

# Annual Report 2005

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## **BIOTAGE'S ANNUAL GENERAL MEETING 2006**

Biotage Shareholders are invited to attend the Annual General Meeting on April 27, 2006, at 5.00 p.m. at the Biotage head office, Kungsgatan 76, Uppsala, Sweden. See separate document for notification of attendance.

## **Financial information 2006**

April 27, 2006	Annual General Meeting
April 27	First Quarter Interim Report
August 8	Second Quarter Interim Report
October 23	Third Quarter Interim Report

# Biotage in 2005

- The Group's sales were SEK 430.4 million (366.6)
- Profit/loss for the year was SEK -39.9 million (-74.7)
- Earnings per share was SEK -0.57 (-1.29)
- During the year, Biotage acquired business in the American company, Argonaut Technologies, and the Swiss company, Separtis.



## Acquisition of Argonaut

During the first quarter, Biotage announced its intention to acquire the reagents and process instruments business of the American company, Argonaut Technologies.

On June 1, the shareholders of Argonaut Technologies accepted Biotage's offer for parts of the Argonaut company. The acquisition comprised 100 percent of the votes and equity in Argonaut Ltd., operating in Cardiff, UK, and some parts of Argonaut's business in the United States.

## New issues of shares

Biotage conducted four new issues of shares in 2005. The purpose was to completely finance the business acquisitions using shareholders' equity.

The first three issues were directed issues of shares involving a total of 16.4 million shares. The Annual General Meeting on April 27, 2005, and an Extraordinary General Meeting on August 30, 2005, authorized Biotage's Board of Directors to issue the shares notwithstanding the shareholder's pre-emptive rights. The shares were subscribed by Carnegie Investment Bank for

resale to a limited number of institutional investors in Sweden and abroad.

The fourth issue was of 8.0 million preferred shares, based on a decision made at the Extraordinary General Meeting on August 30, 2005.

The issues have increased the number of shares by 24.4 million, from 64.1 to 88.5 million. The shareholders contributed capital of SEK 209.3 million, which increased shareholders' equity by SEK 200.1 million after issue-related expenses.

## Acquisition of Separtis

In October, Biotage acquired Separtis Holding AG, distributor of many Biotage products in Switzerland, Germany and Austria.

The products are consumables included in the Argonaut range.

## Significant events after the end of the fiscal year

On January 10, 2006, Biotage acquired exclusive distribution, manufacturing and further development rights for the Vapourtec solvent evaporator system, V-10. Sales of the product began in the first quarter of 2006, and sales are expected to reach USD 5-10 million in 2007.

On February 9, 2006 Torben Jörgensen was appointed Jeff Bork's successor as President of Biotage AB. Torben Jörgensen has been president of Affibody for the past four years. Prior to that, he held similar positions at Karo Bio and the Danish diagnostic company, DAKO. Torben Jörgensen will take over the position in conjunction with the Annual General Meeting on April 27, 2006.

# Improved position and increased sales

Biotage has had an eventful 2005. We continued to strengthen the Discovery Chemistry business area by acquiring the American company, Argonaut Technologies and the Swiss company, Separtis. In the Biosystems business area, our sequencing technology, Pyrosequencing, attracted a lot of attention during the year, indicating that the technology is starting to strengthen its position on the market.

Argonaut Technologies was acquired in the second quarter of 2005, and during the year we worked on integrating the business into Biotage. The integration has gone according to plan, and as early as the first quarter after the acquisition, the acquired business made a positive contribution to the operating profit/loss.

#### **IMPROVED MARKET POSITION**

The acquisition of Argonaut further strengthened our market position for the Discovery Chemistry business area. We currently lead the market, and are starting to achieve the sales we need to allow us to reach our long-term objectives. We are of the opinion that no further major acquisitions will be required in the near future. For the time being, we will be focusing on consolidation and organic growth.

#### **SALES AND LOSS**

Sales in 2005 were SEK 430.4 million, a 17 percent increase on the previous year. SEK 81.8 million of the sales were generated by the business acquired from Argonaut. The operating loss was SEK 62.9 million, which exceeds last year's loss by SEK 1.3 million.

In 2004 we implemented a number of extensive cost-reduction programs, which halved the annual operating costs to approximately SEK 300 million. The result is that we now have an efficient organization, and we will continue to maintain strict control over the costs in the future. In 2005, the operating costs were approximately SEK 300 million, in spite of the acquisition of Argonaut.

Four new issues of shares were conducted

during the year, totaling SEK 209.3 million before issue-related expenses, to finance the acquisition of Argonaut.

#### **BROADENED OFFERING IN DISCOVERY CHEMISTRY**

Conditions on the American market worsened for the Discovery Chemistry business area in 2005. In 2004, the American pharmaceutical industry had invested heavily in pharmaceutical research, and a number of new research facilities were set up. In 2005, no new facilities were opened, and the year witnessed cutbacks instead. In contrast, the European market showed a positive trend. However, the United States comprises Biotage's biggest market, and so trends on that market are important for us. Sales for 2005 in the Discovery Chemistry business area were SEK 350.9 million, an increase of 31 percent compared with 2004.

The products in the Discovery Chemistry business area allow medicinal chemists to hasten the development of new substances that can form the basis of future pharmaceuticals. The acquisition of Argonaut has increased our offering to these customers, and we can offer further products and consumables in, primarily, purification and sample preparation of chemical substances. The business area products have also been supplemented by a very comprehensive range of reagents that can be used in all our systems. At the start of 2006 the product portfolio was broadened further through the acquisition of the evaporator system, V-10, from Vapourtec.

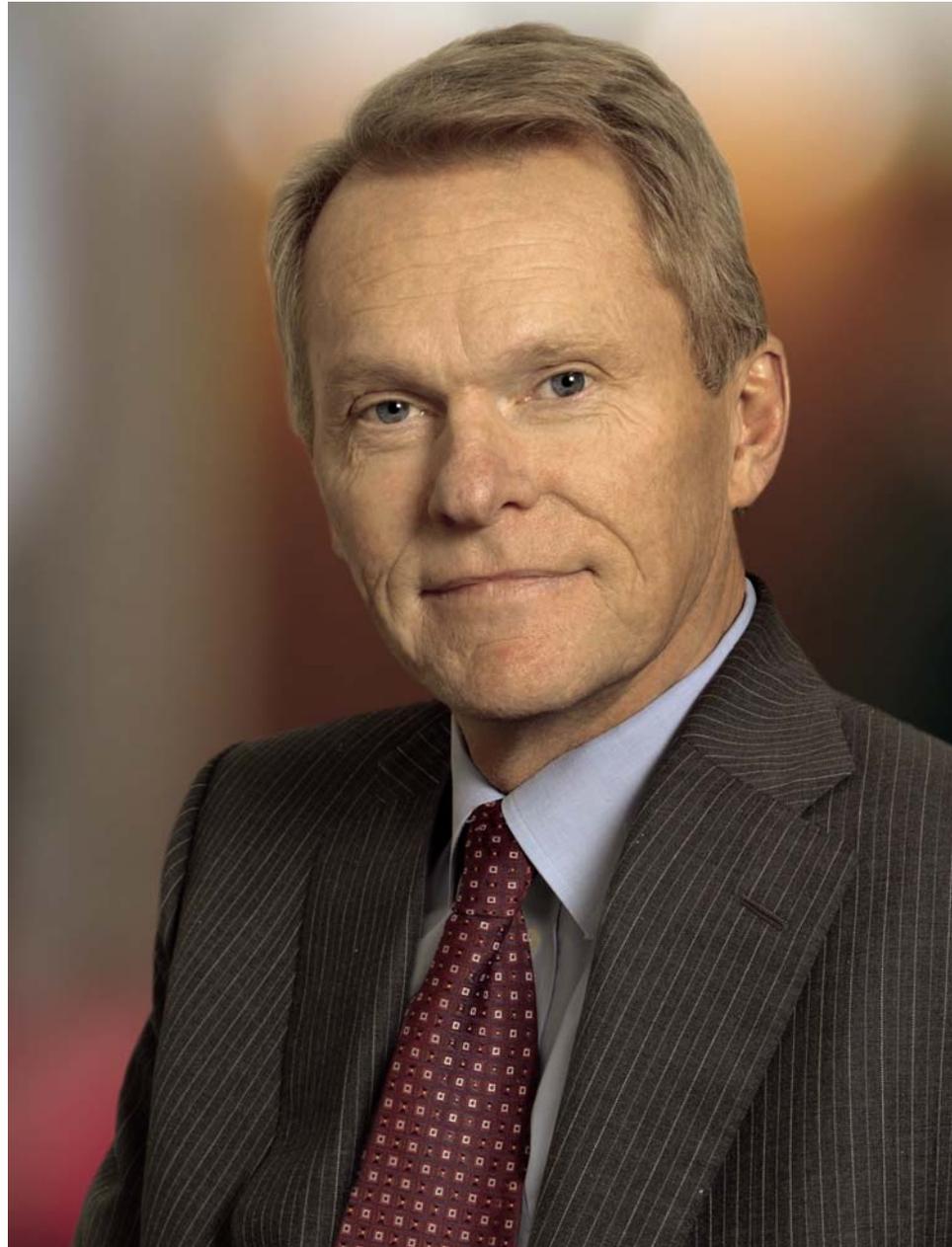
Argonaut holds a very strong position on the European market, thereby complementing the strong position we already hold on the American market. As a result, the geographical distribution of the sales became more even during the year. We also hope that our competent American organization and strong market position will enable us to increase the American sales of the products we acquired from Argonaut.

Our ambition is to build up the customer base in all the most important markets through our own sales organization. In 2005 we strengthened our marketing activities in Europe through the acquisition of the Swiss company, Separtis, which was previously Argonaut's biggest distributor. The company is now fully integrated in Biotage and will sell the entire Discovery Chemistry range in Central Europe. We currently serve 98 percent of the customers through our own sales organization.

#### LAUNCH OF NEW BIOSYSTEMS PRODUCTS

The Biosystems business area's technology DNA sequencing – Pyrosequencing – attracted a lot of attention during the year. US Centers for Disease Control and Prevention, CDC, has used Biosystems technology, such as in its analysis of resistance to drugs in 10,000 influenza strains. CDC itself says that the analysis could not have been conducted so quickly without Pyrosequencing.

We continued initiatives on the market for research into infectious diseases and cancer, two fields where our technology adds significant value compared with competing tech-



nologies and methods. During the year we launched around ten new tests that can be used with the Pyrosequencing system, such as all the reagents a clinical researcher needs to conduct analyzes in, for example, specific areas of cancer research.

In addition, we launched two ASR tests (Analyte Specific Reagents), one for identifying mycobacteria and one for identifying fungal infections. These are products, registered with the FDA, that hospitals in the United States can use for diagnosing patients, on condition that they conduct an internal validation of the method. These new launches mark yet another step in our move towards diagnostic applications, a field in which we feel our technology has great potential.

Biosystems technology has now started to gain a foothold in a broad number of application areas. Consequently, we plan to enter partnerships in a number of these areas, similar to our alliance with the American 454 Life Sciences for sequencing of the whole genome.

#### CONTINUED WORK TOWARDS THE TARGETS

During the year, we took important steps towards achieving our long-term financial targets of an annual organic growth of 10 percent and an operating margin of 15 percent. In two years, we have reduced our losses from SEK 244.4 million to SEK 39.9 million in 2005. In the Discovery Chemistry business area, we have built up an operation that leads the market, and interest has grown in the technology in the Biosystems business area. We will now mainly concentrate on consolidating the operation and growing organically in order to reach the levels of sales we need in order to achieve results commensurate with our long-term objectives.

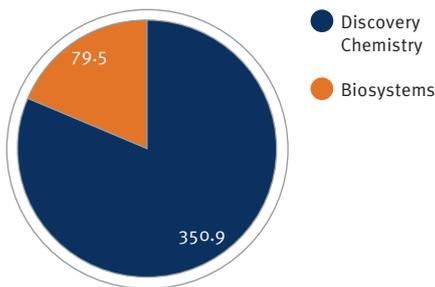
Uppsala, March 2006

Jeff Bork,  
President and Chief Executive Officer

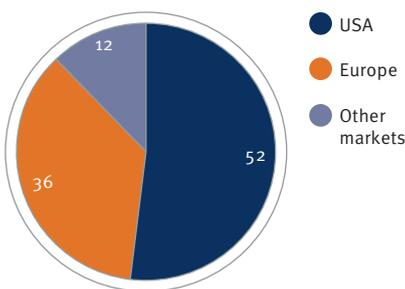
# Biotage in brief

Biotage is a global company active in the field of life sciences. The Company offers systems and products in two areas – medicinal chemistry and genetic analysis.

**Sales by business area 2005**  
SEK million



**Sales by geographic market 2005**  
%



The work in medicinal chemistry is conducted in the Discovery Chemistry business area, and activities in genetic analysis are conducted in the Biosystems business area. The business areas are independent, and have their own marketing, sales and production organizations.

### BUSINESS CONCEPT

Biotage shall be a profitable, long-term supplier of instruments, reagents, and service to selected customer groups in the field of 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 acquisitions. The Company currently focuses on two customer segments: medicinal chemistry and genetic analysis with a focus on cancer and infectious diseases.

### OBJECTIVES

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

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

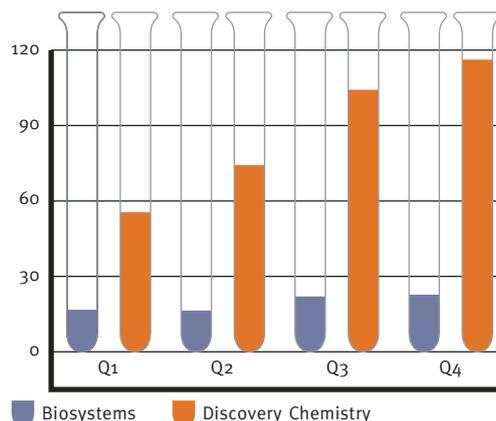
### STRATEGIES

In order to achieve its long-term goals, Biotage's strategy is to identify and build business areas in the life sciences that meet three set criteria:

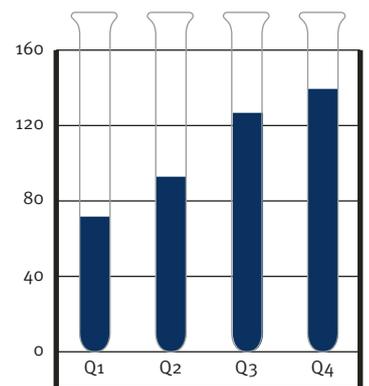
- 1 Market-leading position
- 2 Good profitability
- 3 Strong growth

In the Discovery Chemistry business area, Biotage currently leads the market, and has the potential to achieve strong growth and good profitability. In the Biosystems business area, the Company has the potential to become the market leader in certain applications

**Sales by quarter and business area**  
SEK million



**Total sales by quarter 2005**  
SEK million





related to diagnostics and clinical applications, and to meet the above criteria. This process is estimated to take three to five years.

**ENVIRONMENT**

Biotage conducts 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 has all necessary permits and updates them in compliance with ordinances. No objections have been made.

**FORECAST**

The Board of Directors has decided not to forecast sales and profit/loss for 2006, on the grounds that the Group is still in the phase of being built up. Business acquisitions in 2005 were a step in the Group's development, which aims to achieve stable profitability by reaching critical mass in each customer segment and by having a sufficiently broad product portfolio. In 2006 the Company will concentrate on optimizing the use of resources, integrating development, manufacturing and business processes, and growing organically. The long-term targets of organic growth of at least 10 percent annually and an operating margin of 15 percent permeate this work.

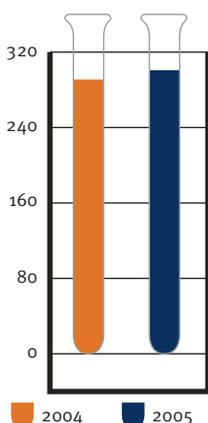
**Discovery Chemistry in brief**

*Sales 2005:* SEK 350.9 million  
*Operating profit/loss 2005:* SEK -8.1 million  
*Products:* Systems for microwave-assisted synthesis (Initiator, Advancer), processing (V-10) and purification (SP1, SP4, SP 60), and reagents and consumables.  
*Key markets:* North America, Western Europe and Japan.  
*Main competitors:* CEM in microwave technology and Isco in purification/separation.

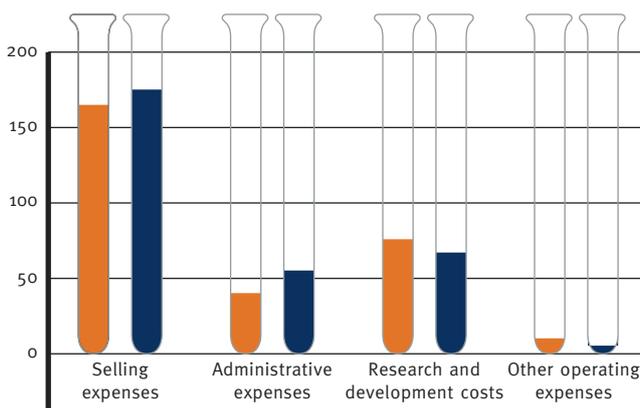
**Biosystems in brief**

*Sales 2005:* SEK 79.5 million  
*Operating profit/loss 2005:* SEK -34.8 million  
*Products:* Pyrosequencing systems, reagents, consumables, and software.  
*Key markets:* North America, Western Europe and Asia.  
*Main competitors:* Applied Biosystems and Roche.

**Operating expenses**  
SEK million



**Breakdown of operating expenses**  
SEK million



**COST STRUCTURE**

During 2004 Biotage worked actively with cost control, successfully implementing a number of cost-reduction programs. The Company currently has an efficient organization and aims to maintain a strict control over the costs in the future.

# Discovery Chemistry Business Area

The Discovery Chemistry business area develops and manufactures systems and consumables that enable the pharmaceutical industry to accelerate drug discovery and development which creates novel chemical compounds that serve as the foundation to tomorrow's medications.

The Discovery Chemistry business area delivers system, knowledge products and consumables that are used by medicinal chemists in the pharmaceutical industry, at biotech companies, and within the academic world. Using Discovery Chemistry products can reduce the time for synthesis and purification of new drug compounds – two of the biggest bottlenecks in the chemical process of pharmaceutical development.

## DEVELOPMENTS IN 2005

This has been a challenging and yet an exciting year for Discovery Chemistry, including two acquisitions of operations which were integrated into the business area. In the first half of the year Biotage acquired Argonaut Technologies and in the fall it acquired Septartis, Argonaut's biggest European distributor. These acquisitions had several positive effects. The acquisition of Argonaut has greatly expanded Biotage's offering in purification, with an increase in market share of seven percentage points. In addition, a more even geographic distribution of sales was achieved thanks to Argonaut's strong position in the European market.

Sales increased during the year at SEK 350.9 million (268.2), including the sales results of the acquired businesses. Argonaut is integrated in the Biotage Group since

June 3, 2005. Developments were influenced by the challenging market conditions, especially the market demand for microwave synthesis which was less than prior year. The pharmaceutical sector in the United States was under pressure in 2005 with no new FDA approved drugs, which has, among other things led to lower levels of investments. The US is a vital market for Biotage and developments there have clearly impacted the company. Developments in Europe and Asia have been more favorable and pharmaceutical companies have expanded their investments in research, which has had a positive effect on Biotage.

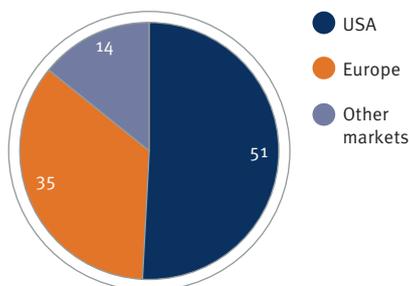
Operating income was SEK -8.1 million, an improvement of SEK 3.2 million compared with 2004.

Sales of consumables and services increased over the year, in part because of the acquisition of Argonaut, which today accounts for nearly 60 percent of total sales.

## PRODUCTS

The Discovery Chemistry business area's offering to customers consists of systems, knowledge products, and consumables in synthesis, work-up, and purification. The acquisition of Argonaut, and the recent acquisition of the V-10 Evaporation product family from Vapourtec, has greatly increased

Geographic distribution of sales %



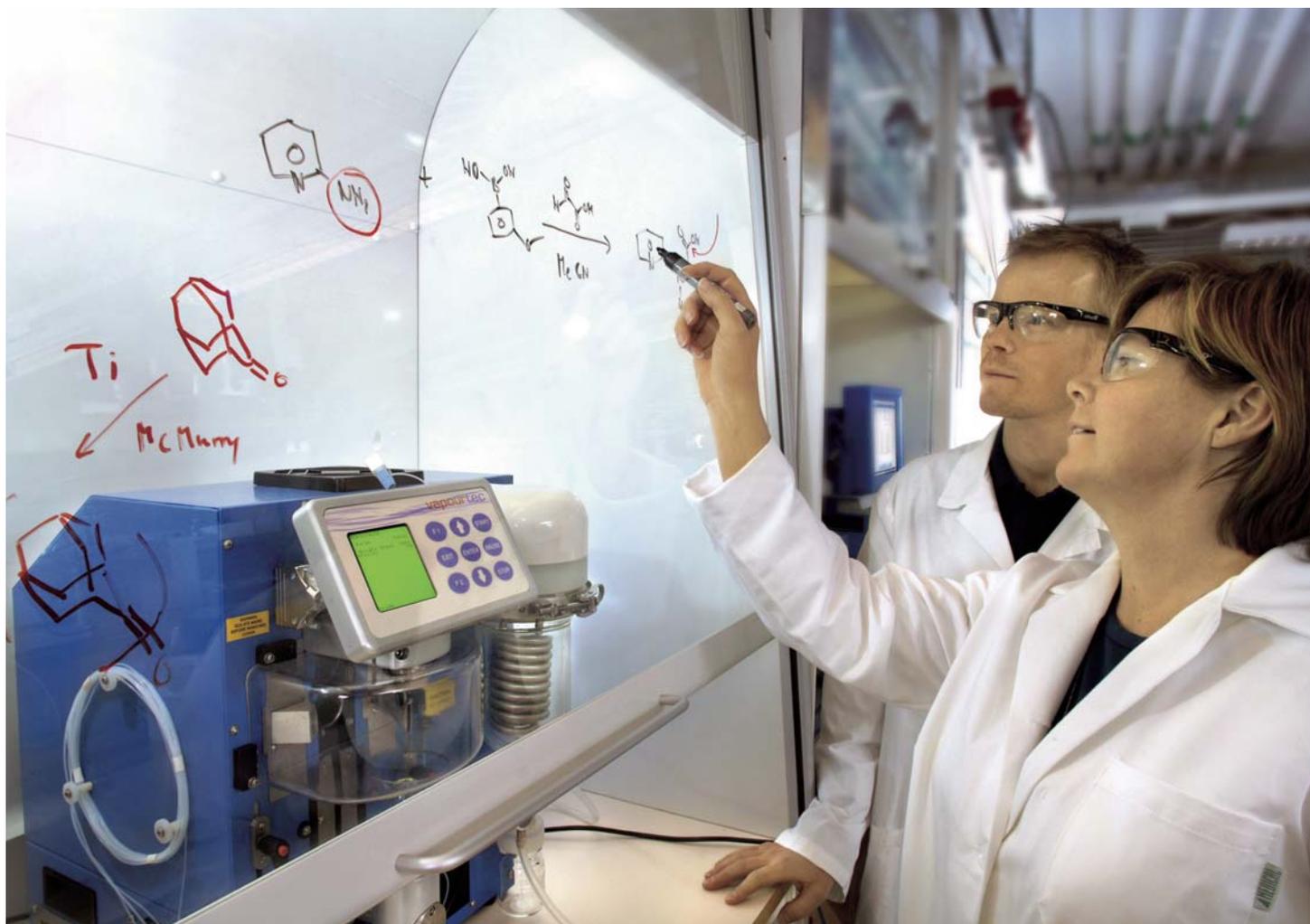
## FROM MOLECULAR MODEL TO BIOLOGICAL SUBSTANCE

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



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 using Biotage systems and consumables.

The systems generate major time savings for medicinal chemists – time that can be used instead to design additional new drug compounds. For pharmaceutical companies this means considerably increased productivity since many more drug compounds can be developed and registered in less time.



the number of products aimed at customers within medicinal chemistry, especially in solutions for work-up and purification.

#### **Microwave Synthesis**

Microwave-assisted synthesis has several advantages over traditional heating. Reaction times decrease substantially, allowing medicinal chemists to increase the number of conducted reactions. Instead of taking hours, a reaction can be carried out in minutes, or even seconds. Moreover, the yield is often higher than with traditional heating and sometimes microwave technology enables the chemist to create compounds that would not previously have been possible.

#### **Launch of Initiator™ Eight**

During the year Discovery Chemistry launched a new microwave synthesis system in the Initiator™ series. The new Initiator™ Eight system, which was designed to be shared by four to ten chemists, can sequentially run 8 reactions. Biotage's product portfolio also includes two earlier models: the Initiator™ with single vial reaction cavity and the Initiator™ Sixty, which can sequentially handle 60 reactions. The launch of the Initiator™ Eight has been extremely successful and this system currently has the highest sales of all Biotage microwave synthesis systems.

During the year Biotage continued to develop production of its biggest microwave synthesis system, Advancer™. The Advancer

assures chemists 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, as well as phase 1 to 3 studies on humans. The Advancer is also used to make large quantities of compounds called "Building Blocks" which are utilized by the discovery chemists to make novel molecules.

#### **Web-Based Reaction Database**

Biotage 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 added every year through the aid of Biotage's Scientific Partnership Program. The customer can also communicate with Biotage's chemists via Pathfinder to obtain support in questions related to microwave synthesis, workup and purification. During 2006 this database will be enlarged to include all Biotage methods.

#### **Purification**

Discovery Chemistry automation purification systems and consumables help chemists to considerably accelerate 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 microwave or traditional synthesis. Flash Chromatography is preferable for its inherent speed, safety, and ease of use compared with alternate techniques. It provides clean compounds and can be used for both small and large-scale purification. In other words, this technique can migrate from the R&D lab to the production environment without reengineering elements of the chemistry process.

Through the acquisition of Argonaut, Biotage can now also offer a broad line of products in Solid Phase Extraction (SPE). SPE is a supplementary workup and purification technique for flash chromatography, used mainly when the chemist wants to do a quick purification with lower purity requirements. SPE is also a dominant sample preparation technique within the pharmaceutical industry in studies of metabolism (how quickly the drug is metabolized in the body).

#### **New Launches During the Year**

In September 2005 Biotage launched a new purification system, the SP 4, intended for use by three to six chemists in a multi-user environment. Biotage also launched an extensive software upgrade for the SP1 purification system. These launches further improve the ease of use, quality, and reliability of the systems.

The software in Biotage's purification system is the leader in terms of ease of use.



For example, its TLC to Gradient Algorithm saves vast quantities of time and effort for medicinal chemists. 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, after which the system automatically generates a method.

#### **Large Scale Purification System**

Biotage currently has a broad offering for large-scale purification of substances. When a substance has proven to be bioactive, large quantities are required for toxicological testing and phase one to three tests on humans. Biotage's biggest flash chromatography purification system is called the Flash 400™. Released for sale in 1999, the Flash 400 has steadily gained an ardent following as a desired method for scaling up purification. Flash 400™ can purify kilograms in a single run.

#### **High Performance Consumables**

Biotage offers the largest range of consumables for use with its purification and workup systems. The acquisition of Argonaut has greatly increased product breadth in consumables for purification of substances, increasing from 100 to several thousand products.

Biotage's patented Flash™ purification cartridge is currently recognized as the

industry standard. Biotage's pre-packed purification cartridges offer superior performance and reliability and have been shown to provide superb separation with better resolution than competitive products.

#### **POSITION**

Biotage is the market leader in its segment. Its revenue market share is more than 50 percent in both microwave synthesis and in purification systems and consumables. Biotage's market share in purification has further increased over the year because of the acquisition of Argonaut.

The company's newest entry into Evaporation is expected to rapidly gain share within the next few years. Market share is expected to approach 5-7 percent within the trailing 18 months.

Discovery Chemistry combines innovative, high-quality products with the most talented field and in-house 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 is increasingly being located closer to its customers' laboratories on a global scale.

#### **THE MARKET**

Discovery Chemistry's products focus primarily on the same target group – the 30,000-35,000

medicinal chemists around the world who are active in the pharmaceutical industry, in biotech companies, and within academia. The number of chemists in the pharmaceutical industry remained unchanged during the year, having previously had an annual growth rate of about 5 percent, mainly because the US pharmaceutical industry has not increased investments in new research facilities. Biotage believes that much of the future growth in medical chemistry research will take place in Asia, unless significant new FDA approval rates increase. Biotage also believes the products offered by the company have yielded many novel compounds which today are being scaled-up for trials. This has moved the bottleneck in the pharma industry into process research and chemistry development. Biotage also has solutions in this space and is noticing an increased demand for these solutions.

Microwave synthesis technology has made an interesting impression in medical chemistry. Currently market penetration for microwave synthesis is between 40 and 50 percent and Biotage is flattening in demand for these solutions. In purification, about 45-50 percent of all medicinal chemists currently use automated Flash purification systems with pre-packaged disposable purification cartridges. Demand for purification remains robust due to purification remaining a dominant impairment to speed of drug discovery. Less than five percent of medicinal chemists use purification systems based on Solid Phase Extraction (SPE) and this technique is rapidly growing.

Discovery Chemistry's sales activities are aimed at both medicinal chemists and their managers and 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 3,000 systems for microwave synthesis and which means one system for every 8-10 chemists. Biotage estimates the market to be 11,000 systems for automated purification, which means approximately one system for every three chemists. The market for Biotage's new Evaporation systems should equal the impact of microwave synthesis and market penetration is just underway.

At this time, Biotage has installed about 1,200 microwave synthesis systems, over 1,500 automated purification systems, and 12,000 manual Flash systems.

### Clear Competitive Advantages

Since the pharmaceutical chemist uses Synthesis, Workup, Evaporation, and Purification products, this generates clear competitive advantages for Discovery Chemistry. Marketing activities can be streamlined, and the integrated sales and service force can benefit from selling the products acquired from Argonaut to Biotage's existing customer base and vice versa.

Today's pharma companies are trying to reduce the number of suppliers and more frequently choose preferred providers – a positive development for Discovery Chemistry with its strong position in key areas, synthesis and purification.

### 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 has its own sales force and support organization in these markets. Discovery Chemistry's customers include all major and mid-tier pharmaceutical companies, as well as 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 academic, pharmaceutical, peptide, environmental, and food industries. The company has a particularly strong position and focus in the academic world, a market segment to which Biotage has not given priority to date. Sales take place via a worldwide network of direct channels and distributors. CEM Corporation's products are, in general, less expensive than Biotage's.

Other competitors include Milestone, a privately owned Italian company that sells far fewer systems than either Biotage or CEM. A new competitor, Anton Parr, has entered the large-scale synthesis market. The company competes with Biotage's largest system for microwave synthesis, Advancer™. Anton Parr currently has a small market share.



### COMPETITIVE SITUATION IN PURIFICATION SYSTEMS

The main competitor for automated purification systems is Isco, a company in the U.S. Teledyne Group. The Argonaut acquisition has strengthened Biotage's position in relation to Isco. In terms of general pricing conditions for systems and consumables, Biotage's products are more expensive than its competitors'.

### Competitive Advantages

Biotage's leading competitive advantages in microwave synthesis are safety, ease of use, product quality, productivity, the company's reaction database, and superior service and support. In purification, Biotage's system has unique capabilities and patented purification cartridges offer unrivaled quality and performance. With the acquisition of Argonaut, Biotage considerably expanded the scope of its offering to customers. The newly launched evaporation systems offer unrivaled speed, continuous flow operations and automation not available from other alternative suppliers. Because Biotage offers systems for synthesis, evaporation and purification, the opportunity increases for the company to become the customers' preferred provider.

### PRODUCTION AND QUALITY

All purification systems and products, the scaled-up Microwave Advancer, all former Argonaut synthesis and purification systems

and the newly acquired Evaporation products are produced at Biotage's production facility in Virginia, USA. The microwave synthesis systems are manufactured by a subcontractor, Partnertech AB, which is certified in compliance with international quality standard ISO 9001:2000. With the acquisition of Argonaut, Biotage now has a production facility in Cardiff, Wales, where chemical components such as reagents and purification cartridges are produced for a large part of Biotage's consumables. The factory is certified in compliance with ISO 9001.

Biotage measures all purification production processes and consumables using Six Sigma statistical methodologies and the company conducts extensive quarterly quality reviews to monitor reported problems, root cause issues and seek rapid solutions.

Biotage has developed an extensive quality system for its products. The quality of the products is measured each month through customer surveys. Over the year, these surveys show a clear improvement in customer-perceived quality. In 2004, 80 percent of customers felt the quality of Biotage's products was excellent or good; the corresponding figure by Q4 2005 is 97 percent.

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.

# 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 cancer.

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

In certain areas of application Pyrosequencing provides crucial added value in relation to rival technology and methods. Two of these areas are research related to infectious diseases and cancer. Current activities in Biosystems focus on increasing its offering in these areas.

## Infectious diseases and cancer

The field of infectious diseases encompasses infections caused by bacteria, virus, and fungi. Biosystems' products currently lead the field in quick identification and typing of antibiotic-resistant bacteria, which rival methods are often unable to accomplish. Bacteria develop multiresistance by modifying their DNA. Biosystems' equipment analyzes the DNA to quickly and accurately determine whether a bacterium carries a mutation in a gene that makes it resistant to antibiotics. This is important to know, because it determines how the patient is to be treated.

In the field of cancer research, Biosystems' technology can be used to identify and study mutations or assess the level of methylation (methylation occurs at the CpG positions in DNA). DNA methylation is one of the mechanisms that control gene expression in cells. Abnormal increases or decreases in DNA methylation are commonly found in connection with many cancer diseases, and the level of methylation also affects the course of the

disease. In addition, the high sensitivity in Pyrosequencing and the specificity of the method make it possible to detect the percentage of cancer cells in relation to normal cells. The identification of small changes in methylation level allows the detection of malignant tumors at an earlier stage, and makes it possible to monitor the progression of the tumor.

## DEVELOPMENTS DURING 2005

Sales in the Biosystems business area were unchanged compared with 2004, excluding the Corbett business wound down during the year, and were SEK 79.5 million (98.4). The operating profit/loss was SEK -34.8 million (-48.0), an improvement by SEK 13.2 million on last year. Sales of consumables during the year were 25 percent (22) of sales.

## New launches in 2005

During the year Biosystems launched a number of new products in the focus areas of infectious diseases and cancer. The Company has developed around ten RUO tests (Research Use Only) for clinical research in areas, where the technology creates crucial added value for the researchers. Examples are mutation studies of certain specific oncogenes, such as KRAS and BRAF. The mutations in these genes are located close to each other, and can be difficult to distinguish using traditional methods. Biosystems has also developed products for methylation analysis, where the researchers look at the level of methylation in different types of tumors. Using Biosystems' equipment, researchers can assess the percentage level of methylation, in contrast to traditional methods that often simply show whether or not methylation has occurred.

Biosystems also launched two products that can be used by CLIA-certificated laboratories for diagnosing patients, provided that the laboratories themselves validate the method. The products relate to identification of mycobacteria (other than tuberculosis) and identification of fungal infections. Using Biosystems products, a single run can identify exactly which mycobacteria is involved. Rival methods can often only test one mycobacteria type at a time. With these two products,

Biosystems has taken another important step towards the diagnostics field, an area where the Pyrosequencing technology has many advantages.

## Licensing agreements

Since 2003, Biosystems has licensed its Pyrosequencing technology to the American company, 454 Life Sciences, for use in instruments that analyze the whole genome. License revenues from 454 Life Sciences during the year were SEK 9.3 million. During the year, 454 Life Sciences attracted great attention, and signed a five-year sales and distribution agreement with the Roche pharmaceutical company for 454 Life Sciences sequencing instruments for the whole genome and associated consumables.

## PRODUCTS

The Biosystems business area's current offering to customers consists of systems, software, reagents, gene-specific tests and consumables for fast and accurate genetic analysis. PyroMark ID has been developed for short- and medium-length DNA sequences, making it suitable for applications within the field of infectious diseases.

PyroMark MD is a more sensitive system than PyroMark ID, making it possible to analyze extremely small quantities of DNA. This makes the system suitable for cancer research since the amount of sample is often limited. This sensitivity also makes it possible to detect cancer at an early stage.

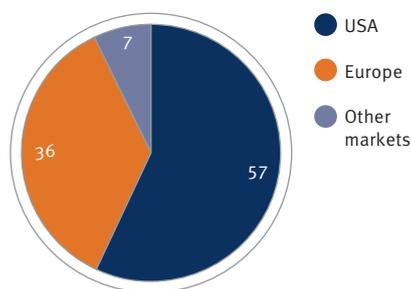
Biosystems also offers reagents and other consumables that are necessary to conduct tests in the analytical systems.

In 2005 Biosystems launched eight tests for use together with the systems in the Company's focus areas of cancer and infectious diseases. The tests include primer reagents that are used for amplification, and one or more sequence primers that are used together with Pyro Gold reagents in the actual Pyrosequencing analysis.

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 the user.

As a complement to its products, Bio-

Geographic distribution of sales %



systems offers CpG Methylation Laboratory Services. This service gives customers the opportunity to send samples to Biosystems facilities in Foxboro, Massachusetts, and Uppsala for design and analysis of CpG tests.

#### POSITION

Biosystems is an emerging force, offering products based on a strong technology in a market dominated by big players. During the year Biosystems noticed increasing interest for the Company's products in the focus areas of cancer and infectious diseases. The Biosystems technology is regarded as being very well suited for applications in these areas because they are quick and give quantitative results.

The shift in the Company's focus means that Biosystems is, to some extent, currently operating in new markets and therefore has low market penetration. Biosystems' market share for sequencing-based research methods in infectious diseases is about 5 percent and about 10 percent in cancer research.

#### THE MARKET

The Biosystems business area currently focuses on providing solutions for specific applications. The target market largely consists of medical facilities, laboratories and pharmaceutical companies, whereas previously activities focused on the academic world. This entails an important shift for Biosystems because the primary target group is less grant-dependent. Biosystems is of the opinion that this should lead to improved sales growth in the future. The market for Biosystems products is still in its infancy and the business area is expected to achieve strong growth once this market gains momentum in a few years.

#### CUSTOMERS

Approximately 55 percent of the customer base is currently found in clinical research, 40 percent in basic research, and 5 percent in diagnostics, such as laboratories for molecular diagnostics and hospital laboratories. This can be compared with the situation two or three years ago when 70 percent of the customers were engaged in basic research. Biosystems has just over 400 systems



installed with customers worldwide, mainly at academic research institutions at universities and university hospitals, as well as at government health institutions, pharmaceutical companies, and biotech companies.

The majority of Biosystems customers, 90 percent, are located in North America and Western Europe. Biosystems pursues direct sales in Scandinavia, the United States, the United Kingdom, France and Germany, while distributors handle marketing in other countries in Europe, Asia and Latin America.

#### COMPETITION

Biosystems' competition comes mainly from instruments based on real time PCR. The two biggest suppliers of such instruments are Applied Biosystems and Roche. Biosystems also faces competition from sequencing instruments based on the traditional Sanger method, which is the most commonly used sequencing method. A few big companies dominate the market, such as the United States based Applied Biosystems.

#### Biosystems' competitive advantages

Like the systems for real time PCR, Biosystems' systems are quick and easy to use. The results comprise a wealth of data equivalent to that obtained through the Sanger method, but the technology is faster. Some tests do not require the amount of

detail provided by a test in Biosystems equipment. The Company has therefore concentrated its efforts to the areas in which the technology creates added value. The key advantages of using the Biosystems equipment for CpG methylation analysis are the ability to determine the level of methylation in individual sites as well as the ability to detect small changes in methylation levels. In infectious diseases, Biosystems' systems can identify mutations that make bacteria antibiotic-resistant. Often, methods based on real time PCR 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, Partner-tech, while Biosystems produces software, reagents and other consumables at its own facility in Uppsala, Sweden. In 2005, Biosystems also outsourced parts of the reagent production to a subcontractor, Oasmia.

The quality of the Company's systems and consumables is high, which is demonstrated by a very low number of complaints. During the second half of 2004, a revised customer complaint system was implemented in order to conform to FDA (Food and Drug Administration) requirements on medical device manufacturers (21 CFR820.198).

# User-friendly and reliable systems

AstraZeneca's research facility in Mölndal, Sweden, was one of Biotage's first customers in Scandinavia. Biotage's systems are currently used to reduce time in a process to synthesize and purify chemical substances – an important part of the work in identifying the substances that have the potential to be developed into new pharmaceuticals.

AstraZeneca is one of the world's leading pharmaceutical companies, with products in six important fields of health care – cancer, cardiovascular, gastrointestinal, infection, neuroscience and respiration & inflammation. One of the reasons for the company's success is very strong research activity. Approximately 12,000 employees are engaged in research and development at the eleven research facilities located in seven countries around the world.

One of the company's biggest research facilities is located in Mölndal, Sweden, and has 2,300 employees. This was also one of Biotage's first customers in Scandinavia. Research in Mölndal concentrates on pharmaceuticals in the cardiovascular and gastrointestinal therapeutic areas, and is a key reason why AstraZeneca is currently a world leader in the field of gastrointestinal diseases.

One-third of the employees at the Mölndal facility are engaged in the very earliest phase of pharmaceutical development – Discovery – where the work is directed towards identifying new substances with the potential to be developed into pharmaceuticals. Biotage's products are important tools in the everyday work of the pharmaceutical chemists working in this area. AstraZeneca has installed around ten systems for microwave-assisted synthesis and for purification based on flash-chromatography, which the pharmaceutical chemists share in a multi-user environment.

## All development in the form of projects

The pharmaceutical research at AstraZeneca is conducted in project form. Employees with different specializations collaborate – from molecular biologists, pharmacologists and pharmaceutical chemists to specialists in pharmaceutical metabolism and pharmacokinetics, i.e. how a pharmaceutical is absorbed, broken down and secreted from the body.

Expressed simply, the development process can be said to start with knowledge about why a disease occurs. After that, the pharmaceutical chemists' task is to develop a substance that chemically affects the course of the disease. The work of developing these

substances can be described as an iterative process based on a concept of the properties of the substance. The pharmaceutical chemists synthesize the substance, purify it and, after biological trials, analyze the results before the next design cycle. This process is then repeated until the chemists produce a substance with the desired properties.

"A successful research program is largely about testing new ideas all the time," says Fritiof Pontén, Group Manager at AstraZeneca R&D Mölndal. "That is why it is important for us to speed up the processes related to this, which is the big advantage of Biotage's systems. Quite simply, they help to shorten the processes, giving us time to conduct more tests."

## Microwave-assisted synthesis the first choice

The utilization of microwave-assisted synthesis got its breakthrough at AstraZeneca R&D Mölndal about five years ago, and is now the method most chemists try first. The primary reason is the short reaction times.

"This technique is very well suited for the development of pharmaceuticals, not least because it has solved the problem of bottlenecks caused by long reaction times. Previously, the reactions seldom took less than one to two hours, and often more than twelve hours to complete. But the microwave techniques have reduced the time considerably, often to five minutes," explains Fritiof Pontén.

Faster processes for synthesis and purification of new substances support the phar-

maceutical company's efforts to continually counteract bottlenecks in the developmental process and to increase productivity. The ambition is to release resources that can be applied to activities such as conducting more development projects and producing better substances.

AstraZeneca R&D Mölndal now uses Biotage microwave systems exclusively. Biotage has attained this position mainly because of user-friendliness and a high degree of operational reliability and dependability in the systems. AstraZeneca has also appreciated Biotage's ambition to be the leader in service and support, not least in the form of skills relating to methods used in the systems. Biotage quickly provides training when needs occur.

## Collaboration with the customers

Biotage places high value on continuous contact with the chemists who use the Company's products. By obtaining their views and ideas, the products can be continually developed to satisfy new requirements placed in the pharmaceutical industry. Over the years, Fritiof Pontén and several of his colleagues have had frequent dialogue with Biotage about requirements and further development.

"Our function is to help with ideas and improvements that can simplify our work and make it more efficient – quite simply to get exactly the system we want. We have been very well received and, to our pleasure, Biotage has considered most of our wishes."



# Efficient detection of resistance in viruses

On a fresh morning in Atlanta in September 2005, Dr. Rick Bright, a 39-year old scientist working at the Influenza Branch of the US Centers for Disease Control and Prevention (CDC), was inundated by telephone calls from the international press. The reason for the sudden media attention was the publication of his group's latest findings in *The Lancet*, one of the leading scientific journals covering medical discoveries and breakthroughs.



Dr. Bright's group discovered an alarming increase in resistance in the human influenza virus A(H3N2) against a specific class of antiviral drugs, the adamantanes. Biotage's unique patented technology, Pyrosequencing®, was the key analysis tool to reveal this trend.

## 8,000 strains screened for resistance

Resistance arises from changes in the structure of the viral matrix protein that the drug targets. By analyzing the part of the viral genome that codes for the protein, it is possible to tell whether the virus is resistant or not. "I couldn't practically have discovered the growth of adamantane resistance without Pyrosequencing," says Dr. Bright. "It would have been a nightmare of logistics if I was forced to use traditional methods, and it would have taken years longer to make this discovery...years too late. Pyrosequencing gave us a reliable means of screening resistance in a thousand viral specimens in a day. We were able to detect resistance in over 8,000 circulating strains from more than 85 countries on six continents collected over a period of ten years. That's what I call an enabling technology."

## Increased resistance discovered

Dr. Bright discovered that resistance against adamantanes in human influenza A viruses (H3N2) had grown enormously in the Far East over the past 3 years, to levels over 70%. In January 2006, he discovered that an alarming 91% of the circulating viruses in the USA also

showed resistance. The CDC immediately issued a Health Alert to recommend against the use of adamantanes.

## Antivirals an important prophylactic

The cornerstone of influenza prevention is annual vaccination. Antiviral drugs are, however, an important addition to vaccination for influenza prevention and control, since they can act as a prophylactic as well as shorten the period of illness. The adamantanes are less expensive and they are available in generic forms. They are often prescribed in the USA to control influenza outbreaks in institutions such as nursing homes, where influenza infection is a serious threat to human life. Now that the extent of adamantane resistance has been identified, effective drugs can be used in their place to treat this year's infections. "It's no exaggeration to say that the resistance we discovered with the help of Pyrosequencing has already saved thousands of lives in this year's influenza season", states Dr. Bright.

## Antivirals a first line of defense to pandemic flu

Antiviral drugs play another important role. Seasonal flu vaccines, which are updated each year according to the dominant circulating influenza strains, will most likely offer little or no protection against a pandemic virus. Antiviral drugs will be the first line of defense in the event of an influenza pandemic.

Recent modeling studies suggest that if

effective antiviral drugs are rushed to the region in which a pandemic strain first emerges, it may be possible to contain it before it spreads worldwide. This will depend on several factors: identification and quarantine of the first cases as soon as possible, and to treat everyone who may have been exposed to the virus with an effective antiviral drug.

Dr. Bright's discovery is therefore a vital piece in the "jigsaw puzzle" of information upon which decisions are based to stockpile antiviral drugs. Both the scientific community and the World Health Organization (WHO) think that an influenza pandemic can be avoided by a strategy of containment. In 2006, unlike previous eras that faced an impending flu pandemic, public health organizations can arm themselves with Pyrosequencing to efficiently identify the infecting agents and their resistance to drugs.

## Sources:

Bright, R A et al., "Incidence of adamantane resistance among influenza A (H3N2) viruses isolated worldwide from 1994 to 2005: a cause for concern". *THE LANCET*, 2005; 366: 1175-81.

RA Bright et al., "High levels of adamantane resistance among influenza A(H3N2) viruses and interim guidelines for use of antiviral agents - United States, 2005-06 influenza season". *MORBIDITY AND MORTALITY WEEKLY REPORT*, January 17, 2006.

# Successful Launch of New Products

Continuous development of new products, and further development of existing products, are important success factors for Biotage, not least for consolidating the leading position the Company holds in several of its niches. A number of new products were launched during the year, in both the Discovery Chemistry and Biosystems business areas.

Biotage pursues a pronounced market-based research and development, in both the Discovery Chemistry and Biosystems business areas. 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 16 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.

All product development in the Biosystems business area is conducted in Uppsala. The development of the Discovery Chemistry business area is currently organized in three centers of excellence. All systems development of products produced in series is conducted in Uppsala, which is also the head office for research and development. Research and development related to chemical products such as reagents are conducted at the facility in Cardiff, UK. All customized systems are made at the facility in Charlottesville, Virginia.

## SUCCESSFUL LAUNCH OF NEW PRODUCTS

A number of new products were launched in the Discovery Chemistry business area, including another system in the Initiator series, Initiator™ Eight, and a new system for purification, SP4. The launch of Initiator™ Eight was very successful and the system is now Biotage's best selling system for microwave synthesis. The Biosystems business area launched just over ten new tests that include, for example, all the reagents a clinical researcher needs to conduct analyses in specific fields of cancer research.

## DEVELOPMENT WORK IN DISCOVERY CHEMISTRY

The Discovery Chemistry marketing organization orders all development projects. The marketing department, management team, and R&D department carry out discussions based on a market specification, including data related to performance and target price, to evaluate the potential in new products and to examine how they fit into the Company's overall strategy, which leads to setting priorities for projects and their timeframes.



A quick preliminary study is then conducted to evaluate the basic principles of the new product, to estimate development costs, and to formulate a plan for implementing the project. The project has to meet the general requirement for development projects, which means that the new product has to repay itself in three years.

Product development in Discovery Chemistry follows a clearly defined process, with a preliminary project phase, project phase, and a verification and validation phase. Great emphasis is placed on the product's quality. In a method called Accelerated Lifetime Testing, the products are subjected to hard tests for a month, the equivalent of one year of normal use.

A normal instrument development project takes between 12 and 18 months to carry out.

## DEVELOPMENT WORK IN BIOSYSTEMS

During the year, development work concentrated on small projects in the Biosystems focus areas of cancer and infectious diseases. Consequently, the projects largely comprised the development of new software and new gene-specific tests.

Both software and tests are developed in close partnership with reference customers. All projects begin with an order from the marketing department. The development projects generally begin with a preliminary study to evaluate the market potential,

target price, the situation regarding to patent, technical risks, costs, and the payback period. Software is developed through an iterative process in cycles of approximately six weeks. The customers are already deeply involved at an early stage, and are continually provided with new versions. Customers submit comments on matters such as functionality and user-friendliness. A software project takes between eight and twelve months to conduct.

Development of gene-specific tests is largely concerned with defining which part of a gene the test is to target. The test is designed in the Biosystems Assay Design software. Biosystems tests the prospective product on normal DNA and on a few clinical samples. If the test satisfies the pre-determined quality requirements, it is then sent to a partner that has a greater number of clinically relevant samples available.

## PATENT

Biotage works actively with patent issues. Many of the Company's systems and products currently lead the market in terms of performance, so Biotage applies for patents on new key functions in the systems and in the consumables. Assessment of the potential for patents is part of the product development process. Biotage currently has approximately 130 registered patents, with applications currently being processed for approximately 220 patents.

# Great Expertise and Dedication

Biotage's employees are highly skilled and have a high level of education. Fifty-eight percent of the employees have postgraduate degrees or higher education qualifications. In 2005, the Group had an average of 295 employees, most of them working in Sweden, the United States and the United Kingdom.

Biotage acquired two companies in 2005, Argonaut Technologies and Separtis. This increased the number of employees in the Group from 221 at the start of the year to 330 employees at the end of 2005. Staff turnover was 20 percent.

### TRAINING IN 2005

After the acquisition of Argonaut in the second quarter of 2005, Biotage's sales team in the Discovery Chemistry business area completed an extensive training program. The objective is that the integrated sales force is to be fully qualified to sell the entire range of Discovery Chemistry products. Biotage also worked to ensure that the extensive customer contacts of both companies should generate increased business for the entire business area.

Continual skills enhancement of the employees is a key factor in Biotage retaining its leading position and competitive edge on the market. The Company's employees generally have a very high level of education, but some specialist skills enhancement is necessary to ensure that the employees are completely up-to-date on what is happening in their fields. Consequently, Biotage will be extending its training measures in 2006, starting with an extensive skills analysis.

### SAFE WORKING ENVIRONMENT AND LOW LEVEL OF ABSENCE THROUGH SICKNESS

Biotage works systematically to improve the working environment in the Company, ranging from a health and safety engineer reviewing lighting and working positions to guidance on how to handle dangerous substances. Health risks at Biotage are small. The employees have good knowledge and awareness of potential risks, and are familiar with regulations and how to handle hazar-

dous materials. No instances were reported during the year.

Absence through sickness for Biotage's employees in Sweden is very low. The Company was second in the list of Sweden's healthiest companies, as shown in the Folksam insurance company's Health Index 2005 for the private sector. Three factors were evaluated – total absence through sickness, long-term sickness in relation to total absence through sickness, and absence through sickness of women.

All employees in Sweden have access to a preventive care contribution, special agreements with different training facilities, and a health care insurance that guarantees them rapid health care in the event of sickness. Health care in Sweden cost SEK 252 thousand in 2005.

### POSITIVE FOR RECRUITMENT

Biotage successfully recruited new employees in 2005. The Company was able to attract the right people to the vacant positions during the year. New employees were recruited through advertising and the personal networks within the Company. Biotage's ambition is to offer the employees a positive working environment and responsibility for their own work, which allows the employees a certain amount of flexibility in how they organize their work.

### EMPLOYEES IN FIGURES

Biotage's employees comprise 37 percent women and 63 percent men. Geographically, 21 percent of the employees work in Sweden, 43 in the United States, 34 in the rest of Europe, and 2 in Japan and the rest of Asia.

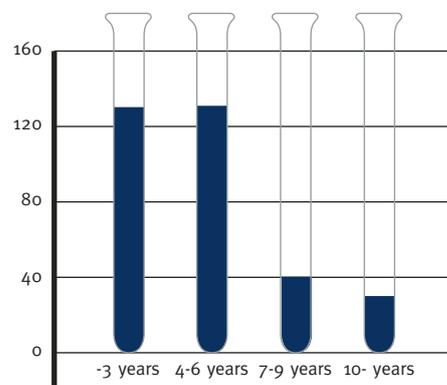
Twenty-two percent of the employees have postgraduate qualifications (PhD, Master, etc), 36 percent have higher education qualifica-



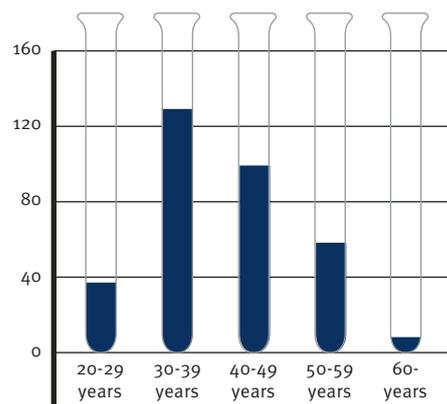
tions, and 42 percent have non-academic qualifications.

Added value per employee in 2005 was SEK 567 (624) thousand, and a total of SEK 817 thousand was invested in employee training, equivalent to SEK 2,800 per employee.

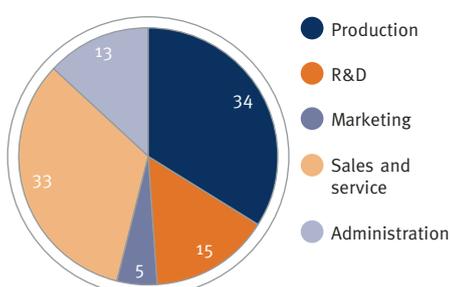
**Length of employment**  
number of people



**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). Biotage's A shares are currently listed on the O list (BIOT A), and each trading block is 1,000 shares.

On December 31, 2005, Biotage's capital stock was SEK 88,486,320, divided into 88,486,320 shares.

### SHARE PRICE TREND

During 2005 the share price increased by 24 percent from SEK 9.75 to SEK 12.05. During the same period the SIX General Index increased 32 percent. The highest price paid in 2005 was SEK 12.76 on January 31 and February 2, 2005. The lowest price paid was SEK 8.80 on October 19, 2005. At the end of 2005, Biotage's market capitalization was SEK 1,066.3 million. During 2005, 49,094,695 shares were traded for a value of SEK 510 million, equivalent to an annual trading turnover of 68 percent.

### SHAREHOLDERS

On December 31, 2005, Biotage had 7,187 (5,283) shareholders. The 15 biggest owners accounted for 58.4 percent of the capital and the votes. Foreign owners accounted for 21.7 percent of the capital and the votes.

### OPTION PROGRAM

There are a total of seven outstanding option programs directed 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 12,691,803 warrants. When fully exercised this is the equivalent of 13,251,246 new shares and votes in Biotage. The issue price for the different option programs varies from SEK 6.74 to SEK 80.33, depending on the date of issue. The final day of the subscription period also varies between the option programs, from April 8, 2006 to December 31, 2009. The terms and conditions of the option programs are described in the Accounting and Evaluation Principles, note 5 on pages 37-39.

### NEW ISSUES OF SHARES IN 2005

Biotage conducted four new issues of shares in 2005, with the aim of fully financing the Company acquisitions using shareholders' equity. Three of the issues of shares were directed, and executed on the authorization of the Annual General Meeting on April 27, 2005 and from the Extraordinary General Meeting on August 30, 2005. The fourth was an issue of preferred shares, which was also based on a decision made at the Extraordinary General Meeting on August 30, 2005.

The issues of shares increased the number of shares by 24.4 million, from 64.1 to 88.5 million. The shareholders contributed SEK 209.3 million, which increased shareholders' equity by SEK 200.1 million after issue-related expenses.

### 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 2005. The Company intends to keep available funds and reinvest them in the Company. According to Swedish law, the level of dividend a company can set and distribute is restricted by factors such as the Company's profit and distributable earnings. Since the Company did not report a profit, and the Parent Company had an accumulated deficit of SEK 712.0 million on December 31, 2005, no cash dividend can be expected in the coming years. The Board sets the dividend policy.

Share price trend



**SHAREHOLDERS BY SIZE OF HOLDING, AT DECEMBER 31, 2005**

Size of holding	No. of shareholders	Percentage shares	No. of shares	Percentage shares
1-500	2,959	41.2	558,762	0.6
501-1,000	1,207	16.8	1,031,274	1.2
1,001-10,000	2,639	36.7	8,455,455	9.6
10,001-100,000	321	4.5	7,964,193	9.0
100,001-	61	0.8	70,476,636	79.6
Total	7,187	100.0	88,486,320	100.0

Source: SIS Ägarservice and VPC

**THE 15 LARGEST OWNERS ON DECEMBER 31, 2005**

Owner	No. of shares	Percent of capital and votes
HealthCap	12,483,531	14.1
Investor	7,629,307	8.6
Catella Healthcare AB	6,270,000	7.1
Nordea fonder	4,140,550	4.7
Pål Nyrén	4,100,557	4.6
Mathias Uhlén	3,000,751	3.4
SEB Företagsinvest AB	2,672,267	3.0
SHB/SPP fonder	2,409,833	2.7
Länsförsäkringar fonder	2,028,860	2.3
Robur fonder	1,877,150	2.1
Brohuvudet AB	1,700,000	1.9
3i Group plc	1,019,922	1.2
Skandia Liv	978,645	1.1
Anders Walldov	800,000	0.9
Jeff Bork	566,500	0.6
Total	51,677,873	58.4

Source: SIS Ägarservice and VPC

**OWNERSHIP CATEGORY ON DECEMBER 31, 2005**

Owner	No. of shares	Percent of shares
Swedish owners >500 shares	68,715,767	77.7
of which:		
Closely-held companies	24,607,240	27.8
Swedish private investors	21,058,593	23.8
Mutual funds	10,588,193	12.0
Investment companies	7,629,307	8.6
Banks	2,874,123	3.2
Pensions	1,174,689	1.3
Other	783,622	0.9
Foreign owners >500 shares	19,211,791	21.7
Owners ≤ 500 shares	558,762	0.6
Total	88,486,320	100.0

Source: SIS Ägarservice and VPC

# Operational Risks

## FINANCIAL RISKS

After the acquisitions of Personal Chemistry Uppsala AB, Biotage LLC, Argonaut Technologies and Separtis in 2003 and 2005, the Company has a structure in which approximately 47 percent of sales are conducted in USD. Other revenue currencies are Swedish crowns, euro, British pounds and Japanese yen. Therefore, the Company is exposed to risks in the form of currency exchange fluctuations, which can cause losses in conversion of exchange rates and affect the Company's financial position and profit/loss.

### Sensitivity analysis

A number of factors affect Biotage's profit/loss. The following table shows how the profit/loss for 2005 would have been affected by certain changes in the operation.

Factor	Change	Effect on profit/loss
Sales	+/-10%	SEK 23 million
Cost of materials	+/-10%	SEK 20 million
Exchange rate SEK/USD	+/-10%	SEK 20 million

## FINANCING

Biotage is of the opinion that the Company's financial position is relatively strong after the 2005 issues of shares. However, the Company may need further external capital in the future. There is no guarantee that new capital can be raised when it is needed, nor that it can be raised on advantageous terms. There is no guarantee that such raised capital would be sufficient to satisfy the Company's strategy.

## 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 is mainly associated with the world's leading pharmaceutical companies, and no customer represents more than ten percent of the sales, which thereby reduces the risk of dependence on fluctuations in grants for academic research or in the customer base generally. However, the Company has some customers that represent a substantial proportion of the sales, and the Company is exposed to tough competition from rivals with larger marketing and distribution capacity and greater financial resources. This could have a negative effect

on the Company's customer base and market position, especially if it concerned one of the larger customers. New or cheaper products from the rivals could also have a major negative impact on the Company's market position.

## PRODUCTS AND TECHNOLOGIES

Biotage has a broad product portfolio, thereby reducing overall sensitivity to product life cycles and general economic fluctuations. New technologies in biotechnology take a relatively long time to become established, and competition from potential new technologies therefore represent a limited risk in the short term. However, Biotage cannot guarantee that other companies could not develop products based on new technologies, which could reduce the competitiveness of Biotage products and perhaps make them redundant.

## PRODUCTION

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, and consumables are produced at the production facility in Cardiff, UK. All production facilities have the capacity to substantially and relatively quickly increase production of all of the Company's products. However, the majority of Biotage's instruments are produced in Sweden at Partnertech AB in Åtvidaberg. Dependence on external production capacity can increase the risk of delays or non-delivery.

## EMPLOYEES

Biotage has a large number of key employees with high levels of expertise, who are committed, motivated, and have developed strong customer relationships. The Company conducts research and development of new products, so Biotage is highly dependent on attracting and retaining highly qualified personnel. Consequently, it is important that the Company can offer competitive terms of employment. If Biotage fails to recruit and retain skilled employees, it may be difficult to satisfy the Company's business strategy.

## COMPETITORS

Biotage is of the opinion that the Company's

products are very competitive. However, competition on the market is tough, and in certain cases Biotage is competing against larger and more established companies with considerably greater financial and industrial resources at their disposal. This competition could result in fewer market shares and lower profitability for Biotage.

## INTELLECTUAL PROPERTY RIGHTS

The Company depends on unpatented company secrets, know-how and continued technological inventions, and its ability to obtain and keep patents to protect the Company's technology and products. Biotage continually applies for patent protection for methods and products that the Company develops. If the Company fails to protect its patents, company secrets, its know-how or its technologies, or if the rights do not offer sufficient protection against rivals, the Company's competitive position could be undermined and the value of the Company's existing and future products could decrease. If a party should claim that the Company's inventions or use of technologies violates such a party's intellectual property rights, the Company would be liable for damages if patent violation were found.

The Company could also need to initiate proceedings to defend its intellectual property rights. The outcome of such a process is uncertain, and even if Biotage won such a case, the process would be time-consuming and expensive, and would occupy a lot of the management's time and attention.

## INTEGRATION AND INTERNATIONAL ACTIVITIES

In 2005, Biotage acquired Argonaut, and in 2003 Personal Chemistry and Biotage LLC were acquired. The businesses have been integrated according to the management's expectations.

However, the acquisitions mean that Biotage will face challenges related to the efficient management of a greater number of employees spread over large geographical distances, making it necessary to implement appropriate systems, policies, benefits and compliance programs. If the Company does not succeed in managing the more geographically diverse and larger combined organization, this could have a considerably negative impact on the Company's profits.

# Five-year Review

## KEY FIGURES

	2005	2004	2003 <sup>1</sup>	2002 <sup>1</sup>	2001 <sup>1</sup>
<i>Group</i>					
Net sales, SEK thousand	<b>430,396</b>	366,649	173,652	97,581	108,176
Growth in net sales	<b>17.4%</b>	111.1%	78.0%	-9.8%	
Gross profit/loss, SEK thousand	<b>230,047</b>	218,053	104,898	67,169	77,621
Gross profit margin	<b>53.5%</b>	59.5%	60.4%	68.8%	71.8%
Operating margin	<b>-14.6%</b>	-16.8%	-150.4%	-176.9%	-161.4%
Profit margin	<b>-6.9%</b>	-16.0%	-121.5%	-152.1%	-126.8%
Profit/loss before tax, SEK thousand	<b>-37,090</b>	-74,443	-244,235	-148,530	-137,097
Earnings per share, SEK	<b>-0.57</b>	-1.29	-6.02	-4.84	-3.96
Total assets, SEK thousand	<b>974,738</b>	736,101	826,653	678,036	846,817
Equity ratio	<b>75.7%</b>	76.6%	73.7%	90.9%	92.7%
Proportion of risk-bearing capital	<b>75.7%</b>	76.6%	73.7%	90.9%	92.7%
Investments, SEK thousand	<b>212,828</b>	20,420	325,193	66,438	45,531
Average number of employees	<b>295</b>	246	166	151	125
Debt/equity ratio	<b>13.2%</b>	9.6%	5.4%	0.0%	0.0%
Interest coverage ratio, x	<b>neg</b>	neg	neg	neg	neg
Return on equity	<b>-6.1%</b>	-12.7%	-39.9%	-24.0%	-16.1%
Return on capital employed	<b>-4.1%</b>	-9.3%	-33.5%	-21.2%	-16.0%

## DATA PER SHARE

Earnings, SEK/share	<b>-0.57</b>	-1.29	-6.02	-4.84	-3.96
Dividend, SEK/share	-	-	-	-	-
Market price at end of period, SEK/share	<b>12.05</b>	9.75	11.70	7.90	37.50
Equity, SEK/share	<b>8.34</b>	8.80	10.55	17.72	22.58
Equity/share after dilution, SEK/share	<b>8.31</b>	8.73	10.47	17.39	21.65
P/E ratio, x	<b>-21.1</b>	-7.6	-1.9	-1.6	-9.5
P/S ratio, x	<b>2.48</b>	1.70	3.89	2.81	12.05
Operative cash flow, SEK/share	<b>-0.23</b>	-1.54	-1.73	-3.66	-3.55
Weighted average no. of shares, thousands	<b>70,205</b>	57,870	40,584	34,770	34,770
Weighted average no. of shares after dilution, thousands	<b>70,572</b>	58,387	41,008	35,430	36,253
Total number of outstanding shares at end of period, thousands	<b>88,486</b>	64,042	57,792	34,770	34,770
Total number of outstanding shares at end of period after dilution, thousands	<b>88,952</b>	64,448	60,339	35,024	36,147

<sup>1</sup> Comparative figures are not adjusted in accordance with IFRS.

## DEFINITIONS

### Gross profit margin in %

Operating profit in relation to net sales.

### Operating margin

Operating profit/loss in relation to sales.

### Profit margin

Operating profit/loss plus financial revenues in relation to sales.

### Profit/loss per share

Net profit/loss for the year in relation to the average number of outstanding shares.

### Equity ratio

Equity in relation to total assets.

### Debt/equity ratio

Interest-bearing liabilities in relation to equity.

### Interest coverage ratio

Income after financial items plus financial expenses in relation to financial expenses.

### Return on equity

Net profit/loss for the year in relation to average equity.

### Return on capital employed

Operating profit/loss plus financial income in relation to 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.

### Proportion of risk-bearing capital

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

### Equity per share

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

### P/E ratio

Market price divided by earnings per share.

### P/S ratio

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

### Operative cash flow per share

Cash flow from the current operation divided by the total number of outstanding shares at the end of the period.

### Added value per employee (see page 17)

Operating earnings + depreciation + salaries and social expenses divided by the average number of employees during the year.

# 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 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, with its head office in Uppsala, Sweden, is the Parent Company of the Group. The Biotage Group has wholly owned subsidiaries in Sweden, the United Kingdom, Germany, France, Switzerland, the Netherlands, Italy, the United States, and Japan.

The Group organizes its operation in two business areas: Discovery Chemistry and Biosystems.

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.

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

## Significant Events

### Acquisition of business from Argonaut

At an Extraordinary General Meeting on June 1, 2005, the shareholders of the American company, Argonaut Technologies Inc., accepted Biotage's offer to acquire parts of the Argonaut business. The acquisition related to 100% of the votes and capital in Argonaut Ltd with its operation in Cardiff, UK, and parts of the Argonaut business in the United States. The acquisition in the United States involved taking over the operation with associated assets and liabilities. The acquired businesses became part of the Biotage Group on June 3, 2005.

In the acquisition analysis pursuant to IFRS 3, the purchase price was SEK 157.3 million (USD 21.1 million) plus an estimated additional purchase price of SEK 7.2 million. The supplement for acquisition costs was SEK 10.4 million, so the preliminary total acquisition cost was SEK 174.9 million. Of the acquisition cost, SEK 84.7 million represents net assets taken over in the acquisition, such as identified intangible and tangible non-current assets, inventories, accounts receivable, and other accounts payable. Preliminary residual goodwill remaining was SEK 90.2 million. The estimated residual goodwill item relates to synergy effects, a strengthened market position, and a complete and attractive product range for the future. Through the acquisition, Biotage will enjoy extra sales estimated at approximately SEK 125 million on an annual basis.

The acquisition strengthened Biotage's offering in pharmaceutical chemistry, and the Company can now offer a complete product range in the fields of microwave synthesis, purification systems and reagents that allow more rapid and more efficient development of new potential substances for pharmaceuticals.

The acquired business is largely integrated in the Discovery Chemistry business area.

### New issues of shares

On June 27, 2005, the Board of Directors in Biotage AB decided to increase the Company's capital stock through a new issue of 3 million shares. The shares were subscribed on June 28, 2005 for resale to a limited number of institutional investors in Sweden and abroad. On June 30, the Biotage Board also decided to further increase the capital stock through a new issue of 3.4 million shares. The shares were subscribed by Carnegie Investment Bank on June 30, 2005 for resale to a limited number of institutional investors in Sweden and abroad. The decision was based on the authorization given to the Board of Directors at the Annual General Meeting on April 27, 2005. The authorization has now been fully utilized by the Board through these new issues on June 30, and the new issue of 3 million shares decided by the Board on June 27, 2005. The first issue of shares was equivalent to approximately 4.5 percent of the capital and votes in Biotage after the issue of shares. After deduction of issue-related expenses, the Company received a total of approximately SEK 29 million through the issue of shares. The issue price was SEK 10 per share. The revenue from the issue of shares was received at the beginning of July 2005. The later issue of shares was equivalent to approximately 4.8 percent of the capital and votes in Biotage after the issue of shares. After deduction of issue-related expenses, the Company received a total of approximately SEK 33 million through the issue of shares. The issue price was SEK 10 per share. The revenue from the issue of shares was received at the beginning of July 2005. The justification for the issue of shares and the deviation from the shareholders' pre-emptive rights was to quickly and efficiently raise part of the funds for the acquisition of the business in Argonaut.

On September 7, the Board of Directors in Biotage AB decided to increase the Company's capital stock through a new issue of 10 million shares. The shares were subscribed by Carnegie Investment Bank, for reselling to a limited number of institutional investors in Sweden and abroad. The decision based on the authorization given to the Board of Directors at the Extraordinary General Meeting on August 30, 2005.

The new issue of shares increased the capital stock by SEK 10 million to 80,442,108. The new shares were the equivalent of approximately 12 percent of the capital and votes in Biotage after the issue of shares. After deduction of issue-related expenses, the Company received a total of approximately SEK 94 million through the issue of shares. The issue price was SEK 9.70 per share. The

justification for the issue of shares and the deviation from the shareholders' pre-emptive rights was to quickly and efficiently refinance part of the loan of SEK 140 million relating to the acquisition of the business in Argonaut.

### Acquisition of Separtis

In October, Biotage acquired Separtis Holding AG, distributor of many of Biotage's products in Switzerland, Germany and Austria. The products relate to consumables that are included in the Argonaut range. Biotage strengthened the distribution of its products within the EU through the acquisition. Separtis sales in 2004 were SEK 14.6 million, and consisted entirely of Biotage products. The estimated annual increase in income for Biotage through the acquisition is SEK 7.5 million.

In the acquisition analysis pursuant to IFRS 3, the purchase price was SEK 7.0 million, an estimated additional purchase price of SEK 6.1 million, and acquisition expenses of SEK 0.8 million, giving a total acquisition cost of SEK 13.9 million. Of the acquisition cost, SEK 9.4 million represents net assets taken over in the acquisition, and SEK 4.5 million for goodwill.

### New issue of shares

Biotage AB issued new preferred shares for the Company's shareholders. The new issue of shares, which was completed on November 23, 2005, was fully subscribed, and gave the Company approximately SEK 48.3 million before issue-related expenses. The issue price was SEK 6.00 SEK per share. The new issue of shares increased the number of shares by 8,044,212, to 88,486,320 shares after the issue of shares. The new shares became available for trading on the O list of the Stockholm Stock Exchange on December 19, 2005. Carnegie Investment Bank was Biotage's financial advisor for the issue of shares. The preferred shares were issued to refinance part of the loan taken to finance the acquisition of the business in Argonaut.

## Financial position

In 2005 the consolidated net sales increased by 17 percent to SEK 430.4 million, compared with SEK 366.6 million for the corresponding period the previous year. The sales for 2005 included SEK 81.7 million from the acquired business in Argonaut and Separtis.

The gross profit margin in 2005 was 53 percent, compared with 59 percent for the corresponding period the previous year. The business acquired from Argonaut during the year had a negative impact on the gross profit margin, because these products had a lower gross profit margin than Biotage's other products. The gross profit in the third quarter was negatively impacted by one-off costs totaling SEK 15.2 million.

The operating costs for 2005 were SEK 293.0 million, compared with SEK 279.7 million for the corresponding period the previous year. The operating costs included costs of SEK 31.6 million from the businesses acquired from Argonaut and Separtis.

Operating profit/loss in 2005 was SEK -62.9 million, compared with SEK -61.7 million for the corresponding period the previous year.

Net financial income/expense for the Group in 2005 was positive, and totaled SEK 25.9 million, compared with SEK -12.7 million for the corresponding period the previous year. Unrealized currency gains related to long-term receivables in foreign subsidiaries impacted the net financial income/expense by a total of SEK 30.5 million (-8.1).

Biotage reported a net profit/loss of SEK -39.9 million, equivalent to SEK -0.57 per share, for 2005, compared with a net profit/loss of SEK -74.7 million, equivalent to SEK -1.29 per share, for the corresponding period the previous year.

#### Balance sheet items

The Group's cash and cash equivalents were SEK 52.8 million on December 31, 2005, compared with SEK 28.4 million on December 31, 2004. Granted unused credit was SEK 37.9 million on December 31, 2005, compared with SEK 38.9 million on December 31, 2004. The Group's interest-bearing liabilities were SEK 92.2 million on December 31, 2005, compared with SEK 54.2 million on December 31, 2004.

The Group's total goodwill on the balance sheet date was SEK 503.5 million. This was attributable to the 2003 acquisitions of Personal Chemistry and Biotage LLC, the acquisition of Argonaut in the second quarter of 2005, and the acquisition of Separtis in the fourth quarter of 2005. Goodwill pertaining to the acquisition of Argonaut was SEK 90.9 million, and for Separtis SEK 4.5 million, on the balance sheet date.

The Company carried out an impairment test at year-end, which showed that the goodwill item did not need to be written-down.

Other intangible non-current assets, in the form of patents and license rights, were SEK 32.6 million (21.0), and development costs carried forward were SEK 25.6 million (22.9).

Shareholders' equity on the balance sheet date was SEK 738.2 million, compared with SEK 563.8 million on December 31, 2004. In 2005, four new issues of shares brought the Parent Company SEK 200.1 million after issue-related expenses. Consolidated equity also increased by SEK 12.9 million, as a result of changed currency exchange rates. The net profit/loss for the year, SEK -39.9 million, was deducted from shareholders' equity.

#### Investments

In 2005, the Group's investments in tangible and intangible non-current assets, excluding company acquisitions, were SEK 22.5 million, of which SEK 12.4 million was capitalized as development costs. Depreciation and amortization was SEK 35.8 million, of which SEK 10.2 million was depreciation of capitalized development costs, SEK 4.4 million for patent and license rights, and SEK 21.2 million for depreciation of tangible non-current assets.

#### Research and development

Biotage pursues a pronounced market-based re-

search 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 16 percent of sales in research and development. The Company's long-term goal is to have an investment level in research and development of approximately 12 percent of sales.

#### Employees

On December 31, 2005, the Group had 330 employees, compared with 221 at the beginning of the year. The increase was almost completely due to the acquisition of the business in Argonaut, since 121 employees joined the Group in conjunction with the acquisition.

#### The Board's work during the year

The Board of Directors met on 15 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 considered. 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 authority. The Company's operational management is responsible for the everyday operation, and continually reports to the Board on the Company's financial situation and gives updates about the business activity. The most important points on the board's agenda were to follow up the Company's economic and financial development, forecasts and budget, business plans, company acquisitions, strategic development, and proposals to authorize the Board to carry out new issues of shares.

The Company held one Annual General Meeting and one Extraordinary General Meeting in 2005. On August 30, 2005, an Extraordinary General Meeting authorized the Board, in accordance with the Board's proposal, to issue shares of common stock in the period until the Annual General Meeting in 2006. Shares could be issued on one or more occasions, with or not withstanding the shareholders' preemptive rights, up to a maximum of 20,000,000 shares, or convertible promissory notes exchangeable for the equivalent number of shares of common stock, against cash payments, in kind or through offset. A maximum of 10,000,000 of these shares of common stock could be available to persons or entities that were not shareholders in the Company.

#### Board committees

The Board has appointed a Remuneration Committee, a Nomination Committee and an Auditing Committee. The Remuneration Committee is responsible for monitoring and initiating the Company's reimbursement levels and the management's salaries and benefits. The Remuneration Committee consists of Ove Mattsson (chairman, Member of the Board) and

Björn Odlander (Member of the Board), and the Chairman of the Board, Börje Ekholm. The committee held informal meetings during the year.

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 Anders Rydin (chairman, Member of the Board)) and Staffan Lindstrand (Member of the Board), and the Chairman of the Board, Börje Ekholm. The Auditing Committee meets in connection with quarterly interim reports, and held five meetings in 2005.

The Nomination Committee nominates candidates to the Company's Board of Directors. The Nomination Committee consists of Anki Forsberg, representative for HealthCap (chairman), Börje Ekholm, Chairman of the Board and representative for Investor, Pål Nyrén, founder and shareholder in Biotage, and Mats Thorén, representative for Catella. The Nomination Committee met on two occasions.

#### Evaluation of the Board's work

During the year, the Chairman of the Board initiated and led a project to evaluate on behalf of the Board, the Board's composition, procedures and responsibility. Proposals for areas of improvement were presented at one of the Board's meetings during the year.

#### The Parent Company

The Group's Parent Company, Biotage AB, has wholly owned subsidiaries in Sweden, the United States, the United Kingdom, France, Germany, Italy, the Netherlands, Switzerland and Japan. The Parent Company is responsible for strategic business development, central marketing activities, and administrative functions at Group level.

The Parent Company's income for 2005 was SEK 9.4 million (70.1), and the earnings before appropriations and taxes were SEK 37.6 million (-29.4). The Parent Company's revenues decreased because Biotage AB transferred its operation to the wholly owned subsidiary Biotage Sweden AB on November 1, 2004. The earnings for 2005 primarily comprise interest income and unrealized currency exchange gains on receivables within the Group. The Parent Company's cash and cash equivalents on the balance sheet date were SEK 16.4 million (19.4).

#### Events after the balance sheet date

For information about events after the balance sheet date, please see note 24, page 54.

#### Proposed treatment of accumulated deficit

##### Parent Company

The Board of Directors and the Chief Executive Officer propose that the accumulated deficit of SEK 712.0 million be brought forward.

The results and financial position of the Group and Parent Company are shown in the following income statements, balance sheets, cash flow statements, and compilation of changes in shareholders' equity, and in the accompanying accounting principles and notes.

# Consolidated Income Statement

Amounts in SEK thousand	Note	2005	2004
Sales	2,5	430,396	366,649
Cost of goods sold	5	-200,348	-148,596
<b>Gross profit/loss</b>		<b>230,047</b>	<b>218,053</b>
Other operating income	3	8,369	11,535
Selling expenses	4,5	-174,890	-165,176
Administrative expenses	4,5,6	-54,939	-39,678
Research and development costs	4,5	-66,842	-76,505
Other operating expenses	9	-4,695	-9,922
Operating costs		-292,997	-279,747
<b>Operating profit/loss</b>		<b>-62,949</b>	<b>-61,694</b>
Financial income	10	33,274	2,940
Financial expenses	10	-7,414	-15,689
<b>Profit/loss before income tax</b>		<b>-37,090</b>	<b>-74,443</b>
Income tax	11	-2,802	-216
<b>Profit/loss for the year</b>	<b>20</b>	<b>-39,892</b>	<b>-74,659</b>
<i>Attributable to:</i>			
- Equity holders of the Parent Company:		-39,892	-74,659
- Minority interests		-	-
		-39,892	-74,659
Earnings per share, SEK		-0.57	-1.29
Earnings per share after dilution, SEK (*)		-0.57	-1.29

\*) The loss per share for the full year 2004 and 2005 would decrease because of outstanding options if dilution were taken into account, so earnings per share has only been calculated without consideration to dilution.

The notes on pages 40 to 58 are an integral part of these consolidated financial statements.

## QUARTERLY REVIEW FOR TWO YEARS

SEK thousand	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>Group</i>								
Net sales	138,369	126,591	93,476	71,959	106,243	84,470	88,926	87,010
Cost of goods sold	-59,148	-69,661	-41,816	-29,724	-43,424	-32,771	-34,625	-37,775
Gross profit	79,222	56,929	51,661	42,235	62,819	51,699	54,301	49,235
Gross margin	57.3%	45.0%	55.3%	58.7%	59.1%	61.2%	61.1%	56.6%
Operating expenses	-83,919	-77,490	-67,139	-64,448	-62,219	-77,924	-67,715	-71,889
Operating profit/loss	-4,697	-20,561	-15,479	-22,213	600	-26,225	-13,414	-22,654
Net financial income/expense	7,005	-6,080	16,243	8,692	-11,230	-5,183	2,164	1,500
Profit/loss before tax	2,308	-26,641	764	-13,521	-10,630	-31,408	-11,250	-21,154
Tax	-1,866	-921	-7	-8	-161	-25	-19	-11
Net profit/loss	442	-27,563	758	-13,529	-10,791	-31,433	-11,269	-21,165

# Consolidated Balance Sheet

Amounts in SEK thousand	Note	2005	2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	12	113,424	88,894
Goodwill	13	503,510	373,592
Other intangible non-current assets	14	58,165	43,788
Available-for-sale financial assets	15	48,552	50,183
<b>Total non-current assets</b>		<b>723,651</b>	<b>556,457</b>
<b>Current assets</b>			
Inventories	16	92,695	74,965
Accounts receivable and other receivables	17	105,598	76,292
Cash and cash equivalents		52,795	28,388
<b>Total current assets</b>		<b>251,087</b>	<b>179,644</b>
<b>Total assets</b>		<b>974,738</b>	<b>736,101</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to equity holders of the Parent Company</b>			
Capital stock		88,486	64,042
Other contributed capital		1,506,656	1,329,714
Accumulated exchange gains/losses		-21,065	-33,981
Profit/loss carried forward		-835,825	-795,933
<b>Total equity</b>		<b>738,252</b>	<b>563,842</b>
<b>Non-current liabilities</b>			
Loans	10	55,429	32,600
Provisions of a non-current nature	18	1,691	3,228
<b>Total non-current liabilities</b>		<b>57,120</b>	<b>35,829</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	19	122,348	109,221
Current income tax liabilities		7,005	57
Loans	10	41,973	21,577
Provisions for other liabilities and charges	18	8,039	5,575
<b>Total current liabilities</b>		<b>179,366</b>	<b>136,430</b>
<b>Total equity and liabilities</b>		<b>974,738</b>	<b>736,101</b>
Pledged assets	23	144,120	88,184
Contingent liabilities	23	-	-

The notes on pages 40 to 58 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

Amounts in SEK thousand	Capital stock	Other contributed capital	Accum. exchange gains/losses	Balanced result	Total equity
<b>Balance on January 1, 2004</b>	<b>57,792</b>	<b>1,285,204</b>	<b>-12,466</b>	<b>-721,274</b>	<b>609,255</b>
<b>Changes during 2004:</b>					
New issue of shares	6,250	43,912	-	-	50,162
Exchange rate differences	-	-	-21,514	-	-21,514
Profit/loss for 2004	-	-	-	-74,659	-74,659
Share-related payments	-	598	-	-	598
<b>Total changes in 2004</b>	<b>6,250</b>	<b>44,510</b>	<b>-21,514</b>	<b>-74,659</b>	<b>-45,414</b>
<b>Balance on December 31, 2004</b>	<b>64,042</b>	<b>1,329,713</b>	<b>-33,980</b>	<b>-795,934</b>	<b>563,842</b>
<b>Changes during 2005:</b>					
New issue of shares	24,444	184,821	-	-	209,265
Issue-related expenses	-	-9,138	-	-	-9,138
Exchange rate differences	-	-	12,915	-	12,915
Profit/loss for 2005	-	-	-	-39,892	-39,892
Share-related payments	-	1,259	-	-	1,259
<b>Total changes in 2005</b>	<b>24,444</b>	<b>176,942</b>	<b>12,915</b>	<b>-39,892</b>	<b>174,410</b>
<b>Balance on December 31, 2005</b>	<b>88,486</b>	<b>1,506,656</b>	<b>-21,065</b>	<b>-835,825</b>	<b>738,252</b>
<b>TOTAL NUMBER OF SHARES</b>		<b>2005</b>		<b>2004</b>	
Average no. of outstanding shares		70,205,832		57,870,069	
Average no. of outstanding shares after dilution		70,572,333		58,387,498	
No. of outstanding shares at end of year		88,486,320		64,042,108	

The notes on pages 40 to 58 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

Amounts in SEK thousand	2005	2004
<b>Cash flows from operating activities</b>		
Profit/loss after financial items	-37,090	-74,443
Adjustment for items not affecting cash flow	19,094	41,995
	<b>-17,995</b>	<b>-32,448</b>
Income tax paid	-2,802	-216
<b>Cash flows from operating activities before change in working capital</b>	<b>-20,797</b>	<b>-32,664</b>
<i>Cash flows from change in working capital:</i>		
Increase/decrease in inventories	12,006	-6,352
Increase/decrease in accounts receivable	-2,033	-515
Increase/decrease in other non-current receivables	744	598
Increase/decrease in other liabilities	-10,211	-59,551
<b>Cash flows from operating activities</b>	<b>-20,291</b>	<b>-98,485</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible non-current assets	-14,773	-15,079
Purchase of tangible non-current assets	-8,149	-4,500
Proceeds from sale of available-for-sale financial assets	397	-
Purchase of long-term securities	-	-841
Acquisition of subsidiaries	-154,658	-
<b>Cash flow from investing activities</b>	<b>-177,183</b>	<b>-20,420</b>
<b>Financing activities</b>		
Proceeds from issue of shares of new shares	200,127	50,162
Employee option program	-	598
Proceeds from loans	22,252	24,868
Proceeds from receivables	-	343
Amortization of liabilities	-3,190	-
<b>Cash flows from financing activities</b>	<b>219,189</b>	<b>75,971</b>
<b>Cash flows for the year</b>	<b>21,715</b>	<b>-42,934</b>
Cash and cash equivalents at beginning of the year	28,387	74,900
Exchange gains/losses on cash and cash equivalents	1,086	-569
Reclassification of liquid investments	1,607	-3,010
<b>Cash and cash equivalents at end of the year</b>	<b>52,795</b>	<b>28,387</b>
<b>Supplementary disclosure:</b>		
<i>Adjustment for items not affecting cash flow:</i>		
Depreciation, amortization, and write-downs	48,542	32,025
Other items	-29,447	9,971
<b>Total</b>	<b>19,094</b>	<b>41,995</b>

# Income Statement for Parent Company

Amounts in SEK thousand	Note	2005	2004
Sales	2	9,437	70,051
Cost of goods sold			-34,624
<b>Gross profit/loss</b>		<b>9,437</b>	<b>35,427</b>
Selling expenses	4	-510	-30,013
Administrative expenses	4, 6	-18,563	-20,767
Research and development costs	4	-2,542	-18,904
Other operating income	3	5,351	17,376
Other operating expenses	9	-3,889	-2,394
Operating costs		-20,153	-54,701
<b>Operating profit/loss</b>		<b>-10,716</b>	<b>-19,274</b>
<i>Profit/loss from financial investments:</i>			
Interest income on receivables from group companies		14,100	6,060
Income from other securities and receivables held as long-term financial assets		2,091	2,667
Other interest income and similar income statement items		343	146
Interest expenses and similar income statement items		-2,845	-715
Exchange gains/losses on receivables within the Group		34,636	-18,283
Net financial income/expense	10	48,325	-10,125
<b>Profit/loss after financial items</b>		<b>37,608</b>	<b>-29,400</b>
Taxes	11	-	-
<b>Profit/loss for the year</b>		<b>37,608</b>	<b>-29,400</b>

The notes on pages 40 to 58 are an integral part of these consolidated financial statements.

# Balance Sheet for Parent Company

Amounts in SEK thousand	Note	2005	2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible non-current assets</i>			
Patent and license rights	14	9,251	9,308
		9,251	9,308
<i>Financial assets</i>			
Participations in Group companies	22	702,860	561,191
Receivables, Group companies		111,632	70,530
Other long-term securities	15	45,783	45,783
		860,275	677,504
<b>Total non-current assets</b>		<b>869,526</b>	<b>686,812</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivables	17	334	2,320
Receivables, Group companies		64,355	8,032
Other receivables	17	596	134
Prepaid expenses and accrued income	17	1,346	592
		66,630	11,077
<i>Cash and bank balances</i>			
		16,383	19,401
<b>Total current assets</b>		<b>83,013</b>	<b>30,478</b>
<b>Total assets</b>		<b>952,539</b>	<b>717,290</b>
<b>EQUITY, PROVISIONS, AND LIABILITIES</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
<i>Restricted equity</i>			
Capital stock		88,486	64,042
Restricted reserves		1,505,183	1,329,500
		1,593,670	1,393,542
<i>Non-restricted equity</i>			
Deficit brought forward		-749,583	-720,376
Profit/loss for the year		37,608	-29,400
		-711,975	-749,776
<b>Total equity</b>		<b>881,695</b>	<b>643,767</b>
Provisions		75	307
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Other non-current liabilities	10	5,197	-
		5,197	-
<i>Current liabilities</i>			
Liabilities to credit institutions	10	-	76
Accounts payable	19	2,146	3,302
Liabilities to Group companies		36,217	46,516
Other current liabilities	19	10,907	3,175
Accrued expenses and prepaid income	19	16,302	20,147
		65,572	73,217
<b>Total equity, provisions, and liabilities</b>		<b>952,539</b>	<b>717,290</b>
Pledged assets	23	22,500	22,500
Contingent liabilities	23	-	-

The notes on pages 40 to 58 are an integral part of these consolidated financial statements.

# Changes in Equity for Parent Company

Amounts in SEK thousand	Capital stock	Restricted reserves	Deficit carried fwd *	Total equity
<b>Balance on December 31, 2003</b>	57,792	1,285,589	-720,673	622,708
<b>Changes during 2004:</b>				
New issue of shares	6,250	43,912	-	50,162
Group contribution received from subsidiary	-	-	296	296
Profit/loss for 2004	-	-	-29,400	-29,400
<b>Balance on December 31, 2004</b>	64,042	1,329,500	-749,776	643,767
<b>Changes during 2005</b>				
New issue of shares	24,444	184,821	-	209,265
Issue-related expenses	-	-9,138	-	-9,138
Group contribution received from subsidiary	-	-	192	192
Profit/loss for 2005	-	-	37,608	37,608
<b>Balance on December 31, 2005</b>	88,486	1,505,183	-711,976	881,695

\* Share premium reserve has been transferred to restricted reserves.

<b>NUMBER OF SHARES</b>	<b>2005</b>	<b>2004</b>
Average no. of outstanding shares	70,205,832	57,870,069
Average no. of outstanding shares after dilution	70,572,333	58,387,498
No. of outstanding shares at end of year	88,486,320	64,042,108

All shares comprise common stock with one vote each.

Outstanding options can be used for subscribing to common stock with one vote each.

# Cash Flow Statement for Parent Company

Amounts in SEK thousand	Note	2005	2004
<b>Cash flows from operating activities</b>			
Profit/loss after financial items		37,608	-29,400
Adjustment for items not affecting cash flow		1,142	2,914
		38,750	-26,486
Income tax paid		-	-
<b>Cash flows from operating activities before change in working capital</b>			
		<b>38,750</b>	<b>-26,486</b>
<i>Cash flows from change in working capital:</i>			
Increase/decrease in inventories		-	30,261
Increase/decrease in accounts receivable		1,986	11,374
Increase/decrease in other non-current receivables		-57,538	1,243
Increase/decrease in other liabilities		-7,877	-3,788
<b>Cash flows from operating activities</b>			
		<b>-24,679</b>	<b>12,605</b>
<b>Investing activities</b>			
Purchase of intangible non-current assets		-1,523	-3,276
Proceeds from sale of tangible non-current assets		-	27,346
Proceeds from sale of intangible non-current assets		630	-
Acquisition of subsidiaries		-136,472	-19,705
Increase/decrease in non-current receivables		-41,101	-70,530
<b>Cash flows from investing activities</b>			
		<b>-178,467</b>	<b>-66,165</b>
<b>Financing activities</b>			
New issues of shares		200,127	50,162
<b>Cash flows from financing activities</b>			
		<b>200,127</b>	<b>50,162</b>
<b>Cash flow for the year</b>			
		<b>-3,018</b>	<b>-3,397</b>
Cash and cash equivalents at beginning of the year		19,401	22,799
<b>Cash and cash equivalents at end of the year</b>			
		<b>16,383</b>	<b>19,401</b>
<b>Supplementary disclosure:</b>			
<i>Adjustments for items not affecting cash flow:</i>			
Depreciation, amortization and write-downs		950	2,617
Other items		192	297
<b>Total</b>			
		<b>1,142</b>	<b>2,914</b>

# Accounting and Valuation Principles

## 1. INTRODUCTORY INFORMATION

### 1.1 INFORMATION ABOUT THE COMPANY

The consolidated financial statements for Biotage AB (the Parent Company) for the fiscal year ending December 31, 2005 have been approved for issue by the Board of Directors and President on February 9, 2006. The consolidated financial statement documents will be presented at the Annual General Meeting on April 27, 2006 for approval. The Parent Company is a Swedish corporation with its headquarters in Uppsala, Sweden, where the Group management and functions common to the Group are located. The Company's shares are listed on the O list of the Stockholm Stock Exchange.

The Group's main business activity is in the field of life sciences. The Group offers complete solutions, knowledge and experience in two areas – medicinal chemistry and genetic analysis. The work in medicinal chemistry is conducted in the Discovery Chemistry business area, and activities pertaining to genetic analysis are conducted in the Biosystems business area. The business is mainly conducted in the United States and in the EU area, and these comprise the Group's key geographical markets for sales. Research and development is conducted in Sweden, and manufacturing is located in Sweden, the United States and the United Kingdom.

### 1.2 STATEMENT OF CONFORMITY TO APPLICABLE REGULATIONS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Parent Company is a company in the European Union, so only EU-approved IFRS are used.

The consolidated financial statements for 2005 are the first to be prepared with full adoption of IFRS. A large number of new and revised standards have been applied. IFRS 1 describes the transition procedures for a group adopting IFRS for the first time. For Biotage, the general rule is that the standards that apply on December 31, 2005 are to be applied retroactively. Differences between IFRS and the accounting policies applied previously are described in note 20 "Reconciliation with IFRS". Exceptions from the main rule about retroactive application are shown under the relevant headings in the section "Summary of important accounting policies".

The complete effects of the transition to IFRS on comparative figures for 2004 are described in note 25. This note also specifies the effects on equity on January 1, 2004.

The consolidated financial statements are also prepared in accordance with Swedish law through the application of the Swedish Financial Accounting Standards Council's recommendation, RR 30 – Supplementary Accounting Regulations for Groups.

The Parent Company's financial statements are prepared in accordance with Swedish law through the application of the Swedish Financial Accounting Standards Council's recommendation, RR 32 – Financial Statements for Legal Entities. This means that IFRS valuation and disclosure regulations have been applied.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on the historical cost convention, with the exception of financial assets and liabilities that are reported at fair value. Unless indicated otherwise, all amounts are shown in thousands of Swedish crowns (SEK thousand).

The preparation of financial statements in conformity with IFRS requires the use of a number of critical accounting estimates. It also requires management to exercise certain judgments in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in section 4. "Critical accounting estimates and judgments for accounting purposes" on page 37.

For 2005, the Group has applied the following IFRS, which are relevant to the Group's business activity. Comparative figures for 2004 have been adjusted accordingly, in accordance with applicable regulations.

IAS 1 Presentation of Financial Statements

IAS 2 Inventories

IAS 7 Cash Flow Statements

IAS 10 Events After the Balance Sheet Date

IAS 12 Income Taxes

IAS 14 Segment Reporting

IAS 16 Property, Plant and Equipment

IAS 17 Leases

IAS 18 Revenue

IAS 19 Employee Benefits

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 27 Consolidated and Separate Financial Statements

IAS 32 Financial Instruments: Disclosure and Presentation

IAS 33 Earnings per Share

IAS 37 Provisions

IAS 38 Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

Application of the above provisions has brought about some changes to the Group's accounting policies and financial reporting.

- IAS 1: some changes to the presentation of income statements and balance sheets, so that income and balance sheet items are described in more detail in notes. Some balance sheet items have been combined and are specified in notes.
- IAS 16: depreciation of the Group's real property used in operations is based on the components of the buildings – depreciation on a component basis. However, the procedure has not significantly changed annual depreciation amounts.
- IFRS 2: the Group continuously charges the accrued value of issued employee share options to the operating profit/loss as a personnel cost. A corresponding amount is added to equity, while statutory social security expenses are charged to the year's profit/loss without corresponding credit to equity.
- IFRS 3: Groupwise surplus value related to company acquisitions in 2005 has been divided between tangible and intangible assets, and goodwill. Consequently, some of the amount that in previous company acquisitions was completely recognized as a goodwill item is now divided between other asset items. Acquisitions in 2005, and their economic consequences so far, are described in section 2.3 "Business Combinations" on page 33 and in note 21.

In addition, the annual amortization of the goodwill item due to its ongoing loss of value, which was applied previously, has ceased. This amortization item affected the profit/loss for 2004 in the amount of SEK 41,383 thousand, and would have increased to SEK 47,843 thousand in 2005, and on a full-year basis to SEK 52,206 thousand, if continuous depreciation according to plan had also been applied to this year. Scheduled depreciation has been replaced by an impairment test to assess any amortization needs. More information is given in section 4, "Critical accounting estimates and judgments for accounting purposes" on page 37. When translating comparative figures for 2004, amortizations that have been charged to the profit/loss for this year have been restored, and the item entered in the consolidated balance sheet has been increased by the corresponding amount.

### 2.2 BASIS FOR CONSOLIDATION

The consolidated financial statements relate to the Parent Company and its subsidiaries. The financial statements for the Parent Company and subsidiaries incorporated in the consolidated financial statements apply to the same period and are prepared in accordance with the accounting policies that apply for the Group.

All inter-company balances, revenues, costs, profits or losses that arose in transactions between the companies covered by the consolidated financial statements are eliminated entirely.

A subsidiary is consolidated from the date of acquisition, which is the date on which control passes to the Parent Company, and is de-consolidated from the date that control ceases. Control means the entitlement to determine the strategies of an economic entity for economic gain. The existence and effect

of potential voting rights that are currently exercisable or convertible are considered when determining whether the Group can control another entity.

### 2.3 BUSINESS ACQUISITIONS

IFRS 3 is applied to company acquisitions that took place after January 1, 2004 in compliance with IFRS 1, and therefore comprise an exception from the general rule about retroactive application of IFRS. No companies were acquired in 2004, so the provisions in IFRS 3 affect the consolidated financial statements for the first time in 2005.

In June 2005, Biotage acquired Argonaut Technologies, operating in the product areas of reagents and process instruments, and with business activities in the United States and the United Kingdom. A business transfer was conducted for the American business, and the subsidiary, Argonaut Ltd, was acquired in the United Kingdom.

Accordingly, Argonaut is incorporated into the consolidated income statement and cash flow for the seven-month period, June-December, 2005.

Separis Holding AG was acquired in October 2005. Separis Holding AG distributes many of Biotage's products in Switzerland, Germany and Austria. The products are consumables that are included in the product range of the previously acquired company, Argonaut Technologies. Accordingly, the Separis income statement and cash flow for the three-month period, October-December, 2005 are incorporated in the consolidated financial statement.

The purchase method of accounting has been used in the preparation of the consolidated financial statements. The value of the Parent Company's holding of shares in the subsidiary is eliminated against equity, including capitalization of untaxed reserves in the subsidiaries. The purchase method means that identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured at their fair values on the acquisition date. Identifiable assets and liabilities also include assets, liabilities and provisions, including obligations and claims from external parties that are not reported in the acquired entity's balance sheet. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill, and is posted as an intangible asset in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the assets, liabilities and any obligations of the subsidiary acquired, the difference is recognized directly as an income in the income statement.

The useful life of each individual intangible asset is determined, and written off, using the straight-line method, over the period of useful life. If the useful life cannot be determined, no amortization is made. The useful life of goodwill is generally assumed to be indeterminable.

The effects of the acquisition of Argonaut and Separis on the consolidated balance sheet items, consolidated income statement and consolidated cash flow on December 31, 2005 is presented in note 21 "Company acquisitions in 2005".

Argonaut's contribution was revenues of SEK 76.7 million, an operating profit/loss of SEK 7.2 million, and a cash flow from operating activities of SEK 10.5 million in the period June 1-December 31, 2005. Relevant information about the impact if the company had been acquired on January 1, 2005, cannot be provided due to lack of access to the seller's information. The cost of acquisition, including acquisition expenses, was SEK 174.9 million, and the acquisition added net assets of SEK 84.7 million to the Group, and increased the goodwill item by SEK 90.2 million.

Separis' contributions were SEK 5.0 million, operating profit/loss was SEK 0.8 million, and cash flow from operating activities was SEK 1.8 million in the period October 1-December 31, 2005. The cost of acquisition, including acquisition expenses, was SEK 13.9 million, and the acquisition added assets of SEK 9.5 million to the Group, and increased goodwill by SEK 4.4 million.

### 2.4 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments are engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's main activity is in the field of life sciences. The Group offers com-

plete solutions, knowledge and experience in two areas – medicinal chemistry and genetic analysis. The work in medicinal chemistry is conducted in the Discovery Chemistry business area, and activities pertaining to genetic analysis are conducted in the Biosystems business area. The business is mainly conducted in the United States and in the EU area, and these are the Group's key geographical markets for sales. Research and development is conducted in Sweden, and manufacturing is located in Sweden, the United States and the United Kingdom.

Consequently, the Group accounts treat the Biosystems and Discovery Chemistry business areas as the primary segment, and the United States, Europe and the rest of the world as the secondary segment. The Group has applied the same accounting policies in segment reporting as in the presentation of the consolidated financial statements.

### 2.5 FOREIGN CURRENCY TRANSLATION

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Swedish crowns, which is the Company's functional and presentation currency.

#### (b) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of financial assets and liabilities denominated in foreign currencies, are recognized in the income statement. Exceptions apply if the transactions are qualifying cash flow hedges and qualifying net investment hedges, as income and expenses are reported against equity.

#### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate on the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates for the accounting period; and
- (iii) all resulting exchange differences are recognized as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of loan liabilities and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the capital gain or capital loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and have been translated at the closing rate on the balance sheet date to the extent these are reported on component company balance sheets. Items that are only taken up at Parent Company and Group level, and that correspond to posted amounts as shares in subsidiaries, have not been translated.

### 2.6 INTANGIBLE ASSETS

#### Capitalized expenditure for research and development work

Expenditure for research and development work has been reported as a Group asset since 2002 in accordance with IAS 38.

Capitalized expenditure reflects the Company's ambition to market and sell a broad range of products in the near future. Development projects are recognized as an asset when they meet the criteria in the Company's Project Manual, i.e. the project result is assessed as sellable on sound business grounds.

The development projects are aimed at developing new products and further developing existing products. Product development in the fields in which

Biotage conducts activity is a long process, and it is not unusual for a development project to extend over several fiscal years.

Development costs are reported and monitored in project reports that comprise part of the Group companies' business reporting system.

In the Company's Project Manual, projects are described according to the Biotage Project Execution Guide (B-PEG), which classifies them according to three criteria: Product Care (PC), Pre-Study (PS) and Product Development (PD). At Tollgate 1 (TG1), a decision is made as to whether the project is to be taken further and become a Development Project. If a project is taken to the next stage, the project classification is changed to PD. At TG2, a decision is made as to whether the project/product is commercially viable; if so, the process results in a new product with its own unique article number. At TG3, a project is regarded as complete.

#### Capitalization and amortization

The following principles apply for capitalization and amortization, based on the different Tollgates passed:

TG1: No capitalization.

TG2: In conjunction with the first quarter's interim report after a project has passed TG2, all project costs paid between TG1 and TG2 are capitalized. No costs are capitalized after TG2. Amortization begins on the first day of the month after TG2 is passed. Amortization is posted every month. The amortization period is based on the useful life of the project/product.

TG3: Between TG2 and TG3 funds are put into the project for concluding documentation, filing, etc. These costs are not capitalized.

The criteria applied comply with the requirements for capitalization of expenditure as described in IAS 38. Capitalized development costs are amortized over the estimated useful life of the asset, which is normally three years.

#### Patent and licensing rights, and trademarks

Patent and licensing rights, and trademarks, are shown at historical cost, less accumulated amortization according to plan. The amortization period is determined by the useful life, which for patents is usually no longer than the period of patent protection (normally 6-20 years). The amortization period for trademarks has been set at six years.

#### Goodwill

Goodwill is posted in the balance sheet as an intangible asset at the historical cost, less the accumulated amortization. Goodwill represents the excess of the historical cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

As presented earlier in the section "Basis for preparation of the consolidated financial statements", the continuous amortization of the goodwill item ceased in conjunction with the switch on January 1, 2004 to accounting according to IFRS. From now on, any reduction of value of the goodwill item will be reflected in a write-down after the impairment test business model. See section 4, "Critical accounting estimates and judgments for accounting purposes" on page 37.

Goodwill is allocated to the smallest possible cash-generating units for the purpose of impairment testing. The reported value is assessed at least once a year, and more frequently if there is an indication that value has decreased during the year.

Each of these cash-generating units comprises the Group's investments in each of the countries in which activities are conducted in each primary segment. For the Biotage Group, the posted goodwill in the consolidated balance sheet of SEK 503.5 million entirely relates to the Discovery Chemistry segment.

#### Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and commission the specific software. These costs are amortized over the estimated useful life (three to five years).

The costs of software products comprising an integral part of the Group's products that are sold on the market are capitalized as capitalized expenditure

for development work, and are amortized over the estimated useful life, which is normally three years like other capitalized development costs.

#### 2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost plus supplement for improvement expenses and less accumulated depreciation according to plan and write-downs.

Depreciation is calculated using the straight-line method and is based on the estimated useful life.

The following depreciation periods are applied:

Buildings	40 years
Production equipment	5 years
Improvement expenses on external property	10 years
Computers	3 years
Other non-current assets	5 years

Normal repairs and maintenance are charged to the income statement during the financial periods in which they are incurred.

Since the transition to IFRS on January 1, 2004, Biotage applies component depreciation for buildings. This means that the annual depreciation cost increases, but the increase is limited.

#### 2.8 FINANCIAL ASSETS

Participations in Group companies and receivables from Group companies are valued at the lower of the historical cost and the useful value.

For information regarding deferred tax, see the section on taxes on page 35.

For information regarding other financial assets, see section 2.12.

#### 2.9 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

All the leases in the Group are regarded as operating leases for the financial statements, which means that the leasing cost is continuously charged to the income statement as a cost.

#### 2.10 INVENTORIES

Inventories are assessed using the lowest value principle, i.e. at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The value of the inventories is adjusted for the value of any obsolete items.

#### 2.11 RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Receivables and liabilities in foreign currency have been translated to Swedish crowns at the closing rate on the balance sheet date. Unrealized currency gains and currency losses on operating receivables and liabilities are included in the operating profit/loss, but unrealized currency gains and currency losses on financial assets and liabilities are reported under net financial income/expense.

#### 2.12 FINANCIAL INSTRUMENTS AND SECURITIES

Financial instruments reported in the balance sheet include cash and cash equivalents, short-term investments, accounts receivable, investments held as non-current assets, accounts payable and loan liabilities.

The Group has no derivatives. Bank funds that are frozen more than one year from the date of the balance sheet for the correct performance of an obligation are reported as a long-term financial asset.

#### Accounts receivable

Accounts receivable are shown net after provisions for expected bad debt losses. The expected term of accounts receivable is short, so the value is

recognized at its face amount without discount according to the method for accrued acquisition value. A provision for bad debt losses is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in the income statement.

#### *Investments held as non-current assets*

Investments held as non-current assets are recognized at fair value, with changes in value recognized as equity.

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held on demand with banks, and other short-term highly liquid investments with original maturities of three months or less. Balances under cash and cash equivalents are recognized at their face amounts, and short-term investments at fair value with changes in value recognized in the income statement. Fair values of short-term investments are obtained from the bank. Bank overdrafts are shown within loan liabilities in current liabilities on the balance sheet. Bank funds that are frozen more than one year from the date of the balance sheet for the correct performance of an obligation are reported as a long-term financial as a long-term financial asset.

#### *Accounts payable*

The expected duration of accounts payable is short, so the debt is recognized as a face amount without discount in accordance with the method for accrued acquisition value.

#### *Loan liabilities*

Liabilities to credit institutions, overdrafts and other liabilities are valued at accrued acquisition value. Any transaction costs are spread out over the loan period, applying the effective rate of interest method. Long-term liabilities have an expected duration of longer than 1 year, while short-term liabilities have a duration of less than 1 year.

### **2.15 INCOME TAXES**

The Group's income taxes consist of current and deferred tax. Current tax is the tax that is calculated on the taxable profit/loss for a financial period. Deferred tax is calculated according to the balance sheet method, which compares the reported and taxable values of the company's assets and liabilities. The difference between these values is multiplied by the current tax rate, and the resulting figure comprises the deferred tax recoverable or the tax liability. Biotage AB and its subsidiaries have large fiscal deficit deductions. The rate at which these can be utilized against fiscal surplus is uncertain. For this reason, Biotage has not reported any deferred tax recoverable in the consolidated balance sheet.

### **2.16 CAPITAL STOCK**

All shares issued comprise common stock classified as equity. The Company has outstanding subscription options issued to the Group's employees. The employee share option programs are described on pages 37-39.

Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.17 EMPLOYEE BENEFITS**

#### *(a) Pension obligations*

The Group companies operate various pension schemes. The schemes are funded through payments to insurance companies. All pension plans for employees in the Group comprise defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the insurer does not hold sufficient assets to pay all employees the benefits relating to employee service in current or prior periods.

#### *(b) Share-based payments*

IFRS 2 (Share-based Payment) describes how share-based payments are to be reported.

IFRS 2 is applied retroactively, so the transition rule relating to share-based payments in the form of equity instruments is applied. This means that only share options issued after November 7, 2002 are reported in accordance with IFRS 2. Under previously applied policies, issued share options are first reported when the options are exercised, then without effect on income statement.

Employees in Group companies receive compensation through a share-based incentive program. Compensation consists of share options (equity instruments) that entitle the holder to subscribe to shares in the Parent Company in the future at a fixed price. On the balance sheet date, the Company had seven such outstanding programs.

An external valuation institution fixes the fair value of the share options on the date of issue. The fair value of the employee services received in exchange for the granted options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in the income statement, divided over the rest of the vesting period, and a corresponding adjustment is made to share premium under equity.

The proceeds received, net of any directly attributable transaction costs, are credited to capital stock (nominal value) and share premium when the options are exercised.

In 2005, SEK 1,671 thousand has been charged as a cost in the profit/loss for the year. SEK 1,259 thousand of this amount has been credited to share premium under equity. Outstanding share option programs are described in detail in section 5. "Share option programs for Group employees".

#### *(c) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### *(d) Profit-sharing and bonus plans*

Bonus payments to management employees are shown on pages 40-42.

In addition, the Group operates a bonus program for employees whose work tasks, and the results thereof, have a measurable impact on the Group's operating profit/loss. The cost of the bonus is taken up on the income statement, and a provision for this is made in the consolidated balance sheet.

#### *(e) Short-term benefits*

Payments to employees in the form of salaries, paid leave, paid sickness absence, etc. and pensions, are recognized as they are earned.

### **2.18 PROVISIONS**

Provisions for restructuring costs and legal claims are recognized when the Group has a legal or constructive obligation as a result of past events. Also, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. No provisions are made for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions for warranty obligations for products sold during the year are based on applicable warranty terms, warranty costs for previous periods, and estimated quality. The warranty period is one year, except in Germany where it is two years.

## 2.19 REVENUE RECOGNITION

### (a) Sales of goods

The Group develops and sells systems, reagents, accessories, spare parts and services on a global base, via subsidiaries, direct to end users, and through distributors.

Sales are recognized net, after VAT, excise duties, shipping costs, and discounts.

Revenues are recognized when the income can be reliably calculated, and where most of the risks and rights connected with ownership have been transferred from the seller to the buyer, and the customer has accepted the goods, which is normally when the goods are delivered.

### (b) Sales of services

Sales of services are recognized as revenue in the accounting period in which the services are rendered, by successive recognition based on rendered services on the balance sheet date as a proportion of the total services to be provided.

### (c) Royalty income

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

### (d) Dividend income

Dividend income is recognized when payment has been received.

## 2.20 CLASSIFICATION OF INCOME STATEMENT ITEMS

Items on the Company's income statement are classified by function. The operating costs are divided into cost of goods sold, selling expenses, administrative expenses, and costs for research and development. Income statement classified by function was chosen because other biotech and pharmaceutical companies whose shares are listed on the stock exchange also usually present function-based income statements. The reader wishing to compare companies does so more easily if the same format is used in the income statements.

Common costs for the Company, such as office materials, electricity, cleaning of premises, rental costs for office equipment, telephone and postage, etc, are allocated to each function. The allocation of common 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 employee costs relating to production personnel
- cost of premises
- packaging and shipping costs
- depreciation of production facilities
- share of common costs.

### Selling expenses

Selling expenses mainly consist of salaries, other employee costs, and travel costs relating to the Group's sales and marketing personnel, as well as costs for marketing campaigns, including fees to advertising agencies, and costs for the production of sales materials. Selling expenses also include a share of common costs.

### Administrative expenses

Administrative expenses mainly consist of salaries and employee costs relating to the Group management, financial and other administrative personnel. The administrative costs also include costs for legal advisors, audit and business development fees, and a share of common costs.

### Research and development costs

The research and development costs consist of:

- salaries and other employee costs
- costs relating to patents
- fees to consultants and external suppliers for developing instruments and

associated software

- costs of materials for prototypes and test units
- amortization of capitalized development costs
- share of common costs
- other costs related to design, development, testing and improvement of the Group's products.

### Write-down

An asset is written-down when its carrying value exceeds the recovery amount. The carrying values of the Company's assets are checked on the date of each balance sheet to check for indications of a need for write-down. If there is such an indication, the asset's recovery amount is estimated. The recovery value is the higher of the useful value and the net realizable value.

In the calculation of useful value, future cash flows are discounted to a net interest rate. The aim is to reflect the market assessment of risk-free interest and risk associated with the specific asset. The recovery value of an asset that does not generate any cash flow, independent of other assets, is calculated for the cash-generating unit to which the asset belongs.

Previous write-downs are reversed when the recovery value of a written-down property exceeds the carrying value, and the need for the previous write-down is deemed to be no longer necessary, and this is recognized in the income statement. Previous write-downs are tested on an individual basis.

### The Parent Company's accounting policies

The accounting and valuation principles for the Parent Company correspond to the Group's, with the following exceptions.

Participations in Group companies are not valued at fair value but at historic cost in accordance with the Annual Accounts Act, Section 4:3. The Act states that non-current assets shall be taken up in the balance sheet, at amounts corresponding to the expenditure for the asset's acquisition or manufacture. When the goodwill item in the consolidated balance sheet is tested for write-down, a corresponding impairment test checks the values of shares and participations in Group companies, and the value of receivables in Group companies.

## 3. FINANCIAL RISK MANAGEMENT

The financial risks associated with Biotage's business activities and financial management are described on page 20. A Group financial policy has been prepared, and approved by the Board of Directors, with the aim of limiting any negative effects of these risks. The financial policy is to facilitate the financial work and minimize the economic consequences that may stem from the financial risks.

The content of the financial policy is presented briefly below:

### 1. Overall principles

The activities of the finance department will be based on the following principles:

- The financial risks of the Group will be minimized according to accepted principles.
- Tasks will be conducted carefully and professionally.
- Measures taken will be documented and reported to the relevant Company entity.
- Management and administrative expenses will be minimized.

### 2. Division of expertise

The policy document contains a clear division of responsibility, tasks and authorities between the Company's Board of Directors, the President, the Chief Financial Officer and the Chief Accountant.

The Board of Directors has overall responsibility for the Group's financial risk management, the annual revision of the financial policy, the appointment of an authorized signatory, and the preparation of frameworks and guidelines for new borrowing, currency exposure, etc.

The President is responsible for compliance with approved policy, ensures that the policy is revised annually by the Board of Directors, and is responsible for controlling and checking business confirmations from external parties regarding investments, and that currency hedging tools are in place.

The Chief Financial Officer has operative responsibility for managing the financial risks.

The Chief Accountant is responsible for controlling and checking business confirmations from external parties regarding investments, currency hedging tools, etc. and is responsible for documenting and filing business confirmations and bank statements.

### 3. Administrative routines

The persons performing the business transactions will not be the persons responsible for control, accounting, and reporting the business transactions.

The reporting documentation for completed financial transactions will be submitted systematically to the Chief Accountant for checking against the documentation received by the business counterpart.

### 4. Income and balance exposure

The Group conducts activity, production and sales in several countries, and is therefore exposed to foreign exchange risk through distribution of revenues and costs in different currencies.

This exposure can be influenced by factors such as choice of selling and purchasing currencies.

There is also exposure to currency risks related to assets, liabilities and equity in wholly owned subsidiaries, and receivables and liabilities in relation to external customers and suppliers in different currencies.

This exposure is mainly managed through choice of selling and purchasing currency, loans and investments in currency.

### 5. Management of currency risk

Biotage will minimize the currency risk that occurs in the commercial flows. Speculative measures, with the aim of making gains on currency fluctuations, should never be undertaken. This means that no transactions will be made without some underlying commercial flow or imbalance.

Biotage's strategy is to centralize the management of currency risk to the Accounts function in Biotage AB.

Sales transactions between the Parent Company and subsidiaries will be made in the subsidiary's currency to prevent the subsidiary from having to manage currency risk.

Sales transactions between subsidiaries will be made in the selling subsidiary's currency.

### 6. Reporting

The Group's currency exposure will be compiled and reported to the Board of Directors at least once a year.

At every Board meeting, reports will be presented of any outstanding forward contract in currencies, current loans, and the liquidity situation.

Liquidity is reported weekly, including a rolling four-week forecast, and submitted to the management.

Current status regarding receivables is reviewed weekly.

### 7. Credit risks

Receivables will be followed up continually, with control over overdue receivables, measures taken, estimated credit risks, etc. The credit rating of new customers previously unknown in the Group will be checked.

Standard rules will apply regarding credit terms and claims management.

### 8. Management of liquidity and borrowing

Available liquidity is managed by the financial manager or by someone delegated by the financial manager.

Where possible, credits necessary for operational financing will be available in both the Swedish companies and foreign countries. For the foreign companies, the purpose of the operating credits is to reduce some of the currency exposure, to fund the needs for working capital, to counteract fluctuations in the liquidity, and to prevent surplus liquidity in individual companies.

### 9. Investment of surplus liquidity

The financial manager invests existing surplus liquidity in short-term liquid

securities, normally operating in Swedish crowns. The applicable securities for investment are as follows:

- Swedish government bonds
- Municipal bonds
- Home mortgage fund bonds
- Other K1-rated bonds

The duration of short-term investments may not exceed six months.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS FOR ACCOUNTING PURPOSES

In the preparation of these consolidated financial statements, the Board of Directors and President have made a number of estimates and judgments on accounting matters that are significantly important to the carrying amounts.

### *Uncertainty in estimates*

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Certain assumptions concerning the future, and certain estimates and judgments, are especially important for the carrying amounts of the assets and liabilities in the balance sheet. The estimates and assumptions that have the greatest risk of causing a material adjustment to the carrying amounts within the next financial year are discussed below. The discussion applies to both the Parent Company and the Group as a whole.

### *Write-down of goodwill in the consolidated balance sheet*

The recognized goodwill is SEK 503.5 million. The entire sum relates to the Discovery Chemistry business area, which comprises the larger of the Group's two primary segments.

The Group tests annually whether goodwill needs to be written-down. The testing requires an estimate of the useful value of the cash-generating unit to which the goodwill value is related. In turn, this requires an estimate of the expected future cash flow from Discovery Chemistry.

A write-down is made when the recoverable amount is less than the carrying amount. A write-down is then recognized in the income statement.

The testing conducted in the preparation of these financial statements showed no need for any write-down.

### *Write-down of shares and receivables in subsidiaries*

The Parent Company reports a recognized value of shares in subsidiaries of SEK 702.9 million, and a recognized value of receivables against subsidiaries of SEK 176.0 million. These items are intimately linked with what occurs in the impairment test of Groupwise goodwill. The test showed that neither the shares nor receivables needed to be written down.

## 5. SHARE OPTION PROGRAM

The following is a brief description of outstanding share-based incentive programs in the Company.

On April 21, 1999, the Annual General Meeting of Biotage AB resolved to take up a debenture loan through the issue of a promissory with a nominal value of SEK 200,000, together with 700,000 detachable warrants, to the Company's 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 21, 2006, to subscribe for 1.56 new ordinary shares in the Company at a subscription price of SEK 80.33 per share. 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).

Previously, in April, 1999, promissories were issued with a total nominal value of SEK 24,000 SEK, together with 24,000 detachable warrants, at market price. Of these, 6,000 are still outstanding, and each of these entitles the holder up until April 8, 2006, buy 6.22 new common shares in the Company at a subscription price of SEK 80.33 per share.

In 2000 the Company's wholly-owned American subsidiary, Pyrosequencing Inc.,

resolved to adopt an option plan (the "2000 Plan"). Under the 2000 Plan, employees of Pyrosequencing Inc. were granted share options entitling them to buy shares in Biotage. The options were granted free of charge, and all options issued were conditional on continued employment in the Company. Each option entitles the holder thereof to buy 1.56 shares in the Company during the period January 1, 2001, up to and including December 31, 2009, at an exercise price set at SEK 27.64 per share. At present, 31,000 employee options are outstanding 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 issue of a debenture with a nominal value of SEK 50,000, together 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 1.56 new shares in the Company at a subscription price of SEK 27.64. In November 2002, 270,333 of the issued warrants were canceled.

On April 22, 2002 the Annual General Meeting of the Company authorized the Board of Directors to implement a global employee option plan (the "2002 Plan"). The 2002 Plan means that employees will be granted share options free of charge, entitling the holder thereof to buy shares in the Company. The exercise price for the options will correspond to 110 percent of the market value of the Company's shares at the time of issue. The options granted may be exercised no earlier than one year and no later than five years from the date of issue on condition that the holder is still an employee of the Group. The Annual General Meeting authorized the Company, during the period until the Annual General Meeting for 2005, to grant a total of no more than 914,800 new employee share options.

In order to secure the Company's obligations with respect to the granted employee share options, i.e. to ensure delivery of shares to the option holders and to cover social security expenses, the Board was also authorized, on one or several occasions during the period until the next Annual General Meeting, to resolve the issue of no more than 1,171,000 subscription warrants. At present, there are 776,217 outstanding employee share options under the 2002 Plan, of which 45,300 with an exercise price of SEK 8.38 (issued on December 19, 2002), 5,450 with an exercise price of SEK 6.74 (issued on April 24, 2003), 2,967 with an exercise price of SEK 8.60 (issued on June 26, 2003), 318,500 with an exercise price of SEK 11.66 (issued on December 22, 2003), and 404,000 with an exercise price of SEK 9.86 (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 issue of 335,050 debentures with a nominal value of SEK 0.01 each, together with 335,050 detachable subscription warrants;
- on October 23, 2003, to raise a debenture loan through the issue of 52,238 debentures with a nominal value of SEK 0.01 each, together with 52,238 detachable subscription warrants;
- on December 22, 2003, to raise a debenture loan through the issue of 640,200 promissory notes with a nominal value of SEK 0.01 each, together with 640,200 detachable subscription warrants; and

- on December 21, 2004, to raise another debenture loan through the issue of 95,467 debentures with a nominal value of SEK 0.01 each, together with 95,467 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 1.04 new ordinary share in the Company at a subscription price of SEK 8.38.
- The subscription warrants issued during 2003 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 1.04 new ordinary shares 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 1.04 new ordinary shares in the Company at a subscription price of SEK 9.86.

The Extraordinary General Meeting of July 20, 2004 resolved to amend the terms of the 2002 Plan so that more employee share options could be issued, with a maximum of 914,800 share options, on condition that the number of shares that could be transferred under the 2002 Plan did not exceed 914,800.

On April 27, 2005, the Annual General Meeting of the Company authorized the Board to implement another employee share option program. However, this program was not implemented until February, 2006. The program involves 549,400 employee share options, of which members of the Group management receive a maximum of 45,000 options each, junior managers receive a maximum of 10,000 options each, other senior executives and key employees receive a maximum of 2,000 options each, and other employees receive a maximum of 400 options each. The Company's Group CEO and President, Jeff Bork, has not been allocated any options. An employee share option entitles the holder to buy a share in Biotage at an exercise price of SEK 11.83. The employee share options run for 7 years, and can be exercised no earlier than one year and no later than three years from the date of issue, with one-third of the total number of employee options granted for each one-year period.

In principle, the employee options require that the holder at the time of exercise is still employed in the Group. In order to secure the Company's obligations with respect to the granted employee share options according to the option program, the Board of Directors has also resolved on the issue of no more than 640,000 subscription warrants. This issue was also authorized at the Annual General Meeting of April 27, 2005. The subscription warrants entitle the holders to new subscription to a maximum of 640,000 shares in the company. A subscription warrant runs for 7 years, and entitles the holder to subscribe to new shares in Biotage at a subscription price of SEK 11.83. Only one bank, appointed by the Board, is entitled to subscribe to the subscription warrants.

Apart from the options to the employees, 11,380,064 subscription warrants have been issued in conjunction with the acquisition of Personal Chemistry i Uppsala AB. These entitle the holders to subscribe to a total of 11,805,332 shares in Biotage, up to and including October 15, 2007 at a price of SEK 15.42 per share.

**Outstanding options on December 31, 2005 are summarized.**

Year	Number of options	Number of shares that each option gives entitlement to conversion <sup>K</sup>	Number of shares that can be subscribed	Total number of shares that can be subscribed at full exercise of issued options	Issue price, SEK <sup>K</sup>	Notes	First date of subscription period	Last date of subscription period
<i>Subscription option program directed at employees in the Group</i>								
1999	6,000	6.22	37,320	37,320	80.33	C	8/3/1999	4/8/2006
1999	269,000	1.56	418,579	418,579	80.33	C	1/1/2000	4/21/2006
Subtotal	275,000		455,899	455,899				

*Subscription option program directed at former shareholders in Biotage Sweden AB (formerly Personal Chemistry i Uppsala AB)*

2003	11,380 064	1.04	11,805,332	11,805,332	15.42		9/30/2003	10/15/2007
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Year	Number of options	Number of shares that each option gives entitlement to conversion <sup>K</sup>	Number of shares that can be subscribed	Subscription options to secure obligations, A, B	Total number of shares that can be subscribed at full exercise of issued options	Issue price, SEK <sup>K</sup>	Notes	First date of subscription period	Last date of subscription period
<i>Subscription option program directed at employees in the Group:</i>									

2000	31,000	1.56	48,238	7,718	55,956	27.64	D, I	1/1/2001	12/31/2009
2002	45,300	1.04	46,993	7,519	54,512	8.38	E, H, I	2/20/2003	12/31/2007
2003	5,450	1.04	5,654	905	6,558	6.74	F, H, I	7/6/2004	12/31/2008
2003	2,967	1.04	3,078	492	3,570	8.60	F, H, I	7/6/2004	12/31/2008
2003	318,500	1.04	330,402	52,864	383,267	11.66	F, H, I	7/6/2004	12/31/2008
2004	404,000	1.04	419,097	67,056	486,153	9.86	G, H, I	10/21/2005	12/31/2009
Total	807,217		853,462	136,554	990,015				

<b>Total</b>	<b>12,462,281</b>		<b>13,114,692</b>	<b>136,554</b>	<b>13,251,246</b>				
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<sup>A</sup> Assumptions concerning the cash flow for statutory social security expenses, and other costs for the exercising of the options, have been calculated according to a standard computed by Biotage.

<sup>B</sup> Further share options have been issued that are subscribable to the number of shares shown in the table. The issue is to cover costs and cash flows caused by statutory social security expenses on the value of subscribed shares.

<sup>C</sup> All warrants have been transferred to the employees at market value.

<sup>D</sup> All warrants are held by Pyrosequencing Inc. to secure its obligation to deliver shares with respect to the 31,000 outstanding employee options.

<sup>E</sup> All warrants are held by CEMU Bioteknik to secure Biotage AB's obligation to deliver shares with respect to the 45,300 outstanding employee options under the 2002 Plan.

<sup>F</sup> All warrants are held by CEMU Bioteknik to secure Biotage AB's obligation to deliver shares with respect to the 326,917 outstanding employee options under the 2002 Plan.

<sup>G</sup> All warrants are held by CEMU Bioteknik to secure Biotage AB's obligation to deliver shares with respect to the 404 000 outstanding employee options under the 2002 Plan.

<sup>H</sup> The exercise price of the employee options granted under the 2002 Plan is equivalent to the subscription price for the warrants.

<sup>I</sup> In the table above, the information regarding warrants for hedging relate to the options that may be utilized to fulfill obligations according to the employee share option program. However, at December 31, 2005, the Company has the following warrants that were originally issued to cover allotment and costs in relation to the employee share option program and other warrants.

<sup>K</sup> Subscription price and number of shares that accompany each warrant has been recalculated with regard to implemented new share issues.

**Total outstanding subscription options**

Year	On Jan. 1 2005	Change over year	On Dec. 31 2005
1999	6,000	–	6,000
1999	269,000	–	269,000
2000	529,667	–	529,667
2002	335,050	–	335,050
2003	11,380,064	–	11,380,064
2003	52,238	–	52,238
2003	640,200	–	640,200
2004	95,467	–	95,467
Total	13,307 686	–	13,307,686

# Notes

## NOTE 1 AVERAGE NUMBER OF EMPLOYEES, SALARIES, REMUNERATION AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
	2005	2004	2005	2004
Board and senior executives				
Board members and senior executives are presented on pages 60-62				
<i>Board</i>				
Women	1	–	1	–
Men	7	9	7	9
Total	8	9	8	9
<i>Group management</i>				
Women	–	1	–	–
Men	3	3	1	1
Total	3	4	1	1
<i>Average number of employees</i>				
Women	111	85	1	23
Men	183	161	1	22
Total	295	246	2	45
<i>Salaries and remuneration</i>				
Board of Directors and President	5,408	5,544	5,408	5,544
Other senior executives	5,651	7,743	–	1,080
Other employees	147,415	131,485	564	19,575
Total salaries and remuneration	158,474	144,772	5,973	26,199
<i>Statutory and contractual social security expenses</i>				
Board of Directors and President	2,249	2,065	2,249	2,065
Other senior executives	637	1,010	–	402
Other employees	22,486	23,544	235	7,291
Total statutory and contractual social security expenses	25,373	26,619	2,484	9,758
<i>Pension costs</i>				
Board of Directors and President	841	1,359	841	1,359
Other senior executives	472	695	–	375
Other employees	9,208	10,059	66	3,892
Total pension costs	10,521	12,113	907	5,626
Total salaries, social security expenses and pension costs	194,368	183,503	9,363	41,583

### Average number of employees, breakdown by Parent Company and country

	2005			2004		
	Total	of whom men	of whom women	Total	of whom men	of whom women
Parent Company in Sweden	2	1	1	45	22	23
Subsidiaries in Sweden	68	46	22	46	37	9
United States	142	88	54	122	80	42
United Kingdom	64	34	30	16	10	6
Germany	10	8	2	9	6	3
France	1	1	–	1	1	–
Switzerland	–	–	–	–	–	–
Japan	8	5	3	7	5	2
Total employees, by country	295	183	111	246	161	85
Percentages		62%	38%		65%	35%

### Salaries and remuneration, breakdown by Parent Company and country

	2005	2004
<i>Board and President</i>		
Parent Company	5,408	5,544
Subsidiaries in Sweden	–	–
Total	5,408	5,544
<i>Other senior executives</i>		
Parent Company	–	1,080
Subsidiaries in Sweden	1,379	1,462
USA	4,272	5,201
Total	5,651	7,743

	2005	2004
<b>Other employees</b>		
<i>Parent Company</i>	564	19,575
	<b>2005</b>	<b>2004</b>
<i>Subsidiaries</i>		
Sweden	33,210	25,337
USA	78,287	68,730
United Kingdom	25,078	7,715
Germany	6,078	6,680
France	496	538
Switzerland	116	–
Japan	3,587	2,910
Total in subsidiaries	146,850	111,909
Total for the Group	158,474	144,772

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

	2005	2004
Absence due to sickness for all employees	1.7	0.8
Proportion of long-term absence due to sickness	44.0	0.0
Absence due to sickness, women	3.3	0.8
Absence due to sickness, men	0.8	0.8
Absence due to sickness, employees aged 29 or younger	(*)	(*)
Absence due to sickness, employees aged 30-49	1.7	0.8
Absence due to sickness, employees aged 50 or older	0.9	0.9

\* Not shown because of the exemption rule in the law that states that the information is not to be disclosed if the number of employees in the group does not exceed ten, or if the information can be attributed to an individual employee. In this context, “group” refers to both gender and age.

Long-term absence due to sickness is defined as an unbroken period of absence due to sickness of 60 calendar days or more.

#### 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 President and 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” relates to the three people who, together with the President and CEO, make up the Group Management.

For the composition of Group Management, please see page 62.

The division between basic salary and variable remuneration is proportional to the responsibility and authority of the individual in question. However, no variable remuneration is payable to the President and 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 and CEO and other senior executives are paid as part of the total remuneration package.

#### Remuneration and other benefits during 2005

	Board fee	Basic salary	Variable remuneration	Other benefits	Pension cost	Total
<i>Board Chairman:</i>						
Börje Ekholm	300,000	–	–	–	–	300,000
<i>Other Board members</i>						
	840,000	–	–	–	–	840,000
<i>President and CEO:</i>						
Jeff Bork	–	4,029,996	–	131,421	840,556	5,001,973
<i>Other senior executives</i>						
	–	5,298,007	353,181	88,699	472,452	6,212,339
Total	1,140,000	9,328,003	353,181	220,120	1,313,008	12,354,312

*President and CEO*

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

*Bonus*

The President and 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 2005 was paid as a percentage of basic salary.

*Pensions*

The Group only uses defined contribution pension plans. The retirement age for the current President and CEO, Jeff Bork, is 65. The pension premium shall amount to 35 percent of pensionable income. The pensionable income comprises basic salary.

*Severance pay*

The period of notice between the Company and the President and 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 and CEO's gross neglect of responsibilities to the company), or termination of contract by the President and 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 and CEO for other reasons (although compensation for a non-competition agreement with the President and 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*

On a number of occasions, the Annual General Meeting of Biotage AB has authorized the Board of Directors to implement employee share option programs directed at all employees. The programs are described in detail on pages 37-39 in these financial statements. These employee share option programs do not apply to the President. Resolved and still outstanding employee share option programs consisted of 1,259,501 warrants at December 31, 2005, giving entitlement to subscription of 1,439,501 shares in total.

**On December 31, 2005, senior executives held the following allotted warrants**

	Program from 2002	Program from 2003	Program from 2004
<i>Number of warrants:</i>			
President and CEO, Jeff Bork (see above)	–	–	–
Other senior executives	18,000	42,000	60,000
Entitlement to subscribe this number of shares	18,000	42,000	60,000
Subscription price, SEK	8.69	12.10	10.23

*Comments to the table:*

During 2005, no financial instruments were allotted to the President and CEO, Jeff Bork, or to other senior executives.

**NOTE 2 SALES**

	Group		Parent Company	
	2005	2004	2005	2004
<i>Net sales were divided between products and services as below:</i>				
Products	385,288	322,651	–	59,896
Service agreements and other services	32,958	29,332	–	1,517
Royalties	9,671	14,666	9,294	8,566
Other sales income	2,479	–	143	72
Total sales income	430,396	366,649	9,437	70,051

For information regarding the distribution of income between the primary segments (the business areas) and the secondary segments (geographical markets), see Note 5, Segment reporting.

	Group		Parent Company	
	2005	2004	2005	2004
<i>Purchases and sales within the Group:</i>				
Sales from Parent Company to subsidiaries	4,337	28,030	4,337	28,030
Sales between subsidiaries	130,492	77,043	–	–
Total sales within the Group	134,829	105,073	4,337	28,030

The amounts were eliminated in the preparation of the consolidated income statement, and are therefore not included in the sales income for products and services above.

**NOTE 3 OTHER OPERATING INCOME**

	Group		Parent Company	
	2005	2004	2005	2004
Translation differences on receivables and liabilities	6,420	10,944	716	13,846
Capital gain/loss on non-current assets	778	400	-	-
Regional support funds	735	-	-	-
Internal services from Parent Company to subsidiaries	-	-	4,337	3,440
Other items	437	191	297	90
Total other operating income	8,369	11,535	5,351	17,376

**NOTE 4 BREAKDOWN OF OPERATING COSTS**

	Group		Parent Company	
	2005	2004	2005	2004
Purchased finished products, input goods, semi-finished goods, and production services	107,990	78,241	-	23,547
Employee costs	194,368	183,503	9,363	41,583
Depreciation/amortization according to plan of tangible and intangible non-current assets	35,766	31,817	950	2,617
Other operating costs	163,590	146,317	15,191	38,955
Total operating costs	501,714	439,878	25,504	106,702

**NOTE 5 RAPPORTERING PER SEGMENT**

There has been no trade or other financial transactions *between* the segments. Trade and other financial transactions between entities *within* the segments were eliminated in the preparation of the following accounts.

Comparative figures for 2004 were adjusted in accordance with IFRS compared with the information in the financial statements for 2004.

**PRIMARY SEGMENTS**

Amounts in SEK thousand	Biosystems	Discovery Chemistry	Other operations	2005		Discovery Chemistry	Other operations	2004	
				Total	Total			Total	Total
<b>Summary of income statements:</b>									
Net sales	79,511	350,885	-	430,396	98,436	268,213	-	366,649	
Cost of goods sold	-39,697	-153,846	-6,805	-200,348	-40,868	-107,727	-	-148,596	
Gross profit	39,814	197,039	-6,805	230,047	57,567	160,486	-	218,053	
Gross margin	50.0%	56.1%	-	53.4%	58.5%	59.8%	-	59.5%	
Selling costs	-51,293	-123,597	-	-174,890	-60,841	-104,335	-	-165,176	
Administrative expenses	-7,113	-30,618	-17,208	-54,939	-12,726	-21,829	-5,124	-39,679	
Research and development costs	-15,241	-51,601	-	-66,842	-31,990	-45,469	953	-76,506	
Other operating items	-1,015	679	4,009	3,674	-2	-4	1,620	1,613	
Total operating costs	-74,662	-205,136	-13,199	-292,997	-105,560	-171,637	-2,551	-279,747	
Operating profit/loss	-34,848	-8,097	-20,004	-62,949	-47,992	-11,151	-2,551	-61,694	
Net financial income/expense	-	-	25,860	25,860	-	-	-12,749	-12,749	
Profit/loss after financial items	-34,848	-8,097	5,856	-37,090	-47,992	-11,151	-15,299	-74,443	
Tax on profit/loss for the year	-	-	-2,802	-2,802	-	-	-216	-216	
Profit/loss for the period	-34,848	-8,097	3,053	-39,892	-47,992	-11,151	-15,516	-74,659	
<b>Summary of balance sheets:</b>									
Non-current assets	84,418	637,625	1,607	723,651	90,922	465,535	-	556,457	
Current assets	33,962	161,842	55,284	251,087	52,735	95,502	31,406	179,644	
Total assets	118,381	799,468	56,891	974,738	143,658	561,037	31,406	736,101	
Equity	84,237	610,557	43,457	738,252	89,225	441,464	33,153	563,842	
Liabilities and provisions	34,144	188,910	13,433	236,486	54,433	119,573	-1,747	172,259	
Total equity and liabilities	118,381	799,468	56,891	974,738	143,658	561,037	31,406	736,101	

	2005				2004			
	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
<b>Investments for the year (*)</b>								
Tangible non-current assets	2,252	31,682	-	33,935	301	4,200	-	4,500
Intangible non-current assets	6,095	118,254	-	124,349	595	14,485	-	15,079
Financial assets	-	-406	-	-406	-	-	-	-
Total investments	8,347	149,531	-	157,878	895	18,685	-	19,580

(\*) includes non-current assets in subsidiaries acquired in 2005

#### Depreciation/amortization for the year according to plan

	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
Tangible non-current assets	-7,513	-13,622	-	-21,134	-688	-18,944	-	-19,632
Intangible non-current assets	-6,268	-8,364	-	-14,632	-7,661	-4,525	-	-12,186
Financial assets	-	-	-	-	-	-	-	-
Total depreciation/amortization according to plan	-13,780	-21,986	-	-35,766	-8,349	-23,469	-	-31,818

#### Cash flow for the year

	Biosystems	Discovery Chemistry	Other operations	Total
Cash flow from the current operation	-19,539	7,979	-8,731	-20,291
Cash flow from investing activities	-8,347	-14,178	-	-22,525
Company acquisitions	-	-154,658	-	-154,658
Cash flow from financing activities	-	19,062	200,127	219,189
Total cash flow for the year	-27,886	-141,795	191,396	21,715

Comparative figures for 2004 cannot be calculated, as the Group introduced cash flow at segment level from 2005, in accordance with IAS 14, section 62, which encourages voluntary disclosure of segment information.

#### SECONDARY SEGMENTS

	2005				2004			
	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
<b>Summary of income statements:</b>								
<i>External net sales</i>								
Europe	28,459	124,523	-	152,982	43,654	86,654	-	130,308
United States	45,832	177,831	-	223,664	48,341	149,692	-	198,034
Rest of the world	5,220	48,530	-	53,750	6,441	31,866	-	38,307
Total external net sales	79,511	350,884	-	430,395	98,436	268,212	-	366,649
<i>Reported value of assets (*)</i>								
Europe	106,353	444,223	52,327	602,903	127,941	272,718	25,471	426,130
United States	12,028	330,358	3,570	345,955	15,717	256,743	5,153	277,613
Rest of the world	-	24,887	993	25,880	-	31,576	782	32,358
Total assets	118,381	799,468	56,890	974,738	143,658	561,038	31,406	736,101

(\*) Assets have been partly reclassified in the 2005 accounts

#### Investments for the year in tangible and intangible assets (\*)

	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
Europe	8,333	116,872	-	125,205	895	10,947	-	11,842
United States	14	32,664	-	32,678	-	6,662	-	6,662
Rest of the world	-	-5	-	-5	-	1,076	-	1,076
Total assets	8,347	149,531	-	157,878	895	18,685	-	19,580

(\*) includes non-current assets in subsidiaries acquired in 2005

**NOTE 6 ADMINISTRATIVE EXPENSES**

Administrative expenses include fees and remuneration to auditors as follows.

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

	Group		Parent Company	
	2005	2004	2005	2004
<i>Fee to the auditing firm of Deloitte AB</i>				
Auditing fees	3,462	1,982	1,482	697
Other remuneration	2,621	1,272	2,459	1,036
Total	6,083	3,254	3,941	1,733
<i>Fees to other auditors</i>				
Auditing fees	50	–	–	–
Other remuneration	145	472	48	–
Total	195	472	48	–
Total remuneration in the Group	6,278	3,726	3,989	1,733

**NOTE 7 LEASING AND RENTAL AGREEMENT CHARGES**

All leasing agreements in the Group are regarded as operational leasing for auditing purposes, which means that the leasing cost is charged as a cost over the duration of the leasing agreement.

	Group		Parent Company	
	2005	2004	2005	2004
Leasing and rental agreements during the year	13,653	13,370	217	1,490
<i>Remaining rental and leasing charges</i>				
Within 1 year	10,130	8,588	160	187
Between 1 and 5 years	21,261	17,795	192	52
5 years or later	813	–	–	–
Total	32,203	26,382	352	239

**NOTE 8 DEPRECIATION/AMORTIZATION OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS**

Depreciation/amortization is included in overheads of the various functions, and is allocated as follows:

	Group		Parent Company	
	2005	2004	2005	2004
Cost of goods sold	5,069	4,680	–	–
Selling costs	5,906	8,590	–	–
Administrative expenses	6,639	4,481	–	–
Research and development costs	18,153	14,067	950	2,617
Goodwill	–	–	–	–
Total	35,766	31,818	950	2,617

Depreciation/amortization divided by primary segment is shown under note 5, Segment reporting

**NOTE 9 OTHER OPERATING COSTS**

	Group		Parent Company	
	2005	2004	2005	2004
Translation difference on receivables and liabilities	3,463	9,322	706	1,524
Capital gain/loss on non-current assets	79	63	–	–
Phase-out of product range	951	–	–	–
Services purchased from subsidiaries	–	–	3,163	–
Other items	202	537	20	870
Total other operating costs	4,695	9,922	3,889	2,394

**NOTE 10 FINANCIAL INCOME, FINANCIAL EXPENSES, BORROWING**

	Group		Parent Company	
	2005	2004	2005	2004
<b>Financial income</b>				
Interest income from checking accounts at banks	654	223	343	146
Share dividends received	2,091	2,667	2,091	2,667
Translation difference on intra-Group receivables	30,529	–	34,636	–
Interest income from Group company receivables	–	–	14,100	6,060
Other financial income	–	51	–	–
<b>Total</b>	<b>33,274</b>	<b>2,940</b>	<b>51,170</b>	<b>8,873</b>
<b>Financial expenses</b>				
Interest expenses and similar payments to banks	7,296	6,735	2,845	715
Translation difference on Group internal receivables	–	8,085	–	18,283
Result of Group internal restructuring	–	869	–	–
Translation differences on long-term receivables	118	–	–	–
<b>Total</b>	<b>7,414</b>	<b>15,689</b>	<b>2,845</b>	<b>18,998</b>
<b>Net financial profit/loss</b>	<b>25,860</b>	<b>-12,749</b>	<b>48,325</b>	<b>-10,125</b>

	Group		Parent Company	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
<b>Borrowing</b>				
<i>Long-term</i>				
Bank loans	49,430	32,488	–	–
Other long-term credit	5,999	112	5,197	–
<b>Total long-term borrowing</b>	<b>55,429</b>	<b>32,600</b>	<b>5,197</b>	<b>–</b>
Loan maturity:				
1-5 years	49,401	32,600	–	–
6 years -	6,028	–	–	–
<i>Short-term</i>				
Operating credit at banks	39,364	19,509	–	76
Short-term share of long-term borrowing	2,610	2,068	–	–
<b>Total short-term borrowing</b>	<b>41,973</b>	<b>21,577</b>	<b>–</b>	<b>76</b>
<b>Total borrowing</b>	<b>97,402</b>	<b>54,177</b>	<b>5,197</b>	<b>76</b>

Total borrowing includes secured liabilities of USD 10,047 thousand, SEK 890 thousand and SEK 0 thousand (2004 USD 8,165 thousand and SEK 76 thousand). Security for bank loans comprises the Group's buildings and land (note 12). Receivables have been pledged for other borrowing against security.

**Allotment of credit by currency**

	Group		Parent Company	
	Local currency	SEK thousand	Local currency	SEK thousand
SEK	5,271,879	5,272	5,197,207	5,197
USD	10,047,404	79,902	–	–
GBP	890,287	12,226	–	–
Other currencies	–	3	–	–
<b>Total</b>	<b>–</b>	<b>97,402</b>	<b>–</b>	<b>5,197</b>

**Effective annual rate of interest on the balance sheet date, December 31, 2005, was as follows**

	SEK	GBP	USD	SEK	GBP	USD
Bank loans	–	5.75%	5.28%	–	–	–
Operating credit	3.32%	–	8.02%	–	–	–
Other credit	–	–	–	–	–	–

**On the balance sheet date, December 31, 2005, the Group had the following unutilized credit facilities**

– maturity within one year	SEK 37,900 thousand
– maturity in more than one year	SEK 0 thousand
<b>Total unutilized credit facilities at December 31, 2005</b>	<b>SEK 37,900 thousand</b>

**NOTE 11 TAXES**

	Group		Parent Company	
	2005	2004	2005	2004
Current tax	-2,802	-216	-	-
Deferred tax	-	-	-	-
Total	-2,802	-216	-	-
<b>Reconciliation of effective tax</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Profit/loss before tax	-37,090	-74,443	37,608	-29,400
Tax calculated according to applicable tax rates for Parent Company	10,385	20,844	-10,530	8,232
Effect of other tax rates for the foreign subsidiaries	741	2,740	-	-
Tax-free income	1,309	997	65	-
Non-deductible costs	-5,558	-	-38	-
Effect of capitalization of intangible assets without reporting a deferred tax liability	-	-4,788	-	-13
Increase of loss carry-forward without capitalization of deferred tax	-10,152	-20,099	10,504	-8,219
Effect of group contribution	105	83	-	-
Other effects	367	7	-	-
Total tax reported in consolidated income statement	-2,802	-216	-	-

As of December 31, 2005, the Group has unutilized fiscal loss carry-forwards in the range of SEK 1,054 million (1,033). The corresponding amount for the Parent Company was SEK 620 million (658). All loss carry-forwards can be utilized for an unlimited period. However, it is uncertain when these loss carry-forwards can be utilized against future taxable profits. Deferred tax has been calculated on temporary differences between the reported fiscal values of the 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 carry-forwards. This means that deferred tax liability will not 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 taxable profits. In view of the above, neither the Group nor the Parent Company reports any deferred tax in the income statement or balance sheet.

**NOTE 12 TANGIBLE NON-CURRENT ASSETS**

	Buildings & land	Improvement	Machinery, equipment & plant	Total
		expenses on external property		
<b>January 1, 2004</b>				
Acquisition cost or revalued amount	49,045	13,717	123,353	186,115
Accumulated depreciation	-1,594	-4,542	-72,582	-78,718
Planned residual value	47,451	9,175	50,771	107,397
<b>January 1 - December 31, 2004</b>				
Purchases	-	314	6,972	7,286
Sales and disposal	-	-157	-820	-977
Depreciation according to plan	-1,195	-768	-16,692	-18,655
Translation differences	-4,661	-144	-1,352	-6,157
Total change over the year	-5,856	-755	-11,892	-18,503
<b>December 31, 2004</b>				
Acquisition cost or revalued amount	49,045	14,031	130,325	193,401
Accumulated depreciation	-2,789	-5,467	-90,095	-98,350
Translation differences	-4,661	-144	-1,352	-6,157
Planned residual value	41,595	8,420	38,879	88,894
<b>January 1-December 31, 2005</b>				
Purchases	-	1,215	8,961	10,176
Purchases via company acquisitions	16,221	473	9,092	25,786
Sales and disposal	-	-	-2,027	-2,027
Depreciation according to plan	-1,732	-1,455	-17,947	-21,134
Translation differences	8,695	18	3,017	11,730
Total change over the year	23,184	251	1,096	24,530

<b>December 31, 2005</b>	Buildings & land	Improvement expenses on external property	Machinery, equipment & plant	Total
Acquisition cost or revalued amount	65,266	15,719	148,379	229,363
Accumulated depreciation	-4,521	-6,922	-110,069	-121,512
Translation differences	4,033	-126	1,666	5,573
Planned residual value	64,778	8,671	39,975	113,424

*Depreciation is calculated over the asset's estimated period of useful life, which is usually:*

Buildings and land	40 years
Improvement expenses on external property	10 years
Machinery, equipment and plant	3-5 years

### NOTE 13 GOODWILL

	<b>12/31/05</b>	<b>12/31/04</b>
Acquisition cost brought forward	412,358	412,358
Company acquisitions 2005	96,164	-
Translation differences	4,747	-29,007
Closing accumulated acquisition cost	513,269	383,351
Opening amortization	-9,791	-9,791
Amortization for the year, see below	-	-
Translation differences	32	32
Closing accumulated amortization	-9,759	-9,759
<b>Total reported value</b>	<b>503,510</b>	<b>373,592</b>

*The entry is divided between the Group's primary segments as follows:*

Biosystems	-	-
Discovery Chemistry	503,510	373,592
<b>Total</b>	<b>503,510</b>	<b>373,592</b>

#### *Impairment test of goodwill*

The application of IFRS regulations means that Biotage, from January 1, 2005, no longer continuously recognizes amortization of the goodwill entry in the consolidated balance sheet. Instead, the goodwill entry is examined to see whether a write-down is needed.

Comparative figures for 2004 have been adjusted so that the reported cost for amortization according to plan has been restated as the recognized goodwill entry.

In preparation of the consolidated financial statements for 2005, the write-down needs, if any, of the goodwill entry have been examined. This required a calculation of the expected cash flow from the Discovery Chemistry business area, to which the entire goodwill entry is allocated. The expected cash flows showed no need to write-down the goodwill entry, and the recovery value easily exceeds the carrying amount of the item in the consolidated balance sheet. The Company management is of the opinion that no reasonable changes in the budget and forecasts for the critical assumptions would change this.

In the annual examination of the goodwill figures, the recovery value is calculated for the business areas to which the goodwill amount is allocated. In Biotage's case, this consists solely of the Discovery Chemistry business area.

The cash flows are based on the consolidated budget for 2006, and business forecasts for 2007-2010. The main parameters that have greatest influence on the calculations of recovery value are estimated sales trends, gross profit, gross margin, operating costs, investments and depreciation, working capital, and corporate taxes. However, these parameters for the calculation model cannot be shown due to competition.

When any write-down needs have been examined, the calculated future cash flows have been discounted to current value.

When discounting to current value, the following gross interest rates have been used:

Equity financing	9.97%
Liability financing	5.00%
Average, based on the Group's capital structure	9.47%

**NOTE 14 OTHER INTANGIBLE NON-CURRENT ASSETS**

	Capitalized costs for development projects	Patents, licenses, trademarks, etc.	Group Total	Parent Company Patents, licenses, trademarks, etc.
<b>January 1, 2004</b>				
Acquisition cost or revalued amount	26,895	30,948	57,843	11,417
Accumulated amortization	-8,616	-9,765	-18,381	-2,768
Planned residual value	18,279	21,183	39,462	8,649
<b>January 1 - December 31, 2004</b>				
Purchases	11,716	3,364	15,079	3,276
Sales and disposals	-276	-2,460	-2,736	-1,599
Amortization according to plan	-6,806	-2,643	-9,449	-1,018
Translation differences	-123	-328	-451	-
Reclassification	-	1,883	1,883	-
Total change over the year	4,510	-184	4,326	659
<b>December 31, 2004</b>				
Acquisition cost or revalued amount	38,611	36,195	74,805	14,693
Accumulated amortization	-15,698	-14,868	-30,567	-5,385
Translation differences	-123	-328	-451	-
Planned residual value	22,789	20,999	43,788	9,308
<b>January 1 - December 31, 2005</b>				
Purchases	12,384	2,389	14,773	893
Purchases via company acquisitions	-	13,412	13,412	-
Sales and disposals	-	-	-	-
Amortization according to plan	-10,218	-4,415	-14,632	-950
Translation differences	605	219	824	-
Total change over the year	2,771	11,605	14,376	-57
<b>December 31, 2005</b>				
Acquisition cost or revalued amount	50,995	51,995	102,990	15,586
Accumulated amortization	-25,916	-19,283	-45,199	-6,335
Translation differences	482	-109	374	-
Planned residual value	25,561	32,604	58,165	9,251

Development projects are capitalized when they meet the criteria in the Company's Project Manual, i.e. the project result is assessed as sellable on sound business grounds. The criteria applied comply with the requirements for capitalization of expenditure according to IAS 38. Capitalized development costs are amortized over the estimated useful life of the asset, which is normally three years.

The amortization period is determined by the useful life, which for patents is usually no longer than the period of patent protection (normally 8-20 years).

The amortization period for trademarks and other intangible assets is 7 years.

**NOTE 15 FINANCIAL ASSETS**

	Group		Parent Company	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Other long-term securities (*)	45,783	45,783	45,783	45,783
Miscellaneous long-term receivables	474	494	-	-
Miscellaneous long-term deposits	688	896	-	-
Frozen bank funds	1,607	3,010	-	-
Total financial assets	48,552	50,183	45,783	45,783

(\*) The entry relates to shares in Bio-Molecular Holdings.

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 thermocyclical instruments that are used to strengthen and detect DNA and RNA.

Biotage's ownership of Bio-Molecular Holdings accounts for 17.5% of the company's capital and votes. The company's shares are not listed on any stock exchange, so have no share price. The share item has therefore been posted at acquisition cost.

**NOTE 16 INVENTORIES**

	12/31/2005	12/31/2004
Raw materials and consumables	54,852	28,079
Work in progress	10,823	4,640
Finished products	27,021	42,245
Total inventories	92,695	74,965

The inventories have been valued according to the lowest value principle.

*Analysis of causes of changes in inventories during 2005:*

Effects of price changes	1,499
Effects of changes in sales	-13,828
Effects of inventory write-downs	-12,775
Effects of changes in currency rates	7,440
Effects of company acquisitions	35,396
Total change in inventories	17,731

*Distribution of inventories by business area:*

December 31, 2005	Discovery		Total
	Biosystems	Chemistry	
Raw materials and consumables	4,765	50,087	54,852
Work in progress	1,547	9,276	10,823
Finished products	7,617	19,404	27,021
Total	13,930	78,766	92,695
December 31, 2004			
Raw materials and consumables	7,521	20,558	28,079
Work in progress	2,217	2,423	4,640
Finished products	21,312	20,933	42,245
Total	31,050	43,914	74,965

**NOTE 17 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

	Group		Parent Company	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Accounts receivable	92,814	66,232	334	2,320
Prepaid costs and accrued income (a)	5,312	4,103	1,346	592
Other short-term receivables (b)	7,472	5,957	596	134
Total accounts receivable and other receivables	105,598	76,292	2,275	3,045

**(a)***Prepaid costs and accrued income*

Accrued income	-	270	-	-
Prepaid rents	1,773	1,880	12	12
Prepaid insurance	1,362	550	1,245	550
Other items	2,177	1,404	89	30
Total	5,312	4,103	1,346	592

**(b)***Other short-term receivables*

Value-added tax	3,346	2,635	258	-306
Income tax	3,739	1,260	338	429
Other short-term receivables	387	2,062	-	10
Total	7,472	5,957	596	134

**NOTE 18 PROVISIONS**

	Group	
	12/31/2005	12/31/2004
Warranty provisions	5,228	4,332
Provisions for restructuring costs	2,996	4,144
Provisions for social security expenses in employee share options	645	233
Other provisions	862	94
Total provisions	9,731	8,803

<b>Division between long-term and short-term items:</b>	<b>12/31/2005</b>	<b>12/31/2004</b>
<i>Long-term items:</i>		
Warranty provisions	210	–
Provisions for restructuring costs	–	2,901
Provisions for social security expenses in employee share options	645	233
Other provisions	837	94
<b>Total</b>	<b>1,691</b>	<b>3,228</b>
<i>Short-term items:</i>		
Warranty provisions	5,019	4,332
Provisions for restructuring costs	2,996	1,243
Provisions for social security expenses in employee share options	–	–
Other provisions	25	–
<b>Total</b>	<b>8,039</b>	<b>5,575</b>

**NOTE 19 ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	Group		Parent Company	
	<b>12/31/2005</b>	<b>12/31/2004</b>	<b>12/31/2005</b>	<b>12/31/2004</b>
Accounts payable	40,980	47,548	2,146	3,302
Accrued costs and prepaid income <b>(a)</b>	65,149	54,257	16,302	20,147
Other short-term liabilities <b>(b)</b>	16,219	7,416	10,907	3,175
<b>Total trade and other liabilities</b>	<b>122,348</b>	<b>109,221</b>	<b>29,355</b>	<b>26,625</b>

**(a)***Accrued costs and prepaid income*

Employee-related costs	21,285	19,030	2,431	2,695
Prepaid income	29,879	23,602	10,415	13,956
Other accrued costs	13,985	11,625	3,456	3,496
<b>Total</b>	<b>65,149</b>	<b>54,257</b>	<b>16,302</b>	<b>20,147</b>

**(b)***Other short-term liabilities*

Taxes and charges	4,564	3,007	298	597
Liabilities to minority shareholders in Biotage Sweden	2,437	2,578	2,437	2,578
Other short-term liabilities	9,217	1,831	8,172	–
<b>Total</b>	<b>16,219</b>	<b>7,416</b>	<b>10,907</b>	<b>3,175</b>

**NOTE 20 RECONCILIATION WITH IFRS 2005**

The following reconciliations show the differences between the reported net profit/loss according to IFRS and previously applied accounting policies

	<b>2005</b>	<b>2004</b>
Net profit/loss reported according to IFRS	-39,892	-74,659
<i>Impact of applying IFRS 2:</i>		
Costs of outstanding share option program to Group employees that have affected profit/loss are restated	1,671	794
<i>Impact of applying IFRS 3:</i>		
Amortization of goodwill would impact the profit/loss by	-47,843	-41,383
Amortizations of other consolidated surpluses that have affected profit/loss are restated	2,031	–
<i>Impact of applying IAS 16:</i>		
Component depreciation of buildings increased depreciation, which is restated	227	227
Net profit/loss applying accounting policies that were applied up to and including the fiscal year that ended December 31, 2004	-83,806	-115,021
<b>Net impact of transition to IFRS on the net profit/loss is therefore</b>	<b>43,914</b>	<b>40,362</b>

The following reconciliations show the differences between reported equity according to IFRS and previously applied accounting policies.

	12/31/2005	12/31/2004
Equity according to IFRS	738,252	563,843
<i>Impact of applying IFRS 2:</i>		
Costs of outstanding share option program to Group employees that have affected profit/loss without crediting equity are restated	412	233
<i>Impact of applying IFRS 3:</i>		
Amortization of goodwill would impact profit/loss by	-47,843	-41,383
Amortizations of other consolidated surpluses that have affected profit/loss are restated	2,031	-
<i>Impact of applying IAS 16:</i>		
Component depreciation of buildings increased depreciation, which is restated	227	433
Equity applying accounting policies that were applied up to and including the fiscal year that ended December 31, 2004	693,079	523,126
Net impact of transition to IFRS on equity is therefore	85,890	40,717

The transition to IFRS has not had any impact on the reporting of the consolidated cash flows.

#### NOTE 21 COMPANY ACQUISITIONS IN 2005

##### 1) SUMMARY OF ACQUISITION ANALYSIS CONCERNING THE ACQUISITION OF ARGONAUT TECHNOLOGIES AND SEPARTIS HOLDING AG IN 2005

	Argonaut USA+UK	Separtis Holding AG
<b>Acquisition expenditure</b>		
Purchase price, cash paid	157,313	6,999
Purchase price, to be paid 2006 and 2008	7,157	6,065
Acquisition costs	10,408	871
Total acquisition expenditure	174,878	13,935

##### Impact of the acquisition on the consolidated liquid funds

Cash-adjusted purchase price including acquisition costs	-167,720	-7,870
Cash and cash equivalents in acquired subsidiaries	17,969	4,453
Change in consolidated liquid funds on the date of acquisition	-149,752	-3,416

##### Assets and liabilities arising from the acquisition

	Argonaut USA+UK	Argonaut USA+UK	Separtis Holding AG	Separtis Holding AG
<b>Assets and liabilities added through the acquisition</b>	Fair value	Carrying amount	Fair value	Carrying amount
<i>Non-current assets:</i>				
Tangible assets	25,655	20,618	131	131
Intangible assets	11,412	-	2,000	-
Financial assets	-	1	-	-
Total non-current assets	37,066	20,618	2,131	131
<i>Current assets:</i>				
Inventories	30,731	29,420	2,293	2,293
Trade and other receivables	18,951	18,951	3,317	3,317
Liquid funds	17,969	17,969	4,453	4,453
Total current assets	67,650	66,339	10,063	10,063
Total assets	104,716	86,957	12,194	10,194
Long-term liabilities	-	-	-	-
Short-term liabilities and provisions	-17,395	-20,046	-2,727	-2,727
Net assets	87,321	66,911	9,467	7,467

	Argonaut USA+UK	Septaris Holding AG
<b>Groupwise surplus</b>		
Total acquisition expenditure as above	174,878	13,935
Net assets acquired according to the companies' financial statements	-66,911	-7,467
Groupwise surplus	107,966	6,468
<b>The surplus is divided as follows</b>		
Tangible non-current assets	5,037	-
Intangible non-current assets	11,412	2,000
Current assets	1,311	-
Groupwise goodwill	90,206	4,468
Total Groupwise surplus	107,966	6,468

*The surplus in tangible non-current assets relates to the difference between the market value and the carrying value of the business property in Cardiff, UK.*

Market value	16,221	-
Carrying value	-11,184	-
Surplus based on an independent valuation	5,037	-

*The surplus in intangible non-current assets relates to the following:*

Trademarks based on a present-value analysis of five years of cash flows	7,406	-
Patent according to Biotage's valuation template of future economic benefit	4,006	-
Structure capital based on value of existing customer relations, etc.	-	2,000
Total surplus in intangible non-current assets	11,412	2,000

*Surplus in current assets is based on the difference between the net selling value of acquired finished products in inventories and their recognized acquisition cost.*

Net selling value after deduction for costs and provision for risk of obsolete products	21,043	-
Carrying value	-19,732	-
Surplus	1,311	-

*Goodwill is attributed to the acquired companies' expected profitability, and the expected important synergy effects relating to products and marketing in the Group's business activities.*

## 2) THE ACQUIRED COMPANIES' CONTRIBUTIONS TO THE GROUP'S SALES, OPERATING PROFIT/LOSS AND CASH FLOW IN 2005:

	Argonaut USA+UK	Septaris Holding AG	Total
Part of 2005 in which the acquired company was consolidated	June 3-Dec. 31	Oct. 1-Dec. 31	
Net sales	76,697	5,011	81,709
Cost of sold goods	-38,780	-3,290	-42,070
Gross profit/loss	37,917	1,721	39,639
Selling costs	-19,306	-873	-20,180
Administrative expenses	-5,566	-78	-5,644
Research and development costs	-7,008	-	-7,008
Other operating items	1,187	-6	1,181
Total operating costs	-30,693	-957	-31,650
Operating profit/loss	7,225	764	7,989
Cash flow from current operation	10,496	1,773	12,269
Cash flow from investing activities	461	-	461
Cash flow from financing activities	12,088	-	12,088
Total cash flow	23,046	1,773	24,819

**NOTE 22 SHARES AND PARTICIPATIONS**

	2005	2004
<i>Parent Company</i>		
Acquisition cost brought forward	613,746	594,041
Investments during the year	141,670	–
Group internal restructuring	–	19,705
Closing accumulated acquisition cost	755,415	613,746
<hr/>		
Write-downs brought forward	-52,555	-52,555
Closing accumulated write-downs	-52,555	-52,555
<hr/>		
Closing accumulated carrying value	702,860	561,191

**Companies directly owned by Parent Company**

Company name	Corp. reg. no	Reg. Office	No. of shares	Share of equity	Share of votes	Carrying value 2005	Carrying value 2004
Biotage Sweden AB	556487-4922	Uppsala, Sweden	18,942,234	98%*	98%*	283,670	282,180
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	311,086
Pyrosequencing B V	34129103	Amsterdam, Netherlands	200	100%	100%	166	166
Biotage GmbH	HRB 39374	Hamburg, Germany	1	100%	100%	217	217
Pyrosequencing SARL	2001B00976	Paris, France	500	100%	100%	68	68
Biotage Ltd	3938925	London, UK	2	100%	100%	–	–
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	90%	90%	69	69
Biotage Ltd	0126-01-004032	Tokyo, Japan	200	100%	100%	16,469	16,469
Argonaut Ltd		Cardiff, UK	100	100%	100%	126,244	–
Separtis Holding AG	CH-280.3.001.932-2	Grellingen, Switzerland	100	100%	100%	13,935	–
Total acquisition costs						755,415	613,746
Value adjustment of shares in Pyrosequencing Inc						-52,555	-52,555
Total carrying value						702,860	561,191

\* All shares were redeemed after the balance sheet date.

**Companies directly owned by subsidiaries**

Company name	Corp. reg. no	Reg. Office	No. of shares	Share of equity	Share of votes	Carrying value 2005	Carrying value 2004
Biotage LLC		Charlottesville, USA		100%	100%	164,209	164,209
Personal Chemistry Utveckling AB	556554-3476	Stockholm, Sweden	100	100%	100%	55	55
Esytech AB	556588-8350	Uppsala, Sweden	100,000	100%	100%	60	60
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	10%	10%	9	9
Separtis GmbH	DE-HRB 2937	Grenzach-Wyhlen, Germany		100%	100%	703	–
Separtis AG	CH-280.3.004.688-3	Grellingen, Switzerland		100%	100%	848	–
ISt Ltd		Cardiff, UK		100%	100%	31,604	–
Total						197,489	164,333

**NOTE 23 CONTINGENT LIABILITIES AND PLEDGED ASSETS**

	Group		Parent Company	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
<b>Pledged assets</b>				
Chattel mortgages	85,715	51,450	22,500	–
Real estate mortgages	56,798	33,724	–	–
Frozen bank funds	1,607	3,010	–	–
Total	144,120	88,184	22,500	–
<b>Contingent liabilities</b>				
	–	–	–	–

**NOTE 24 EVENTS AFTER THE BALANCE SHEET DATE**

On January 10, 2006, Biotage acquired exclusive distribution, production and further development rights for the Vapourtec solvent evaporator system, V-10. After a number of years of development, V-10 was launched in the summer of 2005. The agreement also means that Vapourtec will deliver product improvements and complementary products in 2006.

The purchase price was a one-time payment, and sub-payments related to sales trends. The total purchase price may not exceed GBP 2.3 million. Sales of the product started in the first quarter of 2006, and sales are expected to reach USD 5-10 million in 2007.

Evaporation is currently a time-consuming process in chemistry and pharmaceutical development. Vapourtec's V-10 reduces this time considerably, and will be a valuable addition to Biotage's product portfolio.

On February 9, 2006, Torben Jörgensen was appointed successor to Jeff Bork as President of Biotage AB. Torben Jörgensen has been President of Affibody for the last four years, before which he held similar positions at Karo Bio and the Danish diagnostic company, DAKO.

Torben Jörgensen assumed the position in conjunction with the Annual General Meeting on April 27, 2006.

David Patteson, President of the Discovery Chemistry business area, has decided to take up new challenges and will leave the company on April 1, 2006. Torben Jörgensen, who takes up the position as President of Biotage in conjunction with the Annual General Meeting on April 27, took over David Patteson's area of responsibility on February 28.

In accordance with authorization from the Annual General Meeting on April 27, 2005, the Board adopted a global option program for Group employees – Biotage AB Global Share Option Plan 2005.

Furthermore, in accordance with authorization from the above Annual General Meeting, the Board has resolved to allocate 549,400 employee share options under the option program, of which members of the Group management receive a maximum of 45,000 options each, junior executives receive a maximum of 10,000 options each, other senior executives and key employees receive a maximum of 2,000 options each, and other employees receive a maximum of 400 options each. The Company's President has not been allocated any options.

An employee share option entitles the holder to buy a share in Biotage at an exercise price of SEK 11.83. The employee share options run for 7 years, and can be exercised no earlier than one year and no later than three years from the date of issue, with one-third of the total number of employee options granted for each one-year period.

#### NOTE 25 TRANSITION TO IFRS

From January 1, 2005, Biotage AB applies the International Financial Reporting Standard (IFRS).

The following section describes the most significant differences in the accounting policies and their effects on the Biotage Group's IFRS opening balance at 1 January 2004, and the effect of the differences when the profit/loss is calculated according to IFRS instead of generally accepted auditing standards in Sweden.

A summary of the translation of comparative figures for 2004 according to IFRS compared with figures reported in the financial statements and interim reports for 2004 is as follows:

Full year 2004		Cons. Bal. Sheet 1/1/2004	Cons. Bal. 12/31/2004	Cons. Inc. St. Jan-Dec 2004
Reported equity and net profit/loss according to generally accepted auditing standards in Sweden		609,499	523,126	-115,021
Amortization of goodwill	IFRS 3	–	41,383	41,383
Component depreciation for buildings	IAS 16	-206	-433	-227
Share-based payments	IFRS 2	–	–	-598
Provision for social security expenses on share-based payments	IFRS 2	-37	-233	-196
Reported equity and net profit/loss according to IFRS accounting procedures		609,256	563,843	-74,659

The transition from accounting according to generally accepted auditing standards in Sweden to IFRS involves special requirements for the first financial statements prepared according to the new regulations. Consequently, the financial statements for the comparison year, 2004, have been revised and reported in accordance with IFRS.

Special transition rules are specified in IFRS 1, First-time Adoption of International Financial Reporting Standards. The effects on Biotage's profit/loss and position depends partly on the choices Biotage made in the areas where there are choices available.

#### IFRS 3: Business Combinations.

IFRS 3 was adopted on March 31, 2004. Biotage has not adjusted its acquisition analyses to any acquisitions before the adoption date of IFRS 3, and Biotage did not acquire any companies in 2004.

Application of IFRS 3 means that Biotage, in its consolidated financial statements, no longer writes down the goodwill entry arising from the acquisitions of Personal Chemistry i Uppsala AB and Biotage LLC in 2003. Under IFRS 3, goodwill amortization is replaced by a regular impairment test, irrespective of whether anything indicates that the goodwill needs to be written-down.

The financial statements of 2003 and 2004 indicated no need for write-down. Goodwill amortization impacting the income in 2004 has been restated when 2004 is shown as a comparison year in accordance with IFRS.

#### IFRS 2: Share-Based Payments.

IFRS 2 considers share-based payments. The standard applies to plans that have an allotment date starting on November 7, 2003 or later, and that have a redemption date of January 1, 2005 or later.

Biotage has five share option programs directed at management and other executives in the Group. The total

cost of these programs is estimated at SEK 6.0 million, and the effect on equity is estimated at SEK -1.5 million. Of these effects, approximately SEK 3.6 million for the period after December 31, 2005 remains as a cost. For the period January 1 - December 31, 2005, the income has been charged with a cost of SEK 1.7 million.

#### IAS 16: Property, Plant and Equipment.

IAS 16 states that the recognized acquisition cost, and improvement costs, for an asset, is to be allocated to the major individual components of the asset. This can result in different depreciation periods for components compared with the main asset. The Group's non-current assets have been examined, and the estimated effect on January 1, 2004 was approximately SEK 0.2 million and, for the full year of 2004, approximately SEK 0.4 million. For the period January 1-December 31, 2005, the income has been charged with a cost of SEK 0.2 million.

#### IAS 32 and IAS 39: Financial instruments; Disclosure and Presentation, and Recognition and Measurement.

IAS 32 and IAS 39 both cover financial instruments, and are applied from January 1, 2005. Figures for the comparison year 2004 are not to be converted. Application of IAS 32 and IAS 39 for the comparison year 2004 would not have affected the following recalculations of comparative figures between the reported position and income, and the corresponding figures according to IFRS. For the period January 1-December 31, 2005, the provisions in IAS 32 and IAS 39 have not affected the income or equity.

#### Financial instruments and derivate instruments.

The Group's financial assets and liabilities are normally taken up at acquisition cost. Receivables and liabilities in foreign currencies are shown at fair value based on the rate on the balance sheet date.

The following section is a further description and quantification of the areas where the transition to IFRS has affected Biotage's income statement, balance sheet and equity.

#### Opening balance at 1 January, 2004

	Notes	Jan. 1, 2004 according to published report	Impact on transition to IFRS	Jan. 1, 2004 according to IFRS
<b>ASSETS</b>				
Goodwill		402,567	-	402,567
Capitalized development costs		18,279	-	18,279
Other intangible non-current assets		21,183	-	21,183
Tangible non-current assets	1	107,603	-206	107,397
Financial assets		46,768	-	46,768
<b>Total non-current assets</b>		<b>596,400</b>	<b>-206</b>	<b>596,194</b>
Inventories		76,039	-	76,039
Trade receivables		65,717	-	65,717
Other short-term receivables		13,597	-	13,597
Cash, bank funds, and short-term investments		74,900	-	74,900
<b>Total current assets</b>		<b>230,253</b>	<b>-</b>	<b>230,253</b>
<b>TOTAL ASSETS</b>		<b>826,653</b>	<b>-206</b>	<b>826,447</b>
<b>EQUITY &amp; LIABILITIES</b>				
Restricted equity	2	1,321,279	115	1,321,394
Non-restricted equity	4	-711,780	-358	-712,138
<b>Total equity</b>		<b>609,499</b>	<b>-244</b>	<b>609,256</b>
Provisions	3	32,740	37	32,777
Long-term liabilities		-	-	-
<b>Total provisions and long-term liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
Long-term liabilities		32,990	-	32,990
Short-term liabilities		151,424	-	151,424
<b>Total provisions and liabilities</b>		<b>217,154</b>	<b>37</b>	<b>217,191</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>826,653</b>	<b>-206</b>	<b>826,447</b>

#### Notes to adjustment entries in the balance sheet

**Note 1** IAS 16 prescribes a more detailed breakdown of non-current assets into components with different periods of useful life. The adjustment entry relates to the Group's operating property in the United States.

**Note 2** In accordance with IFRS 2, the recognized share-based payments relating to Biotage's outstanding share option programs have been added to the Group's restricted reserves.

**Note 3** According to IFRS 2, estimated future social security expenses that will arise if option holders exercise their rights to buy shares are to be reported as provisions in the consolidated balance sheet.

**Note 4** The accumulated net effect on equity of the above IFRS adjustments are to be added to the consolidated non-restricted reserves.

**Income statement January 1-December 31, 2004**

	Notes	According to published report Dec. 2004	Impact on transition to IFRS	Jan-Dec. 2004 according to IFRS
Net sales		366,649	-	366,649
Cost of sold goods	1	-148,395	-201	-148,596
<b>Gross profit</b>		<b>218,254</b>	<b>-201</b>	<b>218,053</b>
Selling costs	1	-164,835	-341	-165,176
Administrative expenses	1	-39,340	-338	-39,678
Research and development costs	1	-76,365	-140	-76,505
Amortization of Groupwise goodwill	1,2	-41,383	41,383	-
Other operating income		11,535	-	11,535
Other operating costs		-9,922	-	-9,922
<b>Costs of the operation</b>		<b>-320,310</b>	<b>40,563</b>	<b>-279,747</b>
<b>Operating profit/loss</b>		<b>-102,056</b>	<b>40,362</b>	<b>-61,694</b>
Net financial income/expenses		-12,749	-	-12,749
<b>Profit/loss after financial items</b>		<b>-114,805</b>	<b>40,362</b>	<b>-74,443</b>
Tax		-216	-	-216
<b>Net profit/loss</b>		<b>-115,021</b>	<b>40,362</b>	<b>-74,659</b>

**Notes to adjustment items in income statement**

**Note 1: The effects of IFRS 2, Share-Based Payment, and IAS 16, Property, Plant and Equipment, are summarized below:**

For full year 2004	Amortization of goodwill	Sales	Admini- stration	R&D	Cost goods sold	Total
Amortization of goodwill	IFRS 3 41,383	-	-	-	-	41,383
Component depreciation for buildings	IAS 16 -	-	-227	-	-	-227
Share-based payments	IFRS 2 -	-257	-84	-106	-152	-598
Provisions for social security expenses on share-based payments	IFRS 2 -	-84	-27	-35	-50	-196
	41,383	-341	-338	-140	-201	40,362

**Note 2** According to IFRS 3, goodwill is not written-off, but the need for any write-down is examined annually. However, write-down needs must be examined more often if there are indications that the value has decreased. In 2004, Biotage amortized goodwill at 10% of the acquisition cost. Reported goodwill relates to acquisitions of Personal Chemistry i Uppsala AB and Biotage LLC in the United States in the second half of 2003. Recognized amortization in 2004 has been restated in the income statement against the profit/loss for the period, and in the balance sheet against goodwill. Biotage has not made any retroactive allocation of the acquisition expenditure for goodwill on other non-current assets. No companies were acquired in 2004.

**Balance sheet at December 31, 2004**

	Notes	According to published report Dec. 2004	IFRS adjust- ment	Dec. 2004 according to IFRS
<b>ASSETS</b>				
Goodwill	1	332,209	41,383	373,592
Capitalized development costs		22,789	-	22,789
Other intangible non-current assets		20,999	-	20,999
Tangible non-current assets	2	89,327	-433	88,894
Financial assets		47,173	-	47,173
<b>Total non-current assets</b>		<b>512,497</b>	<b>40,950</b>	<b>553,447</b>
Inventories		74,965	-	74,965
Trade receivables		66,232	-	66,232
Other short-term receivables		10,060	-	10,060
Cash, bank funds, and short-term investments		31,397	-	31,397
<b>Total current assets</b>		<b>182,654</b>	<b>-</b>	<b>182,654</b>
<b>TOTAL ASSETS</b>		<b>695,151</b>	<b>40,950</b>	<b>736,101</b>

	Notes	According to published report Dec. 2004	IFRS adjustment	Dec. 2004 according to IFRS
<b>EQUITY AND LIABILITIES</b>				
Restricted equity	3	1,329,925	598	1,330,523
Non-restricted equity	5	-806,799	40,118	-766,681
<b>Total equity</b>		<b>523,126</b>	<b>40,716</b>	<b>563,843</b>
Provisions	4	8,570	233	8,803
Long-term liabilities		-	-	-
<b>Total provisions and long-term liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
Long-term liabilities		34,668	-	34,668
Short-term liabilities		128,787	-	128,787
<b>Total provisions and liabilities</b>		<b>172,025</b>	<b>233</b>	<b>172,258</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>695,151</b>	<b>40,950</b>	<b>736,101</b>

**Notes to adjustment entries in the balance sheet**

<b>Note 1</b>	According to IFRS 3, goodwill is not written-off, but the need for any write-down is examined annually. However, write-down needs must be examined more often if there are indications that the value has decreased. In 2004, Biotage amortized goodwill at 10% of the acquisition cost. Reported goodwill relates to acquisitions of Personal Chemistry i Uppsala AB and Biotage LLC in the United States in the second half of 2003. Recognized amortization in 2004 has been restated in the income statement against the profit/loss for the period, and in the balance sheet against goodwill. Biotage has not made any retroactive allocation of the acquisition expenditure for goodwill on other non-current assets. No companies were acquired in 2004.	
<b>Note 2</b>	The amount relating to component depreciation of operating property in the United States comprises: Adjustment of opening balance on balance sheet on January 1, 2004, in accordance with IFRS. Amortization for the period January 1 – December 31, 2004, in accordance with consolidated income statement above	-206 227
	Total	-433
<b>Note 3</b>	In accordance with IFRS 2, share-based payment is added to restricted reserves. The amount 598 relates to January 1 - December 31, 2004.	
<b>Note 4</b>	According to IFRS 2, estimated future social security expenses that will arise if option holders exercise their rights to buy shares are to be reported as provisions in the consolidated balance sheet. The amount comprises: Adjustment of opening balance on balance sheet on January 1, 2004, in accordance with IFRS. Provisions for the period January 1 – December 31, 2004, in accordance with consolidated income statement above.	37 196
	Total	233
<b>Not 5</b>	The accumulated effect of the above adjustments made in accordance with IFRS are: Impact from opening balance on January 1, 2004 Impact from income statement January 1 – December 31, 2004	-244 40,362
	Total	40,118

The income statement and balance sheet will be presented to the Annual General Meeting on April 27, 2006 for approval.

Uppsala, March 23, 2006

Börje Ekholm

*Chairman of the Board*

Ove Mattsson

Annika Espander

Mathias Uhlén

Björn Odlander

Bengt Samuelsson

Staffan Lindstrand

Anders Rydin

Jeff Bork

*President*

Our Auditor's Report was submitted on 23 March 2006.

Deloitte AB

Lars-Gunnar Nilsson

*Authorized Public Accountant*

# Auditor's Report

**To the Annual General Meeting for Biotage AB (publ)**

Corporate identity number 556539-3138

We have audited the financial statements, 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 the fiscal year of 2005. The Board of Directors and the Chief Executive Officer are responsible for these accounts and the administration of the company, and for ensuring that the Annual Accounts Act has been applied when preparing the financial statements, and for ensuring that the international accounting standards, IFRS, as adopted by the EU, and the Annual Accounts Act, have been applied when preparing the consolidated financial statements. Our responsibility is to express an opinion about the financial statements, the consolidated financial statements, and the administration on the basis of our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements and consolidated financial statements 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 Chief Executive Officer and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the financial statements and consolidated financial statement, as well as evaluating the overall presentation of information in the financial statements and the consolidated financial statement. 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 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 financial statements have been prepared in accordance with the Swedish Annual Accounts Act and thereby give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU, and the Swedish Annual Accounts Act, and gives a true and fair view of the company's financial position and results. The Board of Directors' Report is consistent with the other parts of the financial statements and consolidated financial statement.

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 Chief Executive Officer be discharged from liability for the financial year.

Stockholm, March 23, 2006

Deloitte AB

Lars-Gunnar Nilsson  
*Authorized Public Accountant*

# The Biotage Board


**Börje Ekholm, Chairman of the Board**

*Education:* MSc. Royal Institute of Technology, MBA INSEAD

*b.* 1963

*Profession:* CEO of Investor AB

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

*Number of years on the Board:* 2

*Shares and options:* 0

Börje Ekholm attended 14 of 15 Board meetings during the year


**Ove Mattsson**

*Education:* PhD, Associate Professor in organic chemistry

*b.* 1940

*Profession:* Management consultant

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

*Number of years on the Board:* 3

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

Ove Mattsson attended 14 of 15 Board meetings during the year


**Jeff Bork**

*Education:* MSc, PhD, MBA

*b.* 1955

*Profession:* President and CEO of Biotage AB

*Other assignments:* –

*Number of years on the Board:* 3

*Shares and options:* 566,500 shares

Jeff Bork attended all Board meetings during the year


**Annika Espander**

*Education:* BSc. Chemistry, Executive MBA

*b.* 1964

*Profession:* President of Catella Healthcare AB

*Other assignments:* Board member of Sweden Bio, Cellartis AB, Duocort AB and yes2life

*Number of years on the Board:* 1

*Shares and options:* 0

Annika Espander attended all 10 Board meetings held subsequent to her election to the Board at the Annual General Meeting in 2005


**Mathias Uhlén**

*Education:* PhD

*b.* 1954

*Profession:* Uhlén is one of the originators of Pyrosequencing™ and has served as a director since the company was founded. Uhlén is Professor of Microbiology at the Royal Institute of Technology, Stockholm, and is a member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences

*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:* 9

*Shares and options:* 3,000,751 shares

Mathias Uhlén attended 10 of 15 Board meetings during the year


**Björn Odlander**

*Education:* MD

*b.* 1958

*Profession:* CEO of Odlander, Fredrikson & Co. AB, which is the investment advisor to 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:* 9

*Shares and options:* 0

Björn Odlander attended 11 of 15 Board meetings during the year


**Bengt Samuelsson**

*Education:* MD, PhD

*b.* 1934

*Profession:* Professor of Physiological Chemistry at Karolinska Institutet i Stockholm

*Other assignments:* Member of the Royal Swedish Academy of Sciences, American Academy of Arts and Sciences, French Academy of Sciences, and the Royal Society, London; Board member of NicOx SA, Biolipox AB, Apoxis SA and LTB4 Sweden AB; Life Science Analytics Inc.; Advisor to Odlander, Fredrikson & Co. AB. Awarded the Nobel Prize in Medicine, 1982

*Number of years on the Board:* 6

*Shares and options:* 110,000 shares

Bengt Samuelsson attended 10 of 15 Board meetings during the year


**Staffan Lindstrand**

*Education:* MSc. Royal Institute of Technology

*b.* 1962

*Profession:* Partner in HealthCap

*Other assignments:* Board member of HealthCap AB, Aerocrine AB, Creative Peptides AB, NeuroNova AB, Orexo AB, OxThera AB and XCounter AB

*Number of years on the Board:* 3

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

Staffan Lindstrand attended all Board meetings during the year


**Anders Rydin**

*Education:* BSc. in Economics

*b.* 1945

*Profession:* former CFO in AGA AB, Investor AB and SEB

*Other assignments:* Chairman of the board of Handelshögskolan i Stockholm Förvaltning AB with subsidiary; Board member of Cardo AB, NCC AB, AP-Fastigheter AB, Eldon AB and Enskilda Securities AB and IFL vid Handelshögskolan AB. Member of the Royal Swedish Academy of Sciences investment board

*Number of years on the Board:* 2

*Shares and options:* 0

Anders Rydin attended 13 of 15 Board meetings during the year

# Biotage Group Management



From left: David Patteson, Jeff Bork and Mats-Olof Wallin.

At the end of 2005, Biotage's group management comprised Jeff Bork, President and CEO and President of the Biosystems business area, Mats-Olof Wallin, Chief Financial Officer, and David Patteson, President of the Discovery Chemistry business area.

**David B. Patteson**

*Position:* President of the Discovery Chemistry business area

*b.* 1955

*Education:* BSc, BA

*Number of years employed in the Group:* 7

*Shareholding:* 0

*Options:* 60,000

**Jeff Bork**

*Position:* President and CEO, President of the Biosystems business area

*b.* 1955

*Education:* MSc, PhD, MBA

*Number of years employed in the Group:* 3

*Shareholding:* 566,500

*Options:* 0

**Mats-Olof Wallin**

*Position:* Chief Financial Officer

*b.* 1951

*Education:* BSc

*Number of years employed in the Group:* 3

*Shareholding:* 0

*Options:* 60,000



**Torben Jörgensen**

**– new President and CEO of Biotage**

Biotage has taken another important step in its strategic concentration on continued integration of acquired units and optimization of the product portfolio, in order to focus on organic growth.

As a part of this process, Torben Jörgensen has been appointed Jeff Bork's successor as President and CEO. Torben Jörgensen has been CEO of Affibody for the last four years, before which he held similar positions at Karo Bio and the Danish diagnostic company, DAKO. Torben Jörgensen was born in 1952, and has a degree from Copenhagen Business School.

Torben Jörgensen takes up the position of President and CEO in conjunction with the Annual General Meeting on April 27, 2006. Since February 28, 2006, Torben Jörgensen has been President of the Discovery Chemistry business area. The previous President of the business area, David Patteson, left Biotage on March 31, 2006.

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**Biotage**