

BioGaia extends collaboration with Nestlé

Since 2008, BioGaia and Nestlé have collaborated in the field of infant nutrition products. The parties have now signed agreements to extend this collaboration. These agreements are of significant strategic value for BioGaia since they not only involve an extended close collaboration with Nestlé but also generate a greater financial freedom for BioGaia to further invest in its own brand, develop its own new products, research around new indications and increase the distribution of BioGaia-branded products. The additional finance also gives the board room to propose a generous dividend policy.

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. This amount will be paid over 5 years including an initial payment paid and accounted for in the first quarter of 2012 of EUR 40 million and additional payments of EUR 10.8 million, which will be paid and accounted for on achievement of certain milestones. In addition Nestlé has entered into an option agreement with BioGaia to extend the use of L. Reuteri to other product areas.

Furthermore Nestlé and BioGaia are working on several other initiatives including the development of innovative products in the infant nutrition and other nutrition categories, the distribution of BioGaia-branded products in new markets and other initiatives for the mutual benefit of BioGaia and Nestlé. These further developments will be announced at the appropriate time closer to launch.

As a result of the upfront payments for the acquisition of the licence, BioGaia estimates that revenue from Nestlé during 2012, excluding the up-front payment, will be some 50% of the value of sales during 2011 increasing in 2013 to close to the 2011 level. From 2014 forward, sales are expected to exceed those in 2011.

"The collaboration with Nestlé has developed into a close partnership and we are very happy to be able to offer Nestlé solutions which are unique and effective. We look forward to developing the collaboration further. In addition, the acquisition of the licenced rights as such constitutes a very attractive deal for BioGaia now that we through the new agreement have secured income that otherwise would not have been guaranteed under the original contract. The other initiatives with Nestlé may also open new business opportunities with other customers in different fields and also increase the distribution of BioGaia-branded products." says Peter Rothschild, President, BioGaia AB.

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BioGaia has published this information in accordance with the Swedish Securities Market Act. The information was issued for publication on 15 February 2012, 8:00 am CET.

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* 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.
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