

# Annual Report 2015

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# A good year for Biotage

Biotage developed positively in 2015. Total sales increased by 24.5 percent, which was partly due to a positive contribution from currency movements, with the US dollar in particular. Excluding currency effects, the growth in total sales was 8.4 percent, and Biotage experienced positive trends in most of the Company's markets. The sales growth combined with the continued rationalization of operations were two important contributory factors to the strong growth of profits in 2015. The operating profit increased by 51.7 percent and the operating margin at EBIT-level was 12.2 percent. These positive developments imply that Biotage achieved organic growth and an operating margin in 2015 that both exceeded the Company's financial targets.

## Financial summary

	2015	2014	2014 excl. one-time items
Net sales, SEK m	610.5	490.4	
Gross profit, SEK m	342.6	266.9	
Gross margin, %	56.1	54.4	
Operating profit, SEK m	74.8	62.8	49.3
Operating margin, %	12.2	12.8	10.1
Profit before tax, SEK m	76.2	68.4	54.9
Profit after tax, SEK m	73.3	64.6	51.1
Earnings per share, SEK	1.13	1.00	0.79
Equity/assets ratio, %	81.7	81.2	
Average number of employees	293	292	

## Quarterly overview

### Q1 – Strong dollar gives a good start to the year

- » Net sales amounted to SEK 144.2m (113.7), representing an increase of 27 percent compared with the same quarter last year.
- » The operating profit rose to SEK 18.0m (9.5).

### Q2 – Continued high growth and profitability

- » Net sales amounted to SEK 148.1m (120.4), representing an increase of 23 percent.
- » The operating profit was SEK 17.7m (13.5).
- » Biotage achieves further success in the re-examination proceedings related to alleged infringement of U.S. patent numbers 7,138,061; 7,381,327 and 7,410,571. The United States Patent and Trademark Office advises that it will issue a re-examination certificate that declares null and void all of the counterparty's patent claims related to these patents.
- » The board of directors resolves to initiate a new repurchase program of own shares in accordance with the resolution adopted by the Annual General Meeting of Shareholders.

### Q3 – Growth in most geographical markets

- » Net sales amounted to SEK 149.7m (118.5), representing an increase of 26 percent.
- » The operating profit improved to SEK 19.0 (12.6).
- » The Sample Prep product area within Analytical Chemistry grows and becomes for the first time the largest individual product area at Biotage.
- » Biotage extends the employment contract of the Chief Executive Officer, Torben Jørgensen, until the end of April 2019.

### Q4 – A good end to a successful year

- » Net sales amounted to SEK 168.5m (137.8), representing an increase of 23 percent.
- » The operating profit was SEK 20.2m (27.2). The operating profit for 2014 includes a one-time effect from retroactive reversal of a goodwill write-down. Adjusted for this item, the operating profit increased in 2015 by SEK 6.4m from SEK 13.7m.
- » NASDAQ OMX Stockholm AB criticizes Biotage for the write-down of goodwill related to the acquisition of MIP Technologies made at year-end 2014 in conjunction with the reversal of a reserve regarding the additional purchase price. The stock exchange recommends that Biotage adjust the write-down of goodwill retroactively, which in turn improves the profit for the fourth quarter by SEK 13.5m.
- » The board of directors recommends a dividend of SEK 1.00 per share (0.75) and an extraordinary dividend of SEK 0.25 per share.

# An introduction to Biotage

**Biotage is a global Life Science company that develops innovative and effective solutions for separation within analytical and organic chemistry, as well as for industrial applications. Our customers use Biotage products for the development of new medicines and the analysis of samples from hospital patients, forensic laboratories, or for the analysis of earth and water samples. They are also used, for example, to remove undesired substances from medicines during the production process.**

## Active within a global market

The major part of the Company's sales is generated in the United States, Europe and Japan. Biotage showed organic growth of around 9 percent in all of these three markets in 2015. Sales in the Chinese market also increased during the year, primarily as a result of long-term market cultivation.

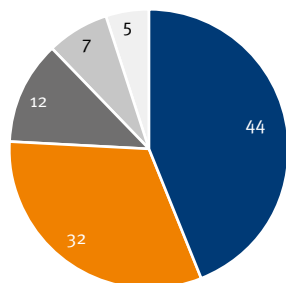
Biotage has offices in Uppsala and Lund (Sweden), Cardiff (Wales), Charlotte (USA), Osaka and Tokyo (Japan) as well as Shanghai (China). The Company's own production facilities are located in Lund and Cardiff.

## Three principal product areas

Biotage divides its products into three principal areas: Organic Chemistry, Analytical Chemistry, and Industrial Products. The largest proportion of sales comes from products within Organic Chemistry and Analytical Chemistry.

Biotage has two main types of income sources, composed of the sale of systems and the sale of consumables and services. In 2015, systems represented approximately 45 percent of total sales, while consumables and services represented approximately 55 percent of sales.

**Sales per geographical market in 2015 %**



■ North and South America  
 ■ Europe  
 ■ Japan  
 ■ China  
 ■ EMEA and APAC



## Organic Chemistry

Biotage products within Organic Chemistry rationalize work performed in the early phase of pharmaceutical development, which involves chemically creating substances that will become new medicines.

### Offering

- Systems
- Consumables
- Service

### Production

Mix of own production and contract manufacturing.

### Market

Global market with emphasis on the United States, Europe and Japan. The market is cultivated by the Company's own sales organization and distributors.

### Customers

- Pharmaceutical companies
- Biotechnical companies
- Contract research organizations
- Academic institutions

## Analytical Chemistry

Biotage products within Analytical Chemistry are used in the analysis of diagnostic samples taken from patients, in conjunction with pharmaceutical samples or for forensic analyses, as well as samples taken within the areas of food safety and the environment.

### Offering

- Systems
- Consumables
- Service

### Production

Mix of own production and contract manufacturing.

### Market

Global market with emphasis on the United States, Europe and Japan. The market is cultivated by the Company's own sales organization and distributors.

### Customers

- Commercial laboratories
- Hospital/bio-analytical laboratories
- Forensic laboratories
- Laboratories within food and environmental analysis

## Industrial Products

Biotage industrial products are used both in production processes and process development in order to purify various types of products such as food and medicines, or for the extraction of specific substances for further refinement.

### Offering

- Systems
- Consumables
- Materials in bulk
- Research services

### Production

Mix of own production and contract manufacturing.

### Market

Own sales organization that cultivates selected sectors globally.

### Customers

Customers are found in various sectors, where pharmaceuticals and food are two examples.





# A successful year

In most respects, 2015 was a very successful year for Biotage. It was also the best year so far for sales and profit. Sales increased by 24.5 percent to SEK 610.5m and the operating profit at EBIT-level increased by 51.7 percent to SEK 74.8m. Of the increase in sales, 16.1 percent came from currency effects, due primarily to a stronger US dollar, while 8.4 percent was organic growth. I am very pleased with the organic growth, which indicates that we grew more than the market as a whole. The operating profit represents a margin of 12.2 percent, which implies that levels for 2015 exceed our financial targets for both organic growth and the EBIT-margin.

## Consistent work behind the success

The principal activity at Biotage is to help customers separate various substances from each other. This could imply, for example, separating an active pharmaceutical substance from excipients used during the preparation process, which is the case within Organic Chemistry. Within Analytical Chemistry, this could imply separating traces of drugs from a blood sample; and within Industrial

Products the separation of undesired residual substances from the pharmaceutical production process.

Our successes in 2015 are in many respects a result of the consistent work we have pursued for many years to develop the Company – a process that goes back to 2009 and our decision to invest in Analytical Chemistry, which at the time was a new area for us. Through specific investments in product development, we now have an attractive, updated and competitive product offering within all three areas where we are active – Organic Chemistry, Analytical Chemistry, and Industrial Products – representing a contributory factor to our strong development during the year. At the same time, we have continuously endeavored to strengthen the commercial side of our operations and, along with cost-controls, create an efficient organization with potential to generate good profits when sales increase.

## Good developments in most markets


When looking at our various regions, we can observe positive trends in most directions.

Sales at comparable currency rates in the United States increased by 9.1 percent, due primarily to strong developments within the areas of Analytical Chemistry and Industrial Products. The United States was an important locomotive for our growth during the year, in view of the fact that 44 percent of the Group's sales come from this market.

Europe also showed good developments in 2015. However, the year started weakly and we implemented a number of organizational measures so as to regain momentum in sales. The rate of growth increased in the latter part of the year, and organic growth for the year as a whole was 8.9 percent.

China was the big story of the year. We have seen extremely good sales trends, particularly in relation to our offering within Organic Chemistry. Overall, sales increased at comparable currency rates by 34 percent.

In Japan, sales rose at comparable currency rates by 9.1 percent, primarily driven by good sales of the Biotage offering within peptide synthesis. Operations in Japan are clearly linked to the Organic Chemistry area. Following a number of successful years, we now hold a very strong market position within



Biotage® ACT (Anti-Cross Talk) Plate Adapter, is an innovative solution that prevents cross contamination of samples during the evaporation phase.



Organic Chemistry, but this simultaneously restricts the broadening of our market share and related growth potential. Our ambition for the future is to try to expand our offering within Analytical Chemistry in Japan.

Developments in the markets where our sales take place totally via distributors, particularly for APAC and EMEA, were disappointing during the year. Sales are declining in both of these regions, and we have started to strengthen our sales channels in their respective markets.

#### Growth within all areas

In 2015, we saw growth in all of our three areas – Organic Chemistry, Analytical Chemistry, and Industrial Products. Just as in 2014, growth was strongest within Analytical Chemistry. One reason is that sales of the automated sample preparation system Extrahera™ continued to develop well. I am also pleased that our investment in Industrial Products has yielded good results. We had high growth in 2015 within this area, which now represents around 7 percent of the Group's sales.

#### Continued investments in development

We have today an updated product offering within all areas thanks to our investments

in product development. During the year, we strengthened above all our purification systems with new advanced software that provides a completely new level of user-friendliness. We have also expanded our offering of consumables within Analytical Chemistry. To help our customers reduce their impact on the environment has become a natural parameter in our development work. For example, our new software for purification systems enables using a lower volume of solvents than previously. A reduction in the required volume of solvents is also prioritized when developing new consumables.

We are also continuing to sustain the rate of investment within product development. We decided during the year to devote more time and resources to strategic development. We are currently carrying out several preliminary projects so as to rapidly evaluate the prerequisites for various new development concepts. This enables us to act more quickly and obtain a good picture as to whether a project will be successful before entering the development phase.

As part of our investment in Analytical Chemistry, we have established application development laboratories in Europe and the United States. We will also start a laboratory in Japan. At these laboratories, we work together with our customers to develop tailor-made methods that enable

them to obtain as much as possible by using our products in their operations. We have received a very positive response from our customers, and note that it contributes to further strengthening our position.

#### Continued rationalizations in production

During the year, we continued to strengthen our production facility in Cardiff, and it is gratifying to see how operations are developing there. We have implemented major changes to the way we work in accordance with methods for lean manufacturing. The changes have been made in close cooperation with the production employees, who have had significant influence on how workplaces and procedures have been designed. We are also continuously increasing the degree of automation within the production of consumables, and to subsequently improve profitability. Automation is strongly linked to volume, and automation potential becomes greater in tandem with the increase in our sales. An important part of this process is also about rationalizing the range of goods, and to phase out products with low volume.

We are also in the final phase of environmental certification of the facility in Cardiff in accordance with ISO 14001. This certification is increasingly demanded by our customers, and is in line with our internal guidelines to continuously minimize the environmental impact of our production. The first certification audit was performed in January 2016, and the final audit is planned for April.

#### Work in accordance with our strategies

Without doubt, 2015 was a successful year for Biotage, and I would like to take this opportunity to thank our employees who have taken part in and contributed to the Company's development. We have reached our current position through long-term and consistent work in accordance with our strategies – which I believe is also the recipe for success in the future.

Uppsala, March 2016

Torben Jørgensen  
President and CEO

# Continued ambitious targets

The year 2015 marked the end of the Company's three-year strategic period. For the coming three-year period from 2016 to 2018, Biotage maintains its ambition to increase sales at a higher pace than market growth, resulting in good profitability.

The target for average organic growth is

8%

The Company's growth target is challenging, and indicates that Biotage will increase its sales at a faster pace than the underlying market growth in many of the Company's markets.

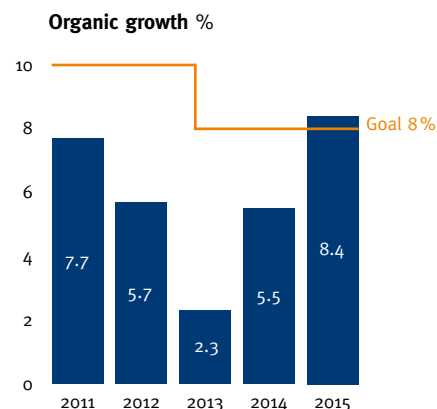
Organic growth refers to sales growth excluding acquisitions, and adjusted for fluctuations in currency rates. The target is that the annual organic growth on average will be at least 8 percent during the three-year period 2016-2018.

## Outcome 2015

Organic growth amounted to 8.4 percent for 2015.

## Outcome 2013-2015

The average annual organic growth was 5.4 percent for the strategic period 2013-2015.



The target for average operating margin is

10%

Biotage shall have good profitability that creates preconditions to be able to invest both in existing areas and new innovative segments and products, to strengthen the market organization, and to generate a yield for the Company's shareholders.

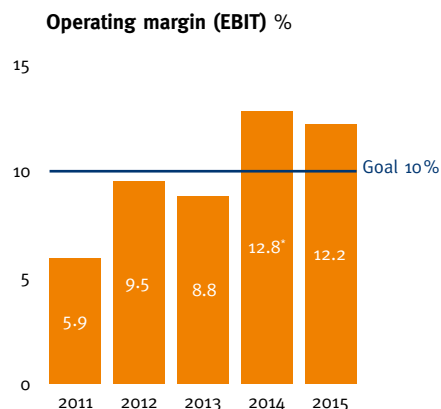
The operating margin target refers to profit after depreciation and write-downs (EBIT-margin). The target is that the average operating margin shall amount to at least 10 percent during the three-year period 2016-2018.

## Outcome 2015

The operating margin was 12.2 percent for 2015.

## Outcome 2013-2015

The average operating margin was 11.3 percent for the strategic period 2013-2015.



\*Adjusted for the one-time effect from the reversal of a goodwill write-down, the operating margin was 10.1 percent.

Biotage® Extrahera™ automates the handling of samples in analytical chemistry, and has been very successful in the market during the year.





## Vision

Biotage shall be the first choice for customers, employees and shareholders by constantly striving to develop innovative and effective solutions for separation technology within analytical and organic chemistry, as well as for industrial applications.

## Business concept

Biotage offers effective separation technologies from analysis to industrial levels, as well as high-quality solutions for analytical chemistry in everything from research to commercial analysis laboratories. Biotage products are used by public authorities, academic institutions, contract research organizations, contract manufacturing organizations, as well as the pharmaceutical and food industries.

## Strategic focus areas

**Biotage has defined five strategic areas that are important for the Company's possibility to develop successfully and achieve its financial targets. The strategic areas have then been broken down into strategic initiatives with clearly defined measures with detailed action plans and careful evaluation.**

### – Greater proportion of aftermarket sales

The Company's long-term ambition is that at least 60 percent of sales will come from aftermarket sales, composed of consumables and services. For 2015, the proportion was 55 percent for aftermarket products and 45 percent for systems. Apart from better profitability, one benefit of aftermarket sales is that they are more evenly spread over the year than systems sales, and relatively insensitive to economic fluctuations. Consumables, not least within Analytical Chemistry, are often used in methods that customers have quality-secured. Customers unwillingly change components during the time that the methods are used, which leads to a high repeat-purchasing frequency with maintained volumes for Biotage.

Important parts of the strategy include continued investment in consumables within the Analytical Chemistry area, as well as consumables used together with the Company's systems within the Organic Chemistry area. Biotage also endeavors to strengthen the service offering to customers by putting together attractive service packages.

### – Investment in research and development

The development and launching of new products are very important for Biotage in the process of creating growth in the areas where the Company is active. New innovative products that add new functionality, enable new ways of working for customers, and improve performance strengthen the Company's market position and increase interest from customers, which in turn generates higher sales. Biotage strives to continuously update the offering within both systems and consumables. Within the Analytical Chemistry area, applications development is closely linked to sales growth. The more

applications for which consumables can be used, the greater the underlying customer base will become. In this respect, Biotage has taken further steps in both the United States and Europe through the Company's researchers working together with key customers to develop applications and methods adapted to their operations based on Biotage products.

### – Strengthened market presence

Biotage has the ambition to strengthen its presence in markets where the Company can see distinct potential. This may concern both a new establishment in a market – either through an own sales company, distributor or strategic alliance – and an establishment that strengthens the presence within a market where the Company is already active, for example by starting a sales company in a market that was previously cultivated via a distributor.

### – Optimized production structure

Biotage endeavors to obtain and constantly evaluates an optimal balance between own production and contract manufacturing based on the most suitable solution for each individual product line with regard to total cost, flexibility, risk and tied-up capital. The ambition is to increase each individual product's contribution to the gross margin. This framework also includes the continuous evaluation and introduction of new ways of working that can improve efficiency in the existing production. One example is the Company's increase of automation of operations at the production facility in Cardiff.

### – Environmental sustainability

Focus on sustainability issues is becoming an increasingly stronger driving force for Biotage and for many of the Company's customer groups. This situation concerns continuous improvements to reduce the environmental impact within the Company's own operations, as well as for product development to create products that in turn enable customers to improve their environmental performance. One example is to implement improvements within Biotage purification systems and related consumables so as to enable customers to reduce the use of solvents in their work.

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# Chairman's statement

Dear Shareholders,

For Biotage, 2015 was a successful year where the Company achieved good results in the form of high growth, a significant rise in profitability and strong cash flow. We are well aware that part of this situation is due to currency effects. However, a large part of the success is attributable to the long-term strategic process of building an attractive platform composed of a modern and competitive offering within Organic Chemistry, Analytical Chemistry, and Industrial Products. The acquisitions we made in 2010 have not only contributed with increased sales and improved profitability, but perhaps the most significant contribution is the considerably greater focus on the three product areas. We now have a competitive range of systems solutions, and have thereby created potential to strongly increase the proportion of consumables, which is strategically important for us. We in the board of directors have actively contributed through decisions, follow-up and support to the CEO and Group Management in their work to develop our activities and operations.

## Growth continues to be important

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As I have said in previous annual statements, it is important that Biotage be able to generate growth. It is very gratifying to see that we achieved our growth target of 8 percent organic growth in 2015. We are also systematically evaluating potential acquisitions. A strategic

well-chosen acquisition combined with our own activities contains all of the prerequisites to provide a stronger base for future growth.

## Working for the best interest of Biotage

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The task of the board of directors is to actively contribute to long-term good developments for Biotage. This is an exciting and challenging task in a sector where developments move at a rapid pace. The members of the Biotage board elected by the Annual General Meeting of Shareholders have been the same since 2013, which has provided good continuity. I believe that the board is well-composed both in size and qualifications, which is also confirmed in the annual board evaluation. The board includes both financial and industrial expertise as well as specific skills related directly to the Company's operations. This is supplemented by a clear shareholder representation, which all in all results in a board with good prerequisites to work for the best interest of Biotage.

## Succession planning is important

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The board of directors has a natural interest in planning so that changes within Group Management are handled in the best possible way from the Company's perspective. The board of directors wishes to ensure that a clear succession plan is established for senior members of management within Biotage. An important measure during the year was to extend Torben Jørgensen's employment contract as CEO until the end of April 2019.

## Higher dividend

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The Company's capital structure is an important area of responsibility for the board of directors. We carefully weigh and take into consideration both the past year's financial results as well as business plans and investments for the coming year. The Company's good results and cash flow for 2015, combined with considerable net cash and cash equivalents, enable the board of directors to recommend for the fiscal year 2015 that the dividend be raised from SEK 0.75 to SEK 1.00 per share. An extraordinary dividend of SEK 0.25 per share is also recommended. Biotage will maintain a strong financial position even after the payment of an ordinary dividend and extraordinary dividend, with good scope for investments and potential acquisitions.

## Formidable contributions during the year

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A company's success is entirely dependent on its employees. On behalf of the board of directors, I would like to express our immense appreciation to Torben Jørgensen, members of management, as well as all employees for their tremendous contributions during 2015.

Ove Mattsson



# A competitive offering

The Biotage offering consists of systems, consumables and services with market-leading performance within Organic Chemistry, Analytical Chemistry, and Industrial Products.

## Organic Chemistry

Biotage products within Organic Chemistry are used by pharmaceutical chemists in the early phase of pharmaceutical development in order to chemically identify the substances that will form the basis for new medicines. Biotage offers products for pharmaceutical development based on both small molecules and peptides.

Traditional medicines in tablet form are an example of medicines based on small molecules. The tablets are dissolved in the stomach-intestinal tract, and the active substance is absorbed into the blood via the intestinal wall. From there, the small molecules can reach almost every desired destination in the body, thanks to their small size. Peptide medicines are an example of medicine based on larger molecules – a growing area within pharmaceutical development – and are usually taken through injections or infusions, where insulin is an example.

### The Biotage offering

Biotage systems and consumables reduce the time spent on several of the most important stages of early pharmaceutical development, where the principal offering consists of products for synthesis and purification. Synthesis is the process of creating new substances through the chemical reaction of different organic or inorganic substances. Purification is the process of purifying substances after synthesis by using flash chromatography. Biotage products enable pharmaceutical chemists to work more efficiently, and to thereby increase productivity.

Biotage systems and consumables are characterized by high quality, safety and performance. Biotage places considerable importance on the development of advanced software for its systems, and creates intuitive user interfaces that enable fewer preparatory stages for the chemist, at the same time as maintaining high quality of the end-results.

The product offering is supplemented by a broad range of services provided by the Company's service organization.

### Product offering

#### MICROWAVE-ASSISTED ORGANIC SYNTHESIS

Systems	Consumables
Biotage® Initiator+ Biotage® Initiator+ Robot Eight/Robot Sixty	Reaction vials Resins

#### PURIFICATION (FLASH CHROMATOGRAPHY)

Systems	Consumables
Isolera™ Dalton Isolera™ Spektra One/Four Isolera™ One/Four Isolera™ Prime Isolera™ LS	Biotage® SNAP Ultra Biotage® SNAP Biotage ZIP® Sphere Biotage ZIP® Resins

The offering also includes the Biotage system for evaporation, Biotage® V-10, as well as consumables from the product range for Analytical Chemistry, such as scavengers and filtering columns.

### How Biotage products are used

#### Start material

The various re-agents and catalysts that the chemist will synthesize in order to produce the desired substance.

#### Synthesis/reaction

The chemist creates a new substance by combining (synthesizing) several other substances.

#### Reaction mix

Result of the synthesis. Catalysts and parts of the re-agents may remain in the reaction mix.

#### Reprocessing

Catalysts and re-agents are removed from the reaction mix.

#### Ready-mixed product in untreated condition

#### Purification

The ready-mixed product is cleansed of remaining impurities.

#### Purified product

#### Evaporation

Transforms the solution with the synthesized and purified molecules to a fixed format (powder form).

#### Finished product

### PEPTIDE SYNTHESIS

Systems	Consumables
Biotage® Initiator+ Alstra™ Biotage® Initiator+ SP Wave Biotage® Syro Wave™ Syro I/II	ChemMatrix®



## Analytical Chemistry

Biotage products within Analytical Chemistry are used by laboratory chemists when examining different types of samples. A sample is prepared for analysis prior to being analyzed, for example in a mass spectrometer. This implies that the substance to be examined will be separated from the sample.

Biotage has chosen to focus its offering on a number of selected areas such as clinical and bio-analytical tests, forensic science, the environment and food safety. Clinical tests embrace blood and urine samples performed at hospitals and clinics. Bio-analytical tests embrace tests performed on trial subjects in conjunction with pharmaceutical testing. Tests within forensic science can include identifying the presence of narcotic substances or drugs. Within food safety and the environment, the presence of various chemicals is tested in samples.

### The Biotage offering

The preparation of samples prior to analysis is often a time-consuming task and important for the quality of the subsequent analysis. Biotage products provide laboratory chemists with reliable tools that rationalize their work. The first part of the offering consists of consumables with related applications (methods) to extract selected substances from various types of samples. The consumables are based on different techniques such as SPE (Solid Phase Extraction) and SLE (Supported Liquid Extraction), which are two ways of separating substances from a liquid mixture. The second part of the offering consists of systems that rationalize and automate the handling of the samples, as well as concentrating the samples after they have been separated.

The offering was expanded during 2015 with a package solution, which implies that customers undertake to purchase a certain quantity of consumables during a period, and then are able to borrow a system, for example Extrahera™, at no cost.

High quality and consistent performance are central characteristics of the Biotage offering within Analytical Chemistry. Customers can rely on obtaining consistent and reproducible results when they use Biotage consumables.

### How Biotage products are used

#### Samples

The samples to be analyzed could be, for example, blood, blood plasma, urine, water or earth, etc.

#### Extraction

The substance for which the sample is to be examined with techniques such as Solid Phase Extraction, Liquid to Liquid Extraction and Supported Liquid Extraction.



#### Extract

#### Evaporation

The substance must be concentrated before it can be analyzed with the help of a mass spectrometer. This implies that parts of the solvent used for the extraction must be vaporized.



#### Final sample

#### Analysis

Analysis of the presence of the substance in question is performed with the help of a mass spectrometer.

#### Result of the analysis

The result shows how much of the sought-after substance was found in the sample.

### Product offering

#### SAMPLE PREPARATION

Systems	Consumables
Biotage® Extrahera™ RapidTrace® Biotage® PRESSURE+	ISOLUTE® ISOLUTE® SLE+ EVOLUTE® Resins

#### EVAPORATION OF SAMPLES

Systems
TurboVap® II TurboVap® LV TurboVap® 96 TurboVap® 500 Biotage® SPE Dry 96

## Industrial Products

Biotage products for industrial applications are used primarily by pharmaceutical companies, chemistry companies and consumables companies to purify various types of products such as medicines and food, as well as to extract substances for further refinement. Biotage products are used in production processes and within process development.

### The Biotage offering

The Biotage offering consists of systems, consumables and research services. The largest part of the offering is composed of resins, as well as systems with related consumables for purification with the help of flash chromatography on an industrial scale. Resins are consumables, based primarily on polymers, and are used to remove substances in production processes.

Systems and consumables for flash chromatography are used primarily by the pharmaceutical and chemical industries in the development and refinement of the manufacturing process of Active Pharmaceutical Ingredients (API).

Biotage also offers advanced research services for producing effective, customized methods that help customers separate substances from their products. After a successful method has been produced, Biotage manufactures and delivers the polymer-based material for use in the customer's production process. Biotage products provide customers with access to methods that can remove undesired substances from products down to extraordinarily low levels in order to meet, for example, the requirements of public authorities.

### How Biotage products are used

#### The customer's product

For example, food that contains an undesired substance.

#### Phase 1 Screening

Screening is performed against a library with thousands of polymers.



#### Extract

Analysis of extraction shows how well the target substance has been separated.

#### Phase 2 Optimization

Upscaling is performed in order to optimize capacity and selectivity.



#### Extract

Subsequent analysis and development in order to reach the purification level as per the established target.

#### Phase 3 Process economics

Production tests are performed on a large scale to confirm process costs.



### Implementation in the customer's production process

### Product offering

#### PURIFICATION (FLASH CHROMATOGRAPHY)

##### Systems

Biotage® Flash 75/150

Biotage® Flash 400

The offering also includes consumables for Biotage flash systems.

#### RESINS IN BULK

Development and production of silicate- and polymer-based materials.

#### CUSTOMIZED DEVELOPMENT PROJECTS

Research services.



# Local presence in a global market

**Biotage operates globally, where the largest geographical markets for the Company's offering are the United States, Europe and Japan. China is increasing in significance for Biotage in tandem with more successful market cultivation.**

## Organic Chemistry

### Market and customers

The market for the Biotage offering within Organic Chemistry consists of companies and institutions that perform research for the development of new pharmaceuticals, composed of both traditional and peptide medicines. Pharmaceutical companies are the largest customer group. Other important customer groups include biotechnology companies, academic institutions and contract research organizations. The most important geographic markets are the United States, Europe and Japan. China also became an increasingly larger market for Biotage in 2015.

### Market position

Biotage is one of the market's leading suppliers of systems and consumables for the synthesis and purification of substances within pharmaceutical research. The Company has a strong brand as a supplier of products with high performance and safety that can help customers to rationalize their work. Quality is a central factor for the Company's market position.

Within Organic Chemistry, Biotage is either number one or number two in most geographical markets where the Company is present. The principal competitors are CEM within synthesis, and Isco within purification (flash chromatography).

Sales take place via own sales organizations in the most important markets, and where Biotage has its own service and support organizations. In other markets, Biotage is represented by distributors.

### Market trends

The market for Biotage products within Organic Chemistry is influenced to a great extent by how the pharmaceutical industry develops and the prevailing trends within pharmaceutical research. The most distinct trend in the market today is the increased demand by customers for systems that are intuitive and simple to use. Greater demands for efficiency mean that chemists want to make as few manual settings and calculations as possible when, for example, they purify a substance, while also enabling chemists with less experience and specialist knowledge to use the systems. This has constituted an important part of development work at Biotage in recent years. In 2015, the Company launched Isolera™ Assist and Isolera™ ACI, which are new software that automate large parts of the work to prepare the purification process in the Biotage Isolera™ purification system.

Biotage has noted increased demand from the Chinese market, which is explained to a certain degree by greater market cultivation – although there is a distinct trend that demand for more advanced systems is increasing in China. These systems, where Biotage is

a leading supplier, help to automate and rationalize chemists' work and thereby to improve their productivity.

The number of pharmaceuticals based on large molecules (such as peptides and proteins) is constantly increasing, and as such this area is of growing interest to Biotage as well. The Company already has an offering within pharmaceutical development based on peptides, and will now work to strengthen in the long-term its offering for large molecules.

## Organic Chemistry

Product area	Largest geographical markets	Primary competitors	Largest customer groups
Purification (flash chromatography)	1. USA 2. Europe 3. Japan	Isco Interchim	1. Pharmaceutical companies 2. Contract research organizations (CRO)/ contract manufacturing organizations (CMO) 3. Academic institutions
Microwave-assisted synthesis	1. USA 2. Europe 3. Japan	CEM Anton Paar	
Peptide synthesis	1. USA 2. Japan 3. Europe	CEM PTI	

## Analytical Chemistry

Product area	Largest geographical markets	Primary competitors	Largest customer groups
Consumables (sample prep)	1. USA 2. Europe 3. Japan	Waters Agilent	1. Commercial laboratories/CRO 2. Hospitals/bio-analytical laboratories 3. Food manufacturers/ laboratories active within food analysis 4. Laboratories active within environmental analysis
Automated SPE	1. USA 2. Europe 3. APAC/EMEA	Gilson Horizon	
Evaporation of samples	1. USA 2. Europe 3. APAC/EMEA	Gyrozen Labconco	

Biotage continuously develops new applications for its consumables within analytical chemistry. This example is used to separate mycotoxins from various samples.



## Analytical Chemistry

### Market and customers

Biotage has oriented its offering within Analytical Chemistry to a number of selected markets composed of clinical tests (diagnostic tests on patients), bio-analytical tests (in conjunction with pharmaceutical tests), forensic tests (e.g., for drugs), environmental tests (e.g., for toxins in earth and water), as well as tests of food (e.g., for chemicals).

Customers consist of commercial laboratories, hospital laboratories, pharmaceutical companies, as well as private and state laboratories within the areas of the environment and food. The largest markets are the United States and Europe.

### Market position

Biotage is a relatively small player within the market for analytical chemistry. The Company is oriented towards selected niches with the ambition of becoming an important player within those areas. The market position has also strengthened in conjunction with the Company's broader offering. Biotage is the market leader within the separation technique known as SLE (Supported Liquid Extraction).

The Company's competitors within Analytical Chemistry are often large companies where their products within this area only represent a small part of their total operations. Waters and Agilent are two examples.

Sales take place via own sales organizations in the most important markets, and where Biotage has its own service and support organizations. In other markets, Biotage is represented by distributors.

### Market trends

Rationalization and simplification are distinct trends within Analytical Chemistry. Basically, a sample must be separated (undesired parts of the sample are removed) in order to be able to be analyzed in a mass spectrometer. At the same time, the chemist wants to spend as little time as possible on the separation, and only clean the sample sufficiently so as to be able to analyze it. This implies that very precise, time-consuming and therefore

expensive separation methods, for example based on SPE (Solid Phase Extraction), are replaced with faster and more effective methods if possible. This is an important reason why the Biotage SLE technique has been so successful – it requires three stages instead of five – and the Company is continuously endeavoring to broaden the areas of use for this product.

One trend that has been quite distinct for several years is that customers demand products that can analyze ever-smaller sample volumes so as to reduce the use of solvents and make it easier to automate the process, which in turn reduces both time and costs for the customer. Biotage is well-positioned to meet this trend, and has pursued this line for several years.

## Size of the market

Biotage estimates that the size of the market for systems and consumables within the area of Organic Chemistry is approximately 185 million US dollars (synthesis, peptide synthesis, flash chromatography). Within Analytical Chemistry, Biotage estimates that the size of the market for systems (analytical evaporation and SPE automation) and consumables is approximately 260 million US dollars.

These estimates of market volumes are based on internal Biotage appraisals as well as information from Strategic Directions International (SDI).

## Industrial Products

### Market and customers

The market within Industrial Products consists primarily of companies that manufacture chemical substances, contract manufacturing organizations (CMOs), such as the pharmaceuticals industry, and companies within, for example, the food sector that need to separate certain substances from their products in the production process.

The largest geographical market is the United States, followed by Europe and Asia.

### Market position

Biotage is one of the market-leading players for purification through flash chromatography on an industrial scale – a method used within the pharmaceuticals industry. With regard to other process-industrial applications, such as food, there are several different methods to separate substances in the manufacturing phase. They differ from each other in the form of costs and the degree of purification that can be achieved. Biotage holds a unique position within the market thanks to technologies with high performance that can be customized to selectively separate specific substances.

For other areas, such as resins, the situation regarding competition is different depending on the application.

Biotage has its own sales organization that cultivates customers within selected sectors globally.

### Market trends

The trend within pharmaceutical development is moving more and more towards medicines that are aimed at very specific illnesses and diseases, such as special types of cancer. This leads to a smaller volume of substance needing to be produced for clinical trials than for medicines with broader applications. Flash chromatography is a purification method that is very suitable for the production of small and medium-sized pharmaceutical substances. This development is positive for Biotage as a supplier of equipment for flash chromatography.

The above trend has also led to the production of pharmaceutical substances for clinical trials being carried out to an

ever-increasing extent in the United States and Europe, from previously having been contracted out to companies in China and India in particular. When the volumes decrease, the prerequisites to outsource production to these countries are quite simply less attractive. This situation is also beneficial to Biotage in view of the Company's stronger market position in the United States and Europe.

There exists a general trend towards greater awareness that certain substances are harmful for human beings and the

environment. This in turn leads to greater demands from public authorities for the presence of such substances to be limited, for example, in food, which increases the need for solutions that can effectively help companies meet these demands. Moreover, companies' own demands may also imply that they wish to remove substances from their products in order, for example, to improve the quality of the product in question.



Biotage offers several different systems for separation with the help of flash chromatography for industrial applications.

# Development is a prioritized area

**Biotage has increased its focus on strategic development in order to ensure that the Company maintains a long-term competitive offering to customers.**

Biotage research and development work is composed of three parts: Product Care, Product Development, and Research. Within Product Care, existing products are provided with new functionality and improved performance. Product Development, just as it sounds, concerns the design of new products to be launched within the near future, while Research embraces more long-term identification of future technologies and products.

Development work is explicitly concentrated in the area of Analytical Chemistry and in systems and consumables for purification, which is a product area within Organic Chemistry. These represent two prioritized areas for Biotage where the Company wishes to consolidate and develop its already strong position.

## Increased investments in research

Biotage currently has an attractive and updated offering of systems and consumables, both within purification and Analytical Chemistry, which is a result of the target-oriented product development process in recent years. In order to maintain a constant flow of new innovative products that can secure continued competitiveness and success in the market for Biotage, the Company strengthened its investments in research during the year. The number of projects has been expanded, and they are distinctly oriented towards developing new technologies and materials that will form

a basis for the next product generation. An important factor here is to follow the direction in which the market and customers are moving. One example is the greater interest in large molecules within the development of pharmaceuticals.

## Focus on user-friendliness

It became clear during 2015 that the market is demanding to an ever-increasing extent systems that are simple to use and enable greater efficiency. Chemists want to make as few manual settings as possible when, for example, they purify a substance, while simultaneously obtaining the same high quality in the results. During the year, Biotage launched two new software products to meet this requirement. Isolera™ Assist, which was launched during the fall, guides chemists and even enables inexperienced users to purify a substance with perfect results. The Isolera™ ACI software, which was launched at the beginning of 2015, enables the user to purify substances two to three times faster than previously, while maintaining the degree of purification. The volume of solvent is also reduced, which in turn reduces costs and waste.

On the systems side, Biotage has continued the development of Extrahera™, which was launched in 2014 and rationalizes the sample-handling process within Analytical Chemistry. Biotage has an ambitious program to continuously implement improvements

and new functionality in the system for both hardware and software.

## Rapid pace in development of applications

Within Analytical Chemistry, Biotage continues to maintain a rapid pace in the development of new applications, which is a central part of the Company's strategy to create increased growth. Applications are consumables with related methods – quite simply detailed descriptions of how the customer can obtain the maximum possible out of the product within various areas, such as the analysis of drugs in a blood sample. The logic is simple. With more applications, consumables can be used within more areas. The new applications developed in 2015 were primarily oriented towards areas that included clinical analysis, forensic analysis, and environment-related analysis.

In addition to new applications, Biotage is developing consumables to be used with smaller sample volumes. This creates considerable demands so that the materials in the consumables do not introduce disturbances when the sample material is separated. The trend with smaller sample volumes is coming from two directions – the first is the desire to reduce the use of solvents, and the second is the development of analysis instruments (mass spectrometer) to enable the analysis of ever-smaller volumes of material.



Biotage® SNAP Ultra is the Company's most advanced column for use in the Isolera™ purification system and provides the highest possible purification performance.



# Greater efficiency in the production process

**Continuous rationalization within Biotage production contributes to increased profitability at the same time as service to customers is improved.**

The Company's production strategy is to have an optimal balance between own production and contract manufacturing. A continuous overview of this situation is carried out based on parameters such as competence maintenance, total cost, flexibility, gross margin, and level of service – which has led Biotage to choose to increase the proportion of production carried out at the Company's own facility in Cardiff, Wales. The majority of consumables and three of the Company's system families are currently produced in Cardiff. The Biotage central purchasing department is also located in Cardiff, with responsibility for the purchase of all components and materials for the products manufactured by Biotage. A small proportion of consumables are produced at the Biotage facility in Lund, Sweden, and the production of other systems is outsourced to contract manufacturers.

## Changed production systems enable greater efficiency

With its own production, Biotage increases the possibility of having a direct effect on efficiency. In 2015, the Company implemented extensive changes to the production systems in Cardiff with the help of Lean Manufacturing methods. A thorough analysis of production has led to layout and flow changes in the

factory. Biotage maintained an active dialog with employees during this process in order to benefit from their experience and proposals, which in turn has led to greater commitment in parallel with a higher level of efficiency. This can be seen, among other things, through the Company's being able to produce larger volumes without increasing labor costs. The process is following a long-term plan and will continue in 2016.

The increase of consumables sales creates opportunities to automate production. This is an important part of the Company's efficiency drive, and enables both reduced costs and improved quality. In 2015, the Company automated the production of Biotage® SNAP Ultra, which is a consumable for flash chromatography.

## High quality requirements

Biotage products are used in applications where customers have very high quality requirements. Biotage systems are well-designed with good quality and reliability, which ensures a high level of customer satisfaction and low warranty costs. For Biotage consumables, customers place demands for reproducible and consistent results. Explicit specifications exist regarding the performance of each consumable. Incoming raw materials and completed end-products undergo scrupulous tests. The management systems in Cardiff and Lund are both quality-certified in accordance with the ISO 9001 standard.

Biotage ISOLUTE® SLE+ products have been successful in the market, and are an important factor behind the Company's high growth within Analytical Chemistry in recent years. ➤



## Facts about the flow of goods at Biotage

### Purchasing

The Biotage strategic purchasing department in Cardiff, Wales, is responsible for the supply of raw materials and components for the Company's own production. The purchasing department in Uppsala is responsible for products purchased from Swedish contract manufacturers. This is supplemented by purchasing departments in Charlotte, USA, for products from American contract manufacturers.

### Production

The facility in Cardiff, Wales, produces all Biotage consumables as well as certain systems. Other systems production is performed by contract manufacturers. The facility in Lund, Sweden, produces polymer materials in bulk for operations within the Industrial Products business area.

### Delivery

The logistics centers in Japan, China and the United States are responsible for stocks and customer deliveries in their respective markets. The logistics center in Uppsala, Sweden, is responsible for deliveries to customers in Europe and other countries.



## Responsibility for the environment

Working in accordance with the ISO 14001 standard is a cornerstone in the Company's efforts to implement continuous improvements regarding the environment. In 2015, the Company continued the process of certifying the facility in Cardiff in accordance with ISO 14001, and some of the personnel have been trained to perform internal audits within the framework of ISO 14001. In January 2016, the facility underwent a first certification audit with good results. The second and final certification audit is planned for April 2016. Certification is carried out by the British Standards Institute.

### The Company's impact on the environment

The environmental impact of Biotage operations is primarily related to direct energy consumption in production, transportation of goods and business travel.

Production in Cardiff is not electricity-intensive, and the energy consumption at the production facility in 2015 amounted to 525,000 kWh.

In order to reduce the environmental impact from transportation, Biotage endeavors as far as possible to reduce the proportion of air freight in favor of road and sea transportation. Each month, Biotage has a consolidated shipment from Great Britain to the United States where the majority of consumables and also, to a certain degree, systems destined for the American market are sent by sea. For some transportation, particularly of systems, it is difficult to avoid air freight in view of the fact that the product volumes are low, the value of the goods is high, and the time aspect is important. This applies to freight both within Europe and to the United States.

In order to rationalize transportation, Biotage also endeavors to reduce packaging volumes. For example, in 2015 Biotage almost halved packaging volumes for the Extrahera™ system by changing the packaging method.

### Authorizations and waste

The production facilities in Cardiff and Lund both have operations that are subject to authorization for the use of solvents in the production process. In order to reduce the use of solvents, Biotage makes continuous changes to the production processes, of which one example was the reduction of the number of purification stages where solvents are used.

In 2015, the volume of solvents used was reduced by 17 percent at the same time as the production volume increased by 15 percent. The used solvents are dispatched for recycling and destruction. At the facility in Cardiff, waste is also generated in the form of packaging materials from incoming goods, which are sorted and forwarded for recycling when possible.

### Less environmental impact in new products

The environmental aspect is important within product development so as to create products that enable customers to subsequently improve their own environmental performance. One example is the implementation of improvements in Biotage purification systems and related consumables, which enable customers to reduce the use of solvents in their processes.



# Biotage as an employer

**Biotage aims to be an attractive employer where the employees are offered challenges and development opportunities in a good work environment.**

Biotage is a knowledge-driven organization where the aptitude and scope for innovation is an important success-factor. It is the employees who every day represent this innovation, and convey it when meeting customers. It places considerable demands on the employees' skills and abilities. Biotage has the central task of creating the right prerequisites for employees to develop and feel commitment for the Company.

## Proven development model

Biotage has a proven model for supporting its employees in their development. The objective of the annual employee dialogs is to provide each employee with constructive feedback and distinct goals for their work. This also includes an individual career plan where each employee's desires and motivation are defined, along with what the next development phases should be. Possible skills enhancement needs are also identified.

Biotage endeavors to provide natural learning through challenges, for example, by employees being given greater responsibility or more tasks within the framework of their current role. Each employee is also responsible for their own learning by keeping abreast of the extensive knowledge flow,

including in the form of product training available in a knowledge-intensive company such as Biotage.

## Importance of good leadership

Leadership is perhaps the most important component for how employees perceive their professional situation and the results that are achieved. Biotage endeavors to constantly strengthen leadership within the Company, including through ongoing skills enhancement programs for managers. In 2015, the evaluation of managers was strengthened in conjunction with their development dialogs. In addition to feedback from their immediate manager, middle managers also now obtain feedback from the employees. This has led to several positive effects, including a closer relationship and strengthened dialog among managers and employees.

## Continuous recruitment requirements

Biotage has a constant need for recruitment, both in the form of replacement recruitment and new recruitments when operations grow. In order for Biotage to assert itself in the competition for competent employees, the Company endeavors to continuously

strengthen its brand as an employer, including via social media and by being visible at universities at locations where the Company has operations. Biotage aims to have a high proportion of internal recruitment by offering development opportunities for those who wish to pursue a career, and to enable the Company to retain employees for a longer period of time.

## Biotage Innovation Prize

In order to illustrate the Company's focus on innovation, Biotage has founded an annual innovation prize, which was awarded for the fourth time in 2015. The prize is given to employees who have shown innovation in their work and created benefits for the Company in the form, for example, of new product concepts, new work processes, or innovative ways of reaching new markets.

## A sustainable workplace

Biotage shall offer a work environment that is healthy, safe and in compliance with international standards and local legislation for all employees. The Company pursues systematic and structured procedures for work-environment issues, based on the Company's related work-environment policies that embrace the physical work environment, psychosocial aspects, gender-equality and discrimination.

The Company's largest workplaces – Uppsala and Cardiff – have special work-environment groups composed of managers of the largest departments and employees who are appointed as safety representatives. These groups perform regular inspections and handle local work-environment issues.

Biotage has had relatively low sickness absenteeism over the years. Sickness absenteeism for all employees in the Swedish companies was 1.6 percent, including long-term sick leave. Sickness absenteeism for all employees in the British company amounted to 2.9 percent, including long-term sick leave. Health risks within Biotage are very small, and all incidents related to the work environment and safety are reported. In 2015, the Company had two reported incidents.

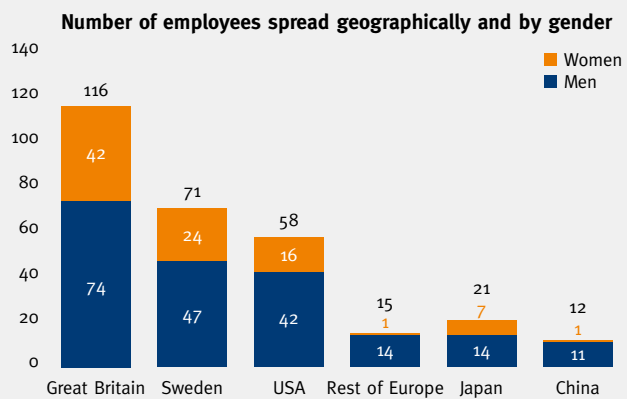
As a preventive measure, internal reporting is also made of "near-miss incidents," and action plans are established to prevent future incidents.

## Equal conditions

It goes without saying that Biotage strives to ensure that all employees are given the same opportunities to develop in their professional roles, as well as the possibility of promotion and salary reviews irrespective of gender, ethnicity or age. These conditions are defined in the Company's gender-equality and discrimination policies that are applicable to all units of the Group, and are also contained in local personnel handbooks in each country along with policies concerning alcohol and drugs.

In 2015, Biotage updated its gender-equality plan for the coming three-year period, which also includes measures to ensure equal conditions at the workplace.

No cases related to gender-equality, discrimination or corruption were reported in 2015.



#### Staff turnover in the Biotage Group\*

2013	6.2%
2014	6.9%
2015	6.5%

\* Number of employees who left the Company divided by the average number of employees.



# The Biotage share

The Company's shares are listed on the Nasdaq OMX Stockholm Small Cap list under the name of Biotage (BIOT). The share capital at December 31, 2015 totaled SEK 89,953 thousand (89,423). The number of outstanding shares was 64,714,447 (64,714,447).

## Share price trends

In 2015, the Biotage share price rose by 88 percent from SEK 13.10 to SEK 24.60. The highest closing price for the share in 2015 was SEK 24.60 and was reported on December 23 and December 30. The lowest closing price for the share was SEK 13.20 and was reported on January 2. In 2015, a total of 19.0 million (15.0) shares was traded for a value of SEK 333.1 million (167.0), corresponding to an annual trading turnover of 29 percent (23). At the end of 2015, the Company's market capitalization was SEK 1,592 million (848).

## Shareholders

The number of shareholders in Biotage at December 31, 2015 was 5,161 (4,904). The 10 largest shareholders accounted for 40.1 percent of the capital and votes. The proportion of non-Swedish shareholders was 22.4 percent of the capital and votes.

## Repurchase of shares

The Annual General Meeting of Shareholders (AGM) held in 2015 resolved to authorize the board of directors to carry out a new repurchase program that covers a maximum of 10 percent of the Company's

outstanding shares. The objective of the repurchase program is to give the board of directors greater maneuverability with regard to the Company's capital structure. No shares have been acquired within the framework of the repurchase program approved by the AGM held in 2015. Biotage did not hold any of its own shares as of December 31, 2015.

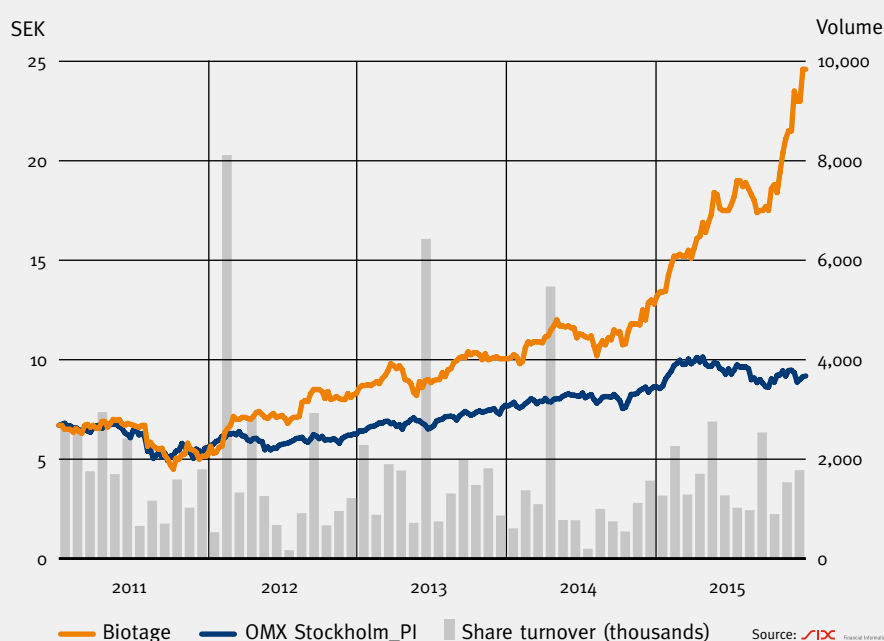
## Issue authorization

The AGM held in 2015 authorized the board of directors to adopt an issue of shares and/or convertibles. This authorization has not been exercised.

## Dividend policy and dividend

The Company's dividend policy is that at least 50 percent of the earnings per share shall be distributed to the shareholders. For fiscal year 2015, the board of directors of Biotage AB recommends a dividend of SEK 1.00 (0.75) per share. In addition, it is recommended that an extraordinary dividend of SEK 0.25 per share also be paid.

## Share price trends and turnover



### Shareholder categories as of December 31, 2015

Shareholders	Number of shares	Proportion of capital and votes %
Fund companies	3,236,568	5.0
<i>Swedish shareholders</i>	1,738,115	2.7
<i>Non-Swedish shareholders</i>	1,498,453	2.3
Institutions	4,186,850	6.5
<i>Swedish shareholders</i>	3,983,975	6.2
<i>Non-Swedish shareholders</i>	202,875	0.3
Other physical shareholders	23,431,492	36.2
<i>Swedish shareholders</i>	23,222,498	35.9
<i>Non-Swedish shareholders</i>	208,994	0.3
Other legal-entity shareholders	33,859,537	52.3
<i>Swedish shareholders</i>	21,263,781	32.8
<i>Non-Swedish shareholders</i>	12,595,756	19.5
Total	64,714,447	100.0

### The 15 largest shareholders as of December 31, 2015

Shareholders	Number of shares	Proportion of capital and votes %
Anders Walldov	9,000,000	13.9
Varenne AB	3,397,013	5.2
Fjärde AP-fonden	3,228,497	5.0
Ove Mattsson	1,772,796	2.7
Hans Sköld	1,503,212	2.3
Susanne Wetterlin	1,422,700	2.2
Eva Forsberg	1,422,700	2.2
Ann-Charlotte Bergström	1,422,700	2.2
Lena Westergren	1,422,700	2.2
Maria Lenman	1,422,700	2.2
CMI Insurance Company Ltd	1,215,000	1.9
DFA Fonder	1,129,416	1.7
Rolf Kraft	1,111,943	1.7
R5 Capital AB	1,056,829	1.6
Danske Invest & Danica Pension	740,597	1.1

### Shareholders by size of holding as of December 31, 2015

Number of shares per shareholder	Number of shares	Proportion of capital and votes %
1 - 1,000	3,339	1.9
1,001 - 10,000	1,447	7.4
10,001 - 100,000	296	13.8
100,001 - 500,000	51	14.3
500,001 - 1,000,000	13	13.1
1,000,001 - 5,000,000	14	35.6
5,000,001 -	1	13.9
Total	5,161	100.0

Source: Holdings, Modular Finance.



# Board of Directors' Report

## About the Company

Biotage provides effective separation technology, from analysis to industrial scale, and high-quality solutions for analytical and organic chemistry in everything from research to commercial analytical laboratories and industry applications. Users of Biotage products include government agencies, academic institutions and the pharmaceutical and food industries. Biotage AB, headquartered in Uppsala, Sweden, is the Parent Company of the Group and has wholly-owned subsidiaries in Sweden, the United Kingdom, Germany, France, Italy, the United States, Japan and China. The Biotage share is listed on the NASDAQ OMX Stockholm Small Cap list.

## Summary of business activities in 2015

The Company's reported sales increased by 24.5 percent to SEK 611 million in 2015. The Group has exceeded the financial targets, with organic sales growth of 8.4 percent at comparable exchange rates and an operating margin (EBIT) of 12.2 percent.

All product areas showed growth in 2015. The single largest product areas for Biotage are Purification and Sample Prep. Strong sales of the Isolera™ flash system were noted in China, mainly to contract research customers, in the Purification product area. Biotage also saw a continuation of good sales growth for the Extrahera™ system platform in Sample Prep. Both of these systems help to drive sales of consumables and services. Industrial Products showed growth of 33 percent. Development of separation or purification based on the Biotage range of polymers and silicate-based products is being conducted in close cooperation with customers within this area.

The United States was the largest single market, with 44 (41) percent of sales. The EU area accounted for 32 (35) percent, Japan 12 (13) percent, China 7 (5) percent, EMEA 3 percent and APAC 2 percent. EMEA and APAC, previously categorized as "rest of the world", together accounted for 5 (6) percent of net sales.

Biotage continues to invest in systems platforms and associated consumables in order to continuously improve the customer offering and works systematically to further develop the Company's products for new applications. This is particularly true of the Company's products in Analytical Chemistry, which are mainly used in the areas of environment, food and forensic medicine. Several new applications were launched in line with this strategy in 2015, which ensured a continuation in strong sales growth for Analytical Chemistry consumables. The relationship between the sale of systems and aftermarket products (consumables and services) is 45 (44) percent and 55 (56) percent.

Biotage is working constantly to improve efficiency at the production facility in Cardiff, Wales. The gross margin for 2015 improved to 56.1 (54.4) percent, largely as a result of exchange gains and major efficiency initiatives that started to produce effects during the year.

## Patent dispute in the United States

As previously announced, Scientific Plastic Products, Inc. ("SPP") has filed suit against Biotage for alleged patent infringement in the United States. The court has stayed the lawsuits pending the outcome of a re-examination of the patents' validity by the U.S. Patent and Trademark Office.

SPP has exhausted all possibilities to request re-examination of the U.S. Patent Office's decision to declare U.S. Patents 7,138,061, 7,381,327 and 7,410,571 ("the patents") invalid. The U.S. Patent Office has issued re-examination certificates canceling all claims under the patents, and the court in the alleged infringement case has dismissed all patent claims made in the lawsuit.

Biotage has also requested re-examination of all claims under U.S. Patent 8,066,875 B2, which is a continuation of US patent 7,381,327, and U.S. Patent 8,070,957, which is a continuation of U.S. patent 7,410,571. The claims under 8,066,875 B2 and 8,070,957 have been rejected by the U.S. Patent Office's Board of Appeals and the re-examination procedure continues. These patents are the subject of a separate infringement case in court, which has also been stayed pending the outcome of the re-examination.

It is the Company's assessment that Biotage has a strong position in this case and that the opposing party does not have valid grounds for alleging patent infringement. In view of this assessment, a provision has not been recognized for the dispute.

## Share buy-back

At the 2015 AGM, the Board was granted a mandate to implement a buy-back program corresponding to a maximum of ten percent of the Company's outstanding shares. The purpose of the buy-back program is to give the Board greater scope when dealing with the Company's capital structure. The shares will be repurchased on NASDAQ OMX Stockholm at a price within the range stated on the purchase date. No shares have been acquired under the buy-back program adopted by the 2015 AGM. Consequently, Biotage did not hold any of its own shares on December 31, 2015. No shares have been acquired between the reporting date and March 16, 2016.

## Mandate to issue shares

At the 2015 AGM, the Board was given a mandate to adopt the issue of shares and/or convertibles on one or more occasions. The mandate was not exercised.

## Earnings and cash flow

The Group's net sales increased by 24.5 percent to SEK 610.5 (490.4) million. At comparable exchange rates, net sales increased by 8.4 percent in 2015. The gross margin improved to 56.1 (54.4) percent. Biotage products are priced in local currency in the Company's large markets. Exchange rate movements, particularly the USD and EUR, made a positive contribution to sales revenue. However, the Group's GBP and USD production costs are also higher when these currencies strengthen against the Swedish currency. Efficiency improvements in the production plant in Cardiff, Wales contributed to the improvement in profitability.

Operating expenses amounted to SEK 267.8 (204.1) million. Other operating income for the comparative year 2014 includes a retrospective goodwill impairment reversal of 13.5 million, which is described in more detail under the heading Balance sheet items and financial position below. After adjustment for the goodwill impairment reversal, the comparative year's operating expenses were SEK 217.6 million. The higher operating expenses in 2015 are mainly attributable to increased sales expenses of SEK 30.2 million due to currency effects, recruitment costs and higher variable compensation. Research and development expenses increased by SEK 11.1 million. This was partly due to capitalization of development project costs in 2015 being slightly lower than in the previous year and depreciation being slightly higher.

Operating profit (EBIT) was SEK 74.8 (62.8) million, an increase of SEK 12.0 million or 19.1 percent. The operating margin was 12.2 (12.8) percent. If the one-time item of SEK 13.5 million is not taken into account, operating profit for 2014 was SEK 49.3 million and the operating margin was 10.1 percent, which meant that the improvement between the two years was SEK 25.5 million, corresponding to an

increase of 51.7 percent in operating profit and 2.1 percentage points in the operating margin. Net financial items amounted to SEK 1.4 (5.5) million. Profit after tax increased by SEK 8.6 million (13.4 percent) to SEK 73.3 (64.6) million. After adjustment for the one-time effect, profit for the year was SEK 51.1 million in 2014 and the improvement between the two years was SEK 22.1 million, corresponding to an increase of 43.3 percent in net profit. Cash flow from operating activities increased to SEK 120.1 (80.9) million.

### Balance sheet items and financial position

The Group's cash & cash equivalents were SEK 134.9 (100.0) million at December 31, 2015. The Group did not have any interest-bearing liabilities at the end of the reporting period. The Group had interest-bearing liabilities of SEK 5 million at the end of 2014. The Group's net cash position was SEK 134.9 million at December 31, 2015, compared with SEK 95.0 million at the end of 2014.

The Group's goodwill totaled SEK 104.0 (104.0) million at December 31, 2015. The 2014 financial statements included an impairment loss of SEK 13.5 million for the portion of goodwill that at the time was deemed attributable to the part of the business that entitled the former owners of MIP Technologies AB to certain additional purchase consideration payments until the end of 2015. The impairment loss was recognized on the basis that sales of the relevant products during the period of the additional purchase contract were lower than previously estimated. However, after NASDAQ criticized the goodwill impairment at the end of 2015, the decision was made to reverse it retrospectively in the 2014 comparative figures. For more information, see page 46.

Other intangible assets amounted to SEK 115.2 (124.8) million, distributed as follows: patents and licenses SEK 29.2 (33.3) million and capitalized development costs SEK 86.0 (91.5) million. Inventories declined to SEK 97.2 (108.4) million. Other financial liabilities amounted to SEK 1.1 (5.1) million. Equity amounted to SEK 546.7 (516.1) million at December 31, 2015. The change in equity during the year is distributed as follows: comprehensive income SEK 79.0 million and dividend to shareholders SEK -48.5 million.

### Investments, depreciation and amortization

Investments totaled SEK 32.1 (32.2) million, while depreciation and amortization was SEK 36.7 (31.9) million. SEK 19.3 (21.7) million of the investments figure was capitalized development expenditure, and SEK 20.7 (18.6) million of total depreciation and amortization was related to amortization of capitalized development costs.

### Research and development

The Company's strategy for research and development is market-driven. Development of new, innovative products is an important instrument of competition and a way of creating opportunities for increased growth. Efforts are mostly aimed at developing new products by improving existing technology and adding new functionality. In the short term, the continuing development of the Extrahera™ platform and new applications for existing products are key growth drivers. The Company's long-term target is a level of gross investment in research and development, before capitalization, of about 10 percent of sales. This investment level was 8 (8) percent in 2015. About one-tenth of the research and development budget is allocated to innovative research on new concepts, and Biotage collaborates with academic research groups within this framework.

### Intellectual property rights

Biotage uses its intellectual property rights as a commercial instrument to create competitive advantages. Patent protection is sought for all strategically important results, including processes, synthesis and

analysis methods, products and applications. In addition to filing patent applications, the Company seeks to register its intellectual property rights in the form of design protection and trademarks. Biotage regularly evaluates its own portfolio of intellectual property rights on a cost-benefit basis. Biotage actively monitors the external environment and third-party intellectual property rights to ensure the Company does not infringe on the rights of others and other parties do not infringe on the rights of the Company. Biotage currently has 125 (139) registered patents and 50 (42) patent applications, divided into 43 (42) patent families. During the year, 6 (5) new patents were granted and 3 (3) new patent applications were submitted.

### Personnel

The Group had 293 (293) employees at the end of the year. Within the framework of the Group's systematic work environment procedures, Biotage performs risk analyses to ensure a good physical and social work environment. Biotage has had relatively low sick leave over the years. Sick leave (including long-term sick leave) for all employees in the Swedish companies was 1.6 percent. Sick leave (including long-term sick leave) for all employees in the UK company was 2.9 percent. The Company invests in health and fitness activities and is prepared to act quickly and take measures should an employee suffer ill-health. In addition to its Work Environment Policy, the Company has an Alcohol and Drug Policy and a Policy on Sexual and Other Harassment. All of the policies include action plans for handling any breaches of the guidelines. The Company's Equal Opportunities and Discrimination Policy is regularly updated and an Equal Opportunities Plan has been prepared for the period 2015-2018. Biotage conducts annual salary analyses in order to ensure equal pay as far as possible.

Biotage Sweden AB has collective agreements with market parties. Other companies in the Group comply with prevailing local regulations and guidelines. The Company applies an individual, performance-based and market-related pay structure.

### Environment

The Company's production has a low environmental impact, as Biotage does not have any manufacturing processes. The Company's production consists primarily of assembly and installation of components, and is conducted in compliance with the European Union's RoHS Directive. The environmental impact of Biotage operations is primarily related to freight and transportation. To reduce this impact, Biotage endeavors to switch from air to sea transport where possible and to optimize packaging by measures such as increasing the number of products in each package and buying packaging material and components locally if it can.

The main environmental impact of the production activities is from the use of energy, although production is not electricity-intensive. The facilities in Cardiff and Lund also generate waste in the form of solvents used in the production process. The Company's aim is to regularly replace these solvents, where possible, with others that have a lower environmental impact. Most of the solvents that are used are recycled. At the Cardiff facility, waste is also generated in the form of packaging materials from incoming goods, which are sorted and sent for recycling where possible. An environmental approach is also important in product development and is an integral part of the process of designing new products.

In 2013, Biotage set up environmental management systems in Lund and Cardiff as part of the program to obtain ISO 14001 certification. Towards the end of 2014, the first part of the audit prior to ISO 14001 certification was conducted for operations in Cardiff, where most of the internal production takes place. Efforts to obtain certification continued in 2015 and the first of two external audits was successfully conducted in January 2016. The second and final audit is scheduled for April 2016, after which certification will be awarded.

### Risks

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Biotage operations are associated with risks in certain areas.

#### Customers and market

The Company has a broad customer base in several different sectors. The fact that no customer accounts for more than five percent of sales reduces the risk of variations in demand arising from fluctuations in certain sectors or customer-specific circumstances. New or less expensive products from competitors could affect the Company's market position. Biotage seeks to establish the broadest possible areas of use for its products and to have sufficient customer segments to ensure that each customer's proportion of sales is kept to a minimum. In recent years, Biotage has worked to broaden its customer base to include users in the environmental and food sectors.

#### Products and technologies

The Company's broad product portfolio reduces sensitivity to product lifecycles and economic fluctuations. New biotechnology takes a relatively long time to establish, and Biotage is unable to guarantee that others will not develop products based on new technologies, which would reduce the competitiveness of the Company's products or make them redundant.

#### Production

Production of systems takes place at contract manufacturers' premises in Sweden and the United States, and at the Company's own facility in Cardiff, Wales. Consumables are produced at the Lund and Cardiff facilities. All of the production facilities have the capacity to increase production at short notice. Dependence on external production capacity could increase the risk of delays or non-delivery, although this risk is considered minimal. Biotage has special staff who closely monitor how suppliers discharge their obligations in terms of quality and delivery times.

#### Personnel

Biotage has a large number of highly skilled, committed and motivated employees, who have developed strong customer relationships. Recruiting and retaining qualified staff is a prerequisite for pursuing the Group's business strategies. Biotage offers its employees competitive employment conditions, scope for input into the Group's products and services, some control over their own duties, and opportunities for personal development through initial training, continuing training and career planning.

#### Competitors

Competition in the Company's market is intense and Biotage often finds itself competing against large, well-established companies with vast financial and industrial resources at their disposal. It is not inconceivable that this competition could lead to lower market shares and reduced profitability for Biotage in the future. Biotage endeavors to maintain a strong market presence and to outperform its competitors in focusing on customer needs.

#### Intellectual property rights

Biotage is dependent on non-patentable business secrets, know-how and continuing technological inventions, and on the ability to obtain and maintain patents to protect its technologies and products. Biotage continuously applies for patent protection for the methods and products it develops. Should the Company be unsuccessful in protecting its patents, business secrets, know-how or technologies, or have insufficient protection against competitors, the Company's competitive position could be undermined and the value of its existing and future products could be adversely affected. Should a party claim that the Company has infringed its intellectual property rights, the Company would be obliged to pay damages if the party were considered to have valid grounds for its claim against Biotage in a

court of law. The Company might also need to initiate proceedings to defend its intellectual property rights. Even if Biotage were to win a case, the process would be time-consuming and costly, and would also take up much of management's time and attention. Biotage endeavors to monitor the development of new products and methods in the external environment as far as possible, and to maintain good technical and legal expertise within its organization.

#### Financial risks

Financial risks include currency risk, interest rate risk, credit risk, liquidity risk and refinancing risk. Currency risk is the most significant financial risk for Biotage, while interest risk and credit risk are less of a priority.

The Group's operating income is exposed to foreign currencies to a greater extent than its operating expenses. Exchange rate movements may shift the relationship between income and expenses and affect the Group's profitability. In order to reduce currency risk, some of the net flows have forward cover. In the long term, currency risk could be reduced if the Group relocated parts of its activities, although this might involve costs and loss of expertise. In addition, the Parent Company has invested in subsidiaries, notably in the U.S., U.K., China and Japan. As a result of these investments, the Group's equity is affected by exchange rate movements in relation to these countries' currencies.

Liquidity risk is primarily the risk of Biotage being unable to convert a financial asset sufficiently quickly at a market price, and incurring unforeseen losses if cash funds need to be released. The Company's financial position and liquidity are satisfactory. The equity ratio is 82 (81) percent. Cash and cash equivalents were SEK 135 (100) million on the reporting date and liabilities to credit institutions were SEK 0.0 (5.0) million. The cash flow statements show a satisfactory positive cash flow from operating activities, providing reasonable assurance that the obligations associated with the current scope of operations can be fulfilled. Consequently, Biotage does not currently have any tangible liquidity or financing risk that leaves the Group dependent on credit facilities or capital contributions for its expansion, resulting in decision-making falling outside the Group's control. Biotage addresses these risks in the long term by focusing strongly on operating profit, financial position and cash flow from operating activities. This will create the conditions for long-term organic growth and confidence among shareholders and lenders.

A description of the Group's financial risks and risk management is presented on pages 44-45.

#### Parent Company

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The Group's Parent Company has wholly-owned subsidiaries in Sweden, the United States, the United Kingdom, Germany, France, Italy, Japan and China. The Parent Company is responsible for Group management, strategic business development and administrative functions at the Group and subsidiary level.

The Parent Company's net sales amounted to SEK 2.7 (2.5) million. Net financial items were SEK 83.0 (65.7) million. The previous year's amount for the item "Profit/loss from investments in group companies" includes SEK -15.6 million relating to impairment of an intra-group receivable in connection with the merger of two subsidiaries in Cardiff, Wales. Profit after financial items amounted to SEK 66.4 (47.1) million. Investments in intangible assets amounted to SEK 1.0 (1.4) million. Cash and bank balances were SEK 0.8 (1.0) million at December 31, 2015.

#### The Biotage share

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Biotage has a total of 64,714,447 outstanding shares. As no shares were acquired under the buy-back program adopted by the 2015 AGM, the Company did not hold any of its own shares on the reporting date. Repurchased shares do not carry any voting rights. Each of the Company's shares gives the right to one vote, and the articles of

association do not contain any restrictions on the number of shares a shareholder may vote at general meetings. There are no restrictions on transferability of shares and the Company is not aware of any agreements between shareholders in this regard.

## Corporate Governance

Biotage has prepared a Corporate Governance Report in accordance with the provisions and implementation guidelines contained in Swedish legislation and the Swedish Corporate Governance Code. The report has been prepared separately from the annual report. The report and related auditors' report are available on the Group's website at [www.biotage.se](http://www.biotage.se) together with other information about corporate governance within Biotage.

## Guidelines for remuneration of senior executives

Current principles and guidelines for remuneration of senior executives adopted by the 2015 AGM are described in note 1 on page 47.

**The Board's proposed guidelines for the remuneration of senior executives are to be presented for adoption at the 2016 annual general meeting.**

The Board proposes that the annual general meeting adopt the following guidelines for remuneration of senior executives. Senior executives consist of the CEO and other members of Group management. The guidelines shall apply to employment contracts entered into after the AGM's decision on the guidelines and to any changes made to existing conditions of employment after the meeting's decision.

The Company shall endeavor to offer the Company's senior executives market salaries. The remuneration committee shall prepare remuneration matters and present proposals for the Board's consideration. Proposals for remuneration shall take into account the importance of duties, expertise, experience and performance. Remuneration shall comprise a fixed annual salary, variable pay, retirement benefits, discretionary payments, other benefits and termination benefits. The Board is entitled to derogate from these guidelines if it believes there is sufficient reason to do so in a particular case.

### CEO

The Company's CEO receives an annual salary of SEK 2,600,000 under the terms of his employment contract. In accordance with the contract, the Company makes a pension provision corresponding to 35 percent of the CEO's fixed annual salary. In addition to the fixed annual salary, the CEO receives variable pay of up to 50 percent of his fixed annual salary. The variable pay is linked to the Company's achievement of defined financial targets.

The CEO receives annual compensation of SEK 100,000 for travel and increased housing costs.

### Other senior executives

This group consists of two individuals, who report directly to the CEO.

All members of Company management receive a fixed annual salary which is in line with market salaries, and variable pay of up to 30 percent of the fixed annual salary. 75 percent of the variable pay is linked to the Company's achievement of defined financial targets. The remaining 25 percent is based on performance-related goals for the individual. The pension provision is up to 30 percent of the fixed salary.

Any new members of Company management can expect the same remuneration conditions.

### Variable pay and performance requirements

The Board is entitled to decide on the criteria for variable pay.

### Discretionary payments

The Board may decide to award a discretionary payment to members

of Company management, including the CEO. Such a discretionary payment may only be made in exceptional circumstances. The discretionary compensation is not covered by the thresholds for senior executives.

### Other benefits

Senior executives may be awarded other customary benefits such as a company car, health care, etc.

### Termination benefits

Salaries during the period of notice and termination benefits for senior executives shall not exceed 24 monthly salaries.

### Equity and share-based incentive programs

Any equity and share-based incentive programs shall be adopted by the Annual General Meeting. Allotment shall be in accordance with the decision of the AGM.

### Previously decided remuneration

There is no previously decided remuneration that is not yet due for payment. A description of existing incentive programs can be found on page 50.

### Remuneration in 2015

For information on remuneration of senior executives in 2015, see note 1 on pages 47-50.

### Significant events after the end of the fiscal year

No significant events occurred after the end of the fiscal year.

### Proposed appropriation of profit

The annual general meeting has the following amounts from the Parent Company at its disposal (SEK):

Retained earnings	487,480,481
Fair value reserve	-66,054,649
Profit for the year	67,114,367
Total	488,540,198

The Board of Directors and CEO propose that the amounts be distributed as follows:

Dividend payment of SEK 1.25 per share to shareholders *)	80,893,059
Carried forward	407,647,139
Total	488,540,198

\*) The proposed total dividend in SEK is the maximum dividend. The Company did not own any of its own shares at March 16, 2015. Any shares the Company acquires under the buy-back program are not eligible for dividends. The proposed dividend in SEK could therefore decline should the Company acquire any of its own shares after March 16, 2016.

The Board proposes an increased dividend of SEK 1.00 (0.75) per share and an extraordinary dividend of SEK 0.25 per share. The proposed dividend of SEK 1.25 per share reduces the Parent Company's equity ratio by 0.3 percentage points to 98.0 percent and the Group's equity ratio by 2.5 percentage points to 79.2 percent. The calculations are based on the Group's statement of financial position and the Parent Company's balance sheet at December 31, 2015.

The Board proposes Monday, May 2, 2016 as the record date, and the dividend payment by Euroclear Sweden AB is expected to be made on Friday, May 6, 2016.

The proposed dividend increase has been made possible by cash generation from operations in 2015. The equity ratio is satisfactory in view of the fact that the Group's operations are expected to continue to be profitable. It is also the assessment that the Group's liquidity can be maintained at a similarly satisfactory level. It is the Board's opinion that the proposed dividend does not prevent the Company from discharging its current and long-term commitments or making necessary investments. The dividend also appears justifiable considering the demands that the nature, scope and risks of the business place on the size of equity. In this regard, the Board of Directors has considered the current economic situation, historical trends and future projections for both the Company and the market. The proposed dividend can therefore be justified pursuant to Chapter 17, section 3, paragraphs 2-3, of the Swedish Companies Act (the precautionary principle).

The earnings and financial position of the Group and the Parent Company are presented in the Group's statement of comprehensive income, statement of financial position and statement of cash flows, the Parent Company's income statement, balance sheet and statement of cash flows, the statements of changes in equity and the accounting policies and notes which follow.

## Definitions

### *Capital employed*

Total assets minus non-interest-bearing liabilities and provisions. Average capital employed is the sum of capital employed at the beginning and end of the fiscal year divided by two.

### *Cash flow from operations per share*

Cash flow from operating activities divided by the number of shares outstanding at the end of the period.

### *Debt/equity ratio*

Interest-bearing liabilities divided by equity.

### *Earnings per share*

Net profit for the period divided by the average number of shares during the period.

### *Equity/assets ratio*

Equity divided by total assets.

### *Equity per share*

Equity divided by the number of shares outstanding at the end of the period.

### *Gross margin, %*

Gross profit divided by net sales.

### *Operating margin*

Operating profit/loss divided by sales.

### *P/E ratio*

Share price divided by earnings per share.

### *P/S ratio*

Stock market price divided by sales per share outstanding at the end of the period.

### *Price/book value per share*

Equity plus or minus the difference between the fair value (market value) and the carrying amount (book value) of assets and liabilities, plus or minus deferred tax assets or liabilities divided by the number of shares.

### *Profit margin*

Operating profit/loss plus finance income divided by sales.

### *Proportion of risk-bearing capital*

The total of equity and deferred tax liabilities in untaxed reserves divided by total assets. As the Group has no untaxed reserves, the proportion of risk-bearing capital is the same as the equity/assets ratio.

### *Return on capital employed*

Profit after financial items plus finance costs divided by average capital employed.

### *Return on equity*

Net profit for the year divided by average equity.

### *Return on total assets*

Profit after financial items plus finance costs divided by average total assets.

### *Total capital*

Total assets. Average total assets is the sum of total assets at the beginning and end of the fiscal year divided by two.



# Five years in summary

Key figures and ratios	Note	2015	2014 <sup>3)</sup>	2013	2012	2011
<i>Group</i>						
Net sales, SEK thousands		610,534	490,381	444,644	462,942	428,408
Growth in net sales, %		24.5	10.3	-4.0	8.1	-0.1
Gross profit, SEK thousands		342,568	266,919	249,583	271,434	246,281
Gross margin, %		56.1	54.4	56.1	58.6	57.5
Operating margin, %		12.2	12.8	8.8	9.5	5.9
Profit margin, %		12.5	14.0	9.1	10.0	6.6
Profit before tax, SEK thousands		76,190	68,361	40,369	38,316	27,986
Total assets, SEK thousands		668,832	632,510	592,247	654,074	699,054
Equity/assets ratio, %		81.7	81.6	80.5	81.2	80.7
Proportion of risk-bearing capital, %		81.7	81.6	80.5	81.2	80.7
Capital expenditure, SEK thousands		31,865	32,177	41,471	40,259	44,554
Average number of employees		293	292	290	280	269
Debt/equity ratio, %		0.0	1.0	1.2	1.0	1.1
Interest cover ratio, times		407.3	207.8	519.1	5.8	141.1
Return on equity, %		12.8	13.0	8.2	7.0	4.6
Return on capital employed, %		10.0	9.5	5.5	6.9	4.9
Return on total assets, %		11.9	11.0	6.5	6.8	4.0
<b>Data per share</b>						
Earnings, SEK/share		1.13	1.00	0.61	0.52	0.42
Earnings after dilution, SEK/share		1.13	1.00	0.61	0.52	0.42
Dividend, SEK/share	1)	0.75	0.60	0.50	0.40	0.25
Stock market price at end of period, SEK/share		24.60	13.10	10.00	8.30	5.20
Equity, SEK/share		8.45	7.98	6.82	7.25	7.08
Equity after dilution, SEK/share		8.45	7.98	6.82	7.25	7.08
Price/book value, SEK/share		8.45	7.98	6.82	7.25	7.08
Price/book value, SEK/share after dilution		8.45	7.98	6.82	7.25	7.08
P/E ratio, times		21.7	13.1	16.3	16.0	12.5
P/S ratio, times		2.6	1.7	1.6	1.3	1.0
Cash flow from operations, SEK/share		1.86	1.25	0.81	1.02	1.19
Weighted average number of shares, thousands	2)	64,714	64,714	68,139	73,258	78,094
Weighted average number of shares, after dilution, thousands	2)	64,714	64,714	68,139	73,258	78,094
Total number of shares outstanding at end of the period, thousands	2)	64,714	64,714	69,861	73,256	79,638
Total number of shares outstanding at end of the period after dilution, thousands	2)	64,714	64,714	69,861	73,256	79,638

1) The Board recommends that the AGM adopt a dividend of SEK 1.00 per share and an extraordinary dividend of SEK 0.25 per share for the fiscal year 2015.

2) During the years covered by the summary, the Parent Company Biotage AB repurchased the Company's own shares, which has affected the average number of shares outstanding. The number of shares on the reporting date in each year includes the repurchased shares that were in the Company's possession on that reporting date. The repurchased shares have been withdrawn following a resolution adopted by the AGM.

3) The 2014 figures include a positive one-time item of SEK 13.5 million attributable to the revaluation of the additional purchase consideration provision. See note 6.

## Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	Note	2015	2014
Net sales	2	610,534	490,381
Cost of sales	1,2,4,5,6	-267,967	-223,462
<b>Gross profit</b>		<b>342,568</b>	<b>266,919</b>
Distribution costs	1,2,4,5	-169,447	-139,201
Administrative expenses	1,2,3,4,5	-52,159	-47,650
Research & development expenses	1,2,4,5	-49,528	-38,450
Other operating income	6	3,363	21,720
Other operating expenses		-10	-525
Total operating expenses		-267,781	-204,106
<b>Operating profit</b>		<b>74,787</b>	<b>62,813</b>
Finance income	7	1,590	5,879
Finance costs	7	-188	-330
Net financial items		1,403	5,548
<b>Profit before tax</b>		<b>76,190</b>	<b>68,361</b>
Income tax	8	-2,935	-3,749
<b>Profit/loss for the year</b>		<b>73,255</b>	<b>64,612</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss for the year</i>			
Exchange differences from translation of foreign subsidiaries		5,718	13,861
Cash flow hedges		70	-176
<b>Total other comprehensive income</b>		<b>5,788</b>	<b>13,685</b>
<b>Total comprehensive income for the year</b>		<b>79,043</b>	<b>78,297</b>
Profit/loss for the year attributable to owners of the Parent		73,255	64,612
Total comprehensive income attributable to owners of the Parent		79,043	78,297
Average number of shares outstanding		64,714,447	64,714,447
Average number of shares outstanding after dilution		64,714,447	64,714,447
Ordinary shares outstanding on the reporting date		64,714,447	64,714,447
Earnings per share		1.13 SEK	1.00 SEK
Earnings per share after dilution		1.13 SEK	1.00 SEK
Total earnings per share		1.22 SEK	1.21 SEK
Total comprehensive income per share after dilution		1.22 SEK	1.21 SEK

### Quarterly Summary for 2014 and 2015

Amounts in SEK thousands	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q3	Q1
Net sales	168,548	149,697	148,115	144,175	137,757	118,525	120,383	113,717
Cost of sales	-74,241	-65,865	-63,665	-64,196	-62,848	-53,868	-54,724	-52,022
<b>Gross profit</b>	<b>94,307</b>	<b>83,832</b>	<b>84,450</b>	<b>79,978</b>	<b>74,909</b>	<b>64,656</b>	<b>65,659</b>	<b>61,695</b>
Gross margin	56.0%	56.0%	57.0%	55.5%	54.4%	54.6%	54.5%	54.3%
Operating expenses	-74,153	-64,856	-66,746	-62,026	-47,700	-52,065	-52,110	-52,231
<b>Operating profit</b>	<b>20,154</b>	<b>18,976</b>	<b>17,704</b>	<b>17,952</b>	<b>27,209</b>	<b>12,591</b>	<b>13,549</b>	<b>9,464</b>
Net financial items	-744	549	-346	1,944	3,577	-865	2,384	451
<b>Profit before tax</b>	<b>19,411</b>	<b>19,525</b>	<b>17,358</b>	<b>19,896</b>	<b>30,786</b>	<b>11,727</b>	<b>15,933</b>	<b>9,916</b>
Tax	1,310	-1,252	-1,701	-1,292	-633	-728	-539	-1,850
<b>Profit/loss for the period</b>	<b>20,721</b>	<b>18,273</b>	<b>15,658</b>	<b>18,604</b>	<b>30,153</b>	<b>10,998</b>	<b>15,394</b>	<b>8,066</b>

## Consolidated Statement of Financial Position

Amounts in SEK thousands	Note	2015-12-31	2014-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	9	44,719	43,057
Goodwill	10	104,023	104,023
Other intangible assets	11	115,170	124,822
Financial assets	12	692	808
Deferred tax asset	19	47,626	44,765
<b>Total non-current assets</b>		<b>312,228</b>	<b>317,474</b>
<b>Current assets</b>			
Inventories	13	97,182	108,379
Trade and other receivables	14,15	124,536	106,612
Cash & cash equivalents		134,885	100,045
<b>Total current assets</b>		<b>356,604</b>	<b>315,036</b>
<b>Total assets</b>		<b>668,832</b>	<b>632,510</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital		89,953	89,953
Other paid-in capital		–	4,993
Reserves		-88,616	-94,404
Retained earnings		545,320	515,608
<b>Total equity</b>		<b>546,657</b>	<b>516,150</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	7	–	4,537
Other financial liabilities	15,16,17	1,075	5,072
Deferred tax liabilities	19	1,948	2,465
Non-current provisions	18	1,468	1,369
<b>Total non-current liabilities</b>		<b>4,491</b>	<b>13,444</b>
<b>Current liabilities</b>			
Trade and other payables	15,20	109,973	98,457
Other financial liabilities	17	3,423	1,900
Tax liabilities		2,317	848
Liabilities to credit institutions	7	–	502
Current provisions	18	1,970	1,210
<b>Total current liabilities</b>		<b>117,684</b>	<b>102,916</b>
<b>Total equity and liabilities</b>		<b>668,832</b>	<b>632,510</b>
Pledged assets	22	63,733	63,949
Contingent liabilities	22	–	–

## Consolidated Statement of Changes in Equity

Amounts in SEK thousands	Share capital	Other paid-in capital	Translation reserve	Hedging reserve	Retained earnings	Total equity
<b>Opening balance January 1, 2014</b>	<b>89,423</b>	<b>4,993</b>	<b>-108,266</b>	<b>176</b>	<b>490,447</b>	<b>476,774</b>
<b>Changes in equity in 2014</b>						
Profit/loss for the year	-	-	-	-	64,612	64,612
<i>Other comprehensive income:</i>						
Cash flow hedges	-	-	-	-176	-	-176
Exchange differences on translation of net investments in foreign subsidiaries	-	-	13,861	-	-	13,861
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>13,861</b>	<b>-176</b>	<b>64,612</b>	<b>78,297</b>
<b>Transactions with owners of the parent</b>						
Cancellation of repurchased shares *)	-6,588	-	-	-	6,588	-
Bonus issue *)	7,119	-	-	-	-7,119	-
Dividend to shareholders of the parent	-	-	-	-	-38,829	-38,829
Share buy-back, parent company *)	-	-	-	-	-93	-93
<b>Closing balance December 31, 2014</b>	<b>89,953</b>	<b>4,993</b>	<b>-94,404</b>	<b>0</b>	<b>515,607</b>	<b>516,150</b>
<b>Changes in equity in 2015</b>						
Profit/loss for the year	-	-	-	-	73,255	73,255
<i>Other comprehensive income:</i>						
Cash flow hedges	-	-	-	70	-	70
Exchange differences on translation of net investments in foreign subsidiaries	-	-	5,718	-	-	5,718
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>5,718</b>	<b>70</b>	<b>73,255</b>	<b>79,044</b>
<b>Transactions with owners of the parent</b>						
Dividend to shareholders of the parent	-	-	-	-	-48,536	-48,536
Reclassification of completed option program	-	-4,993	-	-	4,993	-
<b>Closing balance December 31, 2015</b>	<b>89,953</b>	<b>-</b>	<b>-88,687</b>	<b>70</b>	<b>545,320</b>	<b>546,657</b>

\*) Repurchased shares, cancellation of repurchased shares and bonus issue.

The 2015 AGM granted the Board a mandate to continue to allow the Company to buy back shares in the period up to the 2016 AGM, provided the Company's holding of repurchased shares did not exceed ten percent of the number of registered shares. There were no holdings of own shares on the reporting date, December 31, 2015.

## Consolidated Statement of Cash Flows

Amounts in SEK thousands	Note	2015	2014
<b>Operating activities</b>			
Profit before tax		76,190	68,361
Adjustments for non-cash items		45,921	31,654
		<b>122,111</b>	<b>100,016</b>
Income tax paid		-1,638	-4,631
<b>Cash flow from operating activities before changes in working capital</b>		<b>120,473</b>	<b>95,384</b>
<i>Cash flow from changes in working capital:</i>			
Increase (-)/decrease (+) in inventories		11,196	-22,492
Increase (-)/decrease (+) in trade receivables		-16,799	-9,702
Increase (-)/decrease (+) in other current receivables		-6,499	1,916
Increase (+)/decrease (-) in other liabilities		11,708	15,800
<b>Cash flow from operating activities</b>		<b>120,078</b>	<b>80,906</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-21,195	-23,410
Acquisition of property, plant & equipment		-10,834	-8,767
Acquisition of financial assets		-96	-
Sale of financial assets		261	-
<b>Cash flow from investing activities</b>		<b>-31,865</b>	<b>-32,177</b>
<b>Financing activities</b>			
Dividend to shareholders		-48,536	-38,829
Share buy-back		-	-93
New borrowing		-	1,391
Repayment of borrowings		-6,698	-3,894
<b>Cash flow from financing activities</b>		<b>-55,234</b>	<b>-41,425</b>
<b>Cash flow for the year</b>		<b>32,980</b>	<b>7,304</b>
Cash & cash equivalents at beginning of year		100,045	90,769
Exchange differences		1,861	1,972
<b>Cash &amp; cash equivalents at end of year</b>		<b>134,885</b>	<b>100,045</b>
<b>Additional disclosures</b>			
<i>Adjustments for non-cash items:</i>			
Depreciation and impairment	5	40,679	33,869
Other items		5,242	-2,215
<b>Total</b>		<b>45,921</b>	<b>31,654</b>
Interest received		46	128
Interest paid		-93	-292



## Income Statement, Parent

Amounts in SEK thousands	Note	2015	2014
Net sales	2	2,720	2,502
Administrative expenses	1,2,3,4	-17,034	-18,437
Research & development expenses	2,5	-2,470	-2,398
Other operating income	6	274	11
Other operating expenses		-103	-266
Operating expenses, net		-19,332	-21,090
<b>Operating profit</b>		<b>-16,612</b>	<b>-18,588</b>
<i>Profit/loss from financial investments:</i>			
Interest income on receivables from group companies		138	2,383
Interest expense from liabilities to group companies		-1,293	-3,614
Profit/loss from investments in Group companies		45,063	38,124
Other interest and similar income		2	1,818
Interest and similar expense		-72	-
Group contributions received		39,127	27,011
Net financial items	7	82,966	65,723
<b>Profit/loss after financial items</b>		<b>66,354</b>	<b>47,135</b>
Income tax	8,19	760	-149
<b>Profit/loss for the year</b>		<b>67,114</b>	<b>46,986</b>

## Statement of Comprehensive Income, Parent

Amounts in SEK thousands	2015	2014
Profit/loss for the year	67,114	46,986
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss for the year</i>		
Exchange differences on translation of receivables from foreign subsidiaries	-	-
<b>Comprehensive income for the year</b>	<b>67,114</b>	<b>46,986</b>

## Balance Sheet, Parent

Amounts in SEK thousands	Note	2015-12-31	2014-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Patents and licenses	11	8,386	8,224
<i>Financial assets</i>			
Investments in group companies	21	468,128	468,128
Receivables from group companies	23	11,241	14,763
Deferred tax asset	19	38,271	37,511
		517,640	520,403
<b>Total non-current assets</b>		<b>526,026</b>	<b>528,627</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from group companies	23	59,945	61,791
Other receivables	14	584	498
Prepayments and accrued income	14	1,070	964
		61,599	63,254
Cash and bank balances		813	974
<b>Total current assets</b>		<b>62,412</b>	<b>64,227</b>
<b>Total assets</b>		<b>588,438</b>	<b>592,854</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		89,953	89,953
<i>Unrestricted equity</i>			
Fair value reserve		-66,055	-66,055
Retained earnings		487,480	489,030
Profit/loss for the year		67,114	46,986
		488,540	469,962
<b>Total equity</b>		<b>578,493</b>	<b>559,915</b>
<i>Non-current liabilities</i>			
Other financial liabilities	16,17	–	3,850
<i>Current liabilities</i>			
Other financial liabilities	17	3,423	1,900
Trade payables	20	499	769
Liabilities to group companies	23	643	21,391
Other current liabilities	20	123	778
Accruals and deferred income	20	5,257	4,251
		9,944	29,089
<b>Total equity and liabilities</b>		<b>588,438</b>	<b>592,854</b>
Pledged assets	22	22,500	22,500
Contingent liabilities	22	–	–

## Statement of Changes in Equity, Parent

Amounts in SEK thousands	Share capital	Fair value reserve	Retained earnings	Total equity
<b>Opening balance January 1, 2014</b>	<b>89,423</b>	<b>-66,055</b>	<b>528,482</b>	<b>551,851</b>
<b>Changes in equity in 2014</b>				
Profit/loss for the year	-	-	46,986	46,986
<i>Other comprehensive income:</i>				
Exchange differences on translation of receivables from foreign subsidiaries	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>46,986</b>	<b>46,986</b>
<i>Owner transactions:</i>				
Cancellation of repurchased shares *)	-6,588	-	6,588	-
Bonus issue *)	7,119	-	-7,119	-
Dividend to shareholders of the parent	-	-	-38,829	-38,829
Share buy-back *)	-	-	-93	-93
<b>Closing balance December 31, 2014</b>	<b>89,953</b>	<b>-66,055</b>	<b>536,016</b>	<b>559,915</b>
<b>Changes in 2015</b>				
Profit/loss for the year	-	-	67,114	67,114
<i>Other comprehensive income:</i>				
Exchange differences on translation of receivables from foreign subsidiaries	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>67,114</b>	<b>67,114</b>
<i>Owner transactions:</i>				
Dividend to shareholders of the parent	-	-	-48,536	-48,536
<b>Closing balance December 31, 2015</b>	<b>89,953</b>	<b>-66,055</b>	<b>554,594</b>	<b>578,493</b>

\*) Repurchased shares, cancellation of repurchased shares and bonus issue.

The 2015 AGM granted the Board a mandate to continue to allow the Company to buy back shares in the period up to the 2016 AGM, provided the Company's holding of repurchased shares did not exceed ten percent of the number of registered shares. There were no holdings of own shares on the reporting date, December 31, 2015.

## Statement of Cash Flows, Parent

Amounts in SEK thousands	Note	2015	2014
<b>Operating activities</b>			
Profit/loss after financial items		66,354	47,135
Adjustments for non-cash items		-38,266	-43,481
		28,088	3,654
Income tax paid		–	–
<b>Cash flow from operating activities before changes in working capital</b>		<b>28,088</b>	<b>3,654</b>
<i>Cash flow from changes in working capital:</i>			
Increase (-)/decrease (+) in other current receivables		44,231	50,848
Increase (+)/decrease (-) in other liabilities		-20,667	-40,502
<b>Cash flow from operating activities</b>		<b>51,652</b>	<b>14,000</b>
<b>Investing activities</b>			
Acquisition of intangible assets	11	-950	-1,017
<b>Cash flow from investing activities</b>		<b>-950</b>	<b>-1,017</b>
<b>Cash flow from financing activities</b>			
Change in other financial liabilities		-2,327	-3,200
Dividend to shareholders of the parent		-48,536	-38,829
Share buy-back		–	-93
<b>Cash flow from financing activities</b>		<b>-50,863</b>	<b>-42,121</b>
<b>Cash flow for the year</b>		<b>-161</b>	<b>-29,138</b>
Cash & cash equivalents at beginning of year		974	30,112
<b>Cash &amp; cash equivalents at end of year</b>		<b>812</b>	<b>974</b>
<b>Additional disclosures:</b>			
<i>Adjustments for non-cash items:</i>			
Depreciation and impairment	5,21	788	779
Group contributions		-39,126	-27,012
Reversal of impairment of intra-group receivables		0	-15,579
Other non-cash items		73	-1,669
<b>Total</b>		<b>-38,266</b>	<b>-43,481</b>
Interest received		2,490	2,523
Interest paid		-1,292	-3,604

# Summary of Significant Accounting and Measurement Policies for the Group and Parent Company

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## 1. Introductory information

The Company's consolidated annual financial statements and the Parent Company's annual financial statements for the fiscal year ending December 31, 2015 were approved by the Board and CEO for publication on March 21, 2016 and will be presented for adoption at the annual general meeting on April 28, 2016.

The consolidated financial statements include the Parent Company Biotage AB (the Company) and its subsidiaries, which together are referred to as the Group or Biotage. The Parent Company is a Swedish public limited liability company. The address of the registered office is Vimpelgatan 5, 751 03 Uppsala, and this is where the Group's management and central functions are located. The Company's shares are listed on NASDAQ OMX Stockholm.

Biotage offers effective separation technology, from analysis to industrial scale, and high-quality solutions for analytical chemistry in everything from research to commercial analytical laboratories. Users of Biotage products include public authorities, academic institutions, pharmaceutical companies and the food industry. Biotage has about 290 employees and reported net sales of SEK 611 million in 2015. The Group has offices in Sweden, the United States, the United Kingdom, China and Japan.

## 2. Basis of preparation

### Statement of compliance with reporting standards

The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* (IFRS) issued by the *International Accounting Standards Board* (IASB), as adopted by the European Union, effective for periods beginning on or after January 1, 2015. The Group also applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, *Supplementary Accounting Rules for Groups*. Differences between the Parent Company's and the Group's accounting policies are described in Section 8. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements and to the financial statements of companies in the Biotage Group.

### New and amended standards and interpretations applicable for 2015

New and amended standards and interpretations from the IASB and IFRS have not had any material effect on the Group's financial reports.

### New and amended standards and interpretations not yet effective

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard has been issued in phases, with the version issued in July 2014 replacing all previous versions. Application of IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018. The standard has not yet been adopted by the EU. IFRS 9 contains new requirements for classification and measurement of financial instruments, derecognition and impairment, as well as general rules on hedge accounting.

Macro hedge accounting was originally part of the IFRS 9 project but is subsequently being treated as a separate project. Management has not yet made a detailed analysis of the effects of the application of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* will replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. The basic principle for revenue recognition under IFRS 15 is that an entity should recognize revenue in a manner that reflects the transfer of the promised goods or services to the customer, and at the amount to which the entity expects to be entitled in exchange for the goods or services. Revenue is recognized when the customer obtains control of the goods or service. IFRS 15 provides extensive guidance for specific areas and there are also a number of disclosure requirements. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and earlier application is permitted. The standard has not yet been adopted by the EU. Management has not yet made a detailed analysis of the effects of the application of IFRS 15.

Under IFRS 16 *Leases*, all assets that Biotage holds under a lease are recognized as assets and liabilities (including leases for premises), and depreciation and interest charges are recognized separately in the income statement. Biotage has not yet assessed the effects of the introduction of IFRS 16, but the standard will mean an increase in lease assets and financial liabilities in the statement of financial position. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2019. The standard has not yet been adopted by the EU.

However, it is management's assessment that other new and amended standards and interpretations are not likely to have any material effect on the Group's financial reports in the period of initial application.

### Functional currency and presentation currency

Financial statements for Biotage are reported in Swedish kronor (SEK), which is the Parent Company's functional currency and the presentation currency for the Group's financial reporting. Unless otherwise stated, amounts are reported in SEK thousands.

### Basis of measurement

Assets, liabilities, contingent assets and contingent liabilities are measured at cost, apart from certain financial assets and liabilities, which are measured at fair value.

### Use of accounting estimates

Preparation of financial statements in accordance with IFRS, Swedish legislation and generally accepted accounting principles requires management to make critical judgments, accounting estimates and assumptions which affect the application of the accounting policies. These accounting estimates take into account internal and external circumstances and the Group's goals and strategic plans. If the actual outcome differs from these accounting estimates, this may have an effect on the Group's future financial position and performance.

Accounting estimates and assessments are regularly reviewed. Changes in accounting estimates are recognized in the period of the change if the change only affects that period. Changes are recognized in the period of the change and future periods if the change affects both. Information about complex areas that require a high degree of estimation or where accounting estimates are of key significance to the consolidated financial statements can be found in Section 10, Significant accounting estimates.

### Classification

Non-current assets, liabilities and provisions are essentially amounts that are expected to be recovered or paid more than 12 months after the reporting date. Current assets, liabilities and provisions are amounts expected to be recovered or settled within 12 months of the reporting date. Investments in financial instruments for managing temporary excess liquidity are classified as cash & cash equivalents if they have an original maturity of three months



or less. Financial instruments with an original maturity of over three months are classified as other short-term investments.

### 3. Consolidation and business combinations

#### Consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries. The financial statements of companies included in the consolidated financial statements relate to the same period and are prepared using the Group's accounting policies. All intra-group balances, income, expenses, gains and losses arising from transactions between consolidated companies are eliminated in their entirety.

The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition, which is the date on which the Parent Company obtains control, until the date on which control ceases. Control exists when the Parent Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. The Group's structure is shown in note 21.

#### Business combinations

The consolidated financial statements have been prepared using the acquisition method. The purchase consideration consists of the fair value of assets acquired and liabilities incurred by Biotage to the former owners and the fair value of the shares issued by the Group. Contingent consideration is a liability incurred by Biotage to former owners and is recognized at the acquisition-date fair value and included in the cost of acquisition. Subsequent changes in fair value are recognized in the income statement. The fair value of identifiable acquired assets, liabilities and contingent liabilities is determined at the acquisition date. Financial assets and financial liabilities (e.g., contingent consideration), which are subsequently measured at fair value through profit or loss are initially recognized at fair value. Identifiable assets and liabilities also include assets, liabilities and provisions (including obligations and claims from external parties) which are not recognized in the balance sheet of the acquiree. For business combinations where the total of the purchase consideration transferred, non-controlling interests (if any) and the acquisition-date fair value of the acquirer's previous equity interest in the acquiree exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill in the statement of financial position. If on acquisition of a subsidiary the fair value of acquired assets, liabilities and contingent liabilities is higher than cost, the surplus is recognized immediately in the income statement. Acquisition costs are recognized in the income statement in the period in which they are incurred.

### 4. Segment reporting

Segment information is required to be presented using a management approach, and operating segments are identified on the basis of internal reporting to the chief operating decision-maker, which in the case of Biotage is the Group's CEO. In the internal reporting system used by the CEO to review operating results and make decisions about the allocation of resources, financial information is presented for the Group as a whole. Consequently, the Group consists of one operating segment, and for this reason Biotage does not report separate segment information.

### 5. Foreign currency translation

#### Functional currency and presentation currency

Items in the individual financial statements of each Group entity are presented in the currency used in the area in which the entity operates (its functional currency). The consolidated financial statements are presented in Swedish kronor, which is the Parent Company's functional currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions.

Exchange gains and losses arising on settlement of these transactions and on translation of foreign currency monetary assets and liabilities using the closing rate are recognized in profit or loss.

Foreign currency receivables and liabilities are translated to Swedish kronor at the closing rate. Unrealized exchange gains and losses on operating receivables and liabilities are recognized in operating profit or loss, while unrealized exchange gains and losses on financial assets and liabilities are recognized in net financial items.

A monetary item receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, is a part of the Company's net investment in that foreign operation. Exchange differences arising on the translation of such monetary items are recognized in other comprehensive income.

#### Group companies

The results and financial position of Group companies (none of which has a functional currency that is the currency of a hyperinflationary economy) are translated into the Group's presentation currency using the following procedures:

- (i) assets and liabilities are translated at the closing rate;
- (ii) income and expenses are translated at the average exchange rate for the reporting period. On consolidation, exchange differences arising from the translation of the net investment in foreign operations and the translation of borrowings and other currency instruments designated as hedges of such investments are accounted for in other comprehensive income. When a foreign operation is disposed of, these exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiree.

### 6. Items in the consolidated statement of financial position

#### 6.1 Intangible assets

Intangible assets are recognized at cost less accumulated amortization and impairment. The useful life of each intangible asset is determined and amortization is applied on a straight-line basis over the useful life. Intangible assets with an indefinite useful life are not amortized; instead, they are tested for impairment when the annual financial statements are prepared or when there is an indication of a decline in value. The useful life of goodwill is generally assumed to be indefinite. The useful life of acquired technology-based assets is 3-10 years.

#### Capitalized development expenditure

Expenditure on development projects is recognized as an asset in the consolidated financial statements when it is probable that the projects will generate future economic benefits. If a business combination gives the Group access to products, technological equipment or processes it did not previously have and utilization of these is expected to provide economic benefits for the Group, a value for these technology-based intangible assets may be reported in the consolidated statement of financial position.

The purpose of development projects is to develop new products and improve existing ones. Because development of products in the areas in which Biotage is active is a long process, it is not uncommon for a development project to span several fiscal years. Reporting and control of development expenses takes place through project reporting, which is part of the Group companies' ERP system.

Development projects are classified as Product Care, Pre-Study or Product Development. Expenditure associated with Product Care projects is recognized immediately as an expense. Pre-Study projects in the

research phase are recognized immediately as an expense. When a project moves from the research phase to the development phase, and it can be demonstrated how the intangible asset will generate probable future economic benefits, and it meets the criteria in IAS 38 for capitalization of internally-generated intangible assets, it is reclassified as Product Development. The development phase is aimed at producing new technology or a new product and ends when the technology is placed in service or the new product is launched in the Group's sales markets.

The amortization period for capitalized development costs begins when the fully developed asset is available for use in the manner intended. In many cases, this is when the new product is launched. Amortization is on a straight-line basis over a period of time and is based on an assessment of the product's estimated useful life. Capitalized development costs for Biotage can be divided into systems, consumables, software and applications. The estimated useful life for systems and consumables is 7 years, and for software and applications 3 years. Useful life expectations are based on the Company's experience of the lifespans of its products and on its innovation cycles, i.e., the intervals at which the Company could be expected to launch new products to replace, or partly replace, previous ones. These useful life assumptions are reviewed regularly during impairment testing, which is conducted on an individual level annually or more frequently if there is an indication of impairment.

#### Market and customer-related intangible assets

Patent and license rights and trademarks are recognized at cost less accumulated amortization. The amortization period for patents is normally 10 years, but never longer than the patent term. Amortization begins when the first national patent is granted. The patent portfolio is also regularly evaluated to identify any need for additional amortization. License rights are amortized over their duration. The useful life of trademarks is 10 years.

#### Goodwill

Goodwill is recognized as an intangible asset at cost less accumulated impairment in the balance sheet. For business combinations where the total of the purchase consideration transferred, non-controlling interests (if any) and the acquisition-date fair value of the acquirer's previous equity interest in the acquiree exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill. Goodwill is tested for impairment annually or more frequently if there are indications of a decline in value. The carrying amount of goodwill is compared with its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized as an expense in the income statement.

For impairment testing, goodwill is allocated to the smallest cash-generating unit in the Company in which the goodwill in question is monitored during internal control. See also Section 10, Significant accounting estimates, on page 45, which describes the estimates and assumptions made during impairment testing.

#### Software licenses

Acquired software licenses are capitalized on the basis of the expenditure incurred when the software itself is acquired and placed in service. Amortization is applied over the useful life, which is 3 to 7 years.

#### 6.2 Property, plant & equipment

Items of property, plant & equipment are recognized at cost less accumulated depreciation and impairment losses. These assets include factories, offices, testing instruments, production tools, computers and peripherals and office and warehouse equipment. The cost of property, plant & equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. The cost of an item of property, plant & equipment is recognized as an asset on initial

measurement, as is the cost of major spare parts if it is probable that future economic benefits associated with the asset will flow to the Group. Other costs are recognized as an expense in the period in which they are incurred.

Depreciation is applied on a straight-line basis over the asset's estimated useful life. Parts of an item of property, plant and equipment which constitute a large proportion of the asset's total cost and which have different useful lives are treated as separate components of property, plant & equipment and are subject to separate depreciation.

*The following useful lives apply:*

Land	No depreciation
Site improvements	10-20 years
Buildings	30-40 years
Production tools	3-7 years
Improvement of 3rd-party property	2-10 years
Computers	3-4 years
Other property, plant & equipment	3-5 years

The gain or loss arising from the disposal of an item of property, plant & equipment is the difference between the selling price and the asset's carrying amount, and is reported under other operating income or other operating expenses.

#### 6.3 Financial assets

Financial assets are accounted for in accordance with the description in section 6.6 Financial instruments.

#### 6.4 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, it is classified as an operating lease. The Group recognizes finance leases as assets and a corresponding liability is recognized on initial recognition. An asset leased under a finance lease is subject to depreciation over its estimated useful life, while minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Leased assets held under operating leases are not recognized in the balance sheet. The lease payments are recognized in the income statement on a straight-line basis over the lease term.

In financial and cost terms, the scope of the Group's leases is limited. The leases are mainly rental agreements for premises. All the Group's leases and rental agreements are classified as operating leases.

#### 6.5 Inventories

Inventories are measured using the "lower value" principle, i.e., the lower of cost and net realizable value. Cost is measured using the FIFO method. The cost of finished goods and work in progress consists of design costs, raw materials, direct labor, other direct costs and related indirect manufacturing costs. Borrowing costs are not included in cost. The net realizable value is the estimated selling price in the ordinary course of business less costs of completion and costs necessary to make the sale.

#### 6.6 Financial instruments

Financial instruments reported in the statement of financial position include securities, other financial receivables, trade and other receivables, cash & cash equivalents, trade payables, loans, other liabilities and derivatives.

#### Recognition in the statement of financial position

Financial assets are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are recognized when an invoice has been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay.

A financial asset or part of a financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred or the Group no longer has control of it. Financial liabilities are derecognized when the contractual obligation has been discharged or extinguished in some other way.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of an event. Typical events include a significantly weakened financial position for the other party or non-payment of past due amounts.

A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognized amounts, and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Measurement and classification

On initial recognition, a financial instrument is classified according to the purpose for which it was acquired. The definitions of the different categories are such that a financial instrument may be classified in more than one category. Financial assets and financial liabilities which are not subsequently measured at fair value through profit or loss are initially recognized at fair value, plus or minus transaction costs. Financial assets and financial liabilities which are subsequently measured at fair value through profit or loss are initially recognized at fair value. Financial instruments are subsequently measured at amortized cost or fair value, depending on their initial classification in accordance with IAS 39. IAS 39 classifies financial instruments in the following categories:

##### 1. Financial assets and liabilities at fair value through profit or loss

This category comprises three types of items:

- Financial assets and liabilities held for trading. These are items that are held for the main purpose of short-term profit-taking.
- Derivatives that are not effective hedging instruments.
- Designated – other financial assets or liabilities the Company has chosen to report in this category.

##### 2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity which an entity has the positive intention and ability to hold to maturity.

##### 3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables, other receivables and other non-current receivables.

##### 4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

##### 5. Other liabilities

Financial liabilities that are not measured at fair value through profit or loss are classified as other liabilities.

After the date of acquisition, financial instruments classified as *Financial assets and liabilities at fair value through profit or loss* and *Available-for-sale financial assets* are measured at fair value. Financial instruments in the categories *Held-to-maturity investments*, *Loans and receivables* and *Other liabilities* are subsequently measured at amortized cost using the effective interest method.

Amortized cost is the amount at which an asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest rate is the rate that discounts all estimated future cash payments or receipts through the expected life of the financial instrument to the initially recognized carrying amount of the financial asset or liability.

For a description and definition of fair value measurement, see note 16.

#### Derivatives and hedge accounting

Derivatives are recognized on the contract date and are subsequently measured at fair value. Under the Group's financial policy, derivative financial instruments may only be held for hedging purposes. In its hedge accounting, the Group uses cash flow hedges and fair value hedges. Derivatives held by Biotage consist of forward contracts which are used to hedge currency risk associated with external and internal flows of products and services. In accordance with IAS 39, the portion of the gain or loss on a derivative designated as a cash flow hedge that is determined to be an effective hedge is recognized in other comprehensive income, and the accumulated changes in fair value are recognized in the hedging reserve in equity. Any gain or loss on the ineffective portion of the hedge is recognized immediately in profit or loss. Amounts in the hedging reserve are recycled into profit or loss in the same period in which the hedged item affects profit or loss. Biotage hedges currency risk in accordance with the Board's established financial policies. Currency hedging is based on the expected difference between the cash flow in Swedish krona and other currencies.

#### Other information about financial instruments

##### Trade receivables

Trade receivables are classified as *Loans and receivables*. Trade receivables are reported net of provision for doubtful debts. As trade receivables are of short duration, they are measured at nominal amounts without discounting, using the amortized cost method. A provision for doubtful debts is recognized when there are objective grounds for assuming that the Group will not receive all amounts due under the original terms and conditions. The size of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The provision amount is recognized in the income statement.

##### Non-current securities and other financial assets

Non-current receivables are classified as *Loans and receivables*. An impairment loss is recognized for a financial asset when there is objective evidence that the asset's cash flows are affected by events occurring after its initial recognition.

##### Trade payables

Trade payables are classified as *Other liabilities*. As trade payables are of short duration, they are measured at nominal amounts without discounting, using the amortized cost method.

##### Loans

Amounts due to credit institutions, bank overdrafts and other liabilities are categorized as *Other liabilities* and measured at amortized cost. Any transaction costs are distributed over the term of the loan using the effective interest method. Non-current liabilities are due for settlement more than 12 months after the reporting date, while current liabilities are due within 12 months of the reporting date.

#### 6.7 Taxes

Income tax consists of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized

in OCI or directly in equity, in which case the related tax effect is also recognized in OCI or equity.

A current tax liability or asset is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the current year and prior years.

A deferred tax liability or asset is recognized for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases or the carryforward of unused tax losses and credits. Biotage does not recognize deferred tax liabilities or assets for temporary differences arising from non-deductible goodwill or the initial recognition of an asset or liability which does not affect accounting profit or taxable profit or loss.

Deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the deferred tax asset can be utilized. Deferred tax is measured using national tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Group has legal entities with tax losses that can be utilized.

## 6.8 Provisions

Provisions for restructuring are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Group's restructuring provisions include the cost of lease cancellation and termination benefits to employees. Provisions are not recognized for future operating losses.

Provisions for warranties for products sold during the year are based on the warranty terms & conditions and historical warranty costs and quality rates. Provisions are classified as non-current and current items. Non-current obligations will not require an outflow of resources during the next 12 months. All other obligations are classified as current.

## 6.9 Share capital

All issued shares are ordinary shares, which are classified as equity. At the beginning of 2014, the Company had outstanding options issued to the Group's senior executives, which expired in 2014. See also page 50. Transaction costs directly attributable to the issue of new shares or options are recognized in equity, net of tax, as a deduction from the issue proceeds.

## 7. Items in the consolidated income statement

### 7.1 Revenue recognition

Revenue is the fair value of the consideration received or receivable from goods sold or services rendered in the course of the Group's ordinary activities, excluding VAT and discounts, and after elimination of intra-group sales.

### Sale of goods

The Group develops and sells systems, re-agents, accessories, spare parts and services on a global basis directly to end users through its subsidiaries, and through distributors. Revenue from the sale of goods is recognized when the amount of revenue can be measured reliably, the significant risks and rewards of ownership of the goods have been transferred to the buyer and the customer has confirmed acceptance of the goods, which normally happens on delivery.

### Rendering of services

Revenue associated with a transaction involving the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period. Sales of services by Biotage include servicing of systems and customer-specific development projects.

### Interest income

Interest income is distributed over the term of the interest-bearing investment using the effective interest method.

### 7.2 Cost of sales

Cost of sales comprises payment of sub-contractors when the Company uses other manufacturers, raw materials for production, salaries and other personnel expenses for production staff, costs of premises, packing and freight costs, depreciation of production facilities and other facilities used in production and a share of common costs.

### 7.3 Employee benefits

#### Retirement benefit obligations

The Group's pension plans are funded by contributions to insurance policies. They are all defined-contribution plans. Defined-contribution plans are plans under which companies pay fixed contributions into a separate entity (a fund). Under defined-contribution pension plans, the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. It has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The expenses are charged to the Group's income as the benefits are earned, which normally coincides with the date on which the premium is paid.

#### Share-based payment

At the beginning of 2014, the Company had an outstanding equity-settled incentive plan under which employees of Group companies received payment in the form of share options. All options associated with this plan expired in 2014. The options were equity instruments entitling holders to subscribe for shares in the Parent Company at a fixed price. No shares were subscribed for under this program.

The fair value of options granted is recognized under personnel expenses, with a corresponding amount recognized directly in equity. The fair value was calculated using the Black & Scholes option pricing formula at the grant date and was distributed over the vesting period. The terms and conditions upon which the equity instruments were granted were taken into account. The amount recognized as an expense was regularly adjusted to reflect the actual number of vested options. Cash proceeds from the exercise of options and purchase of shares were credited to share capital at the par value of the shares. Associated transaction costs are charged to earnings for the period.

#### Termination benefits

Termination benefits are paid when employment is terminated before the normal retirement age or when an employee accepts voluntary layoff in return for termination benefits. Termination benefits are recognized when the Company is committed to terminating the employment of employees before the normal retirement date or providing termination benefits as a result of an offer made to encourage voluntary layoff. The Company is committed to a termination when it has a detailed formal plan for the termination.

#### Profit-sharing and bonus plans

The Group has a bonus program for employees in positions where their performance has a measurable effect on the Group's earnings. Estimated bonus expenses are recognized on an ongoing basis and provision is made for these expenses in the consolidated statement of financial position. Bonus payments to key management personnel are described on pages 47-50.

#### Short-term employee benefits

For short-term employee benefits (such as wages, paid vacation and sick leave) and pensions, the amount of the benefits expected to be paid in respect of service rendered by employees in a period is recognized in that period.

#### 7.4 Impairment

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in income. The carrying amounts of the Company's assets are assessed at each reporting date to determine whether there is any indication of impairment. If there is such an indication, the asset's recoverable amount is measured. The recoverable amount is the higher of the asset's value in use and net realizable value.

When measuring value in use, cash flows are discounted using a pre-tax discount rate that reflects the risk-free rate of interest and the risks specific to the asset. In the case of assets which do not generate cash flows that are independent of the cash flows from other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

If an impairment loss recognized in prior periods no longer exists, as the recoverable amount of the asset exceeds its carrying amount, the impairment loss is reversed. Reversed impairment losses are recognized in the income statement. Testing of previous impairment losses is conducted on an individual basis.

#### 7.5 Other operating income and expenses

Other operating income and other operating expenses include one-time payments, exchange gains/losses on operating receivables and liabilities and gains/losses on the sale or disposal of non-current assets.

### 8. The Parent Company's accounting policies

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities*. Consequently, the Parent Company applies IFRS as adopted by the EU to the extent that such application does not conflict with the Swedish Annual Accounts Act and Pension Obligations Vesting Act. The Parent Company's application of accounting policies also takes into account the relationship between tax expense and accounting profit.

#### Amended accounting policies for the Parent Company

The amendments to RFR 2 *Accounting for Legal Entities* that came into effect in 2015 have not had any material effect on the Parent Company's financial reporting. The amendments that are effective from January 1, 2016 are not expected to have any material effect on the Parent Company's financial reporting apart from the recycling of accumulated items in the fair value reserve (SEK -66 million) to retained earnings as a result of changes to accounting for the hedge of a net investment in a legal entity. This will not have any effect on the Parent Company's results for 2015 or 2016, as the Parent Company has discontinued hedge accounting. A new rule has also been introduced requiring capitalized expenses for the year to be transferred to a restricted reserve in equity at the end of the year. However, the Parent Company's capitalized expenses are expected to be minimal.

Biotage became aware of a misstatement in the Parent Company's financial statements for 2014. The Parent Company statement of financial position for 2014 showed the Group's rather than the Parent Company's total deferred tax assets. To rectify the misstatement, a correction of SEK 7.3 million has been made and reported as a reduction of the Parent Company's deferred tax assets at December 31, 2014 and equity at January 1, 2014 (retained earnings). After the correction, the Parent Company's opening equity in 2014 is SEK 551.9 million, while deferred tax assets are SEK 37.7 million at January 1, 2014 and SEK 37.5 million at December 31, 2014. The correction did not have any effect on reported earnings for 2014. Adjustments have been made to the income statement's comparative figures for 2014 as follows: the previous year's impairment of investments in subsidiaries and reversal of additional purchase consideration has been reversed and the unpaid additional purchase consideration of SEK 13.5 million has been reported as an adjustment to investments in subsidiaries

instead, in accordance with RFR 2. The change has increased profit/loss from investments in group companies by SEK 13.5 million and reduced *other operating items* by SEK 13.5 million, but has not affected net profit for 2014.

The differences between the Parent Company's and the Group's accounting policies are described below.

#### 8.1 Classification and presentation

The Parent Company's income statement and balance sheet are presented in accordance with the format described in the Annual Accounts Act. The main difference from IAS 1 *Presentation of Financial Statements*, which is applied when preparing the consolidated financial statements, concerns the reporting of finance income, finance costs, non-current assets and equity, and the presentation of provisions as a separate item. The Parent Company also presents a statement of comprehensive income, which is separate from the income statement.

#### 8.2 Investments in Group companies

Investments in subsidiaries are recognized at cost in the Parent Company's financial statements. Acquisition-related costs for subsidiaries, which are recognized as an expense in the consolidated financial statements, are included as part of the cost of investments in subsidiaries.

#### 8.3 Financial instruments

The Parent Company does not apply IAS 39 Financial Instruments: *Recognition and Measurement*. The Parent Company measures financial instruments on the basis of cost, as described in the Annual Accounts Act. Current assets are measured at the lower of cost and net realizable value in the final accounts. Derivatives classified as non-current assets are also measured at the lower of cost and net realizable value. Non-derivative non-current receivables and liabilities are measured at amortized cost. At each reporting date, the Company assesses whether there is any indication that a financial asset is impaired, and if this is the case, the impairment amount is calculated. For financial assets measured at amortized cost, impairment is calculated as the difference between the carrying amount and the present value of future cash flows. For assets not measured at amortized cost, impairment is calculated as the difference between the carrying amount and the higher of fair value less costs to sell and the present value of future cash flows.

#### 8.4 Shareholder and Group contributions

Group contributions the Parent receives from a subsidiary are accounted for using the same principles as ordinary dividends from subsidiaries and are reported under finance income. Group contributions made by the Parent to subsidiaries are reported as an increase in investments in Group companies. Shareholder contributions are recognized directly in the recipient's equity and are capitalized in the issuer's shares and interests, to the extent that impairment is not required.

#### 8.5 Untaxed reserves

Changes in untaxed reserves are recognized as an appropriation in the income statement. The accumulated value of the provisions is reported under *untaxed reserves* in the balance sheet. Tax depreciation allowances are calculated in accordance with current tax legislation. Tax depreciation allowances are regarded as accelerated depreciation, which is reported as an untaxed reserve.



## 9. Financial risks and the Group's risk management

### 9.1 Financial risks in the Biotage Group

In addition to the business risks that Biotage faces in the course of its operations, there are also different types of financial risks, which include currency risk, interest rate risk, credit risk and refinancing risk. Credit risk associated with customer relationships is managed within a defined framework and is decentralized by means of local credit ratings. Other risks are managed centrally. Under the Group's financial policy, financial risks shall be minimized, taking into account reasonable hedging expenses, and access to liquidity shall be maintained.

#### Currency risk

A significant proportion of the Group's sales are conducted in USD, EUR, GBP and JPY. The proportion of sales in SEK is relatively small. Operating expenses and financial instruments are also related to these currencies, although the Swedish krona is dominant. The Group's legal entities have intra-group balances. Translation of these balances to SEK may have a significant effect on the Group's financial position and results. As the Group's functional currency is SEK, movements of the Swedish krona against other transaction currencies will have an effect on the Group's results and financial position. A 10 percent change in the USD/SEK exchange rate would affect income and equity by SEK 8,138 (6,458) thousand. The corresponding effect of a 10 percent change in the EUR/SEK rate would be SEK -2,685 (-2,861) thousand. Hedging instruments were used only to a limited extent in 2015. The main exposures are trade receivables in EUR, USD and GBP, which total SEK 41,751 thousand. A change of 10 percent in the Swedish krona would have an effect of SEK 4,175 thousand on the income statement. Other financial instruments are essentially in SEK.

#### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. The Group's financial assets are not particularly exposed to these changes as the holdings are of short duration. The Group's interest risk is essentially the risk that its refinancing will be more expensive if general interest rates rise and vice-versa. However, Biotage has only a small amount of interest-bearing liabilities, and the associated interest-rate risk is therefore low. A change of 1 percentage point in the Group's interest rate on interest-bearing assets would affect income and equity by SEK 1,349 (1,000) thousand.

#### Credit risk

Credit risk can be divided into financial and operational. Operational credit risk is the risk of customers being unable to pay for delivered goods. The majority of customers are large companies and scientific institutions with operations which are normally state-financed. Based on historical facts, it is management's assessment that the Company's credit risk is low, as losses have historically corresponded to less than 0.5 percent of sales. The Group's 10 largest customers accounted for 10 percent of trade receivables at December 31, 2015. No single customer accounts for more than 5 percent of the Group's total sales.

The Group's financial credit risk is counterparty risk in bank deposits, trade receivables, derivatives and financial investments. The financial policy sets limits for each counterparty, and only Swedish banks with low credit risk and high ratings in the long-term assessments of the rating agencies Standard & Poor's and Moody's may be used for investments and derivatives.

Total credit exposure was SEK 243 (191) million on the reporting date and consisted primarily of cash and cash equivalents of SEK 135 (100) million and trade receivables of SEK 107 (90) million.

#### Net sales

The Group's most significant revenue currencies are USD and EUR.

#### Net sales by currency

	2015			2014		
	Currency thousands	SEK thousands	Distribution %	Currency thousands	SEK thousands	Distribution %
EUR	12,527	117,203	19	11,358	103,372	21
USD	39,548	333,586	55	36,282	249,351	51
GBP	4,434	57,184	9	4,365	49,295	10
JPY	1,047,512	73,012	12	959,449	62,268	13
CNY	4,594	6,167	1	5,363	5,972	1
SEK	22,988	22,988	4	19,718	19,718	4
NOK	378	395	0	363	405	0
Total SEK thousands		610,534	100		490,381	100

#### Net assets

In the Group's net assets there is a predominance of assets in Swedish kronor.

#### Net assets by foreign currency at December 31

	2015			2014		
	Currency thousands	SEK thousands	Distribution %	Currency thousands	SEK thousands	Distribution %
EUR	-2,940	-26,853	-5	-3,007	-28,613	-5
USD	9,743	81,376	16	8,267	64,580	13
GBP	3,961	49,037	10	5,150	62,518	12
JPY	-28,580	-1,981	0	-8,696	-569	0
CNY	-6,129	-7,887	-2	-3,671	-4,623	-1
SEK	420,235	420,235	82	409,356	409,356	81
Total SEK thousands		513,927	100		502,650	100

### Liquidity and refinancing risk

Liquidity risk is the risk that the Group will encounter difficulty in accessing funds to discharge its financial obligations. The statements of cash flow for 2014 and 2015 show sufficiently positive cash flows from operations to allow the Group to fully discharge its current obligations. In addition, the Group's cash & cash equivalents are considerably higher than current and non-current liabilities. In addition, Biotage has unused credit facilities of SEK 6 million. In a long-term perspective, the Group's liquidity and financing risk is the risk that it may become dependent on credit facilities or capital contributions for its expansion. This risk is managed by means of liquidity planning and liquidity monitoring and by ensuring good relations are maintained with lending institutions and major shareholders.

The Group's financial liabilities of SEK 84.8 (86.6) million at December 31, 2015 are all due within 12 months, apart from SEK 1.1 million, which is due for settlement in 2023. There is no significant difference between the liability at December 31, 2015 and the actual payment including interest, i.e., undiscounted cash flows.

### 9.2 The Group's risk management

To deal with the effects of the financial risks associated with business operations and financial management, the Board has established a financial policy for the Group. This policy is designed to facilitate the Group's financial work and alleviate the economic consequences of financial risks.

Work must be performed carefully and professionally. Implemented measures must be documented and reported to the appropriate company body. Administration costs must be minimized.

The policy document contains a division of responsibilities, duties and authority between the Company's Board, CEO, CFO and Accounting Manager. Administrative procedures have also been established on the basis that those who conduct transactions should be separate from those responsible for control, accounting and reporting of transactions. Systematic reporting documentation for financial transactions must be submitted to the accounting manager for checking against the documents received by the transaction counterparty.

The Biotage central finance function at head office manages currency risk for the entire Group. Because the Group engages in operations, production and sales in a number of countries, it has a certain income statement exposure as a result of its income and expenses being in different currencies. This exposure may be affected by factors such as choice of currency for sales and purchases. Similarly, the Group's assets, liabilities and equity in its wholly-owned subsidiaries, and receivables from/liabilities to external customers and suppliers in different currencies result in balance sheet exposure and currency risk. This exposure is largely managed by choice of currency for sales and purchases, loans and foreign currency investments.

Biotage aims to minimize the currency risk which arises in commercial cash flows. There must be no speculative position-taking, i.e., entering into transactions for which there is no underlying commercial cash flow or imbalance. Credit risk associated with trade receivables must be monitored on an ongoing basis.

Available liquidity must be managed by the CFO or a person designated by the CFO. The necessary credit facilities for business financing must be in place in the Swedish companies and the foreign companies as far as possible. For foreign companies, the purpose of operating loans is to reduce currency exposure, cover working capital requirements, offset liquidity fluctuations and avoid unnecessary excess liquidity.

### Effects of financial instruments on the Group's results and financial position

The Group's financial instruments, as reported in the consolidated statement of comprehensive income or additional information, are essentially based on transactions associated with the Group's business operations. Biotage does not engage in active trading or conduct transactions in financial instruments other than for the development, production and sale of the Company's

products and services. The main financial instruments are trade receivables, other operating receivables, shares, trade payables, other operating liabilities and loans secured against owner-occupied property. Exchange rate movements may have a material impact on the Group's results and financial position, and this has previously been the case.

### 9.3 Capital management

Biotage defines capital as equity. The Group's capital management objective is to safeguard its ability to conduct its operations and generate reasonable returns for shareholders and value for other stakeholders. The Group monitors its capital structure on the basis of the equity/assets ratio, which is calculated as equity divided by total assets. At the end of the year, the equity/assets ratio was 82 (81) percent for the Group and 98 (95) percent for the Parent Company.

## 10. Significant accounting estimates

When preparing the consolidated and Parent Company's financial statements, the Board and CEO make a number of judgments and estimates that may affect the reported financial position and results.

### Estimation uncertainty

Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and expectations about future events which are considered reasonable in the present circumstances. Certain accounting estimates and assumptions are of particular significance when measuring assets and liabilities in the balance sheet. Goodwill is the balance sheet item with the greatest risk of value changes as a result of adjusted assumptions or estimates. The most significant judgments and estimates used in the measurement of assets and liabilities are based on assumptions regarding the future scope for marketing the Group's products and services in volumes and at prices that allow a reasonable economic return.

Scope for marketing is highly dependent on the Group's access to technical expertise for the production of new and improved products and on the level of customer investment in new product development, knowledge and methods in the scientific areas in which the Group's products are used. The estimated success level of the Group's objective of broadening its products' areas of application also affects the overall estimates for Biotage sales figures and financial results. Future improvement of the Group's results is dependent on this level remaining stable or at least not rising more quickly than sales growth.

### Impairment testing of goodwill and other assets

Goodwill is tested for impairment annually when the annual financial statements are prepared, or as soon as impairment is indicated by changes. Goodwill testing involves calculating the recoverable amount of the cash-generating unit to which the carrying amount of goodwill is allocated, which in the case of Biotage is the Group as a whole, as it consists of one single operating segment. This in turn requires a calculation of the Group's projected cash flows. The forecasts used for the calculations (discounted cash flow) are determined by Biotage management, whose judgments are based on past experience and the Company's own expectations about the future. During impairment testing, management makes a number of other assumptions when applying the discounted cash flow model and these may have a significant effect on the measurement result. See also note 10 for a description of key assumptions and their determination. However, sensitivity analyses show that the outcome of the testing would not change if the growth rate were reduced by 50 percent or the discount rate were increased by 20 percent compared with the assumptions made. An impairment loss is recognized in the income statement if the carrying amount exceeds the recoverable amount. At the end of the year, the Group's goodwill was SEK 104 (104) million. See also note 10.

**Capitalized development expenditure**

Development costs are capitalized when a project enters the Product Development phase and meets the recognition criteria set out in IAS 38. Under the standard, an intangible asset qualifies for recognition if it is probable that the future economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

In accordance with IAS 38, Biotage capitalizes its development on the basis of a measurement of each project's expected contribution to the Group's sales revenue and cash flows. Projects are measured at cost. An item is derecognized in the statement of financial position when the product is no longer marketed or the technology is no longer used by Biotage, or when it is only expected to generate sales revenue on a limited scale. Preparation of the consolidated financial statements involves reviewing the carrying amounts of products and projects in progress in the statement of financial position. As this is based on an assessment of the product's or the technology's expected demand, use and price, it is subject to some uncertainty.

Impairment losses may also arise from rapid technological development and improved products from competitors. At the end of the year, the Group's capitalized development expenditure was SEK 86 (91) million. See also note 11.

Biotage reports amortization and impairment of capitalized development costs under the item research & development expenses. Another possible income statement presentation would have been to report all or parts of the abovementioned amortization charge under cost of sales. Had the Company reported the full amortization charges for the year in this way, cost of sales would have increased and research & development expenses would have decreased by SEK 20.7 (18.6) million. This would not therefore have had any material effect on operating profit. Capitalization of development costs has reduced research & development expenses by SEK 19.3 (21.7) million.

**Deferred tax asset**

Biotage recognizes tax loss carryforwards on the basis of how they are expected to be utilized against future profit and the extent to which the Company can demonstrate that it is probable that such profit will be available in future periods before the unused tax losses expire. Tax loss carryforwards are mainly associated with the Swedish and US companies. When determining the value of tax losses carried forward, an assessment is made of the coming year's tax credits and the countries in which they are expected to occur. Biotage bases this on management's assessments of each company's development and results in future years. Should the Group be unable to realize its plans, an impairment loss would have to be recognized for this item. Similarly, the value of tax losses can be affected by changes in legislation regarding their utilization and changes in tax rates. Based on a new assessment at the end of the year, recognized deferred tax assets arising from unused tax losses amounted to SEK 48 (45) million, corresponding to a tax effect of SEK 192 million in historical tax losses. A deferred tax asset has not been recognized for other remaining tax losses, as Biotage has been unable to affirm the probability that taxable profit corresponding to an unrecognized tax asset of SEK 141 million will be generated for the remaining historical tax losses of SEK 565 million. See also note 19.

**Patent dispute in the United States**

Scientific Plastic Products, Inc. ("SPP") has filed suit against Biotage for alleged patent infringement in the United States. The court has stayed the lawsuits pending the outcome of a re-examination of the patents' validity by the U.S. Patent and Trademark Office.

SPP has exhausted all possibilities to request re-examination of the U.S. Patent Office's decision to declare U.S. Patents 7,138,061, 7,381,327 and 7,410,571 ("the patents") invalid. The U.S. Patent Office has issued re-examination certificates canceling all claims under the patents, and the court in the alleged infringement case has dismissed all patent claims made in the lawsuit.

Biotage has also requested re-examination of all claims under U.S. Patent 8,066,875 B2, which is a continuation of US patent 7,381,327, and U.S. Patent 8,070,957, which is a continuation of U.S. patent 7,410,571. The claims under 8,066,875 B2 and 8,070,957 have been rejected by the U.S. Patent Office's Board of Appeals and the re-examination procedure continues. These patents are the subject of a separate infringement case in court, which has also been stayed pending the outcome of the re-examination.

Biotage considers that the Company has a strong position in this case and that the opposing party does not have valid grounds for alleging patent infringement. In view of this assessment, a provision has not been recognized for the dispute.

**11. Reversal of goodwill impairment in 2014**

Correction of misstatements in 2014. Biotage has reported an adjustment of goodwill impairment recognized in 2014. The reversal of goodwill impairment has required an upward adjustment of SEK 13.5 million for "Other operating items" in the income statement for the comparable period January 1, 2014 to December 31, 2014 in respect of goodwill impairment previously recognized in 2014. This improves the comparative period's result from the previously reported result for 2014. The background is recognition by Biotage of goodwill impairment of SEK 13.5 million in the 2014 financial statements, which then adversely affected other operating items by the same amount. This impairment was associated with the reversal of an additional purchase consideration provision for MIP Technologies AB, which is no longer expected to be paid. See also note 10 of the 2014 Annual Report. The goodwill item was recognized when the additional purchase consideration was agreed on the acquisition date in 2010 and was attributable to this additional purchase consideration. However, the Company's accounting policies require the entire business to be treated as a cash-generating unit, and goodwill impairment testing is only conducted at that level. As no impairment was identified for the Group's total goodwill item in the impairment testing at the end of 2014, operating profit for 2014 has been adjusted by SEK +13.5 million in this financial report. Consequently, the Group's closing values for 2014 and opening values for 2015 for retained earnings and goodwill both increase by SEK 13.5 million. As a result of the correction, basic and diluted earnings per share for the comparative period (2014) increase from SEK 0.79 per share to SEK 1.00. Basic and diluted comprehensive income per share increases from SEK 1.00 to SEK 1.21.

# Notes

## Note 1 Average number of employees, salaries, employee benefits and social security contributions

	Group		Parent Company	
	2015	2014	2015	2014
<b>Board and senior executives</b>				
A presentation of Board members and senior executives can be found on pages 69-70.				
<i>Board</i>				
Female	1	1	1	1
Male	5	5	5	5
Total	6	6	6	6
<i>Group Management</i>				
Female	1	1	–	–
Male	2	2	1	1
Total	3	3	1	1
<i>Average number of employees</i>				
Female	91	95	–	–
Male	202	197	1	1
Total	293	292	1	1
<i>Salaries and benefits</i>				
Board and CEO	6,077	5,574	5,577	5,574
Other senior executives, 2 individuals	3,598	3,559	–	–
Other employees	158,990	133,295	–	–
Total salaries and benefits	168,665	142,428	5,577	5,574
<i>Contractual and statutory social security contributions</i>				
Board and CEO	1,718	1,899	1,561	1,899
Other senior executives	1,321	1,118	–	–
Other employees	28,917	33,200	–	–
Total contractual and statutory social security contributions	31,957	36,217	1,561	1,899
<i>Pension expenses *)</i>				
Board and CEO	927	910	927	910
Other senior executives	787	645	–	–
Other employees	9,533	8,655	–	–
Total pension expenses	11,247	10,210	927	910
<b>Total salaries, social security contributions and pension expenses</b>	<b>211,870</b>	<b>188,856</b>	<b>8,066</b>	<b>8,383</b>

\*) For salaried employees in Sweden, the ITP 2 plan's defined-benefit retirement and family pension obligation (or family pension) is covered by insurance through Alecta. According to the Swedish Financial Reporting Board's statement UFR 10, *Accounting for ITP 2 Plans Financed by Insurance in Alecta*, this is a multi-employer defined-benefit pension plan. The Company did not have access to sufficient information for the 2015 fiscal year to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined-benefit plan. Consequently, the ITP 2 pension plan insured through Alecta is reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated individually and is based on factors that include salary, previously earned pensions and the expected remaining period of service. Expected contributions for ITP 2 insurance covered by Alecta in the next reporting period are SEK 2,179 thousand (2015: SEK 2,105 thousand). The Group's share of the total contributions to the plan is 0.012 (0.015) percent, while its share of the total number of active members in the plan is 0.009 (0.007) percent.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated by reference to Alecta's actuarial methods and assumptions. This is not consistent with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, measures must be taken to create the right conditions for the level to return to the normal range. If the consolidation level is too low, an appropriate measure could be to increase the agreed price for new insurance and extension of existing benefits. If the consolidation level is too high, premium reductions could be introduced. At the end of 2015, Alecta's surplus, which was reported as a collective consolidation level 1, was 148 (146) percent.

## Cont'd. Note 1 Average number of employees, salaries, employee benefits and social security contributions

### Average number of employees by country

	2015			2014		
	Total	male	female	Total	male	female
Parent, Sweden	1	1	–	1	1	–
Subsidiaries, Sweden	70	46	24	72	46	26
USA	58	42	16	56	39	17
UK	116	74	42	116	73	43
Germany	10	9	1	11	10	1
France	5	5	–	5	5	–
China	12	11	1	11	10	1
Japan	21	14	7	20	13	7
Total	293	202	91	292	197	95
Distribution %		69%	31%		67%	33%

### Remuneration of Board members and senior executives

#### Principles

The Chairman and members of the Board are paid the fees adopted by the annual general meeting. The President & CEO receives a basic salary, variable pay, other benefits and a pension. Other senior executives also receive a basic salary, variable pay, other benefits and a pension. Group management is made up of other senior executives (two individuals) and the President & CEO. The basic salary to variable pay ratio must be proportional to responsibility and authority. The President & CEO receives variable pay, which is linked to the Group's annual results, up to a maximum of SEK 1,299,996. Other senior executives receive variable pay up to a maximum of 30 percent of their basic salary. The Board may also decide to award a discretionary payment to the CEO and other senior executives.

### Accrued salaries, fees and other benefits in 2015

	Board fees	Basic salary	Variable pay	Other benefits	Pension expense	Other remuneration	Total
<i>Chairman of the Board:</i>							
Ove Mattsson *)	455,000	–	–	–	–	–	455,000
<i>Board members:</i>							
Anders Walldov	170,000	–	–	–	–	–	170,000
Thomas Eklund *)	210,000	–	–	–	–	–	210,000
Peter Ehrenheim	185,000	–	–	–	–	–	185,000
Karolina Lawitz	160,000	–	–	–	–	–	160,000
Nils-Olof Björk *)	180,000	–	–	–	–	–	180,000
Total accrued cost of fees paid to Board members in 2015	<b>1,360,000</b>	–	–	–	–	–	<b>1,360,000</b>
<i>CEO</i>							
Torben Jørgensen **)	–	2,599,992	1,802,002	209,407	909,214	105,729	<b>5,626,344</b>
<i>Other senior executives (2 individuals) **)</i>	–	2,688,000	762,930	95,258	786,692	51,983	<b>4,384,863</b>
<b>Total for 2015</b>	<b>1,360,000</b>	<b>5,287,992</b>	<b>2,564,932</b>	<b>304,665</b>	<b>1,695,906</b>	<b>157,712</b>	<b>11,371,207</b>

\*) The Chairman of the Board also received compensation for statutory employer contributions of SEK 46,456, as his fee was paid to a legal entity.

Board member Karolina Lawitz also received compensation for statutory employer contributions of SEK 50,272, as her fee was paid to a legal entity.

Board member Peter Ehrenheim also received compensation for statutory employer contributions of SEK 58,127, as his fee was paid to a legal entity.

Board member Thomas Eklund also received compensation for statutory employer contributions of SEK 65,982, as his fee was paid to a legal entity.

Board member Nils-Olof Björk also received compensation for statutory employer contributions of 18,378, as his fee was paid to a legal entity.

\*\*) Other remuneration is mainly vacation allowances paid in accordance with the Swedish Annual Leave Act.



## Cont'd. Note 1 Average number of employees, salaries, employee benefits and social security contributions

### Accrued salaries, fees and other benefits in 2014

	Board fees	Basic salary	Variable pay	Other benefits	Pension expense	Other remuneration	Total
<i>Chairman of the Board:</i>							
Ove Mattsson *)	445,000	–	–	–	–	–	445,000
<i>Board members:</i>							
Anders Walldov	160,000	–	–	–	–	–	160,000
Thomas Eklund *)	210,000	–	–	–	–	–	210,000
Peter Ehrenheim	185,000	–	–	–	–	–	185,000
Karolina Lawitz	160,000	–	–	–	–	–	160,000
Nils-Olof Björk *)	160,000	–	–	–	–	–	160,000
Total accrued cost of fees paid to Board members in 2014	<b>1,320,000</b>	–	–	–	–	–	<b>1,320,000</b>
<i>CEO</i>							
Torben Jørgensen	–	2,599,992	1,367,758	96,097	909,878	189,911	<b>5,163,636</b>
Other senior executives (2 individuals **)	–	2,688,064	825,300		644,974	45,804	<b>4,204,142</b>
<b>Total for 2014</b>	<b>1,320,000</b>	<b>5,288,056</b>	<b>2,193,058</b>	<b>96,097</b>	<b>1,554,852</b>	<b>235,715</b>	<b>10,687,778</b>

\*) The Chairman of the Board also received compensation for statutory employer contributions of SEK 45,435, as his fee was paid to a legal entity.

Board member Karolina Lawitz also received compensation for statutory employer contributions of SEK 50,272, as her fee was paid to a legal entity.

Board member Thomas Eklund also received compensation for statutory employer contributions of SEK 65,982, as his fee was paid to a legal entity.

Board member Nils-Olof Björk also received compensation for statutory employer contributions of SEK 50,272, as his fee was paid to a legal entity.

\*\*) Other remuneration is mainly vacation allowances paid in accordance with the Swedish Annual Leave Act. SEK 69,770 of the variable pay costs above were related to remuneration of the CEO in 2014 and SEK 33,075 to remuneration of other senior executives.

### Comments on the tables above and on the previous page

#### Board

The 2014 annual general meeting adopted Board fees of SEK 1,220,000 for the period until the 2015 annual general meeting. SEK 420,000 of this amount related to the Chairman's fees. In addition, a framework of up to SEK 100,000 was adopted for remuneration of committee work. The 2015 annual general meeting adopted Board fees of SEK 1,220,000 for the period until the 2016 annual general meeting. SEK 420,000 of this amount relates to the Chairman's fees. In addition, a framework of up to SEK 140,000 was adopted for remuneration of committee work. This framework was defined by the 2014 and 2015 annual general meetings.

#### President & CEO

President & CEO Torben Jørgensen receives a basic monthly salary of SEK 216,666. In addition to the basic salary, a vacation allowance is paid in accordance with the Swedish Annual Leave Act. The President & CEO also receives variable pay and a pension, and is entitled to termination benefits, which are described below.

### Variable pay and other benefits

President & CEO Torben Jørgensen receives variable pay of up to 50 percent of his fixed annual salary, i.e., a maximum of SEK 1,299,996. The Board may also decide to award a discretionary payment. The Board has awarded a discretionary payment of SEK 500,000 to the CEO for 2015. In the course of ten years, CEO Torben Jørgensen has made Biotage the successful company it is today, with average EBIT growth of 25 percent. The Board has great confidence in Torben Jørgensen and has previously made efforts to extend his employment contract with Biotage. Such an extension was arranged in 2015 and, as announced in September 2015, the contract with Biotage has been extended from April 2017 to April 2019. The Board regards this as an extraordinary event of great importance for Biotage and has decided to reward the extension with a discretionary payment.

### Pensions

The retirement age for President & CEO Torben Jørgensen is 67. The pension premium is 35 percent of the pensionable salary. The pensionable salary is the basic salary.

## Cont'd. Note 1 Average number of employees, salaries, employee benefits and social security contributions

### Termination of employment/termination benefits

The Company and President & CEO Torben Jørgensen have a mutual period of notice of 8 months. However, the agreement is terminated without a prior period of notice on the date of Torben Jørgensen's retirement. There is no pay during the notice period after Torben Jørgensen has reached the age of 67. In the case of termination initiated by the Company (not based on the CEO's gross neglect of his duties to the Company), the following termination benefits are paid in addition to pay during the notice period: for notice of termination in the period September 1, 2015 to April 15, 2016, eight-twelfths of the fixed annual salary on termination, for notice of termination in the period April 16, 2016 to April 15, 2017, six-twelfths of the fixed annual salary on termination and for notice of termination in the period April 16, 2017 to April 15, 2018, four-twelfths of the fixed annual salary on termination. If the termination is after April 15, 2018, no termination benefits are paid. Termination benefits are paid monthly in installments of one-twelfth of the total amount, beginning with the month following termination of employment. Pay during the notice period and termination benefits are not paid after the retirement date for Torben Jørgensen. Termination benefits are not pensionable salary and do not count towards vacation pay. In other cases of voluntary termination of employment, the President & CEO does not receive termination benefits, although payment may be available in return for a commitment not to compete. The Company and senior executives have a mutual period of notice of 6 months.

### Share option plans

The annual general meeting of Biotage AB has, on different occasions, granted the Board a mandate to adopt share option plans for the Group's employees. The last adopted option plan expired in February 2014 and the Group did not have any outstanding option plans at December 31, 2015.

### The Board's proposed guidelines for the remuneration of senior executives to be presented for adoption at the 2015 annual general meeting

The Board proposes that the annual general meeting adopt the following guidelines for remuneration of senior executives. Senior executives consist of the CEO and other members of Group management. The guidelines shall apply to employment contracts entered into after the AGM's decision on the guidelines and to any changes made to existing conditions of employment after the meeting's decision.

The Company shall endeavor to offer its senior executives market-based salaries. The remuneration committee shall prepare remuneration matters and present proposals for the Board's consideration. Proposals for remuneration shall take into account the importance of duties, expertise, experience and performance. Remuneration shall comprise a fixed annual salary, variable pay, retirement benefits, discretionary payments, other benefits and termination benefits. The Board is entitled to derogate from these guidelines if it believes there is sufficient reason to do so in a particular case.

### CEO

The Company's CEO receives an annual salary of SEK 2,600,000 under the terms of his employment contract. The Company makes a pension provision corresponding to 30 percent of the CEO's fixed annual salary. In addition to the fixed annual salary, the CEO receives variable pay of up to 50 percent of his fixed annual salary. The variable pay is linked to the Company's achievement of defined financial targets.

The CEO receives annual compensation of SEK 100,000 for travel and increased housing costs.

### Other members of Company management

This group consists of two individuals, who report directly to the CEO.

All members of Company management receive a fixed annual salary which is in line with market salaries, and variable pay of up to 30 percent of the fixed annual salary. 75 percent of the variable pay is linked to the Company's achievement of defined financial targets. The remaining 25 percent is based on defined goals relating to personal performance. The pension provision may amount to up to 30 percent of the fixed annual salary.

Any new members of Company management can expect the same remuneration conditions.

### Variable pay and performance requirements

The Board is entitled to decide on the criteria for variable pay.

### Discretionary bonuses

The Board may decide to award a discretionary payment to members of Company management, including the CEO. Such a discretionary payment may only be made in exceptional circumstances.

### Other benefits

Senior executives may be awarded other customary benefits such as a company car, health care, etc.

### Termination benefits

Salaries during the period of notice and termination benefits for senior executives shall not exceed 24 monthly salaries.

### Equity and share-based incentive programs

Any equity and share-based incentive programs shall be adopted by the Annual General Meeting. Allotment shall be in accordance with the decision of the AGM.

### Previously decided remuneration

There is no previously decided remuneration that is not yet due for payment. A description of previous incentive programs can be found on page 48 of the 2014 annual report.

### Remuneration in 2014

For information on remuneration of senior executives in 2014, see note 1 on pages 45-48 of the 2014 annual report.

## Note 2 Composition of income and expense

If Biotage had presented its income statements classified by nature of expense, the composition would have been as follows:

Income statement classified by nature of expense	Group		Parent Company	
	2015	2014	2015	2014
<i>Operating income</i>				
Net sales (a)	610,534	490,381	2,720	2,502
<i>Operating expenses</i>				
Purchased finished products, input products, semi-finished goods and production services	-187,742	-165,541	-	-
Personnel expenses	-219,476	-177,423	-6,810	-7,085
Other external costs	-94,326	-71,836	-11,892	-8,671
Regular depreciation/ amortization of assets	-40,762	-33,964	-802	-669
Other operating items	6,559	7,695	172	8,836
Total operating expenses	-535,747	-441,068	-19,332	-7,590
<b>Operating profit</b>	<b>74,787</b>	<b>49,313</b>	<b>-16,612</b>	<b>-5,088</b>

(a) Composition of net sales:	Group		Parent Company	
	2015	2014	2015	2014
Net sales are distributed between products and services as follows:				
Products, systems	275,962	215,088	-	-
Products, consumables	267,056	207,288	-	-
Service contracts and other services	60,939	56,274	2,720	2,502
Other sales revenue	6,577	11,731	-	-
Total sales revenue	610,534	490,381	2,720	2,502

Revenue by geographical market:	2015	2014
USA	267,202	201,978
Europe	185,470	172,587
Japan	72,970	62,268
China	41,601	23,667
Other markets	43,291	29,881
Total sales revenue	610,534	490,381
Sweden's share of sales in Europe	9,155	7,784

The distribution relates to sales to customers located in the above geographical areas.

Intra-group sales and purchases of products and services:	Group		Parent Company	
	2015	2014	2015	2014
Parent to subsidiary, products	-	-	-	-
Parent to subsidiary, services	2,723	2,502	2,723	2,502
Subsidiary to parent, products	-	-	-	-
Subsidiary to parent, services	3,877	4,118	-	-
Subsidiary to subsidiary, products	250,563	209,389	-	-
Subsidiary to subsidiary, services	73,341	52,523	-	-
Total intra-group sales	330,504	268,532	2,723	2,502

### Note 3 Administrative expenses

Administrative expenses include the following fees paid to auditors. Audit services include examination of the annual financial statements, interim reports, accounting records, internal control and administration of the business by the CEO and Board. They also include examination of the financial statements of subsidiaries, advice and other assistance relating to observations made during the audit. Other advice and assistance comes under other fees.

	Group		Parent Company	
	2015	2014	2015	2014
<i>Fees to the auditors Deloitte</i>				
Audit services	1,329	1,196	730	670
Other assistance arising from audit	65	–	65	–
Tax advisory services	254	729	90	560
Other services	–	127	–	108
Total	1,648	2,052	885	1,338

### Note 4 Leases and rental agreements

For accounting purposes, all leases in the Group are classified as operating leases which means the lease payments are recognized over the term of the lease.

	Group		Parent Company	
	2015	2014	2015	2014
Lease and rental agreements during the year amounted to	12,936	12,631	117	–
Remaining rental and lease payments				
Within one year	11,809	11,305	103	–
Between one and five years	13,531	19,979	155	–
After five years	1,262	1,596	–	–
Total	26,603	32,880	258	–
The year's rental and lease payments relating to rent for premises	10,646	10,149		
Remaining rental and lease payments relating to rent for premises	19,934	28,915		

## Note 5 Depreciation, amortization and impairment of assets

Distribution of depreciation, amortization and impairment by class of assets is as follows:

	Group		Parent Company	
	2015	2014	2015	2014
Capitalized research & development expenditure	20,715	18,582	–	–
Patents and licenses	5,896	4,696	802	669
Land and buildings	435	440	–	–
Improvement of third-party property	1,094	760	–	–
Plant and machinery	8,607	7,385	–	–
Total depreciation/amortization	36,748	31,864	802	669
Impairment arising from disposals	4,014	2,100	–	–
<b>Total depreciation/amortization and impairment</b>	<b>40,762</b>	<b>33,963</b>	<b>802</b>	<b>669</b>

Depreciation, amortization and impairment are distributed according to function of expense as follows:

	Group		Parent Company	
	2015	2014	2015	2014
Cost of sales	4,031	3,369	–	–
Distribution costs	4,629	4,920	–	–
Administrative expenses	2,814	2,696	112	112
Research and development	29,287	22,978	690	557
<b>Total depreciation/amortization</b>	<b>40,762</b>	<b>33,963</b>	<b>802</b>	<b>669</b>

Amortization and impairment of capitalized research and development expenditure is reported under research & development expenses.

## Note 6 Other operating income

Other operating income	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
Exchange differences	1,398	6,750	–	–
EU funding	738	748	–	–
Reversal of additional purchase consideration provision	273	13,500	273	–
Rental income	531	–	–	–
Other operating income	423	722	1	11
<b>Total other operating income</b>	<b>3,363</b>	<b>21,720</b>	<b>274</b>	<b>11</b>

Reversal of additional purchase consideration relates to MIP Technologies AB. See note 10 for further information.

The comparative figures in the Parent Company's income statement for 2014 have been adjusted in accordance with RFR 2 as follows: the previous year's impairment of investments in group companies and reversal of additional purchase consideration have been reported net as an adjustment to investments in group companies. The change has increased profit/loss from investments in group companies by SEK 13.5 million and reduced other operating items by SEK 13.5 million, but has not affected net profit for 2014.

## Note 7 Finance income, finance costs and borrowing

	Group		Parent Company	
	2015	2014	2015	2014
<b>Finance income:</b>				
Interest income on cash & cash equivalents	91	128	2	110
Interest income on receivables from group companies	–	–	138	2,383
Profit/loss from investments in group companies (a)	–	–	45,063	38,124
Exchange gains from financing measures, net	1,499	5,751	0	1,708
Group contributions received	–	–	39,127	27,011
<b>Total</b>	<b>1,590</b>	<b>5,879</b>	<b>84,331</b>	<b>69,336</b>
<b>Finance costs:</b>				
Interest expense and similar payments to banks	188	330	–	–
Interest expense on liabilities to group companies	–	–	1,293	3,614
Exchange gains from financing measures, net	–	–	72	–
<b>Total</b>	<b>188</b>	<b>330</b>	<b>1,365</b>	<b>3,614</b>
<b>Net finance income/expense</b>	<b>1,403</b>	<b>5,548</b>	<b>82,966</b>	<b>65,723</b>
(a) Profit/loss from investments in group companies comprises:				
Dividends from shares in subsidiaries	–	–	45,101	53,703
Reversal of previously impaired intra-group receivable	–	–	–	76,621
Impairment of intra-group receivable	–	–	–	-15,579
Impairment of shares in subsidiaries	–	–	-38	-76,621
Net cost	–	–	45,063	38,124
<b>Borrowing:</b>	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>Long-term</b>				
Bank loans	–	4,537	–	–
<b>Total long-term borrowing</b>	<b>–</b>	<b>4,537</b>	<b>–</b>	<b>–</b>
Loan maturities:				
1-5 years	–	2,719	–	–
6+ years	–	1,818	–	–
<b>Short-term</b>				
Operating loans from banks	–	502	–	–
<b>Total short-term borrowing</b>	<b>–</b>	<b>502</b>	<b>–</b>	<b>–</b>
<b>Total borrowing</b>	<b>–</b>	<b>5,039</b>	<b>–</b>	<b>–</b>
<b>Distribution of credit by currency:</b>	Group			
	12-31-2015	12-31-2014		
	Local currency	Local currency		
Pound sterling (GBP thousands)	–	415		
<b>Total</b>	<b>–</b>	<b>415</b>		
<b>Converted to:</b>	Group			
	12-31-2015	12-31-2014		
	SEK thousands	SEK thousands		
Swedish kronor (SEK thousands)	–	5,039		
<b>Total</b>	<b>–</b>	<b>5,039</b>		



## Note 8 Taxes

	Group		Parent Company	
	2015	2014	2015	2014
Current tax	-5,795	-4,231	0	0
Deferred tax	2,861	481	760	-149
<b>Total</b>	<b>-2,934</b>	<b>-3,749</b>	<b>760</b>	<b>-149</b>
<b>Reconciliation of effective tax</b>				
Profit before tax	76,190	54,861	66,354	47,135
Tax using parent's applicable tax rate	-16,762	-12,069	-14,598	-10,370
Effect of different tax rates for foreign subsidiaries	-7,645	-3,678	-	-
Non-taxable income	726	3	9,924	11,817
Non-deductible expenses	-1,952	-1,519	-31	-6,420
Other deductible income statement items not included in profit for the year	893	1,002	-	-
Other taxable income statement items not included in profit for the year	-1,410	-159	-	-
Correction, prior years	200	593	0	0
Other items	131	-2	-	-
Capitalization of previously unused loss carryforwards	22,885	12,078	5,465	4,824
<b>Total tax reported in the consolidated and parent income statements</b>	<b>-2,934</b>	<b>-3,749</b>	<b>760</b>	<b>-149</b>
Items in other comprehensive income	5,788	13,685	-	-
Tax effects of these items	-	-	-	-

## Note 9 Property, plant & equipment

### Land and buildings

Cost:	Group	
	2015-12-31	2014-12-31
Opening balance, January 1	16,544	15,211
Acquisitions during the year	92	-
Sales during the year	-	-
Disposals/impairment during the year	-	-
Sub-total	16,636	15,211
Translation differences for the year	227	1,333
Closing balance, December 31	16,863	16,544
<b>Accumulated depreciation and impairment:</b>		
Opening balance, January 1	-4,221	-3,468
Depreciation for the year	-435	-440
Sales during the year	-	-
Disposals/impairment during the year	-	-
Sub-total	-4,656	-3,908
Translation differences for the year	26	-313
Closing balance, December 31	-4,630	-4,221
<b>Carrying amount</b>	<b>12,233</b>	<b>12,323</b>

## Cont'd. Note 9 Property, plant & equipment

### Improvement of third-party property

	Group	
Cost:	12-31-2015	12-31-2014
Opening balance, January 1	6,771	6,122
Acquisitions during the year	104	1,593
Sales during the year	-	-
Disposals/impairment during the year	-	-1,620
Sub-total	6,875	6,095
Translation differences for the year	181	676
Closing balance, December 31	7,056	6,771

### Accumulated depreciation and impairment:

Opening balance, January 1	-2,795	-2,776
Depreciation for the year	-1,060	-760
Sales during the year	-	-
Disposals/impairment during the year	-	1,030
Sub-total	-3,855	-2,506
Translation differences for the year	-96	-289
Closing balance, December 31	-3,951	-2,795

**Carrying amount** **3,105** **3,975**

### Plant and machinery

	Group	
Cost:	12-31-2015	12-31-2014
Opening balance, January 1	79,955	99,827
Acquisitions during the year	10,638	7,174
Business combinations	-	-
Sales during the year	-	-
Reclassifications	-	-141
Disposals/impairment during the year *	-4,551	-32,038
Sub-total	86,042	74,822
Translation differences for the year	1,476	5,133
Closing balance, December 31	87,518	79,955

### Accumulated depreciation and impairment:

Opening balance, January 1	-53,196	-73,309
Depreciation for the year	-8,366	-7,385
Business combinations	-	-
Sales during the year	-	-
Reclassifications	-	141
Disposals/impairment during the year *	4,496	30,663
Sub-total	-57,067	-49,890
Translation differences for the year	-1,071	-3,306
Closing balance, December 31	-58,137	-53,196

**Carrying amount** **29,381** **26,758**

### Summary of carrying amount:

	Group	
	12-31-2015	12-31-2014
Land and buildings	12,233	12,323
Improvement of third-party property	3,105	3,975
Plant and machinery	29,381	26,758
<b>Total in consolidated balance sheet</b>	<b>44,719</b>	<b>43,057</b>

\* In 2014, a review of the fixed assets register was conducted, resulting in large-scale disposals of older, fully depreciated assets.

## Note 10 Goodwill

	Group	
	2015	2014
Opening cost	558,242	558,242
Business combinations	–	–
Translation differences	–	–
<b>Closing accumulated cost</b>	<b>558,242</b>	<b>558,242</b>
Opening impairment	-454,219	-454,219
Total impairment	-454,219	-454,219
Impairment for the year (see below)	–	–
Total depreciation/amortization and impairment	-454,219	-454,219
<b>Closing accumulated impairment</b>	<b>-454,219</b>	<b>-454,219</b>
<b>Carrying amount</b>	<b>104,023</b>	<b>104,023</b>

### Goodwill impairment testing

Preparation of the 2015 annual financial statements included goodwill impairment testing, which also involved calculation of projected cash flows from the Group's operations. Management monitors goodwill for the Group as a whole. The Group consists of one operating segment. The cash flows are based on the Group's budget for 2016 and business forecasts for 2017-2019. The budget and forecasts are based on management's past experience and as far as possible on external sources of information. The recoverable amount is based on value in use. Key parameters in the calculation of the recoverable amount are estimated sales growth and operating profit.

The annual financial statements for 2014 included an impairment loss of SEK 13.5 million. This impairment loss has been retrospectively reversed. See page 46, heading 11. Reversal of goodwill impairment in 2014.

Future cash flows were discounted to the present value in the goodwill impairment testing. The following post-tax rates were used in the calculations:

	2015	2014
Equity financing	8.95%	10.40%
Debt financing	2.23%	2.98%
Average based on Group's capital structure	8.28%	9.66%
The pre-tax discount rate has been calculated as:	10.54%	12.44%

An assumption of annual sales growth of 5.0 (8.0) percent has been used in the impairment testing and will be used until the end of the forecast period in 2019. This assumption is in line with sales growth for 2015. After this period, the assumed growth rate will be 2 percent, which Biotage believes to be a reasonable estimate of the market's long-term growth rate. Management does not believe that any reasonable changes to these interest rates or forecasts and budgets would affect the calculation results in such a way as to indicate impairment. See also page 43.

## Note 11 Other intangible assets

### Capitalized development expenditure

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>Cost:</b>				
Opening balance, January 1	164,729	150,492	-	-
Acquisitions during the year	19,259	21,665	-	-
Business combinations	-	-	-	-
Disposals during the year	-2,864	-7,428	-	-
Closing balance, December 31	181,124	164,729	-	-
<b>Accumulated amortization and impairment:</b>				
Opening balance, January 1	-73,250	-62,079	-	-
Amortization for the year	-20,715	-18,582	-	-
Sales during the year	-	-	-	-
Disposals during the year	-1,191	7,411	-	-
Closing balance, December 31	-95,157	-73,250	-	-
<b>Carrying amount</b>	<b>85,967</b>	<b>91,480</b>	<b>-</b>	<b>-</b>

### Patents, licenses, trademarks, etc.

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>Cost:</b>				
Opening balance, January 1	78,005	90,641	16,591	16,229
Acquisitions during the year	1,936	1,745	964	1,017
Reclassifications	-	16	-	-
Disposals during the year	-896	-13,288	-	-655
Sub-total	79,045	79,113	17,555	16,591
Translation differences for the year	-	-1,108	-	-
Closing balance, December 31	79,045	78,005	17,555	16,591
<b>Accumulated amortization and impairment:</b>				
Opening balance, January 1	-44,663	-53,093	-8,367	-8,244
Amortization for the year	-5,896	-4,696	-802	-669
Reclassifications	-	-	-	-
Disposals during the year	718	13,126	-	546
Sub-total	-49,842	-44,663	-9,169	-8,367
Translation differences for the year	-	-	-	-
Closing balance, December 31	-49,842	-44,663	-9,169	-8,367
<b>Carrying amount</b>	<b>29,202</b>	<b>33,343</b>	<b>8,386</b>	<b>8,224</b>

## Cont'd. Note 11 Other intangible assets

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>Total property, plant &amp; equipment and intangible assets reported:</b>				
Land and buildings	12,233	12,323	–	–
Improvement of third-party property	3,105	3,975	–	–
Plant and machinery	29,381	26,759	–	–
Sub-total property, plant & equipment	44,719	43,057	–	–
Goodwill	104,023	104,023	–	–
Capitalized development expenditure	85,967	91,480	–	–
Patents, licenses, trademarks, etc.	29,202	33,343	8,386	8,224
Sub-total intangible assets	115,170	124,822	8,386	8,224
<b>Total carrying amount of property, plant &amp; equipment and intangible assets</b>	<b>263,911</b>	<b>271,902</b>	<b>8,386</b>	<b>8,462</b>
	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>Distribution by country:</b>				
Sweden	236,336	245,352	8,386	8,224
USA	4,501	2,300	–	–
UK	22,106	23,494	–	–
Other countries	968	756	–	–
<b>Total</b>	<b>263,911</b>	<b>271,902</b>	<b>8,386</b>	<b>8,224</b>

## Note 12 Financial assets

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
Miscellaneous non-current receivables	690	730	–	–
Miscellaneous long-term deposits	2	78	–	–
<b>Total financial assets</b>	<b>692</b>	<b>808</b>	<b>–</b>	<b>–</b>

## Note 13 Inventories

	Group	
	12-31-2015	12-31-2014
Raw materials and consumables	23,067	24,977
Products in progress	11,573	10,637
Finished products	62,542	72,765
<b>Total inventories</b>	<b>97,182</b>	<b>108,379</b>

## Note 14 Trade and other receivables

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
Trade receivables (a)	107,239	90,439	-	-
Prepayments and accrued income (b)	7,311	8,967	1,070	964
Other current receivables (c)	9,986	7,206	584	498
<b>Total trade and other receivables</b>	<b>124,536</b>	<b>106,612</b>	<b>1,654</b>	<b>1,463</b>

Management believes that the carrying amount of trade receivables, net of the provision for doubtful debts, is in line with their fair value.

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>(a) Change in provision for doubtful debts</b>				
Provision for doubtful debts at beginning of year	-691	-539	-	-
Trade receivables written off during the year	549	141	-	-
Provision for doubtful debts during the year	-3,023	-376	-	-
Reversal of unused amounts	126	82	-	-
<b>Total provision for doubtful debts</b>	<b>-3,040</b>	<b>-691</b>	<b>-</b>	<b>-</b>

Group	12-31-2015			12-31-2014		
	Gross	Provision for doubtful debts	Trade receivables	Gross	Provision for doubtful debts	Trade receivables
<b>Aging of trade receivables</b>						
Not due	83,543	-	83,543	71,950	-293	71,657
Past due, 1-30 days	16,517	-	16,517	11,994	-	11,994
Past due, 31-60 days	4,935	-730	4,205	2,516	-	2,516
Past due, > 61 days	5,284	-2,310	2,974	4,670	-398	4,272
<b>Total</b>	<b>110,279</b>	<b>-3,040</b>	<b>107,239</b>	<b>91,131</b>	<b>-691</b>	<b>90,439</b>

The Company expects that payment will be obtained for receivables that are past due but not written off, as the customers' payment history is good.

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>(b) Prepayments and accrued income</b>				
Accrued income	253	192	-	-
Prepaid rents	978	1,181	-	-
Prepaid insurance	2,595	1,669	566	729
Other items	3,486	5,924	504	235
<b>Total</b>	<b>7,311</b>	<b>8,967</b>	<b>1,070</b>	<b>964</b>
<b>(c) Other current receivables</b>				
VAT	5,129	4,170	245	355
Income tax	225	1,554	-	-
Other current receivables	4,632	1,482	161	143
<b>Total</b>	<b>9,986</b>	<b>7,206</b>	<b>406</b>	<b>498</b>



## Note 15 Financial assets and liabilities

### Classification

Classification of the Group's financial instruments, which is described on page 41, is as follows:

Assets	Classification	Carrying amount	
		12-31-2015	12-31-2014
Non-current receivables	3)	690	730
Other non-current securities	3)	2	78
Trade receivables	3)	107,239	90,439
Other current receivables	3)	9,916	7,206
Currency hedging	6)	70	0
Accrued income	3)	253	114
Cash & cash equivalents	3)	134,885	100,045
<b>Total</b>		<b>253,055</b>	<b>198,612</b>

Liabilities	Classification	Carrying amount	
		12-31-2015	12-31-2014
Non-current liabilities to credit institutions	5)	0	4,537
Other non-current liabilities	5)	1,075	0
Current liabilities to credit institutions	5)	0	502
Additional purchase consideration payable	1)	3,423	5,750
Trade payables	5)	32,936	33,910
Currency hedging	6)	0	0
Other current liabilities	5)	6,483	8,225
Accrued expenses	5)	40,838	33,638
<b>Total</b>		<b>84,756</b>	<b>86,563</b>

Classification according to IAS 39:

- 1) Financial assets and liabilities at fair value through profit or loss
- 2) Held-to-maturity investments
- 3) Loans and receivables
- 4) Available-for-sale financial assets
- 5) Other liabilities
- 6) Derivatives

## Note 16 Fair value

The tables below provide information on how fair value is determined for financial instruments measured at fair value in the statement of financial position. Fair value is determined on the basis of inputs in one of the following three levels:

Level 1: inputs that are quoted prices in active markets for identical instruments

Level 2: inputs other than quoted market prices in Level 1 that are directly or indirectly observable market data

Level 3: inputs that are not observable in the market

### Group

Financial assets at fair value	Total	Level 1	Level 2	Level 3
Derivatives used for hedging	-	-	-	-
<b>Closing balance 12-31-2014</b>	-	-	-	-
Derivatives used for hedging	-	-	70	-
<b>Closing balance 12-31-2015</b>	-	-	<b>70</b>	-
<b>Financial liabilities at fair value</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivatives used for hedging	-	-	-	-
Additional purchase consideration payable	5,750	-	-	5,750
<b>Closing balance 12-31-2014</b>	<b>5,750</b>	-	-	<b>5,750</b>
Additional purchase consideration payable	3,423	-	-	3,423
<b>Closing balance 12-31-2015</b>	<b>3,423</b>	-	-	<b>3,423</b>

There were no transfers between the levels during the periods.

## Cont'd. Note 16 Fair value

The tables below present a reconciliation of opening and closing balances for instruments measured at fair value in the statement of financial position and which are included in level 3.

Group	Additional purchase consideration payable	
	2015	2014
<b>Changes in financial instruments in Level 3</b>		
At beginning of year	5,750	22,411
Total recognized gains and losses		
reported in profit/loss for the year	-275	-13,462
reported in OCI	-	-
Payment from additional purchase consideration provision	-2,052	-3,199
<b>Closing balance, December 31</b>	<b>3,423</b>	<b>5,750</b>

The fair value disclosures provided for the Group in respect of derivatives and additional purchase consideration payable also apply to the Parent Company.

### Measurement of derivatives (level 2)

The fair value of derivatives used for hedging is determined by discounting future cash flows using a discount rate that reflects the counterparty's credit risk. Future cash flows are estimated based on the Swedish Central Bank's quoted exchange rates.

### Measurement of additional purchase consideration payable (level 3)

Financial assets measured at fair value consist entirely of an additional purchase consideration payable from the subsidiary MIP Technologies AB. The fair value is determined based on management's forecast for the parts of the business to which the additional purchase consideration relates. If the result, calculated according to the calculation models stipulated in the additional purchase consideration

contract, increases by 10 percent, the additional purchase consideration payable also increases by 10 percent.

### Financial assets and liabilities measured at amortized cost

Estimated fair values based on discounted future cash flows, with a discount rate that reflects the counterparty's credit risk being the most significant input, are not expected to differ significantly from the carrying amount of financial assets and liabilities measured at amortized cost. Consequently, the carrying amounts of these financial assets and liabilities are considered to represent a good approximation of the fair values. These assets and liabilities are classified in Level 2 of the fair value hierarchy.

## Note 17 Other financial liabilities

Changes during the year	Group	Parent Company
Opening balance 01-01-2015	6,972	5,750
New provisions during the year	-	-
Amounts used during the year	-2,474	-2,327
<b>Closing balance 12-31-2015</b>	<b>4,498</b>	<b>3,423</b>

The liability consists of:	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
Non-current portion	1,075	5,072	0	3,850
Current portion	3,423	1,900	3,423	1,900
<b>Total</b>	<b>4,498</b>	<b>6,972</b>	<b>3,423</b>	<b>5,750</b>

### Financial liability for additional purchase consideration in business combinations

SEK 3,423 thousand of the SEK 4,498 thousand relates to the acquisition of MIP Technologies AB, which includes an agreement that an additional purchase consideration based on the distribution of gross profit in certain areas may be paid in the period up to the end of 2016. The agreement with the sellers does not refer to a maximum amount, as there has been considerable uncertainty about future

results. However, the Company has estimated this at SEK 3,423 thousand. The additional purchase consideration is calculated and settled annually. The additional purchase consideration of SEK 2,052 thousand for the fiscal year 2014 was settled in 2015. The difference between this settlement and the amount recognized as the current portion in the 2014 annual financial statements is due to the fact that the amount had not been finally established when the statements were prepared.

## Note 18 Provisions

	Group	
	12-31-2015	12-31-2014
Provision for warranties	1,970	1,210
Provision for social security contributions on share option plans	-	-
Other personnel-related provisions	1,468	1,369
<b>Total provisions</b>	<b>3,438</b>	<b>2,579</b>

### The provisions consist of:

Non-current portion	1,468	1,369
Current portion	1,970	1,210
<b>Total</b>	<b>3,438</b>	<b>2,579</b>

Changes during the year, Group	Warranty commitments	Other provisions	Total
Opening balance 01-01-2015	1,210	1,369	2,579
New provisions during the year	1,970	99	2,069
Amounts used during the year	-1,210	-	-1,210
<b>Closing balance 12-31-2015</b>	<b>1,970</b>	<b>1,468</b>	<b>3,438</b>

### Provision for warranties:

Biotage normally provides a one-year warranty on its products. The recognized provision for warranties corresponds to a percentage of the year's sales. The percentage is calculated on the basis of actual warranty costs during the fiscal year. The provision for warranties is classified as a short-term obligation as it is considered likely that the warranty obligations will be settled within 12 months of the reporting date.

## Note 19 Deferred tax

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<i>Deferred tax assets</i>				
Tax loss carryforwards	47,626	44,765	38,271	37,511
<b>Total deferred tax assets</b>	<b>47,626</b>	<b>44,765</b>	<b>38,271</b>	<b>37,511</b>
<i>Deferred tax liabilities</i>				
Accelerated depreciation allowances	1,948	2,465	-	-
<b>Total deferred tax liabilities</b>	<b>1,948</b>	<b>2,465</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax assets and liabilities</b>	<b>45,678</b>	<b>42,300</b>	<b>38,271</b>	<b>37,511</b>
<b>Group</b>	<b>Deferred tax asset</b>		<b>Deferred tax liability</b>	
<b>Change in deferred tax</b>	<b>Tax loss carryforwards</b>		<b>Accelerated depreciation</b>	
At January 1, 2014	44,914		1,835	
Recognized in income statement	-149		630	
<b>At December 31, 2014</b>	<b>44,765</b>		<b>2,465</b>	
At January 1, 2015	44,765		2,465	
Recognized in income statement	2,861		-517	
<b>At December 31, 2015</b>	<b>47,626</b>		<b>1,948</b>	
<b>Parent</b>	<b>Deferred tax asset</b>		<b>Deferred tax liability</b>	
<b>Change in deferred tax</b>	<b>Tax loss carryforwards</b>		<b>Accelerated depreciation</b>	
At January 1, 2014	37,660		-	
Recognized in income statement	-149		-	
<b>At December 31, 2014</b>	<b>37,511</b>		<b>-</b>	
At January 1, 2015	37,511		-	
Recognized in income statement	760		-	
<b>At December 31, 2015</b>	<b>38,271</b>		<b>-</b>	

### Capitalization of loss carryforwards

The Group has tax losses of SEK 411 million in Swedish legal entities for the 2016 tax year. These tax loss carryforwards continue indefinitely. Tax losses in US subsidiaries amount to approx. SEK 201 million and expire in the period 2021-2031. Tax losses in German subsidiaries amount to approx. SEK 13 million and in Japan to approx. SEK 3 million. Deferred tax assets have not been reported for these tax loss carryforwards, as the companies have historically reported taxable losses and it is therefore uncertain whether sufficient taxable profit will be available. Based on probable and expected taxable income in the coming years and a reassessment of the value of the

tax losses, Biotage decided to capitalize a further SEK 22.9 million in the Group on December 31, 2015. In 2015, the Group utilized tax losses against taxable profits, corresponding to a tax effect of SEK 20.0 million. The associated net effect on tax expense for the year was SEK 2.9 million (SEK 0.8 million for the Swedish units and SEK 2.1 million for the US units). The carrying amount of the Group's deferred tax assets at December 31, 2015 is SEK 47.6 (42.3) million and the corresponding figure for the Parent Company is SEK 38.3 (37.5) million. Further information can be found on page 46 in the note on significant accounting estimates.

## Note 20 Trade and other payables

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
Liabilities to suppliers	32,936	33,910	499	769
Other current liabilities	6,483	8,225	123	778
Accruals and deferred income (a)	70,553	56,322	5,257	4,251
<b>Total trade and other payables</b>	<b>109,973</b>	<b>98,457</b>	<b>5,879</b>	<b>5,798</b>
<b>(a) Accruals and deferred income</b>				
Personnel-related expenses	29,546	20,741	2,748	597
Deferred income	29,715	23,775	-	-
Other accruals	11,293	11,805	2,509	3,654
<b>Total</b>	<b>70,553</b>	<b>56,322</b>	<b>5,257</b>	<b>4,251</b>

## Note 21 Shares and interests

	12-31-2015	12-31-2014
<b>Parent Company</b>		
Opening cost	935,136	935,136
Investments for the year	38	76,621
Sales during the year	–	-76,621
<b>Closing accumulated cost</b>	<b>935,174</b>	<b>935,136</b>
Opening impairment	-467,008	-453,508
Impairment for the year	-38	-76,621
Unpaid additional purchase consideration	–	-13,500
<i>Sales during the year</i>	–	76,621
<b>Closing accumulated impairment</b>	<b>-467,046</b>	<b>-467,008</b>
<b>Closing accumulated carrying amount</b>	<b>468,128</b>	<b>468,128</b>

### Companies owned directly by the Parent

Company name	Reg. no.	Reg'd office	Number of shares	Share of capital	Share of votes	Carrying amount Opening balance 2015	Investments during year	Impairment during year	Carrying amount Closing balance 2015
Biotage Sweden AB	556487-4922	Uppsala, Sweden	19,336,284	100%	100%	276,224	–	–	276,224
CEMU Bioteknik AB	556011-2384	Uppsala, Sweden	100	100%	100%	120	–	–	120
Pyrosequencing AB	556554-3476	Stockholm, Sweden	100	100%	100%	100	–	–	100
MIP Technologies AB	556578-4674	Lund, Sweden	96,940	100%	100%	36,183	–	–	36,183
Pyrosequencing Inc	04-3484142	Boston, USA	100	100%	100%	77,695	–	–	77,695
Biotage GmbH	HRB 39374	Düsseldorf, Germany	1	100%	100%	0	–	–	0
Biotage SARL	2001B00976	Paris, France	500	100%	100%	68	–	–	68
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	90%	90%	0	38	-38	0
Biotage Ltd	0126-01-004032	Tokyo, Japan	200	100%	100%	0	–	–	0
Biotage GB Ltd	1033865	Cardiff, Wales	100	100%	100%	76,744	–	–	76,744
Biotage China		Shanghai, China	1	100%	100%	994	–	–	994
<b>Total carrying amount</b>						<b>468,128</b>	<b>38</b>	<b>-38</b>	<b>468,128</b>

### Companies owned by other subsidiaries

Company name	Reg. no.	Reg'd office	Number of shares	Share of capital	Share of votes	Carrying amount Opening balance 2015	Carrying amount Closing balance 2014
Biotage LLC	04-3535072	Charlotte, USA		100%	100%	193,989	207,417
Esytech AB	556588-8350	Uppsala, Sweden	100,000	100%	100%	260	260
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	10%	10%	10	9
Biotage Ltd	3938925	London, England	2	100%	100%	0	0
<b>Total</b>						<b>194,259</b>	<b>207,686</b>

Changes to the carrying value of subsidiaries' shareholdings are due to translation differences during conversion to Swedish kronor.

## Note 22 Pledged assets and contingent liabilities

	Group		Parent Company	
	12-31-2015	12-31-2014	12-31-2015	12-31-2014
<b>Pledged assets</b>				
Chattel mortgages	51,500	51,500	22,500	22,500
Real estate mortgages	12,233	12,449	-	-
<b>Total</b>	<b>63,733</b>	<b>63,949</b>	<b>22,500</b>	<b>22,500</b>

Chattel mortgages relate to unutilized credit facilities in the companies Biotage Sweden AB and Biotage AB. Real estate mortgages relate to the mortgage on the property at which the subsidiary Biotage GB conducts its operations in Cardiff, Wales. The mortgage is recognized at the property's carrying amount.

<b>Contingent liabilities</b>	-	-	-	-
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The Parent Company has provided sureties for the following subsidiaries' obligations with the Group's main creditor, Handelsbanken:

Biotage LLC	04-3535072	Charlotte, USA
Biotage GB Ltd	1033865	Cardiff, Wales
Biotage Sweden AB	556487-4922	Uppsala, Sweden

The Parent Company guarantees all liabilities of Biotage GB Ltd (see above) as of the reporting date. This exempts the company from the requirement for audited accounts in accordance with section 479A of the Companies Act 2006.

No provisions have been recognized in connection with the patent litigation in the United States. See page 46.

## Note 23 Related party disclosures

### Subsidiary

Biotage does not engage in any operations described in its business concept; its subsidiaries develop, produce and market the Group's products and services. For this reason, there are considerable transactions between the Parent Company and its subsidiaries, and between subsidiaries themselves. A list of the subsidiaries can be found on the previous page.

### Summary of transactions with subsidiaries:

Amounts in SEK thousands	Country	Receivables from subsidiaries		Liabilities to subsidiaries		Services sales (+) purchases (-)		Interest received (+) paid (-)	
		2015	2014	2015	2014	2015	2014	2015	2014
Biotage Sweden AB	SE	35,453	45,234	-	-	1,115	1,090	-	-
Biotage Sweden AB	SE	-	-	-	-	-3,253	-4,127	-	-
Cemu Biotechnik AB	SE	-	-	116	116	-	-	-	-
Pyrosequencing AB	SE	-	-	100	100	-	-	-	-
MIP Technologies AB	SE	23,713	12,511	-	-	196	157	-	-
Biotage LLC	US	187	171	264	-	756	578	-681	280
Biotage SARL	FR	-	-	-	-	-	-	-	-
Biotage GmbH	DE	27,735	31,739	-	-	-	-	138	-
Biotage Ltd	GB	-	-	-	-	-	-	-	1,861
Biotage Ltd	JP	12,899	13,909	-	-	219	211	-	-
Biotage GB Ltd	GB	105	3,136	163	21,175	437	354	-611	-3,580
Biotage China	CH	378	361	-	-	-	-	-	-
Impairment reserve		-29,285	-30,505	-	-	-	-	-	-
		71,186	76,555	643	21,391	-530	-1,738	-1,155	-1,438

### Key management personnel in the company or its parent

Payments to the Board and senior executives are described on pages 47-50. As the Group's CEO Torben Jørgensen owned less than 5 percent of MIP Technologies AB through his own company when Biotage acquired MIP Technologies AB in 2010, he received part of the purchase consideration that was paid to the sellers. The amount paid in 2015 was SEK 48 (76) thousand. No other transactions have been conducted with Board members, senior executives or individuals or legal entities that are related parties thereof.



### Statement by the Board of Directors

The Board and CEO confirm that the consolidated annual financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's financial performance and position. The Parent Company's annual financial statements have been prepared in accordance

with generally accepted accounting principles in Sweden and provide a true and fair view of the Parent Company's financial performance and position. The Board of Directors' report for the Group and Parent Company provides a true and fair overview of the development of their operations, financial position and performance, and describes material risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be presented for adoption at the annual general meeting on April 28, 2016.

Uppsala, March 21, 2016



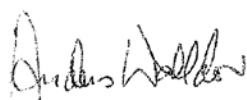
Ove Mattsson  
*Chairman*



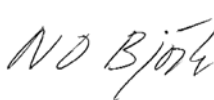
Thomas Eklund  
*Board Member*



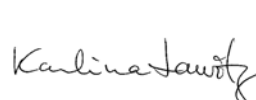
Peter Ehrenheim  
*Board Member*



Anders Walldov  
*Board Member*



Nils-Olof Björk  
*Board Member*



Karolina Lawitz  
*Board Member*



Love Amcoff  
*Employee Representative*



Malin Albertsson  
*Employee Representative*



Anders Wessman  
*Employee Representative  
(deputy)*



Annika Gärdlund  
*Employee Representative  
(deputy)*



Torben Jørgensen  
*President and CEO*

Our Audit Report was submitted on March 21, 2016.

Deloitte AB



Fredrik Walmeus  
*Authorized Public Accountant*

# Audit Report

**To the Annual General Meeting of the shareholders of Biotage AB (publ)**  
Reg. no. 556539-3138

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of Biotage AB (publ) for the fiscal year January 1, 2015 to December 31, 2015. The Parent Company's annual financial statements and the consolidated financial statements are included in the printed version of this document on pages 24-67.

### *Responsibility of the Board of Directors and Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine are necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at December 31, 2015 and its financial performance and cash flows for the year then ended. In our opinion, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at December 31, 2015 and its financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and Managing Director of Biotage AB (publ) for the fiscal year January 1, 2015 to December 31, 2015.

### *Responsibility of the Board of Directors and Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration as defined in the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the Company. We have also conducted examinations to establish whether any member of the Board or the CEO has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Company's Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinions*

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the fiscal year.

Stockholm, March 21, 2016

Deloitte AB



Fredrik Walmeus  
Authorized Public Accountant

# Board of Directors



## **Ove Mattsson**

Chairman of the Board  
*Education:* PhD, associate professor in organic chemistry.  
 b. 1940.  
*Occupation:* Management Consultant.  
*Other assignments:* Chairman of Nico AB and Nico Export AB. Director of Ecolan AB and Vironova AB. Member of the Royal Swedish Academy of Engineering Sciences.  
*Board service:* 13 years.  
*Shares:* 1,772,796 via foreign endowment insurance.  
 Ove Mattsson attended all board meetings during the year.



## **Thomas Eklund**

Board member  
*Education:* MBA Stockholm School of Economics.  
 b. 1967.  
*Occupation:* Independent adviser, consultant and director.  
*Other assignments:* Chairman of Global Health Partners AB, Swewet AB and Itrim AB. Director of Boule Diagnostics AB, Neoventa Medical AB, Memira AB and Rodebjer Form AB.  
*Board service:* 10 years.  
*Shares:* 112,259, including shares owned via endowment and pension insurance.  
 Thomas Eklund attended 7 out of 8 board meetings during the year.



## **Peter Ehrenheim**

Board member  
*Education:* MSc Mechanical Engineering, KTH Stockholm.  
 b. 1955.  
*Occupation:* Entrepreneur.  
*Other assignments:* Chairman of Biolin Scientific, Boule Diagnostics, Robustus Wear Components AB and Färsundet Industri AB. Director of Meda AB, Grönsöo Säteri AB and VBN Components AB.  
*Board service:* 3 years.  
*Shares:* –  
 Peter Ehrenheim attended all board meetings during the year.



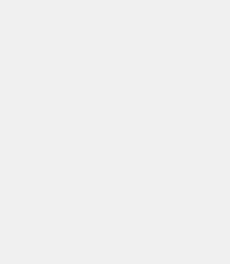
## **Karolina Lawitz**

Board member  
*Education:* MSc, University of Uppsala.  
 b. 1956.  
*Occupation:* Director, Red Glead Discovery.  
*Other assignments:* –  
*Board service:* 4 years.  
*Shares:* 8,900.  
 Karolina Lawitz attended all board meetings during the year.



## **Nils-Olof Björk**

Board member  
*Education:* Engineer, PhD inorganic chemistry.  
 b. 1947.  
*Occupation:* Management Consultant.  
*Other assignments:* Chairman of Österlens Kraft AB, Österlens Kraft e.f., Airec AB, Björk Consulting AB and Nippon Sake Sweden AB.  
*Board service:* 5 years.  
*Shares:* 20,350.  
 Nils-Olof Björk attended all board meetings during the year.



## **Anders Walldov**

Board member  
*Education:* BSc (Econ) HHS in Lund, AMP Harvard Business School.  
 b. 1949.  
*Occupation:* Investor.  
*Other assignments:* Chairman of SevenDay Finans AB and Wellnet AB. Director of Brohuvudet AB.  
*Board service:* 6 years.  
*Shares:* 9,000,000 directly and through wholly-owned company.  
 Anders Walldov attended all board meetings during the year.



## **Love Amcoff**

Employee Representative  
*Education:* MSc (Engineering) KTH Royal Institute of Technology.  
 b. 1974.  
*Occupation:* Systems Engineer.  
*Other assignments:* –  
*Board service:* 4 years.  
*Shares:* 2,000.  
 Love Amcoff attended 7 out of 8 board meetings during the year.



## **Malin Albertsson**

Employee Representative  
*Education:* MSc Linköping University, Postgrad. Diploma in Translating and Conference Interpreting, Heriot-Watt University, Edinburgh.  
 b. 1976.  
*Occupation:* Customer Service.  
*Other assignments:* –  
*Board service:* 1 year.  
*Shares:* –  
 Malin Albertsson attended all board meetings during the year.

## **Anders Wessman**

Employee Representative (deputy)  
*Education:* MSc (Engineering) KTH Royal Institute of Technology.  
 b. 1976.  
*Occupation:* Software Engineer.  
*Other assignments:* –  
*Board service:* 1 year.  
*Shares:* –  
 Anders Wessman attended 4 out of 8 board meetings during the year.

## **Annika Gärdlund**

Employee Representative (deputy)  
*Education:* Uppsala University.  
 b. 1966.  
*Occupation:* Senior Accountant.  
*Other assignments:* –  
*Board service:* 0.  
*Shares:* –  
 Annika Gärdlund did not attend any of the board meetings during the year.

## **Fredrik Walmeus**

Chief auditor  
 b. 1971. Authorized Public Accountant, Deloitte AB.

The shareholdings refer to the number of shares held on December 31, 2015.

# Management Group



Anders Wikström

Lars Bäckman

Erika Söderberg Johnson

Torben Jørgensen

Paul Belton

Steve Jordan

## **Torben Jørgensen\***

*Position:* President and CEO.  
*b.* 1952.  
*Education:* BSc (Econ.).  
*Employment in the Group:* 10 years.  
*Shares:* 618,700.  
*Other assignments:* Chairman of Micropos Medical AB. Director of Atlas Antibodies AB.

## **Erika Söderberg Johnson\***

*Position:* CFO.  
*b.* 1970.  
*Education:* MBA Stockholm School of Economics.  
*Employment in the Group:* 4 years.  
*Shares:* 7,700.  
*Other assignments:* Director of Sectra AB and MedCap AB.

## **Lars Bäckman\***

*Position:* VP Corporate Development.  
*b.* 1961.  
*Education:* LLB.  
*Employment in the Group:* 9 years.  
*Shares:* 20,000.  
*Other assignments:* –

## **Paul Belton**

*Position:* VP Global Marketing.  
*b.* 1959.  
*Education:* Graduate Royal Society of Chemistry.  
*Employment in the Group:* 15 years.  
*Shares:* 1,296.  
*Other assignments:* –

## **Anders Wikström**

*Position:* VP Operations.  
*b.* 1973.  
*Education:* BSc CS.  
*Employment in the Group:* 14 years.  
*Shares:* 9,150.  
*Other assignments:* –

## **Steve Jordan**

*Position:* CSO.  
*b.* 1953.  
*Education:* Fellow Royal Society of Chemistry.  
*Employment in the Group:* 11 years.  
*Shares:* –  
*Other assignments:* –

\* Senior Executives

## Glossary

### *CMO*

Contract manufacturing organization.

### *CRO*

Contract research organization.

### *Evaporation*

Accelerated evaporation of a liquid.

### *Flash chromatography*

A method of separating the substances included in a reaction mixture. Depending on their physical characteristics, the substances move at different speeds through a solid phase with the help of a flow of solvents.

### *LLE (Liquid-Liquid Extraction)*

A method of separating compounds based on their relative solubility in two different immiscible liquids, usually water and an organic solvent. This is an extraction of a substance from one liquid phase into another liquid phase.

### *Microwave synthesis*

A synthesis where microwave energy is used to speed up the reaction.

### *MIP*

Molecularly imprinted polymers.

### *Re-agent*

A substance that is added during synthesis to restructure the start material to the desired product.

### *Purification*

Involves the synthesized compound being isolated from impurities.

### *Purification column*

The physical unit where the medium needed to carry out flash chromatography is packaged. The sample that is to be purified in the column is then applied and purification is carried out as the solvent flows through the column.

### *SLE (Supported Liquid Extraction)*

A product and method representing an efficient alternative to traditional LLE that has higher recovery rates and lends itself well to automation. The extraction of a substance is performed by the sample first being absorbed onto a solid support and then eluted off using an organic solvent.

### *SPE (Solid Phase Extraction)*

A method for separating substances according to how much they prefer a solid phase to a liquid phase. The same principle applies as for flash chromatography although on a smaller scale.

### *Synthesis*

Involves creating a new substance by combining (synthesizing) several different substances.

### *Work-up*

A process that removes various substances that may have been added to speed up or create reactions.

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Fax: +44 (0) 1443 816 552

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Fax: +1-704-654-4917