

# Interim report

## January - March 2018



April 26, 2018

### Record sales and profitability

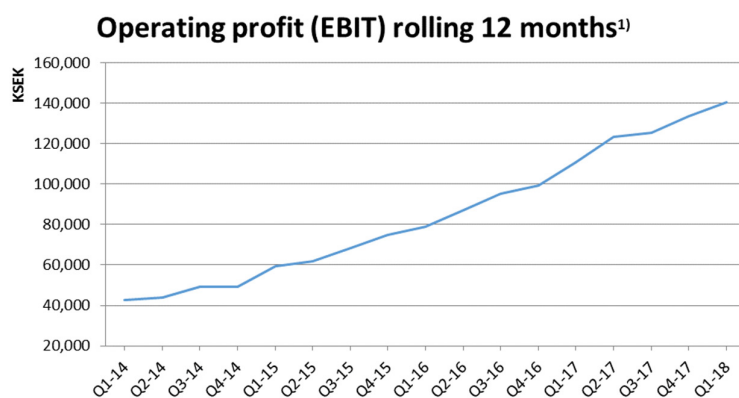
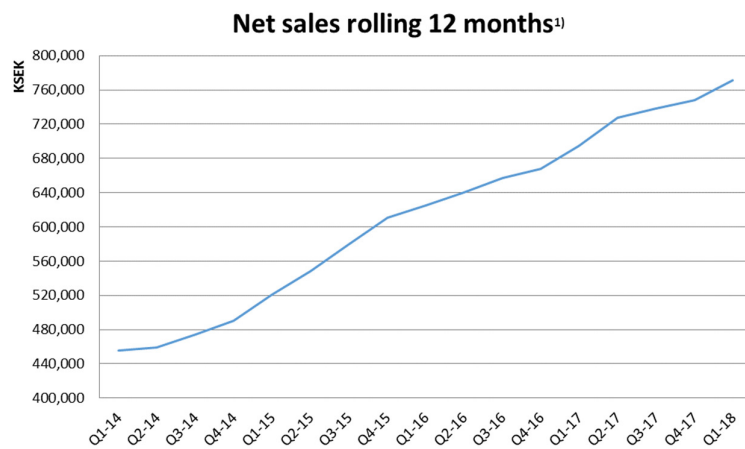
#### First quarter January - March 2018

- Net sales amounted to 208.0 MSEK (185.2), which is an increase by 12.3 percent compared to the corresponding quarter last year. At comparable exchange rates<sup>1)</sup> and adjusted for acquisitions, net sales increased by 9.8 percent.
- Operating profit increased by 19 percent to 41.6 MSEK (34.9)
- Result after tax increased by 27 percent to 44.9 MSEK (35.3).
- Earnings per share increased to 0.69 SEK (0.55) before and after dilution.
- The cash flow from operating activities amounted to 28.1 MSEK (29.2).
- Net cash<sup>1)</sup> at March 31 amounted to 59.6 MSEK (152.1).
- The acquisition of Horizon Technology Inc. was closed on January 16. Through the acquisition, Biotage strengthens its position in analyses of environment and food safety.
- At the end of the reported period Biotage had no holding of own shares. No shares were acquired under the repurchasing program resolved at the 2017 Annual General Meeting.

1) See definition on pp. 15-16

## Group financial development in brief

Amounts in SEK millions	1 <sup>st</sup> quarter Jan-Mar 2018	1 <sup>st</sup> quarter Jan-Mar 2017	12 months Jan-Dec 2017
Net sales	208,0	185,2	748,1
Cost of sales	-81,2	-72,5	-291,5
Gross profit	126,8	112,8	456,7
Operating expenses	-85,2	-77,8	-323,0
Operating profit/loss (EBIT)	41,6	34,9	133,6
Financial items	4,0	1,3	2,6
Profit/loss before tax	45,6	36,3	136,3
Tax expenses	-0,8	-1,0	2,5
<b>Total profit/loss for the period</b>	<b>44,9</b>	<b>35,3</b>	<b>138,7</b>
Gross margin	61,0%	60,9%	61,0%
Operating margin (EBIT)	20,0%	18,9%	17,9%



1) See definition on pp. 15-16

## Comments by CEO Torben Jörgensen

The start of 2018 has been very satisfying. The integration of Horizon Technology proceeds according to plan. The acquisition is vitalizing and important for our increased focus on analyses in the areas of environment and food safety.

We add yet another quarter with record sales as well as record profitability. The sales amounted to 208 MSEK with an organic growth of close to 10 percent. At the same time we continue to improve our operating margin, which was 20 percent in the quarter. The average EBIT margin for the latest three year period is 15.6 percent.

The gross margin for the period amounts to 61 percent, in line with our strategic goal of 60 percent. Increased production volumes together with a higher degree of automation and general efficiency improvements at the plant in Cardiff, Wales continue to contribute to the improved gross margin. During the quarter we also enjoyed generally favorable exchange rates.

The further development of the production plant in Cardiff continues. Later this year we will start using additional premises, which will enable further automatization and thus ensure prerequisites for continued growth.

The investments in direct sales continue to contribute to the sales successes. The operations in South Korea continue to develop well and the sales were 2.5 times larger than the corresponding period last year. The operations in China are also developing well, increasing sales by more than 28 percent. Practically all countries with their own local sales forces grew compared to the first quarter 2017. We continue to expand our direct sales and the latest contribution is India. Here we have carried out a number of key recruitments that will join us in the third quarter.

Demand is generally good with growth in all strategically important product areas. The biggest growth, some 60 percent, is accomplished by our evaporation products. Sales of the new generation of the evaporation system TurboVap® continue to be strong. With the acquisition of Horizon Technology we increase our efforts in analytical chemistry. It is still too soon to evaluate the acquisition, but we are satisfied with the development so far. Sales of Industrial Products have started the year well, especially in Europe. In Europe we also see a boost in the sales of consumables. Products in the purification area have also had a successful quarter and we set a new sales record for the number of units sold of the purification system Isolera™.

For a time our synthesis and peptide synthesis products have had to stand back in favor of other product areas with higher priority. However, more resources have been allocated to these products and updates are planned for launch already by the end of the second quarter.

System sales constituted 48 percent of the turnover in the quarter and aftermarket products 52 percent. The system sales continue to increase and the main explanation is the continued sales successes for the purification system Isolera™, above all in China, where we sold a record number of systems in the first quarter.

The research and development work is further intensified and we look forward to new launches during the year.

## **Group result, financial position and cash flow**

### First quarter, January – March 2018

Group net sales in the first quarter 2018 amounted to 208.0 MSEK (185.2), which is an increase by 12.3 percent. Adjusted for acquisitions and at comparable exchange rates sales increased by 9.8 percent compared to the corresponding quarter last year. The Americas was the biggest market with 43 percent (42) of the net sales. The EU area contributed 26 percent (28), Japan 13 percent (15), China 10 percent (9), South Korea 4 percent (2), EMEA 1 percent (2) and APAC 3 percent (2).

The Group's gross margin amounts to 61.0 percent (60.9). The profitability improves slightly despite the fact that the efficiency gains are offset by a stronger GBP and an unfavorable product mix. The distribution of sales between systems and aftermarket products was 48 percent (47) and 52 percent (53), respectively.

The operating expenses amounted to 85.2 MSEK (77.8). Of this sum 60.1 MSEK (50.2) were sales costs. The 9.9 MSEK increase in sales costs compared to the corresponding period last year is mainly explained by the acquisition of Horizon and the initiated establishment of direct sales in India. The research and development costs increased by 0.3 MSEK to 15.0 MSEK (14.7). The administration costs amounted to 15.2 MSEK (12.9). Other operating items amounting to 5.1 MSEK (-0.1) primarily consists of currency effects on operations related liabilities and receivables.

Operating profit improved by 19 percent to 41.6 MSEK (34.9), corresponding to an operating margin (EBIT) of 20.0 percent (18.9). The average operating margin (EBIT) for the last three month period now amounts to 15.6 percent, compared to the Group's financial target of 15 percent. Net financial income amounted to 4.0 MSEK (1.3) and the difference compared to the corresponding period last year is mainly explained by currency effects. The result after tax increased to 44.9 MSEK (35.3).

The cash flow from operating activities was 28.1 MSEK (29.2). The investments amounted to 144.0 MSEK (6.1), of which sum the net effect of the acquisition of Horizon accounted for 129.8 MSEK. Amortizations and write-downs amounted to 9.2 MSEK (8.3). Capitalized development costs accounted for 7.8 MSEK (4.0) of the investments and 4.6 MSEK (4.2) of the amortizations and write-downs.

### Balance sheet items

At March 31, 2018 the Group's cash and cash equivalents amounted to 168.9 MSEK (152.1). At the end of the reported period the Group had interest-bearing liabilities amounting to 109.3 MSEK (-). The interest-bearing liabilities relate to

loans under a credit facility taken up in connection with the acquisition of Horizon Technology Inc. Net cash at March 31 thus amounted to 59.6 MSEK (152.1).

The Group reports a total goodwill of 180.5 MSEK (104.0) at March 31. The increase in goodwill is related to the acquisition of Horizon that was completed in January. Other reported goodwill is related to the acquisitions of MIP Technologies AB and two product lines from Caliper Life Sciences Inc. in 2010.

Other intangible fixed assets amounted to 185.7 MSEK (114.6). Of this sum capitalized development costs accounts for 98.7 MSEK (90.7). The rest of the increase primarily consists of identified surplus value in acquired assets in Horizon, see page 17.

At March 31 the equity capital amounted to 659.6 MSEK (595.9). The change in equity during the year is primarily attributable to the net result, 44.9 MSEK (35.3), and to currency hedging and currency effects at the translation of foreign subsidiaries, 6.1 MSEK (-2.6).

### **Repurchasing program**

Biotage had no holding of own shares at the end of the reported period. No shares were acquired under the repurchasing program decided at the 2017 Annual General Meeting. Complete documentation from the AGM is available at [www.biotage.com](http://www.biotage.com).

### **Major events after the reported period**

There are no major events after the reported period to report.

### **Human resources**

The Group had 397 (329) employees at March 31, compared to 349 at the start of the year. The increase is mainly attributable to the acquisition of Horizon.

### **Parent company**

The Group's parent company, Biotage AB, has wholly owned subsidiaries in Sweden, the United States, United Kingdom, Germany, France, Italy, Japan, China, South Korea and India. The parent company is responsible for group management, strategic business development and administrative functions at group level and towards subsidiaries.

The parent company's net income amounted to 0.6 MSEK (0.6) in the first quarter. The operating expenses amounted to 5.4 MSEK (5.3) and the operating result was -4.8 MSEK (-4.7). The parent company's net financial income was 1.1 MSEK (0.6) and the result after financial items amounted to -3.6 MSEK (-4.1). The investments in intangible fixed assets in the quarter amounted to 0.3 MSEK (0.2). The parent company's cash and bank balances amounted to 3.0 MSEK (0.7) at March 31.

## Risks and uncertainties

As an international Group, Biotage is exposed to various risks that affect the possibilities to achieve the established targets. There are operational risks, such as the risk that competitive situations affect price levels and sales volumes, and the risk that the economic development in the markets and segments where the Group operates is not stable. There are also financial risks, such as currency risks, interest risks and credit risks. No major changes in significant risks or uncertainty factors have occurred during the period. Our assessment thus remains unchanged compared to the description of the company's risks, uncertainty factors and the handling of these in the company's Annual Report for 2017. Readers wishing to study the Annual Report can download this from the company's website [www.biotage.com](http://www.biotage.com) or order it from Biotage AB, Box 8, SE-751 03, Uppsala, Sweden or [info@biotage.com](mailto:info@biotage.com).

## Coming financial reports

The interim report for the second quarter 2018 will be issued on July 16, 2018.  
The interim report for the third quarter 2018 will be issued on November 6, 2018.  
The year-end report for 2018 will be issued on February 7, 2019.

All reports are available at Biotage's website from the above dates.

*This report has not been reviewed by the company's auditors.*

Uppsala April 26, 2018

Torben Jörgensen  
President and CEO

For further information:

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*This information is information that Biotage AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 15.00 CET on April 26, 2018.*

### About Biotage

*Biotage offers efficient separation technologies from analysis to industrial scale and high quality solutions for analytical chemistry from research to commercial analysis laboratories. Biotage's products are used by government authorities, academic institutions, contract research and contract manufacturing organizations, pharmaceutical and food companies, among others. The company is headquartered in Uppsala and has offices in the US, UK, China, Japan, South Korea and India. Biotage has approx. 400 employees and had sales of 748 MSEK in 2017. Biotage is listed on NASDAQ Stockholm. Website: [www.biotage.com](http://www.biotage.com)*

**Biotage AB (publ)**

**Interim report**

**2018-01-01 -- 2018-03-31**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY**

	2018-01-01	2017-01-01	2017-01-01
Amounts in SEK thousands	2018-03-31	2017-03-31	2017-12-31
Net sales	208,048	185,228	748,147
Cost of sales	-81,242	-72,473	-291,483
<b>Gross profit</b>	<b>126,805</b>	<b>112,755</b>	<b>456,664</b>
Distribution costs	-60,125	-50,153	-207,628
Administrative expenses	-15,208	-12,878	-54,705
Research and development costs	-14,952	-14,653	-55,986
Other operating income	5,072	-123	-4,715
<b>Total operating expenses</b>	<b>-85,214</b>	<b>-77,808</b>	<b>-323,034</b>
<b>Operating profit/loss</b>	<b>41,591</b>	<b>34,947</b>	<b>133,630</b>
Financial net income	4,044	1,304	2,631
<b>Profit/loss before income tax</b>	<b>45,635</b>	<b>36,250</b>	<b>136,260</b>
Tax expenses	-782	-958	2,487
<b>Total profit/loss for the period</b>	<b>44,853</b>	<b>35,293</b>	<b>138,747</b>
<b>Other comprehensive income</b>			
Components that may be reclassified to net income:			
Translation differences related to non Swedish subsidiaries	6,528	-2,057	-12,268
Cash flow hedges	-439	-535	-213
<b>Total other comprehensive income</b>	<b>6,089</b>	<b>-2,592</b>	<b>-12,481</b>
<b>Total comprehensive income for the period</b>	<b>50,942</b>	<b>32,701</b>	<b>126,267</b>

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY (Continuing)**

	<b>2018-01-01 2018-03-31</b>	<b>2017-01-01 2017-03-31</b>	<b>2017-01-01 2017-12-31</b>
Attributable to parent company's shareholders:			
Total profit/loss for the period	44,853	35,293	138,747
Attributable to parent company's shareholders:			
Total comprehensive income for the period	50,942	32,701	126,267
Average shares outstanding	64,714,447	64,714,447	64,714,447
Shares outstanding at end of reporting period	64,714,447	64,714,447	64,714,447
Total profit/loss for the period per share SEK	0.69	0.55	2.14
Total profit/loss for the period per share SEK after dilution	0.69	0.55	2.14
Earnings per share relates to:			
Continuing operations	0.69	0.55	2.14
Total comprehensive income for the period per share SEK	0.79	0.51	1.95
Total comprehensive income for the period per share after dilution SEK	0.79	0.51	1.95

<b>Quarterly summary 2017 and 2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
<b>Amounts in KSEK</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Net Sales	208,048	188,888	177,716	196,315	185,228
Cost of sales	-81,242	-73,271	-70,469	-75,270	-72,473
Gross profit	<b>126,806</b>	<b>115,618</b>	<b>107,246</b>	<b>121,045</b>	<b>112,755</b>
Gross margin	61.0%	61.2%	60.3%	61.7%	60.9%
Operating expenses	-85,214	-83,387	-77,986	-83,853	-77,808
Operating profit/loss	<b>41,592</b>	<b>32,231</b>	<b>29,260</b>	<b>37,192</b>	<b>34,947</b>
Financial net	4,044	2	725	600	1,304
Profit/loss before income tax	<b>45,635</b>	<b>32,233</b>	<b>29,984</b>	<b>37,793</b>	<b>36,250</b>
Tax expenses	-782	2,417	1,143	-116	-958
<b>Total profit/loss for the period</b>	<b>44,854</b>	<b>34,650</b>	<b>31,127</b>	<b>37,677</b>	<b>35,293</b>



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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY**

<b>Amounts in SEK thousands</b>	<b>2018-03-31</b>	<b>2017-12-31</b>
<b>ASSETS</b>		
<b>Non-Current assets</b>		
Property, plant and equipment	47,328	45,303
Goodwill	180,464	104,023
Other intangible assets	185,666	118,646
Financial assets	20,240	19,243
Deferred tax asset	60,968	60,735
<b>Total non-current assets</b>	<b>494,667</b>	<b>347,949</b>
<b>Current assets</b>		
Inventories	113,287	95,794
Trade and other receivables	164,932	139,195
Cash and cash equivalents	168,889	174,263
<b>Total current assets</b>	<b>447,109</b>	<b>409,252</b>
<b>TOTAL ASSETS</b>	<b>941,776</b>	<b>757,201</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves attributable to equity holders of the parent company</b>		
Share capital	89,953	89,953
Reserves	-90,330	-96,419
Retained earnings	659,930	615,077
<b>Total equity</b>	<b>659,553</b>	<b>608,611</b>
<b>Non-current liabilities</b>		
Liabilities to credit institutions	109,288	-
Other financial liabilities	653	656
Deferred tax liability	14,412	1,621
Non-current provisions	2,023	1,936
<b>Total non-current liabilities</b>	<b>126,375</b>	<b>4,212</b>
<b>Current liabilities</b>		
Trade and others liabilities	150,761	139,693
Tax liabilities	1,520	1,899
Current provisions	3,566	2,785
<b>Total current liabilities</b>	<b>155,848</b>	<b>144,377</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>941,776</b>	<b>757,201</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY**

<b>Amounts in SEK thousands</b>	<b>Share capital</b>	<b>Accumulated translation reserve</b>	<b>Hedging reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Opening balance January 1, 2017</b>	<b>89,953</b>	<b>-84,227</b>	<b>288</b>	<b>557,223</b>	<b>563,238</b>
<b>Changes in equity in the period of January 1 -december 31, 2017</b>					
Total comprehensive income	-	-12,268	-213	138,747	126,267
<b>Total non-owners changes</b>	<b>-</b>	<b>-12,268</b>	<b>-213</b>	<b>138,747</b>	<b>126,267</b>
<b>Transactions with equity holders of the company</b>					
Dividend to shareholders of the parent company	-	-	-	-80,893	-80,893
<b>Closing balance December 31, 2017</b>	<b>89,953</b>	<b>-96,494</b>	<b>76</b>	<b>615,078</b>	<b>608,611</b>
<b>Changes in equity in the period of January 1, - December 31, 2018</b>					
Total comprehensive income	-	6,528	-439	44,853	50,942
<b>Total non-owners changes</b>	<b>-</b>	<b>6,528</b>	<b>-439</b>	<b>44,853</b>	<b>50,942</b>
<b>Transacitions with equity holders of the company</b>					
Dividend to shareholders of the parent company	-	-	-	-	-
<b>Closing balance December 31, 2018</b>	<b>89,953</b>	<b>-89,967</b>	<b>-363</b>	<b>659,930</b>	<b>659,553</b>

The 2017 Annual General Meeting resolved to authorize the Board to continue to let the company repurchase shares up until the AGM 2018, so that the company's holding of own shares amounts to a maximum of 10 percent of the number of registered shares. At the balance sheet date March 31<sup>st</sup> 2018, the company held no repurchased shares.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>2018-01-01</b>	<b>2017-01-01</b>	<b>2017-01-01</b>
<b>Amounts in SEK thousands</b>	<b>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
<b>Operating activities</b>			
Profit/loss before income tax	45,635	36,250	136,260
Adjustments for non-cash items	3,589	5,971	36,216
	<b>49,224</b>	<b>42,221</b>	<b>172,476</b>
Income tax paid	-1,397	-1,249	-5,091
<b>Cash flow from operating activities before changes in working capital</b>	<b>47,826</b>	<b>40,972</b>	<b>167,385</b>
Cash flow from changes in working capital:			
Increase (-)/ decrease (+) in inventories	-4,946	-1,178	-12,544
Increase (-)/ decrease (+) in operating receivables	-13,500	-8,591	-6,372
Increase (+)/ decrease (-) in operating liabilities	-1,236	-2,016	20,463
<b>Cash flow from operating activities</b>	<b>28,144</b>	<b>29,187</b>	<b>168,932</b>
<b>Investing activities</b>			
Acquisition of intangible assets	-10,895	-4,210	-26,998
Acquisition of property, plant and equipment	-2,146	-1,848	-10,806
Acquisition of financial assets	-129,816	-	-
Sale of financial assets	-1,120	487	902
<b>Cash flow from investing activities</b>	<b>-143,978</b>	<b>-5,571</b>	<b>-36,903</b>
<b>Financing activities</b>			
Dividend to shareholders	-	-	-80,893
Loan raised	109,285	-	-
Repayment of loans	-	-42	-160
<b>Cash flow from financial activities</b>	<b>109,285</b>	<b>-42</b>	<b>-81,053</b>
<b>Cash flow for the period</b>	<b>-6,549</b>	<b>23,574</b>	<b>50,976</b>
Cash and cash equivalents opening balance	174,263	128,622	128,622
Exchange differences in liquid assets	1,175	-99	-5,336
<b>Cash and equivalents closing balance</b>	<b>168,890</b>	<b>152,097</b>	<b>174,263</b>
<b>Additional information:</b>			
<i>Adjustments for non-cash items</i>			
Depreciations and impairments	9,171	8,264	34,225
Other items	-5,582	-2,294	1,991
Total	3,589	5,971	36,216

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**INCOME STATEMENT, PARENT IN SUMMARY**

	2018-01-01	2017-01-01	2017-01-01
<b>Amounts in SEK thousands</b>	<b>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
Net sales	<b>602</b>	<b>590</b>	<b>2,304</b>
Administrative expenses	-4,851	-4,597	-18,011
Research and development costs	-511	-723	-2,874
Other operating items	6	29	14
Operating expenses	-5,356	-5,291	-20,871
<b>Operating profit/loss</b>	<b>-4,753</b>	<b>-4,701</b>	<b>-18,567</b>
<b>Profit/loss from financial investments:</b>			
Interest income from receivables from group companies	-	-	150
Interest expense from liabilities to group companies	-	-655	-2,550
Other interest and similar income	1,368	1,280	6,977
Other interest and similar expenses	-249	-	-2,369
Group contribution received	-	-	86,334
Financial net income	1,119	625	88,543
<b>Profit/loss before income tax</b>	<b>-3,634</b>	<b>-4,076</b>	<b>69,976</b>
Tax expenses	-	-	8,649
<b>Total profit/loss for the period</b>	<b>-3,634</b>	<b>-4,076</b>	<b>78,626</b>

**STATEMENT OF COMPREHENSIVE INCOME, PARENT**

Total profit/loss for the period	-3,634	-4,076	78,626
<b>Other comprehensive income:</b>			
Components that may be reclassified to net income:			
Translation differences related to non Swedish subsidiaries	-	-	-
<b>Total comprehensive income, parent</b>	<b>-3,634</b>	<b>-4,076</b>	<b>78,626</b>

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**BALANCE SHEET, PARENT**

<b>Amounts in SEK thousands</b>	<b>2018-03-31</b>	<b>2017-12-31</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Patents and licenses	10,190	10,053
<i>Financial assets</i>		
Investments in group companies	470,398	470,398
Receivables from group companies	164,561	11,685
Shares in associated companies	19,284	19,284
Deferred tax asset	48,495	48,495
	<b>702,738</b>	<b>549,863</b>
<b>Total non-current assets</b>	<b>712,928</b>	<b>559,916</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Receivables from group companies	89,731	55,600
Other receivables	390	307
Prepaid expenses and accrued income	1,499	3,410
	<b>91,620</b>	<b>59,317</b>
Cash and cash equivalents	<b>3,033</b>	<b>1,459</b>
<b>Total current assets</b>	<b>94,653</b>	<b>60,776</b>
<b>TOTAL ASSETS</b>	<b>807,581</b>	<b>620,692</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>Equity</b>		
<i>Restricted equity</i>		
Share capital	89,953	89,953
	<b>89,953</b>	<b>89,953</b>
<i>Unrestricted equity</i>		
Retained earnings	471,133	392,507
Profit/loss for the year	-3,633	78,626
	<b>467,500</b>	<b>471,133</b>
<b>Total equity</b>	<b>557,453</b>	<b>561,086</b>
<b>Longterm liabilities</b>		
Liabilities to credit institutions	110,000	-
	<b>110,000</b>	<b>-</b>
<b>Current liabilities</b>		
Trade payables	965	876
Liabilities to group companies	132,604	50,669
Other current liabilities	716	47
Accrued expenses and prepaid income	5,843	8,014
	<b>140,128</b>	<b>59,606</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>807,581</b>	<b>620,692</b>

## NOTES

### Accounting principles

The Group reporting of Biotage is based on International Financial Reporting Standards as adopted by the EU. The Group's interim report is prepared in accordance with IAS 34 *Interim Reporting* and the Swedish Accounting Act. The parent company's interim report is prepared in accordance with the Swedish Accounting Act and The Swedish Financial Reporting Board's recommendation RFR 2 *Reporting for Legal Entities*. The Group and the parent company have applied the same accounting principles and calculation methods in the interim report as in the latest annual report. Information according to IAS 34 *Interim Reporting* is given in notes as well as in other places in the interim report. Changed and new standards and interpretations from IASB and IFRS Interpretations Committee which have come into effect and apply to the fiscal year 2018 have not had any effect on the Group's financial reporting.

In the preparation of the Group's and the parent company's interim reports, the same accounting principles and calculation methods were applied as in the preparation of the Annual Report for 2017. These are described on pp. 42-50 in the Annual Report.

For balance sheet items figures in brackets refer to the value at the end of the corresponding period last year. For result and cash flow items the corresponding period last year is referred to.

### New and changed standards and interpretations

IFRS 9 *Financial instruments* replaces IAS 39 *Financial instruments: Recognition and measurement*. The application of IFRS 9 came into effect on January 1 2018. IFRS 9 includes new requirements on classification and measurement of financial instruments, for write-off, impairment and general rules for hedge accounting. The new standard means a new model for write-down of accounts receivable in the Group. The analysis performed shows that the Group in essence meets the requirements of IFRS 9 and that it will not have any significant effect on Biotage's accounts.

IFRS 15 *Revenue from contracts with customers* replaces IAS 18 *Revenue* and IAS 11 *Construction contracts*. The basic principle for revenue recognition according to IFRS 15 is that a company shall recognize revenue in a way that reflects the transfer of the promised goods or service to the customer, at the amount that the company expects to be entitled to receive in exchange for the goods or service. Revenue is recognized when the customer obtains control of the goods or services. There is extensive guidance in IFRS 15 for specific areas and the disclosure requirements are extensive. IFRS 15 came into effect on January 1 2018. An analysis of the Group's revenue streams has been performed and the new standard was not found to have affected the timing of recognition of revenue in the Group and is not expected to have any other significant effect on Biotage's accounts. The changes in the rules relating to information will be reviewed and supplemented in subsequent reports.

### New and changed standards and interpretations which have not yet come into effect

IFRS 16 *Leases* means that all assets that Biotage rents under a leasing agreement, including rental agreements for premises, shall be recognized as an asset and liability, and a cost for depreciation and interest reported on the income statement. The standard will mean that higher assets as well as higher liability will be reported in the balance sheet than today. IFRS 16 shall be applied from the financial year 2019 at the latest and is not yet adopted by the EU.

The corporate management's assessment is that the other new and revised standards and interpretations will not have any material effect on the Group's financial statements for the period in which they are applied for the first time.

### **Fair value**

Biotage has a financial asset of 0.4 MSEK measured as fair value concerning an option to acquire all outstanding shares in Chreto Aps. Biotage owns 22 percent of Chreto. Calculations of fair value are based on level 3 in the fair value hierarchy, which means that fair value has been established according to a valuation model where essential inputs are based on unobservable data. Other financial assets and financial debts are measured according to accrued acquisition value and the value reported for these is considered to be a good approximation of fair value.

### **Key ratios and financial metrics**

For definitions of the key ratios and financial metrics used in the Group's financial reporting, see Biotage's Annual Report for 2017, page 76.

### **Financial metrics in the interim report not defined according to IFRS**

In this report Biotage discloses information that the corporate management uses to assess the development of the Group. Some of the financial metrics presented are not defined according to IFRS. The company believes that these metrics give valuable supplementary information to stakeholders and corporate management, as they contribute to the evaluation of relevant trends and the company's performance. As not all companies calculate financial metrics in the same way, they are not always comparable with the metrics used by other companies. These financial metrics should thus not be seen as a substitute for metrics defined according to IFRS.

Effective July 3, 2016 ESMA's guidelines on "alternative performance measures" are applied, which means increased information demands concerning financial metrics not defined by IFRS. An explanation of the financial metrics that Biotage finds relevant according to the new guidelines is given below.

### **Net sales at comparable exchange rates**

As the major part of the Group's income is paid in other currencies than the accounting currency SEK, the reported sales are affected to a relatively high degree by exchange rate variations between the periods. In order for stakeholders and corporate management to be able to analyze the sales development cleared of currency effects the company reports the sales development in relation to the comparative period at constant exchange rates. The current period's sales in the respective currencies are recalculated according to the exchange rates used in the reporting of the comparative period.

Sales change in %	First quarter			
	2018-01-01	2017-01-01		
	2018-03-31	2017-03-31		
	KSEK	%	KSEK	%
Reported sales in the comparison period	185,228		158,875	
Reported sales in the period*	194,766		185,228	
<b>Reported Change</b>	<b>9,538</b>	<b>5.1</b>	<b>26,353</b>	<b>16.6</b>
Sales in current period to the comparable periods exchange rates*	203,446		179,341	
<b>Change to comparable rates</b>	<b>18,218</b>	<b>9.8</b>	<b>20,466</b>	<b>12.9</b>

\*Excluding reported sales from companies acquired during the year

### *Net cash*

In order for stakeholders and corporate management to be able to follow and analyze the Group's financial strength, information on the Group's net cash is reported defined as cash reduced by liabilities to credit institutions.

<b>Net cash</b>	<b>March 31 2018</b>	<b>March 31 2017</b>
Cash	168,889	174,263
Liabilities to credit institution	-109,288	0
<b>Net cash</b>	<b>59,602</b>	<b>174,263</b>

### *Graphs of net sales and operating result*

Biotage has chosen to report graphs of the net sales and the operating result on a rolling 12-month basis as corporate management also follows the development over time on a rolling 12-month basis and believes that this provides supplementary information to the calendar-based interim data otherwise given in the report.

<b>Rolling 12 months</b>	<b>March 31 2018</b>			<b>March 31 2017</b>		
	<b>4/1/2017</b>	<b>1/1/2018</b>	<b>Rolling</b>	<b>4/1/2016</b>	<b>1/1/2017</b>	<b>Rolling</b>
	<b>12/31/2017</b>	<b>3/31/2018</b>	<b>12 months</b>	<b>12/31/2016</b>	<b>3/31/2017</b>	<b>12 months</b>
Net sales	562.9	208.0	771.0	509.0	185.2	694.3
Operating profit	98.7	41.6	140.3	75.5	34.9	110.5
Net sales increase %			11.0%			11.0%

### *EBIT*

In this report Biotage uses the result measure EBIT, Earnings Before Interest and Taxes, as an alternative term for operating profit.

### ***Pledged assets***

At March 31 2018 Biotage had pledged assets amounting to 22.5 MSEK (22.5), no material change has occurred during the reporting period. There are no contingent liabilities of a material character.



### **Business acquisition**

On January 16, 2018 Biotage AB acquired 100 percent of the privately held company Horizon Technology Inc. Horizon, based in New Hampshire, USA, is a supplier of automated systems and consumables for separation in the areas of water purification, food testing, petrochemicals and the pharma industry. Horizon's product offering complements Biotage's product portfolio well and strengthens Biotage's position above all in the areas of food safety and environmental applications. Biotage's global direct sales are furthermore expected to benefit the sales of Horizon's products. Biotage acquired all shares in Horizon by cash payment of the entire purchase price of 143 MSEK on the day of acquisition.

In this acquisition analysis no differences between book values and actual values concerning other receivables have been identified. The stock is valued at book value.

<b>The acquired company's net assets at the time of acquisition</b>	<b>Acquisition analysis</b>
Tangible fixed assets	0.6
Intangible assets: Customer relations	26.4
Intangible assets: Trademarks	13.0
Intangible assets: Patents/technology	19.5
Other intangible assets	2.1
Stock	8.2
Accounts receivable and other receivables	9.0
Cash and cash equivalents	12.7
Accounts payable and other operating liabilities	-10.0
Deferred tax	-12.4
<b>Net identifiable assets and liabilities</b>	<b>69.2</b>
Consolidated goodwill	73.3
<b>Transferred payment</b>	<b>142.5</b>

### **Goodwill**

In the acquisition analysis goodwill amounts to 73 MSEK. The goodwill included in the acquisition corresponds partly to Biotage's estimated ability to increase the sales of Horizon's products in a bigger marketplace due to its global sales organization, partly to the synergies that occur as Biotage's product offering is widened, and also to the knowledge in the environmental area and in water purification that exists in the acquired company. This goodwill is not deemed to be tax deductible.

### **Acquisition related expenses**

The acquisition related expenses amounted to 2.8 MSEK and relate to fees paid for external legal counsel and consultants in connection with due diligence, among other things. 2.5 MSEK of these costs were reported already in 2017. The expenses have been reported under Administration costs in the Group's statement of profit or loss and other comprehensive income.

### Composition of income

<b>Composition of income:</b>	3/31/2018	3/31/2017
Net sales - distribution between products and services:		
Products, Systems	97,723	86,938
Products, Consumables and spare parts	88,552	78,328
Service contracts and other services	17,937	18,456
Other sales revenue	3,836	1,506
Total sales revenue	208,048	185,228

<b>Revenue by geographical market and product area Q1 2017</b>	Organic Chemistry	Analytical Chemistry	Industrial products	Total
North- and South America	39,842	32,188	5,431	77,462
Europa	30,243	13,290	6,446	49,979
Japan	22,258	3,441	1,114	26,813
China	13,459	3,097	2	16,558
EMEA and APAC	2,897	4,468	664	8,029
South Korea	2,953	546	37	3,536
India	2,505	122	225	2,852
Total sales revenue	114,156	57,152	13,920	185,228

<b>Revenue by geographical market and product area Q1 2018</b>	Organic Chemistry	Analytical Chemistry	Industrial products	Total
North- and South America	40,214	40,761	7,469	88,444
Europa	25,018	17,647	6,644	49,308
Japan	20,410	2,475	3,168	26,053
China	18,347	1,834	21	20,202
EMEA and APAC	4,790	7,956	804	13,550
South Korea	5,835	3,199	0	9,034
India	992	440	23	1,454
Total sales revenue	115,606	74,313	18,129	208,048

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

<b>Revenue by sales channel</b>	3/31/2018	3/31/2017
Direct sales through own sales channel	194,497	177,199
Sales through distributors	13,550	8,029
Total sales revenue	208,048	185,228

<b>Point in time of transfer of goods and services</b>	3/31/2018	3/31/2017
Goods transferred at a point in time	190,111	168,187
Services transferred at a point in time	4,652	4,948
Service contracts and other services transferred over a period of time	13,284	12,093
Total sales revenue	208,048	185,228