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BIOTAGE'S ANNUAL GENERAL MEETING 2005

Biotage Shareholders are invited to attend the Annual General Meeting on Wednesday, April 27, 2005, at 5:00 p.m., at the Biotage head office, Kungsgatan 76, Uppsala, Sweden.

2005 FINANCIAL INFORMATION

April 27

Annual General Meeting

July 28

Second Quarter Interim Report

April 27

First Quarter Interim Report

October 19

Third Quarter Interim Report

Costs Reductions and Improved Earnings*

- The Group's sales rose to SEK 366.6m (362.1)
- Operating result for 2004 improved to SEK -102.1m (-442.4)
- Earnings per share was SEK -1.99 (-7.37)
- Operating expenses were reduced by more than 50 percent during 2004 to SEK 278.9m (607.8)

First Quarter

The cost-saving program that Biotage carried out and the synergistic effects that arose through the merger of Pyrosequencing, Personal Chemistry, and Biotage LLC achieved almost full effect in the first quarter. Operating costs were SEK 72m for the quarter, in line with the full year target of SEK 300m.

Second Quarter

The Discovery Chemistry business area launched a new system for microwave synthesis, Initiator, and a new system for purification, SP 1. Both systems were enthusiastically received by the market.

Third Quarter

Sales did not develop as expected because the software for the new purification system SP 1 took longer than planned to complete and deliveries were delayed.

Biotage decided to locate the entire Group's research and development activities in Uppsala.

Biotage decided to discontinue its alliance with Corbett in Europe as of January 1, 2005 since sales growth fell short of expectations.

The Biosystems business area had its registration (Device Class 1) of the PSQ 96MA and PSQ HS 96 A systems approved by the Food and Drug Administration (FDA) in the United States. This means that Biotage can market the systems to both research laboratories and clinical reference laboratories, especially in the United States.

The extraordinary general meeting on July 20 authorized Biotage's Board of Directors to resolve to issue a maximum of 5,700,000 shares, to be paid for in cash, through an issue in kind or through set-off, with or without deviation from the shareholders preemptive rights. Issues may be made in order to finance acquisitions of companies, or to strengthen the company's capital base and equity/assets ratio.

Fourth Quarter

During the fourth quarter Biotage achieved a positive cash flow after investments of SEK 1m, in line with the company's short-term financial target.

Biotage took fourth place in the European Fast 500 contest, which ranked the 500 fastest growing European technology companies between 1999 and 2003. The company also won the Swedish equivalent, the Sweden Technology Fast 50.

A directed share issue to Catella Healthcare increased Biotage's capital stock by SEK 5.7m to SEK 64,042,108. Biotage issued 5.7m shares at a price of about SEK 7.90. The new share issue corresponds with 8.9 percent of Biotage's capital and votes after the issue. The main objective of the issue was to improve Biotage's financial position, with the purpose of taking advantage of business opportunities in order to improve profitability and growth.

Significant Events After the End of the Fiscal Year

In February 2005 Biotage announced that the company intended to acquire the reagents business of US company Argonaut Technologies Inc. The offer was expanded in March 2005 to include the process instrument business, which means that the acquisition now encompasses Argonaut's entire operation. Carrying out the acquisition strengthens Biotage's offering in medicinal chemistry and the company gets a complete product portfolio of microwave synthesis, purification systems and consumables, which will enable faster and more efficient development of new drug candidates. The sales price is about SEK 145m. The acquisition is dependent on the final approval of Argonaut Technologies' annual general meeting.



*Comparative figures in parentheses in the annual report refer to pro forma 2003 unless specified otherwise. The company's auditor did not review the 2003 pro forma accounts.

A Challenging and Successful Year

This has been a year filled with challenges for Biotage and it is encouraging that we have handled them so successfully. During the fall of 2003, we set two financial targets, and achieved both of them. We reduced our annual operating costs by more than 50 percent from SEK 608m pro forma 2003 to SEK 279m and achieved a positive cash flow during the fourth quarter. We are now well on the way to creating a company with prospects for long-term profitability.

”During the year we have reduced our annual operating costs by more than 50 percent compared with pro forma results for 2003 and achieved a positive cash flow during the fourth quarter”

During the year, we merged three companies – Pyrosequencing, Personal Chemistry, and Biotage LLC. The merger has proceeded as expected and we have achieved the desired synergistic effects. We integrated the offices in Sweden, the United Kingdom, Germany, Japan, and the United States, and moved the entire logistics function for Europe to Uppsala. To improve the efficiency of our R&D operations we decided during the fall to base all research in Uppsala. To reduce the Group’s operating costs and create more efficient and transparent business operations, we reduced the number of legal entities from nineteen to seven during 2004, thereby eliminating the duplication of operating companies that resulted from the acquisitions of Personal Chemistry and Biotage LLC.

Benefits from Synergistic Effects

During the merger of the three companies it was important to focus on costs and take full advantage of the synergies created, which is reflected in the short-term financial targets we established in fall 2003: operating costs for 2004 would not exceed SEK 300m and Biotage would achieve a positive cash flow during Q4 2004. We met the goal for our cost level already during the first quarter, with operating costs for the quarter reduced to SEK 72m. We achieved our goal both by taking advantage of synergies and through our extensive cost-saving program initiated in 2003 and completed in 2004.

We streamlined our research and development activities, leaving room for considerable cost-saving measures. Because of our extensive investments in product development from earlier years, we now have a portfolio of innovative products with market leading performance and quality. Now we are focusing on marketing these products to our customers.

Increased Sales During the Year

Sales during 2004 were SEK 367m, up 1 percent year on year. Corrected for the depreciation of the dollar, sales growth amounted to 8 percent. Operating loss

before goodwill write-offs was SEK -61m, an improvement of SEK 335m compared with last year’s pro forma results. We are satisfied with our sales development, considering that at the same time we integrated three companies and reduced our costs by 50 percent. We have clearly shown that our sales activities can remain strong while we maintain cost control.

Biotage’s skilled and dedicated employees have been an invaluable asset in the restructuring project carried out during the year. Our employees have experienced considerable stress with changed job descriptions, rigorous financial demands, and colleagues who have left their jobs. I am extremely grateful that Biotage’s employees have made possible the extensive changes and at the same time remained highly motivated and committed to the company.

Bigger Orders than Before

During the year, we have also seen positive effects of the merger in our sales activities. We are a bigger company now; more than ever, this makes us the first choice for customers and we see an increase in the size of orders. Today Biotage has all twenty of the world’s leading pharmaceutical companies as customers.

During 2004, Biotage took fourth place in the European Fast 500 contest, which ranked the 500 European technology companies that grew the most between 1999 and 2003. We also won the Swedish equivalent, Sweden Technology Fast 50, earlier during the year.

Positive Developments for Discovery Chemistry

Sales growth during the year can mainly be attributed to good sales growth for the Discovery Chemistry business area. The products are aimed at those chemists in the pharmaceutical industry who work with formulating active substances for tomorrow’s drugs. Discovery Chemistry sales increased to SEK 268m during the year.

There is a clear synergy between Personal Chemistry’s products for microwave synthesis and Biotage LLC’s purification system, which together comprise the



“During 2005, we will continue our efforts to achieve our long-term financial targets as soon as possible”

Discovery Chemistry business area. Both of these systems are used by one and the same medical chemist, based on a drug compound which has to be purified after it is synthesized in order to get rid of non reacted materials, by-products and excess reagents. Our integrated sales organization enables us to take advantage of both companies' established customer contacts in order to increase sales within the business area.

During the year, Discovery Chemistry launched two new product lines – a system for microwave synthesis, Initiator, and a new purification system, SP1. The new systems were enthusiastically received and we have received several large orders from leading pharmaceutical companies during the year. The new products have strengthened Discovery Chemistry's position as market leader in its niche.

New Customer Groups in Biosystems

Within the Biosystems business area we continue our venture in the market for research related to cancer and infectious diseases. In the past, we targeted the academic market. In our new strategy, our customers are largely found in clinical research. This is an important shift since these customers mainly develop applications that can lead to diagnostics products. Our technology is particularly strong in diagnostics

applications. We expect good sales growth when the first diagnostics products hit the market in a couple of years.

Good Prospects to Achieve Long-Term Objectives

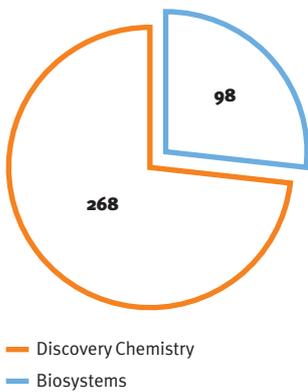
During 2005, we will continue our efforts to achieve our long-term financial targets as soon as possible: an annual organic growth of at least 10 percent and an operating margin of 15 percent. We believe that our prospects for success are very good. We have successfully completed our integration process and we have tailored a good fit for our costs. The task of keeping costs under strict control will continue to be a priority for Biotage during 2005. In addition we can offer newly launched product lines that have already proven to be successful. We will strengthen our position through continued innovative product development and through the acquisition of supplementary products that increase the strength of our offering and thereby improve the service level we offer our customers.

Uppsala March 2005

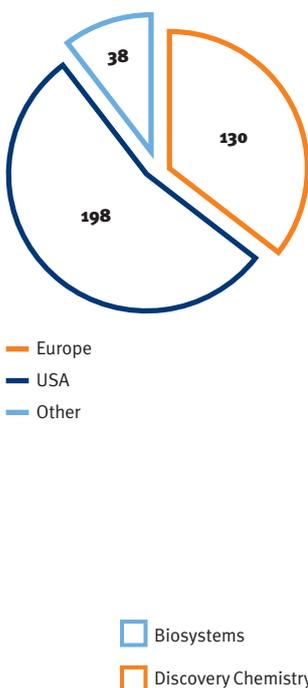
Jeff Bork, President and Chief Executive Officer

Business Concept, Objectives and Strategies

Sales by business area 2004, SEK million



Sales by geographic market 2004, SEK million



Biotage is a global company active in the field of life science. A new operation was created during the second six months of 2003 when Pyrosequencing AB acquired Personal Chemistry and US Biotage LLC. Today Biotage offers complete solutions, knowledge and experience in two areas: medicinal chemistry in the Discovery Chemistry business area and genetic analysis in the Biosystems business area.

Business Concept

Biotage shall be a profitable, long-term supplier of instruments, reagents, and service to selected customer groups in the life sciences. The company shall achieve long-term, stable profitability by reaching critical mass in each customer segment and by having a sufficiently broad product portfolio. This critical mass will be achieved through a combination of organic growth and strategic acquisition. Today the company focuses on two customer segments: medicinal chemistry and genetic analysis with a focus on cancer and infectious diseases.

Objectives

After the merger of Pyrosequencing, Personal Chemistry, and Biotage LLC during the fall of 2003, Biotage established two short-term financial targets for the new Group. It was important to control costs and to

take advantage of the synergies from the merger. The short-term financial objectives were to:

- reduce the annual operating costs from over SEK 600m to under SEK 300m during 2004.
- achieve positive cash flow during Q4 2004.

Biotage achieved both of these goals during the year. Operating costs decreased to SEK 278.9m, down from SEK 607.8m pro forma for 2003, and cash flow after investments during the fourth quarter reached SEK 1m.

Biotage's long-term financial targets are to achieve:

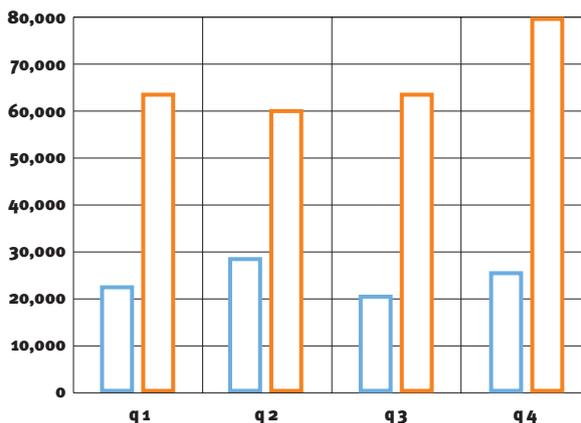
- an organic growth of at least 10 percent annually.
- an operating margin of 15 percent.

Strategies

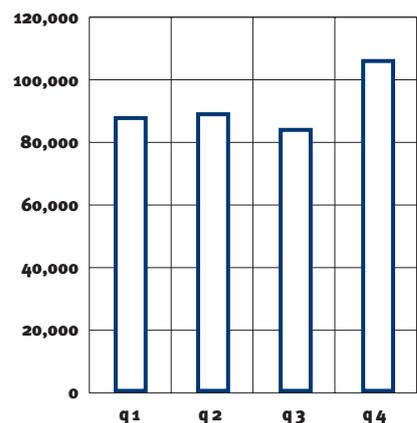
Biotage formulated the following strategy to achieve its long-term goals:

- Identify and build business areas in the life sciences that meet the following three criteria:
 - 1) Market leading position
 - 2) Good profitability
 - 3) Good growth

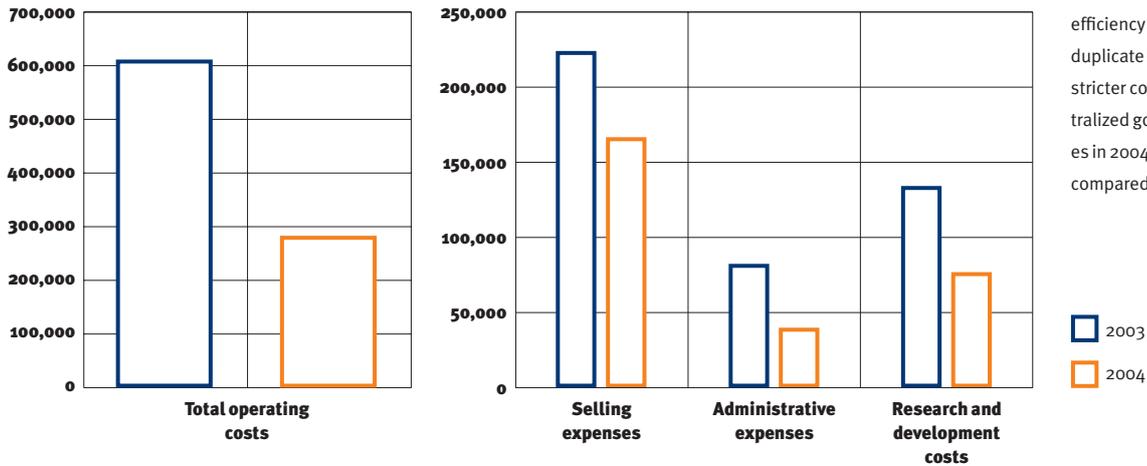
Sales by quarter and business area 2004, SEK thousand



Sales by quarter total 2004, SEK thousand



Operating expenses, SEK thousand



As a result of productivity enhancing efficiency measures, elimination of duplicate legal entities and functions, stricter cost control and more decentralized governance, operating expenses in 2004 fell SEK 328,844,000 (-54%) compared with pro forma 2003.

In the Discovery Chemistry business area Biotage currently has a market leading position with the opportunity to achieve good growth and profitability. In the Biosystems business area, the company has the potential to become the market leader in certain applications related to diagnostics and clinical applications and to meet the above criteria. This process is estimated to take three to five years.

Cost Structure

During 2004 Biotage worked actively with cost control, carrying out a number of cost-saving programs. Taken together, Biotage reduced operating costs by more than 50 percent compared with pro forma 2003. Please see the diagram above.

Environment

Biotage carries out no activities that require an environmental permit or notification according to the Swedish Environmental Code. Biotage only uses a small quantity of chemicals and these are biodegradable. In certain parts of the operation, Biotage works with gene-modified organisms that require a permit from the Swedish Board for Occupational Safety and Health. Biotage also uses freeze dryers in part of the operation, which requires a permit from Uppsala municipality's Department of the Environment and Health. Biotage has all necessary permits and updates them in compliance with all ordinances. No criticisms have been made.



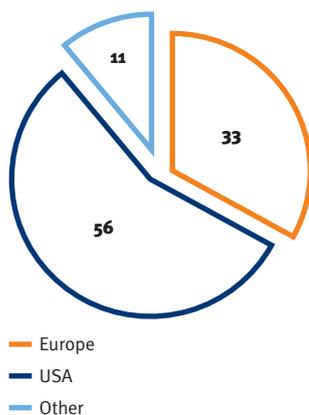
Business Area Discovery Chemistry

The Discovery Chemistry business area develops and manufactures systems and consumables that enable the pharmaceutical industry to accelerate drug discovery and develop novel chemical entities as foundations for tomorrow's medications.

Discovery Chemistry in Brief

- Sales 2004: SEK 268.2m
- Operating result excluding goodwill write-downs 2004: SEK –10.5m
- Products: During the year completely new product lines were launched within the business area. These products—Initiator and Advancer (microwave-assisted synthesis) and SP1 (purification systems)—have replaced previous products.
- Key markets: North America, Western Europe and Japan
- Main competitors: CEM in microwave technology and Isco in purification/separation

Geographic distribution of sales, %



Major advances in genomic research have generated thousands of novel targets for new drugs, leading to rising demand for new chemical compounds. In addition, there is an increasingly tough demand for productivity gains in pharma and biopharma drug discovery to produce a greater number of registered medications.

The Discovery Chemistry business area delivers systems, knowledge products, and consumables used by medicinal chemists within the pharmaceutical industry and in biotech enterprises. Discovery Chemistry's products can help reduce two of the biggest chemistry process bottlenecks of drug development: the time for synthesis and purification of novel chemical compounds.

From Molecular Model to Biological Substance

Discovery Chemistry's systems and consumables are used to advance a molecular model from concept to confirmed bioactive substance. This process consists of five steps that are repeated until the chemist produces the desired substance:

1. Planning and modelling
2. Synthesis / reaction
3. Work-up—The process of removing or neutralizing various compounds which may have been added to accelerate or drive the reaction to completion.
4. Purification—The chemist isolates the compound from starter materials, side reactions, and other impurities.
5. Analysis / characterization—The chemist typically uses mass spectrometry and NMR (Nuclear Magnetic Resonance) to confirm that the desired substance has been synthesized and isolated.

Reagents, catalysts, and substrates are heated in Biotage's system for microwave-assisted synthesis using controlled microwaves to produce new chemical substances that can become the basis of future medications. After a compound is synthesized it is worked up and purified in Biotage's purification sys-

tems. These systems save a substantial amount of time for medicinal chemists—time that can be devoted instead to designing additional novel drug compounds. For pharma companies this translates to considerable increased productivity, since many more drug compounds can be developed and registered in the same amount of time.

DEVELOPMENTS DURING 2004

Discovery Chemistry has had a positive year from many perspectives. During the year Personal Chemistry and Biotage LLC were integrated into the company—a highly successful process. In addition, cost-control efforts within the business area produced good results.

Sales rose during the year to SEK 268.2m (SEK 264.9m). Growth was particularly strong following the launch of two new product lines in autumn 2004. Operating result excluding goodwill write-downs amounted to SEK –10.5m, an improvement of SEK 143.1m compared to pro forma 2003.

Discovery Chemistry increased its market share in systems for both purification and microwave synthesis. Sales of consumables, parts and services linked to the systems increased according to plan and now account for 45–50 percent of total sales. Purification cartridges for Biotage's purification system account for most of the consumable product mix.

PRODUCTS

Discovery Chemistry's offering to customers consists of systems, knowledge products, and consumables in synthesis and purification. Discovery Chemistry products typically have a three- to four-year product life cycle. During this time, new versions of products will be launched with improved performance; for example, by offering an improved user interface and new functions that provide customers with added value.

Microwave Synthesis

Microwave-assisted synthesis has a number of advantages over traditional heating. Reaction times de-



With Initiator™, reaction times decrease substantially, allowing medicinal chemists to increase the number of reactions carried out.

crease substantially, allowing medicinal chemists to increase the number of reactions carried out. Instead of it taking hours, a reaction can be carried out in minutes and even seconds. In addition, the yield is often higher than with traditional heating. Microwave technology sometimes enables the chemist to create compounds that have not previously been possible.

New System Launched

During the year Discovery Chemistry launched Initiator™, a new microwave synthesis system for laboratory use. The system is available in two versions, a small system with a single vial reaction cavity and a large one – Initiator Sixty™ – that can sequentially handle 60 reactions. Thanks to more cost-effective production, Biotage has been able to lower the average price of Initiator by thirty percent compared with previous models. Another significant feature for this product line is physical size, which has been reduced by 50 percent. Bench and hood space for chemists is precious. Biotage's products are the most compact available and allow for ease of placement in the lab environment. This launch has been very important for Biotage and the number of units sold since the launch has doubled compared with the same period last year.

As Microwave synthesis gains in its acceptance and utilization by the medicinal chemist, the natural need is to make more quantities of successful compounds. With the launch of the Advancer™, chemists are assured their methods can be migrated to ever larger batch quantities. This aids the discovery process immensely since bioactive compounds need to be made in multi-gram and kilogram scale to support animal and toxicology trials. And finally for Phase I-III human trials.

Web-Based Reaction Databases

Biotage also offers customers access to the company's web-based database Pathfinder – the world's largest and most comprehensive database of verified methods for microwave synthesis. Today over 4,000 reactions are stored in this database with an additional 500+ ad-

ded every year through the aid of Biotage's Scientific Partnership Program. The customer can also communicate with Biotage's chemists via Pathfinder for support in questions related to microwave synthesis.

Purification

Discovery Chemistry's automated purification system and consumables help chemists to considerably speed up the task of purifying substances – cutting it down from hours to minutes. These purification systems are nearly exclusively based on Flash Chromatography, which has become the preferred method of purifying novel chemicals following solution phase synthesis. The desirability of Flash Chromatography is based on its inherent speed, safety and ease of use relative to alternate techniques. It is also more cost-effective, yields cleaner compounds, and can be scaled up from milligram to kilogram. In other words, this technique could eventually migrate from the R&D lab to the production environment without the need to re-engineer certain elements of the chemistry process. This flexibility garners the attention of senior management in pharmaceutical companies as they look to shave time from molecular concept to on-the-market.

Major Progress in User-Friendliness

In September 2004 Biotage launched a new purification system, the SP 1 single column purification system. With this product Biotage has made major advances in user-friendliness. The system features patent pending functions not found in any rival systems, which accelerate the purification process even further than before.

Biotage's largest purification system is called Flash 400™. Just as Advancer is applied in synthesis, the Flash 400 is utilized in purification. Released for sale in 1999, the Flash 400 has steadily gained an ardent following as a method on increasing choice to scale up purification. The Flash 400 can purify kilograms in a single run.

TLC to Gradient Algorithm

Designing a purification method involves a considerable amount of manual effort and mathematical calculations. Biotage's new systems have automated this process. Via a simple user interface the chemist defines some initial assumptions and solvent conditions, which then automatically generates a method, saving vast quantities of both time and effort for pharmaceutical chemists.

Purification Cartridges With High Performance and Reliability

Biotage offers consumables for use with its purification systems. Biotage's patented Flash™ purification cartridge is currently recognized as the industry standard. The alternative to prepackaged purification cartridges is for the chemist to hand-pack them, an extremely time-consuming task. Biotage's purification cartridges offer superior performance and reliability and have been shown to provide superb separation with better resolution than competitive products.

POSITION

Biotage currently leads the market in its niche both considering revenues and number of units sold. Biotage's market share is more than 50 percent both in microwave synthesis and in purification systems. Discovery Chemistry combines innovative, high-quality products with the most talented field personnel in the market. The company's chemists provide customer support for even the most complex chemistry-related issues. In its endeavor to be the market leader in service and support, Discovery Chemistry support staff are increasingly being located close to its customers' laboratories on a global scale.

THE MARKET

Discovery Chemistry's products in synthesis and purification focus on the same target group – the approximately 30,000 medicinal chemists around the world. Microwave synthesis technology has made a positive and enduring impression within medical chemistry. Currently market penetration for microwave synthesis is between 10 and 15 percent and Biotage is experiencing a surge in demand for these solutions. In purification, about half of all medicinal chemists currently use either manual or automated Flash purification systems with pre-packed disposable purification cartridges.

Discovery Chemistry's sales activities are aimed at both medicinal chemists and their managers/directors. Customers either buy one system for each chemist or invest in systems that can be shared by multiple chemists across a lab. Biotage estimates the market to be 10,000 systems for microwave synthesis and 10,000 systems for automated purification, which means approximately one system for every three chemists. Annual growth in the number of chemists is

about 5 percent. At this time, Biotage has installed about 800 microwave synthesis systems, over 1,000 automated purification systems and 10,000 manual Flash systems.

Clear Competitive Advantages

Since the pharmaceutical chemist uses both Microwave and Flash products, this generates clear competitive advantages for Discovery Chemistry. Marketing activities can be streamlined, and the integrated sales and service force can benefit from the synergies of customer relationships. Today's pharma companies are trying to reduce the number of suppliers and more frequently choose key suppliers. This development is positive for Discovery Chemistry with its strong position in two important solution areas.

CUSTOMERS

About 95 percent of all drug discovery today is carried out in the United States, Canada, England, France, Germany, Switzerland, Italy, the Benelux countries, Scandinavia, and Japan. Discovery Chemistry works with a direct sales model and has a direct support organization in these geographies. Discovery Chemistry's customers currently include all major and mid-tier pharmaceutical companies and all of the most notable biotech companies that have small molecule development programs.

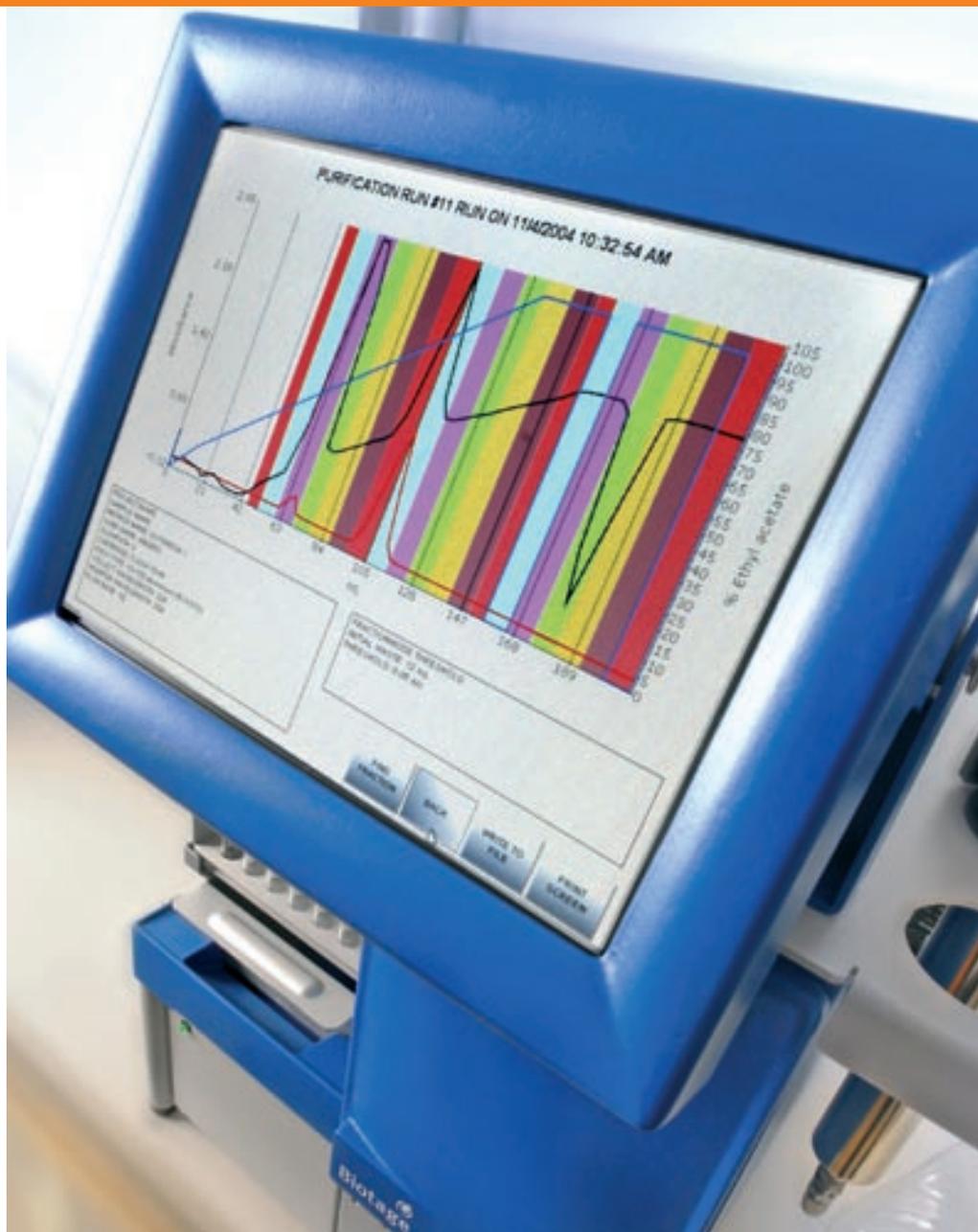
COMPETITIVE SITUATION IN MICROWAVE SYNTHESIS

Discovery Chemistry's main competitor in microwave synthesis is the U.S. company CEM Corporation. CEM offers microwave systems for a number of areas of application in the pharmaceutical, environmental, and food industries. Sales take place via a worldwide network of direct channels and distributors. Because CEM Corporation's system is used in several different industries its production costs are quite low. CEM Corporation's products are, in general, less expensive than Biotage's. Other competitors include Milestone, a privately owned European company that sells far fewer systems than either Biotage or CEM. After the launch of Initiator the rival companies have dropped their prices.

COMPETITIVE SITUATION IN PURIFICATION SYSTEMS

In purification, much of the competition comes from chemists who still hand pack their own purification cartridges in the lab. The main competitor for automated purification systems is Isco, a company in the U.S. Teledyne Group. In terms of general pricing conditions for systems and consumables, Biotage's products are more expensive than its competitors'. In the past, the price scenario was similar, but after the launch of SP1, the rival companies have dropped their prices.





The simple user interface of SP1 saves vast quantities of time and effort for medicinal chemists.

Competitive Advantages

Biotage's leading competitive advantages in microwave synthesis are safety, ease of use, product quality, reaction databases and superior service and support.

In purification, Biotage's patented purification cartridges offer unrivalled quality and performance. With the launch of the new systems, Biotage's ease of use and self-created methods sets a new standard. Because Biotage offers systems for both synthesis and purification, the opportunity increases for the company to become the customers' preferred choice and key supplier.

PRODUCTION AND QUALITY

All purification products are currently produced at Biotage's production facility in Virginia, USA. The microwave synthesis systems are manufactured by a subcontractor, Partnertech AB. During 2005, production of the biggest systems for microwave synthesis

– Advancer – will be transferred to the facility in Virginia, which is certified in compliance with the international quality standard ISO 9001:2000. The product development and distribution operations in Uppsala are expected to comply with ISO certification early 2006 at the latest.

Biotage measures all purification production processes using Six Sigma statistical methodologies and the company conducts extensive quarterly quality reviews to monitor reported problems and seek rapid solutions. The quality of Biotage's products is ever-increasing, and can be benchmarked in the number of complaints for purification cartridges Flash™ – at nearly 1/100 percent of the total number of delivered goods.

Some of Biotage's purification system software is certified according to the U.S. Food and Drug Administration's (FDA) 21 CFR 11, which means that it is validated and that the risk of incorrect or corrupt data is minimized.

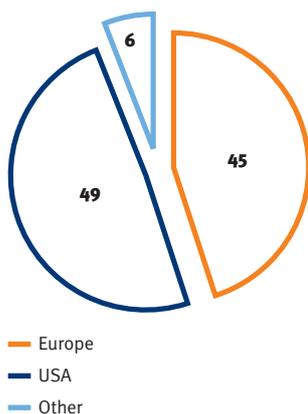
Business Area Biosystems

The Biosystems business area develops and markets solutions for genetic analysis, mainly for use in clinical research. Biosystems focuses on two primary areas of application: research related to infectious diseases and research related to cancer.

Biosystems In Brief

- Sales 2004: SEK 98.4m
- Operating result 2004: SEK -47.6m
- Products: Pyrosequencing Systems, reagents, consumables, and software. Corbett QPCR and Sample Prep instrumentation as well as consumables and reagents.
- Key markets: North America, Western Europe, and Asia.
- Leading competitors: Applied Biosystems and GE Healthcare.

Geographic distribution of sales, %



Biosystems' products are based on the patented Pyrosequencing technology where the DNA sequence of a sample is read in real-time using so called sequencing by synthesis. The systems can be used in a large number of fields, from analyzing hereditary diseases to identifying bacteria and viruses.

In 2003 the company initiated an extensive strategic planning project to identify areas of applications in which the Pyrosequencing technology creates crucial added value in relation to rival technologies and methods. As a result of this project, Biosystems currently targets the markets for research related to infectious diseases and cancer.

Infectious Diseases and Cancer

The field of infectious diseases encompasses infections caused by bacteria, virus, and fungi as well as the identification of these microorganisms. By using Biosystems' equipment, the microorganism that causes an infectious disease can quickly be identified. The company's products currently lead the field in identification and type determination of antibiotic-resistant bacteria, which rival methods often are unable to accomplish. Bacteria develop multiresistance by modifying their DNA. Biosystems' equipment analyzes the DNA to quickly and accurately determine whether a bacteria carries a mutation in a gene that makes it resistant to antibiotics.

In the field of cancer research, Biosystems' technology can be used to identify mutations or assess the level of methylation (CpG). DNA methylation is a mechanism for controlling gene expression. Abnormal increases or decreases in DNA methylation tags are found in most human cancers and contribute to their development.

In addition, the Pyrosequencing technology is so sensitive that it can detect low percentages of cancer cells in relation to normal cells.

The ability to identify low percentages of cancer cells and small changes in methylation level makes it possible to detect malignant tumors at an earlier stage and to follow the tumor progression.

DEVELOPMENTS DURING 2004

Cost control efforts within the Biosystems business area in 2004 have been successful and produced good results. Sales were somewhat higher than 2003 and amounted to SEK 98.4m (SEK 97.2m the previous year). Operating profit/loss amounted to SEK -47.9m, an improvement of SEK 188.3m compared to last year. Sales of consumables during the year amounted to 22 percent of sales.

During the year, Biosystems' PSQ 96MA and PSQ HS 96A systems were listed as Class I Devices with the Food and Drug Administration (FDA) in the United States, which means that Biosystems can now market its systems to both research laboratories and clinical reference laboratories (CLIA-certified high complexity laboratories), especially in the US.

Distribution and Licensing Agreements

Since 2003 Biosystems has had an exclusive distribution agreement with Corbett, a biotech company based in Australia, for their sample preparation and quantitative PCR instruments. This agreement has covered the US, Germany, France, and Scandinavia. As of January 1, 2005, Biosystems ended its agreement in Europe in order to increase its focus on its own products and services. Distribution of Corbett's products has been successful in the United States, where the agreement will continue.

Since 2003, Biosystems has licensed its Pyrosequencing technology to the American company 454 Life Sciences for use in instruments that analyze the entire genome. License revenues from 454 Life Sciences during the year amounted to SEK 9 m.

New Service Launched

During the year, the CpG Methylation Laboratory Service was launched. This service enables customers to outsource CpG methylation to Biosystems' facilities in Foxboro, Massachusetts, and Uppsala, Sweden, to have tests designed and analyzed. The service provides customers who do not have their own equipment



The Pyrosequencing technology creates crucial added value in research related to infectious diseases and cancer.

with access to the high-quality data that a Biosystems system test offers. The firm expects the service to lead to increased instrument sales in the long term.

POSITION

Biosystems is an emerging force, offering products based on a strong technology in a market dominated by big players. The company has shifted its focus to infectious diseases and cancer, which means that to some extent, it is operating in new markets and therefore has low market penetration. Biosystems' market share for sequencing-based research methods in infectious diseases is currently about 5 percent and about 10 percent in cancer research.

THE MARKET

The Biosystems business area has moved from acting in the general basic research market to providing solutions for specific applications. This entails an important shift in customer group for the business area, which previously focused mainly on the academic world. Based on this new strategy, its customer base largely consists of medical facilities, laboratories, and pharmaceutical companies. These customers are less grant-dependent, which should lead to better sales growth in the future. As part of this market direction, Biosystems will move from offering systems, reagents and consumables, toward offering turn-key solutions to clinical research customers.

The market for Biosystems products is currently in its infancy and we expect this business area to achieve strong growth once this market gains momentum in a few years.

CUSTOMERS

The majority of customers, 95 percent, involved in research related to infectious diseases and cancer are located in North America and Western Europe. Biosystems pursues direct sales in the US, the UK, France, and Germany, while distributors handle marketing in other countries in Europe, Asia, and Latin America.

Biosystems currently has just over 400 systems installed worldwide – mainly at academic research institutions associated with universities and university hospitals – as well as at government health institutions, pharmaceutical companies, and biotech companies.

COMPETITIVE SITUATION

Biosystems' competition comes mainly from PCR technology-based instruments, as well as from sequencing instruments based on the Sanger method, which today is the most commonly used sequencing method. A few big companies dominate the market, such as the US-based Applied Biosystems and GE Healthcare.

Competitive Advantages

Biosystems' systems are robust and extremely easy to operate. The Pyrosequencing technology combines the advantages of easy-to-use PCR with the wealth of data obtained through the Sanger method.

The key advantages of using the Biosystems equipment for CpG methylation analysis are the ability to assess the level of methylation in individual sites as well as the ability to detect small differences in methylation levels.

In infectious diseases, Biosystems' systems can identify mutations that make bacteria antibiotic-resistant. Often, PCR-based technologies can only identify the bacteria in question, not whether it has developed resistance to antibiotics.

PRODUCTION AND QUALITY

Biosystems outsources production of the DNA analysis systems to a subcontractor, Partnertech, while the company produces software, reagents and other consumables at its own facility in Uppsala, Sweden. The quality of the company's systems and consumables is high, which is demonstrated by a very low number of complaints. During second half of 2004, a revised customer complaint system was implemented in order to conform to FDA's (Food and Drug Administration) demands on medical device manufacturers (21 CFR 820.198).

Products

Biosystems' current offering to customers consists of systems, software, reagents and consumables for fast and accurate genetic analysis.

■ Biosystems' PSQ™96MA and PSQ™ HS 96A Systems are both built on the patented Pyrosequencing technology for real-time DNA analysis, which means that the DNA sequence of samples can be read in real-time.

PSQ 96MA is designed to analyze short and medium length DNA sequences and is appropriate for use in the field of infectious diseases.

PSQ HS 96A is more sensitive than the PSQ 96MA, which makes it possible to analyze extremely small quantities of DNA. This makes the system appropriate for cancer research since samples in this field are often extremely small. This sensitivity also makes it possible to detect cancer at an early stage.

■ Biosystems offers reagents and other consumables that are necessary to carry out tests in the analytical systems.

■ The Vacuum Prep Tool is an accessory specially designed for Biosystems' analytical systems. This specialized tool minimizes the time-consuming task of preparing samples to run in Biosystems instruments, with substantial time-savings for users.

■ In 2005, Biosystems will launch the PyroMark™ series of solutions, which will include instruments, software, and optimized tests for use in clinical research.

Merck & Co

Merck & Co., Inc. is a global research-driven pharmaceutical company. Established in 1891, Merck discovers, develops, manufactures and markets vaccines and medicines in over 20 therapeutic categories. Merck's facility in Rahway, New Jersey, was founded more than a century ago and is one of the company's most important research and manufacturing sites.



Through the years, it has been at the forefront of Merck's ability to transform scientific discoveries into breakthrough medicines. Some 500 people are today involved in R&D alone at Merck in Rahway.

Microwave Technology Gaining in Popularity

At Rahway, Merck presently has over 114 Biotage HPFC-automated flash purification systems and 8 microwave synthesis systems. The unique Biotage cartridge column technology coupled with the system hardware allow for rapid chemical purifications thereby increasing productivity and lowering cost. These purification systems are used in the research laboratories, as well as in larger scale pilot operations.

The microwave synthesis systems have become an increasingly important new tool in the chemist's arsenal by providing two distinct benefits. For those chemical transformations that can be performed under conventional thermal conditions, the microwave generally allows for a much shorter reaction time as well as a much cleaner reaction profile. This means the chemist can complete a given transformation in less time and obtain a cleaner product in higher yield. Secondly, there are a number of chemical transformations that are possible only with microwave reactors, thus the microwave synthesizers allow the chemist to synthesize compounds that could not be made using conventional methodologies.

The microwave synthesis systems are used in the research laboratories, and are quickly gaining in popularity among Merck's personnel. As with any new technology ease of use is a critical factor. Biotage's recently launched microwave synthesis system Initiator™ has enabled the chemists to take advantage of this new technology due, in no small part, to the intuitive, user-friendly operating software.

The combination of microwave assisted synthesis coupled with automated purification can dramatically increase productivity. "One of the most expensive things in pharmaceutical research is time – the faster you can do things, the more productive you get", says Dr. von Langen, Research Fellow at Merck & Co. "One of

the major benefits of Biotage's systems is their ability to speed up synthesis and purification processes".

The Growing Need to Scale Up Processes

Increasingly chemists are incorporating microwave synthesis into their research protocols resulting in the downstream need for a direct scale-up approach. The process used on the Initiator system can be directly scaled up with the help of Biotage's largest microwave synthesis system, the Advancer. The high throughput Technology Enabled Synthesis (TES) Group at Merck-West Point uses the Biotage Advancer for their iterative analogue library approach. The time-savings are amplified by the number of compounds in each library and the reaction setup is technically easier and faster than in heating blocks and oil baths.

Concurrently the need for rapid, economical large-scale purifications has increased dramatically. The purification of approximately a one kilogram mixture using conventional silica gel-based gravity column technology could take upwards of two days to complete and require extraordinary amounts of solvents. Utilization of the Biotage FLASH 150™ system reduced the purification time to a half-day and realized not only the significant time-savings but also a reduction in the amount of solvents required. Chemists are able to do their purifications faster, cost effectively and importantly, under much safer operating conditions.

Preferred Choice

Biotage has supplied systems and consumables to Merck's Rahway facility since the mid-1990s, as well as other Merck facilities worldwide. "The reason we choose Biotage as supplier of these products is the competitiveness of the offering and the support and service delivered. Biotage is presently the industry leader in column technology", says Dr. Derek von Langen.

By using Biotage's systems, Merck's Rahway laboratory has been able to reach new levels of productivity. Biotage continually solicits product feedback and customer input when designing and developing new drug discovery tools. Merck has been a key partner in helping Biotage achieve our mission.

M. D. Anderson Cancer Center

The University of Texas M. D. Anderson Cancer Center is the largest cancer center in the world. It is part of the University of Texas and is located in Houston, Texas. The M. D. Anderson Cancer Center was founded more than sixty years ago and is today one of the world's most respected centers devoted exclusively to cancer patient care, research, education and prevention.

The M.D. Anderson Cancer Center has been ranked among USA's top two cancer hospitals in U.S. News & World Report's "America's Best Hospitals" survey since its inception 15 years ago, has been ranked number one four times in the last five years. Today, the M. D. Anderson Cancer Center employs close to 18,000 people.

Professor Ralf Krahe

Professor Ralf Krahe, Associate Professor at the Section of Cancer Genetics in the Department of Molecular Genetics at M. D. Anderson, has been using Biotage's Pyrosequencing technology in his research for about four years. Professor Krahe's research is targeted toward the identification and characterization of the human genes and their mutations that underlie, among other things, inherited cancer syndromes. Professor Krahe also focuses on research to identify genetic changes underlying tumor initiation, progression and metastasis. His group primarily focuses on head and neck cancer, lung cancer and brain tumors.

Pyrosequencing for Investigating Cancer Genes

Professor Krahe's group has developed a Pyrosequencing-based method called PyroMethA, or Pyrosequencing-based methylation analysis, which they use to investigate cancer genes that are subject to epigenetic inactivation by promoter hypermethylation.¹

"PyroMethA is a highly sensitive and highly quantitative method to look at promoter hypermethylation in a high throughput manner", says Professor Ralf Krahe. "It offers several advantages that other techniques do not offer. We basically get a much more detailed read-out profile of what might be going on in a given cancer. To put it simply, it's like using a telescope to look at the stars instead of using a pair of binoculars."

Systematic Way of Looking at Sets of Genes

Professor Krahe uses hypermethylation to look at the status of known cancer genes and their different mechanisms of inactivation. Over the last three to five years it has become clear that epigenetic inactivation by hypermethylation¹ is a key event that until now has been under-appreciated.

"In most cases, cancer initiation is a multistep process", says Professor Krahe. "This means that it is not a single gene that is altered, but instead a combination of different genes. It is the interaction of these different genes that ultimately pushes the cell to become tumorigenic. By now being able to systematically look at sets of genes we can determine what their status is relative to the tumorigenic potential of a cell or a tumor".

Platform of Choice

Professor Krahe appreciates the Pyrosequencing technology for its high sensitivity, the flexibility of assay design, the capability for high throughput analysis and the quantitative data.

"Pyrosequencing has allowed us to perform research that was not previously possible", says Professor Krahe. "We would not be doing the things we are doing right now if it wasn't for Pyrosequencing. It is really our platform of choice".

¹In addition to genetic changes in the form of mutations, cancer cells can also arise through epigenetic mechanisms: events that are outside changes in an individual's genome. Hypermethylation of the sequences that control expression of a gene usually leads to silencing of the gene, which is the most common epigenetic reason for a tumor to occur.



Market-based Research and Development

The development of new products with an emphasis on new functionality and user-friendliness is an important factor for Biotage's success – especially for retaining the company's leading position in several of its niches.



Patent

Biotage works actively with patent issues. Several of the company's systems and products currently have market-leading performance and Biotage is therefore applying for patents for new key functions in the systems and in the consumables. Assessment of the potential for applying for patents is part of the product development process. Today Biotage has 119 registered patents, with applications currently being processed for 111 patents.

Biotage pursues a clearly market-based research and development strategy. The work mainly focuses on developing new products by improving existing technology and adding new functionality, rather than research related to new technology. During the year Biotage invested 20 percent of sales in research and development. The company's long-term goal is to have an investment level in research and development of about 12 percent of sales.

During the year Biotage transferred responsibility for research and development for purification systems from Charlottesville, Virginia, to Uppsala. Consequently the majority of the Group's research and development activities is based in Uppsala, which creates conditions for improving efficiency.

Successful Launch of New Products

In late 2003, Biotage initiated several new development projects in the Discovery Chemistry business area. The goal was to formulate a new generation of products based on the same underlying principle as previously, but more robust, more user-friendly and capable of being produced at a lower cost. The project was extremely successful, leading to the launch of a new microwave synthesis system, Initiator™ and Initiator™ Sixty, and a new system for purification, SP1, in autumn 2004.

The strategic planning carried out at the beginning of the year in the Biosystems business area resulted in a focus of marketing campaigns today on two areas of application: research related to infectious diseases and research related to cancer. As a result, development work during the year focused exclusively on adapting existing products for these new areas of application.

Marketing Organization as Buyer

Biotage's marketing organization orders all development projects. The marketing department, management team, and R&D department carry out discussions based on specifications (including data related to performance) and target price to evaluate potential new

products and how they fit into the company's ultimate strategy, which leads to setting priorities for projects and their timeframes.

The R&D department then carries out a quick preliminary study to evaluate the basic principles of the new product, calculate estimated development costs, and formulate a plan for implementing the project. The project has to meet the general requirement for development projects at Biotage, which means that the new product has to repay itself in three years.

Clearly Defined Development Processes

Product development at Biotage follows a clearly defined process aimed at minimizing the technical risks of each project. A normal instrument development project takes between twelve and eighteen months to carry out and the cost varies between SEK 10m and 40m.

Functioning prototypes and detailed specifications are created during a preliminary project phase. The majority of costs and work in a development project are related to this phase. After that the development project enters the project phase, the final phase of the project, during which the final fine-tuning and meticulous validation of the product is carried out, as well as all preparations for mass production and product launch.

Continuous Product Care

In addition to development work, Biotage also places great emphasis on continuous product care, involving the product development department, service department, marketing department, and quality department. For example, software errors may have to be addressed or software may need to be updated. Biotage products have a three to four year product life cycle. The company is currently working on formulating a process to phase out products toward the end of their life cycle. It is essential to ensure continued service of products and to convince existing customers to become buyers of the next generation's systems.

High Expertise and Dedication

At yearend Biotage had 221 employees, located in 9 countries. The Group had an average of 246 employees in 2004. Biotage's employees are highly skilled and have achieved a high level of education.



For Biotage 2004 was a year of major organizational changes through the integration of Pyrosequencing, Personal Chemistry, and Biotage LLC. The integration and consolidation phase of overlapping functions within the Group during the year have led to staff cut-backs, which means that staff turnover for 2004 was abnormally high at 28 percent.

Biotage's employees have been a great asset in the restructuring project carried out during the year. Our employees have experienced considerable stress with changed job descriptions, rigorous financial demands, and colleagues who have left their jobs. Biotage's employees have made these extensive changes possible while remaining motivated and committed to the company.

Training of Sales Force

During 2004 Biotage's sales force in the Discovery Chemistry business area completed an extensive training program. The sales force consists of employees from both the former Personal Chemistry and the former Biotage LLC. In order to take advantage of the extensive customer contacts of both companies to increase sales within the business area, employees received training in both companies' products. Today the entire integrated sales force is fully trained in all products in the business area.

New Option Program

In December 2004 the Board resolved to carry out a new worldwide option program for all Biotage employees. A total of 446,000 employee options will be distributed among 203 people. Senior management will receive a maximum of 10,000 to 30,000 options each, middle management will receive a maximum of 3,600 to 10,000 options each, other executives and key employees will receive a maximum of 1,200 options each, and other employees will receive a maximum of 400 options each.

Employees in Figures

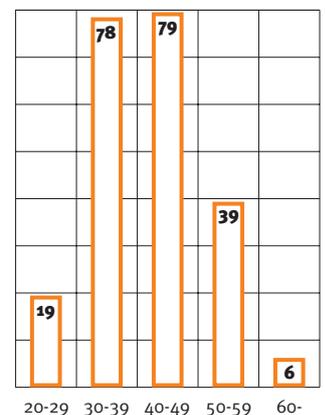
Biotage's employees include 36 percent women and 64 percent men. Geographically, 32 percent work in Sweden, 15 in the rest of Europe, and 53 percent in the United States and Japan.

Biotage employees have achieved a high level of education: 11 percent have postgraduate degrees (PhD, MS, etc), 58 percent have a university education, and 31 percent have completed upper secondary school.

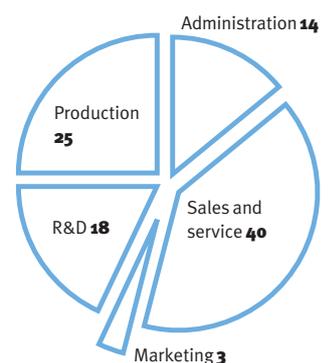
Added value per employee during the year totaled SEK 796,000 (281,000).

Biotage safeguards a safe and healthy working environment and health risks are extremely small. The employees' awareness of potential risks is high, as is their knowledge of regulations and handling of hazardous materials. No incidents were reported during the year.

Distribution by age, number of people



Employee categories, %



Biotage Shares

Biotage's shares were listed on the O list of the Stockholm Stock Exchange on June 30, 2000, under the name Pyrosequencing (Pyro A). The introductory price was SEK 100. Biotage's Class A shares are currently listed on the O list (BIOTA) and one trading block amounts to 1,000 shares.

On December 31, 2004, Biotage's capital stock totaled SEK 64,042,108, consisting of 64,042,108 shares with a par value of SEK 1.

Share Price Trend

During 2004 the share price dropped 17 percent from SEK 11.80 to SEK 9.75. During the same period Affärsvärlden's general index rose 17 percent. The highest price paid in 2004 was SEK 12.50 on January 7 and the lowest price paid was SEK 7.30 on November 2. At the end of 2004, Biotage's market capitalization was SEK 624.4m. During 2004 15,392,774 shares were traded for a value of SEK 151.7m, which corresponds with 26.6 percent of the average number of shares in the company.

Shareholders

On December 30 Biotage had 5,283 (6,313) shareholders. The 15 biggest owners accounted for 68 percent of capital and votes. Foreign owners accounted for 20 percent of capital and votes.

Option Program

There are a total of seven outstanding option programs aimed at existing and former employees of the Group,

as well as previous shareholders of Personal Chemistry AB, which Biotage AB acquired in 2003. The option programs encompass a total of 12,904,702 warrants. When fully exercised this corresponds with 13,524,002 new shares, equivalent to 17.4 percent of Biotage shares and votes. The issue price for the different option programs varies from SEK 6.99 to SEK 83.33, depending on date of issue. The final day of the subscription period also varies among the option programs, from June 30, 2005 to December 31, 2009. The terms and conditions of the option programs are described in note 20 on page [37].

Dividend and Dividend Policy

Biotage AB has not previously made cash payments of dividends to its shareholders, nor does it plan to do so for 2004. The company intends to keep available funds and reinvest them in the business. According to Swedish law, the level of dividend a company can set is restricted by factors such as the company's profit and distributable earnings. Since the company has never shown a profit and had an accumulated deficit of SEK 807m on December 31, 2004, no cash dividend can be expected in the coming years. The Board sets the dividend policy.

Share Price Trend



Shareholders by size of holding, December 31, 2004

Size of holding	No. of shareholders	Percent of shareholders	No. of shares	Percent of shares
1–500	3,083	58.3	636,808	1.0
501–1,000	959	18.2	884,500	1.4
1,001–10,000	1,039	19.7	3,650,213	5.7
10,001–100,000	147	2.8	4,182,918	6.5
100,000–	55	1.0	54,687,669	85.4
Total	5,283	100.0	64,042,108	100.0

Source: SIS Ägarservice and VPC

The fifteen largest owners on December 31, 2004

Owner	No. of shares	Percent of capital and votes
HealthCap	11,860,907	18.5
Investor	6,935,734	10.8
Catella Healthcare AB	5,700,000	8.9
Pål Nyrén	4,100,557	6.4
Mathias Uhlén	2,840,751	4.4
3i Group plc	2,786,422	4.4
SEB Företagsinvest AB	2,672,267	4.2
Robur fonder	1,802,676	2.8
Skandia Liv	1,324,700	2.1
Länsförsäkringar fonder	1,000,419	1.6
Banco fonder	707,000	1.1
Anders Walldov	600,000	0.9
Jeff Bork	515,000	0.8
BBVA Fonder	487,363	0.8
Pecunia fond	468,000	0.7
Total	43,801,796	68.4

Source: SIS Ägarservice and VPC

Ownership category, December 31, 2004

Owner	No. of shares	Percent of shares
Swedish owners with more than 500 shares	50,688,749	79.1
Private Swedish investors	14,108,596	22.0
Closely held companies	13,811,105	21.6
Investment companies	12,635,734	19.7
Mutual funds	4,592,850	7.2
Pensions	1,595,200	2.5
Other	3,945,264	6.1
Foreign owners with more than 500 shares	12,716,551	19.9
Owner ≤ 500 shares	636,808	1.0
Total	64,042,108	100.0

Source: SIS Ägarservice and VPC

Data per share

	2004	2003	2002	2001	2000
Earnings per share, SEK	-1.99	-6.02	-4.84	-3.96	-2.60
Dividend per share, SEK	-	-	-	-	-
Share price at yearend, SEK	9.75	11.70	7.90	37.50	97.00
Shareholders' equity per share, SEK	8.17	10.55	17.72	22.58	26.53
Equity per share after dilution, SEK	6.74	8.38	16.13	20.75	24.38
Yield, %	0	0	0	0	0
P/E ratio	neg	neg	neg	neg	neg
P/S ratio	1.7	3.9	2.8	12.1	73.0
Operating cash flow per share, SEK	-1.53	-1.73	-3.65	-3.91	-2.78
No. of shares	64,042,108	57,792,108	34,770,100	34,770,100	34,767,400
No. of shares after dilution	77,566,110	72,699,660	38,208,750	37,831,100	37,831,100

Operational Risks

Financial Risks

During 2003 the company carried out the acquisitions of Personal Chemistry and Biotage LLC, a structure in which just over half (54 percent) of sales take place in USD. Other revenues include SEK, EUR, GBP, and JPY. The company has a balanced structure for revenues and expenses in USD and effects on earnings are relatively limited for the short term. For example, the company's products are produced in both the United States and Sweden.

A 10 percent change in the USD/SEK exchange rate means a change of about 5 percent in the company's net sales.

Customers and Markets

The company has a wide customer base in the pharmaceuticals sector, hospital-based clinical research, and academic research.

Three fourths of the customer structure are mainly associated with the world's leading pharmaceutical companies, which reduces the risk of dependence on fluctuations in grants for academic research.

Product and Technologies

The company has a broad product portfolio, which means overall decreased sensitivity to product life cycles and cyclical fluctuations. New technologies in bio-

technology take a relatively long time to become established and competition from potential new technologies therefore represent a limited risk in the short run.

Production

The majority of Biotage's instruments are produced in Sweden at Partnertech AB in Åtvidaberg. In Uppsala the Biosystems business area produces reagents and kits that are used with Biosystems instruments. In the Discovery Chemistry business area purification systems and consumables are produced at the company's production facility in Charlottesville, Virginia. All production facilities have capacity to substantially and relatively quickly increase production of all of the company's products.

Employees

Biotage has a large number of key employees with high expertise, who are committed, motivated, and have developed strong customer relationships. The company pursues research and development of new products. Consequently, Biotage is highly dependent on attracting and retaining highly qualified personnel. The company offers competitive terms of employment and to increase commitment and participation in the company the Board decided in 2004 to offer a new global option program to all Biotage employees.



Directors' Report

Biotage AB (556539-3138)

Information About the Operation

Biotage is a global Company whose business is focused on the life sciences. With strong technologies, a broad range of operations, and a long-term view of the market, Biotage offers complete solutions, knowledge, and experience in the areas of genetic analysis and medicinal chemistry. Its customers include the world's thirty biggest pharmaceutical companies, twenty biggest biotech companies, and leading academic institutions.

Biotage AB, headquartered in Uppsala, Sweden, is the Parent Company of the Group. The Biotage Group has wholly owned subsidiaries in Sweden, the United Kingdom, Germany, France, Holland, Italy, the United States, and Japan.

The Group is organized into two business areas: Discovery Chemistry and Biosystems.

The Discovery Chemistry business area develops, manufactures, and markets systems, knowledge products and consumables that speed up the medicinal chemist's possibilities to develop new, active substances that become the medicines of the future.

The Biosystems business area develops, produces, and markets systems for rapid and precise genetic analysis, based on the Company's patented Pyrosequencing™ technology, a method for DNA sequencing. Biosystems technology helps the genetic researcher to increase knowledge of the genetic make-up of humans and organisms.

Significant Events

The extraordinary general meeting on July 20 authorized the Board of Directors to resolve to issue a maximum of 5,700,000 shares, to be paid for in cash, through an issue in kind or through set-off, with or without deviation from the shareholders pre-emption rights. Biotage and 454 Corporation expanded the one-year-old license granting 454 Corporation exclusive rights to the use of sequencing through synthesis and pyrophosphate-based sequencing for analysis of complete genomes (genetic material) and other applications with high density and capacity. The expanded license gives 454 Corporation exclusive rights to use the technology in all tests carried out on platforms with over 1,536 parallel reactions. Consequently, the minimum royalty increases from USD 1m per year to USD 1.25m per year for at least two years, but with the option to extend the agreement throughout the lifetime of the patent. This means that the agreement could give Biotage a minimum royalty of USD 13m until 2014, with USD 3m already paid.

The fastest growing technology companies in Sweden and Europe for 1999 to 2003 were selected during the year. Biotage won the title in Sweden and took fourth place in Europe.

The Board of Directors of Biotage AB announced on December 14 that it resolved to increase the Company's capital stock through a new share issue of 5.7m shares to Catella Healthcare AB. The Board made this decision with the support of the authorization granted by the extraordinary general meeting on July 20, 2004.

As a result of the new share issue, the Company's capital stock increased by SEK 5.7m to SEK 64,042,108 through the issue of 5.7m shares at a subscription price of SEK 7.90 per share. The subscription price was equal to the closing price of the Biotage share on December 14, 2004, and exceeded the average closing price paid for the share during the ten most recent trading days by just over 3 percent.

The issue was fully subscribed for Catella Healthcare, with deviation from the shareholders' preemptive rights. The acquisition corresponded with 8.9 percent of capital and votes in Biotage after the issue. Payment for the holdings totaled about SEK 45m.

Income Statement Items*

During 2004 consolidated net sales increased by 111 percent to SEK 366.6m, compared with SEK 173.7m for the corresponding period the previous year. Pro forma sales for 2003 to were SEK 362.1m, which means an increase of 1 percent. If exchange rates had remained unchanged compared with the previous year, net sales would have reached SEK 392.9m, which would have meant an 8 percent increase compared with pro forma 2003. In the Dis-

covery Chemistry business area, if the exchange rate had remained unchanged net sales would have been SEK 288.4m for an increase of 9 percent compared with pro forma 2003. In the Biosystems business area, if the exchange rate had remained unchanged net sales would have been SEK 104.5m, which meant an increase of 7 percent compared with pro forma 2003.

Gross profit margin in 2004 was 60 percent, compared with 60 percent for the previous year. Gross profit margin for pro forma 2003 was 59 percent. New products had a positive impact on gross profit margin, as did changes in price and product mix, while the depreciation of the US dollar in relation to the Swedish krona had a negative impact on gross profit margin. Write-downs of inventories had a negative effect on gross profit margin of about SEK 2m during Q4 2004. Dissolution of reserves and non-recurring expenses had a positive effect on operating costs of SEK 6.5m during Q4 2004.

Operating costs (excluding goodwill write-downs) amounted to SEK 278.9m for 2004, compared with SEK 356.9m the previous year. Operating costs (excluding goodwill write-downs) pro forma for 2003 amounted to SEK 607.8m. The reduction of costs compared with the previous year is mainly the effect of staff cut-backs as well as the integration and coordination carried out in the Group.

Goodwill write-downs for the year, attributable to the acquisitions of Personal Chemistry and Biotage LLC in 2003, amounted to SEK 41.4m.

Biotage reports a net loss of SEK 115.0m, equivalent to SEK -1.99 per share, for 2004 compared with a net loss of SEK 244.4m, equivalent to SEK -6.02 per share, the previous year. The pro forma 2003 net loss amounted to SEK 425.8m.

The improved profitability compared with the previous year was due to increased sales and substantially lower costs. The Company reduced costs as stated in the plan adopted to integration and coordinates the operations.

Balance Sheet Items

The group's liquid funds amounted to SEK 31.4m on December 31, 2004, compared with SEK 74.9m on December 31, 2003. Granted unused credits amounted to SEK 38.9m on December 31, 2004. The group's interest bearing liabilities amounted to SEK 54.2m on December 31, 2004, compared with SEK 33.0m on December 31, 2003.

The Company's total goodwill as of the balance sheet date was SEK 332.2m, attributable to 2003 acquisitions of Personal Chemistry and Biotage LLC. The Company carried out an impairment test as of closing day, which showed that no write-down of goodwill was necessary. Other intangible fixed assets in the form of patents and license rights amounted to SEK 21.0m as well as capitalized development expenditure of SEK 22.8m.

Shareholder's equity as of the balance sheet date amounted to SEK 523.1m, compared with SEK 609.5m on December 31, 2003. Shareholder's equity received an additional SEK 5.1m through a new share issue as a result of exercised options from 1997. A directed share issue in December subscribed to by Catella Healthcare SEK added 45.0m to shareholder's equity.

Investments

The Group's investments in tangible and intangible fixed assets amounted to SEK 19.6m, including SEK 11.7m capitalized as development costs during 2004. Depreciation and amortization (excl. goodwill write-downs) amounted to SEK 31.6m, including SEK 7.1m in write-downs for capitalized development costs, SEK 5.1m for patent and license rights, and SEK 19.4m for depreciation of tangible fixed assets.

Research and Development

Biotage pursues a clearly market-based research and development strategy. The work mainly focuses on developing new products by improving existing technology and adding new functionality, rather than research related to new technology. During the year,

Biotage invested 20 percent of sales in research and development. The Company's long-term goal is to have an investment level in research and development of about 12 percent of sales. For more information, please see page [14].

Employees

As of December 31, 2004, the Group had 221 employees, compared with 298 on December 31, 2003.

During the year, the Company issued 446,000 personnel options to 203 employees. For more information, please see note 20 on page [37].

Corporate Governance

The Board of Directors met on nine occasions during the year. The Board is responsible for the ultimate strategic orientation and objectives of the Company. The Board has adopted written rules of procedure and written guidelines for the Chief Executive Officer. These documents are revised annually. The Board's rules of procedure contain topics such as rules regulating the number meetings and what matters shall be treated. The written instructions for the Chief Executive Officer include the distribution of work between the Board and the CEO, as well as rules addressing the CEO's authorities. The subsidiaries have equivalent rules of procedure for the Boards and written instructions for the Chief Executive Officers.

The Company's operational management is responsible for the Company's daily operations and makes continual progress reports to the Board on the Company's financial situation as well as updates about the business. The most important points on the board's agenda have been following up on the Company's economic and financial development, forecasts and the budget, business plans, strategic development, proposals to authorize the Board to carry out the new share issue, resolutions about the new share issue, resolutions about allocation of personnel options, and information about the effects of the transition to IFRS on 2005.

The Company held one Annual General Meeting and one extraordinary general meeting in 2004. The extraordinary general meeting authorized the Board to resolve to issue a maximum of 5,700,000 shares of common stock.

Committees

During the year, the Board of Directors had the following committees as described below.

The remuneration committee is responsible for monitoring and initiating the Company's reimbursement levels and salaries and benefits for the management. Remuneration committee members include Chairman of the Board Ove Mattsson (chairman) and directors Björn Odlander and Börje Ekholm. The remuneration committee met on three occasions in 2004.

The auditing committee monitors issues related to external financial reporting and audits of the Company. It supports senior management and focuses on financial issues and corporate governance. The auditing committee consists of Board members Anders Rydin (chairman), Börje Ekholm, and Staffan Lindstrand. The auditing committee meets in connection with quarterly interim reports. The committee held two meetings in 2004.

The nomination committee nominates candidates to the Company's Board of Directors. The nomination committee consists of Chairman of the Board Ove Mattsson (chairman), as well as Peder Fredriksson from Odlander & Fredriksson, Jan Sundberg from SEB Företagsinvest, and Håkan Jansson from Investor. The nomination committee met on three occasions.

Parent Company

The Group's parent Company Biotage AB has wholly owned subsidiaries in Sweden, the United Kingdom, France, Germany, Italy, Holland, the United States, and Japan.

The Parent Company is responsible for Group management, strategic business development, and administrative functions at the group level and in relation to subsidiaries. The Parent Company's income for 2004 totaled SEK 70.1m (85.3) and the loss before appropriations and taxes amounted to SEK -29.4m (-176.1). Liquid funds at the end of the period were SEK 19.4m (22.8 as of December 31, 2003).

Transition to IFRS 2005

General

Beginning on January 1, 2005, Biotage's accounting policies will follow the EU approved International Financial Reporting Standards (IFRS).

Biotage made the transition to reporting according to IFRS on January 1, 2004. The financial information according to Swedish accounting policies for 2004 will be restated to comply with IFRS.

The first quarter 2005 interim report, including comparative figures for corresponding periods in 2004, will be the first financial report prepared according to IFRS. In connection with the issuing of the first interim report in 2005, a complete report and analysis of the transition from Biotage's previous accounting policies to IFRS will be presented in compliance with the IFRS.

The Company has carried out a structured inventory of all entries in the Group's income statements and balance sheets that were presented in the annual report for 2003 and in the interim reports issued in 2004. During this process the reported data was compared with the provisions of the IFRS and all necessary adjustments and changes in principles were documented.

Transition Rules

The transition to IFRS is reported in compliance with IFRS 1 "First-time Adoption of International Reporting Standards." In general, IFRS 1 requires that a Company apply the IFRS accounting principles retroactively in order to establish an opening balance for the IFRS. Certain exceptions from retroactive application are permitted, however, and Biotage has chosen to apply the following:

- IFRS 3 "Business combinations" is being applied for acquisitions carried out beginning on the transition date, January 1, 2004.
- Biotage will report share-based payment in compliance with IFRS 2 on all share-based payments made after November 7, 2002, and not earned as of January 1, 2005.

In accordance with the transition rules for IAS 39 "Financial Instruments: Measurement and Recognition," Biotage will apply IAS 39 beginning on January 1, 2005, and will not restate comparative figures for 2004.

Biotage will apply IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as of January 1, 2005, in compliance with the transition rules in IFRS 5. When calculating comparative figures for 2004, Biotage will apply IAS 35 "Discontinued Operations," which is essentially in agreement with RR 19 on discontinuing operations.

The transition to IFRS and its impact on the Group's reported earnings and financial position is described in more detail in note 25 on page [40].

Outlook

The Company's long-term financial goal is to achieve an annual organic growth of at least 10 percent and an operating margin of 15 percent.

Events after the Balance Sheet Date

Biotage intends to acquire the reagents business from US Company Argonaut Technologies Inc. During March, the offering was expanded to include the process instrument business, thereby including Argonaut's entire operation. Carrying out the acquisition strengthens Biotage's offering in medicinal chemistry and the Company gets a complete product portfolio of microwave synthesis, cleanup and purification systems and consumables, which will enable faster and more efficient development of new drug candidates. The acquired businesses reported sales of about SEK 140m last year. The sales price is about SEK 145m. The acquisition is dependent on the final approval of Argonaut Technologies' annual general meeting.

Biotage received short-term bank financing for the acquisition, which is being paid for in cash. The Company is evaluating different financing alternatives and will soon present a long-term financing solution. In the event of a new share issue, the existing principal shareholders HealthCap, Investor Growth Capital, and Catella Healthcare Investments have agreed to guarantee this new share issue for the entire purchase price.

Proposed Treatment of Retained Losses Group

According to the consolidated balance sheet, the Group's retained losses amount to SEK 806.8m. No transfer to restricted equity is proposed.

Parent Company

The Board of Directors and the Chief Executive Officer recommend that the retained losses of SEK 749.8m be brought forward.

For additional information about the results and financial position of the Group and the Parent Company, please refer to the following income statements, balance sheets and accompanying accounting principles and notes.

*Comparative figures within parenthesis in the annual report refer to pro forma 2003, unless specified otherwise. The Company's auditor did not review the 2003 pro forma accounts.

Five-year review

DEFINITIONS

Gross profit margin in %

Operating profit divided by net sales.

Earnings per share

This year's net profit/loss in relation to average number of outstanding shares.

Equity ratio

Equity in relation to total assets on closing day.

Debt/equity ratio

Interest bearing liabilities in relation to equity.

Interest coverage ratio

Income after financial items plus financial expenses divided by financial expenses.

Return on equity

This year's net profit/loss in relation to average equity.

Return on capital employed

Profit plus financial income divided by average capital employed.

Capital employed

Total assets less non-interest-bearing liabilities including provisions. Average capital employed has been calculated as capital employed at the beginning of the fiscal year plus capital employed at the end of the fiscal year, divided by two.

Five-year review

Key figures (amounts in SEK thousand unless otherwise specified)

	2004	2003	2002	2001	2000
<i>Group</i>					
Net sales	366,649	173,652	97,581	108,176	46,223
Gross profit	218,254	104,898	67,169	77,621	35,602
Gross profit margin	59.5%	60.4%	68.8%	71.8%	77.0%
Profit/loss after financial items	-114,805	-244,235	-148,530	-137,097	-78,108
Earnings per share, SEK	-1.99	-6.02	-4.84	-3.96	-2.60
Balance sheet total	695,151	826,653	678,036	846,817	973,573
Equity ratio	75.3%	73.7%	90.9%	92.7%	94.8%
Average number of employees	246	166	151	125	63
Debt/equity ratio	10.4%	5.4%	0.0%	0.0%	0.0%
Interest coverage ratio	neg	neg	neg	neg	neg
Return on equity	-20.3%	-39.9%	-24.0%	-16.1%	-15.2%
Return on capital employed	-16.3%	-33.5%	-21.2%	-16.0%	-15.1%
<i>Parent Company</i>					
Net sales	70,051	85,327	96,584	98,307	51,901
Gross profit	35,427	41,721	61,104	68,469	38,109
Gross profit margin	50.6%	48.9%	63.3%	69.6%	73.4%
Profit/loss after financial items	-29,400	-176,144	-319,307	-69,287	-44,386
Balance sheet total	717,290	700,019	597,919	943,513	1,006,016
Equity ratio	89.7%	89.0%	91.8%	94.3%	95.1%
Debt/equity ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio	neg	neg	neg	neg	neg
Return on equity	-4.6%	-30.1%	-47.1%	-14.9%	-8.1%
Return on capital employed	-1.5%	-24.6%	-16.8%	-7.5%	-8.3%

Two-year overview by quarter

SEK million the Group	2004				2003			
	q4	q3	q2	q1	q4	q3	q2	q1
Net sales	106.2	84.5	88.9	87.0	105.1	27.4	17.0	24.2
Gross profit	62.9	51.7	54.4	49.3	64.5	16.3	7.7	16.4
Gross profit margin in %	59.2	61.3	61.1	56.6	61.4	59.5	45.3	67.8
Net profit/loss	-20.2	-41.4	-22.3	-31.2	-54.7	-116.9	-42.6	-30.0

Equities	2004	2003	2002	2001	2000
Weighted average no. of shares	57,870,069	40,584,205	34,770,100	34,769,875	29,997,400
Total average no. of shares after dilution	58,387,498	41,007,908	35,430,362	36,253,375	31,879,928
Total no. of outstanding shares as of December 31	64,042,108	57,792,108	34,770,100	34,770,100	34,767,400

Income Statement

Pro forma statement of income can be found in note 24

Amounts in SEK thousand	Note	Group		Parent Company	
		2004	2003	2004	2003
Net sales	2, 3	366,649	173,652	70,051	85,327
Cost of goods sold	3, 6	-148,395	-68,754	-34,624	-43,606
Gross profit		218,254	104,898	35,427	41,721
Selling expenses	6	-164,835	-112,510	-30,013	-50,961
Administrative expenses	4, 6	-39,340	-41,783	-20,767	-31,245
Research and development costs	6	-76,365	-82,533	-18,904	-55,386
Other operating income		11,535	1,456	17,377	1,456
Other operating expenses		-9,922	-17,743	-1,525	-12,523
Items affecting comparability		-	-103,754	-	-57,579
<i>Operating costs</i>		<i>-278,927</i>	<i>-356,867</i>	<i>-53,832</i>	<i>-206,238</i>
Operating profit/loss before goodwill amortization		-60,673	-251,969	-18,405	-164,517
Goodwill amortization	6	-41,383	-9,220	0	0
Operating profit/loss		-102,056	-261,189	-18,405	-164,517
Profit/loss from financial investments:					
Interest income on receivables from group companies		0	0	6,060	5,928
Result from other securities and receivables held as long-term financial assets	7	2,667	47,327	2,667	12,978
Other interest income and similar income statement items	8	273	2,865	146	1,618
Interest expenses and similar income statement items	9	-15,689	-33,238	-19,867	-32,151
<i>Financial net</i>		<i>-12,749</i>	<i>16,954</i>	<i>-10,994</i>	<i>-11,627</i>
Profit/loss after financial items		-114,805	-244,235	-29,400	-176,144
Taxes	10	-216	-162	0	0
Loss for the year		-115,021	-244,397	-29,400	-176,144
Earnings per share		-1.99	-6.02		
Earnings per share after dilution (*)		-1.99	-6.02		

(*) Since the loss per share would decrease if dilution were taken into account because of outstanding options, earnings per share has only been calculated without consideration to dilution.

Balance Sheet

Amounts in SEK thousand	Note	Group		Parent Company	
		2004	2003	2004	2003
Assets					
Fixed assets					
Intangible fixed assets					
Capitalized expenditure for development work	11	22,789	18,279	-	-
Patent and license rights	12	20,999	21,183	9,308	8,649
Goodwill	13	332,209	402,567	-	-
		375,997	442,029	9,308	8,649
Tangible assets					
Land and buildings	14	42,028	47,657	-	-
Leasehold improvements	15	8,420	9,175	-	8,625
Plant and machinery	16	38,879	50,771	-	18,721
		89,327	107,603	-	27,346
Financial assets					
Participations in Group companies	17	-	-	561,191	541,486
Receivables, group companies		-	-	70,530	-
Other investments held as fixed assets	18	45,783	45,783	45,783	45,783
Other long-term receivables		1,390	985	-	-
		47,173	46,768	677,504	587,269
Total fixed assets		512,497	596,400	686,812	623,264
Current assets					
Inventories					
Raw materials and consumables		28,080	8,900	-	8,900
Semi-finished products		2,940	3,089	-	2,100
Finished products and goods for resale		39,305	64,050	-	19,261
Work-in-progress		4,640	-	-	0
		74,965	76,039	-	30,261
Current receivables					
Accounts receivable		66,232	65,717	2,319	13,694
Receivables, group companies		-	-	8,032	5,737
Other receivables		5,957	8,732	134	2,817
Prepaid expenses and accrued income	19	4,103	4,865	592	1,447
		76,292	79,314	11,077	23,695
Cash and bank balances					
		31,397	74,900	19,401	22,799
Total current assets		182,654	230,253	30,478	76,755
Total assets		695,151	826,653	717,290	700,019

Amounts in SEK thousand	Note	Group		Parent Company	
		2004	2003	2004	2003
Equity, provisions, and liabilities					
Shareholders' equity					
Restricted shareholders' equity					
Share capital	20	64,042	57,792	64,042	57,792
Restricted reserves		1,265,883	1,263,487	1,329,500	1,285,589
		1,329,925	1,321,279	1,393,542	1,343,381
Unrestricted shareholders' equity					
Non-restricted reserves		-691,778	-467,383	-720,375	-544,529
Loss for the year		-115,021	-244,397	-29,400	-176,144
		-806,799	-711,780	-749,776	-720,673
Total shareholders' equity		523,126	609,499	643,767	622,708
Provisions	21	8,570	32,740	307	16,211
Long-term liabilities					
Interest bearing liabilities to credit institution	22	34,668	32,990	-	-
		34,668	32,990	-	-
Current liabilities					
Amounts owed to credit institutions		19,509	-	76	-
Accounts payable, trade		47,548	53,636	3,302	19,159
Liabilities to affiliated companies		-	-	46,516	1,602
Other current liabilities		7,473	12,445	3,175	5,188
Accrued expenses and prepaid income	23	54,257	85,343	20,147	35,151
		128,787	151,424	73,217	61,100
Total equity, provisions, and liabilities		695,151	826,653	717,290	700,019
Pledged assets					
Chattel mortgages		51,450	150	22,500	-
Property mortgages		33,724	-	-	-
Blocked bank deposits		3,010	4,626	-	-
Contingent liabilities		-	-	-	-

Change in Shareholders' Equity

Group Amounts in SEK thousand	Capital stock	Restricted reserves	Non-restricted reserves	Total shareholders' equity
Equity January 1, 2002	34,770	1,054,360	-304,591	784,539
<i>Changes during 2002:</i>				
Loss for the year 2002			-168,378	-168,378
Shareholders' equity December 31, 2002	34,770	1,054,360	-472,969	616,161
<i>Changes during 2003:</i>				
New share issue	23,022	227,179		250,201
Exchange rate differences		-21,602	9,136	-12,466
Transfer between restricted and non-restricted equity		3,550	-3,550	0
Loss for the year 2003			-244,397	-244,397
Shareholders' equity December 31, 2003	57,792	1,263,487	-711,780	609,499
<i>Changes during 2004:</i>				
New share issue	6,250	43,912		50,162
Exchange rate differences		-23,570	2,056	-21,514
Transfer between restricted and non-restricted equity		-17,946	17,946	0
Loss for the year 2004			-115,021	-115,021
Shareholders' equity December 31, 2004	64,042	1,265,883	-806,799	523,126
Parent Company				
Amounts in SEK thousand	Capital stock	Restricted reserves	Non-restricted reserves	Total shareholders' equity
Equity January 1, 2002	34,770	1,058,410	-205,572	887,608
<i>Changes during 2002:</i>				
Loss for the year 2002			-338,957	-338,957
Shareholders' equity December 31, 2002	34,770	1,058,410	-544,529	548,651
<i>Changes during 2003:</i>				
New share issue	23,022	227,179		250,201
Loss for the year 2003			-176,144	-176,144
Shareholders' equity December 31, 2003	57,792	1,285,589	-720,673	622,708
<i>Changes during 2004:</i>				
New share issue	6,250	43,912		50,162
Group contributions received from subsidiary			296	296
Loss for the year 2004			-29,400	-29,400
Shareholders' equity December 31, 2004	64,042	1,329,500	-749,776	643,767
Equity on December 31 2004, includes total exchange rate differences of		-45,172	11,224	
No. of shares and votes				
	No. of shares	Vote per share	Number of votes	
December 31, 2001	34,770,100	1	34,770,100	
Change during 2002	0		0	
New share issue, 2003	23,022,008	1	23,022,008	
December 31, 2003	57,792,108	1	57,792,108	
New share issue, 2004	6,250,000	1	6,250,000	
December 31, 2004	64,042,108	1	64,042,108	

Each share has a par value of SEK 1.

Cash Flow Statement

Amounts in SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Operating activities				
Loss after financial items	-114,805	-244,235	-29,400	-176,144
Adjustments for items not affecting cash flow	83,189	112,126	8,340	78,861
	-31,616	-132,109	-21,060	-97,283
Paid taxes	-216	-162	0	0
Cash flow from operating activities before change in working capital	-31,832	-132,271	-26,486	-97,283
<i>Cash flow from change of working capital:</i>				
Increase in inventory	-6,353	-4,027	30,262	-581
Increase/decrease (-)/Decrease(+) in accounts receivable	-515	-2,453	11,374	952
Increase/decrease (+)/Reduction(-) of other short-term receivables	598	18,956	1,243	-15,888
Increase/decrease in current liabilities	-59,784	19,530	-3,788	17,399
Cash flow from operating activities	-97,886	-100,265	18,032	-95,401
Investing activities				
Acquisition of intangible fixed assets	-15,079	-13,935	-3,276	-4,552
Acquisition of tangible fixed assets	-4,500	-3,028	-82	-1,995
Sale of tangible fixed assets			22,002	
Sale of short-term investments		71,700		71,700
Sale of long-term investments		374,387		374,387
Purchase of long-term securities	-841	-45,783		-45,783
Acquisition of subsidiary		-229,407	-19,705	-284,765
Increase/decrease in long-term receivables		-822	-70,530	1,781
Cash flow from investing activities	-20,420	153,112	-71,591	110,773
Financing activities				
New share issue	50,162		50,162	
New loans	24,868			
Payment received for debts receivable	342			
Amortization of debt		-256		
Cash flow from financing activities	75,372	-256	50,162	0
Cash flow for the year	-42,934	52,591	-3,398	15,372
Liquid funds at beginning of year	74,900	25,655	22,799	7,427
Translation differences in liquid funds	-569	-3,346	0	0
Liquid funds at end of the year	31,397	74,900	19,401	22,799
Supplementary disclosure:				
<i>Adjustments for non-cash flow items:</i>				
Depreciation and amortization	72,975	94,212	8,057	35,684
Other items	10,214	17,914	283	43,177
Total	83,189	112,126	8,340	78,861
Interest paid	15,689	33,238	19,867	32,151
Acquired operations				
Goodwill		411,142		
Fixed assets		108,079		
Operating assets		83,719		
Liquid funds		32,218		
Provisions		-13,841		
Net debt		-34,048		
Operating liabilities		-72,895		
Total net assets incl. goodwill		514,374		
Non-cash issue		252,749		
Purchase sum paid		261,625		
Liquid funds in acquired companies		-32,218		
Effect on Group liquid funds		229,407		

Accounting and Valuation Principles

The accounting principles applied are in accordance with the Annual Accounts Act and the recommendations and statements of the Swedish Financial Accounting Standards Council.

A new recommendation issued by the Swedish Financial Accounting Standards Council has come into force in 2004 as an adaptation to the International Financial Reporting Standard (IFRS). Application of the new recommendation RR 29 Employee Benefits (IAS 19) has not had any material effect on 2004 earnings or the financial position as of December 31, 2004. For more information, please see the description of accounting policies for pensions below.

The same accounting policies apply to both the Group and the Parent Company unless stated otherwise.

The following valuation and translation principles have been used in this annual report.

Use of Estimates

To be able to prepare accounts according to generally accepted accounting principles, the company's management must make estimates and assumptions that affect the asset and liability items and the revenue and expense items reported in the final accounts, as well as other information. Actual outcomes may differ from estimates. The financial outcome for 2004 has not given reason to change the estimates that served as the basis for preparing the financial information in the 2003 annual report. The same applies to the interim reports issued during 2004.

The same accounting policies and valuation of assets and liabilities are used in this annual report as in the annual report for 2003, with the exception of the aforementioned adjustment to the recommendation of the Swedish Financial Accounting Standards Council. Moreover, beginning in 2004, all foreign subsidiaries have been classified as independent and are therefore reported according to the current method.

Classification of Balance Sheet Items

Fixed assets, long-term liabilities, and provisions consist in every substantial way only of amounts that are expected to be recovered or paid after more than twelve months counted from the balance sheet date. Current assets and current liabilities consist in every essential way only of amounts expected to be recovered or paid within twelve months, counted from the balance sheet date.

Consolidated Financial Statements

The consolidated financial statements have been prepared in compliance with the Swedish Financial Accounting Standards Council recommendation on consolidated accounts, RR 1:00. The purchase method was applied in the consolidated accounts.

The consolidated financial statements include the Parent Company and all subsidiaries in accordance with the Annual Accounts Act definition. The effects of all intra-Group transactions, such as revenues, costs, receivables, and liabilities, as well as unrealized earnings and Group contributions, have been eliminated.

Purchase Method

The purchase method means that assets and liabilities are valued at fair value according to the prepared acquisition analysis. If the acquisition value exceeds the actual value of the company's net assets, the difference is reported as goodwill. Goodwill is reported as an asset in the consolidated balance sheet and is amortized over the estimated economic life of the asset (over 10 years for Biotage). Untaxed reserves disclosed in the individual affiliated companies are divided into equity and tax in the consolidated balance sheet.

The share of equity is transferred to restricted reserves and the tax portion is reported as a provision.

Application of IFRS regulations means that beginning on January 1, 2005, Biotage will no longer recognize depreciation in its goodwill entry in the consolidated balance sheet. Instead, the company will carry out an impairment test to see if there is a need for a write-down of goodwill. In addition, because of the transition to IFRS, the requirements that any consolidated surplus value that may arise with the acquisition of subsidiaries should be allocated between different fixed and intangible asset entries will become more stringent.

Translation of Foreign Subsidiaries

Considering the nature and financing of operations, all activities in the Group's foreign firms have been judged as independent entities.

The company uses the current rate method to translate the income statements and balance sheets of foreign subsidiaries to SEK. All assets and liabilities in the subsidiaries balance sheets are translated at the exchange rate on the balance sheet date and all income statement items are translated at an average rate for the year. Rate differences that may arise are recognized directly in shareholders' equity.

Comparison of Pro forma earnings for 2003 with actual experience for 2004

In September 2003 the company acquired Personal Chemistry in Uppsala AB and in October 2003 the company acquired Biotage LLC in the United States. From November 1, 2003, Biotage AB consolidated the acquired companies and their subsidiaries. The pro forma income statement for 2003 (note 24, page 39) shows the result that would have occurred in the Group if the acquired companies had been consolidated throughout fiscal 2003. The pro forma income statement in note 24 can be compared with the legal income statement for 2004, which is also included on page 23 of this annual report.

Revenue Recognition

Biotage AB develops and sells systems, reagents, accessories, spare parts and services on a global basis, directly to end users, via subsidiaries to end users, and through distributors.

Sales are recognized net of discounts, VAT, and excise duties.

Revenue is recognized when income can be reliably estimated and when essentially all risks and rights associated with ownership are transferred to the buyer, which normally occurs in connection with delivery.

INTANGIBLE FIXED ASSETS

Capitalized expenses for research and development.

Costs for development projects are capitalized in the Group with effect from 2002 in accordance with RR 15.

The capitalized costs reflect the company's ambition to market and sell a wide range of products in the near future. Development projects are capitalized when they meet the criteria specified in the company's project manual, which means that they are assessed to be commercially viable.

The applied criteria are in agreement with the recommendation. Capitalized development costs are amortized over the estimated economic life of the asset, which is normally three years.

Patent and License Rights

Patent and license rights are reported at the acquisition value less accumulated amortization according to plan and any write-downs. The amortization period corresponds to the patent's term of validity, which is usually 8–20 years.

Goodwill

Goodwill attributable to acquisitions consists of the difference between the acquisition value of the shares in the subsidiary and the actual value of the acquired net assets. Goodwill is taken up at the acquisition value less accumulated amortization. Goodwill is normally amortized over a period of 10 years. The need for a write-down is assessed regularly in connection with preparation of the Group's financial reports for the market.

As was previously stated under consolidated accounts, goodwill is no longer depreciated as of the transition on January 1, 2005, to IFRS reporting. Any decrease in value of goodwill will instead be reflected in a write-down after impairment testing.

TANGIBLE ASSETS

Tangible assets are reported as the acquisition value less accumulated depreciation according to plan, which is carried out linearly over the estimated economic life of the asset.

The following depreciation and amortization times are applied:

Buildings	40 years
Production tools	5 years
Leasehold improvements	10 years
Computers	3 years
Other tangible assets	5 years

Regular maintenance and repair costs are recognized during the periods in which they are incurred.

With the transition to IFRS on January 1, 2004, Biotage will apply component depreciation for buildings. This means that the annual depreciation charge rises but the increase is limited.

FINANCIAL ASSETS

Shares in Group companies and receivables from Group companies reported in the Parent Company are assessed at the lower of acquisition value and value in use.

Please refer to the section about taxes below for information about deferred tax.

Other financial assets are measured as the lower of the acquisition value and the market value.

IMPAIRMENT OF FIXED ASSETS

On each reporting occasion the Group evaluates the carrying value of tangible and intangible assets as specified in RR 17 to determine if there are indications that an asset has declined in value. If this is the case, the recoverable amount is estimated to establish how much the asset has declined in value. If it is not possible to calculate the recoverable amount for the individual asset, the Group estimates the recoverable amount for the cash-generating entity to which the asset belongs.

If the recoverable value of an asset or cash-generating entity is found to be lower than the carrying amount, the reported value is written down to the recoverable amount.

LEASING

All lease agreements in the Group are regarded as operating leases from an accounting standpoint, which means that the lease charges are expensed as incurred.

INVENTORIES

Inventories are valued according to the lower of cost or net realizable value, applying the first in, first out principle. The value of inventories is adjusted with regard to the value of any obsolete goods.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currency are translated into Swedish kronor at the closing day rate. Unrealized exchange rate gains and losses on operating receivables and liabilities are included in the operating result, while unrealized exchange gains and losses on financial assets and liabilities are reported in net financial items.

FINANCIAL INSTRUMENTS AND SECURITIES

Financial instruments that are reported in the balance sheet include cash and bank balances, short-term investments, accounts receivable, accounts payable, and loan debts.

After an inventory of the affiliated companies' financial assets and liabilities carried out during 2004, it can be concluded that the Group does not have any derivative instruments.

Accounts Receivable

Accounts receivable are reported net after a provision for bad debt.

TAXES

The Group's income taxes consist of current tax and deferred taxes. Current tax is the tax calculated on taxable earnings for a period. Deferred tax is valued according to the balance sheet method, involving a comparison of the reported value and the value for tax purposes of the company's assets and liabilities. The difference between these values is multiplied by the relevant tax rate and this amount is the deferred income tax receivable or outstanding tax liability.

Biotage AB and its subsidiaries have a considerable loss carry forward for tax purposes. There is uncertainty about the rate at which these can be used to offset taxable surplus. In view of the above, the Group does not report any deferred tax in the balance sheet.

PENSIONS

Premiums for defined contribution pension plans are expensed as incurred. Biotage has no defined benefit pension plans except the Swedish ITP plan. During fiscal year 2004, the company did not have access to the information it needed to report this plan as a defined benefit plan. The pension plan according to ITP, which is secured through an Alecta insurance policy, is therefore reported as a defined contribution plan until information is accessible that will make it possible to describe it as a defined benefit pension scheme.

PROVISIONS

Provisions are reported when the Group has, or can be considered to have, an obligation resulting from a past event and it is probable that payments will be necessary to settle the obligation. Another condition is that the amount can be reliably estimated.

Provisions for warranties for sold products are based on current warranty terms, warranty costs for earlier periods, and assessed quality. The warranty period is one year, except in Germany, where it is two years.

LOAN COSTS

Borrowing costs, such as for mortgages, are recognized in full when they are incurred. Borrowing costs incurred after January 1, 2005, will be periodized over the term of the agreement.

TRANSFER PRICING

Transactions between companies in the Group are priced similarly to those carried out with the company's distributors.

EARNINGS PER SHARE

Earnings per share is calculated according to RR18, which means that the Group's profit after tax is divided by the number of outstanding shares. In calculating earnings after dilution, it is assumed that potentially dilutive securities such as stock options will be converted to shares of common stock. Calculations are based on the weighted average number of shares outstanding during the year. Since the loss per share would decrease if the dilution effect of outstanding options were taken into account, earnings per share have only been calculated without consideration to dilution.

STATEMENTS OF CASH FLOW

The statements of cash flow have been prepared according to the Swedish Financial Accounting Standards Council recommendation RR7. The reported cash flow only includes transactions that entail payments received or made.

Classification of Income Statement

The company presents an income statement classified according to function, where operating expenses are divided into cost of goods sold, selling expenses, administrative expenses, and research and development costs. The company chose to classify the income statement based on function because other biotechnology and pharmaceutical companies whose shares are listed on the stock exchange usually also report a function-based income statement. It is easier for the reader to make comparisons among companies if the same layout is used for income statements.

Joint costs such as office supplies, electricity, cleaning of premises, rental costs for office equipment, telephone, postage, etc., are allocated to each function. The allocation of joint costs is based on the space utilized and the number of employees.

Cost of Goods Sold

Cost of goods sold consists of:

- payments to subcontractors to which the company has outsourced production
- raw materials for production
- salaries and other personnel expenses for production personnel
- rent
- packaging and shipping
- depreciation of production facilities
- share of common costs

Selling Expenses

Selling expenses mainly consist of salaries, other personnel costs, and travel costs for the company's sales and marketing personnel, as well as costs for marketing campaigns, including fees to advertising agencies, and costs for the production of sales material. Selling expenses also include some of the joint expenses.

Administrative Expenses

Administrative expenses mainly consist of salaries and other personnel costs for Group management, financial, and other administrative personnel. Administrative expenses also include costs for legal advisors, audit and business development fees, as well as a percentage of joint expenses.

Research and development costs

Research- and development costs consist of

- salaries and other personnel costs
- patent costs
- fees to consultants and external suppliers for developing instruments and software
- material costs for prototypes and test units
- depreciation of capitalized development costs
- share of common costs
- other expenses related to design, development, testing, and improvement of the Group's products

Notes

Note 1

Average number of employees, salaries, remuneration, and social security expenses

Board and senior executives

Board members and senior executives are presented on pages 43-44.

Group	2004	2003
<i>Board</i>		
Women	0	0
Men	9	8
Total	9	8
<i>Management</i>		
Women	1	0
Men	3	4
Total	4	4
<i>Average number of employees:</i>		
Women	85	73
Men	161	93
Total	246	166

Salaries and remuneration

Board of Directors and President	5,544	7,337
Other senior executives	7,743	6,179
Other employees	131,485	100,475
Total salaries and remuneration	144,772	113,991

Legal and contractual social security contributions

Board of Directors and President	2,065	1,747
Other senior executives	1,010	1,471
Other employees	23,544	23,918
Legal and contractual social security contributions	26,619	27,136

Pension expenses

Board of Directors and President	1,359	1,071
Other senior executives	695	2,518
Other employees	10,059	7,678
Total pension costs	12,113	11,267

Total salaries, social security expenses, and pension costs

183,503 152,394

Salaries and remuneration, breakdown by Parent Company and country

	2004	2003
<i>Board and President</i>		
Parent Company	5,544	7,337
Subsidiaries in Sweden	0	0
Total	5,544	7,337
<i>Other senior executives</i>		
Parent Company	1,080	4,816
Subsidiaries in Sweden	1,462	1,038
United States	13,311	325
Total	15,853	6,179
<i>Other employees</i>		
Parent Company	19,575	40,158
Subsidiaries		
Sweden	25,337	10,923
United States	60,620	39,304
United Kingdom	7,715	4,393
Germany	6,680	4,230
France	538	778
Japan	2,910	689
Total in subsidiaries	103,799	60,317
Total for the Group	144,772	113,991

Breakdown of absence due to illness in the Swedish companies, as a percentage of regular working hours

	2004	2003
Absence due to illness for all employees	0.8	1.1
Share of long-term absence due to illness	0.0	0.0
Absence due to illness, women	0.8	1.4
Absence due to illness, men	0.8	0.8
Absence due to illness, employees aged 29 and younger	0.4	1.2
Absence due to illness, employees aged 30 - 49	0.8	1.1
Absence due to illness, employees aged 50 and older	0.9	0.9

Average number of employees, breakdown by Parent Company and country

	2004		2003	
	Total	of whom men	Total	of whom men
Parent Company in Sweden	45	22	90	47
Subsidiaries in Sweden	46	37	14	11
United States	122	80	46	25
United Kingdom	16	10	7	4
Germany	9	6	6	4
France	1	1	1	1
Japan	7	5	2	1
Total employees, breakdown by country	246	161	166	93

Terms and Conditions for Board Members and Senior Executives

Principles

Remuneration is paid to the Chairman of the Board and members of the Board as resolved by the Annual General Meeting. No special remuneration has been paid for work on committees. Remuneration to the current President & CEO, Jeff Bork, consists of basic salary, other fixed remuneration, other benefits, and pension. Remuneration to other senior executives consists of basic salary, variable remuneration, other benefits, and pension. The term "other senior executives" refers to the three people who, together with

the President & CEO, make up the Group Management. For the composition of Group Management, please see page 44.

The relationship between basic salary and bonus is proportional to the responsibility and power of the individual in question. However, no variable remuneration is payable to the current President & CEO, Jeff Bork. For the other senior executives, the maximum amount of variable remuneration payable is 50 percent of basic salary.

The pension benefits and other benefits of the President & CEO and other senior executives are paid as part of the total remuneration package.

Remuneration and other benefits during 2004

	Board fee	Basic salary	Variable remuneration	Other benefits	Pension cost	Other remuneration	Total
Board Chairman Ove Mattsson	300,000						300,000
Other Board members	720,000						720,000
President and CEO Jeff Bork		4,000,000		92,723	1,358,583		5,451,306
Other Senior Executives		7,743,078	492,187	123,691	695,008		9,053,964
Total	1,020,000	11,743,078	492,187	216,414	2,053,591	0	15,525,270

President and CEO

President & CEO, Jeff Bork, has a basic monthly salary of SEK 250,000. Other benefits include a company car and health insurance, as well as fixed remuneration, pension and severance pay as described below.

Bonus

President & CEO, Jeff Bork, is not paid any variable remuneration. Instead, a fixed annual sum of SEK 1,000,000 is paid for the years 2004, 2005 and 2006. For other senior executives, the bonus for 2004 was paid as a percentage of basic salary.

Pensions

The Group only uses defined contribution pension plans. The retirement age for current President and CEO Jeff Bork is 65. The pension premium shall amount to 30 percent of pensionable income, consisting of basic salary.

Severance Pay

The period of notice between the company and the President & CEO, Jeff Bork, is twelve months on the part of the company and six months on the part of the President & CEO. In the event of termination of contract by the company (which is not due to the President & CEO's gross neglect of responsibilities to the company), or termination of contract by the President & CEO due to the acquisition of more than 50% of the shares in the company, severance pay is payable to the amount of twelve months salary. Severance pay does not constitute grounds for pension or vacation pay. No severance pay is payable in the event of termination of contract by the President & CEO for other reasons (although compensation for a non-competition agreement with the President & CEO may be payable in such case). The mutual period of notice between the Company and the other senior executives is two to twelve months.

Financial Instruments

	Program from 2002 Number of warrants ¹	Program from 2003 Number of warrants ²	Program from 2004 Number of warrants ³
President and CEO Jeff Bork	0	0	0
Other Senior Executives	18,000	42,000	90,000
	18,000	42,000	90,000

Comments on the Tables:

During 2004, no financial instruments were allotted to the President and CEO, Jeff Bork. Other senior executives received a total of 90,000 employee stock options under the 2002-plan – program plan 2004. The terms of the program and information about all outstanding options in the company are found in Note 20. For information about the total number of financial instruments in the company held by Board members and senior executives, see pages 43-44.

¹ Refers to holding as per December 31, 2004.

² Refers to holding as per December 31, 2004.

³ Refers to holding as per December 31, 2004.

Preparatory and Decision-Making Process

During the year, the remuneration committee gave the Board recommendations regarding principles for remuneration to senior executives. These recommendations have covered the proportional relationship between fixed and variable remuneration and the size of possible salary increases. Furthermore, the remuneration committee has proposed criteria for assessment of bonus achievement, the allocation and amount of remuneration in the form of financial instruments, etc., as well as pension terms and severance pay. The Board has discussed the remuneration committee's proposals and made decisions based on the committee's recommendations.

Remuneration to the President & CEO for the financial year 2004 was determined by the Board based on the remuneration committee's recommendations. The President & CEO determined remuneration to other senior executives after consultation with the Board Chairman. For information about the composition of the remuneration committee and its duties, see page 21.

Note 2

Segment reporting

Since November 2003 the Group's operations are organized into two business areas, Biosystems and Discovery Chemistry. These two business areas are the primary segments for the Group's operation. Throughout most of 2003 the Group had only one business area, Biosystems. The Discovery Chemistry business area was the result of the acquisitions during autumn 2003 of Personal Chemistry in Uppsala AB and Biotage LLC.

The comparative figures for 2003 for the Discovery Chemistry bu-

ness area show the pro forma results for the twelve-month period of 2003. The figures are therefore not directly comparable with the comparative figures for 2003, which are reported in the Group's Income Statement. In this case, the legal income statement included in the annual report for 2003 constitutes the comparison of years.

Geographic markets are the secondary segment for provision of the Group's products. The secondary segment is divided into Europe, the United States, and the rest of the world.

Primary Segments**Amounts in SEK thousand**

	2004				2003			
	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
External net sales	98,436	268,213	0	366,649	97,137	264,914	0	362,051
Cost of goods sold	-40,799	-107,595	0	-148,394	-40,401	-109,716	0	-150,117
Gross profit	57,637	160,618	0	218,254	56,736	155,198	0	211,934
Operating costs	-105,277	-171,099	-2,551	-278,927	-292,588	-308,806	-6,377	-607,771
Operating profit/loss before goodwill amortization	-47,641	-10,481	-2,551	-60,673	-235,851	-153,609	-6,377	-395,837
Goodwill amortization	0	-41,383	0	-41,383	0	-46,569	0	-46,569
Operating profit/loss	-47,641	-51,865	-2,551	-102,056	-235,851	-200,178	-6,377	-442,406
Financial net				-12,749				
Profit/loss after financial items				-114,805				
Taxes				-216				
Profit/loss for the year				-115,021				

Breakdown of revenues**by revenue type**

Sales of goods				348,316
Services				10,999
Royalties				7,333
Total				366,649

Fixed assets	90,922	421,575	0	512,497
Current assets	52,735	98,512	31,406	182,654
Total assets	143,658	520,087	31,406	695,151
Shareholders' equity	89,225	400,748	33,153	523,126
Liabilities and provisions	54,433	119,340	-1,747	172,025
Total shareholders' equity and liabilities	143,658	520,087	31,406	695,151

Investments in tangible and intangible fixed assets for the year

Investments in tangible and intangible fixed assets for the year	895	18,685	0	19,580
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Secondary segments**Amounts in SEK thousand****External net sales**

Europe	43,654	86,655	0	130,309	35,508	101,204	0	136,712
United States	48,341	149,692	0	198,034	54,017	134,743	0	188,760
Rest of the world	6,441	31,866	0	38,307	7,612	28,967	0	36,579
Total external net sales	98,436	268,213	0	366,650	97,137	264,914	0	362,051

Reported value of assets

Europe	127,941	248,707	25,471	402,119
United States	15,717	241,674	5,153	262,544
Rest of the world	0	29,706	782	30,488
Total assets	143,658	520,087	31,406	695,151

Investments in tangible and intangible fixed assets for the year

Europe	895	10,947	0	11,842
United States	0	6,662	0	6,662
Rest of the world	0	1,076	0	1,076
Total assets	895	18,685	0	19,580

Note 3

Group internal purchases and sales

Amounts in SEK thousand	2004	2003
Sales from Parent Company to subsidiary	28,030	42,664
Sales between subsidiaries	77,043	0
Total inter-company sales	105,073	42,664

The amounts were eliminated during preparation of the Consolidated Income Statement.

Note 4

Administrative expenses

Administrative costs include fees and remuneration to auditors as shown below.

Audit assignments refer to examination of the consolidated financial statements, interim reports, the accounts, internal controls, and the administration of the Board of Directors and the President. Audit assignments also refer to assignments with similar examination of the accounts of subsidiaries and advice or other assistance prompted by observations from such audits or the performance of other such tasks. All other work is classified as "other assignments".

Fee to auditing firm of Deloitte & Touche AB

Group	2004	2003
<i>Fee to auditing firm of Deloitte & Touche AB:</i>		
Auditing fees	1,982	1,849
Other remuneration	1,272	5,982
Total	3,254	7,831

Fee to other auditors

Auditing fees		0
Other remuneration	472	0
Total	472	0

Total remuneration in the Group

Parent Company	2004	2003
<i>Fee to auditing firm of Deloitte & Touche AB</i>		
Auditing fees	697	1,232
Other remuneration	1,036	4,359
Total	1,733	5,591

Note 5

Leasing charges

Group	2004	2003
Leasing charges during the year totaled	13,370	7,729
Remaining leasing charges totaled:		
Within 1 year	8,588	7,115
Between 1 and 5 years	17,795	1,385
5 years or later	0	0
Total	26,382	8,500

Parent Company

Leasing charges during the year totaled	1,490	5,199
Remaining leasing charges totaled:		
Within 1 year	187	4,957
Between 1 and 5 years	52	505
5 years or later	0	0
Total	239	5,462

Note 6

Depreciation/amortization of tangible and intangible fixed assets

Depreciation/amortization is included in the overhead expenses of the various functions and is allocated as follows:

Group	2004	2003
Cost of goods sold	4,680	5,587
Selling expenses	8,590	2,698
Administrative expenses	4,254	2,822
Research and Development	14,067	22,111
Goodwill	41,383	9,220
Total	72,974	42,438

Parent Company

Cost of goods sold	3,897	4,562
Selling expenses	483	1,282
Administrative expenses	746	1,488
Research and Development	2,931	4,974
Total	8,057	12,306

Note 7

Result from other securities and receivables held as long-term receivables

Group	2004	2003
Result on the sale of long-term receivables		265
Interest income on long-term receivables		12,713
Dividend income received	2,667	
Translation difference		34,349
Total	2,667	47,327

Parent Company

Result on the sale of long-term receivables		265
Interest income on long-term receivables		12,713
Dividend income received	2,667	
Translation difference		
Total	2,667	12,978

Note 8

Other interest income and similar profit items

Group	2004	2003
Interest income from bank	273	1,412
Interest income from short-term investments		1,453
Interest income from group companies		
Total	273	2,865

Parent Company

Interest income from bank	146	165
Interest income from short-term investments	0	1,453
Interest income from group companies		
Total	146	1,618

Note 9

Interest expenses and similar loss items

Group	2004	2003
Interest expenses	-6,735	-2,331
Translation difference	-8,954	-30,907
Total	-15,689	-33,238

Parent Company

Interest expenses	-715	-1,244
Translation difference	-19,152	-30,907
Total	-19,867	-32,151

Note 10

Taxes

Group	2004	2003
Current tax	-216	-162
Deferred Tax	0	0
Total	-216	-162

Parent Company

Current tax	0	0
Deferred Tax	0	0
Total	0	0

Group

Group	2004	2003
Reconciliation of tax expense		
Result before tax	-114,805	-244,235
Tax calculated according to applicable tax rates for the Parent Company	32,145	68,386
Effect of other tax rates for the foreign subsidiaries	2,740	5,522
Non-deductible expenses	-10,305	-6,814
Tax-free income	0	9,829
Effect of capitalization of intangible assets without reporting a deferred tax liability	-4,788	-9,350
Increase of loss carryforward without capitalization of deferred taxes	-20,099	-67,735
Effect of group contribution	83	
Other effects	8	
Reported effective tax	-216	-162

Parent Company

Parent Company	2004	2003
Reconciliation of tax expense		
Result before tax	-29,400	-176,144
Tax calculated according to applicable tax rates for the Parent Company	8,232	49,320
Non-deductible expenses	-13	-5,602
Tax-free income	0	
Increase of loss carryforward without capitalization of deferred tax	-8,219	-43,719
Reported effective tax	0	0

As per December 31, 2004, the Group had unutilized tax-based loss carryforwards in the range of SEK 944m (893m). The corresponding amount for the Parent Company is SEK 610m (640m). All loss carryforwards can be utilized for an unlimited time. However, it is uncertain when these loss carryforwards can be utilized against future taxable profits. Deferred tax has been calculated on temporary differences between the reported tax-based values of assets and liabilities. The estimated deferred tax liability attributable to taxable temporary differences amounts to a sum that is significantly lower than the deferred tax receivable related to unutilized loss carryforwards. This means deferred tax liability will be realized as current tax. At the same time, it is uncertain when it will be possible to utilize the deferred tax receivables attributable to temporary differences against future tax-based loss carryforwards. In view of the above, neither the Group nor the Parent Company reports any deferred tax in the income statement or balance sheet.

Note 11

Capitalized development costs

Group	2004	2003
Acquisition value brought forward	26,895	58,644
Acquisition of companies		3,208
Capitalization for the year	11,716	8,703
Sales/disposals	-326	-43,519
Translation differences	-467	-141
Closing accumulated acquisition value	37,817	26,895

Amortization brought forward	-8,616	-8,149
Acquisition of companies		-2,018
Amortization for the year	-6,806	-15,887
Sales/disposals	50	17,309
Translation differences	344	129
Closing accumulated amortization	-15,028	-8,616

Total planned residual value **22,789** **18,279**

Note 12

Patent and license rights

Group	2004	2003
Acquisition value brought forward	30,948	29,817
Acquisition of companies		17,753
Investments	3,364	5,232
Sales/disposals	-4,098	-21,604
Translation differences	-363	-250
Reclassification	1,883	
Closing accumulated acquisition value	31,733	30,948

Amortization brought forward	-9,765	-9,589
Writedown through corporate acquisition		-5,220
Amortization for the year	-2,643	-2,330
Sales/disposals	1,638	7,205
Translation differences	36	169
Closing accumulated amortization	-10,734	-9,765

Total planned residual value **20,999** **21,183**

Parent Company

Parent Company	2004	2003
Acquisition value brought forward	11,417	28,469
Investments	3,276	4,552
Sales/disposals	-2,609	-21,604
Closing accumulated acquisition value	12,084	11,417

Amortization brought forward	-2,768	-8,241
Amortization for the period	-1,018	-1,732
Sales/disposals	1,010	7,205
Closing accumulated depreciation	-2,776	-2,768

Total planned residual value **9,308** **8,649**

Note 13

Goodwill

Group	2004	2003
Acquisition value brought forward	412,358	0
Acquisition of companies		1,279
Purchases		411,142
Translation differences	-29,007	-63
Closing accumulated acquisition value	383,351	412,358
Opening amortization	-9,791	
Acquisition of companies		-611
Amortization for the year	-41,383	-9,220
Translation differences	32	40
Closing accumulated amortization	-51,142	-9,791
Total planned residual value	332,209	402,567

Note 14

Land and buildings

Group	2004	2003
Acquisition value brought forward	49,045	0
Acquisition of companies		53,558
Investments		16
Sales/disposals		-1,220
Translation differences	-4,843	-3,309
Closing accumulated acquisition value	44,202	49,045
Depreciation brought forward	-1,388	0
Fixed assets received through acquisition		-1,312
Depreciation for the year	-968	-212
Translation differences	182	136
Closing accumulated depreciation	-2,174	-1,388
Total planned residual value	42,028	47,657

Note 15

Leasehold improvements

Group	2004	2003
Acquisition value brought forward	13,717	21,465
Acquisition of companies		95
Investments	314	3
Sales/disposals	-822	-7,801
Translation differences	-150	-45
Closing accumulated acquisition value	13,059	13,717
Depreciation brought forward	-4,542	-4,096
Fixed assets received through acquisition		-27
Sales/disposals	666	1,829
Depreciation for the year	-768	-2,248
Translation differences	6	
Closing accumulated depreciation	-4,638	-4,542
Total planned residual value	8,420	9,175
Parent Company	2004	2003
Acquisition value brought forward	12,337	20,135
Investments		3
Sales/disposals(*)	-12,337	-7,801
Closing accumulated acquisition value	0	12,337
Depreciation brought forward	-3,712	-3,535
Sales/disposals(*)	3,712	1,829
Depreciation for the year		-2,006
Closing accumulated depreciation	0	-3,712
Total planned residual value	0	8,625

(*) Sales during 2004 are inter-company.

Note 16

Plant and machinery

Group	2004	2003
Acquisition value brought forward	123,353	57,965
Acquisition of companies		83,749
Investments	6,972	3,025
Sales/disposals	-6,997	-17,507
Reclassification		94
Translation differences	-6,955	-3,973
Closing accumulated acquisition value	116,373	123,353
Depreciation brought forward	-72,582	-24,157
Fixed assets received through acquisition		-49,833
Sales/disposals	6,177	13,534
Depreciation for the year	-16,692	-12,541
Write-downs		-2,786
Translation differences	5,604	3,201
Closing accumulated depreciation	-77,494	-72,582
Total planned residual value	38,879	50,771

Parent Company

Parent Company	2004	2003
Acquisition value brought forward	48,124	50,257
Investments		1,992
Reclassification		94
Sales/disposals	-48,124	-4,219
Closing accumulated acquisition value	0	48,124
Depreciation brought forward	-29,403	-20,280
Depreciation for the year		-8,568
Sales/disposals	29,403	2,231
Write-downs		-2,786
Closing accumulated depreciation	0	-29,403
Total planned residual value	0	18,721

Note 17

Shares and participations in Group companies

Parent Company	2004	2003
Acquisition value brought forward	594,041	56,497
Investments during the year		537,544
Inter-company restructuring	19,705	
Closing accumulated acquisition value	613,746	594,041
Write-downs brought forward	-52,555	-52,555
Write-downs during the year	0	0
Closing accumulated write-downs	-52,555	-52,555
Closing accumulated book value	561,191	541,486

Companies directly owned by the Parent Company

Company name	Corp. reg. no.	Reg. Office	No. of shares	Share of equity	Share of votes	Book value 2004	Book value 2003
Biotage Sweden AB	556487-4922	Uppsala, Sweden	18,942,234	98%	98%	282,180	261,457
Cemu Bioteknik AB	556011-2384	Uppsala, Sweden	100	100%	100%	3,491	3,491
Pyrosequencing Inc	04-3484142	Boston, USA	100	100%	100%	311,086	279,165
Pyrosequencing BV	34129103	Amsterdam, the Netherlands	200	100%	100%	166	166
Pyrosequencing GmbH	HRB 39374	Hamburg, Germany	1	100%	100%	217	217
Pyrosequencing SARL	2001B00976	Paris, France	500	100%	100%	68	68
Pyrosequencing Ltd	3938925	London, England	2	100%	100%	0	0
Biotage GmbH	HRB 41573	Düsseldorf, Germany	1	100%	100%	(*)	12 352
Biotage Ltd	2472793	Hertford, England	2	100%	100%	(*)	20 587
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	90%	90%	69	69
Biotage Ltd		Tokyo, Japan	200	100%	100%	16,469	16,469
Total acquisitions						613,746	594,041
Value adjustment of shares in Pyrosequencing Inc						-52,555	-52,555
Total						561,191	541,486

Companies owned by another company in the Group

Company name	Corp. reg. no.	Reg. Office	No. of shares	Share of equity	Share of votes	Book value 2004	Book value 2003
Biotage LLC		Charlottesville, USA		100%	100%	164,209	
Biotage Estate LLC		Charlottesville, USA		100%	100%	(*)	
Personal Chemistry Inc	04-3486469	Boston, USA	100	100%	100%	(*)	61,138
Personal Chemistry Ltd	GB 767951279	Cambridge, England	2	100%	100%	(*)	1
Personal Chemistry GmbH	DE 813140532	Konstanz, Germany	25,000	100%	100%	(*)	16,253
Personal Chemistry Utveckling AB	556554-3476	Stockholm, Sweden	100	100%	100%	55	1,313
Esy Tech AB	556588-8350	Uppsala, Sweden	100,000	100%	100%	60	19,800
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	10%	10%	0	0
Total						164,324	98,505

(*) The companies were closed during 2004 as a key component in improving efficiency and the focus of the Group.

Note 18

Other investments held as fixed assets

Group and Parent Company	2004	2003
Shares in Bio-Molecular Holdings (BMH)	45,783	45,783
Total other long-term securities holdings	45,783	45,783

Bio-Molecular Holdings (BMH) is an Australia-based holding company for Corbett Research Pty Limited, Corbett Robotics Pty Limited, and Corbett Research (UK) Limited. The BMH Group focuses on research and development, production, and marketing of instruments for research within life science. Corbett Research has a product portfolio that covers ordinary and real-time based thermocyclic instruments that are used to strengthen and detect DNA and RNA. Biotage's ownership of Bio-Molecular Holdings accounts for 17.5 percent of the company's capital and votes.

Note 19

Prepaid expenses and accrued income

Group	2004	2003
Accrued income	270	
Prepaid rent	1,880	2,674
Prepaid insurance	550	0
Other items	1,404	2,191
Total	4,103	4,865
Parent Company	2004	2003
Prepaid rent		1099
Prepaid insurance	550	
Other items	42	348
Total	592	1,447

Note 20

Shareholders' equity

Changes in shareholders' equity can be seen in the financial statements for equity shown on page 26 for the Group and the Parent Company.

Option Program

On April 21, 1999, the AGM of Biotage AB ("the Company") resolved to take up a debenture loan through the issuance of a promissory with a nominal value of 200,000 and 700,000 detachable warrants to its wholly-owned subsidiary CEMU Bioteknik AB ("CEMU"). Each warrant entitles the holder thereof, during the period commencing January 1, 2000 up to and including April 12, 2006, to subscribe for one and a half new ordinary shares in the Company at a subscription price of SEK 83.33. In March 2000, 269,000 of the warrants were transferred to employees in the Company. The remaining 431,000 warrants were canceled during 2000 (200,000) and 2002 (231,000).

In 2000 the Company's wholly-owned US subsidiary Pyrosequencing Inc. resolved to adopt the 2000 Equity Incentive Plan ("2000 Plan"). Under the 2000 Plan, Pyrosequencing Inc.'s employees have been granted stock options entitling them to acquire shares in the Company. The options have been granted free of charge and all issued options are conditional on employment in the Company. Each option entitles the holder thereof to acquire one ordinary share in the Company during the period January 1, 2001, up to and including December 31, 2009, at an exercise price set of SEK 28.67.

As per December 31, 2004, 45,000 options have been granted under the 2000 Plan. In order to secure Pyrosequencing Inc.'s obligation to deliver shares under the 2000 Plan, the Company resolved on April 25, 2000, to raise a debenture loan through the issuance of a promissory note with a nominal value of SEK 50,000 with 800,000 detachable warrants to Pyrosequencing Inc. Each warrant entitles the holder thereof, during the period commencing January 1, 2001, up to and including December 31, 2009, to

subscribe for one and a half new ordinary shares in the Company at a subscription price of SEK 28.67. In November 2002, 270,333 of the issued warrants were canceled.

On April 22, 2002 the AGM of the Company authorized the Board of Directors to implement an International Share Option Plan ("2002 Plan"). The 2002 Plan means that present and future employees will be granted stock options free of charge entitling the holder thereof to acquire shares in the Company in the future. No premium shall be paid for the options. The exercise price for the options will correspond to 110 percent of the market value of a share in the Company at the time of issue. The options granted may be exercised not earlier than one year and not later than five years from the date of issue provided the holder is still an employee in the Group. The AGM on April 22, 2002, authorized the Company, during the period until the AGM for 2005, to grant a total of no more than 914,800 new employee stock options. In order to secure the Company's obligations with respect to the granted employee stock options, i.e. to secure future delivery of shares to the optionholders and cover future social security expenses, the Board was also authorized, on one or several occasions during the period until the next AGM, to resolve the issue of no more than 1,171,000 subscription warrants. As per December 31, 2003, there were 695,850 outstanding employee stock options under the 2002 Plan, of which 126,750 with an exercise price of SEK 8.69 (issued on December 19, 2002), 14,300 with an exercise price of SEK 6.99 (issued on April 24, 2003), 4,600 with an exercise price of SEK 8.92 (issued on June 26, 2003), 550,200 with an exercise price of SEK 12.10 (issued on December 22, 2003), and 446,000 with an exercise price of SEK 10.23 (issued on December 31, 2004). In order to secure the Company's obligation to deliver shares under the 2002 Plan and

cover any related administrative and social security expenses that may arise, the Company resolved on December 19, 2002, to raise a debenture loan through the issuance of 335,050 promissory notes with a nominal value of SEK 0.01 each, together with 335,050 detachable subscription warrants and on December 22, 2003, to raise a debenture loan through the issuance of 640,200 promissory notes with a nominal value of SEK 0.01 each together with 640,200 detachable subscription warrants to CEMU.

Each of the subscription warrants issued on December 19, 2002, entitles the holder thereof, during the period commencing on the date of registration with the Swedish Patent and Registration Office up to and including December 31, 2007, to subscribe for one new ordinary share in the Company at a subscription price of SEK 8.69. Each of the subscription warrants issued during 2003 (April 24, exercise price SEK 6.99, June 26, exercise price SEK 8.92, and December 22, exercise price SEK 12.10) entitles the holder thereof, during the period commencing on the date of registration with the Swedish Patent and Registration Office up to and including December 31, 2008, to subscribe for one new ordinary share in the Company. Each of the subscription warrants issued on December 21, 2004, entitles the holder thereof, during the period commencing on the date of registration with the Swedish Patent and Registration Office up to and including December 31, 2009, to subscribe for one new ordinary share in the Company at a subscription price of SEK 10.23.

The extraordinary general meeting of July 20, 2004, resolved to amend the terms of the 2002 Plan so that more stock options could be issued, with a maximum of 914,800, on condition that the number of shares that could be transferred under the 2002 Plan could not exceed 914,800.

Years	Number of options	No. of shares may increase by	Subscription price (SEK)	First day of subscription period	Last day of subscription period
1998	27,000 *	159,300	31.00	1998-06-18	2005-06-30
1998	50,000 *	300,000	31.00	1998-11-20	2005-06-30
1998	10,000 *	60,000	31.00	1999-02-15	2005-06-30
1999	6,000 *	36,000	83.33	1999-08-03	2006-04-08
1999	269,000 *	403,500	83.33	2000-01-01	2006-04-21
2000	45,000 **	67,500	28.67 ¹	2001-01-01	2009-12-31
2002	140,617 ***	140,617	8.69 ²	A	2007-12-31
2003	11,300 ****	11,300	6.99 ³	B	2008-12-31
2003	4,600 ****	4,600	8.92 ³	B	2008-12-31
2003	462,883 ****	462,883	12.10 ³	B	2008-12-31
2004	446,000 *****	446,000	10.23 ⁴	C	2009-12-31

A From the date of registration of the issue resolution with the Swedish Patent and Registration Office.

B From the date of registration of the issue resolution with the Swedish Patent and Registration Office.

C From the date of registration of the issue resolution with the Swedish Patent and Registration Office.

* All warrants have been transferred to the employees at market value.

** All warrants are held by Pyrosequencing Inc. in order to secure its obligation to deliver shares with respect to the 45,000 outstanding options granted under the 2000 Plan.

*** All warrants are held by CEMU in order to secure its obligation to deliver shares and cover social security expenses with respect to the 73,617 options that are still outstanding under the 2002 Plan.

**** All warrants are held by CEMU in order to secure its obligation to deliver shares and cover social security expenses with respect to the 388,783 options that are still outstanding under the 2002 Plan.

***** All warrants are held by CEMU in order to secure its obligation to deliver shares and cover social security expenses with respect to the 446,000 options granted on December 21, 2004, under the 2002 Plan.

If all issued warrants are exercised, the number of shares in the Company will increase by 2,091,650 new ordinary shares.

¹ The exercise price of the options granted in 2000 under the 2000 Plan is equal to the subscription price for the warrants.

² The exercise price of the options granted in 2002 under the 2002 Plan is equal to the subscription price for the warrants.

³ The exercise price of the options granted in 2003 under the 2002 Plan is equal to the subscription price for the warrants.

⁴ The exercise price of the options granted in 2004 under the 2002 Plan is equal to the subscription price for the warrants.

Other Option Programs

Aside from the employee stock options, there are options issued in connection with the acquisition of Personal Chemistry i Uppsala AB. These options are subscription warrants that entitle the holder to purchase shares in Biotage AB according to the following table:

Years	Number of options	No. of shares may increase by	Subscription price (SEK)	First day of subscription period	Last day of subscription period
2003	11,432,302	11,432,302	16	D	2007-10-15

D From the date of registration of the issue resolution with the Swedish Patent and Registration Office.

Note 21

Provisions

Group	2004	2003
Guarantee provisions	4,332	4,271
Provisions for restructure	4,144	28,469
Other provisions	94	
Total provisions	8,570	32,740
Parent Company	2004	2003
Guarantee provisions	307	253
Structural reserve		15,958
Total provisions	307	16,211

Provisions for restructuring costs pertain to rent for unused premises, staff cutbacks, and other direct costs of streamlining the business areas.

Note 22

Interest bearing liabilities to credit institution

Group	2004	2003
Interest bearing liabilities to credit institution	34,668	32,990
	34,668	32,990
Maturity:		
1- 5 years	34,668	9,105
6 years -	0	23,885

Note 23

Accrued expenses and prepaid income

Group	2004	2003
Personnel-related costs	17,718	27,629
Deferred income	23,602	31,380
Other items	12,937	26,334
Total	54,257	85,343
Parent Company	2004	2003
Personnel-related costs	2,695	7,062
Deferred income	13,956	19,189
Other items	3,496	8,900
Total	20,147	35,151

Note 24

Pro forma statement of income

In September 2003 the company acquired Personal Chemistry in Uppsala AB and in October 2003 the company acquired Biotage LLC in the United States. From November 1, 2003, Biotage AB consolidated the acquired companies and their subsidiaries. The following pro forma income statements for 2003 shows the results that would have occurred for the Group if consolidation of the acquired companies had taken place throughout fiscal 2003. The pro forma income statement below can be compared with the legal income statement for 2004, which is also included on page 23 of this annual report.

Amounts in SEK thousand	True outcome 2004	Pro forma* 2003
Net sales	366,649	362,051
Cost of goods sold	-148,394	-150,117
Gross profit	218,254	211,934
Selling expenses	-164,835	-223,274
Administrative expenses	-39,340	-81,864
Research and development costs	-76,365	-133,111
Other operating income	11,535	1,456
Other operating expenses	-9,922	-36,414
Items affecting comparability		-134,564
Operating costs	-278,927	-607,771
Operating profit before goodwill amortization	-60,673	-395,837
Goodwill amortization	-41,383	-46,569
Operating profit/loss	-102,056	-442,406

*The company's auditor did not review the 2003 pro forma accounts.

Note 25

Preliminary assessment of transition to International Financial Reporting Standards (IFRS)**General**

Beginning on January 1, 2005, Biotage's accounting policies will follow the EU approved International Financial Reporting Standards (IFRS).

Biotage made the transition to reporting according to IFRS on January 1, 2004. The financial information according to Swedish accounting policies for 2004 will be restated to comply with IFRS. The earnings report for the first quarter of 2005, including comparative figures for corresponding periods in 2004, will be the first financial report prepared according to IFRS. In connection with the issuing of the first interim report in 2005, a complete report and analysis of the transition from Biotage's previous accounting policies to IFRS will be presented in compliance with the IFRS.

The company has carried out a structured inventory of all entries in the Group's income statements and balance sheets that were presented in the annual report for 2003 and in the interim reports issued in 2004. During this process the reported data was compared with the provisions of the IFRS and all necessary adjustments and changes in principles were documented. The following analysis presents the preliminary changes in the Group's net result and shareholders' equity that application of IFRS would have had on the accounts during 2004.

Transition Rules

The transition to IFRS is reported in compliance with IFRS 1 "First-time Adoption of International Reporting Standards". In general, IFRS 1 requires that a company apply the IFRS accounting principles retroactively in order to establish an opening balance for the IFRS. Certain exceptions from the retroactive application are permitted, however, and Biotage has chosen to apply the following:

- IFRS 3 "Business combinations" is being applied for acquisitions carried out beginning on the transition date, January 1, 2004.
- Biotage will report share-based payment in compliance with IFRS 2 on all share-based payments made after November 7, 2002, and not earned as of January 1, 2005.

In accordance with the transition rules for IAS 39 "Financial Instruments: Measurement and Recognition," Biotage will apply IAS 39 beginning on January 1, 2005, and will not restate comparative figures for 2004.

Biotage will apply IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as of January 1, 2005, in compliance with the transition rules in IFRS 5. When calculating comparative figures for 2004, Biotage will apply IAS 35 "Discontinued Opera-

tions," which is essentially in agreement with RR 19 on Discontinuing operations.

Preliminary assessment of changes in accounting policies and effects of transition to IFRS

Below is a description and quantification of those areas that Biotage has preliminarily assessed will have a material effect on the Company's financial information at the transition to IFRS. Information below has been prepared according to the IFRS principles that will apply as of December 31, 2005. The IFRS is subject to ongoing overview and approval by the EU and therefore changes can still occur. Since the regulations have recently been implemented, clarifications from the issuer of the standard and development of accepted practices in the field may result in further clarification, which could have an impact on the information stated below.

Summary of preliminary changes of the Group's net result 2004

Amounts in SEK thousand	Note	2004
Net result according to Swedish accounting policies		-115,021
<i>IFRS changes:</i>		
Goodwill amortization	a	+ 41,383
Component depreciation buildings	b	-227
Share-based payment	c	-598
Payroll overhead on share-based payment	d	-196
Deferred tax on IFRS changes		-
Net profit/loss according to IFRS	e	-74,659

Summary of preliminary changes of consolidated equity as of January 1, 2004 and December 31, 2004

Amounts in SEK thousand	Note	Jan. 1 2004	Dec. 31 2004
Equity according to Swedish accounting policies		609,499	523,126
<i>IFRS changes:</i>			
Goodwill amortization	a	-	41,383
Component depreciation buildings	b	-206	-433
Share-based payment	c	-	-
Provision for payroll overhead on share-based payment	d	-37	-233
Deferred tax on IFRS changes		-	-
Shareholders' equity according to IFRS	e	609,256	563,843

Notes**a Goodwill (IFRS 3)**

According to IFRS goodwill shall not be amortized, but instead be examined annually and the possible need for write-down assessed. Write-downs reported in 2004 are canceled as IFRS 3 is implemented from January 1, 2004.

b Component depreciation (IAS 16)

Component depreciation shall be applied for tangible fixed assets, which effects Biotage's reporting of buildings and depreciation of buildings. A number of principal components have been identified that pertain to buildings. The period of useful life has been established for each components, ranging from 7 to 40 years.

c Share-based payment (on condition that the EU approves IFRS 2)

For employee stock options the actual value at the time of allotment shall be reported directly against the equity capital and expensed during the earning period. Biotage has four option programs that will be reported according to IFRS 2. These options were allotted on December 19, 2002, April 24, June 26, and December 22, 2003 and have an earnings period that ends on December 22, 2009. As described on page 38, the Group initiated one more option program for its employees.

Social security charges for share-based payment are expensed during the earnings period.

e Deferred tax on IFRS changes

Biotage AB and its subsidiaries have a substantial fiscal loss carryforward. It is uncertain if and when these can be utilized for settlement against surplus tax. For this reason Biotage does not report deferred prepaid tax on the consolidated balance sheet. As a consequence of this the positive tax effect resulting from the IFRS changes has been adjusted downwards to SEK o.

Defined benefit pension plans (IAS 19)

Biotage has applied RR 29 Employee Benefits as of January 1, 2004. RR29 corresponds to IAS 19 in every essential way. Biotage has no defined benefit pension plans except the Swedish ITP plan. During fiscal year 2004, the company did not have access to the information it needed to report this plan as a defined benefit plan. The pension plan according to ITP which is secured through an Alecta insurance policy is therefore reported as a defined contribution plan until information is accessible that will make it possible to describe it as a defined benefit pension scheme.

Financial Instruments (IAS 39)

The EU approved version of IAS 39 will have an effect on the balances brought forward on January 1, 2005, but has not effected the recalculated financial information relating to 2004.

Derivative Instruments and Hedging Transactions

According to IAS 39 derivative instruments shall be reported at actual value on the balance sheet. Biotage has no derivative instruments as at January 1, 2005. IAS 39 is thus not expected to have any effect in this respect on Biotage's balances brought forward on January 1, 2005.

Reporting and Valuation of Other Financial Instruments

According to IAS 39 financial instruments are initially reported at actual value and thereafter continuously at actual value, alternatively at accrued acquisition value based on the initial classification. With the exception of the reporting and valuation of "Other investments held as fixed assets," the analysis of which is in progress, Biacore is of the opinion that reporting and valuation of other financial instruments in accordance with IAS 39 cannot be expected to have any significant effect on Biotage.

Uppsala March 23, 2005

Ove Mattsson
Chairman of the Board

Börje Ekholm

Bengt Falk

Staffan Lindstrand

Björn Odlander

Anders Rydin

Bengt Samuelsson

Mathias Uhlén

Jeff Bork
Chief Executive Officer

Auditor's Report

To the Annual General Meeting for Biotage AB (publ)

Corporate identity number 556539-3138

We have audited the annual accounts, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Biotage AB (publ) for fiscal 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion about the annual accounts, and the administration on the basis of our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual and consolidated accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the managing director and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our statement on discharge from liability we examined significant decisions, actions taken, and circumstances of the company in order to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We also examined whether any Board member or the Chief Executive

Officer has in any other way acted in contravention of the Companies Act, Annual Accounts Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinions as set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and thereby give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The Board of Directors' Report are consistent with the annual report and consolidated accounts other parts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the group be adopted, that the loss of the Parent Company be dealt with in accordance with the proposal in the administration report, and that the members of the board of directors and the president be discharged from liability for the financial year.

Stockholm March 23, 2005

Deloitte & Touche AB

Lars-Gunnar Nilsson
Authorized Public Accountant



Björn Odlander, Börje Ekholm and Staffan Lindstrand



Mathias Uhlén, Bengt Samuelsson and Jeff Bork



Anders Rydin, Bengt Falk and Ove Mattsson

Ove Mattsson, Chairman of the Board

Education: PhD, Associate professor in organic chemistry

b. 1940

Profession: Management consultant

Other assignments: Chairman of the board of Aromatic AB, Exel Oyj, XCounter AB; Board member of Arctic Island Ltd, Kemira Oyj, och Mydata Automation AB; Member of the Royal Swedish Academy of Sciences, IVA

Number of years on the Board: 2

Ove Mattsson was present at all Board meetings during the year.

Shares and options: 53,210 shares and 22,405 options via wholly owned company

Jeff Bork

Education: MS, PhD, MBA

b. 1955

Profession: President and CEO of Biotage

Other assignments: -

Number of years on the Board: 2

Jeff Bork was present at all Board meetings during the year

Shares and options: 515,000 equities

Mathias Uhlén

Education: PhD

b. 1954

Profession: Uhlén is one of the originators of the Pyrosequencing™ technology and has served as a director since the company was founded. Uhlén is a Professor of Microbiology at KTH, Stockholm, and is a member of the Royal Swedish Academy of Sciences (KVA) and the Royal Swedish Academy of Engineering Sciences (IVA).

Other assignments: Chairman of the board of KTH Holding AB and Magnetic Biosolutions AB; Board member of Skanditek AB, Affibody AB and SweTree Technologies AB; Advisor to Odlander, Fredrikson & Co. AB

Number of years on the Board: 8

Mathias Uhlén was present at 8 of 9 Board meetings during the year

Shares and options: 2,840,751 equities

Björn Odlander

Education: MD, PhD

b. 1958

Profession: CEO of Odlander, Fredrikson & Co. AB, which is the investment advisor for HealthCap, and also founder of HealthCap

Other assignments: Board member of Affibody AB, Biolipox AB, LTB4 Sweden AB, Jerini AG, NeuroNova AB, NicOx SA, HealthCap AB and Odlander, Fredrikson & Co. AB

Number of years on the Board: 8

Björn Odlander was present at 8 of 9 Board meetings during the year

Shares and options: 103,337 shares and 1,284 options owned indirectly through Health-Cap AB, OFCO Club III, and OFCO Club Annex Fund I-II

Bengt Samuelsson

Education: MD, PhD

b. 1934

Profession: Professor of Physiological Chemistry, Karolinska Institutet, Stockholm

Other assignments: Member of the Royal Swedish Academy of Sciences; Chairman of the Nobel Foundation; Board member of NicOx SA, Biostratum Inc., Biolipox AB, Apoxis SA, and LTB4 Sweden AB; Advisor to Odlander, Fredrikson & Co. AB. Awarded the Nobel Prize in medicine 1982

Number of years on the Board: 5

Bengt Samuelsson was present at 8 of 9 Board meetings during the year

Shares and options: 100,000 equities

Bengt Falk

Education: PhD

b. 1949

Profession: CEO Isconova

Other assignments: Chairman of the board of Sidec AB; Board member of Aprovix AB

Number of years on the Board: 2

Bengt Falk was present at 8 of 9 Board meetings during the year

Shares and options: 141,881 shares and 137,881 options

Staffan Lindstrand

Education: MS in Engineering

b. 1962

Profession: Partner in HealthCap

Other assignments: Board member of Aerocrine AB, Clinical Data Care i Lund AB, Creative Peptides AB, Inion Oy, NeuroNova AB, Orexo AB, Resistentia AB, and XCounter AB

Number of years on the Board: 2

Staffan Lindstrand was present at 8 of 9 Board meetings during the year

Shares and options: 300 shares via family, and indirect ownership of 1,058 shares and 438 options through OFCO Club

Anders Rydin

Education: BS in economics

b. 1945

Profession: former CFO, Investor AB and SEB

Other assignments: Chairman of the board of Handelshögskolan i Stockholm Executive Education AB with subsidiary; Board member of Cardo AB, NCC AB, AP-Fastigheter AB, Ainax AB and Enskilda Securities AB

Anders Rydin was present at all Board meetings (7) since he was elected to the Board at the 2004 Annual General Meeting.

Number of years on the Board: 1

Shares and options: 0

Börje Ekholm

Education: MS, Royal Institute of Technology, MBA INSEAD

b. 1963

Profession: Vice President, Investor AB

Other assignments: Board member of Chalmersinvest AB, Greenway Medical Technologies Inc, Paratek Microwave Inc., Tessera Technologies Inc., WM-data (publ) AB

Börje Ekholm was present at all Board meetings (7) since he was elected to the Board at the 2004 Annual General Meeting 2004

Number of years on the Board: 1

Shares and options: 0

Hans Engblom, Deputy

Education: MBA, CFA

b. 1953

Profession: Senior Investment Manager, SEB Företagsinvest

Other assignments: Board member of Dilab AB, Robolux AB, Novator AB, and XCounter AB

Number of years on the Board: 2

Shares and options: 27,400 equities



Mats-Olof Wallin, Jeff Bork, David B. Patteson and Katherine Webster

Management

Biotage's company management consists of Jeff Bork, President and CEO; David B. Patteson, President of the Discovery Chemistry business area, Katherine Webster, President of the Biosystems business area, and Mats-Olof Wallin, Chief Financial Officer.

Jeff Bork

Position: President and CEO
 Age: 49
 Education: MS, PhD, MBA
 Number of years employed in the Group: 2
 Shareholdings: 515,000
 Options: 0

Mats-Olof Wallin

Position: Chief Financial Officer
 Age: 53
 Education: BS
 Number of years employed in the Group: 2
 Shareholdings: 0
 Options: 60,000

Katherine Webster

Position: President of Biosystems
 Age: 48
 Education: BS in Chemistry
 Number of years employed in the Group: 1
 Shareholdings: 0
 Options: 30,000

David B. Patteson

Position: President of Discovery Chemistry
 Age: 49
 Education: BS, BA
 Number of years employed in the Group: 6
 Shareholdings: 0
 Options: 60,000

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and business area Biosystems**

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