

BTG plc: Final Results

Strong strategic progress in 2016/17 with double-digit growth in product sales

London, UK, 16 May 2017: BTG plc (LSE: BTG), the global specialist healthcare company, today announces its final results for the year ended 31 March 2017.

Louise Makin, BTG's CEO, commented: "We have delivered strong double-digit product sales growth and generated significant cash flows, enabling us to invest in product innovation, clinical data, geographic expansion and acquisitions. We have a broad portfolio and a scalable platform, and there is momentum across the business. With the financial strength to continue our investment plans, we are well positioned to capture further value in the growing Interventional Medicine space and to deliver sustained business growth."

Financial summary

	2016/17 (£m)	2015/16 (£m)	Growth (%)	Growth at CER ² (%)
Revenue	570.5	447.5	27	11
<i>Product sales</i>	387.3	283.3	37	19
<i>Licensing revenues</i>	183.2	164.2	12	(3)
Adjusted operating profit ¹	129.6	93.0	39	13
IFRS operating profit	57.5	56.5	2	
Adjusted basic EPS ¹	23.1p	21.9p	5	
IFRS basic EPS	8.7p	15.8p	(45)	
Free cash flow ¹	64.7	88.1	(27)	
Net cash flow from operating activities	74.2	95.6	(22)	
Cash and cash equivalents at year end	155.5	140.4		

1. Certain financial measures in this press release, including adjusted operating profit, adjusted basic EPS and free cash flow, are not prepared in accordance with IFRS. All adjusted financial measures are explained on page 20, and are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 21 to 22.

2. Constant Exchange Rate (CER) growth is computed by restating 2016/17 results using 2015/16 foreign exchange rates for the relevant period.

- Interventional Medicine now the largest and fastest growing revenue contributor, delivering 15% organic CER growth (25% CER growth including Galil Medical)
- Adjusted operating profit up 13% at CER in 2016/17
- Strong financial position with £155.5m of cash at 31 March 2017
- IFRS operating profit and IFRS EPS impacted by previously announced legal settlement (£28.0m)
- Translation benefits from weaker sterling offset by hedging losses on forward contracts (£25.2m), impacting the year's Adjusted and IFRS EPS

Operating highlights

Interventional Medicine

Oncology

- Acquisition of Galil Medical, a leader in interventional oncology cryoablation technology
- Liver cancer treatment DC Bead LUMI™, the first and only visible chemoembolising bead, approved in the EU and Canada
- Availability of TheraSphere®, the radiation treatment for liver cancer, expanded in Asia; new dosimetry software launched
- Collaboration with the Society of Interventional Oncology (SIO) to test locoregional therapies alongside immunology agents

Vascular

- Enrolment completed into OPTALYSE and ACCESS PTS studies of EKOS®, the blood clot treatment device
- Steady increase in use of the varicose veins treatment Varithena®; new reimbursement codes due January 2018

Pulmonology

- Premarket Approval (PMA) application accepted in the US for PneumRx® Coils for severe emphysema; coils included in new GOLD guidelines; progress made towards national coverage/reimbursement determinations in Germany and France

Specialty Pharmaceuticals

- CroFab® copperhead snakebite study completed successfully; targeted sales campaign delivered higher sales of digoxin overdose antidote DigiFab® into US hospitals
- Oncology sales force expanded to support growth of Voraxaze® and recently launched Vistogard® chemotherapy antidotes

Licensing

- Continued strong contribution from Zytiga® and last full year's contribution from Lemtrada™ royalties

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About BTG

BTG is a global specialist healthcare company bringing to market innovative products in specialist areas of medicine to better serve doctors and their patients. We have a portfolio of Interventional Medicine products to advance the treatment of cancer, severe emphysema, severe blood clots and varicose veins, and Specialty Pharmaceuticals that help patients overexposed to certain medications or toxins. Inspired by patient and physician needs, BTG is investing to expand its portfolio to address some of today's most complex healthcare challenges. To learn more about BTG, please visit: btgplc.com.

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OPERATING REVIEW

BTG has made significant progress in executing its growth strategy and demonstrating leadership in Interventional Medicine. The business is now capable of delivering sustained double-digit product sales growth based on the momentum in Interventional Oncology and EKOS[®], together with the financial underpin from Specialty Pharmaceuticals. BTG has the potential to deliver higher growth by continuing to invest in the regulatory and commercial development of Varithena[®] and the PneumRx[®] Coils and in product innovation, geographic expansion, clinical data and acquisitions.

Interventional Medicine

Oncology

BTG's leadership strategy in interventional oncology is to provide differentiated products across multiple technology platforms, and to advance overall understanding of the conditions that the products treat by providing comprehensive disease and product education. The Company is committed to innovation and to generating clinical data, which support the interventional radiologist in the multidisciplinary cancer team.

In June 2016, BTG expanded its oncology portfolio through the acquisition of Galil Medical, a leader in interventional oncology cryoablation technology. Galil Medical continued to grow strongly throughout the integration, especially in its largest market, kidney cancer. Good progress was also made in studies using Galil Medical's cryoablation platform technology to treat metastatic tumours. These are on track to yield results over the coming year and if successful could expand the opportunity in treating lung metastases and provide a new opportunity in treating bone metastases. BTG's expanded Interventional Oncology sales force in the US is now promoting all technologies in the portfolio.

TheraSphere[®], the differentiated internal radiation product used in the treatment of liver cancer, delivered strong growth in the US and EU, and became available for the first time in a number of markets in Asia and elsewhere including South Korea, Malaysia and Mexico. Recruitment continued on track into STOP-HCC and EPOCH, two Phase III trials designed to support product label expansions and to generate data in primary liver cancer and metastatic colorectal cancer respectively.

LC Bead LUMI[™], the first and only radiopaque embolising bead, was first launched in the US in early 2016 into oncology centres of excellence. Treating physicians have given positive feedback on their ability to locate the beads precisely during the embolisation procedure. DC Bead LUMI[™], the first and only visible chemoembolisation bead, received a CE mark in the EU and was approved in Canada. The first European patients have now been treated and the product will be made available throughout the EU over the coming months.

During the year, BTG formed a collaboration with the SIO, a global organisation working to nurture and support interventional oncology worldwide, to explore the role of interventional oncology alongside immuno-oncology. BTG also joined the Global Liver Institute's (GLI) Partnership Network as a founding member. The GLI is an innovation and collaboration platform for the liver community worldwide; BTG will provide expertise and support on key initiatives to help transform care for liver cancer patients.

Vascular

Continued high growth in revenue from EKOS[®], which uses ultrasound accelerated thrombolysis to treat severe blood clots, reflects increased penetration into US hospitals, of which approximately 75% now use EKOS[®] products. EKOS[®] sales have also benefitted from an increase in total procedures, which has risen to approximately 150,000 per annum in the US.

EKOS[®] has seen steady growth in its deep vein thrombosis (DVT) and peripheral arterial occlusion (PAO) catheter sales and strong growth in pulmonary embolism (PE) catheter sales, where it is the only device cleared in the US for treating PE. In February 2017, EKOS[®] also received 510(k) approval for a new control unit that is optimised for PE.

EKOS[®] has strengthened its sales and marketing presence in Europe and has improved its distribution network. It has also made progress in other territories, with the first patients treated in Taiwan and Hong Kong.

Recruitment was completed into the OPTALYSE and ACCESS PTS studies. OPTALYSE is a multi-arm study exploring whether reduced drug doses and infusion times can achieve similar outcomes as the current standard PE treatment protocol. Success in this study would offer safety and cost benefits, providing additional rationale for using the EKOS[®] device to treat PE. The OPTALYSE results will be presented on 21 May 2017 at American Thoracic Society International Conference in Washington, DC, USA. ACCESS PTS is evaluating the efficacy of EKOS[®] for post-thrombotic syndrome and chronic venous occlusion; the results will be presented at the Society for Vascular Medicine 28th Annual Scientific Sessions in New Orleans, LA, USA on 15 June 2017.

New sales force and market access initiatives helped Varithena[®] make steady progress in the US reimbursed sector, with more vein clinics starting to use the product and reorder rates increasing among existing customers month on month. A key development during the year was the confirmation that there will be new dedicated reimbursement

codes from January 2018 covering the use of Varithena[®]. Once established, the new codes will simplify administration of the claims procedure for physicians and insurers. They will also provide clarity for physicians in relation to the economics of using Varithena[®] in different vein segments (i.e. for the great saphenous vein, and for other varicosities above and below the knee) compared with other treatment options, which will influence usage in the different segments.

BTG continues to explore the use of Varithena[®] in the treatment of venous leg ulcers.

Pulmonology

European sales of the PneumRx[®] Coils, which are used for the treatment of severe emphysema, fell as a result of fewer procedures in Germany, currently the largest market. Activities to support the resumption of growth in Europe are focused on medical therapy area development, including using the expanded clinical data and medical insights to establish appropriate patient selection criteria, and on extending reimbursement coverage.

National reimbursement determinations in Germany and France progressed, with decisions anticipated in the current financial year that are expected to secure the availability of the coils in both countries. France would be a new market.

In the US, a Premarket Approval application was submitted and accepted for review in March 2017. Planning is underway for a potential US launch in 2018, depending on the PMA review process and approval timeline.

During the year, the PneumRx[®] Coils were included in the new GOLD (Global Initiative for Chronic Obstructive Lung Disease) treatment guidelines.

Specialty Pharmaceuticals

A strong performance in Specialty Pharmaceuticals reflects the success of targeted activities to strengthen the brands. The results of the copperhead bite study, increased usage of the SnakeBite911[™] app and educational programmes continued to drive appropriate CroFab[®] usage and dosing. DigiFab[®] benefitted from a targeted sales initiative to raise awareness of the potential for digoxin toxicity.

The expanded oncology sales force generated good growth in Voraxaze[®] and continued to raise awareness of toxicity associated with the use of 5-fluorouracil, to support the adoption of the recently launched antidote Vistogard[®].

Licensing

Royalties from Johnson & Johnson's Zytiga[®] continued to deliver a good cash contribution. Royalties from Sanofi's multiple sclerosis treatment Lemtrada[™] increased during the year but are expected to be much lower in the current year, ceasing from September 2017 due to patent expiries.

FINANCIAL REVIEW

BTG has delivered a strong financial performance in 2016/17, reflecting the Group's increasing financial maturity and progress on its strategic objective to achieve sustained profitable growth.

		2016/17 (£m)	2015/16 (£m)	Growth (%)	Growth at CER ¹ (%)
Interventional Medicine					
Interventional Oncology	TheraSphere® / Beads	121.8	91.4	33	16
	GALIL™	17.2	-	n/a	n/a
	<i>Total Interventional Oncology</i>	139.0	91.4	52	32
Interventional Vascular	EKOS®	64.0	45.4	41	22
	Varithena®	4.1	1.0	310	270
	<i>Total Interventional Vascular</i>	68.1	46.4	47	27
Interventional Pulmonology	PneumRx® Coil	9.1	12.4	(27)	(36)
	Total Interventional Medicine	216.2	150.2	44	25
Specialty Pharmaceuticals					
	CroFab®	82.4	67.9	21	6
	DigiFab®	64.1	47.0	36	17
	Voraxaze®	21.1	16.6	27	15
	Vistogard® /other	3.5	1.6	119	94
	Total Specialty Pharmaceuticals	171.1	133.1	29	12
Product sales		387.3	283.3	37	19
Licensing					
	Zytiga®	123.2	118.9	4	(10)
	Lemtrada™	39.0	19.8	97	67
	Others	21.0	25.5	(18)	(24)
	Total Licensing	183.2	164.2	12	(3)
Total revenue		570.5	447.5	27	11

¹ For the methodology applied to calculate CER growth, refer to page 20.

Revenue

Revenues were £570.5m (2015/16: £447.5m), up 11% on a CER basis. At actual exchange rates revenues were up 27%, as a result of significant foreign exchange tailwinds from weaker sterling in 2016/17.

Product sales delivered 14% organic growth at CER (19% CER growth including Galil Medical). At actual exchange rates product sales were up 37%.

Interventional Medicine

Interventional Medicine revenues increased to £216.2m (2015/16: £150.2m), delivering 15% organic growth at CER (up 25% at CER including Galil Medical). Interventional Medicine now represents the Group's largest and fastest growing business unit.

Interventional Oncology revenues were £139.0m (2015/16: £91.4m), up 32% at CER including sales from Galil Medical, which was acquired in June 2016. The TheraSphere® / Beads portfolio of products grew 16% at CER, driven by the continued expansion of TheraSphere® in the US and EU. Galil Medical revenues delivered 20% year on year growth on a pro forma basis, including sales for the period prior to BTG's ownership.

Interventional Vascular revenues were £68.1m (2015/16: £46.4m), up 27% at CER.

Sales of the EKOS® blood clot treatment device were up 22% at CER. Strong growth has been delivered through increased penetration into US hospitals and use in the treatment of pulmonary embolism.

Sales of the varicose veins treatment Varithena® were £4.1m (2015/16: £1.0m), the growth reflecting targeted marketing and market access initiatives.

Interventional Pulmonology revenues were £9.1m (2015/16: £12.4m), down 36% at CER. Lower sales of the PneumRx® Coil treatment for severe emphysema were due to a lower number of procedures in Germany, the largest market. Resumption of growth in Europe is anticipated when appropriate patient selection criteria are established and as reimbursement coverage expands.

Specialty Pharmaceuticals

Specialty Pharmaceuticals revenues were £171.1m (2015/16: £133.1m) up 12% at CER. Growth was principally driven by single-digit price increases for the established products, strong reorders of DigiFab®, and volume growth for the newer oncology products.

Sales of CroFab[®], the snakebite antivenin, were up 6% at CER and the digoxin toxicity treatment DigiFab[®] was up 17% at CER.

Voraxaze[®], for treating high-dose methotrexate toxicity, delivered 15% CER growth. Revenues from Vistogard[®] grew to £3.2m during its first full year of sales following US launch in 2015/16.

Licensing

Licensing revenues were £183.2m (2015/16: £164.2m), down 3% at CER.

Royalties from Zytiga[®] were £123.2m (2015/16: £118.9m). Royalties from Lemtrada[™] grew strongly to £39.0m (2015/16: £19.8m). The 2016/17 financial year represented the last year of significant Lemtrada[™] royalties, as the European patent expired in March 2017 and the US patent expires in September 2017.

Gross Profit

Adjusted gross profit was £391.6m (2015/16: £308.2m), with an adjusted gross margin of 69% (2015/16: 69%).

On an IFRS basis, gross profit was £390.6m (2015/16: £306.7m), at a gross margin of 68% (2015/16: 69%).

Interventional Medicine gross margin remained constant at 71% (2015/16: 71%). Interventional Medicine gross margin reflects the fixed manufacturing cost base for the early-stage Varithena[®] and PneumRx[®] products, and is expected to increase over time as revenues from these products grow. Specialty Pharmaceuticals gross margin was 90% (2015/16: 89%). Licensing gross margin was 45% (2015/16: 50%) reflecting increased revenues from lower margin royalty streams in 2016/17.

SG&A

Adjusted SG&A was £178.6m (2015/16: £141.4m), up 26% at actual exchange rates, the increase in part due to weaker sterling in 2016/17. On a CER basis adjusted SG&A was up 14%. The increase in adjusted SG&A reflects the inclusion of Galil Medical's operating costs for the first time, representing five percentage points of the year on year increase, and continued targeted investment in Interventional Medicine commercial capabilities while continuing to effectively manage the cost base.

On an IFRS basis SG&A was £206.6m (2015/16: £141.4m). SG&A in 2016/17 included a one-time charge of £28.0m (\$36m) relating to the previously announced legal settlement with the US government following its investigation into the historic marketing of LC Bead[®].

Research and development

Research and development was £87.8m (2015/16: £77.2m), up 14% at actual exchange rates and in line with prior year on a CER basis.

There was good pipeline progress during the year, including acceptance of the PMA submission for PneumRx[®] Coils in the US and completion of enrolment for the OPTALYSE PE and ACCESS PTS studies. R&D investment was focused on the Interventional Medicine business, including the recently acquired Galil Medical programmes for lung and bone metastases and increased patient enrolment for the EPOCH and STOP-HCC TheraSphere[®] Phase III trials designed to support PMA applications in the US.

Operating profit

Adjusted operating profit was £129.6m (2015/16: £93.0m), up 39% at actual exchange rates. On a CER basis adjusted operating profit was up 13%, driven by higher revenues coupled with continued effective cost management and targeted commercial investment in Interventional Medicine.

Adjusted operating margin increased by two percentage points to 23% (2015/16: 21%).

IFRS Operating Profit was £57.5m (2015/16: £56.5m), up 2% at actual exchange rates. This reflects higher acquired intangible asset amortisation of £42.0m (2015/16: £35.0m), principally due to intangible assets acquired with Galil Medical, and the previously announced legal settlement that resulted in a one-time charge of £28.0m.

IFRS operating margin was 10% (2015/16: 13%).

Financial expense/income

Adjusted net financial expense was £26.6m (2015/16: expense of £0.4m). Following the significant weakening of sterling in 2016/17, hedging losses of £25.2m (2015/16: gain of £1.2m) relating to foreign exchange forward contracts were recognised. These losses have offset the foreign exchange translation benefits realised at the operating profit level.

IFRS net financial expense was £25.9m (2015/16: net financial income of £1.0m). IFRS net financial expense includes a net credit of £0.7m relating to the change in fair value of contingent consideration liabilities (2015/16: net credit of £1.4m).

Taxation

Adjusted effective tax rate was 14% (2015/16:10%). This is lower than the standard rate of UK corporate tax due to the patent box deduction on royalty income, the benefit of US R&D credits and the recognition of deferred tax assets for historic US losses and timing differences.

On an IFRS basis, there was a tax credit of £2.0m (2015/16: credit of £3.0m). The tax credit arises from deferred tax credits on the amortisation of acquired intangible assets at rates above the UK tax rate and the effect of a legal settlement which was only partially tax deductible.

Earnings per share

Adjusted basic EPS was 23.1p (2015/16: 21.9p), up 5% due to higher adjusted profit after tax of £88.7m (2015/16: £83.6m). Adjusted profit after tax was higher in 2016/17 due to growth in adjusted operating profit, partly offset by hedging losses on foreign exchange forward contracts.

IFRS basic EPS was 8.7p (2015/16: 15.8p), down 45% due to lower IFRS profit before tax. IFRS profit before tax was lower as the effect of the hedging losses more than offset slightly higher IFRS operating profit.

Balance sheet

	31 March 2017 £m	31 March 2016 £m
Non-current Assets	968.8	851.3
Current Assets	342.3	297.5
Non-current Liabilities	(165.7)	(176.1)
Current Liabilities	(165.5)	(125.0)
Net Assets	979.9	847.7

Non-current assets

Non-current assets increased to £968.8m (31 March 2016: £851.3m), due to higher intangible assets of £678.9m (31 March 2016: £599.2m) and goodwill of £225.6m (31 March 2016: £187.9m). Intangible assets increased by £79.7m due to assets acquired with Galil Medical and foreign exchange translation, offset by intangible asset amortisation charges.

The Group's defined benefit pension scheme net asset decreased slightly to £17.2m (31 March 2016: net asset of £19.3m), principally due to a reduction in the discount rate used to value the defined benefit obligation offset by actual returns on fund assets.

Current assets

Current assets increased to £342.3m (31 March 2016: £297.5m). Cash and cash equivalents were slightly higher at £155.5m (31 March 2016: £140.4m).

Inventory increased to £58.4m (31 March 2016: £46.5m) and receivables increased to £125.7m (31 March 2016: £106.5m) as a result of underlying business growth.

Non-current liabilities

Non-current liabilities decreased to £165.7m (31 March 2016: £176.1m). Non-current liabilities were lower at 31 March 2017 due to the reclassification of contingent consideration liabilities relating to the PneumRx acquisition from non-current to current liabilities in the year (see below). This decrease was partially offset by higher deferred tax liabilities following the acquisition of Galil Medical and the effects of foreign exchange translation.

Current liabilities

Current liabilities increased to £165.5m (31 March 2016: £125.0m). Derivative financial instrument liabilities increased to £7.9m (31 March 2016: £3.0m) due to unrealised losses on foreign exchange forward contracts. Trade and other payables increased to £152.5m (31 March 2016: £116.2m) reflecting the underlying growth of the business and the classification of PneumRx contingent consideration liabilities to current liabilities from non-current liabilities.

Included within current liabilities is a contingent consideration liability of £28.2m (31 March 2016: non-current liability of £27.2m) relating to a \$60m milestone which may be payable to the former shareholders of PneumRx, Inc. if FDA approval for the PneumRx[®] Coils is received by 31 December 2017. This milestone is reflected at its current fair value, which reflects the probability of receiving FDA approval and the anticipated timing of any such approval.

While the Group remains confident of FDA approval, the event which would require payment of the milestone, receipt of FDA approval by 31 December 2017, will only be resolved in the 2017/18 year. If FDA approval is received by 31 December 2017, the Group will record a fair value charge of £19.8m to record the liability at its full value of \$60m. Alternatively, if FDA approval is not received by 31 December 2017 the Group will credit the income statement with £28.2m to release in full this liability. Any such charge or credit will be reflected in IFRS earnings but not adjusted earnings, in line with the Group's adjusted earnings policy.

Contingent liabilities

BTG is in a current dispute with Wellstat over the commercialisation of Vistogard[®]. Wellstat is seeking damages and to terminate the commercialisation agreement under which BTG obtained rights to sell Vistogard[®] in the US. A trial has been heard in the Court of Chancery of the State of Delaware but no judgement has yet been issued. The Group estimates the likelihood of material financial loss or loss of rights to the asset to be possible, not probable, and therefore no liability has been recognised. It is currently not possible to make a reliable estimate of any amount that may be required to be paid in respect of the dispute.

Cash flow

	2016/17 £m	2015/16 £m	Growth %
Free Cash Flow	64.7	88.1	(27)
Acquisition of Galil Medical	(55.1)	-	n/m
Other investing and financing activities	(0.4)	(22.4)	n/m
Net Change in Cash	9.2	65.7	(86)
Foreign exchange on cash	5.9		
Closing Cash and Deposits	155.5	140.4	

The business continues to be highly cash generative, and is delivering strong free cash flow.

Free cash flow was £64.7m (2015/16: £88.1m), down 27%. Free cash flow was lower in 2016/17 due to the previously announced legal settlement of £28m. Excluding the effect of this settlement, free cash flow was up 5%.

On an IFRS basis, cash flow from operating activities was down 22% to £74.2m (2015/16: £95.6m).

Cash and cash equivalents were £155.5m at 31 March 2017 (31 March 2016: £140.4m), as free cash flow in 2016/17 was partially used to fund the acquisition of, and repay debt acquired with, Galil Medical.

BTG has a £100m multi-currency revolving credit facility (RCF), with an option to increase the RCF by a further £100m. The RCF has a three-year term which expires in November 2018, although the group has the option to extend it for an additional year. The RCF currently remains undrawn.

Summary and outlook for 2017/18

BTG has delivered a strong financial performance this year, with double-digit product sales growth, robust free cash flow and disciplined cost control.

We have strengthened our portfolio, capabilities and leadership in interventional medicine, which is our fastest growing and largest business. We have the resources and capabilities to capitalise on the expanding opportunities we see in interventional medicine, by reinvesting our strong cash flows into further commercial expansion and pipeline development. We continue to look for opportunities to accelerate our product sales growth through acquisitions.

We expect to deliver further growth in 2017/18 and our guidance is as follows:

2017/18 CER guidance¹

Product sales	
Interventional Medicine	Mid-to-high teens % growth
Specialty Pharmaceuticals	Low-to-mid single digit % growth
Licensing royalties	High teens % decline
Gross margin	Increasing to 72%-74%
Adjusted SG&A, R&D	Mid-to-high single-digit % increase
Adjusted effective tax rate (ETR)	Increasing to 22%-26%

¹The average USD/GBP rate for the year to 31 March 2017 was \$1.31

A \$0.05 movement of the USD:GBP exchange rate would impact revenue, costs and foreign exchange forward contracts for the full year 2017/18 as follows:

Revenue	+/- £20m
SG&A, R&D	+/- £7m
Foreign exchange forward contracts	+ / - £5m

In 2017/18 we anticipate a hedging gain on current foreign exchange forward contracts of £5m (at the current rate of ~\$1.30). At 31 March 2017, BTG had forward contracts to sell \$170m at a weighted average rate of \$1.33.

Medium-term outlook

Looking beyond 2017/18, we expect to deliver continued double-digit product sales growth.

This double-digit growth will be driven by a strong Interventional Medicine performance, aided by the anticipated opportunity from Varithena[®] and PneumRx[®]. We expect a sustained Specialty Pharmaceuticals performance to underpin product sales over the medium term.

We expect to see a decline in royalties over time.

Over the medium term we expect to deliver enhanced gross margins, as we switch to higher margin Interventional Medicine sales from lower margin royalties.

We will continue to make targeted investments in R&D and commercial capabilities to support additional growth, building upon the historical investment which has established our current commercial platform.

Taking these dynamics together, we expect to deliver operational leverage over the medium term.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Revenue	570.5	447.5
Cost of sales	(179.9)	(140.8)
Gross profit	390.6	306.7
Selling, general and administrative expenses	(206.6)	(141.4)
Research and development	(87.8)	(77.2)
Other operating income	4.4	3.4
Amortisation of acquired intangible assets	(42.0)	(35.0)
Acquisition and reorganisation costs	(1.1)	-
Operating profit	57.5	56.5
Financial income	3.3	4.4
Financial expense	(29.2)	(3.4)
Profit before tax	31.6	57.5
Tax credit	2.0	3.0
Profit for the year	33.6	60.5
Basic earnings per share	8.7p	15.8p
Diluted earnings per share	8.6p	15.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Profit for the year	33.6	60.5
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign exchange translation differences	91.7	18.7
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial (loss)/gain on defined benefit pension scheme	(5.2)	3.3
Deferred tax on defined benefit pension scheme asset	4.1	(1.1)
Other comprehensive income for the year	90.6	20.9
Total comprehensive income for the year	124.2	81.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2017 £m	31 March 2016 £m
ASSETS		
Non-current assets		
Goodwill	225.6	187.9
Intangible assets	678.9	599.2
Property, plant and equipment	40.1	35.7
Deferred tax asset	5.3	6.8
Employee benefits	17.2	19.3
Other non-current assets	1.7	2.4
	968.8	851.3
Current assets		
Inventories	58.4	46.5
Trade and other receivables	125.7	106.5
Other current assets	2.7	4.1
Cash and cash equivalents	155.5	140.4
	342.3	297.5
Total assets	1,311.1	1,148.8
EQUITY		
Share capital	38.5	38.3
Share premium	435.4	434.8
Merger reserve	317.8	317.8
Other reserves	119.8	28.1
Retained earnings	68.4	28.7
Total equity attributable to equity holders of the parent	979.9	847.7
LIABILITIES		
Non-current liabilities		
Trade and other payables	8.5	29.1
Deferred tax liabilities	157.2	147.0
	165.7	176.1
Current liabilities		
Trade and other payables	152.5	116.2
Derivative financial instruments	7.9	3.0
Corporation tax payable	5.1	5.8
	165.5	125.0
Total liabilities	331.2	301.1
Total equity and liabilities	1,311.1	1,148.8

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Profit after tax for the year	33.6	60.5
Tax credit	(2.0)	(3.0)
Financial income	(3.3)	(4.4)
Financial expense	29.2	3.4
Operating profit	57.5	56.5
Adjustments for:		
Amortisation and impairment of intangible assets	46.7	38.0
Depreciation and impairment of property, plant and equipment	6.6	6.6
Share-based payments	8.5	6.7
Pension scheme funding	(2.9)	(2.9)
Other non-cash adjustments	0.9	3.1
Cash from operations before movements in working capital	117.3	108.0
Increase in inventories	(9.3)	(7.6)
Increase in trade and other receivables	(8.5)	(14.4)
Increase in trade and other payables	2.1	14.7
Increase in provisions	0.1	1.1
Cash from operations	101.7	101.8
Settlement of foreign exchange forward contracts	(17.1)	-
Corporation tax paid	(10.4)	(6.2)
Net cash inflow from operating activities	74.2	95.6
Investing activities		
Purchases of intangible assets	(0.6)	(24.3)
Purchases of property, plant and equipment	(8.9)	(6.2)
Acquisition of business, net of cash acquired	(36.2)	-
Other investing activities	0.4	0.6
Net cash outflow from investing activities	(45.3)	(29.9)
Cash flows from financing activities		
Repayments of debt acquired on business combination	(18.9)	-
Proceeds of share issues	0.8	1.1
Other financing activities	(1.6)	(1.1)
Net cash outflow from financing activities	(19.7)	-
Increase in cash and cash equivalents	9.2	65.7
Cash and cash equivalents at start of year	140.4	73.8
Effect of exchange rate fluctuations on cash held	5.9	0.9
Cash and cash equivalents at end of year	155.5	140.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2015	38.2	433.8	317.8	9.4	(40.6)	758.6
Profit for the year	-	-	-	-	60.5	60.5
Foreign exchange translation differences	-	-	-	18.7	-	18.7
Remeasurements of the net defined benefit pension asset	-	-	-	-	3.3	3.3
Deferred tax on defined benefit pension scheme asset	-	-	-	-	(1.1)	(1.1)
Total comprehensive income for the year	-	-	-	18.7	62.7	81.4
Transactions with owners:						
Issue of BTG plc ordinary shares	0.1	1.0	-	-	-	1.1
Movement in shares held by the Employee Share Ownership Trust	-	-	-	-	(0.1)	(0.1)
Share-based payments	-	-	-	-	6.7	6.7
At 31 March 2016	38.3	434.8	317.8	28.1	28.7	847.7
	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2016	38.3	434.8	317.8	28.1	28.7	847.7
Profit for the year	-	-	-	-	33.6	33.6
Foreign exchange translation differences	-	-	-	91.7	-	91.7
Remeasurements of the net defined benefit pension asset	-	-	-	-	(5.2)	(5.2)
Deferred tax on defined benefit pension scheme asset	-	-	-	-	4.1	4.1
Total comprehensive income for the year	-	-	-	91.7	32.5	124.2
Transactions with owners:						
Issue of BTG plc ordinary shares	0.2	0.6	-	-	-	0.8
Movement in shares held by, and gift to the Employee Share Ownership Trust	-	-	-	-	(1.3)	(1.3)
Share-based payments	-	-	-	-	8.5	8.5
At 31 March 2017	38.5	435.4	317.8	119.8	68.4	979.9

Notes to the consolidated financial statements

1. General information

In accordance with EU law (IAS Regulation EC 1606/2002), the final results have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the EU as at 31 March 2017 ("adopted IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The final statements have been prepared in accordance with the Group's accounting policies approved by the Board. Details of principal business risks and uncertainties can be found in note 9.

In the period ended 31 March 2017 the Group has changed the presentation of its consolidated income statement. Under the new presentation:

- a) No separate column to disclose acquisition adjustments and reorganisation costs arising on corporate acquisitions is presented. The results for each period are now disclosed in a single column.
- b) 'Foreign exchange gains', 'Profit on disposal of property, plant and equipment and intangible assets' and 'Other operating expenses' which were previously disclosed separately on the face of the consolidated income statement are now disclosed within 'Other operating income'.

BTG's 2017 Annual Report will be posted to shareholders on 12 June 2017. The financial information set out herein does not constitute the Group's statutory accounts for the year ended 31 March 2017 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting, which will be held at 10.30am on 13 July 2017. The auditor has reported on those accounts; their report was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

The comparative figures for the year ended 31 March 2016 are not the Group's statutory accounts for the financial year but are derived from those accounts, which have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006. Interim and preliminary announcements notified to the London Stock Exchange are available on the internet at www.btgplc.com.

Accounting standards adopted in the year

No standards and interpretations issued by the EU adopted in the year had a significant impact on the Group.

Accounting standards issued but not yet effective

IFRS 15, 'Revenue from contracts with customers', was issued by the IASB in May 2014 and will be implemented by the Group from 1 April 2018. The Standard contains a new set of principles on when and how to recognise and measure revenue as well as new requirements related to disclosures. The new standard replaces IAS 18 Revenues and related interpretations.

The Group does not anticipate that the new standard will have a material effect on the Group's consolidated financial statements.

IFRS 9 'Financial instruments' was issued by the IASB in July 2014, effective for accounting periods beginning on or after 1 January 2018. The Group is currently assessing the impact of IFRS 9 on the Group's consolidated financial statements.

IFRS 16 'Leases' was issued by the IASB in January 2016, effective for accounting periods beginning on or after 1 January 2019. The Group is currently assessing the impact of IFRS 16 on the Group's consolidated financial statements.

Going concern basis

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next twelve months. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of net cash and cash equivalents, together with its cash flow projections. The Group does not currently require significant levels of debt financing to operate its business. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the failure of key licensees, distribution partners, wholesalers or insurers.

In addition to the liquidity risks considered above, the directors have also considered the following factors when reaching the conclusion to continue to adopt the going concern basis:

- Many of the Group's products are life-saving in nature, providing some protection against an uncertain economic outlook;
- BTG has a £100m multi-currency revolving credit facility (RCF), with an option to extend this RCF by a further £100m. The RCF has a three-year term, which expires in November 2018, with an option to extend for a further year. The RCF currently remains undrawn; and
- The Group's principal licensees are global industry leaders in their respective fields and the Group's royalty-generating intellectual property consists of a portfolio of licensees.

2. Operating segments

Operating segments are reported based on the financial information provided to the Group's chief operating decision-making body, being the Leadership team. The Group is aligned behind three reportable segments, being Interventional Medicine, Specialty Pharmaceuticals and Licensing.

In assessing performance and making resource allocation decisions, the Leadership Team (which is BTG's chief operating decision-making body) reviews contribution by segment. Contribution is defined as being gross profit less directly attributable selling, general and administrative costs (SG&A). The Licensing operating segment includes SG&A relating to the Group's centrally managed support functions and corporate overheads. This reflects the management structure and stewardship of the business. No allocation of central overheads is made across the Specialty Pharmaceuticals or Interventional Medicine operating segments. Research and development continues to be managed on a global basis, with investment decisions being made by the Leadership Team as a whole. It is not managed by reference to the Group's operating segments, though each programme within the pipeline would ultimately provide revenues for one of the operating segments if successful.

There are no inter-segment transactions that are required to be eliminated on consolidation.

	Year ended 31 March 2017			Total £m
	Interventional Medicine £m	Specialty Pharmaceuticals £m	Licensing £m	
Revenue	216.2	171.1	183.2	570.5
Cost of sales ¹	(61.9)	(16.7)	(101.3)	(179.9)
Gross profit	154.3	154.4	81.9	390.6
Selling, general and administrative expenses ²	(119.5)	(33.3)	(53.8)	(206.6)
Contribution	34.8	121.1	28.1	184.0
Research and development				(87.8)
Other operating income				4.4
Amortisation of acquired intangible assets				(42.0)
Acquisition and reorganisation costs				(1.1)
Operating profit				57.5
Financial income				3.3
Financial expense				(29.2)
Profit before tax				31.6
Tax credit				2.0
Profit for the year				33.6
Total assets³				1,311.1

¹2017 Cost of sales within the Interventional Medicine segment includes a £1.0m release of a fair value adjustment to inventory and PP&E acquired with Galil Medical in June 2016. The release represents the reversal of a fair value uplift applied to inventory purchased on acquisition, which is recognised through the P&L when inventory is sold, and incremental depreciation related to acquired PP&E.

²2017 selling, general and administrative expenses within Licensing includes a charge of £28.0m relating to the Group's settlement with the US government in relation to the Department of Justice investigation into the historic marketing of LC Bead.[®]

³The Group does not allocate assets to operating segments with the exception of Goodwill.

	Year ended 31 March 2016			Total £m
	Interventional Medicine £m	Specialty Pharmaceuticals £m	Licensing £m	
Revenue	150.2	133.1	164.2	447.5
Cost of sales ¹	(43.8)	(15.1)	(81.9)	(140.8)
Gross profit	106.4	118.0	82.3	306.7
Selling, general and administrative expenses	(96.2)	(25.5)	(19.7)	(141.4)
Contribution	10.2	92.5	62.6	165.3
Research and development				(77.2)
Other operating income				3.4
Amortisation of acquired intangible assets				(35.0)
Acquisition and reorganisation costs				-
Operating profit				56.5
Financial income				4.4
Financial expense				(3.4)
Profit before tax				57.5
Tax credit				3.0
Profit for the year				60.5
Total assets²				1,148.8

¹2016 Cost of sales within the Interventional Medicine segment includes a £1.5m release of a fair value adjustment to inventory purchased on the acquisition of PneumRx, Inc. on 7 January 2015. This release represents the reversal of a fair value uplift applied to inventory purchased on acquisition recognised through the income statement as the product is sold.

² The Group does not allocate assets to operating segments with the exception of Goodwill.

Revenue analysis

Analysis of revenue, based on the geographical location of customers and the source of revenue is provided below:

Geographical analysis

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
USA	513.7	393.1
Europe	41.1	42.3
Other regions	15.7	12.1
	570.5	447.5

Revenue from major products and services

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Product sales	387.3	283.3
Royalties	183.2	164.2
	570.5	447.5

Major customers

The Group's products are sold both directly and through distribution agreements in the USA, Europe and Asia Pacific region. No individual customer generated income in excess of 10% of the Group revenue during the year ended 31 March 2017 or 31 March 2016.

Products that utilise the Group's intellectual property rights are sold by licensees. Royalty income is derived from over 40 licences. One licence individually generated royalty income in excess of 10% of Group revenue of £123.2m (2016: £118.9m).

3. Financial income and expense

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Interest receivable on money-market and bank deposits	0.3	0.2
Fair value changes from foreign exchange forward contracts	-	1.2
Fair value movements on contingent consideration liabilities	3.0	3.0
Financial income	3.3	4.4
Fair value movements and realised losses from foreign exchange forward contracts	25.2	-
Fair value movements on contingent consideration liabilities	2.3	1.7
Other financial expense	1.7	1.7
Financial expense	29.2	3.4

In the year to 31 March 2017, the Group recognised a fair value credit of £3.0m related to the contingent consideration from the PneumRx acquisition and a fair value charge of £2.3m related to the contingent consideration from the Galil Medical acquisition.

In the year to 31 March 2016, fair value changes on contingent consideration liabilities related to the PneumRx acquisition was a net credit of £3.0m, being a £12.0m credit relating to the non-payment of the first revenue milestone and a £9.0m charge relating to the US regulatory milestone, and a £1.6m charge related to the contingent consideration milestones for the EKOS acquisition.

The change in fair value and realised losses on the Group's forward foreign exchange contracts of £25.2m for the year to 31 March 2017 is recorded within Financial expense. The loss of £25.2m included realised losses of £17.1m on settlement of forward contracts and unrealised losses of £8.1m on remeasurement of the Group's outstanding forward contracts to their fair value.

For the period ended 31 March 2016, the Company recorded unrealised gains of £1.2m on the remeasurement of outstanding forward contracts to their fair value in 'Financial income', and included realised foreign exchange gains of £1.4m on settlement of forward contracts in 'Other operating income' above operating profit.

4. Tax

An analysis of the tax credit in the income statement for the year, all relating to current operations, is as follows:

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Current tax		
UK corporation tax charge	-	-
Overseas corporate tax charge	11.8	11.7
Adjustments in respect of prior years	(1.7)	(2.2)
Total current taxation	10.1	9.5
Deferred taxation		
Deferred tax credit	(13.0)	(13.8)
Adjustment to tax rates	0.9	1.3
Total deferred taxation	(12.1)	(12.5)
Total tax credit for the year	(2.0)	(3.0)

5. Earnings per share

The calculation of the basic and diluted earnings per share is as follows:

	Year ended 31 March 2017	Year ended 31 March 2016
Profit for the year (£m)	33.6	60.5
Profit per share (p)		
Basic	8.7	15.8
Diluted	8.6	15.6
Number of shares (m)		
Weighted average number of shares – basic	384.4	382.6
Effect of share options in issue	5.6	5.7
Weighted average number of shares – diluted	390.0	388.3

6. Contingent liability

BTG is in a current dispute with Wellstat over the commercialisation of Vistogard[®]. Wellstat is seeking damages and to terminate the commercialisation agreement under which BTG obtained rights to sell Vistogard[®] in US. A trial has been heard in the Court of Chancery of the State of Delaware but no judgement has yet been issued. The Group estimate the likelihood of material financial loss or loss of rights to the asset to be possible, not probable, and therefore no liability has been recognised. It is currently not possible to make a reliable estimate of any amount that may be required to be paid in respect of the dispute.

7. Related parties

In relation to the related party relationship concerning Giles Kerr, payments made by BTG to Oxford University and Isis Innovations Ltd under the relevant licence agreements were £19,000 for the year ended 31 March 2017 (£24,000 for the year ended 31 March 2016). There are no amounts still outstanding and payable by BTG under these agreements as at 31 March 2017 (2016: nil).

8. Business Combinations

On 15 June 2016 BTG completed the acquisition of 100% of Galil Medical for an aggregate consideration of \$84.5m, subject to adjustment for cash and debt assumed at acquisition. Contingent consideration of up to \$25.5m may also be payable in future periods based upon the achievement of regulatory and sales based milestones.

The total equity consideration for the acquisition of Galil Medical was £39.1m (\$55.1m), representing up-front cash consideration of £37.5m (\$52.9m) and the fair value of contingent consideration of £1.6m (\$2.2m). The remainder of the aggregate consideration has been used to settle debt and other obligations assumed on acquisition.

Galil Medical's results of operations have been consolidated from 15 June 2016, and the fair value of acquired assets and liabilities has been determined as of that date. The final determination of these fair values will be completed as soon as possible but no later than one year from the acquisition date.

In the US, Galil Medical's products are indicated for the treatment and palliative care of kidney and other cancers, in addition to a number of other uses, including in urology. Galil Medical is also conducting two clinical studies that could lead to US regulatory clearance for use in lung metastases and bone metastases. The acquisition complements BTG's Interventional Medicine platform, building on the Group's Interventional Oncology business area.

Intangible assets of £47.7m relate to developed cryoablation technology. An estimated useful life of 15 years has been assigned to this developed technology, and associated amortisation expense will be recorded on a straight line basis. Goodwill arising of £16.4m, which is not deductible for tax purposes, has been assigned to the Interventional Medicine operating segment. Goodwill represents future developments to the cryoablation technology and the value of Galil Medical's workforce which have not been reflected as separate intangible assets, together with the recognition for accounting purposes of a deferred tax liability of £17.0m relating to recognised developed technology.

	Book Value £m	Fair Value Adjustment £m	Fair Value £m
ASSETS			
Non-current assets			
Intangible assets	0.4	47.3	47.7
Goodwill	-	16.4	16.4
Property, plant and equipment	0.4	0.6	1.0
Current assets			
Inventories	2.6	0.8	3.4
Trade and other receivables	3.7	-	3.7
Cash and cash equivalents	1.3	-	1.3
LIABILITIES			
Non-current liabilities			
Net deferred tax liabilities	-	(6.1)	(6.1)
Current liabilities			
Trade and other payables	(9.4)	-	(9.4)
Debt obligations	(18.9)	-	(18.9)
Book value and fair value of assets and liabilities acquired	(19.9)	59.0	39.1
Cash consideration			37.5
Fair value of contingent consideration			1.6
Total equity consideration			39.1

During the period ended 31 March 2017, Galil Medical contributed revenues of £17.2m and an operating loss (including intangible asset amortisation of £2.9m) of £2.3m in the period since acquisition. If the acquisition had taken place on 1 April 2016, the Group's revenue and profit before tax would have been £573.5m and £30.2m, respectively.

9. Principal risks and uncertainties

BTG's performance and prospects may be affected by risks and uncertainties relating to our business and operating environment. Our internal controls include a risk management process to identify key risks and, where possible, manage the risks through systems and processes and by implementing specific mitigation strategies. These include but are not limited to: market access, obtaining/ maintaining product regulatory approvals, IP/legal challenges, competition, healthcare law compliance and supply chain/continuity of supply.

Information on adjusted financial information

The financial review includes financial information prepared in accordance with International Financial Reporting Standards and the Group's accounting policies, as well as financial information presented on an adjusted basis.

Financial information on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business and is consistent with how management reviews the business for the purpose of making operating decisions.

Metrics presented on an adjusted basis includes Constant Exchange Rate (CER) growth, Adjusted Gross Profit, Adjusted SG&A, Contribution, Adjusted Operating Profit, Adjusted Net Financial Income / Expense, Adjusted Effective Tax Rate, Adjusted Basic EPS and Free cash flow. A reconciliation between IFRS and adjusted financial information is included on page 21 and 22 of this report.

These metrics are further discussed below:

- **CER growth:** CER growth is calculated by restating 2016/17 performance using 2015/16 exchange rates for the relevant period. CER growth allows management to focus on underlying performance without the impact of foreign exchange, which it cannot control.
- **Adjusted Operating Profit:** Adjusted operating profit reflects the IFRS operating profit of the Group excluding the impact of certain adjustments, which have been separately outlined below. Adjusted operating profit allows management to assess operational performance without the impact of certain items which are not reflective of underlying financial performance.
- **Adjusted Basic EPS:** Adjusted Basic EPS reflects Basic EPS excluding the after tax impact of certain adjustments, which have been outlined below. Adjusted Basic EPS allows management to assess EPS without the impact of certain items which are not reflective of underlying financial performance.
- **Free Cash Flow:** Reflects the cash generated from operating activities after recurring capital expenditure, being a measure of cash flow available for discretionary investing or financing activities. The reconciliation of free cash flow to net cash flows from operating activities is show on page 22.
- **Contribution:** Contribution is defined as gross profit less SG&A, which broadly reflects the cash generated by the Group's reportable segments before investment in R&D or other investing or financing activities. Management use this metric to assess performance for each of its reportable segments and reviews the metric both including and excluding the impact of certain adjustments outlined below.

Adjusted gross profit, Adjusted SG&A, Adjusted Finance Income / Expense and Adjusted effective tax rate are stated after excluding the effect of those items outlined below.

Management apply a consistent policy in determining its adjusted financial measures. In determining this policy, outlined below, management assess the nature and materiality of individual or groups of items, and have deemed it appropriate to adjust for those items including their tax effect, which (i) occur outside the normal course of business and (ii) relate to corporate acquisitions. These adjustments allow better comparability with historic performance and identify year on year trends in the underlying performance of the business.

Items excluded from adjusted financial measures in 2015/16, 2016/17 and from our outlook for 2017/18 are:

(a) Acquisition related adjustments

- The release of the fair value uplift of acquired inventory or PP&E
- Amortisation and impairment charges relating to acquired intangible assets or goodwill
- Fair value adjustments relating to contingent consideration liabilities
- Transaction costs incurred in relation to corporate acquisitions
- Reorganisation costs, including acquisition related redundancy programmes, property costs, and asset impairments.

(b) Net costs relating to the settlement of litigation, disputes and government investigations.

Reconciliation between IFRS and Adjusted Income Statement

For the period ended 31 March 2017

	IFRS Total	Release of the fair value uplift on acquired inventory and PPE ¹	Amortisation of acquired intangible assets ²	Acquisition and re- organisation costs ³	Fair value adjustments to contingent consideration liabilities ⁴	Litigation and other ⁵	Adjusted Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	570.5						570.5
Cost of sales	(179.9)	1.0	-	-	-	-	(178.9)
Gross profit	390.6	1.0	-	-	-	-	391.6
Selling, general and administrative expenses	(206.6)	-	-	-	-	28.0	(178.6)
Research and development	(87.8)	-	-	-	-	-	(87.8)
Other operating income	4.4	-	-	-	-	-	4.4
Amortisation of acquired intangible assets	(42.0)	-	42.0	-	-	-	-
Acquisition and reorganisation costs	(1.1)	-	-	1.1	-	-	-
Operating profit	57.5	1.0	42.0	1.1	-	28.0	129.6
Financial income	3.3	-	-	-	(3.0)	-	0.3
Financial expense	(29.2)	-	-	-	2.3	-	(26.9)
Profit before tax	31.6	1.0	42.0	1.1	(0.7)	28.0	103.0
Tax credit/(charge)	2.0	(0.3)	(13.1)	-	-	(2.9)	(14.3)
Profit after tax	33.6	0.7	28.9	1.1	(0.7)	25.1	88.7
Weighted average number of shares - basic	384.4						384.4
Weighted average number of shares - diluted	390.0						390.0
Basic earnings per share	8.7p	0.2p	7.6p	0.3p	(0.2p)	6.5p	23.1p
Diluted earnings per share	8.6p	0.2p	7.4p	0.3p	(0.2p)	6.4p	22.7p

1. The release of the fair value uplift relating to inventory and property, plant and equipment (PPE) acquired with Galil Medical in June 2016 of £1.0m.
2. Amortisation charges relating to intangible assets acquired through corporate acquisitions of £42.0m.
3. Acquisition and reorganisation costs are directly attributable costs related to the acquisition of Galil Medical in June 2016, including costs incurred with professional advisers in relation to the corporate acquisition of £1.1m.
4. Fair value adjustments to contingent consideration liabilities relating to the PneumRx acquisition (credit of £3.0m) and the Galil Medical acquisition (charge of £2.3m).
5. Settlement with the US government in relation to the Department of Justice's investigation of the historic marketing of LC Bead[®] of £28.0m.

For the period ended 31 March 2016

	IFRS Total	Release of the fair value uplift on acquired inventory ¹	Amortisation of acquired intangible assets ²	Fair value adjustments on contingent consideration ³	Adjusted Total
	£m	£m	£m	£m	£m
Revenue	447.5	-	-	-	447.5
Cost of sales	(140.8)	1.5	-	-	(139.3)
Gross profit	306.7	1.5	-	-	308.2
Selling, general and administrative expenses	(141.4)	-	-	-	(141.4)
Research and development	(77.2)	-	-	-	(77.2)
Other operating income	3.4	-	-	-	3.4
Amortisation of acquired intangible assets	(35.0)	-	35.0	-	-
Operating profit	56.5	1.5	35.0	-	93.0
Financial income	4.4	-	-	(3.0)	1.4
Financial expense	(3.4)	-	-	1.6	(1.8)
Profit before tax	57.5	1.5	35.0	(1.4)	92.6
Tax credit/ (charge)	3.0	(0.6)	(11.4)	-	(9.0)
Profit after tax	60.5	0.9	23.6	(1.4)	83.6
Weighted average number of shares - basic	382.6				382.6
Weighted average number of shares - diluted	388.3				388.3
Basic earnings per share	15.8p	0.2p	6.3p	(0.4p)	21.9p
Diluted earnings per share	15.6p	0.2p	6.1p	(0.4p)	21.5p

1. The release of the fair value uplift relating to inventory acquired with PneumRx in January 2015 of £1.5m.
2. Amortisation charges relating to intangible assets acquired through corporate acquisitions of £35.0m.
3. Fair value adjustments to contingent consideration; includes the change in fair value of contingent consideration liabilities relating to the PneumRx acquisition (net credit of £3.0m) and EKOS acquisition (charge of £1.6m).

Reconciliation between IFRS and Adjusted financial information – Free Cash Flow

For the period ended 31 March 2017

Net cash inflow from operating activities	Purchase of intangible assets	Purchase of property, plant and equipment	Free cash flow
£m	£m	£m	£m
74.2	(0.6)	(8.9)	64.7

For the period ended 31 March 2016

Net cash inflow from operating activities	Purchase of intangible assets ¹	Purchase of property, plant and equipment	Free cash flow
£m	£m	£m	£m
95.6	(1.3)	(6.2)	88.1

1. Purchase of intangible assets for the period ended 31 March 2016 excludes the purchase of the residual financial interest of the originator of Variithena[®] foam sclerotherapy technology for a one-off cash payment of £23.0m, as this does not represent recurring capital expenditure for the Group.

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