

Annual Report 2008

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Biotage's 2009 annual general meeting

The annual general meeting will be held April 27, 2009 at 4 pm at Biotage headquarters located at Kungsgatan 76 in Uppsala, Sweden.

See separate attachment for registration.

2009 Financial Information

April 27	Annual general meeting
April 27	Interim report for first quarter
August 14	Interim report for second quarter
October 27	Interim report for third quarter

Distribution of the Annual Report 2008

Biotage prints and distributes the Annual Report for all shareholders.

This annual report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

The Year in Brief

- The consolidated net sales totaled MSEK 385.3 (397.6).
- The operating profit totaled MSEK 22.5 (16.7).
- Profit after tax was MSEK 299.1 (99.4).¹⁾
- Earnings per share were SEK 3.38 (1.12).¹⁾
- Cash flow from operating activities totaled MSEK 54.5 (-2.8).
- The Biosystems business area was sold during Q4 2008.

Financial Ratios	2008	2007
Net sales, MSEK	385,3	397,6
Gross profit, MSEK	224,5	239,9
Gross margin, %	58,3	60,3
Operating profit, MSEK	22,5	16,7
Operating margin, %	5,8	4,2
Profit before tax, MSEK	27,7	14,3
Profit after tax, MSEK	299,1 ¹⁾	99,4
Earnings per share, SEK	3,38 ¹⁾	1,12
Equity/assets ratio, %	87	81
Average no. of employees	323	336

¹⁾ Includes profit/loss for discontinued operations.



Important events during the year

1st quarter

- Biotage and McMaster University extended their cooperation agreement within Molecular Imaging another two years.
- In March Biotage launched the new Pyrosequencing® platform PyroMark™Q24.

2nd quarter

- In April Biotage launched a new purification system, Isolera.

4th quarter

- On October 2 Qiagen acquired the assets in Biosystems and Biotage's shares in Corbett (17.5 percent) for an initial purchase sum of MUSD 53.
- An extraordinary general meeting in Biotage AB decided on November 21, 2008, to lower the Company's reserve fund by SEK 842,180,000 for allocation to funds to be used as determined by future general meetings. Following implementation of the reduction, the reserve fund is fully dissolved.

Events after the close of the period

- In the objective of reinforcing profitability and reducing tied-up capital, it was decided in January 2009 to close the factory in Charlottesville, Virginia, USA, and to move production to subcontracted manufacturers and to Biotage's own factory in Cardiff, Wales.
- In February Biotage announced that the Company would begin collaboration with the German company MultiSynTech GmbH. The work involves both distribution rights for MultiSynTech's current peptide synthesis system and the establishment of a joint-development project involving microwave-assisted peptide synthesis

This is Biotage

Biotage is a leading global supplier of solutions in medicinal chemistry. The company is also a well-established supplier of products in analytical chemistry. Biotage's shares are listed on the Nasdaq OMX Nordic Exchange small-cap list.

Business concept

Biotage will develop, manufacture and sell instruments, reagents and service in the life sciences field primarily to the pharmaceuticals industry and scientific institutions with a specific ambition to apply what the Company has to offer to other customer groups as well.

Long-term and stable profitability will be achieved through reaching critical mass within each customer group and having a sufficiently broad product portfolio. This critical mass must be achieved through a combination of organic growth and strategic acquisitions.

Financial Goals 2009 and onwards

Biotage's business is undergoing change after the divestment of the Biosystems business and the ongoing restructuring of the remaining Discovery Chemistry business. The decision to close down the factory in Charlottesville, Virginia, and to outsource the manufacturing of Biotage's instrument, results in relatively large organizational and operational changes. By reason hereof new more specific financial goals will be set during the latter part of 2009, when the effects from the ongoing changes may be measured more in detail. Short term Biotage will

adjust the organization to the new conditions and will re-establish organic growth in the business. At the same time Biotage will profit from its strong financial position and seek to acquire attractive businesses or products.

Comments to the development in 2008

Growth

Net sales dropped by three percent during 2008. Sales have been affected negatively primarily by a drop in demand from the pharmaceuticals industry as a result of their ongoing efficiency efforts and outsourcing. This decline has to some degree been counteracted by a good sales trend with customers in the academic field.

Gross margin

The gross margin amounted to 58.3 percent during 2008, which is a drop of two percentage points compared to 2007. The gross margin has been affected negatively during the year by product mix shifts towards a simpler system as a result of sales increasing to customers in the academic field.

Operating margin

The operating profits rose by 35 percent



Brief facts about Biotage

Products

Systems for microwave synthesis, purification and evaporation as well as reagents and consumables.

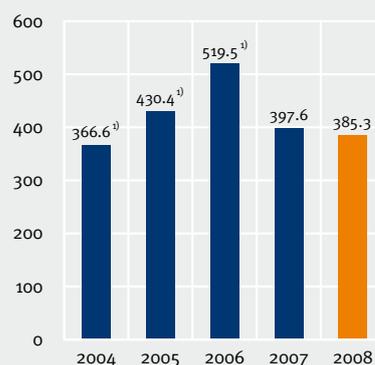
Most important markets

USA, Western Europe and Asia.

Major competitors

CEM in microwave synthesis and Isco in purification systems.

Net sales 2008 SEK M



¹⁾ Including discontinued operations.

compared to 2007. During the year Biotage has continued to make progress in its efforts to optimize operations. The improved operating profits are primarily a result of the fact that operating expenses dropped to MSEK 202 during 2008, which is to be compared to MSEK 223 for 2007. The operating margin for the year amounted to 5.8 percent compared to 4.2 percent during 2007.

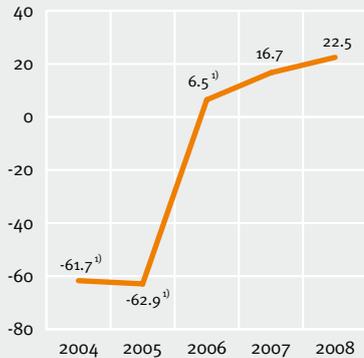
Strategic focus

After the sale of the Biosystems business area Biotage intensified its efforts to reinforce and further develop the continuing operations to create growth and improve the operating margin. The company is pursuing a number of strategies.

- Continually streamline the operations and optimize the organization.
- Establish a presence in new geographical markets.
- Reach new customer groups with current technology.
- Actively look into the options for strengthening the Company's market position and product offerings via acquisitions and distribution activities.

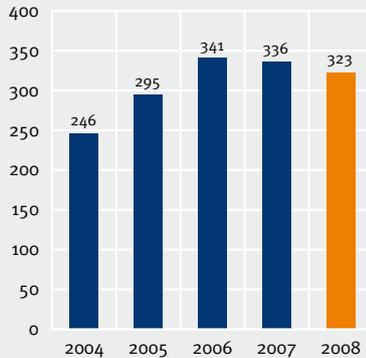


Operating profit/loss SEK M

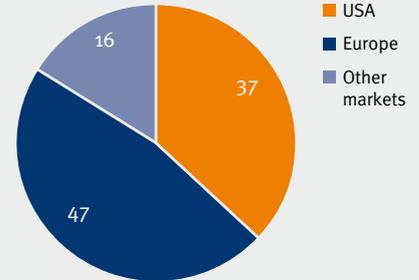


¹⁾ Including discontinued operations.

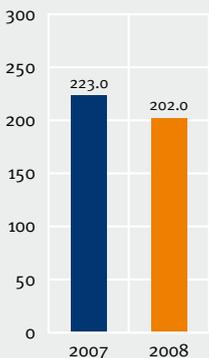
Average number of employees



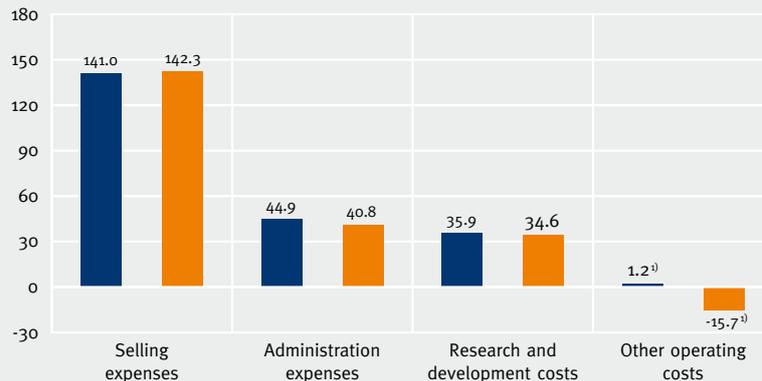
Sales per geographic market 2008 %



Operating expenses SEK M



Breakdown of operating expenses SEK M



¹⁾ Items include exchange rate differences.

During 2009 Biotage will make the efforts to create growth in the operations a higher priority.



Biotage's products for analytical chemistry are used in a number of different fields. In the environment field, they are used to filter different toxic substances from water samples for further analysis, among other things.

Work focus 2009

Biotage's financial position was further improved after the sale of the Biosystems business area. The Company fundamentally has a sound, profit-generating business operations and cash flow that allows the Company to expand its operations through acquisitions as well as additional investments in the current operations. During 2009 Biotage will proactively strive to identify potential acquisitions based on established criteria. The economic downturn that was manifest at the end of 2008 may enhance the opportunities to make acquisitions on reasonable financial terms.

Organic growth

Biotage will also take several measures to enhance organic growth. The company is striving to establish a presence in new markets at a pace with an increase in demand for Biotage's products. This gives the Company clearer control over sales in the local markets. A closer relationship with the customers also brings about a rise in extra sales.

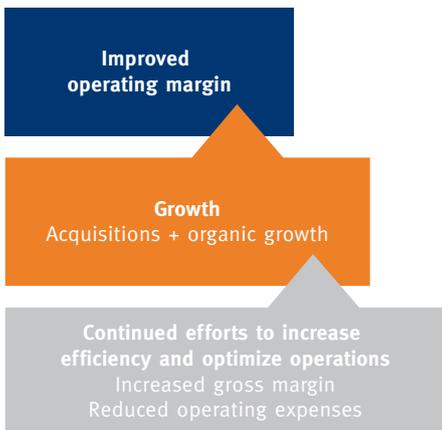
A central part of Biotage's efforts to promote growth is to reach new customer groups with the Company's existing technology. This work already began last year, including an increased new development of products for analytical chemistry directed at customers in the environmental field, for example. Another example is Biotage's collaboration with McMaster University in the Molecular Imaging field.

In early 2009 Biotage took another important step by starting operations in the peptide synthesis field in collaboration with MultiSynTech of Germany. This is an interesting field already in the short term as the demand for peptides is estimated to increase between 15 and 20 percent per year. The collaboration will give Biotage distribution rights to MultiSynTech's current system for peptide synthesis. The company is also establishing a joint development project to produce new systems that add Biotage's microwave technology and the benefits it provides, including reduced reaction time and higher yield.

Biotage will increase its profitability improvement efforts, in part to lay the groundwork for a higher gross margin, in part to reduce the expenses in the operations.

A first step was taken in January 2009 when Biotage reported that the production at the American factory in Charlottesville was being shut down. The instrument manufacturing is being transferred to contract manufacturers and the manufacturing of consumables is being transferred to Biotage's own factory in Cardiff. This is to bring about significant expense savings as well as a reduction in tied-up capital. Large-scale benefits in the production of consumables will also be realized by concentrating production in Cardiff. In connection with the shutdown, the American operations will be restructured to be completely focused on sales and support.

During 2009 Biotage will also implement a new business system shared throughout the group. Separate business systems are currently being used in Sweden, Great Britain and the USA. In the efforts to find a common working procedure, the need arose for a shared and effective business system. With this step uniform business processes and routines will be created throughout the group. The expenses will be reduced over the long-term while the internal control will be improved. The new business system will also improve the opportunities for faster, more complete and more uniform information throughout the group.



Biotage will increase its efforts to create growth and improve operating margin.

Continued streamlining

In tandem with the efforts to create growth,

Discontinued Operations – Biosystems

On October 2, 2008, Biotage sold the Biosystems business area to the biotechnology company Qiagen of Germany. The sale was a result of the strategic assessment that the board of directors and management made during the year.

The operations of the Biosystems business area are directed towards research in infectious diseases and cancer – two fields where the Pyrosequencing® technology creates crucial added value.

The Pyrosequencing® technology can be used in microbiological identifications for example, that is to say methods to quickly and precisely identify the bacteria, fungus or the virus that is causing an infection. It is also leading in identifying and type-determining anti-biotic resistant bacteria. In cancer research, the Pyrosequencing® technology can be used for analysis of DNA methylation and mutations. DNA methylation is interesting to study as researchers demonstrated that this is involved in the origin and development of cancer tumors. Analyzing and following the degree of methylation makes it possible to better understand how patients respond to a treatment.

Biosystems customers are primarily in academic research institutions at a university and a university hospital. In recent years the large pharmaceutical companies have shown a strong, growing interest in Biosystems solutions.

Developments during the year

Biosystems was a part of Biotage during the first

three quarters of the year. Growth continued to be strong during 2008. Sales during the first three quarters of the year amounted to MSEK 78.3 compared to MSEK 71.7 during 2007. During the fourth quarter Biotage acted as distributor for Qiagen for Biosystems products. During that period Biosystems listed its highest quarterly sales ever, which amounted to SEK 34.2. Biotage's distributor activities ended beginning on and including the first quarter of 2009.

Sale to Qiagen

Biotage's two business areas were relatively different in their operations which meant limited opportunities for synergy effects. While the potential in the Biosystems business area over the long-term is good, Biotage could see that many, very large market and research investments would be required to reap the full benefit of this potential.

The result of the strategic assessment that began at the end of 2007 was that the Board of Directors decided to sell the business area to Qiagen of Germany – a business with the right size and foundations to further develop the operations at Biosystems. The initial purchase price amounted to MUSD 53 with additional purchase prices of maximum MUSD 7 up to and including 2012, based on certain sales goals being met. In connection with the transaction, Qiagen took over all employees in the business area. The sales profit before taxes related to the sale amounted to MSEK 254.00.

Through the sale Biotage has laid the financial groundwork for long-term further development of the continuing operations.



An Eventful Year for Biotage

2008 has been a year of change for Biotage. During the year we sold one of our two business areas, Biosystems. That strengthens our current financial position and opens up new opportunities to further develop operations in the remaining business area, Discovery Chemistry.

During 2008 Biotage saw its best profits ever. The operating profits, including the discontinued operations in Biosystems, amounted to MSEK 50 compared to MSEK 43 for 2007. The profits, that were affected positively by the weakening of the Swedish krona during the year, equals an operating margin of 10 percent. Excluding discontinued operations, the operating result amounted to MSEK 22.5 compared to MSEK 16.7 for 2007.

I am pleased with the profit growth considering that sales did not live up to our expectations. The net sales dropped 3 percent compared to 2007. The fact that the weak sales growth did not have a bigger impact in the profits further demonstrates that we have been successful in our efforts to optimize the operations and that we have good control of our expenses. The improved operating profits are primarily a result of the fact that we reduced the operating expenses during 2008. The gross margin dropped to 58.3 for the entire year of 2008, which is primarily a result of a changed product mix.

Sale of Biosystems business area

The most important event during 2008, of course, was the sale of our Biosystems

business area to the biotechnology company Qiagen of Germany. The sale, completed at the beginning of the fourth quarter, was a result of the strategic assessment of operations that was made during 2008. The board of directors and management have done extensive work on this assessment during the year to create an optimum foundation to further develop Biotage over the long-term.

The initial purchase price amounted to MUSD 53. Biotage may also receive additional purchase prices of maximum MUSD 7 up to and including 2012, provided certain sales goals are met. Qiagen took over all employees in the business area in connection with the transaction.

We are convinced that the sale is the best alternative over the long-term, both for Biotage and for the Biosystems business area. There is great potential in Biosystems, but reaping the full benefit of that potential will require extensive marketing and research investments on Biotage's part – investments that would likely amount to several hundred million Swedish kronor. Qiagen already has the necessary market organization and size to develop the operations at Biosystems. This bodes well for a continued, good growth for Biosystems within the framework of Qiagen.

For Biotage's part, the sale itself means that we now have the financial resources necessary to strengthen and develop business in the Discovery Chemistry business area.

Developments at Discovery Chemistry

Sales in the Discovery Chemistry business area dropped to MSEK 385 from MSEK 398 MSEK during 2007. The business area has been affected by the restructuring that is taking place in the large pharmaceutical companies. During the second quarter, we could see a clear drop in the willingness to invest on the part of the pharmaceutical companies. It has also meant a drop in purchases from the contract research companies – primarily located in India and China – who are conducting some parts of the pharmaceutical research on commission for the pharmaceutical companies. All in all, this has affected the demand for our systems negatively.

On the other hand, our efforts in the academic field continue to yield good results. During the year we stepped up our sales efforts in



The most important event during 2008, of course, was the sale of our Biosystems business area to the biotechnology company Qiagen of Germany.

this field, which is in line with our ambition to expand our customer base, thereby reducing our dependency on the pharmaceuticals industry. This has meant that we have been able, to a large extent, to compensate for the drop in demand from the pharmaceutical industry during 2008. However, that has involved a product mix switch to simpler systems.

Increased sales of consumables

During the year the sales of our consumables continued to grow positively, not least thanks to our latest series of consumables in purification – SNAP. Contrary to other consumables related to our system, SNAP can also be used for other platforms, which increases the market potential substantially. During 2008 we achieved a 15 percent growth in sales month after month.

In the Sample Preparation business area, we see great potential to expand the customer base to include new customer groups outside of the pharmaceutical industry. During the year we presented a number of new SPE products for use in the environment field, for example to filter out environmental toxins from water or soil samples for further analysis.

All in all, I can ascertain that we increased the consumables' share of sales. These now account for approximately 43 percent of our sales, which is entirely according to plan.

Product development an important success factor

The product development is a central success factor for Biotage. During 2008 we launched two new system platforms – PyroMark Q24 in the Biosystems business area and the next generation automated purification system, Isolera, in the Discovery Chemistry business area. Both systems had a positive reception on the market.

During 2008 we are still putting our efforts into product development. We continually add consumables for new applications. Our ambition is to have four new launchings of consumables each year. We continue the development work in the purification field with the Isolera platform as a basis. We also have new, unique solutions under development in microwave-assisted synthesis.

A new phase for Biotage

With the sale of Biosystems, Biotage has now entered a new phase. Biotage has sound business operations and a strong financial standing. In the future we will primarily focus our efforts on two things. Firstly, we will adapt the suit up for the new challenges and we will raise the tempo of the streamlining efforts with the ambition to increase the earnings capacity.

Secondly, we will step up our efforts for operations growth over the long-term. The sale of Biosystems has given us considerably more room to maneuver. Our current financial position allows us to expand through investments in the current operations as well as through acquisitions, which we intend to reap

the full benefit of. The current market climate may also create new opportunities in this regard and make acquisitions possible on reasonable financial terms.

Streamlining production

A first step in the streamlining efforts was taken in January 2009 with the decision to shut down the production in Charlottesville, USA and transfer the instrument production that took place at the factory to contract manufacturers. The manufacturing of consumables that takes place in Charlottesville will be transferred to Biotage's own factory in Cardiff as previously planned. We believe that this will make significant expense reductions as well as reductions in tied-up capital possible while we reduce the sensitivity to changes in demand. We will also be able to benefit from large-scale operations benefits by gathering all production of consumables at Cardiff.

Ambition of reaching new customer groups

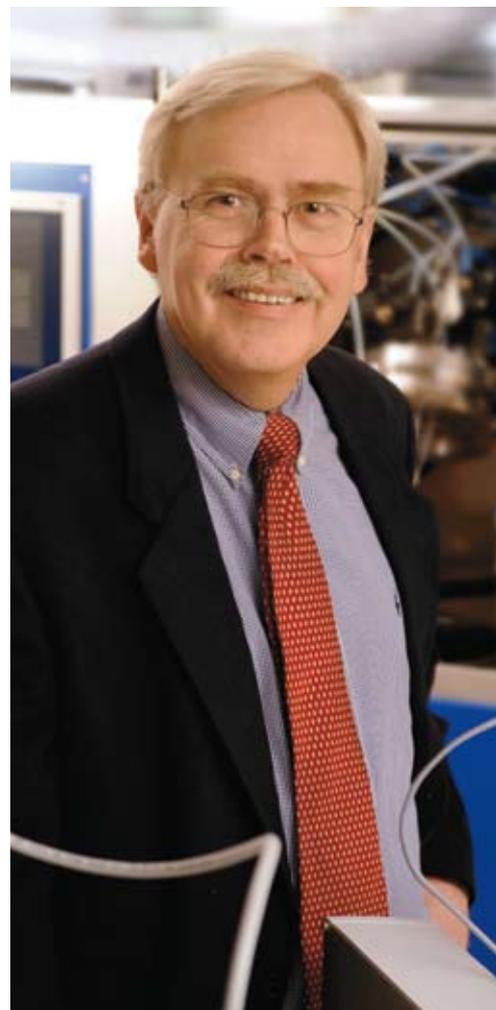
An important part of the efforts to grow operations consists of reaching new customer groups with our existing technologies. One example of this is our collaboration with McMaster University in Canada in the Molecular Imaging field, a collaboration that started in 2007. The purpose of the collaboration is to streamline the production of the radioactively labeled molecules that are used in the field based on our technologies in synthesis, purification and evaporation. Molecular Imaging is still in an early development phase, but may prove to have a very good future potential.

Another important example is our collaboration with MultiSynTech of Germany regarding peptide synthesis which we presented in February 2009. Peptides have great potential to be effective pharmaceuticals and the demand for synthetic peptides continues to grow. The collaboration with MultiSynTech involves in part that we will have distribution rights to their current system in peptide synthesis, in part that we will produce a system for microwave-assisted peptide synthesis in a joint development project. Through the collaboration we have been able to enter into an already established market where we believe the development potential will already be good over the short-term. The demand for peptides is currently increasing by 15-20 percent per year by our estimates.

We are also experiencing an increase in demand for our products for analytical chemistry. We have implemented concerted efforts to develop new products for customers in the areas such as environment and forensic medicine/doping. This is an area we will continue focus our efforts on in 2009.

Focus for 2009

As I wrote by way of introduction, I am pleased with our profit growth during the year despite the fact that sales did not meet our expectations. For the first time in Biotage's history, the



Board of Directors also proposes a disbursement to the shareholders of SEK 0.20 per share.

I also wish to be sure to thank all employees for their contribution to our profit growth in a time of great changes. In a knowledge company such as Biotage each employee's skills form a basis for the operations being able to grow. We know that we are facing a number of challenges in 2009, primarily due to a market climate that deteriorated during the last part of 2008 and the beginning of 2009. At the same time, through the sale of Biosystems, we have been given unique opportunities to grow operations in a positive direction. That indicates we have an exciting year ahead of us.

Uppsala, February 2009

Torben Jørgensen
President and CEO

What Biotage has to Offer

Biotage is a leading supplier of systems and consumables in discovery chemistry. The products are used by chemists in the pharmaceuticals industry, in biotechnology/biopharma companies and in the academic world. Biotage's products are being used to an increasing extent for analytical chemistry, also within the environment field, for example.

Biotage's systems and consumables include areas such as synthesis, work-up, purification and evaporation. That means that the Company today has the most to offer in the market to pharmaceutical chemists in their efforts to bring a molecular model from concept to biologically active substance that can form the basis of future pharmaceuticals. Biotage's products contribute substantially to increasing the productivity in this process. The automated systems for microwave-assisted synthesis and purification systems generate big time gains in the synthesis and purification phases – time that can be used to design additional pharmaceutical substances instead.



of purifying substances – from hours down to minutes. An important part of what Biotage has to offer in purification consists of SNAP consumables. Contrary to other consumables connected to Biotage's system, SNAP can also be used for other platforms which increases the market potential considerably.

Primary customer groups: Pharmaceutical companies, biotechnology/biopharma, CRO/CMO, academic institutions.

Sample preparation – work-up

What Biotage has to offer in the area consist primarily of products for Solid Phase Extraction (SPE) – a method of separating substances in a fluid mixture. The method has a number of different areas of application. In the pharmaceutical industry it can be used to remove different substances that are added to speed up or start reactions in the synthesis phase.

The primary areas of applications are in analytical chemistry. The pharmaceutical industry uses the products in its clinical tests of pharmaceuticals to purify samples, for instance. The method is also used for diagnostic purposes to examine blood samples, for instance.

In analytical chemistry it is used in a number of applications outside of the pharmaceutical field. It can be environment-related applications, to filter out different environmental toxins from water or soil samples for further analysis for instance.

Primary customer groups: Pharmaceutical companies, biotechnology/biopharma, analytical chemistry (environment, food, forensics and doping).

Evaporation

Evaporation involves accelerated drying of a solution. Biotage's system for evaporation is used in medicinal chemistry to transform the solutions with the synthesized and purified molecules to a solid format. The reason that is done, among others, is that it is not possible to save a solution in fluid format for later use. It is, however, possible with a sample that is transformed to a solid format through evaporation. Biotage's solution is unique on the market and offers completely new options, for instance for samples where it is problematic to evaporate fluid or when the chemists are striving for evaporation in a very short time.

Primary customer groups: Pharmaceutical companies.

New areas of application

Biotage has a specific ambition to develop new areas of application based on the Company's existing technologies.

Molecular Imaging

Molecular Imaging is an interesting future area with a number of different applications in

From molecule model to active substance

The work procedure in producing new pharmaceutical substances can be described in five stages that are repeated until the chemist has produced the desired substance.

1. Planning and modeling	2. Synthesis/reaction	3. Work-up	4. Purification/evaporation	5. Analysis/characterization
	In Biotage's system for microwave-assisted synthesis reagents, catalysts and substrates are heated with the help of controlled microwaves to produce new chemical substances.	A procedure through which differences substances may have been added to speed up or to drive reactions are removed.	The desired substance is isolated from remaining impurities. Biotage's system for evaporation transforms the purified molecules to a solid format.	The chemist makes sure that the correct substance is synthesized and isolated, typically done through so-called masspectrometry and NMR (Nuclear Magnetic Resonance).

Biotage's product areas

Synthesis

Synthesis means that a chemist creates a new substance by combining (reacting) several other substances. What Biotage has to offer in the synthesis area is based on microwave technology and are primarily directed towards pharmaceutical development. Microwave-assisted synthesis has several benefits versus traditional heating. The reaction time is reduced considerably, which means that a larger number of reactions can be accomplished at the same time. Rather than take hours, a reaction can be achieved in minutes or even seconds. With the microwave technology the chemists can also create chemical substances that were not possible to create in the past.

Primary customer groups: Pharmaceutical companies, biotechnology/biopharma, CRO/CMO, academic institutions.

Purification

Biotage's system for purification is used in the pharmaceuticals industry to isolate a synthesized substance from impurities. The system is based exclusively on the flash chromatography purification method, the most used method of purifying new substances after synthesis. Biotage's automated purification system and accompanying consumables help the chemist to significantly speed up the task

diagnostics, research and development. During 2007 a collaboration was started with McMaster University in Canada to develop new methods based on Biotage's technologies in synthesis, purification and evaporation. Molecular Imaging is a promising method for diagnosing diseases such as cancer, among other things. Molecular Imaging is also believed to provide good opportunities to follow the development of a disease, for example how a patient responds to

treatment. Molecular Imaging can also be used in pharmaceutical development, at an early stage, to identify whether the potential pharmaceutical works on the area of the body for which it is intended. In many applications one works with radioactive labeled substances which have a very short half-life. To be useful, the labeling of these substances must be go quickly and be adjacent to where the clinic where the patient's image is taken. Biotage's solutions for microwave synthesis, purification and evaporation can in this phase create clear benefits. The reactions go considerably faster than with conventional methods and yield, more specifically the amount of substance will be greater.

Germany and the University of Copenhagen, Biotage is currently working on producing new applications for peptide synthesis based on the Company's microwave technology. One challenge in peptide synthesis is to synthesize longer and more complex peptides which can be facilitated with microwave-assisted synthesis. At the same time, a greater yield (amount) is made possible as a result of the microwave technology. In connection with this, Biotage has also reached a distribution agreement with MultiSynTech. Through the agreement Biotage gains the distribution right to MultiSynTech's current product portfolio in peptide synthesis.

What Biotage has to offer	
Synthesis	
Initiator	System for microwave synthesis with room for one reaction chamber.
Initiator Eight	System for microwave synthesis that can handle up to eight reactions in succession.
Initiator Sixty	System for microwave synthesis that can handle up to 60 reactions in succession.
Advancer	System for synthesizing large amounts of substance.
Endeavor	Parallel synthesis system for hydrogenation reactions, for instance.
Consumables	For use together with Biotage's system for microwave synthesis.
Purification	
Isolera	Automated purification system with room for one purification column.
Isolera Four	Automated purification system with room for four purification columns.
FlashMaster Personal Plus	Biotage's simplest system for purification.
FLASH 75	Purification system for purification of up to 40 g of substance.
FLASH 150	Purification system for purification up to 320 g.
Flash 400	Biotage's largest system, adapted to purification of substances on a larger scale.
Consumables	For use together with Biotage's purification systems, for example, SNAP.
Sample preparation	
ISOLUTE®	Silicone-based products for SPE (Solid Phase Extraction).
EVOLUTE™	Polymer-based products for SPE (Solid Phase Extraction).
SLE+	Products for SLE (Solid Liquid Extraction).
Evaporation	
V-10	Rapid Solvent Evaporation System for evaporation.
Peptide synthesis	
Syro I	System for parallel peptide synthesis.
Syro II	System for parallel peptide synthesis.

Peptide synthesis

The demand for synthesized peptides (molecules that consist of a chain of amino acids) is currently growing dramatically, not least because peptides offer opportunities for a very effective pharmaceutical. The researchers need more complex peptides for the research work on peptide-based pharmaceuticals, for example consisting of longer amino acid chains. This makes it possible to develop specific peptides that can attack defined diseases.

In a collaboration with MultiSynTech of



During 2008 Biotage launched the new purification system Isolera, which had a positive reception on the market.

Biotage's Market and Sales Efforts

Biotage targets a global market with its products. The company's customers consist primarily of pharmaceutical and biotech/biopharma companies, as well as academic institutions. Biotage is represented with its own sales and service organizations on most major markets in Europe, as well as in the U.S. and Japan. Other markets are serviced through distributors.

Biotage's sales strategy builds on direct sales through its own sales organizations on the major markets for the company's core products within synthesis, purification and evaporation and analytical sample preparation. The basis for this strategy is that the systems and specialized consumable products that Biotage offers its customers require a highly competent sales staff with special insight into the challenges that chemists face in their work. Moreover, it is very important to have direct contact with customers, as it generates opportunities for additional sales and direct customer dialog on future product improvements and new product ideas.

Today, Biotage has direct sales of systems and consumables within synthesis, purification and evaporation in Europe, the U.S. and Japan. Other major Asian markets, primarily India and China, are presently being served via well established distributors which specialize in medicinal chemistry.

For products within Sample Preparation, sales are made either directly by Biotage itself or through distributors, depending on direct sales resource levels and/or customer groups. Sales to the pharmaceutical industry are made via Biotage's own sales organization. Sales to customers' active in other areas, such as the envi-

ronment, are largely managed via distributors. In 2009 Biotage will continue to increase its direct sales presence in market segments outside of pharma as part of the company's strategy to reduce dependency on pharma as well as take advantage of the benefits of direct customer relationships.

Increased Focus on Academic Institutions

In 2008 Biotage successfully strengthened its performance in the academic market segment. Traditionally, Biotage has focused more on the pharmaceutical industry, and therefore there is considerable potential for the company in this market segment. In addition to the increased sales opportunity, more sales to academic institutions also mean reducing the company's dependence on large pharma.

In 2008 reinforced sales efforts have been combined with special discount programs aimed at nonprofit organizations. This has been successful and resulted in an increase in sales to academic institutions over the year.

Biotage Customers

Biotage's customers include all the large multinational pharmaceutical companies and leading biotech/biopharma companies and universities



Biotage's latest series of consumables, SNAP, has been very well received by the market and is an important reason that sales of consumables has increased during 2008.

around the world. Among the largest customers are Amgen, Astra Zeneca, BayerSchering, GlaxoSmithKline, Merck, Novartis and Pfizer.

Biotage's dependency on a few key customers is relatively low. The largest customer accounts for less than five percent of the company's sales.

Biotage's Market Position

Biotage has a strong market position in most of the areas in which it is active. The basis for Biotage's market position consists of a number of prioritized competitive advantages:

Innovative, high-quality products – Biotage's innovative products streamline customers' work processes and increase productivity, creating measurable value for them. Biotage's product quality maximizes the "up time" and availability for the chemist's use.

Wide assortment – Biotage provides systems and consumables for key parts of the medicinal chemist's work process, which creates opportunities to become a critical supplier to pharmaceutical companies. This is an important competitive advantage in Biotage's sales work. It means that Biotage can offer customers packaged solutions based on the company's

comprehensive range of products within medicinal chemistry.

Competent sales and support staff – Biotage strives to have the market's most competent sales and support staff, located near customers. This ensures that customers have the support needed and can fully benefit from the functionality and performance of Biotage's products.

Product development – Biotage has a clear focus on product development and the company continuously works on developing solutions that can provide new opportunities for customers and increases their productivity.





Biotage has developed products within SPE (Solid phase extraction) for use in analysis of soil. These are used in connection with, for example, new buildings on land where there previously has been industrial premises, to investigate the possible existence of toxic substances.

Biotage Competitors

Biotage does not have a single competitor with a comparable scope of product offerings within medicinal chemistry. Therefore, the company has different competitors in different product areas.

Biotage's primary competitors do not publish detailed financial information for the product areas in which they compete with Biotage, which means it is impossible to establish market shares with any certainty. The following table provides a summary of the competitive situation for Biotage.

Biotage Competitors			
Product Area	Major Competitors	General Description	Biotage Strengths
Purification	Isco	Isco is Biotage's primary competitor in Flash Chromatography systems. Biotage and Isco are in a class of their own in terms of market shares. In regards to consumables, competition from smaller low-price players increased during the year. However, Biotage maintains quality and supply consistency advantages.	In terms of systems, Biotage's Flash platforms offer great flexibility and functionality. The company's consumables are of very high quality.
Synthesis	CEM	CEM is Biotage's primary competitor in regards to Microwave Synthesis systems. Biotage and CEM are in a class of their own in terms of market shares. Biotage has a stronger position in the pharmaceutical industry, while CEM has historically been stronger in the academic area.	Biotage's synthesis platforms are characterized by high quality, ease of use and overall productivity.
Sample Preparation	Waters Varian	The main competitors are large companies where SPE is a small part of the products offered. Their market shares are substantially higher than Biotage's.	Biotage has a wide product range to offer within SPE. The company offers high quality products at a slightly lower price than the main competitors.
Evaporation	Traditional techniques for evaporation, for example Genevac	Biotage's system V10 is unique on the market. Therefore, the competition is primarily from traditional techniques for evaporation.	V10 is a unique niche product that allows evaporation of samples that cannot be evaporated using traditional techniques. At the same time, the system offers unmatched speed in the process.

Markets

Biotage's product range is primarily aimed at medicinal chemists active in the pharmaceutical industry, in biotech/biopharma companies and academic institutions around the globe. The biggest geographic markets are the U.S. and Europe. In recent years, however, sales to other markets have increased, in part as a result of increased growth in CROs (Contract Research Organizations), which are increasingly located in Asia.

Factors Affecting Demand for Biotage Products

Biotage's single largest customer group is the pharmaceutical industry. This means that the general regional and global development in the pharmaceutical industry has a considerable impact on Biotage. Biotage can see a direct connection between the investments these companies make in research and development and demand for Biotage's systems and consumables.

Biotage works actively to increase the market potential for the company. Biotage's efforts in product development are of major significance in this context. By continuously developing existing systems, as well as new systems and

consumables that can produce added value for customers, Biotage can generate demand for the company's products. Biotage also strives to reach new customer groups through its product development. A good example is the development work done in the product area Sample Preparation. By creating applications for areas such as Environmental monitoring, forensic medicine and doping, Biotage can leverage a core competence and reach new customers with its products.

Other examples of the company's work to reach new customer groups using existing technology include the work with McMaster University in the area of Molecular Imaging and the work with Copenhagen University and German MylTiSynTech in the area of peptide synthesis.

Market Trends in 2008

In 2008 Biotage noted continued strong focus on streamlining among customers in the pharmaceutical industry, combined with an ongoing restructuring process. There is a general interest to reduce lead times in getting the medicine to market and to achieve more streamlined research activities. In 2008 this led to a reduction in the numbers of employees working in research and development departments in the pharmaceutical industry. Consequently, few if any new research centers were established during the year.

A clear trend that Biotage has seen in recent years is that the pharmaceutical industry is increasingly outsourcing parts of its pharmaceutical research to CROs (Contract Research Organization) primarily located in India and China. This means that these companies today account for a growing percentage of Biotage's sales, compared to a few years ago. The growth in the number of medicinal chemists active in CROs has, to a certain extent, counterbalanced the decline that has occurred in the pharmaceutical industry. Biotage estimates, however, that the overall number of "industrial" researchers in small molecule medicinal chemistry has fallen somewhat during the year.

During the year Biotage noted increased interest in the company's products from academic institutions. Biotage estimates that research funding for medicinal chemistry in the academic institutions remains more or less unchanged, compared to previous years. That would suggest that there is increased interest today within the academic sector for the type of products Biotage offers.

Sales Developments in 2008

Developments in sales did not live up to the company's expectations in 2008. Sales fell by three percent. The primary reason for this decline is lower demand from the large American and UK based pharmaceutical research sites. Looking at the company's different product areas, sales within purification and sample preparation were nearly unchanged, while sales

Sales by geographic market MSEK

Geographic Market	2008 Sales	2007 Sales
U.S.	147	158
Europe	173	179
Other Markets	65	60

Sales by product area MSEK

Product Area	2008 Sales	2007 Sales
Synthesis	108	124
Purification	190	191
Sample Preparation	73	74
Evaporation	14	9

in synthesis fell. On the other hand, Biotage continues to experienced great interest in the evaporation system V10, where sales increased by 65 percent, albeit from low levels.

In terms of geographic markets, sales declined in the U.S. and Europe. However, there are still big differences among the European countries. In some markets sales have been satisfactory, as is the case in Germany, but the region as a whole has been affected negatively by the developments in UK economy and overall

pharma consolidation and research outsourcing, for instance. Sales to other parts of the world increased in 2008. This is in partly due to an increase in investments by a number of CROs in India and China and to strong growth in sales on the Japanese market.



Research and Development

2008 has been an eventful year for research and development at Biotage. During the year two new technical platforms were launched successfully. At the same time the Company reinforced the research operations to generate a greater flow of new, innovative products.

Biotage's research and development work was conducted in Uppsala and Cardiff, Wales. All development work related to systems, platforms and software is conducted in Uppsala, the headquarters for research and development. All chemistry-related development work of consumable products is conducted in Cardiff. A total of approximately 30 people are currently active in research and development at Biotage.

Greater focus on innovation

Research and development is one of Biotage's most important competitive tools in its efforts to increase sales and take new market shares. In recent years the Company has continuously worked to improve the research and development function for the purpose of reducing lead times in development projects and to increase the number of completed projects. This work has been successful and means that the Company today has a well-defined and well-functioning product development process – from initial requirement specifications to market launching.

An important part of the work in 2008 has been to increase the focus on innovation. By stepping up efforts in the research portion of the development work, Biotage will ensure a continuous flow of new ideas that can be translated to new, innovative products. Today there are special positions that exclusively concentrate on progressive technology development and to identify possible technology collaboration with external parties. It pertains both to new technology and how Biotage's current technologies can be adapted to new areas.

New products in 2008

2008 was a very eventful year for the research and development function at Biotage. A total of 10 development projects were initiated and 15 projects were completed during the year. 7 development projects were in progress at Biotage at the end of 2008. During the year there were two large launches of completely new technical platforms. In the Biosystems business area PyroMark™ Q24 was launched – an instrument produced specifically for applications in cancer research.

During the year Isolera was also launched, a completely new generation purification system based on flash chromatography. The project met established goals such as a major reduction of the manufacturing expenses compared to previous generations while broadening the functionality with higher flow rate, for example, and the option of using external detectors together with the system. Both systems met with a good reception on the market. Further, Advancer SBP was launched in the field of microwave synthesis, a product that makes it possible to quickly and completely upscale reactions to meet standards for quickly producing large amounts of materials for use in later stages of the pharmaceutical development process.

Another main area has been development of consumables, which is in line with the Company's ambition to increase the consumables share of the sales. A number of new products were launched in the SNAP product family during 2008 – Biotage's very successful selection of consumables in the purification product area. Biotage has also launched new consumables in SPE (Solid phase extraction) directed towards analytical chemistry, including environment-related applications.

Focus for 2009

During 2009 Biotage will focus primarily on a number of selected areas. The work in the purification field will continue with the new Isolera platform as a basis. Another important field is microwave technologies where new, unique solutions are under development. Thirdly, the work will continue to expand what is offered in SPE, primarily in fields outside of pharmaceutical chemistry. Finally, the work on evaporation solutions will continue during 2009.

In tandem with this, development work will proceed with MultiSynTech to product a new system for microwave-supported peptide synthesis, a project that is estimated to be completed during 2009. In the collaboration with McMaster University, the research and development function at Biotage has an important role and is continuously in contact with McMaster to optimize and adapt Biotage's products for use in molecular imaging.

Patent

Patent continues to be an important tool for Biotage, primarily in light of more work on developing new technology. During 2008 Biotage has a reinforced focus on patent and intellectual rights. Biotage guarantees, among other things, that all staff in research and development will receive relevant training in these elements. Biotage currently holds 112 registered patents. 38 patent applications, divided into 26 patent families, are under consideration. During the year eight new patents were granted and two new patent applications were submitted.



Production and Environment

Biotage's production during 2008 has been divided into two of Biotage's own factories – one in Charlottesville, USA, and one in Cardiff, Wales. The production of systems for microwave synthesis has been done by contract manufacturers.

All systems and products in the purification field, the largest system for microwave synthesis, Advancer, and the evaporation system V-10 are manufactured at Biotage's production facility in Charlottesville.

Chemical components for Biotage's consumables, such as reagents and purification columns, are manufactured at the factory in Cardiff, Wales.

Changes to the production structure

In January 2009 Biotage communicated that the Company had decided to transfer the instrument manufacturing that takes place at the factory in Charlottesville, USA, to a contract manufacturer and that the factory will be shut down. Biotage believes that this may make major expense reductions as well as reductions in tied-up capital possible while reducing the sensitivity to changes in demand.

The manufacturing of consumables that took place in Charlottesville will be transferred to Cardiff, which will bring about additional large-scale operations benefits.

This means that in the future Biotage will only have one production facility. All manufacturing of systems and instruments will be done by contract manufacturers.

Focus on productivity and quality in Cardiff

The production of consumables for the factory in Cardiff is run with clear focus on productivity and quality.

The production consists to a large extent of different types of chemical media being packed in a very precise manner in columns. Biotage continued to invest in increased automation of production methods in 2008, in part to increase productivity, in part to ensure a consistent, high quality.

The quality aspect is central to the production as Biotage's products are used in fields that place great demands on precision and exactness. The factory in Cardiff is certified pursuant to ISO 9001 and performs systematic quality work in three parts. Firstly, the raw materials that are purchased are tested continuously. Secondly, a control process is added during the course of the production for quality assurance. Finally, tests are run on the products before they are delivered to ensure that they meet specifications and other defined requirements.

Biotage also follows up on the feedback from the customers systematically. During 2008 the share of complaints amounted to far below one percent of total delivered products.

Environment

Biotage has low environmental impact in its production as a result of the Company not having any manufacturing processes. Production consists mainly of assembly and installation of components and the Company works pursuant to the EU's RoHS Directive.

Environmental impact from the factory in Cardiff will primarily come from use of electricity and waste, primarily in the form of packaging materials from incoming goods.

The production is not electricity-intensive, and the annual electrical consumption at the factory in Cardiff amounts to 560,000 kWh. However, the Company continually strives to reduce the electrical consumption. Electrical consumption is among the evaluation parameters for purchasing new equipment for the production.

Packaging materials from incoming goods are sorted and sent to recycling where possible.

A small amount of solvent is used in the production of consumables. For that reason, the factory in Cardiff has an obligation to report to local authorities. The majority of the solvent that is used is recycled.

The environmental aspect is important in product development and environmental criteria are included in a natural manner in the creation of new products.

However, there are many efforts in a company that can contribute to less environmental impact on a daily basis. At Biotage's office, paper, packaging materials and obsolete electronic equipment are collected and sent for recycling.



Employees

During 2008 Biotage sold the Biosystems business area to Qiagen of Germany. It means that 37 employees during the year got a new employer and that the number of employees at Biotage dropped to 292 people.

An important event for Biotage's organization during 2008 has been the sale of the Biosystems business area to Qiagen of Germany. In connection with the transaction, the purchaser took over all employees in the business area, which has been a very extensive process. As a result of the sale and the transfer of staff, Biotage had 292 employees at the end of 2008.

Leadership central

Employees who would like and are given the opportunity to have a positive influence on the direction operations are taking are an important foundation for Biotage reaching the goals that have been set for the operations. Biotage has a specific ambition to give its employees good work terms and opportunities for growth as the Company believes that this is central to generating motivation and engagement at all levels of operations.

Biotage places great emphasis on the manager's role and has set high standards for people holding a manager position. The reason is that the leadership plays a crucial role, both for how the employers view their work situation and the results that are achieved in the operations. During the year Biotage continued its efforts in leadership development in the form

of so-called manager coaching for the purpose of strengthening the managers in their role. A special manager development program has also been implemented at the English company to strengthen the managers in areas such as motivating employees and giving feedback on set goals.

Refined development reviews

During the year Biotage devoted extensive efforts to improving the work procedure to provide the employees feedback related to the Company's expectations. The employee review that was implemented during 2008 has been refined and is connected to clear role descriptions for respective positions. The new model will be introduced to all employees during 2009. It will be an important tool in supporting the employees in their own development. Within the framework of the development review, the employee, together with their immediate supervisor, reviews how the individual goals were reached during the year, the employee's functional competence, personal behavior in the work situation and future opportunities for growth. This review them forms the basis for setting the pay rate, among other things. It also makes it possible for Biotage to actively work with career planning for purposes including creating a talent base with employees who have potential to go on to new roles in the operations in the future.

Structured work on working environment matters

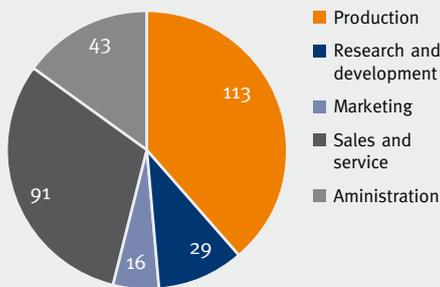
Biotage is devoting a systematic and structured effort to work environment matters. The basis of the work is the Company's work environment-related policies that include the physical work environment as well as psychosocial aspects, equality and discrimination. The company's working environment committee has the main responsibility for following up on measures in the area of working environment and for following new directives on working environment matters.

To continuously improve the working environment, each year the office in Sweden conducts protection rounds to identify areas for improvement, for example in terms of working posture and lighting. During the year Biotage also devoted more concerted efforts to the work environment at the factory in Cardiff. That includes inspecting the workplaces to identify areas for improvement. As a result, a number of workstations have been redesigned. In tandem with this the workflow in certain portions of production has been changed to create an even better work situation for the employees.

Through the years Biotage has had low sick-leave rate, a trend that also continued during 2008. The sick-leave rate for all employees in the group amounted to 1.2 percent, of these 0.4 percent were on long-term sick-leave. The health risks at Biotage are very small. One incident of a mild nature was reported in 2008.

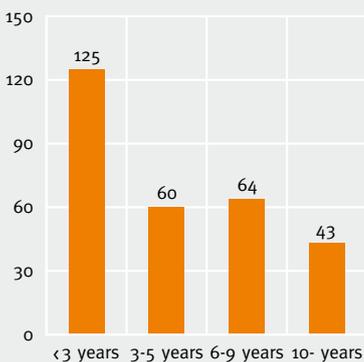
Facts about Biotage's employees

Personnel categories Number of persons

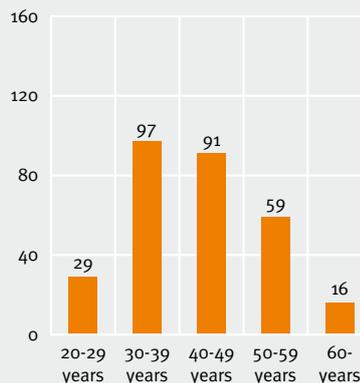


Gender division, %	
Male	66
Female	44
Geographical division, %	
Sweden	20
USA	37
Europe	40
Asia	3
Educational level, %	
Higher academic degree	22
University education	26
Non-academic education	52

Length of employment Number of persons



Age distribution Number of persons



Greater Interest in Peptides

In recent years the interest and research in synthetic peptides has increased. One important reason is the peptides' potential to be effective pharmaceuticals. For a number of years Professor Knud J. Jensen at the Faculty of Life Sciences at the University of Copenhagen has used Biotage's system for microwave-assisted synthesis for portions of the work with synthesizing new peptides. Professor Jensen is currently collaborating with Biotage to develop new tools for researchers who work with peptide synthesis.

Simply put, a peptide can be described as a small protein and consists of a chain of amino acids. Peptides have an important role in many biological processes in the human body. Many peptides also play a central role in connection with various diseases.

Greater share of peptide-based pharmaceuticals

Peptides are already currently being used as pharmaceuticals for many diseases. One example is diabetes where one factor can be that the body has too little of the peptide insulin. This is treated by injecting insulin into the body. Other disease conditions where peptide-based pharmaceuticals are used are multiple sclerosis and rheumatism. The interest in this type of pharmaceutical is increasing, and some commentators believe that the share of peptide-based pharmaceuticals will rise during the coming decade.

Professor Jensen says that peptides have a number of positive traits when they are used as pharmaceuticals.

"If you take several different pharmaceuticals based on small molecules at the same time, which are the traditional pharmaceuticals in pill form, these may interact adversely. For example, the effect of a pharmaceutical can be counteracted by another pharmaceutical and it may, in fact, be dangerous to combine certain types of pharmaceuticals. This never happens with peptide pharmaceuticals, which in many ways makes these safer to use", says Professor Jensen.

Other positive traits of peptide-based pharmaceuticals are that they can be made more specific than traditional pharmaceuticals based on small molecules. That is to say its effect can be targeted more precisely towards one specific condition. It is also more predictable in the breakdown phase as it is broken down to nothing but amino acids.

Involved in the early phase of the development work

Professor Jensen works in bioorganic chemistry and nanobioscience. His research is primarily divided into two fields. Firstly, he and his group work with research of purely academic interest in a number of different fields, including design of synthetic proteins. Simply put, this means that they are striving to generate completely new synthetic structures which behave exactly like natural proteins.

The second part of his research is conducted in collaboration with the pharmaceuticals industry.

"The purpose of our collaboration with different pharmaceutical companies is first and foremost to produce new pharmaceutical candidates based on peptides. We are involved in the very earliest phases of the development work, which in the industry is called early stage discovery," says Professor Jensen.

The microwave technology reduces the reaction time

One important prerequisite for Professor Jensen's work is the opportunity to efficiently synthesize peptides. He uses in part a completely automated peptide synthesis system from MultiSynTech, in part a semi-automated instrument which he designed himself consisting of products from MultiSynTech in combination with Biotage's system for microwave synthesis, Initiator.

"The opportunity to reap the benefit of Biotage's microwave technology has solved several problems for us. We use Biotage's system, among other reasons, for reactions that otherwise would have been difficult to carry out and for reactions that otherwise take a long time. We can bring about certain reactions in one to two hours that took overnight in the past," says Professor Jensen.

Professor Jensen says that there is a general trend towards biochemists striving for longer and more complex peptides, that is to say peptides consisting of more amino acids, even including small proteins. One reason for this is that the researchers, through longer sequences of amino acids, can produce peptides with new, specific functionality. To successfully synthesize long peptides, each reaction must be successful, that is to say each coupling between the different amino acids. Microwave technology is an important tool for that work.

"We synthesize for example a number of peptides with around 55 amino acids. For that work we need to use heating for the first ten and the last ten couplings to achieve the desired result. Biotage's microwave technology plays a crucial role here for us to do this successfully," says Professor Jensen.

Development of a new system for peptide synthesis

Biotage's collaboration with Professor Jensen goes back several years in time. It was also through him that Biotage came into contact with MultiSynTech, a German manufacturer of high-quality peptide synthesis systems with whom Biotage reached a collaboration agreement in early 2009. In connection with this, Biotage and Professor Jensen have also entered into a more formalized collaboration.

Together with Biotage and MultiSynTech, Professor Jensen will participate in the development work on a new microwave-assisted peptide synthesis system that will increase the yield and rate of peptide synthesis. The completely automated system will be capable of offering both parallel synthesis and microwave synthesis opportunities and is thus uniquely positioned on the market and addressing all of the needs that researchers have in their work with peptide synthesis.



Biotage Shares

Biotage shares were listed on the Stockholm Stock Exchange's O list on June 30, 2000. Today, Biotage's shares are listed on Nasdaq OMX Nordic Stock Exchange's Small Cap list under the name Biotage (BIOT).

Share capital in Biotage at December 31, 2008, totaled SEK 88,486,320, represented by 88,486,320 stocks, with a quotient value of SEK 1. Each share entitles its owner to one vote. No shares are tied to any restrictions, for example on transferability, to the board of directors and the CEO's knowledge.

Price Trends

In 2008, the stock price fell 40.7 percent, from SEK 8.60 to SEK 5.10. During the same period, the SIX General Index fell 41.8 percent. The highest rate paid in 2008 was SEK 9.70 and was listed on February 1st. The lowest rate paid was SEK 4.95 and was listed on October 24th. At the close of 2008, Biotage's market value was MSEK 451. In 2008, 25.7 million shares were traded at a value of MSEK 207.6, corresponding to an annual turnover rate of 29 percent.

Shareholders

The number of shareholders in Biotage at December 31 was 6,529 (6,587). The 15 largest shareholders accounted for 59.4 percent of capital and votes. The share of foreign shareholders accounted 15.2 percent of the capital and votes.

Option Program

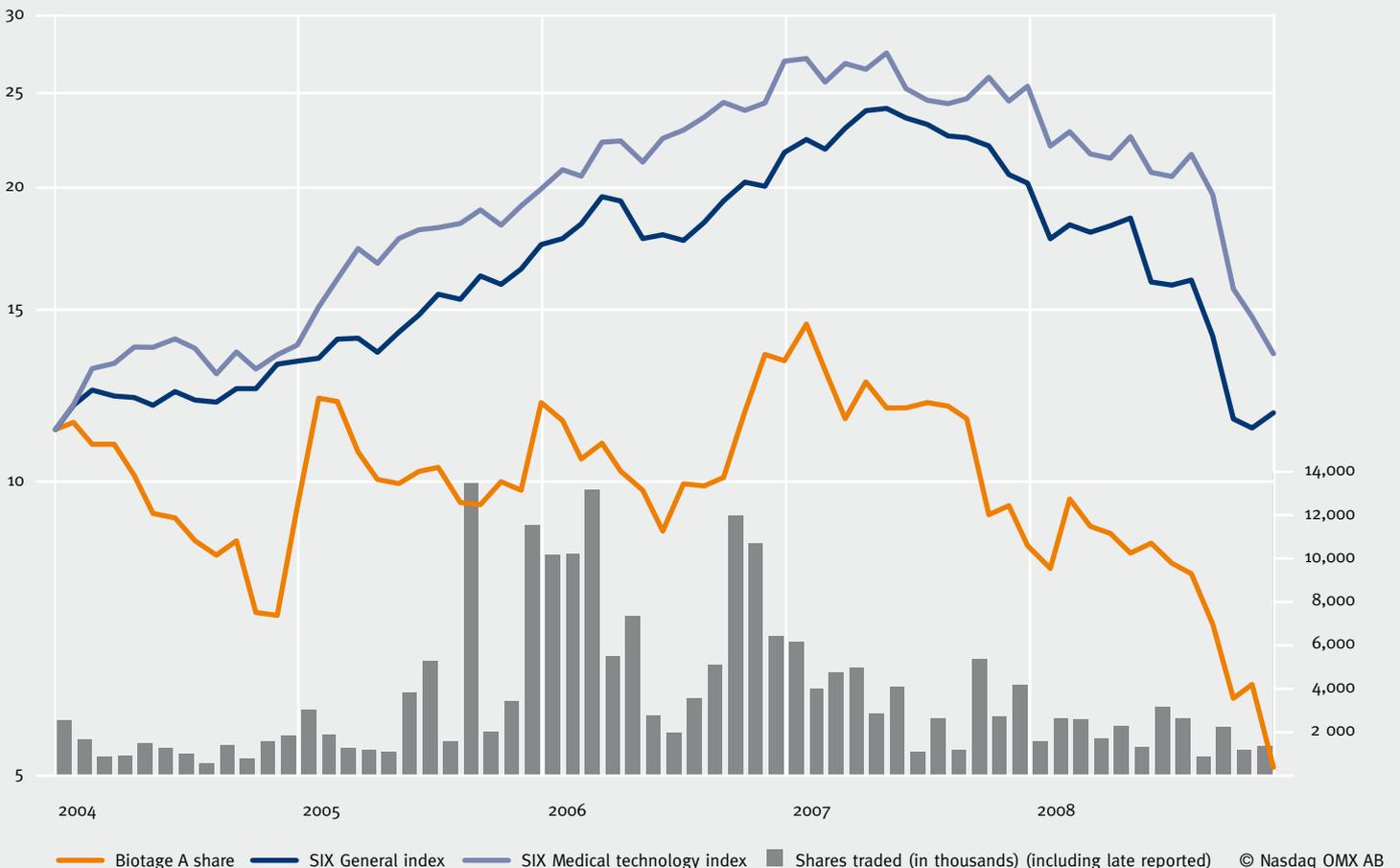
The parent company has three outstanding option programs aimed at employees in the Group. The number of outstanding shares is 843,600, which, if fully utilized, entitles the holders to subscribe for 849,168 shares, with as many votes, in Biotage AB. The issue price varies among the programs from SEK 9.86 to 16.64. The last day of the subscription periods also differs among the programs, from December 31, 2009, to February 15, 2014.

The terms of the option programs are stated in the accounting and valuation policies, section 6, pages 39-41.

Dividends

For fiscal year 2008 the board of directors in Biotage AB recommends dividends of SEK 0.20 (o) per share.

Share price trends



Owner categories as of 12/31/08

Owner	Number of shares	Share of capital and votes, %
Swedish owners > 500 shares:	74,568,914	84.2
of which:		
Swedish private individuals	20,663,653	23.4
Mutual funds	7,378,381	8.3
Private companies	9,385,158	10.6
Pension savers	8,795,850	9.9
Investment companies	7,629,307	8.6
Banks	2,704,266	3.1
Exchange-listed companies	3,110,500	3.5
Other Swedish institutions	12,633,835	14.3
Other	2,267,964	2.5
Foreign owners > 500 shares	13,414,324	15.2
Shareholders ≤ 500 shares	503,082	0.6
Total	88,486,320	100.0

The 15 largest owners as of 12/31/08

Owner	Number of shares	Share of capital and votes, %
HealthCap	12,548,335	14.2
Investor	7,629,307	8.6
Second Swedish National Pension Fund	5,291,524	6.0
Anders Walldov and company	5,000,000	5.7
Home Capital	3,106,500	3.5
Mathias Uhlén and company	3,000,751	3.4
Pål Nyrén	2,677,557	3.0
SEB Företagsinvest	2,672,267	3.0
Länsförsäkringar funds	2,538,181	2.9
Nordea funds	2,057,741	2.3
Fourth Swedish National Pension Fund	1,934,325	2.2
SHB/SPP funds	1,456,979	1.6
Skandia Liv	978,645	1.1
Riksbankens jubileumsfond	925,580	1.0
Håkan Berndtsson	799,000	0.9
Total	52,616,692	59.4

Shareholders by size of holdings as of 12/31/08

Size classes	Share of total number		Share of total number	
	Number of owners	of owners, %	Number of owners	of owners, %
1 – 500	2,733	41.9	503,082	0.6
501 – 1,000	1,263	19.3	1,135,697	1.3
1,001 – 10,000	2,104	32.2	7,437,659	8.4
10,001 – 100,000	352	5.4	9,918,823	11.2
100,001 –	77	1.2	69,491,059	78.5
Total	6,529	100.0	88,486,320	100.0

Company Risks

Customers and Markets

The Company has a broad customer base in the pharmaceutical sector, clinical research in the health care sector, and scientific research. Three quarters of the customer structure mainly involves the world's leading pharmaceuticals, and no customer represents more than five percent of sales, thereby lowering the risk of dependency on fluctuations in subventions in academic research or in the customer base in general. New or cheaper products from competitors could impact the Company's market position.

Biotage deals with these risks by seeking to establish as broad an area of application for its products as possible, aiming to reach many customer Groups in order to limit each customer's relative share of sales income. Furthermore, Biotage endeavors to run its operations as cost-effectively as possible in order to compete successfully with its prices.

Products and Technologies

The Company has a broad product portfolio, which entails reduced sensitivity over all to product lifecycles and fluctuations in the global economic situation. New technologies within biotechnology take a relatively long time to establish, and competition from new technologies therefore represents a limited risk in the short term. The Company cannot guarantee, however, that others will not develop products based on new technologies, which would result in the Company's products becoming less competitive or completely irrelevant.

Biotage's manner of tackling these risks is by broadening its product range and marketing new products that offer both advantageous pricing and new performance.

Production

During the year the Company's production facilities in Charlottesville, Virginia, produced purification and evaporation systems and certain consumables. Production of consumables took place at the production facilities in Cardiff, Wales. In 2009 Biotage will wind up production at the plant in Charlottesville. Production of systems will be moved to contracted manufacturers and production of consumables will be moved to the factory in Cardiff. This means that all production of systems will take place through contracted manufacturers. This dependency on external production capacity may increase the risk of late or lacking deliveries.

Biotage's manner of dealing with these risks is by designating special staff to follow up closely on how the supplier is managing to fulfill its obligations, both with respect to product quality and to agreed delivery times.

Personnel

In Biotage there is a large number of key employees who are highly skilled, tremendously committed, highly motivated and who have good customer relations. The Company is involved in research and the development of new products, which means that Biotage relies heavily on its ability to attract and hold onto qualified personnel. Therefore, it is important that the Company can offer competitive terms of employment. If Biotage is unsuccessful in recruiting and keeping qualified personnel, it could become difficult to fulfill the Company's business strategies.

Biotage deals with this risk is by offering its staff significant influence on the Group's product range and their own work tasks and offering ample opportunity for personal development through training and continuing professional education.

Competitors

It is Biotage's belief that the Company's products are competitive. The competition on the market is exigent, however, and in some cases Biotage is competing with large, well established companies with much greater financial and industrial resources at their disposal. Biotage cannot rule out that this competition may lead to lower market shares and profitability for Biotage in the future.

The Company's approach to dealing with this risk is by offering its buyers high market presence and greater commitment and focus on customers' needs than that offered by competitors.

Intellectual Property Rights

Biotage relies on unpatented trade secrets, know-how and ongoing technological discoveries and its ability to obtain and keep patents to protect

the Group's technologies and products. Biotage continuously seeks patent protection for the methods and products it develops. If the Company is unsuccessful in protecting its patents, trade secrets, know-how or technologies, or if they fail to offer enough protection against competitors, the Company's competitive position may be undermined, thereby negatively impacting the value of the Company's current and future products. If any party were to claim that the Company's inventions or use of technologies are in violation of that party's intellectual property rights, the Company could be forced to pay damages if it is indeed found to be in violation of the other party's patent.

The Company may also have to initiate legal proceedings in order to protect its intellectual property rights. The result of such proceedings is uncertain. Even if Biotage were to win such a case, the proceedings would be very time-consuming and costly and would require much of the management's time and attention.

Biotage faces these risks by monitoring the development of new products and methods in the Group's environment and by maintaining good technical and legal competency within its own organization.

Financial Risks

In accordance with the provisions in IFRS 7, a report on the Group's financial risks and risk management is provided on pages 35-38. The presentation contains partially quantified risks.

In short, these risks include: currency risks, interest risks, credit risks, liquidity risks and refinancing risks.

The currency risk comprises the most significant financial risk, while interest risks and credit risks weigh less heavily.

The currency risk lies in the fact that the Group's sales income and operating costs do not match. A considerably larger portion of the Group's income is related to foreign currencies than is the case for its operating costs, which, to a large degree, are paid in Swedish kronor.

In order to reduce the currency risk, part of the net flow is forward covered.

Furthermore, the parent company has, through acquisitions, invested in subsidiaries in the U.S., Great Britain, Germany, Switzerland and Japan. As a result of these investments, the Group's equity is affected by fluctuating exchange rates in relation to these countries' currencies.

Liquidity risk is the risk that a financial investment or other asset cannot quickly be converted to the market price and may consequently create unforeseen costs because of the lack of access to cash funds in foreseen or unforeseen circumstances.

The sale of the Biosystems business area during the year has tremendously strengthened Biotage's financial position and liquid assets, and current investments were MSEK 405 on the reporting date. The current investments have a short tenor and were made in treasury bills or instruments that are as easily sold. In addition, the Company has directly accessible liquid assets in its accounts.

Biotage's loans at fiscal year-end totaled MSEK 47, and unused credit amounted to MSEK 74.

Cash flow analyses for 2007 and 2008 show positive cash flow from operating activities, which ensures fulfillment of the obligations dictated by the current scope of operations.

In the present situation, Biotage therefore, faces no tangible liquidity and financing risk where the Company's expansion could become dependent on credit or owner investments, which are beyond the Group's control.

Biotage's manner of addressing these risks in the long-term is to focus strongly on operating profit, the financial balance and positive cash flow from operating activities. In the long-term, this creates the conditions needed for organic growth and confidence among owners and creditors who can give Biotage access to financial resources for structural transactions aimed at growth.

Sensitivity analyses concerning changes in sales income, gross margins and operating costs:

Change in:	Affects profit/loss by KSEK	
Net sales (volume change) +10/-10%	22,446	-22,446
Net sales (price change) +10/-10%	38,530	-38,530
Gross margin +1/-1 percentage point	3,853	-3,853
Operating costs +10/-10%	-21,766	21,766

Five Years in Summary

Key Figures	2008	2007	2006 ¹⁾	2005 ¹⁾	2004 ¹⁾
<i>Consolidated</i>					
Net sales, KSEK	385,295	397,568	519,497	430,396	366,649
Growth in net sales, %	-3.1	-23.5	20.7	17.4	111.1
Gross profit, KSEK	224,457	239,861	319,715	230,047	218,053
Gross margin, %	58.3	60.3	61.5	53.5	59.5
Operating margin, %	5.8	4.2	1.2	-14.6	-16.8
Profit margin, %	11.1	5.0	3.8	-6.9	-16.0
Profit before tax, KSEK	27,672	14,260	6,054	-37,090	-74,443
Earnings per share, SEK	0.35	0.58	0.03	-0.57	-1.29
Balance sheet total, KSEK	1,299,012	988,599	917,265	974,738	736,101
Equity ratio, %	86.6	80.5	77.7	75.7	76.6
Share of risk-bearing capital, %	86.6	80.5	77.7	75.7	76.6
Investments, KSEK	24,743	30,411	43,099	190,407	20,420
Average no. of employees	323	336	341	295	246
Debt/equity ratio, %	4.2	9.0	11.5	13.2	9.6
Interest coverage ratio, times	2.8	3.6	1.4	neg	neg
Return on equity, %	3.2	6.8	0.4	-6.1	-12.7
Return on capital employed, %	4.2	2.4	2.4	-4.1	-9.3
Return on total assets, %	3.7	2.1	2.1	-3.5	-7.5

Data per share

Earnings, SEK/share	0.35	0.58	0.03	-0.57	-1.29
Earnings after dilution, SEK/share	0.35	0.58	0.03	-0.57	-1.29
Dividends, SEK/share	0	0	0	0	0
Share price at end of term, SEK/share	5.10	8.60	13.30	12.05	9.75
Equity, SEK/share	12.71	9.00	8.05	8.34	8.80
Equity/share after dilution, SEK/share	12.70	8.95	8.01	8.31	8.73
New worth, SEK/share	12.68	8.99	8.05	8.34	8.80
Net worth, SEK/share after dilution	12.67	8.93	8.01	8.31	8.73
Price/Earnings ratio, times	14.5	14.9	417.9	-21.1	-7.6
Price/Sales ratio, times	1.17	1.91	2.27	2.48	1.70
Operating cash flow, SEK/share	0.54	0.40	0.45	-0.25	-1.54
Weighted average of number of shares in thousands	88,486	88,486	88,486	69,795	57,870
Weighted average of number of shares after dilution in thousands	88,541	89,015	88,884	70,192	58,387
Total number of shares outstanding at end of period in thousands	88,486	88,486	88,486	88,486	64,042
Total number of shares outstanding at end of period in thousands after dilution	88,486	88,986	88,986	88,895	64,448
Total number of shares outstanding at end of period in thousands after theoretical dilution	89,835	90,216	101,347	101,358	77,566

¹⁾ Years 2004-2006 include discontinued operations.

Definitions

Gross profit margin in %

Gross profit in relation to net sales.

Profit/loss per share

Net profit/loss for the year in relation to 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

Profit/loss 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

Profit/loss after financial items plus financial expenses in relation to average capital employed.

Return on total capital

Profit/loss after financial items plus financial expenses in relation to average total capital.

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 financial year plus capital employed at the end of the financial year, divided by two.

Total capital

Total assets. Average capital employed has been calculated as capital employed at the beginning of the financial year plus capital employed at the end of the financial year, divided by two.

Proportion of risk-bearing capital

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

Earnings per share

The period's net profit/loss divided by the average number of shares during the period. As loss per share would decrease if consideration is given to dilution as a result of outstanding options, the profit/loss per share has only been calculated without consideration given to dilution.

Equity per share

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

New worth per share

Equity plus or minus the difference between actual value (market value) and booked value of assets and liabilities after deductions for the addition of deferred tax liabilities and taxes recoverable.

P/E ratio

Market price divided by profit/loss per share.

P/S ratio

Market price divided by sales per outstanding share at the end of the period. For part of the year, sales have been calculated linearly to a full-year figure.

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.

Operating margin

Operating profit/loss in relation to sales.

Profit margin

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

Directors' Report

Biotage AB (556539-3138)

Information about the Company

Biotage is a global company active within biotechnological research with strong technologies, broad activities and a long-term view of the market. The Company offers solutions, know-how and experience within medicinal chemistry. Its customers consist, for instance, of the world's 30 leading pharmaceutical companies, the world's 20 leading biotech companies and leading academic institutions.

Biotage AB, headquartered in Uppsala, Sweden, is the parent company in the Group. The Biotage Group consists of wholly owned subsidiaries in Sweden, Great Britain, Germany, France, Italy, the United States and Japan.

After selling its Biosystems business area, the Group now has only one business area, Discovery Chemistry.

The Discovery Chemistry business area develops, produces and markets systems, scientific products and consumables that accelerate the medicinal chemist's ability to produce new substances for future pharmaceuticals.

Important Events during the Year

Biotage and McMaster University extended their cooperation agreement within Molecular Imaging another two years.

McMaster University successfully completed the first year's research collaboration, which was published in an important scientific journal and through a number of scientific presentations.

On conclusion of this successful first phase of the collaboration, Biotage and McMaster University have decided to extend the collaboration by a two-year period. In the next phase of the research, microwave synthesis will be used in a broader context in the production of radionucleotides and indicators for use in PET imaging as therapeutic markers.

Sale of the Biosystems Business Area

Effective October 2, 2008, the Biosystems business area was sold to the German biotech company Qiagen. Qiagen acquired the assets in Biosystems and Biotage's shares in Corbett (17.5 percent) for an initial purchase sum of MUSD 53. Providing certain sales goals are reached, an additional sum of max. MUSD 7, in all, may be paid to Biotage during the period from Qiagen's takeover of operations until December 31, 2012. Qiagen also took over all staff belonging to Biosystems. In the fourth quarter Biotage received the first additional sum of KUSD 500. Earnings from the sale of Biosystems were MSEK 257.9 (including an additional sum of KUSD 500) before tax.

Extraordinary General Meeting

An extraordinary general meeting in Biotage AB decided on November 21, 2008, to lower the Company's reserve fund by SEK 842,180,000 for allocation to funds to be used as determined by future general meeting(s).

After the performed reduction, the statutory reserve was dissolved entirely. The reduction was executed in February 2009.

Income and Cash Flow

Consolidated net sales amounted to MSEK 385.3, compared to MSEK 397.6 for 2007.

The consolidated gross margin was 58.3 percent (60.3).

Operating costs amounted to MSEK 202.0 (223.1). Operating costs were impacted positively through other income/other costs, where the largest items are positive translation differences of MSEK 17.4 (-2.1).

The operating profit was MSEK 22.5 compared to MSEK 16.7 in 2007. The operating margin is reported as 5.8 percent (4.2).

Net financials amounted to MSEK 5.2 (-2.5). There were changes in deferred tax of MSEK 5.7 (37.3).

Profit after tax amounted to MSEK 299.1, corresponding to SEK 3.38 per share, compared to MSEK 99.4 and SEK 1.12 per share in 2007.

Cash flow from operating activities was MSEK 54.5 (-2.8).

Balance Sheet Items and Economic Position

The Group's liquid assets and current investments at December 31, 2008, were MSEK 405.0, compared to MSEK 31.0 at December 31, 2007.

The Group reported at December 31, 2008, total goodwill of MSEK 487.2 (460.6). This can be attributed to the acquisitions in 2003 of Personal Chemistry and Biotage LLC and in 2005 the acquisition of Argonaut and Separtis. The change for the year is due to exchange effects.

Other intangible assets in the form of patent and license rights amounted to MSEK 16.3 (27.6), and capitalized development expenditure to MSEK 44.5 (70.8).

Equity at December 31, 2008, totaled MSEK 1,124.8, compared to MSEK 796.3 at December 31, 2007.

Investments

Investments during the year totaled MSEK 24.7 (30.4), MSEK 16.4 (21.5) of which were capitalized expenditure for development work. Amortization and depreciation during 2008 totaled MSEK 32.3 (22.6), MSEK 10.0 (7.1) of which was depreciation of capitalized expenditure for development work.

Research and Development

Biotage's strategy for research and development is clearly market-driven. The work is mostly aimed at developing new products by improving existing technology and adding new functionality. During the year Biotage invested, gross before capitalization, 10 percent of net sales in research and development. The Company's goal in the long-term is to reach an investment level in research and development of approximately 10 percent of net sales, gross before capitalization.

Intellectual Property Rights

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



synthesis and analysis methods, products and applications. In addition to patent applications, the Company seeks to register intellectual property rights in the form of design registration and trademarks. The strongest possible protection of inventions that contribute to maintaining and expanding the Company's competitive position is Biotage's highest business priority. Biotage constantly assesses its portfolio of intellectual property rights based on a cost-benefit perspective. The Company actively monitors its environment and the intellectual property rights of third parties to ensure that the Company does not infringe on the rights of others and that others do not violate Biotage's own intellectual property rights.

Biotage currently has 112 registered patents. 38 patent applications, divided into 26 patent families, are pending. During the year 8 new patents were granted, and 2 new patent applications were submitted.

Personnel

In 2008 Biotage sold business area Biosystems to German Qiagen. This meant that 37 employees got a new employer during the year, and the number of employees at Biotage fell to 292.

Environment

Biotage has a low environmental impact in production as a result of the Company not having any refining processes. The production consists primarily of assembly and installation of components and finished work in accordance with the EU's RoH Directive.

Risks

The Company has a broad customer base within the pharmaceutical sector, clinical research with the health care sector and scientific research. Three quarters of the customer structure are primarily related to the world's leading pharmaceuticals and no customer represents more than ten percent of sales which minimizes the risk of dependency on fluctuations in subventions within academic research or in the customer base in general. The Company does, however, have customers that represent a rather significant portion of its sales, and the Company is exposed to serious competition from other companies with greater marketing and distribution capacity, as well as greater financial resources. Naturally, this could affect the customer base and Biotage's market position negatively, particularly if it involved some of the larger customers. Furthermore, new or cheaper products from the competition could also negatively affect the Company's market position. See page 22 for an in-depth description.

In accordance with the provisions in IFRS 7, a report on the Group's financial risks and risk management is provided on pages 37-39. The presentation contains partially quantified risks.

In short, these risks include:

- Currency risk
- Interest risk
- Credit risk
- Liquidity and refinancing risk

The currency risk comprises the most significant financial risk, while interest risks and credit risks are given minor or almost no importance. The currency risk lies in the fact that the Group's sales income and operating costs do not match. A considerably larger portion of the Group's income is related to foreign currencies than is the case for its operating expenses, which, to a large degree, are paid in Swedish kronor. In order to reduce the currency risk, part of the net flow is forward covered.

The Parent Company

The Group's parent company, Biotage AB, has wholly owned subsidiaries in Sweden, Great Britain, Germany, France, Italy, the United States and Japan. The parent company is responsible for Group management, strategic business development and administrative functions at the Group and subsidiary level.

The parent company's net sales amounted to MSEK 6.2 (8.3).

Profit after financial items amounted to MSEK -8.6 (13.6).

The parent company's investments in intangible assets amounted to MSEK 2.0 (3.4).

Profit for the year was impacted by MSEK 123.7 from sales of plant assets and financial assets relating to the Biosystems business area, as well as MSEK -160.5 in depreciation of stocks and shares in subsidiaries.

The parent company's cash and cash equivalents at December 31, 2008, totaled MSEK 357.0 and MSEK 0.9 at December 31, 2007.

Events after the Reporting Date

Biotage decided to move the instrument manufacturing done at the factory in Charlottesville, Virginia, USA, to a contracted manufacturer. Through this measure, the Company is taking yet another step towards increasing efficiency in the Company. Biotage deems that this may facilitate both significant cost cutting and lower tied up capital and increased flexibility.

Today Biotage has two of its own production units. The factory in Cardiff, Wales, manufactures the majority of the consumables that Biotage offers its customers. In Charlottesville, instruments mainly in the product areas purification and evaporation, as well as a smaller amount of consumables, are manufactured. The manufacturing of other instruments has been outsourced to a subcontractor for some time.

In connection with the move of instrument manufacturing, the manufacture of consumables in Charlottesville will be moved to the plant in Cardiff. This produces additional scale advantages. The move of production from Charlottesville will take place in phases and is scheduled to be completed during the fourth quarter of 2009. The measure means that the plant will be closed and that U.S. personnel will be reduced by approximately 50.

Proposed Principles for Remuneration of Executives

The principles for remuneration for top executives are stated in note 1 on pages 48-50. The board suggests that the principles for 2009 remain unchanged.

Proposed Appropriation of Income

The Group's disposable earnings according to the consolidated balance sheet total MSEK 1 031, MSEK 299 of which constitute the earnings for the year. Allocation to undistributable reserves in the Group company is not required.

At the disposal of the annual general meeting, in the parent company there is:

Retained earnings	38,554,104
Fund for fair value	-2,259,663
Amount carried over from the statutory reserve as per the decision of the extraordinary general meeting of November 21, 2008, that was registered by the Swedish Companies Registration Office on February 10, 2009	842,180,981
Loss for the year	-5,404,809
Total	873,070,613

The Board of Directors and the CEO propose that this be appropriated in the following manner:

To shareholders, SEK 0.20 per share	17,697,264
Capitalized in new account	855,373,349
Total	873,070,613

The proposed distribution reduces the Group's equity ratio by 0.2 percent calculated at 12/31/2008.

Considering that the Group expects the operation of its activities to be profitable, its equity ratio is satisfactory. It is deemed that the liquidity in the Group can be maintained at a level that is just as satisfactory. The Board's opinion is that the proposed distribution does not hinder the Company from satisfying its obligations in the short or long-term or from making the necessary investments. The proposed distribution is therefore justified with respect to ABL chapter 17, section 3(2-3) (rule of precaution).

The Group and parent company's revenue and position otherwise are stated in the following financial statement and balance sheet, cash flow analyses and summary of changes in equity, with related accounting principles and notes.

Consolidated Income Statements

Amount in KSEK	Note	2008	2007
Continuing operations			
Net sales	2	385,295	397,568
Cost of goods sold		-160,838	-157,707
Gross profit		224,457	239,861
Selling expenses	4, 8	-142,266	-140,962
Administrative expenses	4, 6, 8	-40,753	-44,860
Research and development costs	4, 8	-34,646	-35,883
Other operating income	3	33,491	2,345
Other operating expenses	9	-17,789	-3,783
Operating expenses		-201,962	-223,143
Operating profit		22,495	16,718
Financial income	10	20,248	3,025
Financial costs	10	-15,071	-5,484
Profit after financial items		27,672	14,260
Income tax	11	3,498	36,755
Profit for the year for continuing operations		31,170	51,014
Profit for the year for discontinued operations	5	267,884	48,359
Total profit for the year		299,054	99,373
<i>Attributable to:</i>			
- parent company's shareholders		299,054	99,373
Average number of shares outstanding		88,486,320	88,486,320
Average number of shares outstanding after dilution		88,541,030	89,015,260
Outstanding ordinary share on the reporting date		88,486,320	88,486,320
Earnings per share		SEK 3.38	SEK 1.12
Earnings per share after dilution		SEK 3.38	SEK 1.12
Of the earnings per share:			
Continuing operations		SEK 0.35	SEK 0.58
Discontinued operations		SEK 3.03	SEK 0.55
Total		SEK 3.38	SEK 1.12

Quarterly Summary for 2008 and 2007

	2008	2008	2008	2008	2007	2007	2007	2007
Amount in KSEK	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Net sales	108,950	92,308	95,092	88,945	107,418	89,060	106,312	94,777
Cost of goods sold	-46,426	-38,597	-40,998	-34,817	-45,708	-33,476	-42,123	-36,400
Gross profit	62,524	53,711	54,094	54,128	61,710	55,585	64,189	58,377
Gross margin	57.4%	58.2%	56.9%	60.9%	57.4%	62.4%	60.4%	61.6%
Operating expenses	-50,850	-46,756	-51,411	-52,944	-54,366	-52,503	-58,567	-57,706
Operating profit	11,674	6,955	2,683	1,184	7,344	3,081	5,622	671
Financial net	6,516	152	-738	-754	139	-398	-3,600	1,400
Profit after financial items	18,190	7,107	1,944	430	7,483	2,683	2,022	2,071
Tax	4,201	-522	-157	-24	19,216	-217	19,152	-1,396
Profit for the reporting period for continuing operations	22,392	6,584	1,787	407	26,699	2,466	21,174	675
Profit for the reporting period for discontinued operations	242,719	6,172	6,220	12,773	16,174	8,723	16,901	6,560
Reported profit for the reporting period	265,111	12,756	8,007	13,180	42,873	11,189	38,075	7,236

Consolidated Balance Sheets

Amount in KSEK	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	12	80,978	84,987
Goodwill	13	487,227	460,593
Other intangible assets	14	60,731	98,460
Financial assets	15	1,754	46,934
Deferred tax assets	15	42,570	53,419
Total non-current assets		673,260	744,393
Current assets			
Inventories	16	104,224	97,144
Accounts receivable and other receivables	17	100,498	116,044
Other current investments		98,801	–
Cash equivalents and investments		306,190	31,017
Total current assets		609,713	244,206
Total assets in continuing operations		1,282,973	988,599
Assets in discontinued operations	5	16,039	–
Total assets		1,299,012	988,599
EQUITY AND LIABILITIES			
Capital and reserves attributable to parent company's shareholders			
Share capital		88,486	88,486
Other contributed capital		847,173	1,513,992
Reserves		-43,920	-72,117
Accumulated profit/loss		233,054	-734,096
Total equity		1,124,793	796,265
Non-current liabilities			
Liabilities to credit institutions	10	8,065	37,152
Provisions of long-term nature	18	3,351	3,776
Total non-current liabilities		11,416	40,928
Current liabilities			
Accounts payable and other liabilities	19	95,360	111,235
Income tax liabilities		1,869	1,159
Liabilities to credit institutions	10	38,829	34,741
Provisions of short-term nature	18	5,977	4,271
Total current liabilities		142,036	151,406
Total equity and liabilities for continuing operations		1,278,245	988,599
Liabilities attributable to assets in discontinued operations	5	20,767	–
Total equity and liabilities		1,299,012	988,599
Pledged assets	21	154,003	141,085
Contingent liabilities	21	–	–

Changes in Consolidated Equity

Amount in KSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Profit brought forward	Total equity
Opening balance at January 1, 2007	88,486	1,512,383	-55,386	-	-833,009	712,474
Changes in 2007						
Translation of foreign subsidiaries	-	-	-16,731	-	-	-16,731
IAS 39 Unrealized cash flow hedges	-	-	-	-460	-	-460
Net profit for the year 2007	-	-	-	-	99,373	99,373
IFRS 2 costs	-	1,609	-	-	-	1,609
Sum of changes in 2007, exclusive of transactions with company owners	-	1,609	-16,731	-460	99,373	83,791
Transactions with company owners	-	-	-	-	-	-
Closing balance at December 31, 2007	88,486	1,513,992	-72,117	-460	-733,636	796,265
Changes in 2008						
Appropriation according to the decision of the annual meeting	-	-667,636	-	-	667,636	-
Translation of foreign subsidiaries	-	-	29,239	-	-	29,239
IAS 39 Unrealized cash flow hedges	-	-	-	-582	-	-582
Net profit for the year 2008	-	-	-	-	299,054	299,054
IFRS 2 costs	-	817	-	-	-	817
Sum of changes in 2008, exclusive of transactions with company owners	-	-666,819	29,239	-582	966,690	328,528
Transactions with company owners	-	-	-	-	-	-
Closing balance at December 31, 2008	88,486	847,173	-42,878	-1,042	233,054	1,124,793

Comments to changes in equity in 2008

Appropriation according to the decision of the annual meeting of April 29, 2008

The meeting decided that the parent company's accumulated deficit of 667,636 should be set off against the reserve fund. In the Group, the reserve fund is reported as other contributed capital.

Translation of foreign subsidiaries

Changes for the year consist of the following items

Translation of net assets in foreign subsidiaries	618
Translation of receivables in foreign subsidiaries ¹⁾	36,294
Translation gains/losses in profit for the year	-7,674
Total	29,239

¹⁾ The parent company has receivables of KUSD 28,245 from its U.S. subsidiary.

This receivable is part of a net investment in the independent foreign activities. In accordance with IAS 21, foreign exchange differences arising on translation of receivables are directly set off against equity.

Hedge reserve

In accordance with IAS 30, cash flow hedging is reported directly against equity. Biotage secures the foreign exchange risk according to finance policy established by the board of directors. Currency hedging is made on the basis of expected differences between the cash flow in Swedish kronor and other currencies.

The hedge reserve refers to unrealized profit and loss on outstanding hedging instruments on the reporting date. Per December 31, 2008, outstanding hedging instruments totaled KEUR 1,800. The hedging reserve consists of the difference between multinational in SEK translated to the reporting date rate and counter-value according to the forward rate.

Consolidated Cash Flow Statements

Amount in KSEK	2008	2007
Operating activities		
Profit after financial items	27,672	14,260
Adjustments for non-cash items, etc.	21,291	21,691
	48,963	35,950
Tax paid	-1,494	-519
Cash flow from operating activities before changes in working capital	47,469	35,431
<i>Cash flow from changes in working capital</i>		
Increase (-)/decrease in inventories (+)	-5,900	-19,025
Increase (-)/decrease in accounts receivable (+)	9,833	-12,349
Increase (-)/decrease in other current receivables (+)	-6,996	-3,373
Increase (-)/decrease in other liabilities (+)	10,088	-3,451
Cash flow from operating activities for continuing operations	54,493	-2,765
Cash flow from operating activities for discontinued operations	34,244	36,484
Cash flow from operating activities	88,737	33,718
Investing activities		
Purchase of intangible assets	-17,849	-23,232
Sale of intangible assets		16
Purchase of property, plant and equipment	-6,611	-7,097
Purchase of financial assets	-300	-102
Sale of financial assets	17	4
Cash flow from investing activities for continuing operations	-24,743	-30,411
Cash flow from investing activities for discontinued operations	344,012	-22,012
Cash flow from investing activities	319,269	-52,422
Financing activities		
Borrowings	4,006	6,164
Repayment of loans	-39,897	-6,455
Cash flow from financing activities for continuing operations	-35,891	-291
Cash flow from financing activities for discontinued operations	-	-
Cash flow from financing activities	-35,891	-291
Cash flow for the year	372,116	-18,995
Cash and cash equivalents at the beginning of the year	31,017	50,136
Exchange rate differences in cash and cash equivalents	1,857	-124
Cash and current investments at the end of the year	404,991	31,017
Supplementary information		
<i>Adjustments for non-cash items, etc.</i>		
Depreciation and write-downs	32,332	22,546
Other items	-11,041	-854
Total	21,291	21,691
Interest received	4,112	885
Interest paid	3,828	5,407

Summary of Important Accounting and Valuation Principles in the Group

This part of the financial statements provides a summary of the main accounting and valuation policies that aims to give the reader of this report a better understanding of how the presentation of the Group's position, performance and cash flow are calculated on the basis of the established accounts of the legal entities. The principles applied will also impact the consolidated accounts of the coming years. In the objective of increasing the value of the information about the Group's accounting and valuation policies, the report is supplemented, as deemed relevant, with information regarding the impact the applied policies have had on the accounts included in the financial statements for 2008. In order to limit the amount of information, this will only include information that cannot be deducted directly from the financial statements' accounts or notes.

Content

1. General accounting policies
2. Items in the consolidated balance sheet
3. Items in the consolidated income statement
4. Information on financial instruments
5. Important accounting estimates
6. Option program for Group executives

1. General accounting policy

1.1 Introductory information

The consolidated accounting for Biotage AB for the fiscal year ending December 31, 2008, was approved by the board of directors and CEO for publication on February 10, 2009. The accounts will be presented at the annual meeting on April 27, 2009, for approval.

The parent company is a Swedish public limited liability company headquartered in Uppsala, where the Group's management and company-wide departments are situated. The company's stock is listed on the OMX Nordic Stock Exchange's Small Cap list.

The consolidated accounting covers the parent company, Biotage AB (the Company), and its subsidiaries, which together are called the Group or Biotage.

The accounting principles over which the following report is presented are applied consequently for all periods reported in the consolidated financial statements and have been applied consequently by the companies in Biotage.

The Group's main activity is in the field of bioscience. The Company offers complete solutions, know-how and experience within medicinal chemistry. Operations within medicinal chemistry are reported in the business area Discovery Chemistry. Activities in genetic analysis – Biosystems – were wound up in 2008 and are therefore reported as discontinued activities in accordance with IFRS 5. Activities are run primarily in the United States, Europe and Asia, which are also the Group's key geographic markets for sales. Research and development activities are based in Sweden, and production takes place in Sweden, the U.S. and Great Britain.

1.2 Basis for establishment of consolidated accounts

Statement on compliance with applicable regulations

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for financial reporting in the EU. The Group accounts for 2008 have been prepared in full compliance with IFRS. The consolidated financial statements have also been prepared in accordance with RFR 1.1, Supplementary accounting rules for groups, and the Annual Accounts Act.

New IFRS standards

For fiscal year 2008, three new interpretations from IFRIC have come into effect:

IFRIC 11 IFRS 2 – Transactions involving own shares, including inter-company transactions,

IFRIC 12 Service Concession Arrangements

IFRIC 14 IAS 19 – Limit on a defined benefit asset, minimum funding requirements and their interaction.

Changes in IAS 39 Financial instrument: Accounting and valuation and

IFRS 7 Financial instrument: Information regarding reclassification of financial assets have also come into effect for fiscal year 2008.

These new interpretations of changes have not had any impact on the Groups 2008 financial reports.

Standards that the Group applies prematurely

The Biotage Group applied no standard prematurely.

Functional currency and reporting currency

These financial reports are expressed in Swedish kronor, which is Biotage's functional currency as well as the reporting currency for the Group's financial reporting. Unless stated otherwise, amounts are expressed in SEK '000.

Measurement basis

Assets, liabilities, contingent assets and contingent liabilities are based on purchase value, with the exception of some financial assets and liabilities, which are reported at their fair value. Assets held for sale are reported at book value or fair value, whichever is lowest, after deduction of sales costs.

Use of accounting estimates

Preparing reports that are compliant with IFRS, Swedish legislation and good accounting practice requires that the corporate management makes assessments, evaluations and assumptions that affect the application of accounting principles. The management's accounting estimates are made with consideration of prevailing circumstances in and outside the Group and of the Group's goals and strategic plans. The actual outcome can, however, differ from these accounting estimates, which can impact future financial position and performance.

Assessments, evaluations and suppositions are reviewed regularly. Changes in estimates and the like are reported in the period the change is made if the change only affects the period in which it is made and in the future if the change affects both the current period and future periods.

Information on significant areas that involve a high degree of assessment, that are complex or areas where accounting estimates of great significance for the consolidated accounts is provided in section 5, Important Accounting Estimates. There, the presumptions made for the preparation of the 2008 accounts are reported.

Classification

Non-current assets, non-current liabilities and provisions of a long-term nature consist of amounts that are expected to be recovered or paid after more than twelve months, from the reporting date. Current assets, current liabilities and provisions of a short-term nature consist mostly of amounts that are expected to be recovered or paid within twelve months of the reporting date. Investments in financial instruments aiming at the management of occasional overliquidity are classified as cash and cash equivalents if it has a tenor of maximum three months from the date of acquisition. Financial instruments with a tenor of more than three months are classified as other short-term investments.

Change of accounting policy

There has been no change of accounting policy in 2008.

1.3 Consolidation and business acquisition

Consolidation

The consolidated accounts concern the parent company and its subsidiaries. The financial reports for the parent company and subsidiaries included in the consolidated accounting cover the same period and are prepared using the accounting policies applicable for the Group.

All intercompany balances, income, expenses, profits or losses arising in transactions between companies concerned by the Group accounting are eliminated entirely.

Subsidiaries are added to the consolidated accounts from the time of acquisition, which is the day on which the parent company gains significant influence and are included in the accounts until the date on which they cease to have such influence. Decisive influence entails a right to establish strategies for an economic activity in the objective of achieving economic benefits. The existence and effect of potential voting rights that may currently be used or converted are considered in assessing whether the Group can assert a decisive influence on another company.

Business acquisitions

IFRS 3 is applied to business acquisitions made on January 1, 2004, or later,

which is in accordance with IFRS 1 and thereby an exception to the general rule on retroactive application of IFRS. In 2004 no acquisitions were made, and there for the rules in IFRS 3 were applied for the first time in the consolidated financial reporting in 2005.

The consolidated financial statements were prepared according to the purchase method, which means that the parent company's value in shares in subsidiaries are eliminated against equity, including the share of equity of untaxed reserves in subsidiaries. The purchase method means that the fair value of identifiable assets, liabilities and contingent liabilities in the acquired activities is established at the time of acquisition. Identifiable assets and liabilities also include assets, debts and provisions, including obligations and claims from external parties that are not reported in the acquired business's balance sheet. The difference between the acquisition value for the acquisition and the acquired share of the net assets in the acquired business is classified as goodwill and is reported as an intangible asset in the consolidated balance sheet. If the acquisition of a subsidiary results in the fair value of acquired assets, liabilities and contingent liabilities exceeding the cost, the surplus is reported directly as income in the income statement.

The useful life of each intangible asset is determined and written off over the useful life using straight-line depreciation. If the useful life is deemed indeterminable, no write off is made, but testing of the need for depreciation is done when there is an indication of a permanent decline in value. If no write down consideration has been made during the fiscal year, one is made regularly in connection with the preparation of the consolidated financial statements. The useful life for goodwill is generally regarded as indeterminable.

1.4 Reporting for segment

The group's activities are run and reported primarily by business area and secondarily by legal entity, which also constitutes geographic division.

Primary segment

An operation's segment is a group of assets and businesses that supply products or services that are exposed to risks and opportunities that vary from one business area to the next. Geographic areas supply products or services within an economic environment that is exposed to risks and opportunities that differ from what applies to other economic environments.

The segment reporting for a business area includes the profit through to the operating profit. The business areas bear group-wide expenses.

For the consolidated reporting for 2008, this means

Since 2003, the group has conducted activities within genetic analysis and medicinal chemistry, which are reported as two primary segments, Biosystems and Discovery Chemistry. On October 2, 2008, the business area Biosystems was wound up, which entails that the business area's income, expenses, sales revenue, cash flow and remaining assets and liabilities must be reported in accordance with IFRS 5 Non-current Assets, which is for sales and activities sold. IFRS 5 dictates that the profit from the activity sold be reported as an amount in the income statement. Income, expenses and cash flow must furthermore be reported separately from the continuing activities. This information may be provided either in the notes or directly in the financial reports. Page 52 presents the information that a company, in accordance with IFRS 5, must submit concerning the activity sold.

From the time of sale of Biosystems, the group's activity consists of medicinal chemistry. For the continuing operations, no primary segment can be identified. The products consist of instruments and consumables of such a technical nature that they do not satisfy the requirements for classification into segments. The consolidated income and cash flow for the continuing operations is thus reported without classification in segments. Corresponding information for comparative year 2007 has been translated so as only to report the continuing operations.

Secondary segment

Geographic markets supply products and services in an economic environment that is exposed to risks and opportunities that vary among different markets.

1.5 Translation of foreign currency

(a) Functional currency and reporting currency

Items included in the financial reports for the different units in the group are valued in the currency used in the economic environment where the respective companies are primarily active (functional currency). The consolidated reporting uses Swedish kronor, which is the functional currency of the parent company and the presentation currency.

(b) Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rates applicable on the transaction date. Exchange rate gains and losses made upon payment of such transactions and on translation of monetary assets and liabilities in foreign currency at the reporting date rate are reported in the income statement.

According to IAS 21:15, a receivable or payable to a foreign company for which settlement is not planned or will not likely take place in the foreseeable future is, in practice, part of the Company's net investment in the independent foreign company. In accordance with IAS 21:32-33, exchange rate differences arising on the translation of such items are to be set off directly against the Group's equity.

c) Affiliated company

Performances and financial results for all affiliated companies, none of which have a high inflation currency, that have another functional currency than the Group's presentation currency, are translated to this currency as follows:

- (i) assets and liabilities are translated using the reporting day rate,
- (ii) income and expenses are translated to the average exchange rate for the report period and
- (iii) all exchange rate differences arising are reported as a separate subitem of equity.

In connection with consolidation, exchange rate differences arising as a result of translation of net investments in foreign companies and of borrowing and other currency instruments identified as hedging of such investments are posted as equity. On the sale of a foreign activity, any foreign exchange differences are reported in the financial statements as capital gains or capital losses.

Goodwill and adjustments of fair values arising from the acquisition of a foreign company are treated as assets and liabilities for the Company and have been translated to the reporting day rate to the extent it is reported in subgroup balance sheets. Items that are only found at parent company level, against which posted amounts of shares in subsidiaries are eliminated, are not translated but are reported translated to the exchange rate on the acquisition date.

For the consolidated reporting for 2008, this means

The consolidated operating profit has been credited with exchange rate differences of MSEK 17.5 (-2.1) and the net financial income by MSEK 4.6 (0.6). The group equity has, in accordance with IAS 21, been directly credited with exchange rate differences in intercompany balances amounting to MSEK 36.3 (-11.4), which are related to changes in the exchange rate between the Swedish kronor and the U.S. dollar.

2. Items in the consolidated balance sheet

2.1 Intangible assets

Technology-based intangible assets

Expenses for research and development work are reported as assets in the Group from 2002, in accordance with IAS 38.

Capitalized expenditure reflects the Company's ambition to market and sell a broad assortment of products in the foreseeable future. Development projects are reported as an asset when they are considered to give rise to potential future economic benefits.

The development project aims to develop new products and to further develop existing products. Because development of products in the areas in which Biotage is active is a long process, it is not uncommon for a development project to stretch over several fiscal years.

Reporting and control of development costs takes place through project reporting, which is part of the affiliated company's financial accounting system.

Development projects are classified as followed:

- Product Care
- Pre Study
- Product Development

Costs for projects classified as Product Care are posted directly as expenses.

A project is classified as Pre Study during the research phase in progress and is posted directly as an expense.

In the circumstance whereby the project goes from the research phase to the development phase, and it can still be shown how the intangible asset in finished form will come to generate plausible economic benefits, it is reclassified as Product Development. The development phase aims to result in a new product with a new, unique article number and ends when the new product is launched on the group's sales markets.

The depreciation period begins upon the launch of the new product. The depreciation period is based on an assessment of the product's estimated useful life, which is normally three years.

Software applications, which are an integral part of the Group's products that are sold on markets, are set up as an asset like capitalized expenditure for development work and written off over their estimated useful life, which is normally three years, as for other capitalized development expenditure.

Market and Customer-Related Intangible Assets

Patent and license rights and trademarks are recorded at cost, with deductions for accumulated amortization according to plan. The amortization period consists of the useful life, which for patents is, maximum, the patent protection's duration of validity, which is normally 6-20 years. For trademarks, the useful life is set to six years.

For the consolidated reporting for 2008, this means

For the continuing operations, the Group has acknowledged in the balance sheet especially internal expenses for research and development work in the amount of MSEK 16.4 (21.5) and written off MSEK 10.0 (7.1) for these expenses. Investments in patents and license rights totaled MSEK 1.4 (1.4) and amortization and write downs MSEK 6.2 (4.8). Besides goodwill, the Group has not defined any intangible assets with an unlimited useful life.

Goodwill

Goodwill is recorded in the balance sheet as an intangible asset at cost, with deduction for accumulated write downs. Goodwill is the amount by which the cost exceeds the fair value of the Group's share of the acquired company's identifiable net assets at the time of the acquisition's execution. Profit or loss from the sale of a unit includes the remaining recorded value of the goodwill relating to the sold business. Any need for writing down is regularly assessed in connection with preparation of the Group's external financial reports or whenever there is any indication of a permanent loss of value.

As mentioned previously in the section on consolidated financial statements, the continuous depreciation of goodwill ceased on January 1, 2004, the date of transition to reporting according to IFRS. Should depreciation of goodwill occur after testing in accordance with the business administrative model, i.e. an impairment test, amortization to the fair value takes place instead of continuous amortization according to plan.

Goodwill is distributed among the least possible cash-generating units on testing of a need for write-down.

Each of these cash-generating units make up the Group's investment in respective countries where activities are run within a defined segment. See also section 5. Important Accounting Assessments on page 39. It specifies the presumptions and calculations made at an annual test of any new write-down need.

For the consolidated reporting for 2008, this means

The Group reports goodwill of MSEK 487.2 (460.6) in its balance sheet, which can be attributed to the continuing operations within medicinal chemistry, named Discovery Chemistry. Changes in value during 2008 are due to exchange rate differences, which means that no investments or write-downs were made during the year. The same conditions apply to comparative year 2007.

Software

Acquired software licenses are capitalized on the basis of the expenses incurred when the actual software is purchased and commissioned. Depreciation is made over the estimated useful life, which is three to five years.

2.2 Property, plant and equipment

Property, plant and equipment are recorded at cost after deduction of accumulated depreciation and write-downs. These assets consist mainly of plants and offices, instruments for testing, production tools, computers with accessory equipment and office and warehouse supplies.

Costs for property, plant and equipment include the acquisition value and costs that are directly related to the assets for putting them in place and commissioning them. The Group capitalizes expenses on the initial posting and on replacement of significant parts if it is likely that the future economic benefits will benefit the Group. Other expenses are recorded as costs in the period they are incurred.

Depreciation is calculated using the cost by applying straight-line depreciation over the estimated useful life of the asset, as long as the useful life is not unlimited. Parts of property, plant and equipment that are significant in relation to the asset's total cost are written off separately when the part's useful life does not correspond to the useful life of the asset's other parts.

The following useful life periods usually apply for depreciation:

Land	No depreciation
Land improvements	20 years
Buildings	40 years
Production equipment	5 years
Cost of improvements to others' property	10 years
Computers	3 years
Other property, plant and equipment	5 years

Profits and losses from sales or disposal is established through comparison between any sales revenue and book value and is recorded in the financial statements as other operating income and other operating expenditure, respectively.

For the consolidated reporting for 2008, this means

Investments in property, plant and equipment for the year totaled MSEK 6.6 (7.1) and depreciation totaled MSEK 12.1 (10.1) concerning the continuing operations. Other operating items have sales or disposals of property, plant and equipment in the amount of MSEK -0.4 (0.5).

2.3 Financial assets

A report on financial assets is provided in section 2.7, Financial Instruments.

2.4 Leased assets

Lease agreements are classified as either financial or operational leasing.

A leasing agreement is a financial lease agreement when the economic risks and benefits tied to the property are, for the most part, transferred to the lessee. If this is not the case, the lease agreement is recorded as an operational lease agreement.

Recording of financial lease agreements entails for the lessee that property, plant and equipment are recorded as assets in the balance sheet and that the corresponding debt is recorded on the first posting instance. Use of property, plant and equipment according to the financial lease agreement is written off according to plan over the estimated useful life, while the leasing expenses are recorded as interest and amortization of the leasing liability. For operational lease agreements, the lessee does not record the leased asset in the balance sheet. In the income statement, the leasing fee for operational lease agreements is divided linearly over the leasing period.

For the consolidated reporting for 2008, this means

All lease agreements in the Group have been classified as operational.

2.5 Inventories

Inventory is valued using the lowest of cost or market principle; in other words, by taking the lowest value between the acquisition value and the net selling

price. To determine the acquisition value, the FIFO method is applied. The acquisition value for finished goods and work in progress consists of design costs, raw materials, direct pay, other direct costs and related indirect manufacturing expenses. Loan costs are not included in the acquisition value of such goods. The net selling value is the estimated sales price in the current business, less the costs of completion and sale. Inventory's value is recorded net, after deduction of obsolescence and intercompany profit for deliveries among the Group companies.

2.6 Receivables and payables in foreign currencies

Receivables and payables in foreign currencies have been translated to Swedish kronor according to the rate on the reporting date. Unrealized exchange gains and losses on operating receivables and payables are included in the operating profit/loss, while unrealized exchange gains and losses for financial assets and liabilities are recorded in the net financials.

2.7 Financial instruments

For more information, refer to section 4, Information on Financial Instruments.

Financial instruments recorded in the balance sheet include the following assets and liabilities: Cash and cash equivalents, securities, other financial assets, accounts receivable, trade accounts payable, borrowing and derivative instruments.

Recording in the balance sheet

Financial instruments are recorded in the Group's balance sheet when the Group becomes a party according to the instrument's contractual terms. Accounts payable are recorded in the balance sheet when the invoice is sent. Liabilities are recorded when the counterpart has performed and when a debt exists according to the terms of the contract.

A financial asset is removed from the balance sheet when the right to receive cash flow from the financial instrument runs out or is assigned and there is no longer any benefit or risk for the Group. A financial liability is removed from the balance sheet when the liability in the agreement has been fulfilled or in some other way expires.

A financial asset and a financial liability are offset in the balance sheet only when there is legal right of offset and when the intention is to adjust the net or realize the asset while settling the liability.

Valuation and classification

Financial instruments are recorded on the first instance of recording at the current value, with deduction or addition of transaction costs if it is not a financial asset or liability that is assessed at the current value over the income statement.

Classification of a financial instrument, in accordance with the categories in IAS 39, determine the valuation and posting. Financial assets and financial liabilities are classified in the different categories on the first instance of recording and are therefore recorded depending on the purpose of the acquisition.

In accordance with IAS 39, financial instruments are divided into the following categories:

1. Assets that are recorded at current value via the income statement
2. Investments that are held until maturity
3. Loan claims and accounts receivable
4. Financial assets that can be sold
5. Liabilities held for trade
6. Other liabilities

The Group assesses on each reporting day whether an asset or group of assets needs to be written down.

Section 4, Information on Financial Instruments, provides more information on the existence and value of financial instruments and on the Group's financial risk management.

Accounts receivable

Accounts receivable are recorded net after provision for feared bad debt losses. The expected tenor of the accounts receivable is short, and therefore the value is recorded at nominal value, without discounting according to the method for

amortized cost. A provision for feared bad debt losses on accounts receivable is made when there are objective grounds to assume that the Group will not be able to recover all amounts due on the original terms of the claims. The size of the provision is the difference between the asset's recorded value and the value of estimated future cash flows. The earmarked amount is recorded in the income statement.

Investments held as non-current assets and other financial assets

Investments held as non-current assets are recorded at their fair value.

Cash equivalents

Cash equivalents include cash, cash in banks and other short-term investments with a maturity date of max. three months from the date of acquisition. Balances under cash and cash in banks are recorded at the nominal amount and short-term investments at their fair value with changes in value recorded in the income statement. Fair values for short-term investments are received from the bank. In the balance sheet unused bank overdraft facilities are recorded as borrowing among current liabilities. Bank funds that are blocked for more than one year from the reporting date for the proper fulfillment of opening liabilities are recorded as long-term financial assets.

Accounts payable

The expected tenor of trade payables is short, and therefore the liability is recorded at nominal value, without discounting according to the method for amortized cost.

Loans

Liabilities to credit institutions, bank overdraft facilities and other liabilities are valued at the amortized cost. Any transaction costs are divided over the loan period, with application of the effective interest method. Long-term liabilities have an expected tenor of more than 1 year, while current liabilities have a tenor of less than one year.

2.8 Taxes

Income taxes are reported in the consolidated accounts with both current and deferred tax. Income taxes are recorded in the income statement if the underlying transaction is not recorded directly in equity. In such cases the related income tax is also recorded directly in equity. An example of such a transaction is paid and received group contributions.

A current tax liability or prepaid tax is recorded for the estimated tax to be paid or received for the current or previous years.

Deferred tax is calculated either from the differences between reported values in the balance sheet and the tax base, so-called temporary differences or capitalized unclaimed deficit deductions or other deductions. Biotage does not take into account temporary differences related to the following assets and liabilities: nondeductible goodwill, the first posting of assets and liabilities that neither affect the posted or taxable nor the tax income.

Deferred tax claims are recorded only to the extent that they can likely be used against future taxable earnings. Deferred tax claims are reduced to the extent it is no longer likely that related tax benefits will be achieved. Deferred tax is calculated by applying the national tax rates applicable on the reporting date in the countries in which the Group has legal entities with deficit deductions that it believes is possible to use.

For the consolidated reporting for 2008, this means

The Group reported as of December 31, 2007, a deferred tax claim of MSEK 53.4 based on revenue for 2007, the anticipated earnings trend and that the Group had an unclaimed deficit deduction of approx. MSEK 1 068. In consideration of the Group's profit for 2008, the deferred tax claim was written off against the profit for the year. Based on the Group's expected profit/loss for the coming year, new capitalization of MSEK 42.6 was made per December 31, 2008. The net effect on reported net profit for 2008 is therefore MSEK 10.8.

2.9 Provisions

Provisions for restructuring costs and legal claims are recorded when the Group has a legal or informal obligation as a result of previous events. Furthermore,

that it is more likely that the flow of resources is required to settle the obligation than not and the amount has been calculated in a reliable manner. Provisions for restructuring include costs for the termination of lease agreements and for severance pay. No provisions are made for future operating losses.

If there are a number of similar measures, the likelihood of a flow of resources being needed on settlement is assessed for the whole group of measures.

Provisions for guarantee measures for products sold during the year are based on applicable guarantee terms, guarantee costs for previous periods and assessed level of quality. The guarantee period is one year, with the exception of Germany, where it is two years.

2.10 Share capital

All shares issued consist of common stocks classified as equity. The Company has outstanding share warrants issued to the Group's owners. The staff option programs are reported on pages 39-41.

Transaction costs that are directly related to the issue of new shares or options are recorded, net after tax, in equity as a deduction from issue liquidity.

3. Items in the consolidated income statement

3.1 Classification of income statement items

The Company reports an income statement classified by function. Operating costs are divided into costs for goods sold, sales costs, administrative costs and costs for research and development. An income statement classified by function was chosen considering that other biotech and pharmaceutical companies whose shares are the object of organized trade normally also classify their income statements by function. Using the same income statement model makes it easier for readers who wish to compare companies.

Common costs for the Company such as office supplies, electricity, cleaning, leasing of office machinery, telephone and postage, etc., have been divided among the respective departments. The division is based on used spaces and the number of employees.

3.2 Revenue recognition

Revenue comprises the fair value of what is received or will be received for sold goods and services in the Group's continuing operations, exclusive of value added tax and discounts and after elimination of intercompany sales.

(a) Sales of products

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

Income is recorded when the income can be calculated in a reliable manner and when largely all risks and rights tied to ownership have passed from seller to buyer and acceptance is given by the customer, which normally happens in connection with delivery.

(b) Sales of services

Sales of services are recorded as income in the reporting period in which the services were provided through successive reporting based on services provided at the reporting date in proportion to the total services to be provided.

(c) Royalty income

Income from royalty is distributed over a period of time in accordance with the economic substance of the current agreement.

(d) Interest income

Interest income is distributed over the tenor, with application of the effective interest method.

(e) Dividend income

Dividend income is recorded when cash is received.

3.3 Cost of goods sold

Cost of goods sold consists of:

- compensation to subsuppliers when the Company uses the services of other manufacturers

- raw material for production
- pay and other personnel expenses for production staff
- facilities costs
- packing and freight costs
- production facility deductions
- share of common costs

3.4 Employee Benefits

(a) Pension Obligations

The affiliated company has different pension plans. The pension plans are financed through payments to the insurance company. All pension plans for employees in the Group consist of defined contribution plans. A defined pension plan is a pension plan according to which the Group pays fixed fees to a separate legal entity.

The Group has no legal or informal obligations to pay additional fees if the insurer does not have sufficient assets to pay all benefits to employees relating to the employees' services performed in the current or previous periods.

(b) Share-based benefits

IFRS 2, Share-Based Benefits indicates how share-related benefits are to be reported.

Officers in the affiliated company receive benefits through a share-based incentive program. The benefit is composed of options comprising equity instruments that entitle the holder in the future to purchase shares in the parent company at a fixed price. As of the reporting date the Company has three such outstanding programs.

The fair value of distributed options is recorded as a personnel expense with the corresponding amount directly against equity. The fair value is calculated using Black & Scholes model at the time of distribution and is distributed over the earning period. The terms and conditions of the instruments are taken into consideration. The amount recorded as a cost is adjusted continuously to reflect the actual number of options earned.

Cash received from option owners' redemption and acquisition of shares is credited to the share capital at the quotient value of the shares. Related transaction costs are charged to the current period's earnings.

For the consolidated reporting for 2008, this means

Income for 2008 is debited the total cost of MSEK 1.0 (1.9), which is calculated according to IFRS 2. As no new option programs have begun since 2007, and no authorization has been given by the general meeting, the cost of incentive programs in progress will be settled in 2009 as the income will be debited MSEK 0.3.

A comprehensive report of outstanding option programs is given in section 6, Option Programs for the Group Executives.

(c) Compensation on Termination

Compensation for termination is disbursed when an employee's employment is discontinued before the normal retirement date or when an employee accepts voluntary retirement from a position in exchange for compensation. The Group reports severance pay when it is unquestionably obligated either to fire the individual according to a detailed formal plan without possibility of withdrawal or to pay compensation on termination as a result of an offer made to encourage voluntary retirement from a position.

(d) Profit-sharing and bonus plans

Bonuses for key officers are reported on page 49.

The Group also has a bonus program for officers whose work performance can have a measurable impact the consolidated operating income. The cost of bonuses is recorded in the net income annually and is allocated in the consolidated balance sheet.

(e) Short-term benefits

Benefits to employees in the form of pay, paid vacation, paid sick leave, etc., and pensions are reported as they are earned.

3.5 Selling expenses

Selling expenses consist primarily of pay, other personnel costs and travel

expenses for the Group's sales and marketing staff and costs for marketing campaigns, including remuneration to advertising agencies and costs for the production of sales material. Selling costs also include some common costs.

3.6 Administrative expenses

The administrative expenses consist mainly of pay and other personnel costs for the Group management, finance and other administrative staff. Also attributable to administrative expenses are expenses for legal consultancy, auditing and business development, as well as some common costs.

3.7 Research and development costs

Research and development costs consist of:

- pay and other personnel expenses
- patent costs
- fees to consultants and external suppliers for development of instruments and software for these
- material costs for prototypes and test units
- depreciation on development costs allocated to the balance sheet
- share of common costs
- other costs in connection with design, development, testing and improvement of the Group's products.

3.8 Write-downs

Write-downs are made in cases where an asset's recorded value exceeds the recoverable amount. The recorded values for the Company's assets are checked on each reporting day to report whether there is any indication that a write-down is needed. If there is such an indication, the asset's recoverable value is calculated. The recoverable value is the highest of the value in use and the net selling price.

For calculation of the value in use, future cash flow is discounted to a rate before tax that is thought to take into account the market's assessment of risk-free interest and risk tied to the specific asset. For an asset that not independently of other assets generates some cash flow, the recovery value is calculated for the cash-generating unit to which the asset belongs.

Allocation of previously enforced write-downs is made when the recoverable value for written down non-current assets exceeds the book value and the need for write-downs recorded in earlier periods is no longer deemed necessary.

Balance Sheet Item at December 31, 2008

Amount in KSEK	Financial assets	Accounts receivable and other receivables	Liquid assets	Short-term loans	Long-term loans	Other current liabilities
1. Assets that are recorded at fair value via the income statement	–	–	404,991	–	–	–
2. Investments that are held until maturity	1,096	–	–	–	–	–
3. Loans receivable and accounts receivable	657	116,537	–	–	–	–
4. Financial assets that can be sold	–	–	–	–	–	–
5. Liabilities held for trade	–	–	–	–	–	–
6. Other liabilities valued at cost	–	–	–	-8,065	-38,829	-115,085
7. Hedging Instrument	–	–	–	–	–	-1,042
Total	1,753	116,537	404,991	-8,065	-38,829	-116,127
Returns in 2008	5,092	–	2,689	-658	-3,170	–

Balance Sheet Item at December 31, 2007

Amount in KSEK	Financial assets	Accounts receivable and other receivables	Liquid assets	Short-term loans	Long-term loans	Other current liabilities
1. Assets that are recorded at fair value via the income statement	–	–	31,017	–	–	–
2. Investments that are held until maturity	721	–	–	–	–	–
3. Loans receivable and accounts receivable	429	116,044	–	–	–	–
4. Financial assets that can be sold	45,784	–	–	–	–	–
5. Liabilities held for trade	–	–	–	–	–	–
6. Other liabilities valued at cost	–	–	–	-37,152	-34,741	-110,776
7. Hedging Instrument	–	–	–	–	–	-460
Total	46,934	116,044	31,017	-37,152	-34,741	-111,235
Returns in 2007	5,371	–	885	-2,792	-2,616	–

Implementation is reported in the income statement. Testing of previous write-downs is done individually.

For the consolidated reporting for 2008, this means

The consolidated income has never before, neither in 2007 or 2008, been debited with any write-downs. Nor have any write-downs from previous years been reversed in 2007 or 2008. The goodwill account at December 31, 2008, was the object of regular write-down testing, but no need for a write-down was discovered. A detailed report of write-down testing conducted is provided in section 5, Important Accounting Estimates.

3.9 Other operating income and expenses

Compensation of different kinds, exchange rate differences on receivables and payables of an operating nature and income from the sale or disposal of non-current assets are reported as other operating income and expenses.

4. Information on financial instruments

According to IFRS 7, companies must submit information that allows for users of the financial reports to assess the significance financial instruments have for the Company's financial position and performance. Furthermore, users of financial reports must be given the opportunity to assess the character and scope of the risks the Company is exposed to.

In accordance with IAS 39, financial instruments are divided into the following categories:

1. Assets that are recorded at fair value via the income statement
2. Investments that are held until maturity
3. Loan claims and accounts receivable
4. Financial assets that can be sold
5. Liabilities held for trade
6. Other liabilities valued at cost

The following is a classification of the balance sheet items that partially or fully involve financial instruments categorized above and the effect on income related to the item in 2007 and 2008.

4.1 The Financial Instruments' Significance for the Group's Financial Position and Performance

The Group's financial instruments as they are reported in the consolidated balance sheet or supplementary information is based mainly on transactions related to the Group's business operations. Biotage thus has no active trade or transactions with financial instruments on any other basis than development, production and sales of the Group's products and services. The most important financial instruments are therefore accounts receivable, other operation-related receivables, shares, accounts payable, other operation-related liabilities and loans against securities in business real estate.

For the consolidated reporting for 2008, this means

On October 2, 2008, the Group sold its Biosystems business area. Through the transaction, in addition to operations, also tangible, intangible and financial assets were sold. In exchange the Group received cash funds, which were invested in money market instruments. For that reason, a reduction in financial assets and a considerable increase in liquid assets has been recorded, which also includes short-term investments. Because the sale also resulted in substantial capital gains, the financial instruments' share of the Group's total assets has increased considerably.

As the above comparison demonstrates, the recorded value of financial asset instruments is KSEK 523 281 (193 996), corresponding to 40.3 (19.6) percent of the Group's assets at December 31, 2008. The recorded value of financial liability instruments is KSEK 163 022 (183 128), corresponding to 12.5 (18.5) percent of the Group's equity and liabilities.

Net return on financial instruments is reported as KSEK 3 953 (KSEK 848).

The return on financial assets in 2008 includes share dividend Corbett Life Science PTY, the shares of which were part of the sale of the Biosystems business area. In 2008 the Group received share dividends of KSEK 5092 (5 371), which was recorded in the activity sold.

Interest income and expenses are also of significance to the recorded net income. For 2007 and 2008, the following items were recorded in the consolidated income statement (KSEK):

	Interest income	Interest expenses	Net interest income/expense
2008	4,112	-3,828	284
2007	885	-5,407	-4,522

Of the consolidated revenue, the net interest is 0.1 percent for 2008 and -0.9 percent for 2007.

The Group's legal entities have significant intercompany balances on the reporting date. Translation of these balances to Swedish kronor may have a considerable effect on the Group's position and performance. Below is a summary of these effects.

	Offset directly against equity	Offset against consolidated equity via the income statement
2008	36,294	22,120
2007	-11,439	-1,478

4.2 Valuation of financial instruments

The following valuation principles are applied regarding financial instruments:

1. Assets that are recorded at fair value via the income statement Fair value
2. Investments that are held until maturity Amortized cost
3. Loan claims and accounts receivable Amortized cost
4. Financial assets that can be sold Fair value
5. Liabilities held for trade Fair value
6. Other liabilities Amortized cost

4.3 Fair value on reporting date

According to IFRS 7:25, for each category of financial asset or financial liability, a company must provide information about the fair value for the category's assets in a way that allows comparison with the recorded value. Based on the reported tables above, the recorded value of financial assets and liabilities is:

Amount in KSEK	Assets	Liabilities	Net
At December 31, 2008	523,281	163,022	360,269
At December 31, 2007	193,996	183,128	10,868

An assessment of the fair value of financial instruments that are not the object of trade is linked to uncertainty. For Biotage, however, there are no significant overestimates or underestimates in the financial instruments. The following table showing the recorded fair value of financial instruments applies the assumption that these will be sold or redeemed on the reporting date. The difference between reported value and fair value primarily involves transaction costs and compensation for premature redemption of credit.

The difference between the reported value and fair value of financial assets and liabilities is KSEK -4 274 (-1 302), which should reduce the consolidated equity through a valuation of financial instruments to the fair value.

In summary, the differences between reported and fair value of financial instruments are as follows:

At December 31, 2008

Amount in KSEK	Reported value	Estimated fair value	Difference
<i>Financial assets</i>			
Financial assets	1,753	1,753	-
Accounts receivable and other receivables	116,176	114,330	-1,846
Current investments	298,107	299,149	1,042
Cash equivalents	107,138	106,422	-715
Total	523,173	521,654	-1,519

Financial liabilities

Long-term loan debt	8,065	8,629	-565
Short-term loan debt	38,829	39,218	-388
Other current liabilities	117,997	117,407	590
Total	164,891	165,254	-363

Net	358,282	356,401	-1,882
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At December 31, 2007

Amount in KSEK	Reported value	Estimated fair value	Difference
<i>Financial assets</i>			
Financial assets	46,934	46,934	-
Accounts receivable and other receivables	115,829	113,961	-1,869
Cash equivalents	31,017	30,565	-452
Total	193,781	191,460	-2,321

Financial liabilities

Long-term loan debt	37,152	38,542	-1,390
Short-term loan debt	34,741	34,927	-186
Other current liabilities	111,235	110,679	556
Total	183,128	184,148	-1,019

Net	10,652	7,312	-3,340
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The Swedish kronor's change in value by X percent has the following effect on the consolidated revenue based on income, expenses and financial instruments 2008

Amount in KSEK	Currency	-20%	-15%	-10%	-5%	5%	10%	15%	20%
Euro	EUR	21,293	15,970	10,647	5,323	-5,323	-10,647	-15,970	-21,293
U.S. dollar	USD	19,481	14,611	9,740	4,870	-4,870	-9,740	-14,611	-19,481
British pound	GBP	2,874	2,156	1,437	719	-719	-1,437	-2,156	-2,874
All		43,648	32,736	21,824	10,912	-10,912	-21,824	-32,736	-43,648

The following table shows the net effects on the consolidated equity of changed exchange rates for the Swedish kronor against the Group's main transaction currencies:

The Swedish kronor's change in value by X percent has the following effect on the consolidated equity based on income, expenses and financial instruments 2008

Amount in KSEK	Currency	-20%	-15%	-10%	-5%	5%	10%	15%	20%
Euro	EUR	20,712	15,534	10,356	5,178	-5,178	-10,356	-15,534	-20,712
U.S. dollar	USD	73,373	55,030	36,686	18,343	-18,343	-36,686	-55,030	-73,373
British pound	GBP	15,455	11,591	7,728	3,864	-3,864	-7,728	-11,591	-15,455
All		109,540	82,155	54,770	27,385	-27,385	-54,770	-82,155	-109,540

4.4 Pledged assets

As reported in note 21, pledged assets are composed as follows.

Amount in KSEK	2008-12-31	2007-12-31
<i>Collateral provided</i>		
Chattel mortgages	101,015	93,305
Real estate mortgages	52,878	47,692
Blocked bank assets	110	88
Total	154,003	141,085

Chattel mortgages entail a general preferential right for the mortgage holder to the debtor's assets in case of bankruptcy and are governed by the Swedish Preferential Rights Act (1970:979).

The reported value of financial assets included in pledged assets is:

At December 31, 2008

Amount in KSEK	Parent company	Subsidiaries	Total
Financial assets	-	178	178
Accounts receivable and other receivables	7,216	93,095	100,311
Receivables from Group companies	190,429	263,896	454,325
Shares in subsidiaries	557,047	-	557,047
Total assets at company level	754,693	357,169	1,111,862
Assets eliminated in the consolidated reporting	-747,477	-263,896	-1,011,373
Total assets at Group level	7,216	93,273	100,489

The Group's authority to dispose of the assets covered by preferential right has not been restricted or in any other way governed in agreements between the mortgage holder and the affiliated company that pledged the asset.

4.5 Financial risks in the Biotage Group

In addition to business risks, Biotage's activities also expose it to financial risks. The financial risks that are of greatest significance are currency, interest, credit and refinancing risks, all of which are regulated through a financial policy established by Biotage's board. See section 4.6, Financial Risk Management, for further information.

Credit risks regarding client engagement are handled, within established frameworks, locally through local credit assessments. Other risks are primarily handled centrally by the finance director in consultation with the CEO. The finance policy specifies that the financial risks, having regard to reasonable hedging costs, should be minimized and access to liquidity safeguarded.

Currency risk

The group's sales occur primarily in Swedish kronor, Euro, American dollars and

British pounds. The group's operating expenses and financial instruments are also related to these currencies. Since the group's functional currency is Swedish kronor, a change in the currency's exchange rate against other transaction currencies will mean a change to the group's position and result.

The table above shows the net effects on the group's result of changed exchange rates for the Swedish kronor against the group's most important transaction currencies.

The currency exposure derives primarily from investments in currencies other than Swedish kronor. The group's refinancing has as far as possible been made in currencies that match the investments, so the exposure above primarily relates to injected equity capital in the respective currencies.

Hedging accounting

In accordance with IAS 9, cash flow hedging is accounted directly against equity capital. Biotage hedges currency risk in accordance with the finance policy laid down by the board. Currency hedging is performed on the basis of the expected difference between cash flow in Swedish kronor and other currencies.

On December 31, 2008, Biotage had six outstanding futures regarding the sale of a total of KEUR 1,800. The contract period runs between January 13 and June 17, 2009. The difference between the agreed value in Swedish kronor and the current value in Swedish kronor valued at the exchange rate on the accounting date is KSEK -1,042. The amount is entered as short-term debt in the group directly against the hedging reserve in equity capital since it will have to be liquidated during the agreement period. The amount will be debited from the group's result on the date it is liquidated. The incoming hedging reserve on January 1, 2008, was 460, so the reserve has increased by KSEK 582 net during 2008. The incoming reserve has been eliminated during 2008 and a new allocation has been made on the accounting date.

Interest risk

Interest risk entails that the value of a financial instrument varies due to changes in the market interest rate. Regarding the group's financial assets, these are to a limited extent exposed to such value changes since the holding is of a short-term nature. The interest risk is due instead to the fact that the group's refinancing becomes more expensive if the ordinary interest rate increases and vice versa.

The group's interest bearing financial assets amounted on December 31, 2008, to (-) SEK 298,107 and debt to SEK 46,894,000 (71,893,000). Net interest for 2008 is accounted at SEK 284,000 (-4,522,000). The group's average interest, including financing costs, amounted to 8.0% in 2008. A 1% change in the ordinary interest rate would affect the result by approximately +/- SEK 470,000. However, the credits have varying curing periods, but in the longer term a changed interest rate will have an effect on the group's result.

Credit risk

The group's credit risks lie in the fact that clients may be unable to pay for deliveries made. The clients constitute the major part for large pharmaceutical companies and scientific institutions, whose activities are usually financed

by the state. For that reason, losses on accounts receivable in the group represented less than SEK 100,000 in 2008 and 2007. However, the group's accounts receivables on accounting day were large compared to the turnover. This is mainly because sales are normally high in December, but also because many clients only pay the invoices after the due date. It can be determined based on historical facts that Biotage's credit risk is very small.

To sum up, the Company has the following composition for accounts receivable with regard to payments due.

Amount in KSEK	12/31/2008	12/31/2007
Total accounts receivable	92,284	96,436
Accounts receivable not yet due	68,609	68,291
Accounts receivable due	23,675	28,132

Claims due that are not regarded as unsure:

1-30 days	13,658	22,118
31-90 days	7,003	4,827
More than 90 days	3,015	1,187
Value in the balance sheet	23,675	28,132

Claims due that are regarded as unsure:

1-30 days	-	-
31-90 days	-	-
More than 90 days	537	312
Total	537	313
Write-down amount	-537	-300
Value in the balance sheet	-	13

Liquidity risk and refinancing risk

Liquidity risk is the risk of having difficulty disposing of liquid assets in order to meet commitments associated with financial instruments. The cash flow analyses for 2007 and 2008 show adequately positive asset flows from the operating activities that ensure compliance with the obligations that follow from the activity's current extent.

Biotage's liquid assets on December 31, 2008, exceeded by a large margin its loan liabilities and there are also unused credits on December 31, 2008, amounting to SEK 74 million.

In the long-term, the liquidity and financial risks lie in the fact that the group can be dependent on credits or owner capital injection for its expansion.

4.6 Financial risk management

The section above describes the financial risks associated with Biotage's business activities and financial administration. In order to limit any negative effects from these risks, a finance policy has been drawn up and approved for the group by the board of directors. The finance policy should facilitate the financial work and minimize the economic consequences that the financial risks can entail.

The financial policy has the following content:

1. General principles

The finance function must work based on the following principles:

- The group's financial risks must be minimized according to fixed principles.
- The working tasks must be performed carefully and professionally.
- Measures implemented must be documented and reported to the responsible company body.
- Administration costs must be minimized.

2. Allocation of responsibility

The policy document includes a specific allocation of responsibility, assignments and authorizations between the Company's board, CEO, director of finance and chief accountant.

The board has the overall responsibility for managing the group's financial risks, for ensuring that the finance policy is reviewed annually, for appointing competent people to sign for the Company and for drawing up a framework and guidelines for taking up new loans, currency exposure etc.

The CEO is responsible for ensuring that approved policy is followed and

that the policy is reviewed annually by the board. The CEO is responsible for checking and reconciling business confirmations from external parties with regard to allocations and that currency hedging instruments are secured.

The director of finance has the operational responsibility for managing financial risks.

The chief accountant is responsible for checking and reconciling business confirmations from external parties with regard to allocations, currency instruments etc. and is responsible for documentation and archiving of business confirmations and statements of accounts.

3. Administrative routines

Those who carry out business must be separated from those who exercise control, accounting and reporting of business.

The basis for reporting for financial transactions performed must be submitted to the chief accountant in a systematic fashion for checking against the transactions that are received by the other party to the transaction.

4. Result and balance exposure

Due to the fact that the group carries out activities, production and sales in several countries, there is exposure through the distribution of incomes and costs in various currencies. This exposure can be influenced through e.g. the choice of currency for sales and purchasing.

Similarly, there are assets, debts and equity capital in wholly owned subsidiaries and claims and debts against external clients and suppliers in various currencies that entail exposure and currency risk.

This exposure is mainly managed through the selection of sales and purchasing currencies, loans and allocations in currencies.

5. Management of currency risk

Biotage must minimize the currency risk that arises from the commercial flows. Speculative positions must never be taken in order to generate income from exchange rate movements. Taking up a speculative position means entering into transactions where there is no underlying commercial flow or unbalance.

Biotage's strategy is to centralize the management of currency risk to the Finance Function in Biotage AB.

Sales between the parent company and subsidiaries must occur in the subsidiary company's currency in order to avoid imposing a currency risk on the subsidiary company.

Sales between subsidiary companies must occur in the currency of the selling subsidiary.

6. Reporting

The group's currency exposure must be compiled and reported to the board at least once every year.

Every board meeting must include reporting of any outstanding futures in currencies and the current borrowing and liquidity situation.

Liquidity must be reported weekly, including a rolling 4-week prognosis and must be forwarded to the management.

A review of the current status regarding accounts receivable must occur weekly.

7. Credit risks

Follow-up of accounts receivable must occur regularly with control of accounts receivable due, measures approved, credit risks assessed etc. A credit worthiness assessment must be performed for new clients who are previously unknown to the group.

Uniform rules exist for credit periods and demand management.

8. Liquidity and loan management

Available liquidity must be administered by the finance director or by a person delegated by the finance director.

The necessary credits for transaction financing must exist in the Swedish company and in the foreign company as far as possible. For the foreign companies, the purpose of working credits is partly to reduce certain currency exposures, allow financing of working capital requirements, to counter fluctuations in liquidity and to avoid unnecessary excess liquidity existing in individual subsidiaries.

9. Allocation of excess liquidity

Existing excess liquidity will be placed by the director of finance in short-term securities, usually in Swedish kroner. The relevant securities are the following:

- Swedish state
- Local authority papers
- Other K1 papers

Maturity period on short-term allocations must not exceed six months.

4.7 Administration of capital

Biotage defines capital as equity capital. The purpose of the administration of capital is to ensure partly that the group's companies can fulfill their obligations and partly that adequate funds are available for business expansion and to support fulfillment of the group's financial goals. The administration and maintenance of a capital structure also aims partly at creating a reasonable balance between equity capital, debt financing and liquidity so that reasonable capital costs can be achieved. Biotage's aims to finance its organic growth and normal investment requirements by generating an adequately positive cash flow from the operating activities. The most important grounds for managing these tasks are to try and create and maintain confidence in the group as an investment or as a partner. Biotage believes that this can best be achieved through Biotage

- providing clear and proper communication and information to the share market and other stakeholders
- promptly fulfilling its commitments with regard to clients, suppliers, creditors and the authorities
- being guided by ethical values that cause the Company to be regarded as a serious party
- having policies, processes and routines that ensure that decisions made are implemented and followed up
- safeguarding the health and working environment of its staff and otherwise offering good terms of employment.

5. Important estimates and assessments for accounting purposes

For drawing up the parent company's and the group's financial reports, the provisions in the Annual Accounts Act, IFRS, special provisions from norm-giving bodies and norms and conventions for presenting a true and fair picture are used as a basis for evaluation of the items on the balance sheet and for the design of the financial reporting.

Furthermore, the board and the CEO have, in connection with drawing up this group account, made a number of judgments regarding estimate that can be relevant for the situation and result presented.

Uncertainty in the estimates

Estimates and assessments are evaluated regularly and are based on past experience and other factors, including expectations for future events that are regarded as reasonable under present conditions. It can be stated that the annual result for 2008 and the reported financial position on December 31, 2008 has not been affected by any necessary re-evaluation of assessments and estimates that have been made when drawing up financial reports in previous years.

Certain assumptions about the future and estimates and evaluations have special significance for the evaluation of the assets and debts in the balance sheet. The balance item where the risk of value changes during the subsequent year are greatest due to the fact that the assumptions or estimates may have to be changed, are goodwill. The most important estimates that form the basis for the evaluation of assets and liabilities are naturally based on assessments of the possibilities of also in the future disposing of the group's products and services in such volumes and for prices that give a reasonable commercial surplus. The possibilities for disposal depend partly on the technical competency to which the group has access to for presentation of new and improved products and also to what extent the pharmaceutical industry and scientific institutions choose to invest in the development of new products, new knowledge and new methods within the scientific area that the group's products concern. The group has vigorously reduced its operating costs between 2004 and 2008. A precondition for continued improvement of the group's financial result is that the cost level established during 2008 can be maintained or at least not increased faster than sales developments. However, there is a potential scope for a continued

productivity increase in the group, even if this is not assessed to be of the same size as has already been achieved.

Writing down of goodwill in the group's balance sheet

The value of accounted goodwill amounts to SEK 487,227 (460,593). The value change during 2008 derives wholly from changed exchange rates.

The value is tested at least once every year with regard to any impairment loss. The testing requires an evaluation of the value in use of the cash generating unit to which the goodwill value is attributable. This in turn requires a calculation of the group's expected future cash flow. An impairment loss can be determined when the recoverable amount is less than the accounted value. In this case, the write-down should be reported in the result account. The testing that occurred when drawing up this annual report has shown that there was no impairment loss. If the group's positive performance significantly deteriorates to a negative result, an impairment loss would be realized. A total write-down of goodwill would reduce the group's equity capital from SEK 1,125 million to SEK 638 million and reduce solvency from 87% to 79%.

6. Options program for Group employees

Share-based incentive program

The following is a brief description of the outstanding shares-based incentive program in Company per December 31, 2008. Conversions of the subscription rate and the number of shares that each subscription option gives the right to subscription to is discussed.

The 2002 Plan

At the regular general meeting in the Company on April 22, 2002, the Board of Directors was authorized to adopt a staff options program ("the 2002 Plan"), involving free-of-charge distribution of employee options to purchase (so-called staff options) to Group employees that gives the staff option holder the right to acquire shares in the Company. The general meeting gave its approval for the Company to issue a total of maximum 914,800 new staff options during the period up the general meeting 2005. At the regular general meeting on April 28, 2004, a decision was adopted to change the terms of the 2002 Plan so the remaining staff options could be reissued, still with the limitation that a total of maximum 914,800 staff options would be issued and that the number of shares that would be allowed to be transferred under the 2002 Plan would not exceed 914,800 shares.

The redemption price for the staff options is equal to 110 percent of the market value of Company shares as of the issue date of the staff options. The staff options may be used at the earliest one year and at the latest five years from the issue date of the staff options on the condition that the staff option holder is still employed in the Group as of the use date.

At the end of the year, a total of 139,200 staff options were outstanding under the 2002 Plan at a redemption price of SEK 9.86 (issued December 21, 2004).

To guarantee the Company's means of meeting its commitments according to issued staff options, that is to say guarantee delivery of shares to the staff option holders, and for the purpose of covering administrative expenses and expenses for social fees, the Board of Directors was also authorized to adopt a decision on the issue of maximum 1,171,000 subscription options. The Company accordingly adopted a decision on December 21, 2004 to issue 95,467 subscription options to the wholly-owned subsidiary CEMU Bioteknik AB.

Each subscription option issued on December 21, 2004 gives the right, for the period beginning on and including the registration of the adoption of the issue with the Swedish Companies Registration Office up to and including December 31, 2009, the right to subscribe to 1.04 new shares in the Company at a subscription rate of SEK 9.86 per share.

The 2005 Plan

At the regular general meeting of Company on April 27, 2005, the Board of Directors was authorized to adopt an additional staff option program. This program was implemented in February 2006. The program includes 549,400 staff options, of these members of Group management receive maximum 45,000 staff options each, junior management position holders maximum 10,000 staff options each, other management position holders and key employees maximum 2,000 staff options each and other employees maximum 400 staff options each.

A staff option entitles the holder to acquire one share in Biotage at a redemption price of SEK 11.83. The staff options are valid for a period of 7 years and may be used after one year up to and including three years after the issue date by a third of the number of issued staff options for each one-year period. At the end of the year a total of 260,400 staff options were outstanding under the 2005 Plan.

The staff options require in principle that the holder still be employed in the Group when used. To guarantee Biotage's obligations arising from the issued staff options according to the staff options program, the Board of Directors, with the support of authorization from the Company's general meeting, on April 27, 2005, adopted a decision to issue maximum 640,000 subscription options. The subscription options give the right to new subscription to maximum 640,000 shares in the Company. Each subscription option that is issued on February 21, 2006, gives the right, for the period beginning on and including the registration of the adoption of the issue with the Swedish Companies Registration Office up to and including February 21, 2013, to subscribe to one new share in the Company at a subscription rate of SEK 11.83 per share.

The 2006 plan

At the regular general meeting of Company on April 27, 2006, the Board of Directors was authorized to adopt an additional staff option program. This program was implemented in February 2007. The program includes 597,500

staff options, of these members of Group management receive maximum 30,000 staff options each, senior management position holders maximum 10,000 staff options each, other management position holders and key employees maximum 5,000 staff options each and other employees maximum 3,000 staff options each. The Company's president and CEO was awarded 55,000 staff options. A staff option entitles the holder to acquire one share in Biotage at a redemption price of SEK 16.64. The staff options are valid for a period of 7 years and may be used after one year up to and including three years after the issue date by a third of the number of issued staff options for each one-year period. At the end of the year a total of 444,000 staff options were outstanding under the 2006 Plan.

The staff options require in principle that the holder still be employed in the Group when used. To guarantee Biotage's obligations arising from the issued staff options according to the staff options program, the Board of Directors, with the support of authorization from Company's general meeting, on April 27, 2006 adopted a decision to issue maximum 700,000 subscription options. The subscription options give the right to new subscription to maximum 700,000 shares in the Company. Each subscription option that is issued on February 9, 2007, gives the right, for the period beginning on and including the registration of the adoption of the issue with the Swedish Companies Registration Office up to and including February 9, 2014, to subscribe to one new share in the Company at a subscription rate of SEK 16.64 per share.

Outstanding options per December 31, 2008 are in summary

Year	No. of options	No. shares that each option gives right to (a)	No. of shares that can be subscribed	No. of options that can be issued for cash flow hedging (b)	Subscription-rate SEK (a)	Subscription-period's first day	Subscription-period's last day
<i>The personal options program intended for Group employees:</i>							
2004	139,200	1.04	144,768	23,163	9.86	2005-10-21	2009-12-31
2006	260,400	1.00	260,400	41,664	11.83	2006-02-21	2013-02-21
2007	444,000	1.00	444,000	71,040	16.64	2007-02-15	2014-02-15
Total	843,600		849,168	135,867			

- (a) Subscription rate and number of shares that come with each option have been converted in relation to implemented new issues.
- (b) Per authorization from the general meeting, the parent company has issued subscriptions to the subsidiary CEMU Bioteknik AB allowing sale for the purpose of neutralizing the cash flow that arises when payroll taxes are added to the value of the option holders benefits upon the options' use for share subscription. The total number of options amounts to 193,100, of these maximum 135,867 may need to be sold. However, it is very unlikely that CEMU Bioteknik will sell any options for cash flow reasons.

Year	Change in outstanding options for the year:		Closing balance 2008	2005	Reported costs acc. to IFRS 2 for option programs, including disposal of payroll taxes required by law			Remaining expenses for 2009
	Starting balance 2008	Options fallen due or redeemed 2008			2006	2007	2008	
2000	17,500	-17,500	-	-	-	-	-	-
2002	3,600	-3,600	-	-	-	-	-	-
2003	151,550	-151,550	-	-	-	-	-	-
2004	183,200	-44,000	139,200	1,670,677	606,217	-	-	-
2006	331,200	-70,800	260,400	-	740,431	638,094	-	-
2007	518,500	-74,500	444,000	-	-	1,271,778	981,220	217,217
Total	1,205,550	-361,950	843,600	1,670,677	1,346,648	1,909,871	981,220	217,217

Explanation: For programs that begun up to and including 31-12-2003, IFRS is not applied why no expense have been reported.

When calculating expenses for options programs pursuant to IFRS and determining the value of the options, the Black & Scholes valuation model has been applied.

The following important parameters have been used	Issue year 2004	Issue year 2006	Issue year 2007
Value of base shares at the time of allotment	SEK 9.30	SEK 11.30	SEK 16.64
Redemption price for use of the options in relation to implemented issues	SEK 9.86	SEK 11.83	SEK 16.64
Expected term:			
Vesting 1	3.0 year	4.0 year	4.0 year
Vesting 2	3.5 year	4.5 year	4.5 year
Vesting 3	4.0 year	5.0 year	5.0 year
Division over the vesting periods	1/3 of each	1/3 of each	1/3 of each
Risk-free interest			
Vesting 1			
Vesting 2	2.70%	3.30%	3.90%
Vesting 3	2.80%	3.40%	3.93%
Expected future volatility in the share rate	40.0%	40.0%	40.0%
Expected disbursement during the term of the options	SEK 0.00	SEK 0.00	SEK 0.00
Expected staff turnover	5.0%	7.0%	7.0%
Value per option			
Vesting 1	SEK 2.47	SEK 3.78	SEK 5.01
Vesting 2	SEK 2.72	SEK 4.06	SEK 5.37
Vesting 3	SEK 2.95	SEK 4.32	SEK 5.71
Expenses per IFRS 2, excluding payroll taxes.	SEK 1,089,809	SEK 1,760,520	SEK 2,779,631

Due to higher actual staff turnover than calculated, the total expenses for years 2006-2008 were somewhat lower than calculated according to the calculation above.

Expected future volatility in the share rate originates in the historical volatility for Biotage's shares for five years prior to the time of allotment and for other comparable listed companies. Particular emphasis is placed on the determined volatility for the 12 months immediately preceding the allotment date.

The implicit volatility is also used as a basis which can be calculated for listed options. For the period 2002-2007 the volatility for Biotage's share rate saw a cyclical drop from levels of 80 percent to just below 40 percent. The pattern of successively dropping volatility in the share rates can also be seen on some of the stock exchange's most traded companies on the OMX Nasdaq large companies list.

Based on the historical volatility levels of 2002-2007 for Biotage's share rate, and analysis of the volatility levels for large Swedish companies over a longer time period, a reasonable future volatility level for the basis of calculating future market value of the options is deemed to be 40 percent.

Income Statements for Parent Company

Amount in KSEK	Note	2008	2007
Net sales	2	6,159	8,345
Selling expenses	4	-210	-506
Administrative expenses	4, 6	-15,833	-15,350
Research and development costs	4, 8	-3,928	-2,936
Other operating income	3	31,056	8,118
Other operating expenses	9	-2,565	-3,892
Operating expenses		8,519	-14,565
Operating profit/loss		14,678	-6,220
<i>Profit/loss from financial investments</i>			
Interest income from receivables from associated companies		16,058	16,453
Interest expenses from liabilities to associated companies		-2,021	-1,793
Profit/loss from participation in associated companies		-96 781	
Profit/loss from other securities and liabilities that are long-term financial assets		40,679	5,371
Other interest income and similar income statement items		2,711	117
Interest expenses and similar income statement items		-20	-5
Exchange rate differences in intercompany receivables		16,083	-349
Financial net	10	-23,292	19,794
Profit/loss after financial items		-8,614	13,574
Income tax	11	3,209	49,026
Profit/loss for the year		-5,405	62,600

Balance Sheets for the Parent Company

Amount in KSEK	Note	2008	2007
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patent and license rights	14	6,774	13,309
		6,774	13,309
<i>Non-current financial assets</i>			
Participation in associated companies	20	557,047	717,727
Receivables from associated companies		108,269	109,869
Deferred tax assets		42,570	39,361
Investments held as non-current assets	15	–	45,783
		707,886	912,740
Total non-current assets		714,660	926,049
Current assets			
<i>Current liabilities</i>			
Accounts receivable		71	–
Receivables from associated companies		82,161	76,382
Other liabilities	17	511	632
Prepaid expenses and accrued income	17	6,705	1,514
		89,448	78,528
<i>Cash, bank and current investments</i>		356,972	862
Total current assets		446,420	79,390
Total assets		1,161,080	1,005,439
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		88,486	88,486
Statutory reserves		842,180	1,509,816
		930,666	1,598,302
<i>Nonrestricted equity</i>			
Fund for fair value		-2,260	-38,554
Accumulated profit/loss		38,554	-691,682
Profit for the year		-5,405	62,600
		30,890	-667,636
Total equity		961,556	930,667
<i>Current liabilities</i>			
Accounts Payable	19	3,647	1,488
Payables to associated companies		189,910	60,140
Other current liabilities	19	789	5,369
Accrued expenses and prepaid income	19	5,178	7,775
		199,523	74,772
Total equity, provisions and liabilities		1,161,080	1,005,439
Pledged assets	21	22,500	22,500
Contingent liabilities	21	–	–

Changes in Equity for the Parent Company

Amount in KSEK	Share capital	Statutory reserves	Fund for fair value	Capitalized loss	Total equity
Opening balance at January 1, 2007	88,486	1,509,816	-27,115	-716,534	854,652
Changes in 2007	-	-	-	-	-
Exchange rate differences	-	-	-11,439	-	-11,439
Group contribution 2007	-	-	-	24,852	24,852
Profit for the year 2007	-	-	-	62,600	62,600
Total changes in 2007	-	-	-11,439	87,453	76,014
Closing balance at December 31, 2007	88,486	1,509,816	-38,554	-629,082	930,667
Changes in 2008	-	-	-	-	-
Appropriation according to the decision of the annual meeting	-	-667,636	-	667,636	-
Exchange rate differences	-	-	36,294	-	36,294
Profit for the year 2008	-	-	-	-5,405	-5,405
Total changes in 2008	-	-667,636	36,294	662,231	30,890
Closing balance at December 31, 2008	88,486	842,180	-2,260	33,149	961,556

Cash Flow Statements for the Parent Company

Amount in KSEK	2008	2007
Operating activities		
Profit/loss after financial items	-8,614	13,574
Adjustments for non-cash items, etc.	29,896	2,424
	21,282	15,999
Tax paid	-	-
Cash flow from operating activities before changes in working capital	21,282	15,999
<i>Cash flow from changes in working capital</i>		
Increase (-)/decrease in other current receivables (+)	33,587	-10,940
Increase (+)/decrease in other liabilities (-)	123,800	-9,351
Cash flow from operating activities	178,669	-4,293
Investing activities		
Purchase of intangible assets	-2,037	-3,037
Sale of intangible assets	-	16
Acquisitions of subsidiaries	-	-331
Sales of operating segment	174,437	-
Increase (-)/decrease in other long-term receivables (+)	5,041	-72
Cash flow from investing activities	177,441	-3,423
Cash flow from financing activities	-	-
Cash flow for the year	356,110	-7,716
Cash and cash equivalents at the beginning of the year	862	8,578
Cash and cash equivalents at the end of the year	356,972	862
Supplementary information		
<i>Adjustments for non-cash items, etc.</i>		
Depreciation and write-downs	164,390	2,192
Sale of operating segment as reported in investing activities	-123,791	-
Other items	-10,702	233
Total	29,896	2,424

Accounting and Valuation Policies in the Parent Company

Content:

1. Accounting policies
2. Important accounting estimates
3. Option program for the Group's officers

The accounting and valuation policies applied in preparing the consolidated position, performance and cash flow are described on pages 30-41. In this report, information is provided on the principles and circumstances particularly applicable for the parent company. For an overall view of the accounting and valuation policies applicable for the parent company, sub-groups and subsidiaries, the reader should also study the information about the group.

1. Accounting policies

1.1 Introductory information

The accounts for the parent company Biotage AB for the fiscal year ending December 31, 2008, have been approved by the board of directors and CEO for publication on February 10, 2009. The accounts will be presented at the annual meeting on April 27, 2009, for approval.

The company is a Swedish public limited liability company headquartered in Uppsala, where the Group's management and company-wide departments are situated. The company's stock is listed on the OMX Nordic Stock Exchange's Small Cap list.

As a legal entity, Biotage AB runs no business operations of its own, but those operations that the Company has created or acquired are operated through wholly owned subsidiaries and second tier subsidiaries. The Group's main activity is in the field of bioscience. The Group offers complete solutions, know-how and experience within two areas – medicinal chemistry and genetic analysis. Activities within medicinal chemistry are reported in the Discovery Chemistry business area, and activities within genetic analysis are reported in Biosystems. The activities are run primarily in the United States and EU, which are also the Group's key geographic sales markets. Research and development activities are based in Sweden, and production in Sweden, the U.S. and Great Britain.

Statement on compliance with applicable regulations

The financial statements have been prepared in accordance with RFR 2.1, Reporting for Legal Entities, the Annual Accounts Act and other interpretations from the Swedish Financial Reporting Board.

The consolidated financial statements have been established with full application of International Financial Reporting Standards (IFRS).

The accounting principles, over which the following report is presented below, are applied consequently for all periods reported on in these financial statements.

Functional currency and reporting currency

These financial reports are expressed in Swedish kronor, which is Biotage's functional currency as well as the reporting currency for the Group's financial reporting. Unless stated otherwise, amounts are expressed in SEK '000.

1.2 Summary of key accounting principles

Assets, liabilities and contingent liabilities are based on the cost. Assets held for sale are reported at the lowest of book value and fair value, after deduction of sales costs.

Use of evaluations and assessments

Preparing reports that are compliant with the Swedish Annual Accounts act and good accounting practice requires that the corporate management makes assessments, evaluations and assumptions that affect the application of accounting principles. The corporate management's assessments and evaluations are made in consideration of prevailing circumstances in and outside the Company and of the Company's goals and strategic plans. The actual outcome can, however, differ from these assessments and evaluations, which can impact future financial position and performance. The areas involving a high degree of assessment, that are complex or areas where assumptions and assessments are of great significance for the accounts are described in section 3 "Important Assessments and Evaluations for Accounting Purposes".

1.3 Reporting for segment

As Biotage AB runs no business operations, there is no need for segment reporting. The company's revenue includes royalty benefits received from contracting parties in the United States. The right to these benefits were sold in connection with the sale of the Group's Biosystems business area to Qiagen on October 2, 2008.

1.4 Intangible assets

Patents, license rights and trademarks

Patent, license rights and trademarks are recorded at cost, with deductions for accumulated amortization according to plan. The amortization period consists of the useful life, which for patents is maximum the patent protection's duration of validity, which is normally 6-20 years. For trademarks, the depreciation period is set to six years.

1.5 Financial assets

Shares and receivables from affiliated companies are valued at the cost or value in use, whichever is lowest.

Concerning deferred tax, see the section on tax below.

1.6 Leasing

The company has no lease or rent agreements.

1.7 Receivables and payables in foreign currencies

Receivables and payables in foreign currencies have been translated to Swedish kronor according to the rate on the reporting date. Unrealized exchange gains and losses on operating receivables and payables are included in the operating income, while unrealized exchange gains and losses for financial assets and liabilities are recorded in the net financials. For receivables from subsidiaries that are part of a net investment in a foreign operation, the effects of changes in exchange rates are reported in a fund for special values.

1.8 Taxes

Income taxes are reported in the financial statements with both current and deferred tax. Income taxes are recorded in the income statement if the underlying transaction is not recorded directly in equity. In such cases the related income tax is also recorded directly in equity.

A current tax liability or prepaid tax is recorded for the estimated tax to be paid or received for the current or previous years.

Deferred tax is calculated either from the differences between reported values in the balance sheet and the tax base, so-called temporary differences or capitalized unclaimed deficit deductions or other deductions. Biotage does not take into account temporary differences related to the following assets and liabilities: nondeductible goodwill, the first posting of assets and liabilities that neither affect the posted or taxable nor the tax income.

Deferred tax claims are recorded only to the extent that they can likely be used against future taxable earnings. Deferred tax claims are reduced to the extent it is no longer likely

that related tax benefits will be achieved. The calculation of deferred tax takes into account the corporate tax rate applicable on the closing date.

For these financial statements for 2008, this means

Biotage AB has a fiscal deficit deduction in the amount of MSEK 635. The company's net income before tax amounted in 2008 to MSEK -8.6 (13.6). For the most part, the Group's surplus can be freely redistributed among the Group's Swedish legal entities so that the largest possible use of the deficit deduction is achieved. The company's tax income for 2008 is zero kroner, but the deficit deduction is reduced to MSEK 450 as a result of the effects on the net income for 2008 of MSEK 161 in write-downs on shares in subsidiaries.

The earnings trend in recent fiscal years rendered relevant the question of whether to include a deficit deduction in Biotage's balance sheet per June 30, 2007, for the first time. In consideration of the net income for 2007, the expected earnings trend, reasonable precaution and valid tax rates on the closing date, a value of MSEK 39.4 was capitalized on December 31, 2007, as deferred prepaid taxes. At December 31, 2008, the value of deferred prepaid income taxes was increased by another MSEK 3.2 to MSEK 42.6.

1.9 Share capital

All shares issued consist of common stocks classified as equity. The Company has outstanding share warrants issued to the Group's owners. The staff option program is reported on pages 37-39.

Transaction costs that are directly related to the issue of new shares or options are recorded, net after tax, in equity as a deduction from issue liquidity.

1.10 Employee benefits

As an employee in the Company, only the CEO and his employment terms and salary, etc., are reported on pages 49-50 of these financial statements.

1.11 Financial instruments

In classified sections in the consolidated report on accounting and valuation policies, financial instruments are classified according to the definitions in IAS 39:8-9. The parent company, Biotage AB's, financial instrument includes liquid assets and short-term investments and shares in and receivables from subsidiaries in the following amounts:

	12/31/2008	12/31/2007
Participation in associated companies	557,047	717,727
Net receivables from associated companies	520	126,111
Cash, bank and short-term investments	356,972	862
Total	914,539	844,700
Financial liabilities	–	–
Net value of financial instruments	914,539	844,700
Balance sheet total	1,161,080	1,005,439
Net value of financial instruments in % of balance sheet total	79%	84%

Write-down of shares in and receivables from subsidiaries

Value of shares in affiliated companies and receivables from affiliated companies are linked with the value produced upon testing for the need for write-downs of consolidated goodwill. The goodwill item in the consolidated balance sheet is tested at least once a year for any write-down needs.

For these financial statements for 2008, this means

Upon a normal write-down test of the consolidated goodwill conducted per December 31, 2008, no need to write down the item was discovered.

However, a write-down need was revealed for shares in the North American subsidiary related to the sale of the Biosystems business area. In the 2003 annual financial statements, shares in the subsidiary Pyrosequencing Inc. were written down by MSEK 52.6 and receivables from the subsidiary by MSEK 126.7. In the 2008 annual financial statements, shares in the subsidiary Pyrosequencing Inc. were written down by an additional MSEK 157.5. Shares in the subsidiary Separtis Holding AG have in the 2008 financial statements been written down by MSEK 3.1, because the Company's operations have been taken over by other affiliated companies. The value of the shares in Separtis Holding AG on the closing date is the same as the Company's equity.

2.3 Financial risks that Biotage faces

As owner, creditor and guarantor to its subsidiaries, Biotage is exposed to various financial risks. The greatest financial risk is the currency risk. See section 2.6, Financial Risk Management in the Group's reporting on accounting and valuation policies.

Business risks

The overall picture of the financial risks is that the subsidiary's operations will post a loss. If this situation should arise, a write-down of shares in and receivables from subsidiaries may be needed. A total write-down of the value in the items would eliminate the parent company's equity. Such a financial situation is highly unlikely and does not differ from what normally applies for companies who run their activities through subsidiaries. As subsidiaries sell their products with considerable gross profit, marginal changes in the Company's sales volumes have an obvious effect on the Company's operating income.

Currency risk

The subsidiary's sales income and net asset are mostly expressed in US dollars, euro and British pounds. A lasting reinforcement of the Swedish kronor against these currencies means that the value of the Company's revenue and net assets translated to Swedish kronor falls. This could result in the need for a write-down of shares in concerned subsidiaries. In testing for the need for write-downs, the effects of changed exchange rates are a parameter. Other parameters such as the Company's growth and earnings trend, the industry's future prospects, the general economic situation, assessment of comparable companies, etc., weigh heavier in a write-down test than do the effects of changed exchange rates.

3. Important estimates and assessments for accounting purposes

On preparing the Company's financial reporting, the board and CEO, besides estimates made, made a number of assessments concerning accounting issues of considerable significance for reported amounts.

Uncertainty in estimates

Accounting estimates are reviewed regularly and based on historical experience and other factors, including expectations for future events that are considered reasonable in the prevailing circumstances. The financial statements for 2008 and reported financial position at December 31, 2008, has not been affected by necessary remeasurement of accounting estimates made in preparing the financial reports in previous years.

Certain exceptions regarding the future and certain estimates are of special importance for the valuation of assets and liabilities in the balance sheet. The following discusses the areas where measurement changes in the coming years may have the largest impact on the Company's income and performance due to a need to change the estimates or presumptions.

Shares in and receivables from subsidiaries

The subsidiaries' trend in earnings from 2005-2008 has been positive. The earning capacity of the Company has increased through a certain growth in sales, but mainly through increased productivity, which clearly reduced operating costs. Because of the sale of the Biosystems business area, a write-down need was discovered for shares in the North American subsidiary. See section 1.11 above, Financial Instruments.

Deferred tax assets

See section 1.8 above, Taxes.

4. Option program for group employees

Biotage AB currently has three option programs aimed at employees in the parent company and Group. An in-depth report on the personnel option programs can be found on pages 37-39 and 49 in these financial statements.

Notes

Note 1 Average number of employees, pay, benefits and social security contributions

	Group		Parent Company	
	2008	2007	2008	2007
Board and key officers				
Members and officers are presented on pages 67-69.				
<i>Board</i>				
Women	1	1	1	1
Men	8	8	8	8
Total	9	9	9	9
<i>Group management</i>				
Women	–	–	–	–
Men	3	3	1	1
Total	3	3	1	1
<i>Average no. of employees</i>				
Women	123	125	–	–
Men	200	211	1	1
Total	323	336	1	1
<i>Pay and benefits</i>				
Board and CEO	5,848	5,774	5,848	5,774
Other top officers, 2 people	3,242	2,695	–	–
Other employees	138,478	146,091	–	–
Total pay and benefits	147,568	154,560	5,848	5,774
<i>Social security contributions in accordance with applicable law and agreements</i>				
Board and CEO	1,852	1,828	1,852	1,828
Other top officers	625	955	–	–
Other employees	24,526	23,448	–	–
Total social security contributions in accordance with applicable law and agreements	27,003	26,231	1,852	1,828
<i>Pension expenses</i>				
Board and CEO	731	551	731	551
Other top officers	719	719	–	–
Other employees	7,774	9,053	–	–
Total pension expenses	9,224	10,323	731	551
Total pay, social security contributions and pension expenses	183,795	191,114	8,431	8,153

Average number of employees by parent company and country

	2008	including	including	2007	including	including
	Total	Men	Women	Total	Men	Women
Parent company in Sweden	1	1	–	1	1	–
Subsidiaries in Sweden	72	46	26	82	51	31
U.S.	116	71	45	125	79	47
Great Britain	102	61	41	103	67	36
Germany	15	12	3	11	9	2
France	1	1	–	1	1	–
Switzerland	–	–	–	1	–	1
Japan	16	8	8	12	8	4
Total employees by country	323	200	123	336	216	120
Distribution by percentage		62%	38%		64%	36%

	Group	
	2008	2007

Included in the above pay and benefits, etc. are the following amounts related to activity sold.

<i>Pay and benefits</i>		
Other employees	16,591	17,737
<i>Social security contributions in accordance with applicable law and agreements</i>		
Other employees	4,399	4,594
<i>Pension expenses</i>		
Other employees	991	1,561

Pay and benefits by country and parent company

	2008	2007
<i>Board and CEO</i>		
Parent Company	5,848	5,774
Subsidiaries in Sweden	–	–
Total	5,848	5,774
<i>Other top officers</i>		
Parent Company	–	–
Subsidiaries in Sweden	3,242	2,695
U.S.	–	–
Total	3,242	2,695
Other employees		
<i>Parent Company</i>	–	–
<i>Subsidiaries</i>		
Sweden	35,714	35,235
U.S.	53,418	59,299
Great Britain	34,864	37,811
Germany	8,770	7,530
France	547	473
Switzerland	–	1,103
Japan	5,165	4,640
Total in subsidiaries	138,478	146,091
Total in Group	147,568	154,560

Sick leave for the Swedish companies in percentage of work hours

	2008	2007
Sick leave for all employees	0.5	1.2
Percentage of sick leave concerning long-term sick leave	0.0	20.4
Sick leave for women	0.8	1.6
Sick leave for men	0.3	1.0
Sick leave for personnel age 29 or under	0.5	0.5
Sick leave for personnel age 30 - 49	0.5	1.2
Sick leave for personnel age 50 or over	0.6	1.1

Long-term sick leave is defined as consecutive sick leave lasting 60 calendar days or more.

Terms for board members and top officers

Principles

The board's chairman and members are paid a fee in accordance with the decision of the annual meeting.

Remuneration to president/CEO Torben Jørgensen is composed of a base salary, variable remuneration, other benefits and a pension. Remuneration to other top executives is composed of a base salary, variable remuneration, other benefits and a pension. The other top executives consist of the 2 individuals who, together with the president/CEO, make up the group management.

The distribution between base pay and variable remuneration must be in proportion with the authority and responsibilities of the executive. For president/CEO Torben Jørgensen, variable remuneration relating to the Group's annual results is paid and is maximum SEK 2,500,000. For other top executives, the variable remuneration is maximum 30 percent of the base salary.

Remuneration and other benefits in 2008

SEK	Board fees	Base pay	Variable remuneration	Other benefits	Pension cost	Other remuneration	Total
<i>Chairman of the Board:</i>							
Ove Mattsson	425,000						425,000
<i>Other members:</i>							
Anders Rydin	175,000						175,000
Thomas Eklund	150,000						150,000
Annika Espander	125,000						125,000
Staffan Lindstrand	125,000						125,000
Bengt Samuelsson	125,000						125,000
Mathias Uhlén	125,000						125,000
Axel Broms	125,000						125,000
Per-Olof Eriksson	125,000			2,720			127,720
Total board members	1,500,000			2,720			1,502,720
<i>President/CEO:</i>							
Torben Jørgensen		2,520,000	1,192,350	2,720	731,400	630,602	5,077,072
Other top officers		2,438,160	796,280	7,607	625,360		3,867,407
Total	1,500,000	4,958,160	1,988,630	10,327	1,356,760	630,602	10,447,199

Table clarification and comments on page 49-50

Board

The 2007 annual general meeting decided on a fee for the period until the 2008 general meeting of SEK 1,400,000, SEK 400,000 of which were for the chairman. The 2008 annual general meeting decided on a fee for the period until the 2009 general meeting of SEK 1,400,000, SEK 400,000 of which are for the chairman. Furthermore, a framework of max. SEK 100,000 was adopted for remuneration for committee work.

President/CEO

The president/CEO, Torben Jørgensen, is a base salary of SEK 208,000 per month.

Other benefits include travel benefits and health insurance. In addition, fixed remuneration, pension and severance pay is paid as described below.

Bonus and other remuneration

The president/CEO, Torben Jørgensen, receives a qualitative bonus of max. SEK 2,500,000 per year.

In addition, fixed remuneration of max. 800,000 annually is paid, calculated as 10 percent of Torben Jørgensen's share holdings in the Company.

Pensions

The Group has only defined contribution plans. The retirement age for current president/CEO, Torben Jørgensen, is age 60. The pension premium must amount to 30 percent of the pensionable income. The pensionable income is the base pay.

Severance pay

Between the Company and the president/CEO, Torben Jørgensen, there is a period of advance notice of termination of 12 months and from the president/

CEO, 6 months. For termination on the Company's part (not owing to the gross negligence of obligations to the Company on the part of the president/CEO) or for termination on the part of the president/CEO as a result of acquisition of more than 50 percent of shares in the Company, severance pay of up to 12 months' salary is paid. Severance pay is not grounds for pension or vacation pay.

In case of termination on the part of the president/CEO in other instances, no severance pay is paid (although remuneration for noncompetition for the president/CEO may be paid in such cases).

Between the Company and other top executives, mutual advance notice of termination of 6 to 12 months applies.

Financial instruments

The annual general meeting in Biotage AB has in different circumstances authorized the board to adopt personnel option programs aimed at the Group's employees. The programs are described in depth on pages 39-41 in this annual financial report.

Concluded and outstanding programs involve per December 31, 2008, a total of 843,600 options entitling holders to purchase 849,168 shares. For the outstanding programs, the board is entitled to issue

an additional 193,100 options aiming to compensate for the cash outflow in the form of statutory payroll taxes that arise if the option holders exercise their right to purchase new shares. In all, full use of outstanding personnel options means that the number of shares in the Company increases by 1,042,268.

	Program from 2004 Number of options	Program from 2006 Number of options	Program from 2007 Number of options
Number of employee options			
President			
Torben Jørgensen	–	–	55,000
Other top officers	30,000	30,000	60,000
Sum of options held by the president and other top officers	30,000	30,000	115,000
Number of shares that the options entitle the holder to subscribe to	31,200	30,000	115,000
Issue price	SEK 9.86	SEK 11.83	SEK 16.64

Comments to table:

Terms for the option program and information on all outstanding options in the Company are found on page 39-41. For information on the total number of financial instruments in the Company held by board members and management, see pages 67-69.

Note 2 Sales income

	Group		Parent Company	
	2008	2007	2008	2007
<i>Net sales are distributed between products and services as follows:</i>				
Products	333,935	350,535	–	–
Service contract and other services	44,051	39,490	–	–
Royalties ⁽¹⁾	–	–	6,159	8,357
Other sales income	7,309	7,542	–	–
Total sales income	385,295	397,568	6,159	8,357

⁽¹⁾ In the Group, royalties are recorded as a subitem in the sold activity.

	Group		Parent Company	
	2008	2007	2008	2007
<i>From parent company to subsidiary, products</i>	–	–	–	–
From parent company to subsidiary, services	7,451	7,897	7,451	7,897
From subsidiary to parent company, products	–	–	–	–
From subsidiary to parent company, services	2,554	2,653	–	–
Sales among subsidiaries, products	205,162	197,758	–	–
Sales among subsidiaries, services	49,060	54,234	–	–
Total intercompany sales	264,226	262,542	7,451	7,897

The amount was eliminated on preparation of the consolidated income statement and is thus not included in sales income for products and services above.

Note 3 Other operating income

	Group		Parent Company	
	2008	2007	2008	2007
Rate differences for receivables and liabilities	30,061	1,497	3,296	220
Sales income/loss on non-current assets	–	657	–	–
Internal services from parent company to subsidiary	–	–	7,451	7,897
Compensation for services of one-time character	2,071	–	3,876	–
Sales income on sale of Biosystems business area ⁽¹⁾	–	–	16,432	–
Other items	1,359	191	2	1
Total other operating income	33,491	2,345	31,056	8,118

⁽¹⁾ In the Group, sales income/loss is recorded as an item in the income/loss for the discontinued operations.

Note 4 Statement of composition of operating expenses

	Group		Parent Company	
	2008	2007	2008	2007
Purchased finished products, input goods, semifinished goods and production services	98,504	111,843	–	13
Personnel costs	171,835	184,858	7,320	7,442
Depreciation according to plan on tangible and intangible assets	33,058	22,545	3,710	2,192
Other operating expenses	75,104	60,166	11,507	13,050
Total operating expenses	378,502	379,412	22,537	22,696

Note 5 Statement of discontinued operations

On October 2, 2008, the Biosystems business area was sold. The business area accounted for approximately 20 percent of the consolidated annual sales. Following the sale of Biosystems, the Group now consists of the previous business area Discovery Chemistry. The following provides information regarding the activity sold in accordance with the provisions in IFRS 5.

1. Balance sheet items

The following items are separated in the consolidated balance sheet as assets in process of termination:

Assets in process of termination	16,039
Liabilities attributable to assets in process of termination	20,767

The items consist of unsettled receivables and accounts payable, and the reason for the lingering items is the following:

In Q4 of 2008 Biotage AB assisted the buyer of Biosystems with the transition of the activity by acting as distributor. Biotage therefore sold Biosystems products in its own name whereby normal accounts receivable and accounts payable to the buyer of Biosystems arose. The role of distributor ended on December 31, 2008, with the exception of a small number of orders not yet filled.

2. Income statement items

In an item in the consolidated income statements the following profit/loss for discontinued operations is reported.

	2008	2007
Profit/loss for the discontinued operations	267,884	48,359
In detail, the items are composed of:		
Net sales	112,546	98,834
Cost of goods sold	-57,279	-33,168
Gross profit	55,268	65,666
Gross margin ¹⁾	49.1%	66.4%
Selling expenses	-23,225	-28,749
Administrative expenses	-4,714	-5,289
Research and development costs	-5,653	-5,517
Other operating income	3,916	94
Other operating expenses	-12	-
Total operating expenses	-29,688	-39,461
Operating profit	25,580	26,205
Sales profit/loss for Biosystems ²⁾	253,996	-
Financial net	5,092	5,371
Profit/loss after financial items	284,667	31,576
Tax on profit for the year	-16,783	16,783
Profit/loss for the period	267,884	48,359

¹⁾ Gross margin

The lower gross margin in 2008 is explained by the fact that Biotage was distributor in for the buyer of Biosystems in Q4. The agreed gross margin was, for that reason, limited to 5.0 percent, which clearly reduced the average gross margin in 2008.

²⁾ Sales profit/loss for Biosystems

The item consists of the following underlying amounts:

Sales income	361,067
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Deducts posted value of assets and liabilities transferred to the buyer of Biosystems on takeover on October 2, 2008:

Intangible assets	-44,168	
Property, plant and equipment	-2,873	
Financial assets	-45,783	
Inventories	-14,263	
Current receivables	-403	
Current liabilities and obligations	14,898	-92,592
Deducts costs of sale of the activity	-6,498	
Deducts direct sales expenses	-7,981	-14,480
Recorded sales profit/loss		253,996

3. Cash flow

	2008	2007
Cash flow from operating activities after changes in working capital	34,244	36,484
Cash flow from investing activities	344,012	-22,012
Cash flow from financing activities	-	-
Total cash flow	378,256	14,472

Note 6 Administrative expenses

Included in administrative expenses is remuneration to accountants as follows.

Audit engagement refers to auditing and preparation of the annual accounts, interim financial statements, regular bookkeeping, internal audits and the administration of the board of directors and president. Furthermore, audit engagement refers to the same auditing in subsidiaries and consultation or other assistance given following observations in the performance of accountants' audit task. Other advising and assistance is classified as other fees.

	Group		Parent Company	
	2008	2007	2008	2007
<i>Fee to accountants Deloitte AB</i>				
Audit fee	2,321	3,080	1,218	1,503
Other fees	589	564	369	103
Total	2,910	3,644	1,587	1,606
<i>Fee for other auditors</i>				
Audit fee	–	42	–	–
Other fees	395	342	–	–
Total	395	384	–	–
Total fees in the Group	3,305	4,029	1,587	1,606

Note 7 Lease and rental agreements

All lease agreements in the Group are from an auditing perspective to be considered operational, which means that the leasing expense is carried as an expense of the term of the lease agreement.

	Group		Parent Company	
	2008	2007	2008	2007
Lease and rental agreements during the year amount to	13,485	12,836	–	–
<i>Remaining rental and leasing expenses total</i>				
Within 1 year	11,736	11,012	–	–
Later than 1 year but within 5 years	8,958	14,749	–	–
Later than 5 years	–	–	–	–
Total	20,694	25,761	–	–

Note 8 Depreciation on tangible and intangible assets

The depreciation is recorded in the operating expenses in the different departments and is distributed in the following manner:

	Group		Parent Company	
	2008	2007	2008	2007
Cost of goods sold	5,784	2,130	–	–
Selling expenses	5,171	5,178	–	–
Administrative expenses	4,917	3,768	–	–
Research and development	16,460	11,469	3,710	2,192
Total	32,332	22,546	3,710	2,192

Note 9 Other operating expenses

	Group		Parent Company	
	2008	2007	2008	2007
Rate differences for receivables and liabilities	12,668	3,616	–	1,184
Sales income/loss on non-current assets	418	139	–	55
Restructuring of product range	4,000	–	–	–
Services purchased from subsidiary	–	–	2,554	2,653
Other items	703	27	11	–
Total other operating expenses	17,789	3,783	2,565	3,892

Note 10 Financial income, financial expenses, borrowing

	Group		Parent Company	
	2008	2007	2008	2007
Financial income				
Interest income from bank funds and short-term investments	4,112	885	2,711	117
Exchange rate differences in intercompany receivables	15,970	2,141	16,083	–
Interest income from receivables from associated companies	–	–	16,058	16,453
Income/loss from other securities ^(*)	–	–	40,679	5,371
Other financial items	165	–	–	–
Total	20,248	3,025	75,531	21,940
Financial costs				
Interest expenses and similar bank fees	3,828	5,407	20	5
Interest expenses on liabilities to associated companies	–	–	2,021	1,793
Income/loss from participation in associated companies	–	–	96,781	–
Exchange rate differences in intercompany receivables	11,243	77	–	348
Total	15,071	5,484	98,823	2,146
Net financial	5,177	-2,459	-23,292	19,794

^(*) Income/loss from other securities is reported in the Group in the sold activity item.

	Group		Parent Company	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Liabilities to credit institutions				
<i>Long-term</i>				
Bank loan	8,065	34,733	–	–
Other long-term credit	–	16	–	–
Total long-term borrowing	8,065	34,749	–	–
Loan maturity: 1-5 years	8,065	30,217	–	–
> 6 years	–	6,935	–	–
<i>Short-term</i>				
Operating credit from banks	38,829	34,741	–	–
Short-term portion of long-term borrowing	–	2,403	–	–
Total short-term borrowing	38,829	37,144	–	–
Total liabilities to credit institutions	46,894	71,893	–	–

Total borrowing includes pledged liabilities of KUSD 4,950 and KGBP 758. Security for bank loans consists of the Group's buildings and land (note 12). For other pledged borrowing, operating assets are also pledged.

Distribution of credit on currency

	Group		Parent Company	
	Local currency	KSEK	Local currency	KSEK
USD	4,948,552	38,364	–	–
GBP	758,446	8,531	–	–
Total	–	46,894	–	–

On the closing date at December 31, 2008, the Group had the following unclaimed credit facilities:

– expires within one year ^(*)	73,600	KSEK	–	–
– expires in over one year	–	KSEK	–	–
Total unclaimed credit facilities at 12/31/2008	73,600	KSEK	–	–

^(*) Credit facilities reviewed at varying times during 2009.

Note 11 Taxes

	Group		Parent Company	
	2008	2007	2008	2007
Current tax	-2,190	-519	-	-
Deferred tax	5,688	37,274	3,209	49,026
Total	3,498	36,755	3,209	49,026
Reconciliation of effective tax	2008	2007	2008	2007
Pre-tax profit/loss	27,672	14,260	-8,614	13,574
Tax according to applicable tax rate for parent company	-7,278	-3,750	2,265	-3,801
Effect of other tax rates for foreign subsidiaries	1,266	945	-	-
Nontaxable income	10,847	564	10,704	-
Nondeductible expenses	-6,247	-1,991	-42,223	-4
Other taxable income items				
not included in the net income/loss	-9,545	-	-9,545	-
Correction from previous years	441	-1,588	-	-
Effective of increase (-)/decrease (+) in deficit deduction	8,327	14,631	47,089	13,470
Capitalization of deficit deduction	5,688	27,944	3,209	39,361
Effect of Group contribution	-	-	-8,291	-
Total tax recorded in the consolidated and parent company's income statement	3,498	36,755	3,209	49,026

Notification 1: Capitalized deficit deduction

At 12/31/2008 the Group had unclaimed fiscal deficit deductions in the amount of MSEK 703 (1,068). Of this amount, MSEK 450 (635) is attributable to the parent company. All deficits can be utilized fully until 2019. After that time, some deficit deductions attributable to foreign subsidiaries expire. In 2008 the Group's claimed portions of deficit deductions. For coming years a positive earnings trend is expected. For that reason, Biotage estimates that the necessary conditions for capitalization according to IAS 12:34-37 exist.

Gross changes with regard to deferred tax are as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance	53,419	-	39,361	-
Recording in the Income Statement	-11,095	54,056	3,209	39,361
Exchange rate differences	246	-637	-	-
Closing balance	42,570	53,419	42,570	39,361

Note 12 Property, plant and equipment

	Buildings and land	Improvement expenses for others' property	Machinery, inventory and other technical installations assets	Total
Per January 1, 2007				
Cost or revaluated amount	65,266	15,881	158,877	240,024
Accumulated depreciation	-6,219	-8,607	-126,527	-141,353
Exchange rate differences	-2,828	-138	-372	-3,338
Planned residual value	56,220	7,135	31,978	95,333
January 1 – December 31, 2007				
Acquisitions	–	681	7,516	8,198
Sales and disposals	–	–	–	–
Depreciation according to plan	-1,601	-1,922	-11,197	-14,720
Exchange rate differences	-2,885	-18	-921	-3,824
Total change for the year	-4,486	-1,259	-4,601	-10,346
At December 31, 2007				
Cost or revaluated amount	65,266	16,563	166,393	248,222
Accumulated depreciation	-7,820	-10,529	-137,724	-156,073
Exchange rate differences	-5,712	-157	-1,292	-7,161
Planned residual value	51,734	5,876	27,377	84,987
January 1 – December 31, 2008				
Acquisitions	113	9	7,276	7,399
Sales and disposals	–	–	-81	-81
Depreciation according to plan	-1,781	-2,826	-13,280	-17,887
Exchange rate differences	6,159	-99	501	6,560
Total change for the year	4,491	-2,916	-5,584	-4,009
At December 31, 2008				
Cost or revaluated amount	65,379	16,572	173,589	255,540
Accumulated depreciation	-9,601	-13,356	-151,004	-173,960
Exchange rate differences	446	-256	-792	-601
Planned residual value	56,225	2,960	21,793	80,978

Depreciation according to plan is divided linearly over the estimated useful life of the assets, which is normally:

Buildings	40 years
Cost of improvements to others' property	10 years
Machinery, inventory and other technical installations	3-5 years

Note 13 Goodwill

	12/31/2008	12/31/2007
Opening cost	470,352	510,151
Company acquisitions 2005, adjustment acc. business analysis	–	–
Additional purchase price for company acquisitions	–	331
Translation gains/losses	26,634	-40,130
Closing accumulated cost	496,986	470,352
Opening write-downs	-9,759	-9,791
Write-downs for the period, see below	–	–
Translation gains/losses	–	32
Closing accumulated write-downs	-9,759	-9,759
Total carrying amount	487,227	460,592

Testing of write-down need for goodwill

The application of IFRS rules entails that Biotage no longer is required, per January 1, 2005, to acknowledge depreciation of its goodwill item in the consolidated balance sheet on a regular basis. Instead, a test is performed to determine whether there is a need to write-down the goodwill item.

On preparation of the consolidated financial statements for 2008, testing was performed to determine the need for a write-down of goodwill. In that connection a calculation was made of expected cash flow from the Group's operations. On the basis of expected cash flow, there appears to be no need to write down goodwill, and the recoverable amount exceeds the posted amount in the item in the consolidated balance sheet. The cash flow is based on the Group's budget for 2009 and business prognoses for 2010-2014. For periods in the long-term, extrapolations of expected cash flow have been assumed at 3 percent. Future prognoses are based on the markets' assessments of future growth for the industry. The parameters that have the most influence on the calculations of the recoverable amount consist first of assessed growth in sales, gross profit, gross margin, operating expenses, investments, depreciation and working capital.

When testing of any write-down need has taken place, the calculated future cash flow is discounted to the net present value. The company's margins by which the recoverable amount exceeds the unit's recorded amount has shrunk compared to previous years. With a fairly changed presumption regarding lower future margins and/or lower growth, a need to write down goodwill could become relevant.

On discounting to the net present value, the following interest for tax was used:

Equity financing	8.83%
Debt financing	3.80%
Average based on Group's capital structure	8.33%

Note 14 Other intangible assets

	Capitalized costs for development work	Group Patent, licenses, trademarks, etc.	Total	Parent Company Patent, licenses, trademarks, etc.
At January 1, 2007				
Cost	76,502	58,919	135,422	22,478
Accumulated depreciation	-36,505	-26,999	-63,503	-9,997
Exchange rate differences	-9	-214	-222	-
Planned residual value	39,989	31,707	71,695	12,480
January 1 – December 31, 2007				
Acquisitions	41,811	2,000	43,812	3,037
Sales and disposals	-	-16	-16	-16
Depreciation according to plan	-10,798	-6,046	-16,844	-2,192
Exchange rate differences	-171	-16	-187	-
Total change for the year	30,843	-4,078	26,765	829
At December 31, 2007				
Cost	118,314	60,903	179,217	25,498
Accumulated depreciation	-47,302	-33,044	-80,347	-12,189
Exchange rate differences	-181	-230	-409	-
Planned residual value	70,831	27,629	98,460	13,309
January 1 – December 31, 2008				
Acquisitions	24,197	2,037	26,234	2,037
Sales	-38,165	-4,863	-43,027	-4,863
Disposals	-	-3,155	-3,155	-1,729
Depreciation according to plan	-12,541	-5,406	-17,947	-1,981
Exchange rate differences	145	21	166	-
Total change for the year	-26,363	-11,366	-37,729	-6,535
At December 31, 2008				
Cost	104,346	54,923	159,268	20,944
Accumulated depreciation	-59,843	-38,450	-98,293	-14,170
Exchange rate differences	-35	-209	-243	-
Planned residual value	44,468	16,263	60,731	6,774

Development projects are capitalized when they meet the criteria in the Company's project manual, which entails that their results are deemed to be transferable on sound business terms. Applied criteria match the requirements for acknowledgement of expenses in the balance sheet provided in IAS 38. Capitalized development expenditure is written off over the estimated useful life of the asset, which is normally three years

The amortization period consists of the estimated useful life, which for patents is, maximum, the patent protection's duration of validity, which is normally 20 years.

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

Note 15 Financial assets and deferred tax

	Group		Parent Company	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Investments held as non-current assets	–	45,783	–	45,783
Capitalized deficit deduction ¹⁾	42,570	53,419	42,570	39,361
Various long-term receivables	657	429	–	–
Various long-term deposits	1,096	721	–	–
Total financial assets	44,324	100,353	42,570	85,144

¹⁾ Capitalized deficit deduction

At 12/31/2008 the Group had unclaimed fiscal deficit deductions in the amount of MSEK 703 (1,068). Of this amount, MSEK 450 (635) is attributable to the parent company. In 2008 the Group's claimed portions of deficit deductions. For the coming year, a positive earnings trend is expected. For that reason, Biotage estimates that the necessary conditions for capitalization according to IAS 12:34-37 exist.

Deferred tax for the year is recorded as follows:

	Group	Parent Company
Reversal of opening recorded		
prepaid tax January 1, 2008	-53,419	-39,361
Exchange rate difference attributable to foreign tax subjects	-246	–
Portion of reversal of opening prepaid tax		
recorded in discontinued operations	16,783	–
New provision to deferred prepaid tax		
December 31, 2008	42,570	42,570
Deferred tax for the year in the consolidated income statement	5,688	3,209

Note 16 Inventories

	Group	
	12/31/2008	12/31/2007
Raw materials and consumables	40,533	41,761
Products in process	11,194	12,160
Finished products	52,497	43,222
Total inventory	104,224	97,144

Inventory has been valued according of the lower of cost or market principle.

Analysis of causes of changes in inventory in 2008:

Effects of price changes	1,830	1,713
Effects of volume changes	4,070	13,560
Effects of exchange rate changes	11,945	-3,756
Inventory in discontinued operations	-10,765	–
Total change in inventory	7,080	11,517

Note 17 Accounts receivable and other receivables

	Group		Parent Company	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Accounts receivable – trade	76,245	96,436	71	–
Prepaid expenses and accrued income (a)	11,957	9,402	6,705	1,514
Other current receivables (b)	12,296	10,206	511	632
Total trade receivables and other receivables	100,498	116,044	7,287	2,146

(a) Prepaid expenses and accrued income

Accrued income	5,172	–	5,172	–
Prepaid rent	1,677	2,037	–	–
Prepaid insurance	1,761	1,804	1,038	1,206
Other items	3,346	5,561	495	308
Total	11,957	9,402	6,705	1,514

(b) Other current receivables

Value added taxes	8,329	7,673	125	57
Income taxes	3,328	2,121	386	508
Other current receivables	639	412	–	67
Total	12,296	10,206	511	632

Note 18 Provisions

	Group	
	12/31/2008	12/31/2007
Provision for guarantee commitments	4,086	4,216
Provisions for social security contributions in personnel option programs	776	612
Provisions for taxes	1,710	1,956
Other provisions	2,755	1,262
Total provisions	9,328	8,046

Distribution between long-term and short-term items*Long-term items*

Provision for guarantee commitments	–	–
Provisions for social security contributions in personnel option programs	776	612
Provisions for taxes	–	1,905
Other provisions	2,575	1,259
Total	3,351	3,776

Short-term items

Provision for guarantee commitments	4,086	4,216
Provisions for taxes	1,710	51
Other provisions	181	3
Total	5,977	4,270

Provisions for guarantee commitments

Biotage provides a one-year warranty on its products. The recorded provisions for guarantee commitments correspond to a provision of 1.75 percent of sales revenue for the products covered by warranty. The entire provision for guarantee commitments is recorded as a short-term commitment and it can be considered very likely that the guarantee commitments will be redeemed at a cost corresponding to the provision.

Provisions for social security contributions in personnel option programs

Biotage's current personnel option programs must be recorded in accordance with IFRS 2, which prescribes that the consolidated financial statements report expected employer contributions on the value of the personnel options allotted to the Group's officers. It is uncertain whether and when the item will be liquidated, as this is entirely dependent on the price trend for Biotage's stock.

Provisions for taxes

Provisions for taxes relate to tax on net income that can potentially be reduced or offset because of unclaimed deficit deductions. According to the prudence concept, income tax has been reserved, and it is more likely than not that the tax will have to be paid. In that case, this will happen in 2009.

Note 19 Accounts payable and other liabilities

	Group		Parent Company	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Trade payables	40,521	46,339	3,647	1,488
Other current liabilities (a)	6,484	11,569	789	5,369
Prepaid income and accrued liabilities (b)	48,355	53,327	5,178	7,775
Total trade payables and other payables	95,360	111,235	9,613	14,632

(a) Other current liabilities

Advances from customers	1,800	3,000	–	–
Taxes and fees	2,671	2,057	252	–
Additional purchase price for company acquisitions	–	5,221	–	5,221
Other current liabilities	2,013	1,291	536	148
Total	6,484	11,569	789	5,369

(b) Prepaid income and accrued liabilities

Personnel-related expenses	22,783	20,024	3,839	3,075
Prepaid income	12,529	24,742	–	4,123
Other accrued liabilities	13,044	8,561	1,339	576
Total	48,355	53,327	5,178	7,775

Note 20 Shares and participations

	12/31/2008	12/31/2007
<i>Parent Company</i>		
Opening cost	770,282	769,951
Investments for the year	–	331
Sales for the year	-167	–
Closing accumulated cost	770,115	770,282
Opening write-downs	-52,555	-52,555
Write-downs for the year	-160,514	–
Closing accumulated write-downs	-213,069	-52,555
Closing accumulated posted amount	557,047	717,727

Companies owned directly by the parent company

Company Name	Corp. Reg. No.	Registered Offices	Number of shares	Equity share	Share of votes	Carrying value 2008	Carrying value 2007
Biotage Sweden AB	556487-4922	Uppsala, Sweden	18,942,234	98%	98%	283,670	283,670
Cemu Bioteknik AB	556011-2384	Uppsala, Sweden	100	100%	100%	3,491	3,491
Pyrosequencing AB	556554-3476	Stockholm, Sweden	100	100%	100%	15,050	15,050
Pyrosequencing Inc	04-3484142	Boston, USA	100	100%	100%	311,086	311,086
Pyrosequencing B V	34129103	Amsterdam, Netherlands	200	100%	100%	–	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, England	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
Biotage GB	Ltd 1033865	Cardiff, Wales	100	100%	100%	125,730	125,730
Separtis Holding AG	CH-280.3.001.932-2	Grellingen, Switzerland	100	100%	100%	14,266	14,266
Total cost						770,115	770,281
Value adjustment shares in Pyrosequencing Inc.						-210,003	-52,555
Value adjustment shares in Separtis Holding AG						-3,066	–
Total posted amount						557,047	717,727

Companies owned by other subsidiaries

Company Name	Corp. Reg. No.	Registered Offices	Equity share	Share of votes	Carrying value 2008	Carrying value 2007
Biotage LLC	04-3535072	Charlottesville, USA	100%	100%	192,519	160,609
Esytech AB	556588-8350	Uppsala, Sweden	100%	100%	60	60
Biotage Italy S.r.l	IT03617450964	Milan, Italy	10%	10%	9	9
Separtis GmbH fusionerat 2008	DE-HRB 2937	Grenzach-Wyhlen, Germany	100%	100%	–	662
Separtis AG	CH-280.3.004.688-3	Grellingen, Switzerland	100%	100%	1,881	798
Total					194,470	162,137

Changes to the carrying value of subsidiaries shareholdings is due to changed exchange rates when converted to Swedish kronor.

Note 21 Contingent liabilities and pledged assets

	Group		Parent Company	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
<i>Pledged assets</i>				
Chattel mortgages	101,015	93,305	22,500	22,500
Real estate mortgages	52,878	47,692	–	–
Blocked bank assets	110	88	–	–
Total	154,003	141,085	22,500	22,500
Contingent liabilities	–	–	–	–

The parent company has issued a general guarantee for the following subsidiaries' obligations against the Group's main creditor, Handelsbanken:

Biotage LLC	04-3535072	Charlottesville, USA
Biotage GB	Ltd 1033865	Cardiff, Wales
Biotage Sweden AB	556487-4922	Uppsala, Sweden
Pyrosequencing AB	556554-3476	Stockholm, Sweden

Statement from the Board

The board of directors and the president certify that the consolidated financial statements have been prepared in compliance with the international financial reporting standards, IFRS, as adopted by the EU and that they paint a true and fair picture of the Group's financial position and performance. The parent company's annual accounts have been prepared according to good accounting practice in Sweden and provide

a true and fair picture of the parent company's financial position and performance. The management report for the Group and parent company provide a true and fair description of the developments in the Group and parent company's activities, financial position and performance and examine significant risks and uncertainty factors affecting the parent company and the companies in the Group.

The Income Statement and Balance Sheet will be presented at the annual general meeting of April 27, 2009, for approval.

Uppsala, March 18, 2009

Ove Mattsson
Chairman of the Board

Anders Rydin
Board Member

Annika Espander
Board Member

Mathias Uhlén
Board Member

Staffan Lindstrand
Board Member

Axel Broms
Board Member

Bengt Samuelsson
Board Member

Per Olof Eriksson
Board Member

Torben Jørgensen
President

Thomas Eklund
Board Member

Our auditor's report is submitted on March 18, 2009

Deloitte AB

Marcus Sörländer
Certified Public Accountant

Auditor's Report

For the annual general meeting in Biotage AB (publ)

Corporate registration number 556539-3138

We have examined the annual report, consolidated financial statements and accounts and the administration of the board of directors and the president in Biotage AB (publ) for fiscal year 2008. The company's annual report is included in the printed version of this document on pages 24-62. It is the board of directors and the president who are responsible for the accounts and the administration and for ensuring that the Annual Accounts Act is complied with in the preparation of the annual report and the consolidated financial statements. Our responsibility is to comment on the annual report, the consolidated financial statements and the administration on the basis of our audit.

The audit was performed in compliance with good accounting practice in Sweden. This means that we have planned and executed the audit in order to establish a high but not absolute degree of certainty that the annual report and consolidated financial statements do not contain significant errors. An audit entails examining a selection of supporting documents for amounts and other information in the accounts. The audit also involves testing the accounting policies and the board's and president's application of them and assessing the significant estimations that the board and president made when they prepared the annual report and consolidated financial statements. As a basis for our discharge from liability statement, we have examined key decisions, measures and circumstances in the Company to assess whether any board member or the president is liable for damages towards the Company. We have also examined

whether any board member or the president in any other way has acted in violation of the Companies Act, the Annual Accounts Act or the articles of incorporation. We consider that our audit gives us reasonable grounds for our statement below.

The annual report and the consolidated financial statements have been prepared according to the Annual Accounts Act and provide a true and fair picture of the Company's and Group's financial position and performance, in accordance with good accounting practice in Sweden. The management report is consistent with the other sections of the annual report and consolidated financial statements.

We recommend that the annual general meeting adopts the income statement and balance sheet for the parent company and for the Group, appropriates profit in the parent company in the manner proposed in the directors' report and grant the board members and president discharge from liability for the fiscal year.

Stockholm, March 18, 2009

Deloitte AB

Marcus Sörlander
Certified Public Accountant

Corporate governance

Introduction

Biotage AB was established in 1997 under the name Pyrosequencing AB and a number of acquisitions were performed within the Medicinal Chemistry sector during the years of 2003-2005. After divesting the business area Biosystems in October 2008, the Company's business is today made up entirely of the business area Discovery Chemistry. Biotage's headquarters is located in Uppsala.

Biotage applies the Swedish Code of Corporate Governance ("company code"), which is part of the NASDAQ OMX Nordic Stock Exchange Stockholm's regulations.

The picture below illustrates Biotage's corporate governance model and how these bodies interact.

Shareholders

Biotage's shares have been listed on the Stockholm stock exchange since 2000.

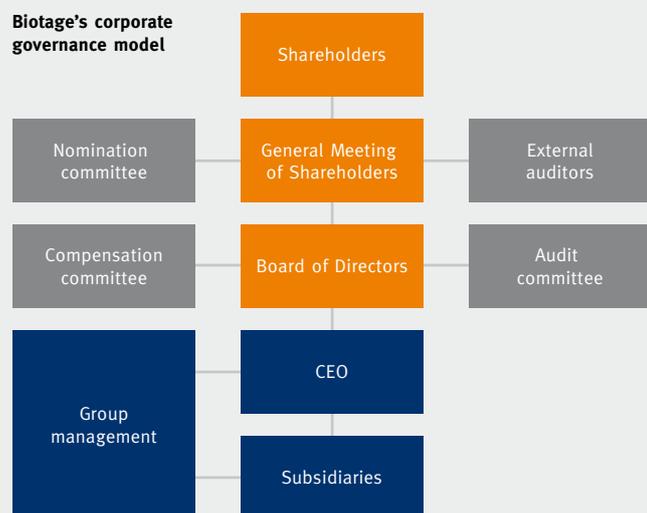
The share capital in Biotage consists of one class of shares, where each share carries one vote and the same right into the Company's assets and profits.

The number of shareholders amounted to 6,529 by December 31, 2008. HealthCap was the largest shareholder in term of votes, followed by Investor Growth Capital and 2:a AP fonden. Among the shareholders, 61.2% of the shareholders had 1,000 shares or less and the ten largest owners held about 52.6% of the total number of shares. The share of foreign owners increased to 15.2%. See page 21 in the annual accounts for further information concerning the owner structure.

Shareholders' meeting

The company's ultimate decision making body is the shareholders meeting,

Biotage's corporate governance model



Important external and internal regulation and policies that influence the corporate governance

Important internal regulations and policies

- Articles of incorporation
- The board of director's rules of procedure with CEO instructions
- Instructions for Committees Appointed by the Board
- Fiscal policy
- Financial handbook
- Business-ethical stipulations

Important external rules, etc.

- Swedish Companies Act
- Swedish Book-keeping Act
- Swedish Annual Accounts Act
- Nasdaq OMX listing agreement
- Swedish Code of Corporate Governance
- Swedish Securities Council's statements

where the shareholders' influence in the Company is exercised. Shareholders who wish to participate at the shareholder meeting personally or through a representative shall be registered in the shareholders' register five working days before the shareholders' meeting and shall notify the Company according to the notice to attend the shareholders meeting. The notice to attend the shareholders' meeting is made official by public announcement and by publishing at the Company's webpage (www.biotage.com).

The annual general meeting shall be held within six months after the end of the accounting year. At the annual general meeting, the shareholders shall elect members of the board of directors, and auditors when applicable, resolve how the nomination committee shall be appointed and the discharge of the board of directors and the CEO for the relevant year. Resolutions are also passed regarding the approval of the financial reports, disposition of profits, remuneration for the board of directors and the accountants, and guidelines for remuneration of the CEO and other senior management members.

Annual general meeting 2008

The board of directors presented the annual general meeting with a report of their work during the year. The CEO informed the annual general meeting about the group's development and position and commented on the result for 2007. The annual general meeting approved the annual accounts and group accounts for 2007 as presented by the board of directors and the CEO, resolved on the disposition of the Company's result and the discharge of the board of directors and the CEO.

Furthermore, the chairman of the nomination committee reported on the work undertaken by the board during the year and explained the reasoning behind the proposals presented. The annual general meeting resolved on the remuneration for the board of directors and the accountant in accordance with the proposals from the nomination committee.

Ove Mattsson (chairman), Anders Rydin, Staffan Lindstrand, Thomas Eklund, Annika Espander, Mathias Uhlén, Axel Broms, Per-Olof Eriksson and Bengt Samuelsson were all re-elected as members of the board.

In accordance with the recommendation of the nomination committee, Deloitte AB were re-elected as the Company's auditors for the coming four year mandate period, with Marcus Sörlander as responsible auditor.

The annual general meeting resolved to authorize the board of directors to resolve on the issue of shares and/or convertibles, at one or more occasions, with or without deviation of the shareholders' pre-emption rights, before the annual meeting in 2009. The board authorization to issue shares and/or convertibles was limited to an aggregate increase in the number of shares in the Company of 8,800,000 shares.

The board members Ove Mattsson, Thomas Eklund and Mathias Uhlén and the auditor Lars-Gunnar Nilsson were present at the annual meeting.

The minutes from the annual general meeting is available at Biotage's webpage (www.biotage.com).

Extra ordinary general meeting 2008

At an extra ordinary general meeting held in November 2008, it was unanimously resolved to reduce the company's statutory reserve with an amount of SEK 842,180,000 by means of transfer of the aforesaid amount to a reserve to be used in accordance with resolution/s adopted at forthcoming General Meetings. The statutory reserve is entirely dissolved following the execution of the said reduction. The reduction was executed on 10 February 2009.

Minutes from the extra ordinary general meeting is available at Biotage's website (www.biotage.com).

Nomination committee

The nomination committee represents the shareholders and it was decided at the annual general meeting in 2008 that the chairman of the board should be a member of the nomination committee and that he should together with the Company's three largest (in terms of votes) shareholders as of 1 September 2008 appoint three additional members. The name of these nominees should be published no later than 6 months before the 2009 annual general meeting, which was done. It was further concluded

that the nomination committee should elect one of its members as chairman, who should not be the chairman of the board.

The nomination committee consists of Björn Odlander, chairman (Health-Cap), Karl Swartling (Investor Growth Capital), Carl Rosén (2:a AP-fonden) and Ove Mattsson (chairman of the board).

In the event that a shareholder who is represented by one of the nomination committee's members is no longer among the largest (in terms of votes) shareholders in the Company, or in the event that a member of the nomination committee is no longer employed by such a shareholder or leaves the nomination committee before the 2009 annual general meeting for some other reason, the nomination committee's other member shall have the right to appoint another member to replace such member.

The nomination committee's tasks shall be to prepare a proposal for the annual general meeting 2009 concerning the election of chairman and other members of the board of directors, the election of the chairman at the annual general meeting and fees for the auditors and the board members, etc.

The shareholders may submit proposals to the nomination committee e.g., by e-mail to info@eu.biotage.com. The nomination committee's proposals must be published no later than in connection with the publication of the notice to attend the annual meeting. The nomination committee's mandate period runs until the composition of the next nomination committee has been published.

The nomination committee's activities following the 2008 annual meeting
Since the nomination committee was appointed in autumn 2008, it has met three times, where all of the members were present. The board's chairman has given the nomination committee an account of the process used during the yearly evaluation of the board, the board members and the managing director. He has also given an account of the outcome of the evaluation. In preparation of the 2009 annual general meeting, the nomination committee has worked on the proposal for the procedure of the appointment of the next nomination committee. The nomination committee shall present proposals for remuneration of the board members and to get an understanding of reasonable compensation levels analysis of and comparison with similar companies have been undertaken. The audit committee has assisted the nomination committee in the review of the auditors' compensation. The nomination committee's understanding is that the board is well functioning following. The evaluation of the current board contains, among other things, the above mentioned evaluation report to the nomination committee from the board's chairman Ove Mattsson on the board's annual evaluation of its own work.

Due to the fact that Anders Rydin, Axel Broms and Annika Espander will not be available for re-election, the nomination committee decided that the election of three new board members should be considered. Furthermore, the nomination committee has thoroughly discussed whether the number of board members should be reduced. It was then concluded that a reduction in the number of board members would be desirable in relation to the size and scope of Biotage's activities following the divestment of Biosystems. It was furthermore believed that the overall effectiveness within the board would be improved by having fewer board members. Considering the above, the nomination committee proposes the re-election of the following members: Ove Mattsson, Staffan Lindstrand, Thomas Eklund, Bengt Samuelsson, Mathias Uhlén and Per-Olof Eriksson. The re-election of Ove Mattsson as chairman of the board is also being proposed.

The nomination committee's other proposal is published in the notice to attend the annual general meeting.

External auditors

According to the articles of association, Biotage shall have one or two external auditors. At the 2008 annual general meeting, Deloitte AB was re-elected as auditors for a further four year period with Marcus Sörlander as the new responsible auditor.

The external audit of the parent company and the group's accounts, as well as the board's and the CEO's administration, shall be performed according to best accounting practice in Sweden. The accountant is attending at least one board meeting each year to review the year's accounts and to hold a discussion with the board members without the presence of the managing director.

The closing accounts for the period of January to September are subject to review by the company's auditors. A review of the internal routines and control systems is also carried out in the third quarter. Examination and

audit of the annual closing accounts and statement of accounts is carried out in the period January-March.

See note 6 in the annual report for further information on the remuneration of the auditor.

Board of Directors

The board's overall task is to manage the Company's affairs on behalf of the shareholders in the best possible manner. The board shall on a continuous basis assess the Company's economic situation and evaluate the management's operation of the business. The board will determine any questions concerning the Company's strategic direction and organization, as well as make decisions on major investments (over SEK 5 million) and other major undertakings.

The board will annually adopt Rules of Procedure for the Board of Directors, including a CEO instruction, which i.a. set out the split of tasks between the board and the managing director.

The rules of procedure also regulate how the board's workload is divided between the board members, how often the board meets and how the various tasks are divided between board committees. The board members will receive a written agenda, information and material for decision matters in advance of a board meeting. Each board meeting will entail a thorough examination of current activities, the Company's results, the financial position and the outlook for the remainder of the year. Among other matters dealt with are competition and the market place.

The chairman of the board manages the work within the board, represents the Company in relation to matters concerning ownership issues and is responsible for the evaluation of the board. In addition, the chairman is responsible for the on-going contact with the Company's management and to ensure that the board carries out its duties.

According to the articles of association, the board shall consist of a minimum of 5 and a maximum of 9 members elected at a general meeting. The board constitutes a quorum if more than fifty percent of the members elected at a general meeting are present. The board members shall possess a broad competency and versatility and have an appropriate background in relation to Biotage's organization, activities and business. New board members will receive an introductory training to quickly gain the knowledge needed to be able to take care of the Company's and the owner's interests in an as good way as possible.

The board of directors for 2008 consists of the following persons:

- Ove Mattsson (chairman)
- Anders Rydin
- Staffan Lindstrand
- Thomas Eklund
- Annika Espander
- Axel Broms
- Per-Olof Eriksson
- Mathias Uhlén
- Bengt Samuelsson

In addition to the board members elected at the general meeting, the board has included the labor representatives Per-Gunnar Eriksson (member) and Maritha Lundin (deputy). The deputy member resigned from her position in October 2008 and in February 2009, Per-Gunnar Eriksson resigned from his position.

The board's independence and attendance

All board members are believed to be independent of the Company and the management of the Company. All members, with the exception of Staffan Lindstrand and Per-Olof Eriksson, are believed to be independent of the Company's larger shareholders, in consideration of and in relation to the listing requirements laid down by NASDAQ OMX Nordic Exchange Stockholm as well as the requirements set out in the Swedish Code for Corporate Governance in relation to the independence of the board. See pages 68-69 for information on board member's attendance statistics.

The board's activities 2008

Ten meetings were held in 2008 and recorded in minutes. The board formed a quorum at each of these meetings. The secretary of the board is Biotage's Vice President of Corporate Development Lars Bäckman, who is not a member of the board.

During the year, the board of Biotage worked on the Company's strategy and organization, including the decision to divest the business area Biosystems.

The board includes two committees; Compensation Committee and the Audit Committee.

Compensation Committee

The Compensation Committee prepares a proposal to the board for the CEO's salary and other employment terms. It also sets the salaries and terms of employment for the other members of the executive management as well as a framework for salaries and terms of employment for other employees holding senior positions. During the year, the Compensation Committee held four meetings that were recorded in minutes. The Compensation Committee members are Staffan Lindstrand (chairman), Ove Mattsson and Annika Espander.

At the annual general meeting, the board presented a proposal for the guidelines for deciding the salary and other compensations for the CEO and other members of the Company's management, for the approval of the shareholders. The annual general meeting resolved in accordance with the board's proposal that the Company should endeavor to offer compensation to employees in the executive management at a level in line with market conditions. It was also decided that the Compensation Committee should prepare the compensation matters and present such proposals for the board's approval and that the compensation shall consist of fixed annual salary, performance based compensation, pension benefits, discretionary bonus and severance pay. For a further description of the terms of employment of the Company's leading employees, see note 1 in the annual report.

The Audit Committee

The Audit Committee follows a work charter, which is ratified every year by the board. The chairman of the Audit Committee is responsible for keeping the board continuously informed of the activities of the committee and, when necessary, submits matters to the board for approval. The Audit Committee's main task is to support the board in assuring quality in the financial reporting. The Audit Committee regularly meets with the Company auditors and also evaluates the auditors' compensation.

The Audit Committee reviews important accounting practices that affect the Company and it assists the Nomination Committee by presenting proposals for the election of auditors and their fees.

The Audit Committee members are Anders Rydin (chairman), Thomas Eklund and Ove Mattsson. All Audit Committee members are independent of the Company's major shareholders.

The Audit Committee held four meetings in 2008, which all were recorded in minutes.

Executive management

The executive management is responsible for forming and carrying out the group's overall strategy and handling matters such as acquisitions and divestments. These matters, as well as large investments, are prepared by the executive management for approval by the parent company's board of directors. The CEO is responsible for the on-going administration of the Company business in accordance with the board's instructions and directions. The executive management consists of the CEO Torben Jørgensen, Mats-Olof Wallin, Chief Financial Officer and Lars Bäckman, Vice President of Corporate Development.

The executive management meets every month to discuss the group and individual companies result and financial position. Other matters dealt with at the group management meeting include matters of strategy and the follow up on budget and prognoses.

The overall operational management is performed at meetings held bi-monthly. The parent company's CEO is the chairman of the directly owned subsidiaries' board which also includes other members of the group's management.

The board of the subsidiaries supervises the ongoing activities and establishes the respective strategies and budgets.

The board's account of the internal control system

According to the Swedish Code for Corporate Governance, which is valid from 1 July 2008, the board must annually present an account of the most important elements in the Company's internal control and risk assessment in relation to the financial reporting.

The board annually assesses the need for an internal audit function. The board's assessment of Biotage's current size and risk exposure does not warrant a separate internal audit function.

The following account has not been reviewed by the Company auditors.

The control environment provides the basis for the internal control

The control environment creates the culture that Biotage works from and defines the norms and principles for the business' actions. In practice, the control environment consists of the documented principles, manuals and instructions that are communicated to the entire organization.

The organization's structure is transparent with defined roles and responsibilities that are communicated via documented work manuals to the board, board committees, CEO and managers of the subsidiaries. Regular assessment is carried out in the organization at operational and departmental level to safeguard relevant knowledge relating to financial reporting within the organization.

Information and communication

The most important steering documents in relation to financial reporting are continuously updated and communicated to the relevant personnel via the Company's intranet, newsletter, regular meetings, etc. Information channels have been established to ensure the best possible communication to the relevant employees within the organization.

Risk assessment

The goal of risk assessment is to identify the high risk areas within the business and assess which controls are required to handle these risks. The risk assessment is done by assessing the risk level, from a quantitative and qualitative perspective, on an account level and corresponding processes for estimated fraud risk. Special guidelines are used to assess risk to specific IT projects and in the general IT environment.

Control activities

The control structure has been designed to handle the risks that the board and the management believe to be important to the operating activities, observance of the laws and regulations and for financial reporting. Defined decision procedures, including authorization instructions, have been established for, e.g. investments and signing of contracts. Where appropriate automatic controls are established, especially within financial reporting. The majority of the control activities are integrated into the Company's key processes such as ordering, revenue recognition, investments, supply contracts and purchasing.

The IT structure is designed to handle potential IT related risks with controls in the IT system related to the processes that affect the financial reporting.

Follow-up

Each local manager/CEO is responsible for ensuring adequate internal control in respect of the legal entity and is responsible for ensuring that the entity follows the global rules and principles for financial reporting. The board's follow-up of the internal controls in regard to the financial reporting is carried out principally through the audit committee by checking the external accountant's activities and reports.

Information and communication

Biotage's communications must be correct, open, prompt and delivered simultaneously to all interest groups. All communication shall be in accordance with the listing agreements for companies listed in Sweden. The financial information shall give the stock market, present and future stockholders, an overall and clear picture of the business, its activities, strategy and financial development. The board approves the group's annual report and year end report, interim reports and commissions the president of the group to release the interim reports. All financial reports are published on the website (www.biotage.com) at the same time as they are distributed to the media and to the NASDAQ OMX Nordic Stock Exchange. The financial information of the group is only communicated by the president of the group and the group's CFO.

The company applies periods of silence for three weeks before publishing the full year and interim reports. If there is a leak of information that can affect the stock exchange or in the event of incidents that might affect the value of the Company, the NASDAQ OMX Nordic Stock Exchange must be informed and a press release with corresponding information is released. The company's publication of information is regulated by an information policy.

Group management



Lars Bäckman

Torben Jørgensen

Mats-Olof Wallin

Position: VP Corporate Development.
Born: 1961.
Education: LL.M.
Number of years employed in the group: 2.
Share ownership: –
Options ownership: 30,000.
Other tasks: Member of the board of directors in Bodén & Co AB, Expericard AB and Yubico AB.

Position: President and CEO.
Born: 1952.
Education: B. Sc. in economics.
Number of years employed in group: 3.
Share ownership: 606,700.
Option ownership: 55,000.
Other tasks: Member of the board of directors in Atlas Antibodies AB and MIP Technologies AB.

Position: CFO.
Born: 1951.
Education: B. Sc.
Number of years employed in the group: 6.
Share ownership: 18,000.
Option ownership: 102,000.

Board of Directors



Ove Mattsson

Chairman of the board.
Education: PhD, associate professor in organic chemistry.
Born: 1940.
Occupation: Management consultant.
Other tasks: Member of the board of directors in Aromatic AB and AB Geveko Member of the board of directors in Arctic Island Ltd, Fabryo corporation SRL, Kemira Oyj, Mydata Automation AB and Tikkurila Oy; Member of the Royal Swedish Academy of Sciences and the Royal Swedish academy of Engineering Sciences.
Number of years on the board of directors: 6.
Shares and options: 158,531 shares via fully owned company.
 Ove Mattsson has been present at all board meetings during the year.



Anders Rydin

Member of the board of directors.
Education: B. Sc. in economics.
Born: 1945.
Occupation: Former financial director in AGA AB, Investor AB and SEB.
Other tasks: Member of the board of directors in SEB Investment Management AB, Member of the board of directors in Cardo AB, Vasakronan AB, IFL at Handelshögskolan AB with subsidiary and IFL&SSE Russia Education AB. Member of the Royal Swedish Academy of Sciences' placement council.
Number of years on the board of directors: 5.
Shares and options: 200,000 shares.
 Anders Rydin has been present at 8 of 10 board meetings during the year.



Annika Espander

Member of the board of directors.
Education: B. Sc. Chemistry, Executive MBA.
Born: 1964.
Occupation: CEO for Catella Healthcare AB.
Other tasks: Member of board of directors in Attana AB, Cellartis AB, Millicore AB and Stille AB.
Number of years on the board of directors: 4.
Shares and options: 0.
 Annika Espander has been present at 8 of 10 board meetings during the year.



Mathias Uhlén

Member of the board of directors.
Education: Ph. D.
Born: 1954.
Occupation: Uhlén is one of the founders of the Pyrosequencing™ technology and has been part of the Company since it started. Uhlén is professor in microbiology at KTH in Stockholm.
Other tasks: Chairman in Atlas Antibodies AB; member of the board of directors in Skanditek AB, Nordiag AS, Novozymes AS, Affibody AB, KTH Holding AB and SweTree Technologies AB; Advisor to Odlander, Fredrikson & Co. AB; Member of the Royal Swedish Academy of Sciences and the Royal Swedish academy of Engineering Sciences.
Number of years on the board of directors: 12.
Shares and options: 3,000,751 shares.
 Mathias Uhlén has been present at 8 of 10 board meetings during the year.



Thomas Eklund

Member of the board of directors
Education: MBA Handelshögskolan.
Born: 1967.
Occupation: Managing Director, Investor Growth Capital.
Other tasks: Member of the board in Carmel Pharma AB, Swedish Orphan International AB, Neoventa Medical AB, Memira AB, CMA Microdialys AB and chairman in Keybroker AB.
Number of years on the board of directors: 3.
Shares and options: 22,000 shares.
 Thomas Eklund has been present at all board meetings during the year.



Staffan Lindstrand

Member of the board of directors.
Education: M. Sc. Royal Institute of Technology.
Born: 1962.
Occupation: Partner in HealthCap.
Other tasks: Member of the board in among others HealthCap AB, Aerocrine AB, NeuroNova AB, Orexo AB, OxThera AB, 20/10 Perfect Vision AG and XCounter AB.
Number of years on the board of directors: 6.
Shares and options: 300 shares via family and indirect owner of 1,058 shares through OFCO Club.
 Staffan Lindstrand has been present at all board meetings during the year.



Bengt Samuelsson

Member of the board of directors.
Education: M.D., Ph. D.
Born: 1934.
Occupation: Professor in Physiological chemistry at the Karolinska Institute in Stockholm.
Other tasks: Member of the Royal Swedish Academy of Sciences, the American Academy of Sciences, the French Academy of Sciences, the Royal Society London, Royal National Academy of Medicine Spain and Institute of Medicine USA. Member of board of directors in NicOx SA, Cardoz AB, Orexo AB and LTB4 Sweden AB, Advisor to Odlander, Fredrikson & Co. AB. Awarded the Nobel Price of Medicine in 1982.
Number of years on the board of directors: 9.
Shares and options: 110,000 shares.
Bengt Samuelsson has been present at 9 of 10 board meetings during the year.



Per-Olof Eriksson

Member of the board of directors.
Education: Masters in engineering KTH.
Born: 1938.
Occupation: Former CEO and Group CEO for Seco Tools AB and Sandvik AB.
Other tasks: Chairman in Callans Trä AB, Cross Country Systems AB and Odlander, Fredriksson & Co. Chairman in Investment AB Öresund, Kamstrup-Senea AB and Södersjukhuset AB. Member of the board in the Royal Swedish academy of Engineering Sciences.
Number of years on the board of directors: 2.
Shares and options: 10,000 shares via company.
Per Olof has been present at all board meetings during the year.



Axel Broms

Member of the board of directors.
Education: Masters in engineering, B. Sc.
Born: 1944.
Occupation: Consultancy firm.
Other tasks: Chairman in Collectricron AB and SciBase AB.
Number of years on the board of directors: 2.
Shares and options: 0.
Axel Broms has been present at all board meetings during the year.

Accountant:
Marcus Sörlander
Born: 1973.
Certified public accountant, Deloitte AB.



Per-Gunnar Eriksson

Employee representative.
Education: Masters in engineering.
Born: 1951.
Occupation: Project Manager.
Number of years on the board of directors: 2.
Shares and options: 4,074 shares and 13,800 options.

Glossary

CMO: Contract manufacturing organizations.

CRO: Contract research organizations.

Diagnostics: Giving a medical diagnosis is to provide a comprehensive concept of the various illness symptoms, and through that, be able to prescribe a specific treatment.

DNA (CpG)-methylation: A modification of DNA in the genetic code, which can govern the genetic expression in cells. Abnormal methylation commonly occurs in connection with cancer and contribute to the disease's development.

Evaporation: Accelerated evaporation of a liquid.

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

Infectious diseases: A condition that arises when a microorganism or a virus invades another organism. The condition does not always lead to disease, but in normal speech the word, infection, is used synonymously with infectious disease.

In vitro diagnostics: Refers to examinations that are done outside the body by materials that originate within the body.

Microwave synthesis: A synthesis where microwave energy is used to speed up reactions.

Molecular imaging: A method using specially marked tracking substances to generate actual images of what happens with the tracking substances in the body. For example, can be used to detect cancer.

Pyrosequencing®: A patented technology where a sample's DNA sequence is read in realtime through so-called sequencing through synthesis. This technology can be used in a large number of areas, ranging from the analysis of hereditary diseases and the identification of bacteria and viruses to the identification and study of mutations and DNA methylation.

Reagents: (Discovery Chemistry) A substance that is added in a synthesis to restructure the start material to the desired product or alternatively (Biosystems), one of more chemicals and/or bio-molecules (such as DNA or enzymes) that are used in a method for analysis.

Purification: Involves the synthesized compound is isolated from impurities.

Purification column: The physical unit where the media that is needed to carry out flash chromatography is packaged. Then, the sample that shall be purified in the column is applied and purification is carried out whereby the solvent flows through the column.

SPE (Solid Phase Extraction): A method for separating substances in regard to how much they prefer a solid phase compared to a liquid phase. The same principle applies as for flash chromatography although on a smaller scale.

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

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



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