, the company will take a position on whether or not to recognise additional deferred tax assets.

The Group's cash and cash equivalents at 30 June 2008 totalled SEK 47.9 million (41.1). Cash flow for the period was SEK 5.0 million (1.3), an improvement of SEK 3.7 million compared to the same period of last year.

In the first half of 2008, the company paid a conditional shareholder contribution of SEK 2.0 million to the associated company TwoPac AB.

Cash flow from operating activities before change in working capital was SEK 16.2 million (6.2), an improvement of SEK 10 million compared to the same period of last year. The increase in working capital was SEK 7.6 million and is mainly attributable to inventories and accounts receivable.

Consolidated equity amounted to SEK 117.0 million (78.7). The Group's equity/assets ratio was 86% (84%).

Capital expenditure on property, plant and equipment totalled SEK 1.6 million (1.3).

The Parent Company reported net sales of SEK 72.6 million (52.0) and a profit after net financial items of SEK 14.3 million (7.5).

Financial performance in the second quarter of 2008

Second quarter sales amounted to SEK 36.4 million, up by SEK 11.7 million over the same period of last year. Compared to the first quarter, sales increased by SEK 0.3 million.

Operating profit for the second quarter was SEK 5 million, an increase of SEK 4.7 million over the same period of last year. Compared to the first quarter, operating profit fell by SEK 2.6 million due to a somewhat changed product mix during the period that resulted in lower gross margins and higher selling expenses.

Profit after tax for the second quarter was SEK 14.1 million, an improvement of SEK 13.4 million compared to the same period of last year. Profit for the period includes a tax benefit of SEK 8.5 million.

Second quarter cash flow was SEK 1.5 million. Cash flow from operating activities before change in working capital was SEK 6.8 million.

EMPLOYEES

The total number of employees in the Group at 30 June 2008 was 38 (37).

SIGNIFICANT RISKS AND UNCERTAINTIES: GROUP AND PARENT COMPANY

No major changes in significant risks and uncertainties have taken place during the period.

The Japanese venture is associated with increased market risk. Although the market has shown a strong interest in these products, relatively large volumes are needed to achieve adequate profitability.

The shares in the associated company (TwoPac AB) and the receivable from the associated company amounted to a total of SEK 11.6 million (10.6). TwoPac AB's primary operations are development of equipment and manufacturing of BioGaia's Probiotic drops and straws and LifeTop Cap on behalf of BioGaia. BioGaia's assessment is that the cash flow from TwoPac will generate good profitability, for which reason no impairment loss was recognised on the balance sheet date. Should BioGaia's investment fail in full or in part, the Company may be forced to recognise an impairment loss on all or parts of the holding in and receivables from the associated company.

BioGaia's capitalised development expenditure amounts to SEK 6.6 million, of which SEK 2.1 million refers to the LifeTop Cap project. BioGaia has a sales agreement for LifeTop Cap and has received inquiries from a number of potential customers. BioGaia has also signed a collaborative agreement with BERICAP (see above), one of the world's largest manufacturers of plastic caps. BioGaia's assessment is that the cash flow

from LifeTop Cap will generate good profitability, for which reason no impairment loss has been recognised. Should this investment fail in full or in part, BioGaia may be forced to recognise an impairment loss on all or parts of the project cost.

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.

In 2008 and 2009 BioGaia expects the tablets, drops and oral health products to be launched in a large number of countries.

In view of the Company's strong portfolio of innovative products partly under the company's own brand, 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-June 2008	Jan-June 2007	April- June 2008	April- June 2007	Jan-Dec 2007
Net sales	72,448	51,163	36,369	24,726	106,580
Cost of goods sold	-24,663	-16,985	-13,006	-8,163	-35,122
<i>Gross profit</i>	47,785	34,178	23,363	16,563	71,458
Other operating income	238	437	74	411	1,691
Selling expenses	-19,902	-18,192	-10,605	-9,646	-37,739
Administrative expenses	-4,430	-3,967	-2,220	-2,007	-7,487
Research and development expenses	-10,707	-9,016	-5,428	-4,677	-17,938
Other operating expenses	-	-	-	28	-
Share in profit/loss of associated company	-410	-840	-150	-373	-1 103
<i>Operating profit</i>	12,574	2,600	5,034	299	8,882
Financial income and expenses	1,055	686	581	363	1,807
<i>Profit before tax</i>	13,629	3,286	5,615	662	10,689
Tax	8,500	-	8,500	-	8,970
PROFIT FOR THE PERIOD	22,129	3,286	14,115	662	19,659

Earnings per share

Basic earnings per share (average number of shares), SEK

1.29

0.19

0.82

0.04

1.14

Diluted earnings per share, SEK

1.29

0.19

0.82

0.04

1.14

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

17,208

17,208

17,208

17,208

17,208

CONSOLIDATED BALANCE SHEETS

(Amounts in SEK 000s)

ASSETS

Intangible assets

6,631

8,199

9,685

Tangible assets

3,645

2,617

2,364

Participations in associated company

7,175

5,585

4,348

Long-term receivables

4,400

4,400

5,400

Deferred tax asset

17,500

9,000

-

Other long-term receivables

46

27

18

Current assets excl. cash and cash equivalents

48,304

37,968

31,319

Cash and cash equivalents

47,924

42,977

41,087

TOTAL ASSETS

135,625

110,773

94,221

EQUITY AND LIABILITIES

Shareholders' equity

117,020

94,910

78,696

Interest-free current liabilities

18,605

15,863

15,525

TOTAL EQUITY AND LIABILITIES

135,625

110,773

94,221

CONSOLIDATED CASH FLOW STATEMENTS

(Amounts in SEK 000s)

Operating activities

	Jan-June 2008	Jan-June 2007	April- June 2008	April- June 2007	Jan-Dec 2007
Operating profit	12,574	2,600	5,034	299	8,882
Depreciation/amortisation	2,079	2,090	1,059	1,067	3,979
Capital gains/losses on the sale of fixed assets	7	-	-	-	-
Share in profit/loss of associated company	410	840	150	373	1,103
Other non-cash items	30	-33	2	2	-12
Interest received and paid	1,055	686	581	363	1,807
Cash flow from operating activities before changes in working capital	16,155	6,183	6,826	2,104	15,759
Changes in working capital	-7,596	-4,183	-4,185	-181	-10,671
<i>Cash flow from operating activities</i>	8,559	2,000	2,641	1,923	5,088
<i>Cash flow from investing activities</i>	-3,581	-1,340	-1,183	-114	-2,516
<i>Cash flow from financing activities</i>	-	686	-	686	686
Cash flow for the period	4,978	1,346	1,458	2,495	3,258
Cash and cash equivalents at beginning of period	42,977	39,719	46,487	38,626	39,719
Exchange differences in cash and cash equivalents	-31	22	-21	-34	-
Cash and cash equivalents at end of period	47,924	41,087	47,924	41,087	42,977

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)

	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
At beginning of period	94,910	74,530	74,530
The period's translation difference	-19	194	35
Warrants in BioGaia AB	-	686	686
Profit for the period	22,129	3,286	19,659
At end of period	117,020	78,696	94,910

SEGMENT REPORTING – GROUP

(Amounts in SEK 000s)

	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
<u>Sales</u>			
Europe	48,999	33,231	62,354
USA and Canada	2,504	3,412	7,736
Asia	14,245	11,257	25,895
Rest of world	6,700	3,263	10,595
	72,448	51,163	106,580

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:

	Jan-June 2008	Jan- June 2007	Jan- Dec 2007
Interest income	144	142	304
Shareholder contributions paid	2 000	-	500
Loan converted to shareholder contribution	-	-	1,000
Purchase of goods	3,267	335	2,259
Advance payments for future deliveries	-	600	600
Purchase of machinery and equipment	-	1,195	1,195

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

Long-term receivables from TwoPac AB

	30 June 2008	30 June 2007	31 Dec 2007
<i>Long-term receivables from TwoPac AB</i>	4,400	5,400	4,400

Current transactions with related parties

Current receivables from TwoPac AB	74	72	85
Current liabilities to TwoPac AB	-1,031	-92	-
	-957	-20	85

PARENT COMPANY INCOME STATEMENTS

	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Net sales	72,635	52,044	107,034
Cost of goods sold	-24,695	-17,908	-35,827
<i>Gross profit</i>	47,940	34,136	71,207
Selling expenses	-19,852	-14,846	-39,565
Administrative expenses	-4,429	-3,967	-7,488
Research and development expenses	-10,961	-8,995	-17,784
Other operating income	238	437	1,691
<i>Operating profit</i>	12,936	6,765	8,061
Result from participations in associated company	-	-	-1,103
Net financial items	1,314	770	2,086
Profit before tax	14,250	7,535	9,044
Tax expense for the period	8,500	-	9,000
PROFIT FOR THE PERIOD	22,750	7,535	18,044

PARENT COMPANY BALANCE SHEETS

	30 June 2008	30 June 2007	31 Dec 2007
<u>ASSETS</u>			
Intangible assets	6,631	9,685	8,199
Tangible assets	3,347	2,161	2,287
Shares in group companies	4,137	4,137	4,137
Shares in associated company	7,585	5,188	5,585
Long-term receivables from subsidiaries	1,801	4,796	1,325
Long-term receivables from associated company	4,400	5,400	4,400
Deferred tax asset	17,500	-	9,000
Current assets excl. cash and cash equivalents	46,259	30,918	36,392
Cash and cash equivalents	47,023	40,221	42,103
TOTAL ASSETS	138,683	102,506	113,428
<u>EQUITY AND LIABILITIES</u>			
Shareholders' equity	117,658	84,399	94,908
Interest-free current liabilities	21,025	18,107	18,520
TOTAL EQUITY AND LIABILITIES	138,683	102,506	113,428

Pledged assets and contingent liabilities for the Parent Company

Floating charges	2,000	2,000	2,000
Guarantees	None	None	None

PARENT COMPANY CASH FLOW STATEMENTS

	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
<u>Operating activities</u>			
Operating profit	12,936	6,765	8,061
Depreciation/amortisation	2,021	2,056	3,902
Capital gains/losses on the sale of fixed assets	7	-	-
Write-down of receivable from subsidiary 1)	3,258	-	7,330
Other non-cash items	29	-39	-8
Interest received and paid	1,699	769	2,086
Cash flow from operating activities before changes in working capital	19,950	9,551	21,371
Changes in working capital	-7,363	-2,559	-9,373
<i>Cash flow from operating activities</i>	12,587	6,992	11,998
<i>Cash flow from investing activities</i>	-7,639	-6,136	-9,229
<i>Cash flow from financing activities</i>	-	686	686
Cash flow for the period	4,948	1,542	3,455
Cash and cash equivalents at beginning of period	42,103	38,640	38,640
Exchange differences in cash and cash equivalents	-28	39	8
Cash and cash equivalents at end of period	47,023	40,221	42,103

1) Reported net in investing activities at 31 December 2007.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
At beginning of period	94,908	76,178	76,178
New issue of warrants	-	686	686
Profit for the period	22,750	7,535	18,044
At end of period	117,658	84,399	94,908

SEGMENT REPORTING – PARENT COMPANY

(Amounts in SEK 000s)	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Europe	48,849	33,231	62,269
USA and Canada	2,504	3,316	7,544
Asia	14,582	12,234	26,626
Rest of world	6,700	3,263	10,595
	72,635	52,044	107,034

<u>CONSOLIDATED KEY RATIOS 1)</u>	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Return on			
- average shareholders' equity	20.9%	4.3%	23.2%
- average capital employed	12.9%	4.3%	12.7%
Capital employed, SEK 000s	117,020	78,696	94,910
Number of shares, thousands	17,208	17,208	17,208
Average number of shares, thousands	17,208	17,208	17,208
Number of outstanding warrants, thousands	129	129	129
Average number of outstanding warrants with a dilutive effect, thousands	-	-	-
Average number of shares after dilution, thousands	17,208	17,208	17,208
Basic earnings per share, SEK	1.29	0.19	1.14
Diluted earnings per share, SEK	1.29	0.19	1.14
Equity per share, SEK	6.80	4.57	5.52
Equity per share after dilution, SEK	6.80	4.57	5.52
Equity/assets ratio	86%	84%	86%
Average number of employees	37	36	37

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 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.

The Group and the Parent Company apply the same accounting and valuation principles as in the 2007 annual report.

FINANCIAL CALENDAR

23 October 2008 Interim report 1 January – 30 September 2008
12 February 2009 Year-end report 2008

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, 20 August 2008

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
Managing Director

The information in this interim report was submitted for publication on 20 August 2008, 8:30 a.m. CET.

REVIEW REPORT

Introduction

I have reviewed the interim report for BioGaia AB (publ), corporate identity number 556380-8723 at 30 June 2008 and for the six-month period then ended. The Board of Directors and Managing Director are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR. A review 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 Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable me to obtain a level of assurance that would make me 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 my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not, in all material aspects, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, 20 August 2008

Lena de Rosche

Authorised Public Accountant
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