Annual Report 2009

Biotage

Content

2010 Annual General Meeting of the shareholders of Biotage
The annual general meeting will be held at 4 p.m. on April 29, 2010 at Biotage's Head Office at Kungsgatan 76, Uppsala, Sweden.

2010 Financial Calendar

April 29	Annual General Meeting
April 29	Interim report, Q1
August 13	Interim report, Q2
October 27	Interim report, Q3

Distribution of the 2009 Annual Report
Biotage prints the annual report and distributes it to all shareholders who request a copy.

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

- Net sales increased by two percent to SEK 394.1 (385.3) million. At comparable exchange rates, net sales declined by nine percent.
- Operating profit/loss was SEK -10.1 (27.2) million. Before restructuring costs, the figure was SEK 7.9 (27.2) million.
- Profit after tax amounted to SEK 13.5 (299.1) million [1].
- Earnings per share was SEK 0.15 (3.38) [1].
- Cash flow from operations amounted to SEK 36.2 (88.7) million [1].
- Proposed dividend is SEK 0.20 (0.20).
- Under Biotage's buy-back program, 1,578,109 of the Company's shares were purchased for SEK 10.2 million.

Key figures and ratios	2009	2008
Net sales, SEK m	394.1	385.3
Gross profit, SEK m	225.1	224.5
Gross margin, %	57.1	58.3
Operating profit, SEK m	-10.1	27.2
Operating margin, %	-2.6	7.1
Profit before tax, SEK m	-9.0	27.7
Profit after tax, SEK m [1]	13.5	299.1
Earnings per share, SEK [1]	0.15	3.38
Equity/assets ratio, %	89	87
Average number of employees	268	323
[1] Includes figures from discontinued operations.	23.3	267.9

Important events during the year

1st quarter

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

2nd quarter

- A lawsuit was filed against Biotage for patent infringement in the U.S. District Court for the Southern District of California. Biotage considers that it holds a strong position in the factual matter and that the plaintiff, Scientific Plastic Products, Inc., does not have good cause for the alleged patent infringement.

3rd quarter

- Biotage initiated the repurchase of shares pursuant to a resolution adopted by the annual general meeting of shareholders. The purpose of the buy-back program is to enable the board of directors to adapt and improve the capital structure and thereby improve shareholder value.

4th quarter

- Biotage received an order to supply six V-10 evaporation instruments – the largest order so far from an individual customer within the evaporation segment.
- Biotage received an additional purchase consideration from Qiagen in the amount of SEK 23.4m regarding the sale of the Biosystems business area.

This is Biotage

Biotage is a leading global supplier of instruments and consumables for medicinal chemists. The Company is also a well-established supplier of products in analytical chemistry. Biotage's shares are listed on the Nasdaq OMX Stockholm Small Cap list.

Business concept
Biotage develops, manufactures and markets instruments, consumables and service in the field of life sciences. The Company's customers primarily consist of those active in the pharmaceutical industry, academic institutions and players engaged in analytical chemistry.

New long-term financial goals
Following the sale of the Biosystems business area in 2008, Biotage has formulated new long-term financial goals for its operations. An extensive restructuring program was also implemented in 2009 within the remaining operations.

In order to achieve the new long-term goals, a continued change process is required as well as a return to a more normal market climate than that experienced in 2009. The market for instruments was particularly weak during the year. Long-term and stable profitability requires a critical mass within each customer segment and having a sufficiently broad product portfolio. This critical mass can be attained through a combination of organic growth and strategic acquisitions.

The Company believes that the new long-term goals can be achieved by 2012.

1. Organic growth of at least 10 percent
In order to achieve this growth rate, Biotage will need a broader product range and cultivate a more differentiated circle of customers compared with that of today. Growth within the Company's primary customer group, the pharmaceutical industry, is too weak to permit increases in sales corresponding to Biotage's goal. However, the goal could be achieved through, among other measures, greater focus on consumables such as products for SPE (Solid Phase Extraction) – an area that is showing good growth. The products are used to purify

BRIEF FACTS ABOUT BIOTAGE

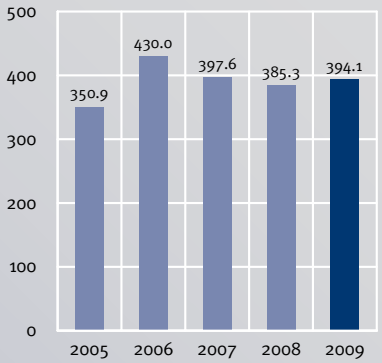
Products
For medicinal chemistry: Instruments for microwave-assisted synthesis, peptide synthesis, purification and evaporation, as well as related reagents and consumables.

For analytical chemistry: Products for Solid Phase Extraction (SPE) and Supported Liquid Extraction (SLE).

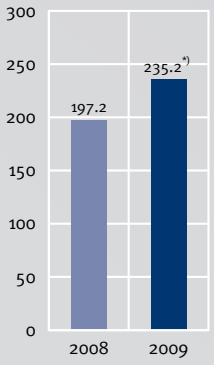
Most important markets
USA, Western Europe and Japan.

Major competitors
CEM within synthesis instruments and Isco within purification instruments. Varian and Waters are important competitors for analytical chemistry products.

Net sales SEK m

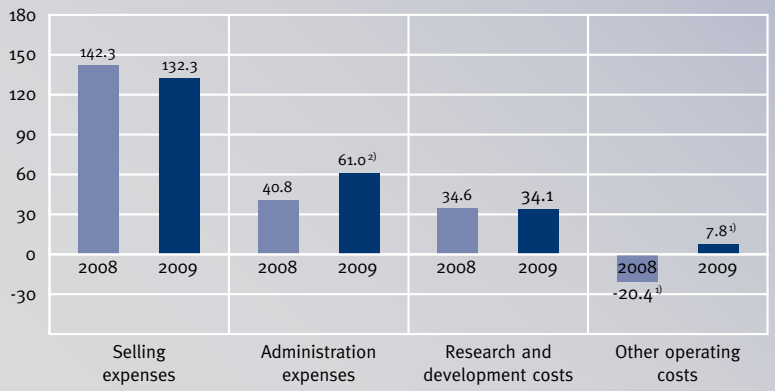


Operating expenses SEK m



*) Including restructuring costs (SEK 18.0m).

Breakdown of operating expenses SEK m



1) Items include exchange rate differences.
2) The increase is explained, in its entirety, by changed allocation principles.

samples within a large number of areas such as environmental, clinical and doping tests. Strategic acquisitions are expected to contribute positively in the process of achieving both a critical mass and the growth goal.

2. Increase of the gross margin by 1-2 percentage points per annum, with the goal of achieving a gross margin exceeding 60 percent

Biotage endeavors to obtain a better distribution of sales between instruments and consumables. A higher proportion of sales of consumables would affect the gross margin positively because the related margin is greater than for instruments. Efforts will be made simultaneously to improve productivity in Biotage's own factory through increased automation.

3. EBIT margin of at least 10 percent

The growth and gross-margin goals are the two most important factors to achieve the profitability target, combined with continued focus on reducing operating costs where required.

Strategic focus

Biotage follows a number of strategies to achieve the financial targets established for its business activities.

– Larger proportion of consumables

Biotage's ambition is that at least 60 percent of sales shall come from consumables where the gross margin is higher than for instruments. In 2009, consumables represented 47 percent of total sales.

– Strengthen market presence

Biotage intends to continue its establishment within important markets so as to enable improved growth. A stronger presence in growth markets such as China is particularly important. These measures shall be supplemented with a greater proportion of direct sales of products for analytical chemistry to customer groups outside the medicinal chemistry area. Such sales are currently made to a large extent via distributors.

– Reach new customer groups with existing technology

Biotage works systematically to further develop the Company's existing products so that they may be applied to new fields of application. Examples include the Company's SPE products that are adapted for new applications within the environment sector, and Biotage's establishment within the peptide synthesis field based on the Company's existing offer within microwave-assisted synthesis.

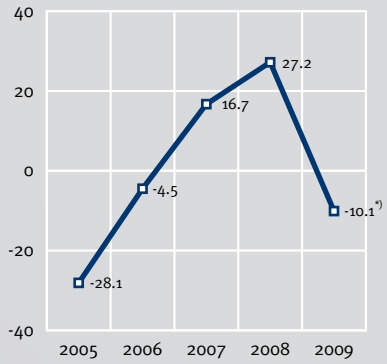
– Investment in research and development

The development of new innovative solutions represents an important means of competition for Biotage and a method of creating potential for improved growth. To ensure a high level of innovation in product development, 10 percent of the product-development budget will be allocated to innovative research related to new concepts.

– Acquisitions

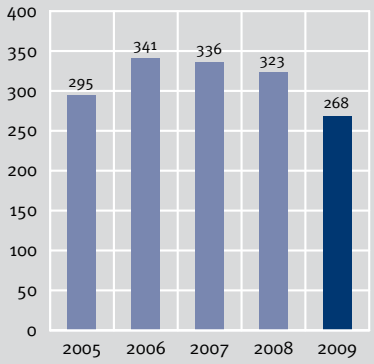
Biotage is actively looking for acquisitions

Operating profit/loss SEK m

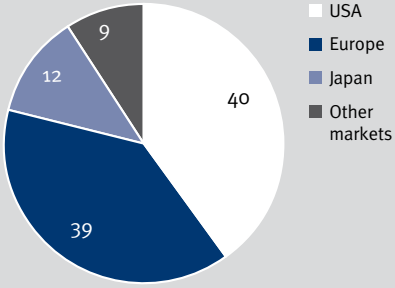


*) Including restructuring costs (SEK 18.0m).

Average number of employees



Sales per geograpic market 2009 %



that could strengthen the Company's product offering and market position within overlapping or neighboring areas. Biotage's global sales organization has the capacity to manage significantly higher sales with no increase or only a marginal increase in costs.

Developments in 2009

Growth

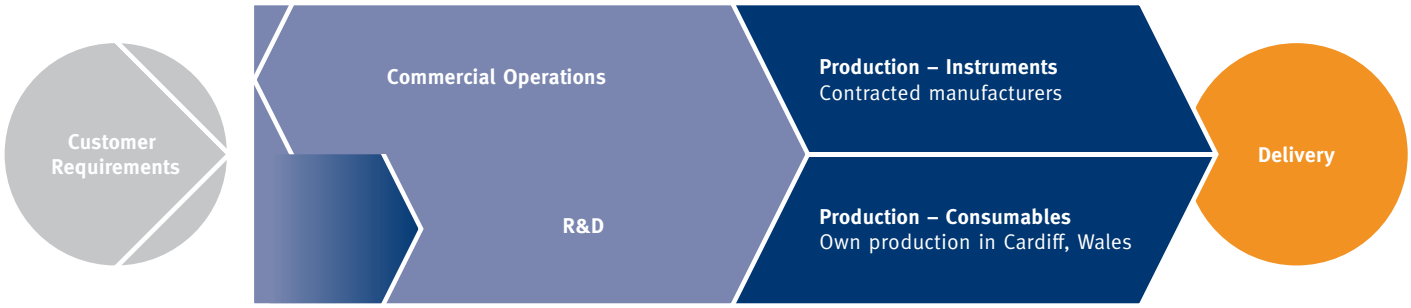
Net sales, stated at comparable currency rates, declined by 9 percent in 2009. Sales were affected negatively by lower instrument sales within both microwave synthesis and purification, which was essentially attributable to a general fall in demand in the prevailing economic climate. Biotage noted, however, a stabilization in the fourth quarter when sales of Initiator, Biotage's instrument for microwave synthesis, were particularly successful. Sales of consumables within sample preparation continued to develop positively and increased by 5 percent during the year. Products within the sample preparation area now represent 20 percent of the Group's total sales.

Gross margin

The gross margin was 57.1 percent (58.3), and was negatively affected by the lower average sales price of Biotage instruments as a result of tougher competition in the market. However, continued efforts to increase productivity, combined with greater volumes, have led to an improved gross margin for consumables.

Operating margin

The operating profit amounted to SEK -10.1m compared with SEK 27.2m in 2008. Excluding non-recurring items related to the closure of operations in Charlottesville, Virginia, USA, the operating profit amounted to SEK 7.9m. The most important factor behind the poorer operating result is significantly lower sales of instruments than in 2008. The operating margin was -2.6 percent compared with 7.1 in 2008.



THE OVERALL PROCESS AT BIOTAGE – FROM CUSTOMER REQUIREMENTS TO DELIVERY

Biotage sells instruments and related consumables to the pharmaceutical industry and customers within the academic sector. On average, an instrument is shared by about ten chemists when used within the pharmaceutical industry. Sales of instruments generate sales of the consumables used together with the instrument. These are supplemented by Biotage's offer of after-market services, particularly in the form of service and support to the Company's customers.

Within analytical chemistry, Biotage primarily sells products for SLE (Supported Liquid Extraction) and SPE (Solid Phase Extraction), which are consumables used just once for each test performed.

Commercial Operations form Biotage's interface with customers, and are composed of the sales organization along with the market, product and service organization. Commercial Operations are responsible for marketing and sales, as well as all after-market service related to the Company's range of products and services. In view of the fact that the market organization has direct contact with customers, it also has an important responsibility to make use of ideas for new products based on customers' desires and requirements. These ideas are then forwarded to the research and development department for further evaluation and processing, and act as a supplement to the ideas and concepts generated within research and development. In addition to pure new development, the R&D department is also responsible for product care and further development of existing products. The production of all instruments offered by the Company is outsourced to contracted manufacturers. The majority of consumables offered by the Company – both those used together with Biotage's instruments and all products within the analytical chemistry area – are manufactured at the Company's factory located in Cardiff, Wales.

Increased Lab Efficiency with the ISOLUTE SLE+ Plate

Interest in Biotage's ISOLUTE SLE+ sample preparation product has increased significantly in recent years. The main reason is that the product offers several advantages compared with traditional techniques that are used for extracting analytes of interest from a sample. Early on, Dr. Jiongwei Pan, now a Principal Scientist at Charles River, a contract research organization in Shrewsbury, MA, USA, saw opportunities for streamlining method development with the help of the SLE+ 96-well plates.

Biotage SLE+ sample preparation products are used for extracting analytes of interest from a variety of matrices. They are employed by Pharmaceutical companies and Contract Research Organizations (CRO) for, among others, preclinical and clinical trials of new drug candidates. An example of their use would be for studying the biological uptake of a new medicine by analyzing tissue, blood or urine samples. Traditional approaches for extracting an analyte from a sample include PPT (protein precipitation), SPE (Solid Phase Extraction) or LLE (Liquid -Liquid Extraction). The SLE+ (Supported Liquid Extraction 96-well plate) is an automatable, cost-effective alternative to all of these techniques, and can be applied to many types of samples. The extract can then be analysed through LC-MS (Liquid Chromatography – Mass Spectrometry), GC-MS (Gas Chromatography – Mass Spectrometry), or other analytical techniques.

SLE+, an important tool

Biotage's SLE+ has been an important tool for Dr. Pan in recent years – in his role, which encompasses both method development leadership and responsibility for training – to ensure that employees derive the maximum benefit from new technology.

"In the beginning, I often encouraged chemists to use SLE+ instead of the traditional LLE method, which is the most widely used method for preparing samples for analysis. Quite often, the response I got from them was: 'Why haven't you told me about this before? It saves both time and effort'. These days SLE+ is a well established product. We use SLE+ for approximately 80 percent of the methods we develop", says Dr. Pan.

High-throughput, a distinct advantage

According to Dr. Pan, one of the most important features of SLE+ is its capacity for high throughput, i.e., the ability to process many samples rapidly. This is a critical advantage for contract research organizations that continually strive to increase efficiency and reduce costs.

"Method development time can be minimized with SLE because, among other things, existing LLE methods can be transferred to SLE+. The potential for automation is another significant benefit. Unlike with LLE, no off-line manual work, such as centrifuging, is required. It enables the entire process to be automated from start to finish", comments Dr. Pan.

It is also possible to analyze the sample directly in an LC-MS/MS after it is extracted by SLE+, a method that Dr. Pan was instrumental in developing. This is accomplished by combining SLE+ with HILIC chromatography, a type of normal phase chromatography, eliminating one step in the process, evaporation, which in turn streamlines the work without impairing the sensitivity of the analysis or loss of analyte.

High purity of the samples

Sample purity is key to results in bioanalysis. Biochemists often work with tissue samples or blood samples. Because they want to measure a specific component in this sample, naturally occurring substances in the sample must be removed to the greatest degree possible. Phospholipids are one such substance that can be difficult to eliminate, but whose presence often interferes with Mass Spec analyses. Phospholipids are the main constituent in all biological membranes and constitute the backbone of our cell membranes. Because phospholipids often resemble the substance that we want to study, it is essential that these be removed as completely as possible so these substances do not supersede those we actually want to examine.

"We have conducted many tests to see how well SLE+ removes phospholipids and we found that most lipids are absent after a sample has been extracted with SLE+. It gives us a very clean sample", observes Dr. Pan.

Better recovery and sensitivity, with no emulsion formation and complete separation of layers

Traditional LLE can be done in unpacked, 96-well plates. However, significant increases in sensitivity and recovery can be realized by employing the SLE+, compared to traditional 96-well LLE. By eliminating the formation of emulsions and obtaining complete elution of the organic layer, users of the SLE+ can often achieve lower sensitivity levels and higher analyte recoveries.

LLE separates substances by mixing two different immiscible liquids with the sample, usually water and an organic solvent. This is comparable, for example, to oil and vinegar, which form two separate layers when mixed. The analytes of interest partition into one liquid and the undesirable compounds are left behind in the other layer. In traditional LLE, often a small part of the two liquids may remain mixed and form an emulsion, causing bioanalytical chemists to recover a smaller percentage of the target compound. With the mechanism of SLE+, solvents do not mix when a sample is extracted. This prevents an emulsion from forming, and thus the amount of the compound to be extracted (% recovery) can be maximized.

Designed for an automation-compatible, flow-through system, the SLE+ plate provides complete separation of the aqueous and organic layers. When asked to compare traditional 96-well LLE to SLE in terms of recovery, Dr. Pan pointed out the benefits of a truly flow-through system.

"Though both procedures are suitable for automation, 96-well formatted liquid to liquid extraction still needs the vortex and centrifuge. SLE+ just needs eluting with water immiscible organic solvent, without any off-line steps. The most important point is 96-well formatted liquid to liquid extraction has to sacrifice partial sensitivity, as it is impossible to obtain all of the organic layer, unlike SLE+. That is why the recovery for the 96-well formatted liquid to liquid extractions is much lower than that for the SLE+."

Realized gains in CRO lab efficiency have led to increased use of ISOLUTE SLE+

According to Dr. Pan, the reason for the increased use of SLE+ is due in large part to the gains in efficiency that can be achieved by the CRO when compared to other techniques such as LLE and SPE.

"We are working on behalf of pharmaceutical companies who require that we deliver high quality results quickly. SLE+ enables us to minimize the time spent on method development and automating the work while we attain high efficiency in extracting samples", concludes Dr. Pan.

A Challenging Year with Many Hopeful Signs

The year 2009 implied a number of challenges for Biotage, not least as a result of the economic downturn that took a real hold on events. However, towards the end of the year we could perceive increased optimism and activity among customers within the pharmaceutical industry. The Company received very good order volumes in the fourth quarter, enabling us to enter 2010 with a good stock of orders.

Biotage experienced a fall in demand during the year in all geographic markets where the Company is present, with the exception of Japan that showed a rise in sales of 6 percent. The reasons for the continued positive trends in Japan are primarily strong sales efforts by our subsidiary in the country combined with the Japanese pharmaceutical industry continuing to invest in research and development.

Similarly to 2008, the pharmaceutical industry in various parts of the world has maintained a cautious approach to investments, which has negatively affected demand for our instruments within synthesis and purification.

As a consequence of a tougher market climate, competition became sharper during the year within both synthesis and purification, resulting in a decline of the average sales price for purification instruments in 2009.

All in all, I can observe that our sales decreased by 9 percent in 2009 compared with 2008. It is nonetheless important to emphasize that this figure was affected positively by the stronger trends witnessed in the fourth quarter.

Hopeful signs despite the market climate

Despite a general downturn in the market, I can note that Biotage has witnessed important hopeful signs. We continue to gain market shares within sample preparation – a market that is indeed growing as a whole – which has led to the product segment's proportion of the Group's total sales increasing to 20 percent. This is an important strategic step on the way to achieving an even distribution of sales between instruments and consumables.

The order intake for our evaporation instrument V-10 was also very good in the fourth quarter. This is an interesting field for Biotage in the future because demand in the market for this type of product continues to be good.

We have also had a satisfactory sales start of the peptide synthesis products that we distribute from our partner MultiSynTech. Research activities within peptides continue at a high level and we confidently look forward to continuing to work within this area, not least in view of our launch of a microwave-assisted peptide synthesis instrument in the first quarter 2010.

Another optimistic sign during the year was that sales to the academic sector continued to develop well. We have observed increased interest from academic institutions for more advanced solutions that enable greater flexibility in their processes.

Poorer operating results

Biotage has reported an operating loss of SEK 10.1m for 2009. Excluding non-recurring items related to the reorganization of the U.S. operations, the operating profit amounted to SEK 7.9m. The most important reason for the poorer results is that sales fell during the year.

The Company's net result was affected positively by an additional purchase consideration of SEK 23m related to the previous year's sale of the Biosystems business area. All in all, Biotage can receive further additional purchase considerations from Qiagen for a maximum of USD 3.2m up to the year 2012, under the condition that certain sales targets are achieved.

Restructuring in the United States

I can note that the decision to restructure operations in the United States was correct from a business viewpoint and that the Company's results will be affected positively over the forthcoming years. The overall restructuring process has now been completed. The instrument production located at the factory in Charlottesville, Virginia has been moved to contract manufacturers. At the same time, the production of consumables carried out at Charlottesville was transferred to our factory in Cardiff, Wales. Charlottesville was also the base for the U.S. sales organization and related administration, which have now been relocated to Charlotte in North Carolina. The restructuring implies that we currently do not have in-house production in the United States and that the workforce has been reduced by about 50 people. These measures are an important step to streamlining future operations and will enable both cost reductions and less tied-up capital.

Investment in new application areas

As stated in my introduction, we continued to be successful within sample preparation during the year. The products are used by the pharmaceutical industry and other players that need to analyze samples within a broad spectrum of fields such as the environment, the food industry and forensic medicine. The pharmaceutical industry uses these products to purify samples from patients in conjunction with clinical tests of new medicines. Examples of other applications are the measurement of impurities in soil or water samples, the search for undesired additives in food products, and the analysis of doping tests.

By expanding our efforts within this area, we hope to be able to increase our market shares. We will invest in both sales and application-development resources within product development. Application development in particular is a central aspect for success in the market. Put simply, this is about addressing interesting application areas with considerable demand and providing adapted versions of the products. Towards the end of 2009, we launched a product used for measuring impurities in soil. This type of measurement is regularly performed at new construction sites, not least where industrial premises were previously located.

Increased share of consumables
The investment in sample preparation is important for us for several reasons. First, successful development within this area will imply a rise in the consumables' proportion of total sales. This is positive because consumables are less sensitive to fluctuations in the economic climate than instruments, and the gross margin is slightly higher.

Secondly, we can reach new customer groups outside the pharmaceutical industry, which is important for us when creating organic growth in our operations.

Continued investment in product development
Despite the poorer market climate during the year, we chose to maintain investment levels in product development, which is and will continue to be one of our most important success factors. A significant part of the work performed during the year consisted of the development of Syro Wave – our first instrument for microwave-assisted peptides synthesis. The instrument was launched at the beginning of 2010 and has been produced in collaboration with our partner MultiSynTech and the University of Copenhagen.

In recent years, we have been able to see that the pharmaceutical industry's research investments have been targeted to a greater degree than before on large molecules such as peptides. Biotage already has the market's broadest product range for medicinal chemists working with small molecules, which are the substances that form the basis for medicines in pill form.

Through the launch of Syro Wave, we are starting a process of offering our technology to chemists who work with the development of peptide therapeutics. In contrast to traditional medicines, these cannot be taken in pill form, but must be injected into the patient. In return, there are a number of other benefits, including that its action can be oriented more specifically towards a certain state of ill-health.

New goals for Biotage
Biotage has during 2009 set new long-term financial goals for its operations. The background is that the business has significantly changed as a result of the sale of the Biosystems business area in 2008, as well as the restructuring carried out in the U.S. operations in 2009. The new long-term goals include an EBIT margin of at least 10 percent, organic growth of at least 10 percent annually, as well as a continuous improvement in the gross margin of 1-2 percentage points per annum up until the gross margin exceeds 60 percent.

The possibility of achieving the EBIT margin goal requires the continued minimizing of operating costs, but is affected above all by the Company's ability to achieve the growth goal. To achieve the growth goal requires a return to a more normal market climate and that we reach a broader circle of customers than we currently have, because growth trends for our medicinal chemistry solutions are not in line with our goal. Our work within the sample preparation market is important in this context because it has a significantly higher rate of growth. Biotage aims to achieve these goals by 2012.

Focus for 2010
In the fall of 2009, we got off to a really good start with regard to looking towards the future by assembling the entire Group for three days. It gave us the opportunity to firmly establish in a positive way the Group's objectives and strategies with all employees, as well as to study how the strategies shall be implemented at both local level and within each department of the Company. I am pleased with the results achieved, and am sure that we will obtain further positive effects in the form of a stronger corporate culture and improved communication within the Company.

As I said in the beginning of this CEO-letter, we can feel greater optimism within the market. However, it is too early to draw any clear-cut conclusions. We will continue to carefully monitor market trends and are prepared to take any measures that may be required.

Biotage has an exceptionally strong financial position following the sale of the Biosystems business area. Through the sale of the property in Charlottesville, Virginia and the additional purchase considerations from Qiagen, our liquid resources have been strengthened by SEK 33m, which provides us with freedom of movement in our work for the future.

We will continue the rationalization process in 2010 in order to reduce costs in certain parts of our operations. We will, however, increase our investments within primarily the sales area to create prerequisites for increased growth – which is our most important task in 2010. I would like to take this opportunity to thank all of our employees for their efforts in 2009. Their continued commitment is one of the most important factors for us to be able to develop operations in the future and to achieve our financial goals.

Uppsala, March 2010

Torben Jørgensen
President and CEO

Biotage's Range of Products

The company's products can be divided into two areas – medicinal chemistry and analytical chemistry.

Medicinal chemistry
The company has the market's broadest range of products for medicinal chemists working with small molecules, on which medicines in pill form are based. Biotage has also increased its offering in medicinal chemistry by entering the peptide synthesis market. Peptides are an example of large molecules, on which peptide drugs are based. Unlike medicines based on small molecules, peptide drugs need to be injected into the body. Insulin is an example of these types of pharmaceuticals.

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

Biotage's systems and consumables include areas such as synthesis, work-up, purification and evaporation.

Synthesis
Synthesis means that a chemist creates a new substance by combining (synthesizing) several other substances. Biotage's products in the synthesis area are based on microwave technology, which has several advantages over conventional heating. The reaction time is reduced considerably, allowing a larger number of reactions to be accomplished at the same time. Rather than taking hours, a reaction can be achieved in minutes or even seconds. With microwave technology, chemists can also create chemical substances that were previously not possible to create.

Work-up
In medicinal chemistry the work-up of samples after synthesis is performed to remove various substances that have been added to speed up or create reactions. One of the most commonly used metal catalyst in organic synthesis is Palladium. However no traces of Palladium can be found in the final drug, so huge effort is put into removing and regenerating the expensive metals. Biotage offers one of the most efficient scavengers for Palladium, MP-TMT, which is now being used in production of pharmaceutical drugs.

Purification
Biotage's system for purification is used in medicinal chemistry to isolate a synthesized substance from impurities. The system is based exclusively on the flash chromatography purification method, which is the most used method of purifying newly synthesized substances. Biotage's automated purification system and associated consumables help chemists to significantly speed up the task of purifying substances – cutting the process down from hours to minutes. An important part of Biotage's purification offering consists of SNAP consumables. Unlike other consumables

connected to Biotage's system, SNAP can also be used for other chromatography platforms, which increases market potential considerably.

Evaporation

Evaporation is accelerated drying of a solution by boiling the solvent. Biotage's system for evaporation is used in medicinal chemistry to transform the solutions with the synthesized and purified molecules to a solid form. One reason for doing this is that it is not possible to save a solution in fluid form for later use. It is, however, possible with a sample that has been transformed to a solid form through evaporation. Biotage's solution is unique on the market and offers completely new options. It can, for example, be used for samples where it would be problematic to evaporate the solvent or in a situation where a chemist requires evaporation in a very short time.

Peptide synthesis

Interest in peptide-based pharmaceuticals has soared in recent years, particularly as peptides offer the potential for efficient medicines.

In 2009, Biotage acted as a distributor for German company MultiSynTech's peptide synthesis system. In the first quarter of 2010, Biotage launched a new system for microwave-assisted peptide synthesis, Syro Wave, based on the company's microwave technology. The system was developed in partnership with MultiSynTech and the University of Copenhagen.

One of the challenges of peptide synthesis is to synthesize longer and more complex peptides, which can be made easier with microwave-assisted synthesis. At the same time, microwave technology allows an increased yield (amount).

Analytical chemistry

Analytical chemistry covers a broad spectrum of different applications. Biotage's offering in this area consists primarily of products for Solid Phase Extraction (SPE) and Supported Liquid Extraction (SLE), which are methods of separating substances in a fluid mixture.

The pharmaceutical industry uses analytical chemistry in its clinical tests of pharmaceuticals to purify samples. The method is also used for diagnostic purposes – to examine blood samples, for instance.

However, the main areas of application are outside the pharmaceutical field. These include environmental applications, such as filtering out different pollutants from water or soil samples for further analysis. Another area of application is the examination of unwanted additives in food and drink. A particularly important application for analytical chemistry is sample examination in forensic medicine and doping.

Analytical chemistry is an area offering immense potential for Biotage, and an extensive development program aimed at producing new applications for the company's products is underway. This will involve producing ready-to-use methods for examination of samples of specific substances, such as Vitamin D and Acrylamide.

Primary customer groups: Companies and organizations active in analytical chemistry, pharmaceutical companies.

Analytical chemistry is an area with considerable potential for Biotage, and an extensive development program is in progress to produce new applications for the Company's products.

What Biotage has to offer

Synthesis	Purification	Evaporation	Sample preparation	Peptide synthesis
Initiator System for microwave synthesis with room for one reaction vial.	**Isolera One** Automated purification system with room for one purification column.	**V-10** Rapid Solvent Evaporation System for evaporation.	**ISOLUTE®** Silicone-based products for SPE (Solid Phase Extraction).	**Syro I** System for parallel peptide synthesis.
Initiator Eight System for microwave synthesis that can handle up to eight reactions in succession.	**Isolera Four** Automated purification system with room for four purification columns.		**EVOLUTE™** Polymer-based products for SPE (Solid Phase Extraction).	**Syro II** System for parallel peptide synthesis.
Initiator Sixty System for microwave synthesis that can handle up to 60 reactions in succession.	**Isolera LS** Automated purification system adapted to purification of substances on a larger scale.		**ISOLUTE SLE+** Products for SLE (Solid Liquid Extraction).	**Syro Wave** System combining paralllel synthesis and microwave-assisted synthesis.
Advancer System for synthesizing large amounts of substance.	**FlashMaster Personal Plus** Biotage's simplest system for purification.			
Endeavor Parallel synthesis system for hydrogene-ration reactions, for instance.	**FLASH 75** Purification system for purification of up to 40 g of substance.			
Consumables For use together with Biotage's system for microwave synthesis.	**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.			
	Metal Scavengers Used to remove catalysts and by-products such as palladium, titanium and tin. Productss include MP-TMT, PS-DEAM and Si-Thiol.			

Utilization of Biotage's Products Within Medicinal Chemistry

Biotage has the market's broadest product range for chemists working with the development of pharmaceuticals. Biotage helps chemists to rationalize the entire process from concept to biologically active substance.

The reagents and catalysts that the chemist needs in the synthesis to create the desired product.

The chemist creates a new substance by combining (synthesizing) several other substances.

Product examples: Initiator and related reaction chambers. Biotage's Syro instruments are used for peptide synthesis.

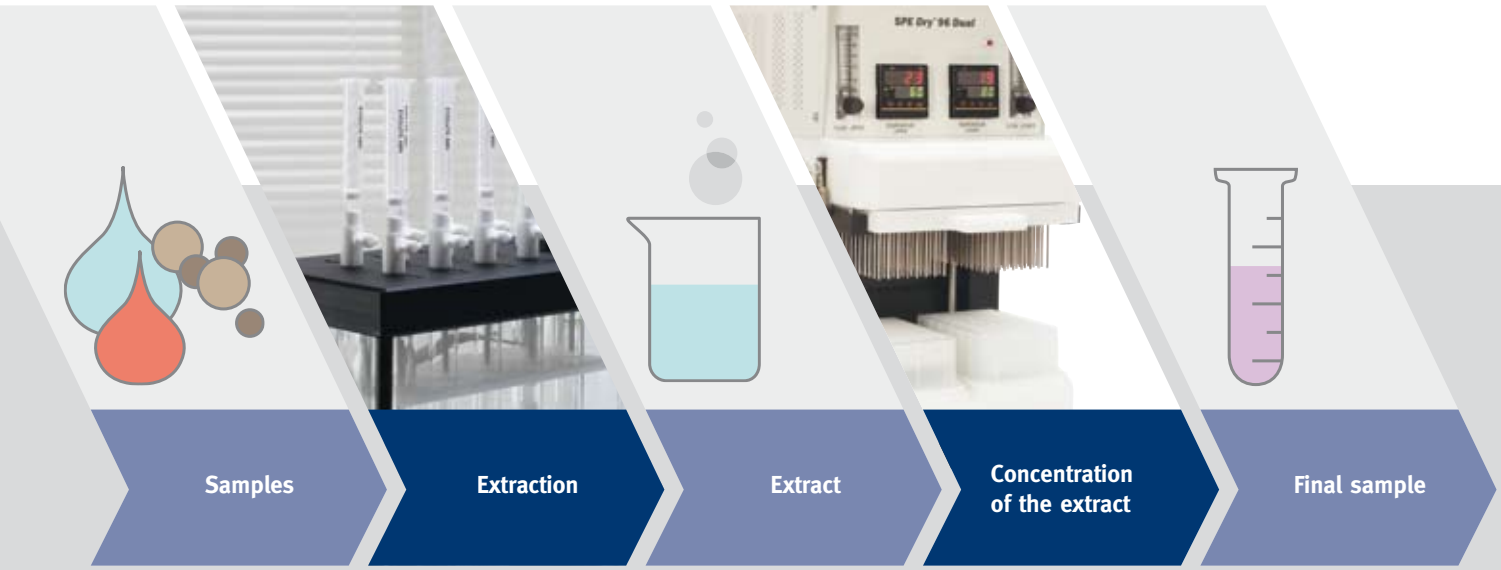
The crude mixture of desired product with remaining starting materials, catalysts, and by-products.

Catalysts and reagents are removed from the reaction mixture.

Product examples: Filtering columns and scavengers.

Utilization of Biotage's Products Within Analytical Chemistry

Within analytical chemistry, Biotage's products are used to analyze a broad spectrum of samples, embracing everything from blood and urine to samples of water and soil.



The samples that are to be analyzed can include blood, plasma, urine, water or soil.

The analyte is absorbed and extracted from the sample matrix. This is performed with the help of techniques such as Solid Phase Extraction, Liquid to Liquid Extraction and Supported Liquid Extraction.

Product examples: ISOLUTE and EVOLUTE products for SPE, and ISOLUTE SLE+.

The extract must be concentrated before it can be analyzed by mass spectrometry. Therefore, the solvent used during the extraction is evaporated.

Product example: SPE Dry 96.

The worked-up reaction mixture is purified of remaining impurities.

Product examples: Isolera and SNAP columns.

Transforms the solution with the synthesized and purified molecules to a solid form (powder).

Product: V-10.

Analysis of the presence of the substance in question with the help of a mass spectrometer.

The results show the quantity of the sought-after substance present in the sample.

Market and Sales

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

Biotage's product range is primarily aimed at medicinal and analytical chemists active in the pharmaceutical industry, biotech/biopharma companies, academic institutions and companies engaged in analytical chemistry around the world. The largest geographic markets are the U.S. and Europe. However, sales to other markets have increased in recent years, partly due to a growing trend for pharmaceutical companies to outsource research to CROs (Contract Research Organizations) in Asia.

Factors affecting demand for Biotage's products
Like all companies, Biotage sees demand for its products affected by external factors which are often difficult to control. This was particularly the case during the recession of 2009. The main external influential factors include:

- *General development in the pharmaceutical industry* – There is a clear correlation between the industry's R & D investments and demand for Biotage's systems and consumables.
- *Trends in pharmaceutical research* – In recent years, pharmaceutical companies have increased their investments in biomolecule drug research, partly at the expense of small-molecule drugs. This is increasing demand for Biotage's peptide synthesis system, while demand for systems for synthesis and purification of small-molecule drugs is declining.

Biotage works actively to increase its own market potential. The company's product development plays a significant role in this context. It is important to try to increase demand from existing

customers. This is done by developing new and existing systems and consumables that create added value for customers.

It is also important to reach new customer groups through product development. A good example is the work done in sample preparation. By creating applications for new areas such as environmental monitoring, forensic medicine and doping, Biotage can reach new customers with its products. Another example is Biotage's recent entry into the peptide synthesis area, based on the company's existing technology in microwave-assisted synthesis of small molecules.

Market size

Biotage estimates the global market for instruments and consumables within flash chromatography to be worth approximately USD 100m in 2010. For instruments and consumables within microwave-assisted synthesis, the global market is estimated at approximately USD 30m. For sample preparation consumables used in analytical chemistry the global market is approximately USD 150m in 2010. The estimations are based on Biotage's internal estimates combined with data from Strategic Directions International, an independent analysis company.

Market trends in 2009

Like the previous year, 2009 was dominated by a strong focus on cost-efficiency among customers in the pharmaceutical industry. This was even more apparent as the market climate deteriorated significantly during the year, resulting in a decline in the number of employees in the pharmaceutical industry's research and development departments.

Another clear trend in recent years was the shifting of pharmaceutical companies' research from small molecules, on which traditional pill medicines are based, to larger biomolecules.

In recent years Biotage has seen pharmaceutical companies outsourcing parts of their pharmaceutical research to CROs (Contract Research Organizations), many of which are located in India and China. Consequently, Biotage's sales to these customers have increased significantly. This was a clear trend in 2008, although in the second quarter of 2009, a significant change was noted. There was a decline in the number of development assignments that pharmaceutical companies placed with the contract research companies. However, later in the second half of the year the activity among the pharmaceutical companies themselves returned and subsequent demand in products from their Asian partners returned.

Academic institutions are one of Biotage's most important customer groups. Their activities are financed mainly by private and government research funding. It is Biotage's opinion that this funding increased in size during the year. During the year, Biotage noted a rise in demand from this customer group, which showed increasing interest in more flexible systems.

Sales development in 2009

Sales volumes fell by nine percent in 2009 compared with 2008. This was largely due to demand being affected by the economic slowdown. This was particularly the case for Biotage's instrument platforms, which are considered capital investments by the majority of customers.

From a geographic perspective, sales declined in all major regions except Japan, where the strong trend of 2008 continued in 2009, with sales rising by six percent. This was largely due to the fact that Japanese pharmaceutical companies did not react to the economic slowdown in the same way as companies in Europe and the U.S., but maintained their strategies and investment levels in areas served by Biotage. Another consideration was the fact that Biotage has improved its competitive position in Japan with recent product line and organizational investments. Sales in the rest of Asia declined, mainly due to a lower level of demand from CROs in China and India.

Sales volumes in the U.S. fell by 7 percent, while sales in Europe declined by 14 percent. European sales were adversely affected by a particularly weak market in the United Kingdom.

Looking at Biotage's different product areas, sales in purification and synthesis fell during

Sales by geographic market SEK m

Geographic Market	Sales 2009	Sales 2008
USA	159	147
Europe	155	173
Japan	47	33
Other Markets	33	32

Peptide synthesis, a new area for Biotage in 2009, had a positive start.

the year. Sales in the evaporation product area were on par with the previous year, while sample preparation showed a 5 percent rise in sales. Biotage is expanding its market share in this area, with the overall market also showing moderate growth.

Peptide synthesis, a new area for Biotage in 2009, had a positive start. Biotage acted as the primary distribution partner for MultiSynTech's peptide synthesis products during the year. In the first quarter of 2010, Biotage and MultiSynTech launched a joint product for microwave-assisted peptide synthesis, Syro Wave, an area where Biotage sees good future potential.

Biotage's sales work

Biotage's sales strategy is based on direct sales through its own sales organizations in the major markets for the company's core products in synthesis, purification, evaporation and sample preparation. It is very important to have direct contact with customers, as this creates opportunities for additional sales and allows direct dialog about future improvements and new product ideas.

Today, Biotage has direct sales of systems and consumables in synthesis, purification and evaporation in Europe, the U.S. and Japan. Other major Asian markets, particularly India and China, are at present served by well-established distributors specializing in medicinal chemistry.

Sample preparation products are sold either directly by Biotage or through distributors, depending on direct sales resource levels and the customer group. Sales to the pharmaceutical industry are handled by Biotage's in-house sales organization. Sales to customers in other areas, such as the environment and food markets, are normally managed via distributors.

Focus for 2010

In 2010, Biotage will step up its initiatives in the sample preparation area. The company will strengthen personnel resources in order to harness the potential in the area. In this respect, Asia is a market with good future potential for Biotage. The company has a very limited market presence at present. At the same time, use of for example SPE products is already well established in Asia and demand is rising, particularly for products in the environmental area. In the American market, most of Biotage's sales of products for sample preparation are related to analytical chemistry in the area of pharmaceuticals. Biotage is committed to harnessing the potential in non-pharmaceutical areas such as the environment and forensic medicine.

A major challenge in the immediate future is to increase the proportion of direct sales to customer groups outside the pharmaceutical industry. This will enable the company to reduce its dependency on pharmaceutical companies and capitalize on the benefits of direct customer contact.

Another important focus area for 2010 will be the continuing sales work in peptide synthesis. Biotage has also launched an updated version of the V-10 evaporation system, which is an area in which demand remains high.

Biotage's customers

Biotage's customers include all the large multinational pharmaceutical companies and leading biotech/biopharma companies and universities around the world. Among the largest customers are Amgen, Astra Zeneca, Bayer Schering, BMS, GlaxoSmithKline, Merck, Novartis and Pfizer.

Biotage's dependency on a small number of 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. In microwave-assisted synthesis and purification, the company is one of two dominant market participants. In sample preparation, Biotage's position is growing stronger. Although the company started as a small player, its market share is starting to expand, particularly in products related to bio-analysis.

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. The quality of Biotage's products guarantees high operational reliability.

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 Biotage can offer customers packaged solutions based on the company's comprehensive range of products in medicinal chemistry.

Competent sales and support staff – Biotage strives to have the market's most competent sales and support staff, located close to customers. This ensures customers have the support they need and are able to fully benefit from the functionality and performance of Biotage's products.

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

Competition in 2009

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

Competition in 2009 was particularly keen in certain product areas, against the background of the economic slowdown. In the purification and synthesis product areas, this resulted in price pressure during the year, particularly in the American market.

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

Biotage's 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. With regard 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 with regard to microwave synthesis systems. Biotage and CEM are unmatched 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.
Evaporation	Traditional techniques for evaporation, for example Genevac	Biotage's V-10 system is unique on the market. The competition therefore is primarily from traditional techniques for evaporation.	V-10 is a unique niche product that allows evaporation of samples that cannot be evaporated using traditional techniques. At the same time, the system offers unrivaled speed in the process.
Peptide synthesis	CEM	CEM is the principal competitor in the peptide synthesis area. For several years, CEM has been almost alone on the market with solutions for microwave-assisted peptide synthesis.	Biotage's newly launched Syro Wave is unique on the market and the only peptide synthesis instrument that offers the possibility of both microwave synthesis and parallel peptide synthesis, which is an important competitive advantage.
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 those of Biotage.	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.

Research and Development

Product development is a strategically important success factor for Biotage. The Company's ambition in 2009 was very clear – to expand the range of consumables and to reach new customer groups based on existing technology and products. A greater part of resources has subsequently been invested in the development of new applications based on the Company's successful product range within the sample preparation area.

Biotage's research and development organization employs around 30 people in Uppsala, Sweden and in Cardiff, Wales. All development work associated with instruments, platforms and software is conducted in Uppsala, which is also the headquarters for research and development. All chemistry-related development work of consumable products and applications development is carried out in Cardiff.

Well-defined process

The work performed in product development is based on a well-defined and well-functioning product-development process with distinct focus on short lead-times – from initial requirements specification to completed product and subsequent commercial launch.

Development work in Biotage has been supplemented in recent years by a larger degree of research – particularly concerning technologies and platforms that can be applied to the Company's products in one or a few years' time.

R&D in 2009

2009 was a hectic year for the research and development organization at Biotage. In addition to the development projects carried out during the year, the organization was deeply involved in moving instrument production from the factory in Charlottesville to external contract manufacturers, a project that now has been completed.

Biotage has the ambition to increase the proportion of consumables in the Group's total sales, and to reach new customer groups outside the pharmaceutical industry. For this reason, one of the main areas has implied the development of new applications based on the Company's product range within sample preparation. A good example is the development of Biotage's new ISOLUTE EPH column, which is designed for use within the environmental area. This product measures the presence of toxins in soil, which must be performed at new construction sites where industrial premises were previously located.

Patents

Biotage has 131 (112) registered patents
24 patent applications, spread over 25 patent families, are in progress
15 (8) new patents were granted in 2009, and 2 (2) new patent applications were submitted

Launch of Syro Wave

Other major events during the year included the completion of the development of two instruments known as Syro Wave and Isolera LS. Syro Wave has been developed in collaboration with MultiSynTech and Copenhagen University, and implies that Biotage has now entered the peptide synthesis market. Syro Wave is a combination instrument for peptide synthesis and offers both microwave-assisted synthesis and traditional parallel synthesis at room temperature.

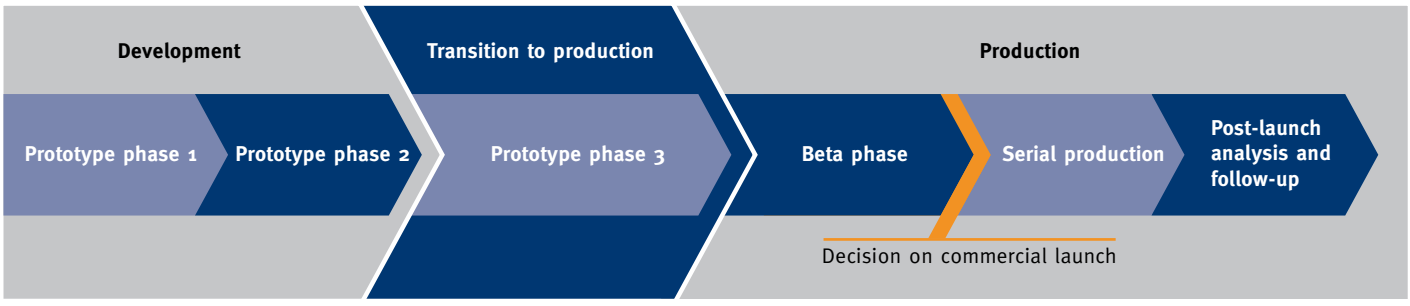
Isolera LS is a new instrument for rapid and reliable scale-up of the purification of substances. It is used by scale-up groups within the pharmaceuticals industry to produce larger quantities of a promising substance for continued evaluation and analysis. The launch of the instrument has been supplemented with a new product family of columns, SNAP XL, which is a larger version of the SNAP consumables used with Isolera LS.

A total of ten development projects were initiated and eight projects completed during the year. Seven development projects were in progress at the end of 2009.

Focus for 2010

The process of identifying and developing new applications for the Company's product range within the sample preparation area will continue in 2010. To an ever-increasing degree, the market is demanding something that is similar to a package solution to identify a specific substance, for example the presence of melanin in milk or various toxins in soil. For these specific applications, Biotage is developing package solutions composed of products for SPE, related reagents, as well as methods to carry out the work.

Biotage will also focus on processes to optimize the utilization of resources within the research and development organization. The aim is to achieve a better balance between short and rapid development projects, primarily related to the further development of existing products, and more extensive projects concerning the development of new technologies and instrument platforms. This ensures a continuous flow of new products in both the short and long-term within both current and, for Biotage, new market segments and application areas.



SUMMARY DESCRIPTION OF THE DEVELOPMENT PROCESS FOR THE DEVELOPMENT OF NEW INSTRUMENTS

Production

Biotage's production structure was streamlined in 2009. All instrument production has been outsourced to contract manufacturers and the majority of the production of consumables is now handled by Biotage's factory in Cardiff, Wales.

Biotage's production structure was changed in 2009 following the closure of the Charlottesville factory in the spring. However, a production restructuring program had already started at the beginning of the year. Production of two instrument families was outsourced to a contract manufacturer in Sweden. The consumable product lines that had been manufactured in Charlottesville were moved to Biotage's factory in Cardiff. After this restructuring exercise, all of Biotage's in-house production activities are concentrated near Cardiff with this facility now responsible for the majority of the consumables Biotage offers its customers.

Focus on productivity and quality

Production of consumables in Cardiff is undertaken with a clear focus on productivity and quality. The production process mainly entails the production and packing of different types of chemical media into columns or plates in a precise way. It is Biotage's aim to exploit the advantages generated by automating production as far as possible and the company has developed the capacity to produce automation in-house. This has been a contributing factor in rising productivity levels in 2009.

The quality aspect is a key factor of production, as Biotage's products are used in areas which call for a high level of precision and consistency. Customers must be sure that the results will be identical if they repeat the same test. The factory in Cardiff is certified to ISO 9001:2008 and applies a systematic approach to quality. The company's QC department conducts routine tests throughout the production process. For example, a major raw material used in the products is silica, which may be bonded to produce various media to be packed into the columns. Silica is subject to stringent quality requirements and Biotage carries out detailed tests on receipt of delivery to ensure consistent quality. This is true of all raw materials.

Further quality control tests are carried out at various stages throughout the production process and prior to delivery in order to ensure that all products meet the stated specification and are fit for purpose.

A special quality group meets each week to review any customer feedback and ensure that it is fed back into the continuous improvement loop.

Environment

The Cardiff factory's main environmental impact is through its use of energy and its production of waste including solvents and packaging materials removed from incoming goods.

Whilst production is not electricity-intensive, the Cardiff factory's annual electrical consumption is 600,000 KWh, the Company is focused on reducing energy use. For example, electrical consumption is one of the assessment parameters for purchasing new production equipment.

Packaging materials from incoming goods are sorted and sent for recycling wherever possible. Solvent is used in the production of consumables and consequently, the Cardiff factory is subject to notification requirements, and reports to the local government authority on its management of solvent wastes. Most hazardous solvents used are recycled.

Environmental aspects are also important in product development, and are a natural consideration when creating new products. However, there is much a company can do on a day-to-day basis to minimize its environmental impacts. Paper, packaging and end-of-life electronic equipment at Biotage's offices is collected and sent for recycling.

Employees

The explicit ambition of Biotage is to offer its employees opportunities to further develop and grow in their role at the Company. This generates motivated and committed employees, whose performance enables the Company to achieve its goals.

A corporate culture program was prioritized by Biotage in 2009, culminating in a staff event in the fall where the entire organization was assembled for three days. The primary objectives of the event were to strengthen the joint corporate culture and mutual values, as well as to clearly establish the Company's goals with the employees and to ensure a shared commitment to achieve the goals. It was also important for the employees to have the opportunity to get to know each other – many of them met face-to-face for the first time – which is extremely important to enable improved communication within the Company.

The event, which was successful and much appreciated, led to a number of concrete results, including a mutual vision for the Company's development up to 2012. Strengths and improvement areas to achieve a stronger corporate culture were also identified.

Restructuring during the year

Biotage initiated the restructuring of the Company's U.S. operations at the beginning of 2009, which required that production at the Company's facility at Charlottesville, Virginia was partly transferred to the factory in Cardiff, Wales and partly outsourced to contracted manufacturers. At the same time, the remaining part of the U.S. operations, including sales and administration, was also moved from Charlottesville, Virginia to Charlotte, North Carolina, resulting in the loss of about 50 jobs. To facilitate the process for staff laid off, Biotage hired external resources to provide support during the adaptation period. The Company also announced the decision as early as possible in order to give staff time to look for new employment. They were informed in January that operations would be moved in September.

Skills enhancement

It is Biotage's desire that its employees shall develop in their role at the Company. Skills enhancement is today included as an integral part of the professional development dialog held with each employee. A new professional development performance review was introduced in 2009, which is used throughout the Group. Within the framework of these performance evaluations, the employee, together with their immediate manager, reviews how individual goals have been achieved during the year. There is also discussion about the employee's functional skills, personal behavior at work, and future development opportunities. The objective is to achieve a coaching leadership that helps the employee to develop. A development plan is also prepared for each employee, where needs and desires concerning skills enhancement are clearly defined. The needs are then addressed either through internal or external programs.

Biotage's investment in managerial development continued during the year. Leadership is one of the most important factors for employees' motivation and well-being and for the Company's results. New managers are offered coaching as support in their role as manager.

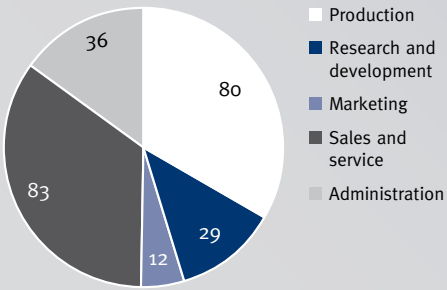
Good work environment

Biotage devotes a systematic and structured effort to provide a good work environment for its employees. The Company's work-environment-related policies serve as guidance, and embrace the physical work environment as well as psychosocial aspects, equality and discrimination.

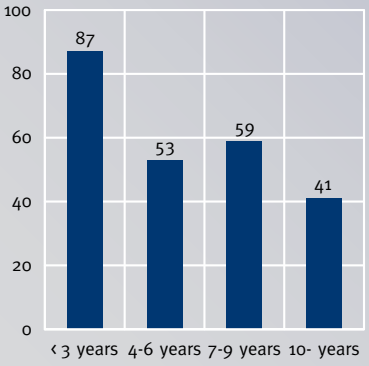
Biotage has had a low sick-leave rate over the years. In 2009, sick-leave for all employees in the Group was 0.5 percent (1.2). The health risks at Biotage are very small, and the Company did not have any incidents in 2009.

Gender division, %	
Male	66
Female	34
Geographical division, %	
Sweden	23
USA	29
Europe	43
Asia	5
Educational level, %	
Higher academic degree	23
University education	35
Non-academic education	42

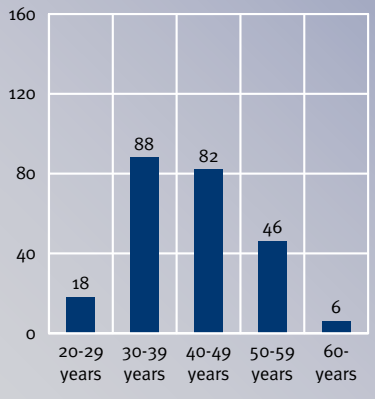
Personnel categories Number of persons



Lenght of employment Number of persons



Age distribution Number of persons



New Drug Possibilities with Exotic Peptides

Exotic peptide drugs based on amino acids that do not occur naturally in the body are drawing growing attention. These may be a new generation of drugs with the potential to replace conventional protein drugs. Professor Hiroaki Suga has developed two methods for synthesizing exotic peptides at his laboratory at the Research Center for Advanced Science and Technology at Tokyo University. These methods are known as "Flexizyme" and "RAPID". They use the automatic peptide synthesizer Syro I from Biotage for chemical synthesis, alteration, modification and analysis of the exotic peptides.

A considerable amount of current drug development is focused on small organic molecules and on proteins (antibodies). One of the advantages of drugs based on small molecules is that they can often be taken by mouth. Other advantages are that they do not have a negative effect on the immune system, and that they are relatively cheap to manufacture. It is, however, a disadvantage of such drugs that they can give rise to adverse effects. Protein drugs suffer from the disadvantages that the number of target proteins is limited, and that the drugs are expensive to manufacture. These problems limit the use of such drugs.

A breakthrough in the use of exotic peptides

Professor Suga has managed to create exotic peptides by developing a synthesis technique that he calls RAPID. He and his team have achieved this important breakthrough by applying a technique known as Flexizyme to make it possible to prepare tRNA (transfer RNA) charged with various non-standard amino acids, and use a reconstituted translation apparatus to express exotic peptides. The RAPID system enables for rapid screening (selecting) bio-active exotic peptides based on an in-vitro display format.

Professor Suga's laboratory is now developing exotic peptide drugs based on the RAPID technology, in collaboration with several pharmaceuticals companies. They are also developing a library of exotic peptides, something that has been extremely difficult until now.

– "The manufacturing costs for exotic peptides are relatively low, and these peptides are attracting evermore attention as the next generation of drugs to replace protein drugs. We believe that our research collaboration with pharmaceuticals companies, in which we benefit from using the RAPID and Flexizyme techniques, will contribute to the development of exotic peptide drugs", says Professor Suga.

Syro I: an important tool

The Biotage Syro I is an important tool in Professor Suga's laboratory, allows them to access a large quantity of the specific exotic peptides after their discovery based on the RAPID and Flexizyme techniques. It is currently used not only in collaborative projects at the laboratory, but also by other pharmaceuticals companies. Professor Suga describes one of the reasons that he chose the Syro I.

– "We need to synthesize a number of different peptides. In particular, we must be able to scale up to a certain level the production of the exotic peptides that we obtain from the RAPID technique. It is for this reason an absolute requirement that we have an instrument that can synthesize many different peptides and in larger quantities."

User-friendliness

It is possible to synthesize many different peptides with the Syro I (parallel synthesis), and this means that the Syro I is an excellent tool for research into both natural peptides and exotic peptides. One scientist who uses the Syro I explain:

– "We could synthesize around 100 peptides in three years, using the synthesis instrument we had before. With the Syro I, we had synthesized 100 peptides three months after we received the equipment, and we believe we can increase the number to 100 per month in the near future."

Another scientist describes how much they appreciate the user-friendliness of the instrument:

– "It's easy to set up both the reagents and the reactor. The software that controls the system is easy to use, and there are never any problems in programming the synthesis we want to carry out."

Microwave synthesis offers new possibilities

Biotage launched its Syro Wave instrument at the beginning of 2010. This is a combination instrument for peptide synthesis that offers the possibility of using both microwave-assisted synthesis and traditional parallel synthesis at room temperature. Professor Suga's laboratory is planning to start using the Syro Wave, and he describes his expectations:

– The synthesis of exotic peptides that include amino acids that do not occur naturally in the body is becoming evermore important. It is important to be able to create sequences of exotic peptides, in order to keep up with the rapid developments. We believe that microwave-assisted synthesis will increase the efficiency of peptide synthesis. We also expect that the microwave technique will make it possible to synthesize exotic peptides that have so far been impossible", says Professor Suga.

The Biotage Share

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

The share capital in Biotage at December 31, 2009 totaled SEK 88,486,320 divided by 88,486,320 shares with a par value of SEK 1. Each share has one vote.

Share price trends
In 2009, the share price rose by 34 percent from SEK 5.30 to SEK 7.10. During the same period, the OMXSPI increased by 46.7 percent. The highest price paid for the share in 2009 was SEK 8.55 and was reported on May 19. The lowest price paid for the share was SEK 4.55 and was reported on January 20. At the end of 2009, Biotage's market value totaled SEK 628m. In 2009, a total of 52.4m shares were traded for a value of SEK 332.9m, corresponding to an annual trading turnover of 59 percent.

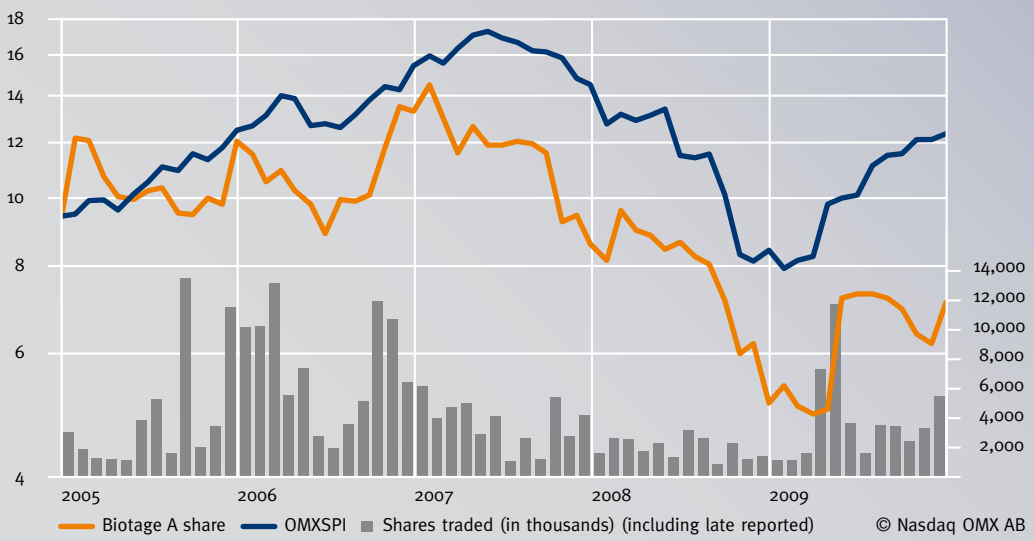
Shareholders
The number of shareholders in Biotage at December 31, 2009 was 7,393 (6,529). The 15 largest shareholders accounted for 55 percent of the capital and the votes. The proportion of non-Swedish shareholders was 15.1 percent of the capital and the votes.

Option programs
The Parent Company has two outstanding option programs aimed at employees in the Group. The number of outstanding options is 584,700, which with full utilization entitles the holders to subscribe for 584,700 shares with a corresponding number of votes in Biotage AB. The subscription price differs between the programs, with SEK 11.83 for the first program and SEK 16.64 for the second program. The last day of the subscription periods also differs between the programs, with February 21, 2013 for the first program and February 15, 2014 for the second program. The terms of the option programs are stated in the Accounting and Valuation Principles, note 6, on pages 48-49.

Buy-back of shares
The Annual General Meeting of Shareholders held on April 27, 2009 resolved to authorize the board of directors to decide on the acquisition and transfer of the Company's own shares up and until the forthcoming Annual General Meeting of Shareholders so that Biotage's total holding of own shares reaches a maximum of 10 percent of the total number of the Company's shares. The purpose of the buy-back program is to enable the board to adapt and improve the Company's capital structure and thereby increase shareholder value. The repurchase of shares will take place on the Nasdaq OMX Stockholm at a price within the price-interval recorded at any time. In 2009, a total of 1,578,109 shares were repurchased at a value of SEK 10.2m. The average price upon repurchase was SEK 6.45. No shares have been further sold.

Dividend
For fiscal year 2009, the board of directors in Biotage AB recommends a dividend of SEK 0.20 per share (0.20).

Share price trends



Shareholder categories as of December 31, 2009

Shareholder	Number of shares	Proportion of capital and votes, %
Swedish shareholders › 500 shares	74,569,015	84.3
of which:		
Swedish private individuals	24,187,397	27.3
Mutual funds	7,192,778	8.1
Private companies	11,553,078	13.1
Pension fund investors	4,191,881	4.7
Investment companies	7,629,307	8.6
Banks	2,677,840	3.0
Market-listed companies	4,811,428	5.4
Other Swedish institutions	9,534,513	10.8
Other	2,790,793	3.3
Non-Swedish shareholders › 500 shares	13,342,579	15.1
Shareholders ‹ 500 shares	574,726	0.6
Total:	88,486,320	100.0

The 15 largest shareholders as of December 31, 2009

Shareholder	Number of shares	Proportion of capital and votes, %
HealthCap	9,522,013	10.8
Investor AB	7,629,307	8.6
Walldov Anders and company	6,000,000	6.8
Länsförsäkringar fonder	4,172,273	4.7
Home Capital AB	3,243,614	3.7
Uhlén Mathias and company	2,850,751	3.2
SEB Företagsinvest	2,672,267	3.0
Nyrén Pål	2,331,305	2.6
Fourth Swedish National Pension Fund (AP4)	2,159,325	2.4
Nordea funds	1,931,577	2.2
Biotage AB (through repurchase)	1,567,814	1.8
Ribbskottet AB	1,500,000	1.7
Berndtsson Håkan	1,352,935	1.5
Avanza Pension Försäkring AB	1,114,509	1.3
DFA funds USA	998,934	1.1
Total	49,046,624	55.0

Shareholders by size of holdings as of December 31, 2009

Size classes	Number of shares	Proportion of capital and votes, %
1 - 500	2,917	39.5
501 - 1,000	1,452	19.6
1,001 - 10,000	2,569	34.9
10,001 - 100,000	381	4.9
100,001 -	74	1.1
Total	7,393	100.0

Operational Risks

Customers and markets

The Company has a broad customer-base in the pharmaceutical sector, scientific research, and clinical research in the healthcare sector. Three-quarters of the customer structure is mainly associated with the world's leading pharmaceutical companies, and no customer represents more than five percent of sales, thus reducing the risk of dependence on fluctuations in grants for academic research or in the customer-base in general. New or cheaper products from rivals could, however, impact the Company's market position.

Biotage counters these risks by seeking to establish the broadest usage area possible for its products, aiming to reach many customer segments so that each customer's relative proportion of sales revenues is limited. Furthermore, Biotage endeavors to run its operations as cost-effectively as possible in order to compete successfully with its prices.

Biotage does not have any seasonal fluctuations that affect the Group's sales.

Products and technologies

Biotage has a broad product portfolio, thereby reducing overall sensitivity to product lifecycles and global economic fluctuations. New biotechnologies take a relatively long time to establish, and competition from potential new technologies therefore represents a limited risk in the short term. However, Biotage cannot guarantee that others will not develop products based on new technologies, which would reduce the competitiveness of the Company's products or make them completely redundant.

Biotage meets these risks by broadening its product range and marketing new products with both advantageous pricing and new performance.

Production

The production of systems and instruments takes place at the Company's contracted manufacturers in Sweden, and consumables at the factory in Cardiff, Wales. These facilities have the capacity, relatively quickly, to substantially increase production of all of the Group's products. The dependence on external production capacity can increase the risk of delays or non-deliveries. However, Biotage does not believe that the risk is greater than if the Group were to place all production at its own facilities.

Biotage handles these risks by designating special staff to closely follow-up on how suppliers are able to fulfill their obligations, with respect to both product quality and to agreed delivery times.

Personnel

Biotage has a large number of key employees who are highly skilled, tremendously committed, highly motivated and who have developed strong customer relations. The Company conducts research and development of new products, which means that Biotage is highly dependent on its ability to attract and retain qualified personnel. It is therefore important that the Company can offer competitive terms of employment. If Biotage fails to recruit and retain skilled personnel, it could become difficult to fulfill the Company's business strategies.

Biotage meets these risks by offering its employees significant influence over the Group's product range and their own tasks, as well as offering ample opportunity for personal development through training and further education.

Competitors

Biotage believes that the Company's products are competitive. However, competition on the market is tough, and in certain cases Biotage is competing against larger and more established companies with substantially greater financial and industrial resources at their disposal. It cannot be ruled out that this competition may lead to lower market shares and profitability for Biotage in the future.

The Company meets these risks by offering buyers a major market presence and greater commitment and focus on customers' needs than its competitors.

Intellectual property rights

Biotage depends on non-patented company secrets, know-how and continuous technological inventions, and its ability to obtain and keep patents to protect the Group's technology and products. Biotage continuously applies for patent protection for the methods and products the Company develops. If Biotage fails to protect its patents, company secrets, know-how or technologies, or if the rights do not offer sufficient protection against rivals, the Company's competitive position could be undermined, thereby negatively impacting the value of the Company's current and future products. Should a party claim that the Company's inventions or use of technologies infringe on that party's intellectual property rights, the Company could be liable for damages if patent infringement were proven.

The Company could also need to initiate legal proceedings to defend its intellectual property rights. The result of such a process is uncertain. Even if Biotage were to win such a case, the process would be time-consuming and costly and would require much of the management's time and attention.

Biotage addresses these risks by monitoring the development of new products and methods in the Group's environment and by maintaining good technical and legal competence 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 45-47. 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 constitutes the most significant financial risk, while interest risks and credit risks weigh less heavily.

The currency risk lies in that the Group's sales revenues and operating costs do not match each other. A considerably larger proportion of the Group's revenues are related to foreign currencies than its operating costs, which are paid to a large degree in Swedish kronor. In order to reduce the currency risk, some of the net flows are forward-covered.

Furthermore, the Parent Company has, through acquisitions, invested in subsidiaries in the United States, 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 at the market price, and may consequently create unforeseen costs due to the unavailability of cash funds in foreseen or unforeseen circumstances.

Biotage's financial position is satisfactory with an equity ratio of 89 percent. The Company's liquid assets and current investments amounted to SEK 405m on the reporting date. The current investments have a short tenor and were made in Treasury bills or instruments that are equally realizable. In addition, the Company has directly accessible liquid assets in its deposit accounts.

Biotage's loans at fiscal year-end totaled SEK 38m, and unused credit amounted to SEK 76m.

The cash flow statements for 2008 and 2009 show positive cash flow from operating activities, which ensures fulfillment of the obligations related to the current scope of operations.

Biotage thereby does not currently face any tangible liquidity or financing risk where the Company's expansion could become dependent on credit or owner investments.

Biotage addresses these risks in the long-term by focusing strongly on operating profit, the financial position and positive cash flow from operating activities. In the long-term, this will create the conditions required for organic growth and confidence among shareholders and creditors, who can provide access to financial resources for structural transactions aimed at growth.

Sensitivity analyses regarding changes in sales revenues, gross margins and operating costs:

Change in:	Affects profit/loss by SEK '000	
Net sales (volume changes) +10/-10%	22,510	-22,510
Net sales (price changes) +10/-10%	39,412	-39,412
Gross margin +1/-1 percentage point	3,941	-3,941
Operating costs +10/-10%	-23,522	23,522

Five Years in Summary

Key figures and ratios	2009	2008	2007	2006	2005
Group					
Net sales, SEK 000	394,123	385,295	397,568	430,043	350,885
Growth in net sales, %	2.3	-3.1	-23.5	20.7	17.4
Gross profit, SEK 000	225,098	224,457	239,861	255,310	190,233
Gross margin, %	57.1	58.3	60.3	59.4	54.2
Operating margin, %	-2.6	7.1	4.2	-1.1	-8.0
Profit margin, %	-1.8	8.2	5.0	2.0	1.5
Profit before tax, SEK 000	-8,999	27,672	14,260	-4,929	-2,242
Earnings per share, SEK	0.15	0.35	0.58	-0.09	-0.06
Total assets, SEK 000	1,227,390	1,299,012	988,599	917,265	974,738
Equity/assets ratio, %	88.7	86.6	80.5	77.7	75.7
Proportion of risk-bearing capital, %	88.7	86.6	80.5	77.7	75.7
Capital expenditure, SEK 000	39,958	24,743	30,411	43,099	190,407
Average number of employees	268	323	336	341	295
Debt/equity ratio, %	3.4	4.2	9.0	11.5	13.2
Interest cover ratio, times	-3.0	8.2	3.6	1.4	neg
Return on equity, %	-0.9	3.2	6.8	0.4	-6.1
Return on capital employed, %	-0.6	3.1	2.4	2.4	-4.1
Return on total assets, %	-0.5	2.8	2.1	2.1	-3.5

Data per share					
Earnings, SEK/share	0.15	3.38	0.58	-0.09	-0.06
Earnings after dilution, SEK/share	0.15	3.38	0.58	-0.09	-0.06
Dividend, SEK/share (*)	0.2	0.2	0	0	0
Stock market price at end of period, SEK/share	7.10	5.10	8.60	13.30	12.05
Equity, SEK/share	12.31	12.71	9.00	8.05	8.34
Equity per share, after dilution, SEK/share	12.31	12.70	8.95	8.01	8.31
Price/book value per share, SEK/share	12.31	12.68	8.99	8.05	8.34
Price/book value per share, after dilution, SEK/share	12.31	12.67	8.93	8.01	8.31
P/E ratio, times	46.5	14.5	14.9	417.9	-210.9
P/S ratio, times	1.59	1.17	1.91	2.74	3.04
Cash flow from operations, SEK/share	0.45	0.62	0.40	0.45	-0.25
Weighted average number of shares, thousands (**)	88,263	88,486	88,486	88,486	69,795
Weighted average number of shares, after dilution, thousands (**)	88,263	88,541	89,015	88,884	70,192
Total average number of shares outstanding at end of period, thousands (**)	88,486	88,486	88,486	88,486	88,486
Total number of shares outstanding at end of period, thousands, after dilution (**)	88,486	88,486	88,986	88,986	88,895

(*) For the fiscal year 2009, the Board proposes a dividend of SEK 0.20 per share.

(**) In 2009, the Parent Company Biotage AB repurchased 1,578,000 of the Company's own shares. This has affected the average number of shares outstanding. The number of shares at December 31, 2009, includes the repurchased shares, as these are still in the Company's possession.

Definitions

Gross margin, %
Gross profit divided by net sales.

Earnings per share
Net profit for the year divided by the average number of shares outstanding.

Equity/assets ratio
Equity divided by total assets.

Debt/equity ratio
Interest-bearing liabilities divided by equity.

Interest cover ratio
Profit after financial items plus finance costs divided by finance costs.

Return on equity
Net profit for the year divided by average equity.

Return on capital employed
Profit after financial items plus finance costs divided by average capital employed.

Return on total assets
Profit after financial items plus finance costs divided by average total assets.

Capital employed
Total assets less non-interest-bearing provisions and liabilities. Average capital employed is the sum of capital employed at the beginning and end of the fiscal year divided by two.

Total assets
Average total assets is the sum of total assets at the beginning and end of the fiscal year divided by two.

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

Earnings per share
Net profit for the period divided by the average number of shares during the period. As loss per share would decline in the case of diluted earnings per share as a result of outstanding options, earnings per share is calculated without reference to dilution.

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

Price/book value per share
Equity plus or minus the difference between fair value (market value) and the carrying amount (book value) of assets and liabilities, plus or minus deferred tax assets or liabilities.

P/E ratio
Share price divided by earnings per share.

P/S ratio
Stock market price divided by sales per share outstanding at the end of the period. For parts of a year, sales are calculated on a straight-line basis to provide a full-year figure.

Cash flow from operations per share
Cash flow from operating activities divided by the number of shares outstanding at the end of the period.

Operating margin
Operating profit/loss divided by sales.

Profit margin
Operating profit/loss plus finance income divided by sales.

Directors' Report

Biotage AB (556539-3138)

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 analytical chemistry and medicinal chemistry. Biotage's customers include the world's largest pharmaceutical and biotechnological companies as well as leading academic institutions. Biotage AB, headquartered in Uppsala, Sweden, is the Parent Company of the Group. The Biotage Group is composed of wholly-owned subsidiaries in Sweden, Great Britain, Germany, France, Switzerland, Italy, the United States and Japan.

Important events during the year

Move of instrument production

Biotage decided on January 22 to move instrument production from the factory in Charlottesville, Virginia to contracted manufacturers, as well as to transfer the production of consumables from Charlottesville to the Company's own factory in Cardiff, Wales. These measures enabled Biotage to take a further step in the streamlining of operations.

The execution of the structural changes decided at the beginning of the year was completed in the fourth quarter. Operations at the Company's factory in Charlottesville, Virginia have been subsequently discontinued. The sales and marketing company for the North American market is now established in Charlotte, North Carolina. These changes have provided Biotage with a significantly improved cost structure and a lower level of tied-up capital. The premises in Charlottesville were sold at the beginning of January 2010, giving a net cash inflow to the Group of SEK 9.5m.

Collaboration with MultiSynTech and start of peptide synthesis operations

Demand for products within the peptide area is growing strongly. Biotage entered into a collaboration agreement in the first quarter 2009 with the German company MultiSynTech GmbH. This partnership embraces the distribution of MultiSynTech's current system for peptide synthesis and a project regarding microwave-assisted peptide synthesis. Sales and the projects have developed positively, and Biotage launched an instrument for parallel and microwave synthesis in the first quarter 2010.

Additional purchase consideration for the Biosystems business area

In the fourth quarter 2008, Qiagen acquired the assets and certain liabilities of the Biosystems business area as well as Biotage's shares in Corbett (17.5 percent) at an initial purchase consideration of USD 53m. Under the provision that certain sales targets be achieved, additional purchase considerations totaling a maximum of USD 7m will be paid to Biotage during the period from Qiagen taking over the operations up to December 31, 2012. In the fourth quarter 2008, Biotage achieved the goal for the first additional purchase consideration in the amount of USD 500k.

For fiscal year 2009, Biotage received a further USD 3,239k in additional purchase consideration from Qiagen, which when converted has been reported as SEK 23,361k.

In total, Biotage has received USD 3,739k in additional purchase consideration. Under the provision that certain sales targets be achieved, a further maximum amount of USD 3,261k can therefore be received up to 2012 (inclusive).

Decision regarding buy-back of own shares

The Annual General Meeting of Shareholders held on April 27, 2009 resolved to authorize the board of directors to decide on the acquisition and transfer of the Company's own shares up and until the forthcoming Annual General Meeting of Shareholders so that Biotage's total holding of own shares reaches a maximum of 10 percent of the total number of the Company's shares. The purpose of the buy-back program is to enable the board to adapt and improve the Company's capital structure and thereby increase shareholder value. The repurchase of shares will take place on the Nasdaq OMX Stockholm at a price within the price-interval recorded at any time. In 2009, a total of 1,578,109 shares were repurchased, which the Company still holds. The shares were repurchased at a price of SEK 6.45 and for a total of SEK 10.2m.

Patent dispute in the United States

Biotage, together with the wholly-owned subsidiaries Biotage GB Ltd and Biotage LLC, is being sued for patent infringement in the U.S. District Court for the Southern District of California. The lawsuit was filed by Scientific Plastic Products, Inc. and concerns the U.S. patent numbers 7,138,061 7,381,327 and 7,410,571, each entitled "Flash Chromatography Cartridge." The lawsuit primarily concerns Biotage's sales of the SNAP product line in the United States.

The legal process is ongoing and there is currently no reason to reappraise the initial analysis of Biotage's position in factual matter. Biotage believes that the Company continues to hold a strong position and that the plaintiff does not have good cause for the alleged patent infringement.

Biotage has submitted an application to the U.S. Patent and Trademark Office with a request to re-examine all patent claims in the aforementioned three patents. In parallel, Biotage has submitted a request that the infringement case at the district court be stayed pending the outcome of the re-examination proceedings.

The district court has granted Biotage's request that the infringement case be stayed. The U.S. patent office has formally accepted the three requested re-examinations of the validity of the patents in question.

Income and cash flow

The Group's net sales amounted to SEK 394.1m compared to SEK 385.3m for the year 2008, representing an increase of 2 percent. When stated at comparable rates of exchange, sales declined by 9 percent.

The United States and the European Union accounted for approximately 40 percent of total sales each, and the rest of the world for 20 percent.

The Group's gross margin was 57.1 percent (58.3). Changes in the Group's product mix with a downturn for high-marginal instruments along with sharper price competition have contributed to a lower gross margin.

Operating costs, which were affected negatively by a currency difference of 7 percent, amounted to SEK 235.2m (197.2). Operating costs include restructuring costs following the closure of the production facility in the United States and the consolidation of operations in Great Britain in the total net amount of SEK 18.0m. The increase in administration costs is attributable to a change in the allocation of overhead costs and to legal costs related to a patent dispute (SEK 3.2m).

The operating profit, excluding restructuring costs, was SEK 7.9m (27.2), but after restructuring costs became an operating loss of SEK 10.1m (last year: profit 27.2).

Net financial items amounted to SEK 1.1m (0.4).

Profit after tax was SEK 13.5m (299.1).

Cash flow from operating activities amounted to SEK 36.2m (88.7).

Balance sheet items and financial position

The Group's liquid assets and current investments amounted at December 31, 2009 to SEK 364.9m, compared with SEK 405.0m on December 31, 2008. Authorized but unutilized credits amounted to SEK 75.5m compared with SEK 73.6m at December 31, 2008. The Group's interest-bearing liabilities amounted to SEK 37.7m compared with SEK 46.9m at December 31, 2008. A dividend totaling SEK 17.7m was paid to shareholders in the second quarter. Own shares in the Parent Company have been repurchased for SEK 10.2m.

The Group reports total goodwill of SEK 473.7m (487.2) as of December 31, 2009, which pertains to the acquisitions in 2003 of Personal Chemistry and Biotage LLC as well as the acquisitions of Argonaut and Separtis in 2005. The change in the year is due to differences in currency rates.

Other intangible assets in the form of patents and license rights amounted to SEK 12.0m (16.3) and capitalized development expenditure of SEK 49.9m (44.4).

Equity at December 31, 2009 was SEK 1,089.0m compared with SEK 1,124.8m at December 31, 2008.

Investments

Investments during the year totaled SEK 40.0m (24.7) of which SEK 22.1m

(16.4) pertained to capitalized development costs. Depreciation and amortization amounted to SEK 35.3m (32.3), of which SEK 16.7m (10.0) was the amortization of capitalized development costs.

Discontinued operations

The profit after tax for discontinued operations was SEK 23.3m (267.9). For 2009, this amount pertains primarily to the additional purchase consideration from Qiagen, and for the year 2008 the profit pertains to the Biosystems business area that was sold in the fourth quarter 2008.

Biotage sold its premises in Charlottesville in January 2010. In the statement of financial position as of December 31, 2009, this item has been reported as a non-current asset held for sale. Liabilities relating to non-current assets held for sale have been reported in a similar manner.

Research and development

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

Intellectual property rights

Biotage uses its intellectual property rights (intangible rights) as a commercial instrument to create and secure competitive advantages. Patent protection is sought for all strategically important results, including processes, synthesis and analysis methods, products and applications. In addition to filing patent applications, the Company seeks to register its intangible rights in the form of design patents and trademarks. Biotage continuously evaluates its own portfolio of intangible rights based on a cost-benefit perspective. The Company actively monitors events and third party intellectual property rights to ensure that Biotage does not infringe on the rights of others, and that other parties do not infringe on the rights of the Company. Biotage currently has 131 registered patents as well as 24 patent applications pending divided into 25 patent families. During the year, 15 new patents were granted, and 2 new patent applications were submitted.

Personnel

The Group had 245 employees at December 31, 2009 compared with 292 employees at the beginning of the year. The decrease in number of employees is mainly attributable to the restructuring of operations in the United States.

Environment

Biotage does not have any manufacturing processes. Its production consists primarily of the assembly and installation of components, and thus causes minimal environmental impacts. The Company complies with the European Union's RoHS Directive.

Risks

The Company has a broad customer-base in the pharmaceutical sector, scientific research, and clinical research in the healthcare sector. Three-quarters of the customer structure is mainly associated with the world's leading pharmaceutical companies, and no customer represents more than ten percent of sales, thus reducing the risk of dependence on fluctuations in grants for academic research or in the customer-base in general. The Company does, however, have customers that represent a rather significant proportion 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. This could affect the customer-base and Biotage's market position negatively, particularly if one of the larger customers were involved. Furthermore, new or cheaper products from rivals could also negatively affect the Company's market position. A more detailed description is set forth on page 24. In accordance with the provisions of IFRS 7, a report of the Group's financial risks and risk management is provided on pages 45-47. 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 insignificant importance. The currency risk lies in that the Group's sales revenues and operating costs do not match each other. A considerably larger proportion of the Group's revenues are related to foreign currencies than its operating costs, which are paid to a large degree in Swedish kronor. In order to reduce the currency risk, some of the net flows are forward-covered.

Parent Company

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

The Parent Company's net sales amounted to SEK 6.1m (13.6).

The profit after financial items was SEK 43.1m (-8.6).

The Parent Company's investments in intangible assets amounted to SEK 0.9m (2.0).

The Parent Company's liquid assets and current investments were SEK 330.0m at December 31, 2009 and SEK 357.0m at December 31, 2008.

The Biotage share

Biotage has a total of 88,486,320 shares, and following the ongoing buy-back program there are 1,567,814 shares (1.8 percent) in own custody. The Company's shares each give the right to one vote, and the Articles of Association do not contain any restrictions with regard to the number of shares a shareholder may vote for at general meetings. Neither are there any restrictions as to the share's transferability. The Company is not aware in this regard of any agreements that may exist between shareholders. The board of directors is authorized by the annual general meeting of shareholders held in 2009 to issue shares or convertibles entailing that the number of shares in the Company may increase by a maximum of 8,800,000. The board of directors is furthermore authorized by the same annual general meeting to acquire and repurchase on Nasdaq OMX Stockholm a maximum of 8,848,632 shares. These authorizations shall remain in force until the annual general meeting of shareholders to be held on April 29, 2010.

Significant events after the reporting date

Biotage announced on January 22, 2009 that the Company had decided, as part of the ongoing rationalization process, to move the manufacture of the Company's products from Charlottesville, Virginia to contracted manufacturers and to its own factory in Cardiff, Wales. The transfer of these operations was completed at the beginning of January 2010. In parallel with this move, measures have been taken to sell the premises owned by the Company in Charlottesville.

The premises were sold in January 2010 at a price of USD 5.5m, resulting in a minor loss of USD 0.1m. The Company will receive a net cash inflow of SEK 9.5m (USD 1.3m) after related transaction costs and the redemption of loans.

Principles for remuneration of senior executives

The proposal of the board of directors to the annual general meeting of shareholders is set forth on page 53.

Proposed appropriation of income

The Parent Company holds the following amounts at the disposal of the annual general meeting of shareholders:

Retained earnings brought forward	847,525,866
Fund for fair value	-23,903,552
Profit for the year	43,054,122
Total	866,676,436

The board of directors and the chief executive officer propose that the above amount be appropriated as follows:

Dividend to shareholders of SEK 0.20 per share	17,697,264
Carried forward to retained earnings	848,979,172
Total	866,676,436

The recommended dividend reduces the Group's equity ratio by 0.2 percent calculated at 12/31/2009. The total amount of the proposed dividend may be adjusted downwards given that the shares held by Biotage in own custody on the record date do not confer the right to a dividend.

The board of directors proposes that the record date be Tuesday, May 4, 2010 as payment of the dividend is planned to take place on Friday, May 7, 2010.

The equity ratio is satisfactory in view of the fact that the Group's operations are expected to continue to be profitable. It is deemed that liquidity within the Group can be maintained at a similarly satisfactory level. The board is of the opinion that the recommended dividend does not prevent the Company from fulfilling its commitments and obligations in the short and long-term or from making necessary investments. The recommended dividend can therefore be justified pursuant to Chapter 17, section 3, paragraphs 2-3 (known as the prudence rule) of the Swedish Companies Act.

The Group's and the Parent Company's earnings and financial position in general are set forth in the Group's statement of comprehensive income, statement of financial position and statement of cash flows as well as the Parent Company's income statement, balance sheet, cash flow statement and summary of changes in equity, with related accounting principles and notes.

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	Note	2009	2008
Net sales	2	394,123	385,295
Cost of sales	4	-169,025	-160,838
Gross profit		**225,098**	**224,457**
Distribution costs	4, 8	-132,297	-142,266
Administrative expenses	4, 6, 8	-61,020	-40,753
Research & development expenses	4, 8	-34,130	-34,646
Other operating income	3	10,951	25,550
Other operating expenses	9	-18,725	-5,121
Total operating expenses		-235,221	-197,235
Operating profit		**-10,123**	**27,222**
Finance income	10	3,367	4,278
Finance costs	10	-2,243	-3,828
Profit before tax		**-8,999**	**27,672**
Income tax	11	-818	3,498
Profit for the year from continuing operations		**-9,817**	**31,170**
Profit for the year from discontinued operations	5	**23,295**	**267,884**
Profit for the year		**13,478**	**299,054**
Other comprehensive income			
Exchange differences from translation of foreign subsidiaries		-22,467	29,239
Cash flow hedges		1,042	-582
Other comprehensive income for the year, net after tax		–	817
Total other comprehensive income		-21,425	29,474
Total comprehensive income for the year		**-7,948**	**328,528**
Profit for the year attributable to:			
– equity holders of the parent		13,478	299,054
Total comprehensive income attributable to:			
– equity holders of the parent		-7,948	328,528
Average number of shares outstanding		88,262,934	88,486,320
Average number of shares outstanding after dilution		88,262,934	88,541,030
Ordinary shares outstanding at the reporting date		(*) 88,486,320	88,486,320
Earnings per share		0.15 kr	3.38 kr
Earnings per share after dilution		0.15 kr	3.38 kr
Earnings per share relates to:			
Continuing operations		-0.11 kr	0.35 kr
Discontinued operations		0.26 kr	3.03 kr
Total earnings per share		-0.09 kr	3.71 kr
Earnings per share after dilution		-0.09 kr	3.71 kr

(*) Biotage itself owns 1,578,109 of the number of shares outstanding at December 31, 2009, as a result of a share buy-back under the Board's repurchasing mandate which was granted at the 2009 annual general meeting.

Quarterly Summary for 2008 and 2009

	2009	2009	2009	2009	2008	2008	2008	2008
Amounts in SEK thousands	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	99,519	90,602	104,411	99,591	108,950	92,308	95,092	88,945
Cost of sales	-45,647	-39,426	-41,002	-42,951	-46,426	-38,597	-40,998	-34,817
Gross profit	53,872	51,176	63,410	56,641	62,524	53,711	54,094	54,128
Gross margin	54.1%	56.5%	60.7%	57.4%	57.4%	58.2%	56.9%	60.9%
Operating expenses	-50,304	-49,154	-59,739	-76,024	-50,850	-46,756	-51,411	-52,944
Operating profit	3,568	2,022	3,671	-19,384	11,674	6,955	2,683	1,184
Net finance income/expense	680	-253	2,683	-1,986	6,516	152	-738	-754
Profit before tax	4,248	1,769	6,354	-21,370	18,190	7,107	1,944	430
Tax	454	-385	-610	-277	4,201	-522	-157	-24
Profit for the period from continuing operations	4,702	1,384	5,744	-21,647	22,392	6,584	1,787	407
Profit for the period from discontinued operations	23,361	-152	-263	349	242,719	6,172	6,220	12,773
Profit for the period	28,063	1,232	5,480	-21,298	265,111	12,756	8,007	13,180

Consolidated Statement of Financial Position

Amounts in SEK thousands	Not	12-31-2009	12-31-2008
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	12	41,915	80,978
Goodwill	13	473,661	487,227
Other intangible assets	14	61,970	60,731
Financial assets	15	2,293	1,754
Deferred tax asset	15	42,570	42,570
Total non-current assets		**622,409**	**673,260**
Current assets			
Inventories	16	80,288	104,224
Trade and other receivables	17	121,228	100,498
Other short-term investments		–	98,801
Cash & cash equivalents and short-term deposits		364,902	306,190
Total current assets		**566,417**	**609,713**
Total assets of continuing operations		**1,188,827**	**1,282,973**
Non-current assets held for sale	5	**38,564**	**–**
Assets of discontinued operations	5	**–**	**16,039**
Total assets		**1,227,390**	**1,299,012**
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent			
Share capital		88,486	88,486
Other paid-in capital		4,993	847,173
Reserves		-65,345	-43,920
Retained earnings		1,060,893	233,054
Total equity		**1,089,027**	**1,124,793**
Non-current liabilities			
Liabilities to credit institutions	10	7,615	8,065
Non-current provisions	18	2,913	3,351
Total non-current liabilities		**10,528**	**11,416**
Current liabilities			
Trade and other payables	19	92,615	95,360
Tax liabilities		1,746	1,869
Liabilities to credit institutions	10	915	38,829
Current provisions	18	3,356	5,977
Total current liabilities		**98,632**	**142,036**
Total equity and liabilities for continuing operations		**1,198,186**	**1,278,245**
Liabilities attributable to assets held for sale	5	**29,204**	**–**
Liabilities attributable to assets of discontinued operations	5	**–**	**20,767**
Total equity and liabilities		**1,227,390**	**1,299,012**
Pledged assets	21	147,760	154,003
Contingent liabilities	21	–	–

Consolidated Statement of Changes in Equity

Amounts in SEK thousands	Share capital	Other paid-in capital	Translation reserve	Hedging reserve	Retained earnings	Total equity
Opening balance January 1, 2008	**88,486**	**1,513,992**	**-72,117**	**-460**	**-733,636**	**796,265**
Changes in 2008						
Total comprehensive income for 2008	–	817	29,239	-582	299,054	328,528
Total non-owner changes in 2008	**–**	**817**	**29,239**	**-582**	**299,054**	**328,528**
Transactions with equity holders of the company						
Distribution as adopted by the annual general meeting	–	-667,636	–	–	667,636	–
Closing balance December 31, 2008	**88,486**	**847,173**	**-42,878**	**-1,042**	**233,053**	**1,124,793**
Changes in equity in 2008						
Total comprehensive income for 2009	–	–	-22,467	1,042	13,478	-7,948
Total non-owner changes in 2009	**–**	**–**	**-22,467**	**1,042**	**13,478**	**-7,948**
Transactions with equity holders of the company						
Dividend to shareholders of the parent	–	–	–	–	-17,697	-17,697
Share buy-back by parent company [1)]	–	–	–	–	-10,120	-10,120
Distribution as adopted by EGM registered with Swedish Companies Registration Office on February 11, 2009	–	-842,180	–	–	842,180	–
Closing balance December 31, 2009	**88,486**	**4,993**	**-65,345**	**–**	**1,060,893**	**1,089,027**

[1)] Share buy-back.

At the annual general meeting held on April 27, 2009 the Board was granted a mandate to purchase and transfer the Company's own shares before the next annual general meeting, provided Biotage's total holding of its own shares does not exceed ten percent of the total number of shares. The Company used this mandate to purchase a total of 1,578,109 shares between August and December 2009 at an average purchase price of SEK 6.45 including commission. The number of repurchased shares corresponds to 1.8 percent of the number of issued shares.

Consolidated Statement of Cash Flows

Amounts in SEK thousands	2009	2008
Operating activities		
Profit after financial items	-8,999	27,672
Adjustments for non-cash items	34,470	21,291
	25,471	**48,963**
Income tax paid	-818	-1,494
Cash flow from operating activities before changes in working capital	**24,653**	**47,469**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in inventories	18,623	-5,900
Increase (-)/decrease (+) in trade receivables	-1,863	9,833
Increase (-)/decrease (+) in other current receivables	-1,791	-6,996
Increase (+)/decrease (-) in other liabilities	269	10,088
Cash flow from operating activities – continuing operations	**39,892**	**54,493**
Cash flow from operating activities – discontinued operations	**-3,644**	**34,244**
Cash flow from operating activities	**36,248**	**88,737**
Investing activities		
Acquisition of intangible assets	-23,042	-17,849
Acquisition of property, plant & equipment	-16,257	-6,611
Acquisition of financial assets	-659	-300
Sale of financial assets	–	17
Cash flow from investing activities – continuing operations	**-39,958**	**-24,743**
Cash flow from investing activities – discontinued operations	**–**	**344,012**
Cash flow from investing activities	**-39,958**	**319,269**
Financing activities		
Dividend to shareholders	-17,697	–
Buy-back of shares	-10,120	–
New borrowing	–	4,006
Repayments of loans	-6,669	-39,897
Cash flow from financing activities – continuing operations	**-34,486**	**-35,891**
Cash flow from financing activities – discontinued operations	**–**	**–**
Cash flow from financing activities	**-34,486**	**-35,891**
Cash flow for the year	**-38,197**	**372,116**
Cash & cash equivalents and short-term deposits at beginning of year	404,991	31,017
Exchange differences	-1,892	1,857
Cash & cash equivalents and short-term deposits at end of year	**364,902**	**404,991**
Additional information		
Adjustments for non-cash items		
Depreciation and impairment	35,332	32,332
Other items	-862	-11,041
Total	**34,470**	**21,291**
Interest received	3,367	4,278
Interest paid	-2,243	-3,828

Income Statement, Parent

Amounts in SEK thousands	Note	2009	2008
Net sales	2	6,126	13,609
Administrative expenses	4, 6	-19,652	-18,597
Research & development expenses	4, 8	-2,709	-3,928
Other operating income	3	28,363	39,688
Other operating expenses	9	-261	-11
Operating expenses, net		5,742	17,152
Operating profit/loss		**11,867**	**30,761**
Profit/loss from financial investments			
Interest income from receivables from group companies		15,226	16,058
Interest expense from liabilities to group companies		-1,910	-2,021
Profit/loss from investments in group companies		15,000	-96,781
Profit/loss from other securities and receivables classified as non-current financial assets		–	40,679
Other interest and similar income		3,009	2,711
Interest and similar expense		-138	-20
Net finance income/expense	10	31,187	-39,375
Profit/loss after financial items		**43,054**	**-8,614**
Income tax	11	–	3,209
Profit for the year		**43,054**	**-5,405**

Balance Sheet, Parent

Amounts in SEK thousands	Note	12-31-2009	12-31-2008
ASSETS			
Non-current assets			
Intangible assets			
Patents and licenses	14	6,196	6,774
Financial assets			
Investments in group companies	20	557,090	557,047
Receivables from group companies		179,583	108,269
Deferred tax asset		42,570	42,570
		779,243	**707,886**
Total non-current assets		**785,439**	**714,660**
Current assets			
Current receivables			
Trade receivables		–	71
Receivables from group companies		62,565	82,161
Other receivables	17	2,054	511
Prepayments and accrued income	17	25,463	6,705
		90,082	**89,448**
Cash, bank deposits and short-term investments		330,038	356,972
Total current assets		**420,120**	**446,420**
Total assets		**1,205,559**	**1,161,080**
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital		88,486	88,486
Statutory reserve		–	842,180
		88,486	**930,666**
Unrestricted equity			
Fair value reserve		-23,904	-2,260
Retained earnings		847,526	38,554
Earnings for the period		43,054	-5,405
		866,676	30,890
Total equity		**955,164**	**961,556**
Current liabilities			
Trade payables	19	1,067	3,647
Liabilities to group companies		245,827	189,910
Other current liabilities	19	390	789
Accruals and deferred income	19	3,111	5,178
		250,395	199,523
Total equity and liabilities		**1,205,559**	**1,161,080**
Pledged assets	21	22,500	22,500
Contingent liabilities	21	–	–

Statement of Changes in Equity, Parent

Amounts in SEK thousands	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total equity
Opening balance January 1, 2008	88,486	1,509,816	-38,554	-629,082	930,667
Changes in 2008					
Distribution as adopted by the annual general meeting	–	-667,636	–	667,636	–
Exchange 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 December 31, 2008	**88,486**	**842,180**	**-2,260**	**33,150**	**961,557**
Changes in 2009					
Distribution as adopted by EGM	–	-842,180	–	842,180	–
Distribution as adopted by AGM					
Dividend to shareholders of the parent	–	–	–	-17,697	-17,697
Share buy-back [1)]	–	–	–	-10,120	-10,120
Group contributions received				15	15
Exchange differences	–	–	-21,644	–	-21,644
Profit for the year 2009	–	–	–	43,054	43,054
Closing balance December 31, 2009	**88,486**	**–**	**-23,904**	**890,580**	**955,164**

[1)] Share buy-back

At the annual general meeting held on April 27, 2009 the Board was granted a mandate to purchase and transfer the Company's own shares before the next annual general meeting, provided Biotage's total holding of its own shares does not exceed ten percent of the total number of shares. The Company used this mandate to purchase a total of 1,578,109 shares between August and December 2009 at an average purchase price of SEK 6.45 including commission. The number of repurchased shares corresponds to 1.8 percent of the number of issued shares.

Statement of Cash Flows, Parent

Amounts in SEK thousands	2009	2008
Operating activities		
Profit/loss after financial items	43,054	-8,614
Adjustments for non-cash items	-7,308	29,896
	35,746	21,282
Income tax paid	–	–
Cash flow from operating activities before changes in working capital	**35,746**	**21,282**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	-20,230	33,587
Increase (+)/decrease (-) in other liabilities	-13,684	123,800
Cash flow from operating activities	**1,832**	**178,669**
Investing activities		
Acquisition of intangible assets	-905	-2,037
Acquisition of financial assets	-42	–
Sale of business segment	–	174,437
Increase (-)/decrease (+) in other non-current receivables	–	5,041
Cash flow from investing activities	**-947**	**177,441**
Cash flow from financing activities		
Dividend to shareholders of the parent	-17,697	–
Buy-back of shares	-10,120	–
Cash flow from financing activities	**-27,818**	**–**
Cash flow for the year	**-26,933**	**356,110**
Cash & cash equivalents at beginning of year	356,972	862
Cash & cash equivalents at end of year	**330,038**	**356,972**
Additional information		
Adjustments for non-cash items		
Depreciation and impairment	1,483	164,390
Disposal of operating segment reported in investing activities	–	-123,791
Exchange differences	-8,792	-10,702
Total	**-7,308**	**29,896**
Interest received	18,234	18,769
Interest paid	2,048	2,041

Summary of the Group's Significant Accounting and Measurement Policies

This section of the annual financial report provides a summary of the key accounting and measurement policies, and aims to give the reader a better understanding of the preparation and presentation of the Group's financial position, performance and cash flows based on the adopted accounts of the Group's legal entities. These accounting policies form the basis of Biotage's financial reporting. The polices applied will also have an effect on the consolidated financial statements in future years. In order to provide more valuable information about the Group's accounting and measurement policies, additional information about the effect of the policies applied on the annual financial statements for 2009 and the comparative year 2008 has been included as deemed necessary. In order to avoid providing superfluous information, the effects have only been described when they are not immediately obvious from the financial statements or notes.

Contents

1. General accounting policies

1.1 Introduction

The consolidated annual financial statements for Biotage AB for the financial year ending December 31, 2009 were approved by the Board and CEO for publication on February 11, 2010. The financial statements will be presented for adoption at the annual general meeting on April 29, 2010.

The Parent Company is a Swedish public limited liability company with its registered office in Uppsala, where the Group's management and central functions are located. The Company's shares are listed on the OMX Nordic Stock Exchange's Small Cap list.

The consolidated financial statements include the Parent Company Biotage AB (the Company) and its subsidiaries, which together are referred to as the Group or Biotage.

The accounting policies described below have been applied consistently to all periods presented in the consolidated financial statements. They have also been applied consistently by the companies in the Biotage Group.

The Group's main activity is in the field of bioscience. The Group offers complete solutions, expertise and experience in medicinal chemistry. Until September 30, 2008, Biotage had two business areas. These consisted of the present bioscience operations, which then focused on medicinal chemistry, and a business area for genetic analysis. The two business areas were called Discovery Chemistry and Biosystems. On October 2, 2008, the Biosystems business was sold to the German pharmaceutical company Qiagen GmbH. In accordance with the rules contained in IFRS 5, the results and cash flows from Biosystems are reported as a discontinued operation in the consolidated statement of comprehensive income and statement of cash flows. Assets and liabilities are reported separately in the consolidated statement of financial position as assets and liabilities held for sale.

Operations are conducted mainly in the United States and the EU area. These are also the Group's most important geographical sales markets. Research and development is based in Sweden, while production takes place in Sweden and the UK.

1.2 Basis of preparation

Statement of compliance with reporting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. The consolidated financial statements for 2009 have been prepared in full compliance with IFRS. The consolidated financial statements have also been prepared in accordance with RFR 1.2, Supplementary Accounting Rules for Groups, and the Swedish Annual Accounts Act

New IFRS standards

A number of amendments, new interpretations and a new standard (IFRS 8) came into effect on January 1, 2009. As far as Biotage is concerned, the following issued standards and interpretations, which are effective for accounting periods commencing on or after January 1, 2009, are considered relevant to the presentation of the financial statements and accounting policies:

IAS 1: Presentation of Financial Statements

Under the amendment to this standard, items which were previously recognized directly in equity are recognized in the statement of comprehensive income. This does not apply to owner transactions, which are still recognized in equity. However, items such as translation differences relating to foreign subsidiaries and cash flow hedges are recognized in comprehensive income for the period. Biotage has decided to present the Group's comprehensive income in one statement of comprehensive income (after tax), which also includes other comprehensive income. Owner transactions are reported separately in the statement of changes in equity.

The revised IAS 1 introduces new names for financial statements. The Income Statement becomes the Statement of Comprehensive Income, the Balance Sheet becomes the Statement of Financial Position, Equity is now the Statement of Changes in Equity and the Cash Flow Statement becomes the Statement of Cash Flows. Although IAS 1 allows the old names to be retained, Biotage has elected to adopt the new names.

IFRS 8: Operating Segments

This standard requires segment information to be presented using a management approach. Biotage's segment information in financial reports previously issued was already based on information provided to the chief operating decision-maker (CEO). In the financial statements published in 2008, the Group's operations were presented in three segments: Biosystems, Discovery Chemistry and Other Operations. The sale of the Biosystems business area in the fourth quarter of 2008 means the Group's operations relate to Discovery Chemistry with effect from the date of transfer to the buyer, which was October 2, 2008. Consequently, the functions which were common to the business areas ("Other Operations") in the Group's segment reporting have now ceased. Operating segments can no longer be defined according to the criteria contained in IFRS 8, and the internal reporting of results, financial position and cash flows to the chief operating decision-maker is conducted on an overall basis for all the Group companies.

Standards the Group applies prospectively

The Biotage Group does not apply any standards prospectively.

Functional currency and presentation currency

These financial statements are reported in Swedish kronor, which is Biotage's functional currency and also the presentation currency for the Group's financial reporting. Unless otherwise stated, amounts are reported in SEK thousands.

Basis of measurement

Assets, liabilities, contingent assets and contingent liabilities are measured at cost, apart from certain financial assets and liabilities, which are measured at fair value. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Use of accounting estimates

Preparation of financial statements in accordance with IFRS, Swedish legislation and generally accepted accounting principles requires management to make critical judgments, accounting estimates and assumptions which affect the application of the accounting policies. Management's accounting estimates take into account internal and external circumstances and the Group's goals and strategic plans. If the actual outcome differs from these accounting estimates, this may have an effect on the Group's future financial position and performance.

Accounting estimates and assessments are regularly reviewed. Changes in accounting estimates are recognized in the period of the change if the change only affects that period. Changes are recognized in the period of the change and future periods if the change affects both.

Information about complex areas which require a high degree of estimation and areas where accounting estimates are of key significance to the consolidated financial statements can be found in section 5, Significant accounting estimates.

The assumptions used in preparing the 2009 financial statements are also described in the same section.

Classification
Non-current assets, liabilities and provisions are essentially amounts that are expected to be recovered or paid more than twelve months after the reporting date. Current assets, liabilities and provisions are mainly amounts expected to be recovered or paid within twelve months of the reporting date. Investments in financial instruments for the purpose of managing temporary excess liquidity are classified as cash & cash equivalents if they have an original maturity of three months or less. Financial instruments with an original maturity of over three months are classified as other short-term investments.

On translation, internal foreign currency receivables and liabilities are divided into two categories:

a) intra-group receivables and liabilities for which settlement is neither planned nor likely to occur in the foreseeable future;
b) intra-group receivables and liabilities associated with goods and services for which payments are being made or are planned.

Receivables and liabilities in category a) are in substance a part of the Company's net investment in the foreign operation. Exchange differences arising on translation to Swedish kronor are recognized in other comprehensive income in the statement of comprehensive income.

Exchange differences attributable to receivables and liabilities in category b) are recognized in profit or loss.

Effects on the 2009 consolidated financial statements
Foreign subsidiaries were provided with capital and credit during development of the Group's foreign operations between 2000 and 2005. Some of the credit has still not been settled as, in practice, it has come to represent part of the foreign subsidiaries' equity. Consequently, Biotage reclassified the majority of its receivables from US subsidiaries in 2006, with the result that USD 28.2m is reported as part of the net investment in the US, with exchange gains and losses on receivables recognized in other comprehensive income rather than in operating profit/loss.

On July 1, 2009, receivables and liabilities associated with subsidiaries in the UK, Germany and Japan were also reclassified. This has meant that the net intra-group balances of GBP 3.1m, EUR 3.7m and JPY 180.0m, have been reclassified as part of the Company's investments in foreign operations. The reclassified balances amount to SEK 88.0m at December 31, 2009.

Total exchange gains and losses on intra-group balances recognized in other comprehensive income amounted to SEK -21.6m in 2009 and SEK +36.3m in 2008.

1.3 Consolidation and business combinations
Consolidation
The consolidated financial statements comprise the Parent Company and its subsidiaries. The financial statements of the Parent Company and its subsidiaries relate to the same period and are prepared using the Group's accounting policies.

All intra-group balances, income, expenses, gains and losses arising from transactions between consolidated companies are eliminated in their entirety.

The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition, which is the date on which the Parent Company obtains control, until the date on which control ceases. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights which may be used or converted is taken into account when assessing whether control exists.

Business combinations
The consolidated financial statements have been prepared using the acquisition method, which means the carrying amount of the Parent Company's shares in subsidiaries is eliminated against equity, including the share of untaxed reserves. Under the acquisition method, the fair value of identifiable acquired assets, liabilities and contingent liabilities is determined at the acquisition date. Identifiable assets and liabilities also include assets, liabilities and provisions (including obligations and claims from external parties) which are not recognized in the balance sheet of the acquiree. The difference between the cost of acquisition and the acquired share of the acquiree's net assets is classified as goodwill and reported under intangible assets in the consolidated balance sheet. If on acquisition of a subsidiary the fair value of acquired assets, liabilities and contingent liabilities is higher than cost, the excess is recognized immediately in the income statement.

The useful life of each intangible asset is determined and amortization is applied on a straight-line basis over the useful life. Intangible assets with an indefinite useful life are not amortized; instead, they are tested for impairment annually. Intangible assets which have not undergone impairment testing during the year are tested for impairment when the annual financial statements are prepared. The useful life of goodwill is generally assumed to be indefinite.

1.4 Segment reporting
Business segments (business areas) are the Group's primary segment reporting format, and legal entities are its secondary segment reporting format.

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service, or a group of related products or services, and is subject to risks and returns that are different from those of other business segments.

Segment reporting for business areas comprises earnings (including operating profit/loss), assets, liabilities, contingent liabilities and cash flow from operating, investing and financing activities. The business areas are charged a reasonable proportion of group-wide expenses.

Effects on the 2009 consolidated financial statements
Following the disposal of the Biosystems business area on October 2, 2008, there is no reason to divide the remaining operations into segments.

Secondary segment:
A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

1.5 Foreign currency translation
(a) Functional currency and presentation currency
Items in the individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Swedish kronor, which is the parent company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange gains and losses arising on settlement of these transactions and on translation of foreign currency monetary assets and liabilities using the closing rate are recognized in profit or loss.

According to IAS 21:15, when an entity has a monetary item receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, this is, in substance, a part of the entity's net investment in that foreign operation. According to IAS 21:32-33, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized in other comprehensive income.

(c) Group companies
The results and financial position of Group companies (none of which has a functional currency that is the currency of a hyperinflationary economy) are translated into the Group's presentation currency using the following procedures:

(i) assets and liabilities are translated at the closing rate;

(ii) income and expenses are translated at the average exchange rate for the reporting period. On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in OCI are recognized in the income

statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate to the extent they are reported in the sub-group's balance sheet.

Items which only exist at the parent company level, and which are eliminated along with recorded amounts for shares in subsidiaries, are not translated but are recognized at the previously reported exchange rate on the acquisition date.

For example, when the fair value of identified assets and liabilities is determined on the transaction date, this value is recognized in the consolidated financial statements on elimination of the carrying amount of shares in subsidiaries.

Effects on the 2009 consolidated financial statements

The Group's operating profit for 2009 has been credited with exchange differences amounting to SEK +5.5m, and for 2008 with SEK +22.1m. Other exchange differences of SEK -22.5m for 2009 and SEK +29.2m for 2008 have been recognized in other comprehensive income.

2. Items in the consolidated balance sheet (statement of financial position)

2.1 Intangible assets

Technology-based intangible assets

The Group's research and development expenses have been capitalized since 2002, in accordance with IAS 38.

Capitalized expenditure reflects the Company's aspiration to market and sell a wide range of products in the foreseeable future. Development projects are recognized as an asset when it is probable that they will generate future economic benefits.

The purpose of these projects is to develop new products and improve 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 span several financial years.

Reporting and control of development expenses takes place through project reporting, which is part of the Group companies' financial reporting system. Development projects are classified as follows:

- Product Care
- Pre-Study
- Product Development

Expenditure associated with **Product Care** projects is recognized immediately as an expense.

Expenditure associated with **Pre-Study** projects, which take place during the research phase, is recognized immediately as an expense.

When a project moves from the research phase to the development phase, and it can be demonstrated how the intangible asset will generate probable future economic benefits, it is reclassified as **Product Development.** The development phase is aimed at producing a new product with a new, unique article number and ends when the new product is launched in the Group's sales markets.

The amortization period begins when the new product is launched. The amortization period is based on the product's estimated useful life, which is normally three years.

Software applications, which are an integral part of the Group's products sold on different markets, are capitalized as expenditure for development and amortized over their estimated useful life, which, like other capitalized development expenditure, is normally three years.

Market and customer-related intangible assets

Patent and license rights and trademarks are recognized at cost less accumulated amortization. The amortization period is based on the asset's useful life, which for patents is the duration of the patent protection – normally 6-20 years. The useful life of trademarks is six years.

Effects on the 2009 consolidated financial statements

In 2009, the Group capitalized research & development expenses of SEK 22.1m (16.4m), with SEK 16.6m (10.0m) of these expenses amortized. Investments in patents and license rights amounted to SEK 0.9m (1.4m), with amortization and impairment amounting to SEK 5.1m (6.2m). At December 31, 2009, the residual value of capitalized research & development expenses was 49.9m (44.5m) and of patents and licenses SEK 12.0m (16.3m).

Apart from goodwill, the Group has not classified any intangible assets as assets with indefinite useful lives.

Goodwill

Goodwill is recognized as an intangible asset at cost less accumulated impairment in the balance sheet. The difference between the cost of acquisition and the fair value of the acquired identifiable assets at the date of the transaction is recognized as goodwill. Gains or losses arising from the disposal of an entity include the remaining carrying amount of goodwill attributable to the discontinued operation. Assets are tested for impairment when preparing the Group's financial statements or as soon as there is an indication of a permanent decline in value.

As previously mentioned in the section on the consolidated financial statements, goodwill has not been amortized since the transition to IFRS on January 1, 2004. If impairment testing reveals an asset has declined in value, an impairment loss is recognized immediately and the asset is written down to its fair value.

Goodwill is allocated to the smallest cash-generating unit for goodwill testing.

See also section 5 "Significant accounting estimates" on pages 47-48, which describes the estimates and assumptions made during annual impairment testing.

Effects on the 2009 consolidated financial statements

The Group has recognized goodwill of SEK 473.7m (487.2m) in its balance sheet. This is attributable to operations in medicinal chemistry. The decline in 2009 is due to exchange rate movements which meant that there were no investments or impairment losses during the year, as was the case in 2008.

Software

Acquired software licenses are capitalized on the basis of the expenditure incurred when the software itself is acquired and placed in service. Amortization is applied over the useful life, which is three to five years.

2.2 Property, plant & equipment

Items of property, plant & equipment are recognized at cost less accumulated depreciation and impairment losses. These assets include factories and offices, testing instruments, production tools, computers and peripherals and office and warehouse equipment.

The cost of property, plant & equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. The cost of an item of property, plant & equipment is recognized as an asset on initial measurement, as is the cost of major spare parts if it is probable that future economic benefits associated with the asset will flow to the Group. Other costs are recognized as an expense in the period in which they are incurred.

Depreciation is applied on a straight-line basis over the asset's estimated useful life. Parts of an item of property, plant and equipment which constitute a large proportion of the asset's total cost and which have different useful lives are treated as separate components of property, plant & equipment and are subject to separate depreciation.

The following useful lives normally apply:

Land	No depreciation
Site improvements	20 years
Buildings	40 years
Production tools	5 years
Improvement of 3rd-party property	10 years
Computers	3 years

The gain or loss arising from the disposal of an item of property, plant & equipment is the difference between the selling price and the asset's carrying amount, and is reported under other operating income or other operating expenses.

Effects on the 2009 consolidated financial statements

Investments for the year in property, plant & equipment amounted to SEK 16.3m (6.6m), while depreciation was SEK 13.6m (14.9m). Other operating expenses

include losses of SEK -0.5m (-0.4m) arising from the disposal of property, plant & equipment.

In the consolidated statement of financial position, non-current assets held for sale amounted to SEK 39.0m. The amount is attributable to the owner-occupied property in Charlottesville, which was sold and taken over by the purchaser on January 7, 2010. The residual value of remaining property, plant & equipment at December 31, 2009 was SEK 41.5m (60.7m).

2.3 Financial assets
Financial assets are accounted for in accordance with the description in section 2.7 Financial instruments.

2.4 Leased assets
Leases are classified as finance leases or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, leases are classified as operating leases.

Under IAS 17, lessees are required to recognize finance leases as assets and liabilities in their balance sheets. An asset leased under a finance lease is subject to depreciation over its estimated useful life, while minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Under IAS 17, lessees do not recognize operating leases in their balance sheets. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Effects on the 2009 consolidated financial statements
All the Group's leases are classified as operating leases.

2.5 Inventories
Inventories are measured using the "lower value" principle, i.e., the lower of cost and net realizable value. Cost is measured using the FIFO method. The cost of finished goods and work in progress consists of design costs, raw materials, direct labor, other direct costs and related indirect manufacturing costs. Borrowing costs are not included in cost. The net realizable value is the estimated selling price in the ordinary course of business less costs of completion and costs necessary to make the sale.

2.6 Foreign currency receivables and liabilities
Foreign currency receivables and liabilities are translated to Swedish kronor at the closing rate. Unrealized exchange gains and losses on operating receivables and liabilities are recognized in operating profit or loss, while unrealized exchange gains and losses on financial assets and liabilities are recognized in net financial items. The accounting treatment of intra-group exchange gains and losses is described in section 1.2 Basis of preparation.

2.7 Financial instruments:
Under IFRS 7, entities are required to present disclosures that enable users of their financial reports to assess the significance of financial instruments on the entity's financial position and performance. Users of financial reports must also be given the opportunity to assess the nature and scope of risks to which the entity is exposed.

Financial instruments recognized in the balance sheet include the following assets and liabilities: securities, other financial receivables, trade and other receivables, cash & cash equivalents, trade and other payables, loans and derivatives.

Recognition in the balance sheet
Financial assets are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are recognized in the balance sheet when an invoice has been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay.

Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized in the balance sheet when the contractual obligation has been discharged or extinguished in some other way.

A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the recognized amounts, and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Measurement and classification
Classification of financial instruments in accordance with IAS 39 determines each asset's measurement and accounting treatment. A financial instrument is classified according to the purpose for which it was acquired. The categories determine how a financial instrument is measured subsequent to initial recognition. The definitions of the different categories are such that a financial instrument could be classified in more than one category.

IAS 39 classifies financial instruments in the following categories:

1. *Financial assets and liabilities at fair value through profit or loss.*
   This category consists of financial assets and liabilities held for trading and other financial assets and liabilities which Biotage designated in this category on initial recognition. Assets and liabilities in this category are measured at fair value at the end of the reporting period, and any changes in fair value are recognized in the statement of comprehensive income. Examples of assets in this category include bank deposits. Any deposits in currencies other than Swedish kronor are measured at the closing rate. Biotage's short-term investments in financial instruments are also classified in this category. These comprise interest-bearing financial instruments, which are measured at fair value on the reporting date. Fair value is normally the financial instrument's quoted price on a regulated market.

Effects on the 2009 consolidated financial statements
At December 31, 2009, the Group's cash & cash equivalents amounted to SEK 364.9m (405.0m). No financial liabilities were classified in this category.

2. *Held-to-maturity investments.*
   Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity which an entity has the positive intention and ability to hold to maturity.

Effects on the 2009 consolidated financial statements
No financial assets were classified in this category.

3. *Loans and receivables*
   This category includes trade receivables, other receivables and other non-current receivables.
   Trade receivables have a short maturity and are measured, without discounting, at the billed amount less allowances for impairment losses. Non-current receivables are measured at cost less allowances for impairment losses.

Effects on the 2009 consolidated financial statements
At December 31, 2009, the Group's trade and other receivables amounted to SEK 121.2m (100.5m). Other non-current receivables amounted to SEK 2.3m (1.8m).

4. *Available-for-sale financial assets*
   Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are measured at fair value at the end of each reporting period, and any changes in fair value are recognized in profit or loss. In the absence of an active market for the financial asset, it is measured at cost less impairment, provided the decline in value is considered permanent. In this case, the impairment loss is calculated and recognized in the statement of comprehensive income.
   When assets are sold, the cumulative gain or loss is recognized in profit or loss.
   An asset may be classified as available-for-sale (even if the intention is not to sell it) provided it can be sold without jeopardizing the Group's operations.

Effects on the 2009 consolidated financial statements
No financial assets were classified in this category.

Derivatives and hedge accounting
Under Biotage's financial policy, derivative financial instruments may only be held for hedging purposes. Derivatives consist of forward contracts which are used to hedge currency risk associated with external and internal flows of products and services. Biotage applies the hedge accounting rules described in IAS 39. In its hedge accounting, the Group uses cash flow hedges and fair value hedges.

Hedging of forecast currency flows (cash flow hedges) takes the form of forward contracts and derivatives reported in the balance sheet if on the reporting date a difference is identified between the forward rate and the closing rate. The difference between the closing rate and the forward rate for cash flows associated with firm commitments is calculated using the present value on the reporting date and is recognized as a current receivable or liability in equity in the hedging reserve. When the hedged cash flow affects profit or loss, the hedging instrument's accumulated value changes are reclassified to profit or loss.

Effects on the 2009 consolidated financial statements
At December 31, 2009, Biotage had two outstanding forward contracts, which means the Group has sold USD 1.0m (previous year EUR 1.8m) for delivery in the first quarter of 2010. The difference between the present value of the expected SEK fair value of the forward contracts' cash flows and these cash flows translated to SEK using the forward rate is SEK 42k (-1,042k).

Effects of financial instruments on the Group's results and financial position
The Group's financial instruments, as reported in the consolidated statement of comprehensive income or additional information, are essentially based on transactions associated with the Group's business operations. Biotage does not engage in active trading or conduct transactions in financial instruments other than for the development, production and sale of the Company's products and services. Consequently, the main financial instruments are trade receivables, other operating receivables, shares, trade payables, other operating liabilities and loans with security in owner-occupied property.

Effects on the 2009 consolidated financial statements
The Group's financial instruments at December 31, 2009 are wholly attributable to operations, with the exception of certain cash & cash equivalents, which are available as a resource if Biotage wishes to enter into collaboration agreements or acquire operations or businesses.

Classification
Classification of the Group's financial instruments described above is as follows:

Financial instruments
Carrying amount and fair value 12-31-2009

Assets	Classification	Carrying amount	Fair value
Non-current receivables	3	700	700
Other non-current securities	3	1,593	1,593
Trade receivables	3	75,191	75,191
Other current receivables	3	8,483	8,483
Accruals and deferred income	3	32,043	32,043
Short-term investments	1	99,604	99,604
Cash and bank balances	1	265,297	265,297
Derivatives		–	–
Total		482,912	482,912

Liabilities	Classification	Carrying amount	Fair value
Non-current liabilities to credit institutions	(*)	7,615	7,615
Current liabilities to credit institutions	(*)	30,119	30,119
Trade payables	(*)	45,248	45,248
Other current liabilities	(*)	9,013	9,013
Accruals and deferred income	(*)	38,354	38,354
Derivatives		–	–
Total		130,349	130,349

Classification according to IAS 39:
1) Financial assets and liabilities at fair value through profit or loss.
2) Held-to-maturity investments.
3) Loans and receivables.
4) Available-for-sale financial assets.
(*) Other liabilities not classified in IAS 39.

On each reporting date, the Group assesses whether an asset or group of assets is impaired.

As shown in the summary above, the carrying amount of the Group's financial instruments which are assets amounts to SEK 482,912k (523,281k), which corresponds to 39.8 (40.3) percent of the Group's assets at December 31, 2009. The carrying amount of the Group's financial instruments which are liabilities is SEK 130,349k (162,022k), which corresponds to 10.6 (12.5) percent of the Group's equity and liabilities.

Net sales
The Group's main revenue currency is the USD, while the Swedish krona, which is Biotage's functional currency, has a subordinate role in the composition of the Group's revenue.

Net interest income
Interest income and expense have a significant effect on the Group's net profit for the year. In 2008 and 2009, the following items were recognized in the Group's income statement (SEK thousands):

	Interest income	Interest expense	Net interest income
2009	3,367	-2,243	1,124
2008	4,112	-3,828	284

Net interest income accounted for 0.3 percent of the Group's net sales in 2009 and 0.1 percent in 2008.

The Group's legal entities have considerable intra-group balances at the closing date. Translation of these balances to Swedish kronor may have a significant effect on the Group's financial position and results.

Net sales by foreign currency

	2009			2008		
Amounts in thousands	Currency	in SEK	%	Currency	in SEK	%
EUR	8,583	91,177	23%	8,825	84,795	22%
USD	25,395	193,718	49%	27,937	184,668	48%
GBP	4,157	49,434	13%	5,185	62,749	16%
JPY	580,116	47,444	12%	519,368	33,252	9%
CHF	–	–	–	197	1,194	0%
SEK	12,350	12,350	3%	18,638	18,638	5%
Total		394,123	100%		385,295	100%

Net assets

The situation for the Group's net assets is not the same as for net sales, as there is a predominance of assets and liabilities in Swedish kronor.

Net assets by foreign currency

	2009			2008		
Amounts in thousands	Currency	in SEK	%	Currency	in SEK	%
EUR	3,069	31,778	3%	2,032	22,225	2%
USD	30,945	223,193	20%	41,413	321,052	29%
GBP	13,715	157,518	14%	7,782	87,531	8%
JPY	373,659	29,314	3%	279,670	24,052	2%
CHF	1,233	8,571	1%	1,241	9,119	1%
SEK	638,654	638,654	59%	660,815	660,814	59%
Total		1,089,027	100%		1,124,793	100%

Other information about financial instruments

Trade receivables

Trade receivables are reported net of provision for doubtful debts. As trade payables are of short duration, they are measured at nominal amounts, without discounting, using the amortized cost method. A provision for doubtful debts is recognized when there are objective grounds for assuming that the Group will not receive all amounts due under the original terms and conditions. The size of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The provision amount is recognized in the income statement.

Non-current securities and other financial assets

Non-current securities are recognized at cost, unless there is a clear indication that their fair value is lower than their cost and the decline in value is permanent. If this is the case, an impairment loss is recognized and the assets are written down to their fair value.

Trade payables

As trade payables are of short duration, they are measured at nominal amounts without discounting, using the amortized cost method.

Loans

Amounts due to credit institutions, bank overdrafts and other liabilities are measured at amortized cost. Any transaction costs are distributed over the term of the loan using the effective interest method. Non-current liabilities are due for settlement more than 12 months after the reporting date, and current liabilities within 12 months of the reporting date.

Section 4 contains more information about the Group's financial risk management.

2.8 Taxes

Income tax consists of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized directly in equity, in which case the related tax effect is also recognized in equity. Examples of this type of transaction include received and paid Group contributions.

A current tax liability or asset is the amount of income tax payable or recoverable in respect of the taxable profit or loss for the current year and prior years.

A deferred tax liability or asset is recognized for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases or the carryforward of unused tax losses and credits. Biotage does not recognize deferred tax liabilities or assets for temporary differences arising from non-deductible goodwill or the initial recognition of an asset or liability which does not affect accounting profit or taxable profit or loss.

Deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the deferred tax asset can be utilized. Deferred tax liabilities and assets are measured using national tax rates (in the countries where the Group has legal entities) that have been enacted or substantively enacted by the reporting date, and where tax losses can be utilized.

Effects on the 2009 consolidated financial statements

At December 31, 2008, the Group's deferred tax assets amounted to SEK 42.6m. The Group starts the 2010 tax year with tax losses of SEK 750m. Approximately SEK 41m of this amount will be used when preparing the results of the Swedish companies for 2009. Based on the Group's expected results in the next few years, Biotage has reassessed the value of the Group's tax losses and decided to recognize deferred tax assets of SEK 42.6m at December 31, 2009.

2.9 Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Restructuring provisions include the cost of lease cancelation and termination benefits to employees. Provisions are not recognized for future operating losses.

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

Provisions for warranties for products sold during the year are based on the warranty terms & conditions and historical warranty costs and quality rates. The warranty period is one year, apart from in Germany, where it is two years. Provisions are classified as non-current and current items. Non-current obligations will not require an outflow of resources during the next financial year. All other obligations are classified as current.

Effects on the 2009 consolidated financial statements

At December 31, 2009, the Group's provisions totaled SEK 6.3m, with the provision for warranties accounting for SEK 3.5m of this amount. At December 31, 2008, these amounts were SEK 9.3m and SEK 4.1m.

2.10 Share capital

All issued shares are ordinary shares which are classified as equity. The Company has outstanding warrants issued to the Group's executive

management. The share option program is described on pages 48-49. Transaction costs directly attributable to the issue of new shares or options are recognized in equity, net of tax, as a deduction from the issue proceeds.

2.11 Capital management

Biotage defines capital as equity. Capital management ensures Group companies are able to settle their obligations and necessary resources are available for business investments and expansion. It also supports fulfillment of the Group's financial targets. Management and maintenance of a capital structure is also designed to achieve a reasonable balance between equity, loan financing and liquidity so that a reasonable cost of capital is achieved. Biotage endeavors to finance its organic growth and normal investment needs by generating sufficient positive cash flow from operating activities. To do so, it is essential to create and maintain confidence in the Group as an investment or contractual partner. Biotage believes this is best achieved by:

- having clear and correct communication and information-sharing with the stock market and other stakeholders
- promptly settling obligations to customers, employees, suppliers, lenders and authorities
- being guided by ethical values, thereby enhancing the Group's reputation as a genuine and serious partner
- having policies, processes and procedures to ensure decisions are made and followed up
- protecting employees' health and working environment and offering good conditions of employment.

3. Items in the consolidated income statement (statement of comprehensive income)

3.1 Classification of income statement items

The income statement is classified using the cost of sales method, which is also referred to as the function of expense method. Operating expenses are divided into cost of sales, distribution costs, administrative expenses and research & development expenses. The cost of sales method has been chosen in view of the fact that this is the method adopted by other biotechnology and pharmaceutical companies with shares that are traded on a regulated market. It is also easier for the reader to make comparisons between companies if they use the same presentation for their income statements.

The Company's common costs, such as office materials, electricity, cleaning of premises, renting of office machinery, telephones and postage, are allocated to each function. The allocation is based on space used and the number of employees.

3.2 Revenue recognition

Revenue is the fair value of the consideration received or receivable for goods sold or services rendered in the course of the Group's ordinary activities, excluding VAT and discounts, and after elimination of intra-group sales.

(a) Sale of goods

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

Revenue from the sale of goods is recognized when the amount of revenue can be measured reliably, the significant risks and rewards of ownership of the goods have transferred to the buyer and the customer has confirmed acceptance of the goods, which normally happens on delivery.

(b) Rendering of services

Revenue associated with a transaction involving the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

(c) Royalties

Revenue from royalties is recognized on an accrual basis in accordance with the economic substance of the relevant agreement.

(d) Interest income

Interest income is distributed over the term of the interest-bearing investment using the effective interest method.

(e) Dividends

Dividends are recognized when payment has been received.

3.3 Cost of sales

Cost of sales comprises:

- payment of sub-contractors when the Company uses other manufacturers
- raw materials for production
- salaries and other personnel expenses for production staff
- costs of premises
- packing and freight costs
- depreciation of production facilities
- share of common costs

3.4 Employee benefits

(a) Retirement benefit obligations

The Group companies have different pension plans. The plans are funded by contributions to insurance policies. All pension plans for the Group's employees are defined contribution plans. Defined contribution plans are plans under which companies pay fixed contributions into a separate entity (a fund).

Under defined contribution pension plans, the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. It has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

(b) Share-based payment

IFRS 2 Share-based payment describes the accounting treatment of this type of payment.

When the Group's employees receive equity-settled share-based payment, this takes the form of share options. These are equity instruments entitling the holder to subscribe to the Parent Company's shares at a fixed price. At the reporting date, the Company had two outstanding programs.

The fair value of options granted is recognized under personnel expenses, with a corresponding amount recognized directly in equity. The fair value is calculated using the Black-Scholes option pricing model at the grant date and is distributed over the vesting period. The terms and conditions upon which the equity instruments were granted are taken into account. The amount recognized as an expense is regularly adjusted to reflect the actual number of vested options.

Cash proceeds from the exercise of options and purchase of shares are credited to share capital at the par value of the shares. Associated transaction costs are charged to earnings for the period.

Effects on the 2009 consolidated financial statements

No costs were charged to earnings for 2009 (previous year SEK 1.0m) following calculation in accordance with IFRS 2. No new share option programs have been launched since 2007 and no mandate has been granted by the annual general meeting. The scope of costs associated with incentive programs in progress and which were recognized as an expense up to the end of 2008 has been such that no further costs will arise during the remaining duration of the programs.

A comprehensive description of outstanding option programs is provided in section 6 Option programs for key management personnel

(c) Termination benefits

Termination benefits are paid when employment is terminated before the normal retirement age or when an employee accepts voluntary lay-off in return for termination benefits. The Company recognizes termination benefits when it is demonstrably committed to terminating the employment of employees before the normal retirement date or providing termination benefits as a result of an offer made to encourage voluntary lay-off. The Company is demonstrably committed to a termination when it has a detailed formal plan for the termination.

(d) Profit-sharing and bonus plans

Bonus payments to key management personnel are described on pages 51-52. The Group also has a bonus program for employees in positions where their performance has a measurable effect on the Group's earnings. Bonus expenses are recognized annually and provision is made for these expenses in the consolidated balance sheet.

(e) Short-term employee benefits
For short-term employee benefits (such as wages, paid vacation and sick leave) and pensions, the amount of the benefits expected to be paid in respect of service rendered by employees in a period is recognized in that period.

3.5 Distribution costs
Distribution costs consist mainly of salaries, other personnel expenses, travel expenses for the Group's sales and marketing personnel, marketing campaigns (including payment to advertising agencies) and production of sales material. Distribution costs also include a share of common costs.

3.6 Administrative expenses
Administrative expenses consist mainly of salaries and other personnel expenses for Group management, and financial and other administrative staff. Administrative expenses also include expenses for legal consultancy, auditing and business development, and a share of common costs.

3.7 Research & development expenses
Research & development expenses consist of:
- salaries and other personnel expenses
- patent costs
- fees to consultants and external suppliers for development of instruments and software
- material costs for prototypes and test units
- amortization of capitalized development expenses
- share of common costs
- other costs associated with the design, development, testing and improvement of the Group's products.

3.8 Impairment
An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The carrying amounts of the Company's assets are assessed at each reporting date to determine whether there is any indication of impairment. If there is such an indication, the asset's recoverable amount is measured. The recoverable amount is the higher of the asset's value in use and net realizable value.

When measuring value in use, cash flows are discounted using a pre-tax discount rate that reflects the risk-free rate of interest and the risks specific to the asset. In the case of assets which do not generate cash flows that are independent of the cash flows from other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

If an impairment loss recognized in prior periods no longer exists, as the recoverable amount of the asset exceeds its carrying amount, the impairment loss is reversed. Reversed impairment losses are recognized in the income statement. Testing of previous impairment losses is conducted on an individual basis.

Effects on the 2009 consolidated financial statements
The Group did not recognize any impairment losses in 2008 or 2009. Nor were there any reversals of impairment losses from prior years in 2008 or 2009. The goodwill item at December 31, 2009 underwent annual impairment testing, but no indication of impairment was found. A more detailed description of impairment testing can be found in section 5 Significant accounting estimates.

3.9 Other operating income and expenses
Other operating income and other operating expenses include one-time payments, exchange gains/losses on operating receivables and liabilities and gains/losses on the sale or disposal of non-current assets.

4. Financial risks and the Group's risk management

4.1 Financial risks in the Biotage Group
In addition to business risks, Biotage is also exposed to different types of financial risks in the course of its operations. The main financial risks are currency risk, interest rate risk, credit risk and refinancing risk.

Credit risk associated with customer relationships is managed within a defined framework and is decentralized by means of local credit ratings. Other risks are managed centrally by the Chief Financial Officer in consultation with the CEO. Under the Group's financial policy, financial risks shall be minimized, taking into account reasonable hedging expenses, and access to liquidity shall be maintained.

Currency risk
A significant part of the Group's sales are in the Swedish krona, euro, US dollar and pound sterling. The Group's operating expenses and financial instruments are also related to these currencies. As the Group's functional currency is Swedish kronor, movements of this currency against other transaction currencies will have an effect on the Group's results and financial position.

Effects on the 2009 consolidated financial statements
The table below shows the net effects on the Group's **results** of SEK movements against the Group's main transaction currencies.

A x percent change in the value of Swedish currency against other currencies will have the following effects on the Group's **results,** based on income, expenses and financial instruments in 2009.

Amounts in SEK thousands	Currency	-20%	-15%	-10%	-5%	5%	10%	15%	20%
Euro	EUR	17,423	13,067	8,711	4,356	-4,356	-8,711	-13,067	-17,423
US dollar	USD	18,349	13,762	9,174	4,587	-4,587	-9,174	-13,762	-18,349
Pound sterling	GBP	404	303	202	101	-101	-202	-303	-404
Total		36,176	27,132	18,088	9,044	-9,044	-18,088	-27,132	-36,176

The table below shows the net effects on the Group's equity of SEK movements against the Group's main transaction currencies.

A x percent change in the value of Swedish currency against other currencies will have the following effects on the Group's **equity,** based on equity, intra-group balances, income, expenses and financial instruments in 2009.

Amounts in SEK thousands	Currency	-20%	-15%	-10%	-5%	5%	10%	15%	20%
Euro	EUR	24,640	18,480	12,320	6,160	-6,160	-12,320	-18,480	-24,640
US dollar	USD	64,637	48,478	32,318	16,159	-16,159	-32,318	-48,478	-64,637
Pound sterling	GBP	21,161	15,871	10,581	5,290	-5,290	-10,581	-15,871	-21,161
Total		110,438	82,828	55,219	27,609	-27,609	-55,219	-82,828	-110,438

The currency exposure above is largely attributable to investments in currencies other than Swedish kronor. As the Group's refinancing is, as far as possible, in currencies that match its investments, the exposure above relates mainly to share capital in each currency.

In 2009, the Group's equity declined by SEK 22.5m (2008: increased by 29.2m) as a result of exchange rate movements during the year.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. The Group's financial assets are not particularly exposed to these changes as these holdings are of short duration. The Group's interest rate is essentially the risk that refinancing will be more expensive if general interest rates rise and vice versa.

Effects on the 2009 consolidated financial statements
The Group's interest-bearing financial assets amounted to SEK 99,604k (298,107k) at December 31, 2009, while interest-bearing liabilities were SEK 37,733k (46,894k). Net interest income for 2009 was SEK 1,124k (284k). The Group's average borrowing rate including financing costs was 5.3 (8.0) percent in 2009. In the early part of 2010, the Group repaid SEK 29.2m of its interest-bearing liabilities as a result of the sale of real estate in the USA. This reduced the Group's interest rate risk considerably, and this type of risk is not a major factor in the current circumstances.

Credit risk
Credit risk is the risk that customers will be unable to pay for delivered goods. The majority of customers are large pharmaceutical companies and scientific institutions with operations which are normally state-financed. Consequently, customer losses were less than SEK 100k for 2008 and 2009. However, the Group's trade receivables at the balance sheet date were high compared with its net sales. This is largely because sales are normally high in December and many clients pay after the due date. Historical facts show that Biotage's credit risk is very low.

Liquidity and refinancing risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. The cash flow statements for 2008 and 2009 show sufficiently positive cash flows from operations to allow the Group to fully settle its current obligations.

Biotage's cash & cash equivalents were much higher than its non-current liabilities at December 31, 2009, and the Group also has unused credit facilities.

In a long-term perspective, the Group's liquidity and financing risk is the risk that it may become dependent on credit facilities or capital contributions for its expansion.

4.2. The Group's risk management
The sections above describe the financial risks associated with Biotage's business activities and financial administration. In order to minimize any negative effects arising from these risks, a Group financial policy has been formulated and adopted for by the Board. This policy is designed to facilitate the Group's financial work and alleviate the economic consequences of financial risks.

The structure of the financial policy is as follows:

1. General principles
The Group's finance function is based on the following principles:
- The Group's financial risks shall be minimized according to defined principles.
- Work shall be performed carefully and professionally.
- Implemented measures shall be documented and reported to the appropriate company body.
- Administration costs shall be minimized.

2. Division of responsibilities
The policy document contains a specific division of responsibilities, duties and authority between the Company's Board, CEO, CFO and Accounting Manager.

The Board has overall responsibility for managing the Group's financial risks, reviewing the financial policy annually, appointing Company signatories and producing frameworks and guidelines for areas such as borrowing and currency exposure. The CEO is responsible for ensuring compliance with the approved policy and ensuring the policy is reviewed annually by the Board. The CEO is also responsible for the checking and reconciliation of business confirmations from external parties with regard to investments and currency hedging instruments.

The CFO has operational responsibility for financial risk management.

The accounting manager is responsible for the checking and reconciliation of business confirmations from external parties with regard to investments and currency instruments, and for documentation and archiving of business confirmations and statements.

3. Administrative routines
Those who conduct transactions must be separate from those who control, account for and report transactions.

Systematic reporting documentation for financial transactions must be submitted to the accounting manager for checking against the documents received by the transaction counterparty.

4. Income statement and balance sheet exposure
Because the Group engages in operations, production and sales in a number of countries, it has certain income statement exposure as a result of its income and expenses being in different currencies. This exposure may be affected by factors such as choice of currency for sales and purchases.

Similarly, the Group's assets, liabilities and equity in its wholly-owned subsidiaries, and receivables from, and liabilities to, external customers and suppliers in different currencies result in balance sheet exposure and currency risk.

This exposure is largely managed by choice of currency for sales and purchases, loans and foreign currency investments.

5. Management of currency risk
Biotage aims to minimize the currency risk which arises in commercial cash flows. Biotage will not engage in speculative position-taking in order to exploit exchange rate volatility. Speculative position-taking involves entering into transactions for which there is no underlying commercial cash flow or economic imbalance.

Biotage AB's central finance function manages currency risk for the entire Group.

Under Biotage's risk strategy, sales between the Parent Company and its subsidiaries are in the subsidiary's currency in order to avoid exposing the subsidiary to currency risk.

Sales between subsidiaries are in the seller's currency.

6. Reporting
The Group's currency exposure shall be analyzed and reported to the Board at least annually.

A report on outstanding foreign exchange forward transactions and the current borrowing and liquidity situation shall be presented at every Board meeting.

A weekly liquidity report and four-week forecast shall be submitted to management.

A weekly status review of trade receivables shall be carried out.

7. Credit risks
Trade receivables shall be monitored continuously. A constant check shall be kept on past due receivables, action taken and perceived credit risks. New customers, previously unknown to the Group, shall undergo credit rating checks.

There are uniform rules for credit periods and claims management.

8. Liquidity and loan management
Available liquidity must be managed by the CFO or a person designated by the CFO. The necessary credit facilities for business financing must be in place in the Swedish companies and the foreign company as far as possible. For foreign companies, the purpose of operating loans is to reduce currency exposure, cover working capital requirements, offset liquidity fluctuations and avoid unnecessary excess liquidity.

9. Investment of excess liquidity
The CFO will invest existing excess liquidity in short-term securities, normally denominated in Swedish kroner. Relevant investments are as follows:
- The Swedish government
- Local and regional government securities
- Other K1-rated securities

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

5. Significant accounting estimates

The financial statements for the Parent Company and Group are prepared in accordance with the Swedish Annual Accounts Act, IFRS, the recommendations and standards issued by regulatory bodies and the "true and fair view" principle. These also form the basis of measurement of balance sheet items and presentation of the financial statements.

In preparing the consolidated financial statements, the Board and CEO have made a number of judgments and assumptions which may be of significance to the reported financial position and results.

Estimation uncertainty
Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and other factors, including expectations about future events which are considered reasonable in the present circumstances. The annual results for 2009 and the reported financial position at December 31, 2009 have not been affected by any required adjustment of estimates and assessments made in previous years.

Certain accounting estimates and assumptions are of particular significance when measuring assets and liabilities in the balance sheet. Goodwill is the balance sheet item with the greatest risk of value changes in the following year as a result of adjusted assumptions or estimates. The most significant estimates used in the measurement of assets and liabilities relate to the future scope for marketing the Group's products and services in volumes and at prices that allow a reasonable business profit. Marketing is largely dependent on the Group's access to technical expertise for the production of new and improved products. It is also affected by the level of investment by the pharmaceuticals industry and scientific institutions in new product development, new knowledge and new methods in the scientific areas in which the Group's products are used. The Group reduced its operating expenses considerably between 2004 and 2008, and was able to maintain the level in 2009. Improvement of the Group's financial performance is dependent on this level remaining stable or at least not rising more quickly than sales development. Important restructuring measures in 2009 have reduced the Group's production costs and administrative expenses during the year, thereby improving the cost-effectiveness of the Group's operations. The production restructuring program, which involved the closure of the production facility in the United States, was having a positive effect on the Group's operating expenses even in the fourth quarter of 2009.

There is also potential for further productivity expansion in the Group, although in view of the recent cost-reduction measures, this would not be on the same scale as that implemented between 2004 and 2009. However, it should be noted that the average gross margin has fallen by 1 percent during each of the last four years.

Goodwill impairment in the consolidated balance sheet
The carrying amount of goodwill was SEK 473,661k (487,227k) at December 31, 2009. The decline in 2009 is entirely due to exchange rate movements.

Goodwill is tested for impairment at least annually. Goodwill testing involves calculating the recoverable amount of the cash generating unit to which the carrying amount of goodwill is allocated. This requires calculation of the Group's projected cash flows. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. Impairment losses are recognized in the income statement.

Effects on the 2009 consolidated financial statements
Impairment testing associated with preparation of these consolidated annual financial statements did not reveal any impairment losses. If the Group's positive earnings trend reverses, impairment losses may need to be recognized. More detailed information can be found in note 13 on page 60.

A total write-down of goodwill would reduce the Group's equity from SEK 1,089m to SEK 615m and would cut the equity/assets ratio from 89 percent to 82 percent.

Capitalized development expenditure
Biotage capitalizes its development on the basis of a measurement of each project's expected contribution to the Group's sales revenue. Projects are measured at cost. An item is derecognized in the balance sheet when the product no longer is marketed or is only expected to generate sales revenue on a very limited scale. Preparation of the consolidated financial statements involves reviewing the carrying amounts of products and projects in progress in the statement of financial position. As this is based on an assessment of expected product demand and prices, it is subject to some uncertainty. Impairment losses may also result from faster technological development and better products from competitors.

Effects on the 2009 consolidated financial statements
Between 2006 and 2009, the Group's capitalized development expenses amounted to SEK 76m, while amortization of development expenses was SEK 41m. The total residual value at December 31, 2009 was SEK 50m, and there are no indications of any impending impairment for this item.

Deferred tax asset
Biotage recognizes deferred tax assets to the extent that it is probable that taxable profit will be available against which tax losses can be utilized. Tax loss carryforwards are mainly associated with the Swedish and US companies. When determining the value of tax losses carried forward, an assessment must be made of the coming year's tax credits and the countries in which they are expected to occur. If the Group were unable to realize its plans with regard to sales and earnings, an impairment loss would have to be recognized for this item.

Effects on the 2009 consolidated financial statements
Biotage has recognized tax loss carryforwards amounting to SEK 43m in its balance sheet. After the 2010 fiscal year, tax loss carryforwards are expected to amount to approximately SEK 710m, with Sweden accounting for SEK 410m of this figure.

6. Share option plans for Group employees

Share-based incentive programs
There follows a brief description of the Parent Company's outstanding share-based incentive programs at December 31, 2009. IFRS 2 requires costs associated with share option plans to be recognized in the consolidated income statement. These have been recognized up to the end of 2008. No further costs arose during 2009, and no costs will arise in future years.

At December 31, there were 584,700 outstanding options held by the Group's employees. Each option entitles the holder to subscribe for one share. If the options are fully exercised, present holdings will be diluted by 0.7 percent.

The 2005 Plan
At the annual general meeting on April 27, 2005, the Board was granted a mandate to adopt an additional employee share option plan. The plan was implemented in February 2006. The plan comprised 549,400 share options. These were distributed as follows: members of Group management each received up to 45,000 share options, other executive management each received up to 10,000, other key management personnel each received up to 2,000 and other employees each received up to 400. One employee share option entitles the holder to purchase one Biotage share at an exercise price of SEK 11.83. The share options are valid for a period of seven years and may be exercised one year after the grant date until the end of the third year after the grant date, with a maximum of one-third of the number of issued share options allowed in each one-year period. At December 31, 2009, a total of 211,200 employee share options were outstanding under the 2005 plan.

On exercise of the share options, the holder must, in principle, still be employed in the Group. To ensure Biotage is able to meet its obligations under the employee share option plan, the Board exercised the mandate granted at the annual general meeting on April 27, 2005 to issue up to 640,000 warrants. The warrants carry entitlement to subscribe for up to 640,000 shares in the Company. Each warrant issued on February 21, 2006 entitles the holder to subscribe for one new share in the Company at a subscription price of SEK 11.83 per share during the period between registration of the issue at the Swedish Companies Registration Office and February 21, 2013.

The 2006 Plan
At the annual general meeting on April 27, 2006, the Board was granted a mandate to adopt an additional employee share option plan. The plan was implemented in February 2007. The plan comprises 597,500 share options. These were distributed as follows: members of Group management each received up to 30,000 share options, other executive management each received up to 10,000, other key management personnel each received up to 5,000 and other employees each received up to 3,000. The President & CEO was granted 55,000 share options. One employee share option entitles the holder to purchase one Biotage share at an exercise price of SEK 16.64. The share options are valid for a period of seven years and may be exercised one year after the grant date until the end of the third year after the grant date, with a maximum of one-third of the number of issued share options allowed in each one-year period. At December 31, 2009, a total of 373,500 employee share options were outstanding under the 2006 plan.

On exercise of the share options, the holder must, in principle, still be employed in the Group. To ensure Biotage is able to meet its obligations under the employee share option plan, on February 9, 2007 the Board exercised the mandate granted at the annual general meeting on April 27, 2006 to issue up to 700,000 warrants. The warrants carry entitlement to subscribe for up to 700,000 shares in the Company. Each warrant issued on February 9, 2007 entitles the holder to subscribe for one new share in the Company at a subscription price of SEK 16.64 per share during the period between registration of the issue at the Swedish Companies Registration Office and February 9, 2014.

Summary of outstanding options at December 31, 2009

Year	Number of options	Shares per option [a]	Number of shares for subscription	Number that can be issued for cash flow hedging [b]	Subscription price SEK [a]	Subscription period's first day	Subscription period's last day
Share option plans for Group employees:							
2006	211,200	1.00	211,200	33,792	11.83	02-21-2006	02-21-2013
2007	373,500	1.00	373,500	59,760	16.64	02-15-2007	02-15-2014
Total	584,700		584,700		93,552		

[a] The subscription price and share entitlement per option have been adjusted in relation to new issues.
[b] Using the mandate granted by the annual general meeting, the Parent Company issued warrants to its subsidiary CEMU Bioteknik AB, the sale of which will allow that company to neutralize the cash flow that arises when the employer's contribution is added to the value of the option holders' benefits on exercise of the options to subscribe for shares. The total number of options is 193,100. Up to 93,552 of these may need to be sold, although it is highly unlikely that CEMU Bioteknik will sell any options for cash flow reasons.

	Change in outstanding options for the year:			Costs acc. to IFRS 2 for option plan including statutory employer's contribution		Remaining cost Dec 31, 09
Year	Opening balance 2008	Options lapsed 2009	Closing balance 2009	2005-2008	2009	for 2010-2014
2004 (*)	139,200	-139,200	–	2,276,893	–	–
2006	260,400	-49,200	211,200	1,378,525	–	–
2007	444,000	-70,500	373,500	2,252,998	–	–
Summa	843,600	-258,900	584,700	5,908 416	–	–

(*) The final date for exercising the options issued in 2004 was December 31, 2009 and the share option plan is now completed.

The Black-Scholes option valuation model was used to calculate the costs of the option plans in accordance with the rules contained in IFRS 2.

The following parameters were used:		Issue year 2006	Issue year 2007
Value of underlying share at grant date		SEK 11.30	SEK 16.64
Exercise price for implemented share issues		SEK 11.83	SEK 16.64
Expected duration:	Vesting 1	4.0 yr	4.0 yr
	Vesting 2	4.5 yr	4.5 yr
	Vesting 3	5.0 yr	5.0 yr
Distribution over vesting periods		1/3 each	1/3 each
Risk-free interest	Vesting 1	3.30%	3.90%
	Vesting 2	3.40%	3.93%
	Vesting 3	3.50%	3.93%
Expected future share price volatility		40.0%	40.0%
Expected distribution over the life of the options		SEK 0.00	SEK 0.00
Expected staff turnover		7.0%	7.0%
Value per option	Vesting 1	SEK 3.78	SEK 5.01
	Vesting 2	SEK 4.06	SEK 5.37
	Vesting 3	SEK 4.32	SEK 5.71
Cost according to IFRS 2 (excl. employer's contribution)		SEK 1,760,520	SEK 2,779,631

Higher than expected staff turnover meant the total cost for 2006-2008 was somewhat lower than the calculation above and no further costs needed to be recognized in 2009. No further costs will be recognized in the consolidated income statement for the remainder of the option plans.

Recognition and Measurement Policies, Parent

The recognition and measurement policies applied in preparing the consolidated statement of comprehensive income, statement of financial position and statement of cash flows are described above. These are essentially the same as the measurement and valuation policies for the Parent Company.

The annual financial statements for the Parent Company Biotage AB for the financial year ending December 31, 2009 were approved by the Board and CEO for publication on February 11, 2010. The financial statements will be presented for adoption at the annual general meeting on April 29, 2010.

The Company is a Swedish public limited liability company with its registered office in Uppsala, where the Group's management and central functions are located. The Company's shares are listed on the Nasdaq OMX Stockholm Small Cap list.

Biotage AB does not engage in any business operations as a legal entity; the operations the Company has created or acquired are conducted in wholly-owned and second-tier subsidiaries. The Group's main activity is in the field of bioscience. The Group offers complete solutions, expertise and experience in two areas – medicinal chemistry and genetic analysis. Operations are conducted mainly in the United States and the EU area. These are also the Group's most important geographical sales markets. Research and development is based in Sweden, while production takes place in Sweden and the UK.

Statement of compliance

The financial statements have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities and other interpretations issued by the SFRB.

Notes

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

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Board and senior executives				
A presentation of Board members and senior executives can be found on pages 72-73.				
Board				
Women	–	1	–	1
Men	6	8	6	8
Total	6	9	6	9
Group management				
Women	–	–	–	–
Men	3	3	1	1
Total	3	3	1	1
Average number of employees				
Women	91	123	–	–
Men	177	200	1	1
Total	268	323	1	1
Salaries and benefits				
Board and CEO	5,370	5,848	5,370	5,848
Other senior executives, 2 individuals	3,143	3,242	–	–
Other employees	124,934	138,478	–	–
Total salaries and benefits	133,447	147,568	5,370	5,848
Contractual and statutory social security contributions				
Board and CEO	1,687	1,852	1,687	1,852
Other senior executives	984	625	–	–
Other employees	17,479	24,526	–	–
Total contractual and statutory social security contributions	20,151	27,003	1,687	1,852
Pension expenses				
Board and CEO	731	731	790	731
Other senior executives	742	719	–	–
Other employees	7,777	7,774	–	–
Total pension expenses	9 251	9,224	790	731
Total salaries, social security contributions and pension expenses	162,849	183,795	7,848	8,431

Average number of employees by country

	2009			**2008**		
	Total	men	women	Total	men	women
Parent, Sweden	1	1	–	1	1	–
Subsidiaries, Sweden	59	40	19	72	46	26
USA	78	51	27	116	71	45
UK	106	66	40	102	61	41
Germany	10	10	1	15	12	3
France	–	–	–	1	1	–
Japan	13	9	5	16	8	8
Total	268	177	91	323	200	123
Distribution percentage		66%	34%		62%	38%

Salaries and employee benefits by country

	2009	2008
Board and CEO		
Parent, Sweden	5,370	5,848
Subsidiaries, Sweden	–	–
Total	5,370	5,848
Other senior executives		
Parent, Sweden	–	–
Subsidiaries, Sweden	3,143	3,242
USA	–	–
Total	3,143	3,242

Other employees	**2009**	**2008**
Parent, Sweden	–	–
Subsidiaries	**2009**	**2008**
Sweden	27,385	35,714
USA	51,256	53,418
UK	30,122	34,864
Germany	9,130	8,770
France	–	547
Switzerland	–	–
Japan	7,040	5,165
Total, subsidiaries	124,934	138,478
Total, group	133,447	147,568

Sick leave as a percentage of total hours worked, Swedish companies

	2009	2008
Sick leave, all employees	0.5	1.2
Long-term sick leave	0.0	20.4
Sick leave, women	0.8	1.6
Sick leave, men	0.3	1.0
Sick leave, <29 years of age	0.5	0.5
Sick leave, 30-49 years of age	0.5	1.2
Sick leave, <50 years of age	0.6	1.1

Long-term sick leave is an absence comprising 60 or more consecutive days.

Remuneration of Board members and senior executives

Principles

The Chairman and members of the Board are paid the fees adopted by the annual general meeting. The President & CEO Torben Jörgensen receives a basic salary, variable pay, other benefits and a pension. Other senior executives also receive a basic salary, variable pay, other benefits and a pension. Group management is made up of other senior executives (two individuals) and the President & CEO.

The basic salary to variable pay ratio must be proportional to responsibility and authority. President & CEO Torben Jörgensen receives variable pay, which is linked to the Group's annual results, up to a maximum of SEK 2,500,000.

Other senior executives receive variable pay up to a maximum of 30 percent of their basic salary.

Salaries, fees and employee benefits in 2009

SEK	Board fees	Basic salary	Variable pay	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board:							
Ove Mattsson	425,000						425,000
Board members:							
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					2,584	127,584
Total fees paid to Board members in 2009	1,500,000					2,584	1,502,584
Minus opening provision for unpaid Board fees, January 1, 2009	-933,333						-933,333
Plus closing provision for unpaid Board fees, December 31, 2009	683,333						683,333
Total accrued cost of fees paid to Board members in 2009	1,250,000					2,584	1,252,584
President & CEO:							
Torben Jörgensen		2,534,400	950,000	2,765	731 400	630,601	4,849,166
Other senior executives (2 individuals)		2,520,186	619,038	3,841	742,310	–	3,885,375
Total	1,250,000	5,054,586	1,569,038	6,606	1,473,710	633,185	9,987,125

Comments on the tables on page 51

Board

The 2008 annual general meeting adopted Board fees of SEK 1,400,000 for the period until the 2009 annual general meeting. SEK 400,000 of this amount related to the Chairman's fees. The 2009 annual general meeting adopted Board fees of SEK 1,025,000 for the period until the 2010 annual general meeting. SEK 400,000 of this amount relates to the Chairman's fees. In addition, a framework of up to SEK 100,000 was adopted for remuneration of committee work. This framework was defined by the 2008 and 2009 annual general meetings.

President & CEO

The President & CEO Torben Jörgensen receives a basic monthly salary of SEK 208,000. The President & CEO also receives variable pay and a pension, and is entitled to termination benefits, which are described below.

Bonuses and other benefits

The President & CEO Torben Jörgensen receives an annual quality bonus of up to SEK 2,500,000.

In addition, the President & CEO receives fixed pay of up to SEK 800,000, which is 10 percent of his shareholding in the Company.

Pensions

The Group only has defined contribution pension plans. The retirement age for the President & CEO Torben Jörgensen is 60. The pension premium is 30 percent of the pension-generating salary. Pension-generating salary is the basic salary.

Termination benefits

The President & CEO is entitled to a 6-month period of notice in the event of voluntary termination of employment and a 12-month period of notice when employment is terminated by the Company. in the event of involuntary termination of employment (not as a result of gross neglect of duties to the Company) or voluntary termination as a result of an acquisition of more than 50 percent of the shares in the Company, termination benefits corresponding to 12 monthly salaries will be paid from the end of the period of notice. Termination benefits are not pension-generating pay and do not count towards vacation pay.

In other cases of voluntary termination of employment, the President & CEO does not receive termination benefits, although payment may be available in return for a commitment not to compete.

The Company and senior executives are entitled to a period of notice of between 6 and 12 months.

Financial instruments

The annual general meeting of Biotage AB has, on different occasions, granted the Board a mandate to adopt share option plans for the Group's employees. The plans are described in detail on pages 48-49 of this annual report. Adopted plans still outstanding at December 31, 2009 cover a total of 584,700 options entitling holders to subscribe for the same amount of shares.

Number of employee share options	2004 Plan Number of options	2006 Plan Number of options	2007 Plan Number of options
CEO			
Torben Jörgensen:			
At beginning of year	–	–	55,000
Options granted in 2009	–	–	–
Options lapsed in 2009	–	–	–
Options exercised for new share subscription in 2009	–	–	–
At end of year	–	–	55,000
Other senior executives (2 individuals)			
At beginning of year	30,000	30,000	60,000
Options granted in 2009	–	–	–
Options lapsed in 2009	-30,000	–	–
Options exercised for new share subscription in 2009	–	–	–
At end of year	–	30,000	60,000
Total options holdings – CEO and other senior executives	–	30,000	115,000
Number of shares that can be subscribed for	–	30,000	115,000
Subscription price	–	11.83 kr	16.64 kr

Comments:

Conditions for the option plans and information on all outstanding options in the Company can be found on pages 48-49. Information on the total number of financial instruments in the Company held by Board members and management can be found on pages 72-73. The 2004 Plan came to an end on December 31, 2009.

Guidelines for remuneration of senior executives

Principles and guidelines adopted by the 2009 annual general meeting

The Company shall endeavor to offer the Company's senior executives market salaries. The remuneration committee shall prepare remuneration matters and present proposals for the Board's consideration. Proposals for remuneration shall take into account the importance of duties, expertise, experience and performance. Remuneration shall comprise a fixed annual salary, variable pay, retirement benefits, discretionary bonuses and termination benefits. The Board is entitled to derogate from these guidelines if it believes there is sufficient reason to do so in a particular case.

CEO

The Company's CEO receives an annual salary of SEK 2,400,000 under the terms of his current employment contract. The Company makes a pension provision corresponding to 30 percent of the CEO's fixed annual salary. In addition to the fixed annual salary, the CEO receives variable pay of up to SEK 2,500,000. The variable pay is linked to the Company's achievement of defined financial targets.

Under the terms of his employment contract, the CEO is obliged to purchase up to SEK 5 million of the Company's shares. The Company pays the CEO an annual amount corresponding to 10 percent of the cost of acquisition for shares within the range of SEK 5 and 8 million.

The CEO receives annual compensation of SEK 100,000 for travel and increased housing costs.

Other members of Company management

This group consists of five individuals, who report directly to the CEO.

All members of Company management receive a fixed annual salary which is competitive in the market, and a bonus of up to 30 percent of the fixed annual salary. 75 percent of the variable pay is linked to the Company's achievement of defined financial targets. The remaining 25 percent is based on personal performance. The pension provision is up to 30 percent of the fixed salary.

Any new members of Company management can expect the same remuneration conditions.

Discretionary bonuses

The Board may decide to award a discretionary bonus to members of Company management, including the CEO. This type of bonus may only be paid in exceptional circumstances.

Variable pay and performance requirements

The Board may decide on the criteria for variable pay.

Termination benefits

Salaries during the period of notice and termination benefits for senior executives shall not exceed 24 monthly salaries.

The Board's proposals for principles and guidelines to be presented to the 2010 annual general meeting

The Company shall endeavor to offer the Company's senior executives market salaries. The remuneration committee shall prepare remuneration matters and present proposals for the Board's consideration. Proposals for remuneration shall take into account the importance of duties, expertise, experience and performance. Remuneration shall comprise a fixed annual salary, variable pay, retirement benefits, discretionary bonuses and termination benefits. The Board is entitled to derogate from these guidelines if it believes there is sufficient reason to do so in a particular case.

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The Company's CEO receives an annual salary of SEK 2,500.000 under the terms of his current employment contract. The Company makes a pension provision corresponding to 30 percent of the CEO's fixed annual salary. In addition to the fixed annual salary, the CEO receives variable pay of up to SEK 2,500,000. The variable pay is linked to the Company's achievement of defined financial targets.

Under the terms of his employment contract, the CEO is obliged to purchase up to SEK 5m of the Company's shares. The Company pays the CEO an annual amount corresponding to 10 percent of the cost of acquisition for shares within the range of SEK 5 and 8 million.

The CEO receives annual compensation of SEK 100,000 for travel and increased housing costs.

Other members of Company management

This group consists of five individuals, who report directly to the CEO.

All members of Company management receive a fixed annual salary which is in line with market salaries, and a bonus of up to 30 percent of the fixed annual salary. 75 percent of the variable pay is linked to the Company's achievement of defined financial targets. The remaining 25 percent is based on personal performance. The pension provision is up to 30 percent of the fixed salary.

Any new members of Company management can expect the same remuneration conditions.

Discretionary bonuses

The Board may decide to award a discretionary bonus to members of Company management, including the CEO. This type of bonus may only be paid in exceptional circumstances.

Variable pay and performance requirements

The Board may decide on the criteria for variable pay.

Termination benefits

Salaries during the period of notice and termination benefits for senior executives shall not exceed 24 monthly salaries.

Note 2 Sales revenue

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Net sales – distribution between products and services:				
Products	351,702	333,935	–	–
Service contracts and other services	35,741	44,051	6,126	7,450
Royalties (*)	–	–	–	6,159
Other sales revenue	6,681	7,309		
Total sales revenue	394,123	385,295	6,126	13,609

(*) In the Group, royalties are reported as a sub-item in discontinued operations.

	2009	**2008**
Revenue by product area:		
Synthesis	92,484	93,438
Purification	190,379	190,317
Sample preparation	82,442	72,768
Evaporation	12,466	13,632
Other	16,352	15,140
Total sales revenue	394,123	385,295

	2009	**2008**
Revenue by geographical market:		
USA	158,877	146,839
Europe	154,518	173,078
Japan	47,444	33,000
Other markets	33,284	32,378
Total sales revenue	394,123	385,295

Intra-group sales and purchases of products and services:

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Parent to subsidiary, products	–	–	–	–
Parent to subsidiary, services	6,126	7,451	6,126	7,450
Subsidiary to parent, products	–	–	–	–
Subsidiary to parent, services	2,810	2,554	–	–
Subsidiary to subsidiary, products	161,808	205,162	–	–
Subsidiary to subsidiary, services	53,535	49,060	–	–
Total intra-group sales	224,279	264,226	6,126	7,450

As these amounts were eliminated during preparation of the consolidated income statement, they are not included in the above sales revenue for products and services.

Note 3 Other operating income

	Group		Parent	
	2009	[2] **2008**	**2009**	[2] **2008**
Exchange gains/losses on receivables and liabilities	5,509	22,120	5,005	19,379
Gains/losses on the sale of non-current assets	–	–	–	–
Payment for one-time services	3,900	3,271	–	3,876
Profit/loss from the sale of Biosystems business area [1]	–	–	23,361	16,432
Other items	1,543	159	-3	2
Total other operating income	10,951	25,550	28,363	39,688

[1] In the Group, profit/loss from the sale of the business area is reported as an item in profit/loss from discontinued operations.
[2] Comparative figures for 2008:

From 2008 annual report	33,491	31,056
Exchange gains/losses on receivables and liabilities reclassified from finance income (note 10)	4,727	16,083
Offsetting of exchange gains/losses against other operating expenses (note 9)	-12,668	–
Intra-group sales of services reclassified as parent's sales revenue	–	-7,451
Comparative figures reported for 2008 as above	25,550	39,688

Note 4 Itemization of operating expenses

Operating expenses reported by function of expense in income statement

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Cost of sales	169,025	160,838	–	–
Distribution costs	132,297	142,266	–	–
Administrative expenses	61,020	40,753	19,652	18,597
Research & development expenses	34,130	34,646	2,709	3,928
Total	396,473	378 502	22,360	22,526

Itemization of operating expenses:

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Purchased finished products, input products, semi-finished goods and production services	97,575	98,504	–	–
Personnel expenses	160,028	171,835	7,848	7,320
Depreciation/amortization of property. plant & equipment and Intangible assets	35,332	33,058	1,483	3,710
Other operating expenses	103,538	75,104	13,029	11,507
Total operating expenses	396,473	378,502	22,360	22,537

Note 5 Discontinued operations

The Biosystems business area was sold on October 2, 2008. The business area accounted for approximately 20 percent of the Group's annual sales. Following the sale of Biosystems, the Group now consists of the Discovery Chemistry business area. The information below is reported in accordance with the provisions of IFRS 5.

1. Balance sheet items

In the consolidated statement of financial position the following items are reported separately as assets held for sale:	12-31-2009	12-31-2008
Assets in discontinued operations	–	16,039
Liabilities attributable to assets in discontinued operations	–	20,767

At December 31, 2009, held-for-sale assets amounted to SEK 38,564 and attributable liabilities to 29,204. These items are not connected with the sale of the Biosystems business area, but with the disposal of real estate in the USA, which was concluded on January 7, 2010.

2. Income statement items

The consolidated statement of comprehensive income provides information on profit/loss from discontinued operations	**2009**	**2008**
Profit/loss from discontinued operations	-66	267,884
Itemization:		
Net sales	2,516	112,546
Cost of sales	-2,174	-57,279
Gross profit	342	55,268
Distribution costs	-408	-23,225
Administrative expenses		-4,714
Research & development expenses		-5,653
Other operating income		3,916
Other operating expenses		-12
Total operating expenses	-408	-29,688
Operating profit/loss	-66	25,580
Disposal of Biosystems [1) 2)]	23,361	253,996
Net finance income/expense		5,092
Profit/loss after financial items	23,295	284,667
Tax on profit for the year	–	-16,783
Profit/loss for the period	23,295	267,884

[1)] **Profit/loss from the disposal of Biosystems 2009**

This item relates to the adjusted purchase consideration based on the purchaser's sales revenue and gross profit for 2009.

[2)] **Profit/loss from the disposal of Biosystems 2008**	253,996
The item consists of the following sub-amounts:	
Revenue from sale	361,067
Less carrying amount of assets and liabilities transferred to the purchaser of Biosystems on the takeover date October 2, 2008:	
Non-current assets	-92,824
Inventories	-14,263
Current receivables	-403
Current liabilities and obligations	14,898
	-92,592
Costs of discontinuation of business area, and disposal costs	-14,480
	-107,072
Profit/loss from disposal	253,996

3. Cash flow	**2009**	**2008**
Cash flow from operating activities after changes in working capital	-3,644	34,244
Cash flow from investing activities	–	344,012
Cash flow from financing activities	–	–
Total cash flow	-3,644	378,256

Additional information on 2009 cash flow

The adjusted purchase consideration of SEK 23,261k will be received during 2010. This explains why cash flow was negative in 2009, as items reported as assets and liabilities in discontinued operations at December 31, 2008 have been sold.

Note 6 Administrative expenses

Administrative expenses include the following fees paid to auditors.

Audit services comprise examination of the annual financial statements, interim reports, accounting records, internal control and administration of the business by the CEO and Board. They also include examination of the financial statements of subsidiaries, advice and other assistance relating to observations made during the audit. Other advice and assistance comes under other fees.

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Fees to the accountants Deloitte AB				
Audit fees	1,892	2,321	952	1,218
Other fees	716	589	267	369
Total	2,609	2,910	1,218	1,587
Fees to other auditors				
Audit fees	–	–	–	–
Other fees	–	395	–	–
Total	–	395	–	–
Total fees, Group	2,609	3,305	1,218	1,587

Note 7 Leases and rental agreements

For accounting purposes, all leases in the Group are classified as operating leases, which means the lease payments are recognized over the term of the lease.

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Lease and rental agreements during the year amounted to	11,560	13,485	–	–
Remaining rental and lease payments				
Within one year	8,912	11,736	–	–
Between one and five years	15,895	8,958	–	–
After five years	3,945	–	–	–
Total	28,753	20,694	–	–

Note 8 Depreciation and amortization of property, plant & equipment and intangible assets

Depreciation/amortization is included in the different functions and distributed as follows:

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Cost of sales	7,691	5,784	–	–
Distribution costs	2,411	5,171	–	–
Administrative expenses	3,806	4,917	–	–
Research & development	21,424	16,460	1,483	3,710
Total	35,332	32,332	1,483	3,710

Note 9 Other operating expenses

	Group		Parent	
	2009	[1] **2008**	**2009**	[1] **2008**
Gains/losses on the sale of non-current assets	489	418	261	–
Restructuring expenses	17,993	4,000	–	–
Services purchased from subsidiaries	–	–	–	–
Other items	243	704	–	11
Total other operating expenses	18,725	5,121	261	11
Exchange gains/losses on receivables and liabilities				
[1] Comparative figures for 2008:				
From 2008 annual report		17,789		2,565
Offsetting of exchange gains/losses against other operating income (note 3)		-12,668		–
Intra-group purchases of services reclassified as parent's administrative expenses		–		-2,554
Comparative figures reported for 2008 as above		5,121		11

Note 10 Finance income, finance costs and liabilities to credit institutions

	Group		Parent	
Finance income	**2009**	**[1] 2008**	**2009**	**[1] 2008**
Interest income on bank deposits and short-term investments	3,367	4,112	3,009	2,711
Interest income on receivables from group companies	–	–	15,226	16,058
Profit/loss from other securities [*]	–	–	–	40,679
Profit/loss from investments in group companies	–	–	15,000	–
Other financial items	–	165	–	–
Total	3,367	4,278	33,234	59,448
Finance costs				
Interest expense and similar payments to banks	2,243	3,828	138	20
Interest expense on liabilities to group companies	–	–	1,910	2,021
Profit/loss from investments in group companies [*]	–	–	–	96,781
Total	2,243	3,828	2,048	98,823
Net finance income/expense	1,124	450	31,187	-39,375

[*] Profit/loss from other securities is reported in the Group under discontinued operations.

	Group		Parent	
Borrowing	**2009**	**2008**	**2009**	**208**
Long-term				
Bank loans	7,615	8,065	–	–
Total long-term borrowing	7,615	8,065	–	–
Loan maturities: 1-5 years	2,375	8,065	–	–
‹ 6 years	5,239	–	–	–
Short-term				
Operating loans from banks	30,119	38,829	–	–
Total short-term borrowing	30,119	38,829	–	–
Total liabilities to credit institutions	37,733	46,894	–	–
Of the amount, liabilities attributable to assets held for sale	29,204	–		

Total borrowing includes pledged assets of USD 44,110k and GBP 704k. The Group's land and buildings are provided as collateral for bank loans (see note 12). Operating assets are also pledged for other secured borrowing.

Distribution of credit by currency

	Group		
	Local currency	SEK thousands 2009	SEK thousands 2008
USD	4,110,027	29,644	38,364
GBP	704,389	8,090	8,531
Total	–	37,733	46,894

The Group has the following unused credit facilities at the reporting date, December 31, 2009:		
– expires within one year	75,500	SEK thousands
– expires in over one year	–	SEK thousands
Total unused credit facilities at 12-31-2009	75,500	SEK thousands

Credit facilities will be reviewed at various times during 2010.

[1] Comparative figures for 2008:
Net finance income/expense has been restated as follows:

	Group	Parent
From 2008 annual report	5,177	-23,292
Exchange gains/losses on intra-group receivables reclassified as other operating income/expenses (note 3)	-4,727	-16,083
Net finance income/expense according to above	450	-39,375

Note 11 Taxes

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Current tax	5,999	-2,190	–	–
Deferred tax	-6,817	5,688	–	3,209
Total	-818	3,498	–	3,209
Reconciliation of effective tax	**2009**	**2008**	**2009**	**2008**
Profit before tax	14,296	27,672	43,054	-8,614
Tax according to parent's applicable tax rate	-3,760	-7,278	-11,323	2,265
Effect of different tax rates for foreign subsidiaries	4,676	1,266	–	–
Non-taxable income	1,941	10,847	3,951	10,704
Non-deductible expenses	-2,232	-6,247	-7	-42,223
Other taxable income statement items not included in profit for the year	-957	-9,545	5,692	-9,545
Other deductible income statement items not included in profit for the year	5,689	–	–	–
Correction, prior years	-67	441	–	–
Effect of increase (-)/decrease (+) in loss carryforwards without effect on deferred tax	-6,107	8,327	5,170	47,089
Capitalization of loss carryforwards	–	5,688	–	3,209
Effect of group contributions	–	–	-3,482	-8,291
Total tax reported in the consolidated and parent income statements	-818	3,498	–	3,209
Items in other comprehensive income	-21,425	29,474	–	–
Tax effects of these items	–	–	–	–

Note 12 Property, plant & equipment

Land and buildings

Cost:	**2009**	**2008**
Opening balance January 1	65,379	65,266
Acquisitions during the year	153	113
Sales during the year	–	–
Disposals during the year	–	–
Sub-total	65,532	65,379
Opening change in value due to exchange differences	1,276	-5,721
Closing change in value due to exchange differences	-3,395	6,997
Closing balance December 31	63,413	66,655
Accumulated depreciation and impairment:		
Opening balance January 1	-9,601	-7,820
Depreciation for the year	-1,769	-1,781
Sales during the year	–	–
Disposals during the year	–	–
Sub-total	-11,370	-9,601
Opening change in value due to exchange differences	-830	8
Closing change in value due to exchange differences	551	-838
Closing balance December 31	-11,648	-10,431
Carrying amount	**51,765**	**56,225**

Improvement of third-party property

Cost:	**2009**	**2008**
Opening balance January 1	14,937	16,563
Acquisitions during the year	944	9
Sales during the year	–	–
Disposals during the year	–	-1,635
Sub-total	15,881	14,937
Opening change in value due to exchange differences	-703	-430
Closing change in value due to exchange differences	22	-272
Closing balance December 31	15,200	14,234

Note 12 Property, plant & equipment, cont'd

Accumulated depreciation and impairment:	2009	2008
Opening balance January 1	-11,720	-10,529
Depreciation for the year	-1,717	-2,826
Sales during the year	–	–
Disposals during the year	–	1,635
Sub-total	-13,437	-11,720
Opening change in value due to exchange differences	447	274
Closing change in value due to exchange differences	-14	173
Closing balance December 31	-13,005	-11,274
Carrying amount	**2,195**	**2,960**

Plant and machinery

Cost:	2009	2008
Opening balance January 1	127,591	166,393
Acquisitions during the year	15,160	7,276
Sales during the year	–	–
Disposals during the year	-34,862	-46,079
Sub-total	107,889	127,591
Opening change in value due to exchange differences	-4,594	-7,500
Closing change in value due to exchange differences	-3,123	2,905
Closing balance December 31	100,171	122,996
Accumulated depreciation and impairment:		
Opening balance January 1	-105,006	-137,724
Depreciation for the year	-8,300	-13,280
Sales during the year	–	–
Disposals during the year	33,094	45,998
Sub-total	-80,212	-105,006
Opening change in value due to exchange differences	3,803	6,208
Closing change in value due to exchange differences	2,758	-2,405
Closing balance December 31	-73,652	-101,203
Carrying amount	**26,520**	**21,793**

Summary of carrying amount:	2009	2008
Land and buildings	51,765	56,225
Improvement of third-party property	2,195	2,960
Plant and machinery	26,520	21,793
Total in consolidated balance sheet	**80,480**	**80,978**
Of the above amount reported as:		
Non-current assets held for sale	*) 38,564	–
Property, plant & equipment	41,915	80,978
	80,480	80,978

*) Amount relates to real estate sold in early 2010.

Total property, plant & equipment and intangible assets reported under:	2009	2008
Land and buildings	51,765	56,225
Improvement of third-party property	2,195	2,960
Plant and machinery	26,520	21,793
Goodwill	473,661	487,227
Capitalized development expenditure	49,925	44,468
Patents, licenses, trademarks, etc.	12,045	16,263
Total	616,111	628,936
Distribution by country:		
Sweden	212,998	205,202
USA	213,794	234,383
UK	138,967	137,069
Other	50,351	52,282
Total	616,111	628,936

Note 13 Goodwill

	2009	2008
Opening cost	496,986	470,352
Translation differences	-13,566	26,634
Closing accumulated cost	483,420	496,986
Opening impairment	-9,759	-9,759
Impairment for the period, see below	–	–
Translation differences	–	–
Closing accumulated impairment	-9,759	-9,759
Total carrying amount	473,661	487,227

Goodwill impairment testing

Under IFRS rules, Biotage ceased the practice of reporting goodwill amortization in its statement of financial position with effect from January 1, 2005. Instead, goodwill is tested for impairment.

Preparation of the 2009 annual financial statements included goodwill impairment testing which involved calculation of projected cash flows from the Group's operations. These cash flows did not reveal any indication of impairment, and the recoverable amount was found to be higher than the carrying amount in the statement of financial position.

The cash flows are based on the Group's budget for 2010 and business forecasts for 2011-2014. Key parameters in the calculation of the recoverable amount are estimated sales growth, gross profit, gross margin, operating expenses, investments, depreciation, operating capital and the discount rate.

Goodwill impairment testing requires the value of future cash flows to be discounted to the present value. The margin by which the recoverable amount exceeds the carrying amount in Biotage's statement of financial position has shrunk over the last few years. The most recent goodwill impairment testing revealed that the recoverable amount exceeds the carrying amount by SEK 46m. In the case of a well-founded assumption (about lower growth and/or a higher discount rate, for example), a goodwill impairment loss might need to be recognized.

If, for example, sustainable growth, which is assumed to be 3.0 percent (3.0), fell by 0.5 percent, the margin between recoverable amount and carrying amount would disappear. Similarly, a 0.5-percent increase in the pre-tax discount rate, which is assumed to be 11.59 percent, would also wipe out this margin.

The following interest rates after tax were used to discount cash flows to the present value:

	2009	2008
Equity financing	10.00%	8.83%
Debt financing	3.69%	3.80%
Average based on Group's capital structure	9.36%	8.33%
The pre-tax discount rate has been calculated as	11.59%	

Note 14 Other intangible assets

Capitalized development expenditure

	Group		Parent	
Cost:	**2009**	**2008**	**2009**	**2008**
Opening balance January 1	63,841	118,314	–	–
Acquisitions during the year	22,137	24,197	–	–
Sales during the year	–	-45,957	–	–
Disposals during the year	-3,233	-32,712	–	–
Sub-total	82,745	63,841	–	–
Opening change in value due to exchange differences	-59	-301	–	–
Closing change in value due to exchange differences	-515	242	–	–
Closing balance December 31	82,172	63,783	–	–
Accumulated amortization and impairment:				
Opening balance January 1	-19,338	-47,302	–	–
Amortization for the year	-16,659	-12,541	–	–
Sales during the year	–	7,792	–	–
Disposals during the year	3,233	32,712	–	–
Sub-total	-32,764	-19,338	–	–
Opening change in value due to exchange differences	23	120	–	–
Closing change in value due to exchange differences	494	-97	–	–
Closing balance December 31	-32,247	-19,315	–	–
Carrying amount	**49,925**	**44,468**	**–**	**–**

Patents, licenses, trademarks, etc.

Cost:	**2009**	**2008**	**2009**	**2008**
Opening balance January 1	40,789	60,903	10,530	21,590
Acquisitions during the year	905	2,037	905	2,037
Sales during the year	–	-8,513	–	-8,513
Disposals during the year	-134	-13,638	-134	-4,584
Sub-total	41,560	40,789	11,301	10,530
Opening change in value due to exchange differences	-457	-502	–	–
Closing change in value due to exchange differences	-236	45	–	–
Closing balance December 31	40,867	40,332	11,301	10,530
Accumulated amortization and impairment:				
Opening balance January 1	-24,317	-33,044	-3,756	-8,281
Amortization for the year	-4,985	-5,406	-1,349	-1,981
Sales during the year	–	3,651	–	3,651
Disposals during the year	–	10,482	–	2,855
Sub-total	-29,302	-24,317	-5,105	-3,756
Opening change in value due to exchange differences	248	273	–	–
Closing change in value due to exchange differences	232	-25	–	–
Closing balance December 31	-28,822	-24,069	-5,105	-3,756
Carrying amount	**12,045**	**16,263**	**6,196**	**6,774**

	Group		Parent	
Summary of carrying amount:	**2009**	**2008**	**2009**	**2008**
Capitalized development expenditure	49,925	44,468	–	–
Patents, licenses, trademarks, etc.	12,045	16,263	6,196	6,774
Total in consolidated balance sheet	**61,970**	**60,731**	**6,196**	**6,774**

Note 15 Financial assets and deferred tax

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Various non-current receivables	700	657	–	–
Various long-term deposits	1,593	1,096	–	–
Total financial assets	2,293	1,754	–	–
Capitalization of loss carryforwards [1]	**42,570**	**42,570**	**42,570**	**42,570**

[1] **Capitalization of carryforwards**

At December 31, 2008, the Group's deferred tax assets amounted to SEK 42.6m. The Group starts the 2010 fiscal year with tax losses of SEK 750m. Approximately SEK 41m of this amount will be used when preparing the results of the Swedish companies for 2009.

Tax losses related to the US subsidiary are restricted until the end of the 2019 fiscal year. They amount to approx. SEK 218m.

Based on the Group's expected results in the next few years, Biotage has reassessed the value of the Group's tax losses and decided to recognize deferred tax assets of SEK 42.6m at December 31, 2009.

Note 16 Inventories

	2009	**2008**
Raw materials and consumables	16,800	40,533
Products in process	11,193	11,194
Finished products	52,296	52,497
Total inventories	80,288	104,224

Inventories are measured at the lower of cost and net realizable value.

Analysis of changes in inventories:		
Effects of price changes	2,084	1,830
Effects of volume changes	-20,708	4,070
Effects of exchange rate movements	-5,313	11,945
Inventories in discontinued operations	–	-10,765
Total changes in inventories	-23,936	7,080

As manufacturing in Biotage's US production facility has been closed down and placed with contract manufacturers, the need for raw materials and consumables has declined considerably.

Note 17 Trade and other receivables

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Trade receivables	75,191	76,245	–	71
Prepayments and accrued income [a]	32,274	11,957	25,463	6,705
Other current receivables [b]	13,762	12,296	2,054	511
Total trade and other receivables	121,228	100,498	27,517	7,287

[a] **Prepayments and accrued income**

Adjusted purchase consideration for Biosystems business area sold in 2008	23,361	–	23,361	–
Accrued income	885	5,172	844	5,172
Prepaid rents	1,758	1,677	–	–
Prepaid insurance	1,943	1,762	1,062	1,038
Other items	4,326	3,346	197	495
Total	32,274	11,957	25,463	6,705

[b] **Other current receivables**

VAT	9,036	8,329	172	125
Income tax	4,404	3,328	1,800	386
Other current receivables	322	639	82	–
Total	13,762	12,296	2,054	511

Note 18 Provisions

	Group	
	2009	**2008**
Provision for warranties	3,487	4,086
Provision for social security contributions on share option plans	776	776
Provision for taxes	1,052	1,710
Other provisions	954	2,755
Total provisions	6,270	9,328
Distribution between current and non-current items		
Non-current items		
Provision for warranties	146	–
Provision for social security contributions on share option plans	776	776
Provision for taxes	1,037	–
Other provisions	954	2,575
Total	2,913	3,351
Current items		
Provision for warranties	3,341	4,086
Provision for taxes	–	1,710
Other provisions	15	181
Total	3,356	5,977

Provision for warranties

Biotage provides a one-year warranty on most of its products. The recognized provision for warranties corresponds to 1.75 percent of sales revenue for the products covered by warranties. The majority of the provision for warranties is classified as a short-term obligation, and it is considered likely that the settlement amount for warranty obligations will correspond to the amount in the provision.

Provision for social security contributions on share option plans

Biotage's current employee share option plans are accounted for in accordance with IFRS 2, which requires recognition of the expected employer contributions to the value of the share options granted to the Group's executives and employees. It is uncertain to what extent and when this item can be reversed, as it depends entirely on price development for Biotage's shares.

Provision for taxes

This provision relates to tax on net income which may be reduced or extinguished by means of unused tax losses. However, on the basis of the precautionary principle, a provision has been recognized for income tax, and it is more likely than not that the tax will have to be paid, in which case this will be in 2010.

Note 19 Trade and other payables

	Group		Parent	
	2009	**2008**	**2009**	**2008**
Liabilities to suppliers	45,248	40,521	1,067	3,647
Other current liabilities [a]	9,013	6,484	390	789
Accruals and deferred income [b]	38,354	48,355	3,111	5,178
Total trade and other payables	92,615	95,360	4,568	9,613
[a] Other current liabilities				
Advances from customers	600	1,800	–	–
Tax and public duties	8,014	2,671	390	252
Other current liabilities	399	2,013	–	536
Total	9,013	6,484	390	789
[b] Accruals and deferred income				
Personnel-related expenses	14,601	22,783	2,290	3,839
Deferred income	13,186	12,529	–	–
Other accruals	10,566	13,044	821	1,339
Total	38,354	48,355	3,111	5,178

Note 20 Shares and participating interests

	2009	2008
Parent		
Opening cost	770,116	770,282
Investments for the year	42	–
Sales during the year	–	-166
Closing accumulated cost	770,158	770,116
Opening impairment	-213,069	-52,555
Impairment for the year	–	-160,514
Closing accumulated impairment	-213,069	-213,069
Closing accumulated carrying amount	557,090	557,047

Companies owned directly by the Parent

Company name	Reg. no.	Reg'd office	Number of shares	Share of capital	Share of votes	Carrying amount 2009	Carrying amount 2008
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	100	100%	100%	15,050	15,050
Pyrosequencing Inc	04-3484142	Boston, USA	100	100%	100%	311,086	311,086
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%	111	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						770,158	770,115
Value adjustment of shares in Pyrosequencing Inc						-210,003	-210,003
Value adjustment of shares in Separtis Holding AG						-3,066	-3,066
Total carrying amount						557,090	557,047

Companies owned directly by other subsidiaries

Company name	Reg. no.	Reg'd office	Number of shares	Share of capital	Share of votes	Carrying amount 2009	Carrying amount 2008
Biotage LLC	04-3535072	Charlottesville, USA		100%	100%	179,109	192,519
Esytech AB	556588-8350	Uppsala	100,000	100%	100%	60	60
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	10%	10%	9	9
Separtis GmbH fusionerat 2008	DE-HRB 2937	Grenzach-Wyhlen, Germany		100%	100%	–	–
Separtis AG	CH-280.3.004.688-3	Grellingen, Switzerland		100%	100%	973	1,028
Total						180,152	193,617

Changes to the carrying value of subsidiaries' shareholdings are due to translation differences during conversion to Swedish kronor.

Note 21 Pledged assets and contingent liabilities

	Group		Parent	
	2009	2008	2009	2008
Pledged assets				
Chattel mortgages	97,775	101,015	22,500	22,500
Real estate mortgages	49,985	52,878	–	–
Restricted funds	–	110	–	–
Total	147,760	154,003	22,500	22,500
Contingent liabilities	–	–	–	–

The Parent Company has provided sureties for the following subsidiaries' obligations with 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

Note 22 Related party disclosures

IAS 24 requires entities to provide disclosures about the nature and scope of transactions with related parties. This applies to companies and individuals.

Related parties are classified as follows:
a) Parent companies;
b) Companies with joint control or significant influence over the company;
c) Subsidiaries;
d) Associates;
e) Joint ventures in which the company is a venturer;
f) Key management personnel in the company or its parent; and
g) Other related parties.

a) Parent companies
According to the list of the 15 largest shareholders in the Company at December 31, 2009, Biotage AB does not have a parent company. The largest shareholder is HealthCap, with 10.8 percent of the capital and voting power. See page 23.

b) Companies with joint control or significant influence over the company
Biotage has not conducted any transactions with any of the 15 largest shareholders listed on page 23. Biotage is not aware of any agreements or similar arrangements with any of its shareholders relating to management of the Company's affairs.

c) Subsidiaries
The Parent Company Biotage AB does not engage in any operations described in its business concept; its subsidiaries develop, produce and market the Group's products and services. For this reason, there are considerable transactions between the Parent Company and its subsidiaries, and between subsidiaries themselves.

A list of the subsidiaries can be found on page 65.

There follows a summary of transactions with subsidiaries during 2009:

Dotterföretag	Country	Receivables from subsidiaries	Liabilities to subsidiaries	Services sale (+) purchase (-)	Interest received (+) paid (-)
Biotage Sweden AB	SE	2,860	49,585	2,288	–
Biotage Sweden AB	SE	–	–	-2,810	–
Cemu Bioteknik AB	SE	–	2,165	–	–
Pyrosequencing AB	SE	–	81,600	–	–
Pyrosequencing Inc	US	242,945	58,698	–	13,227
Biotage GmbH	DE	29,270	–	3,003	518
Biotage Ltd	GB	78,128	–	–	1,481
Biotage Ltd	JP	15,095	–	454	–
Biotage GB	GB	518	46,965	381	-1,910
Separtis Holding AG	SZ	–	6,814	–	–
Impairment reserve		-126,668	–	–	–
		242,148	245,827	3,316	13,316

d) Associates
Biotage does not have any investments in associates.

e) Joint ventures in which the company is a venturer
Biotage does not have any joint venture agreements.

f) Key management personnel in the company or its parent
Information about remuneration of Board members and senior executives can be found on pages 51-52. Neither Biotech nor other Group companies have conducted transactions with individuals or legal entities that are related parties of Board members or key management personnel.

g) Other related parties
No other parties related to Biotage or other Group companies have been identified.

Statement by the Board of Directors
The Board and CEO confirm that the consolidated annual financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's financial performance and position. The Parent Company's annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Parent Company's financial performance and position. The Board of Directors' report for the Group and Parent Company provides a true and fair overview of the development of their operations, financial position and performance, and describes material risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be presented for adoption at the annual general meeting to be held on April 29, 2010.

Uppsala, March 22, 2010

Ove Mattsson
Chairman of the Board

Staffan Lindstrand
Board member

Thomas Eklund
Board member

Bengt Samuelsson
Board member

Mathias Uhlén
Board member

Per Olof Eriksson
Board member

Andreas Lundin
Employee representative

Our Audit Report was submitted on March 22, 2010.

Deloitte AB

Marcus Sörlander
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of Biotage AB (publ)
Corporate identity number 556539-3138

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Biotage AB (publ) for the financial year 2009. The company's Annual Report is included in the printed version of this document on pages 27-67. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company as well as the Statement of comprehensive income and the Statement of financial position for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 22 March 2010

Deloitte AB

Marcus Sörlander
Authorized Public Accountant

Corporate Governance

Introduction

Biotage AB was established in 1997 under the name Pyrosequencing AB. The Company made a number of acquisitions in the medicinal chemistry sector between 2003 and 2005. Following the disposal of the Biosystems business area, the Company consists of one business area – Discovery Chemistry. The Company's head office is situated in Uppsala. Biotage applies the Swedish Code of Corporate Governance ("the Swedish Code"). The diagram below shows Biotage's corporate governance model and how the central bodies interact.

Shareholders

Biotage's shares have been listed on the Stockholm Stock Exchange since 2000. Share capital in Biotage consists of class A shares, with each share carrying one vote. Class A shares entitle the holder to the same proportion of the Company's assets and earnings.

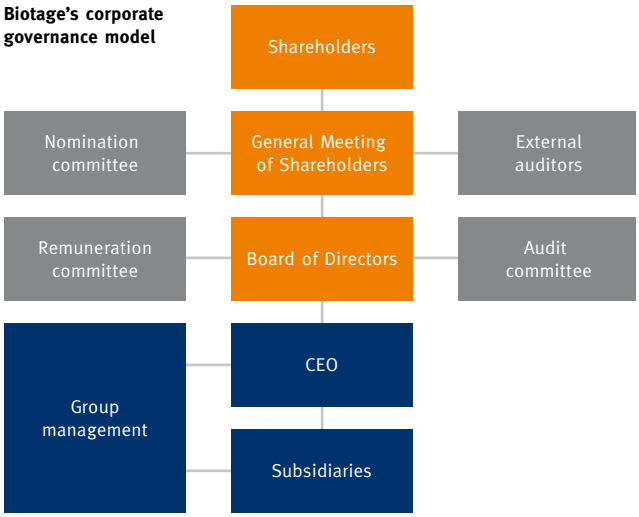
At December 31, 2009, the number of shareholders was 7,391. HealthCap is the largest shareholder in term of votes, followed by Investor Growth Capital and Anders Walldov and companies. 59.1 percent of the shareholders hold 1,000 shares or fewer, and the ten largest owners hold 40.9 percent of the total number of shares. The proportion of foreign investors is 28.4 percent. Further information about the shareholder structure can be found on page 23 of the annual report.

General meeting of shareholders

Shareholders' influence in the Company is exercised at the shareholders' meeting, which is the company's highest decision-making body. Shareholders wishing to participate in the shareholders' meeting, either in person or represented by proxy, must be listed in the register of shareholders no later than 5 working days before the meeting, and must notify the Company of their intention to attend, as specified in the notice of the meeting. The notice convening the meeting is made by public announcement and an announcement posted on the Company's website (www.biotage.com).

The annual general meeting shall be held within six months of the end of the fiscal year. At this meeting, the shareholders make decisions on the election of the Board and auditor (when relevant), the composition of the nomination committee and discharge from liability for the Board members and CEO for the previous year. They also make decisions on the adoption of the financial statements, distribution of earnings, Board and auditor fees and principles for remuneration of the CEO and other senior executives.

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-ethnical 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

2009 Annual General Meeting

The Board presented a report on its work during the year. The CEO informed the annual general meeting about the Group's financial performance and position, and commented on the results for 2008. The annual general meeting adopted the 2008 annual financial statements of the Parent Company and Group, decided on the distribution of the Company's earnings and discharged the Board and CEO from liability. A dividend of SEK 0.20 per share was resolved.

The chairman of the nomination committee gave an account of how the committee had conducted its work, and explained the committee's proposals. The meeting adopted the nomination committee's proposals on remuneration of the Board and auditors.

The meeting also adopted the nomination committee's proposal that six Board members should be elected. Board members Ove Mattsson (Chairman) Staffan Lindstrand, Thomas Eklund, Mathias Uhlén, Per-Olof Eriksson and Bengt Samuelsson were re-elected. Former Board members Annika Espander, Anders Rydin and Axel Broms had declared themselves unavailable for re-election and the meeting thanked them for their services.

The meeting voted to grant the Board a mandate to issue shares and/or convertibles on one or more occasions before the 2010 annual general meeting, with or without preferential rights for shareholders. A decision by the Board to issue shares and/or convertibles may result in a total increase in the number of shares in the Company of up to 8,800,000 shares.

The meeting unanimously adopted the Board's proposal for a mandate for the Board to decide on the purchase or transfer of up to 8,848,632 of the Company's own shares on Nasdaq OMX Stockholm.

The Board proposed that the meeting amend the articles of association so that the first and second paragraph of section 9 read: "The notice convening a shareholders' general meeting shall take the form of an announcement in Post- och Inrikes Tidningar (The Swedish Gazette) and on the Company's website. When the notice of the meeting has been issued, information to this effect will appear in Svenska Dagbladet."

The meeting voted unanimously in favor of the Board's proposal to amend the articles of association. The resolution was made conditional to a proposed change of the Swedish Companies Act coming into force.

Board members Ove Mattsson, Bengt Samuelsson and Mathias Uhlén and Chief Auditor Marcus Sörlander were present at the annual general meeting. The minutes of the annual general meeting are available on Biotage's website (www.biotage.com).

Nomination Committee

The nomination committee represents the interests of shareholders. The 2009 annual general meeting decided that the Chairman of the Board be elected to serve on the nomination committee and that he and the Company's largest shareholders (in terms of votes) as of 1 September 2009 appoint three other members. It was decided that the names of these persons should be published no later than six months before the 2010 annual general meeting, which has been the case. It was also decided that the nomination committee would elect a chairman from one of its members, who should not be the Chairman of the Board.

The nomination committee consists of Björn Odlander, Chairman (HealthCap), Karl Swartling (Investor Growth Capital), Anders Walldov (Brohuvudet AB and private holdings) and Ove Mattsson (Chairman of the Board).

If a shareholder who is represented by one of the nomination committee's members is no longer one of the largest shareholders (in terms of votes) in the Company, or if a member of the nomination committee is no longer employed by such a shareholder or leaves the nomination committee before the 2010 annual general meeting for some other reason, the nomination committee's other members shall be entitled to appoint another member to replace that member.

During the year, the nomination committee has prepared proposals for consideration by the 2010 annual general meeting regarding the election of the Chairman of the Board, other Board members and chairman of the

annual general meeting, and remuneration and related matters.

Shareholders may submit proposals to the nomination committee in various ways, including by e-mail to info@eu.biotage.com. The nomination committee's proposals and reasons must be published no later than the date of publication of the notice of the annual general meeting. The nomination committee's term of office is until the composition of the next nomination committee is published.

The nomination committee's work since the 2009 annual meeting
Since the nomination committee was formed in fall 2009, it has held two meetings, which were attended by all its members. The Chairman of the Board has provided the nomination committee with an account of the process used in the annual evaluation of the Board, its members and the CEO, and the results of the evaluation. In the lead-up to the 2010 annual general meeting, the nomination committee has formulated a proposed procedure for establishing the next nomination committee. The nomination committee is also responsible for submitting proposals for remuneration of the Board. To obtain an idea of reasonable remuneration levels, the committee has analyzed and compared fees paid in similar companies. The audit committee has assisted the nomination committee in the preparation of proposals for remuneration of the Board. Having studied the results of the Board's evaluation report, the nomination committee is of the opinion that the Board's work has been effective. The evaluation of the present Board includes the above-mentioned report on the Board's annual evaluation of its own work submitted to the nomination committee by the Chairman Ove Mattsson.

The nomination committee's proposals are submitted no later than at the date of publication of the notice of the annual general meeting.

External auditors

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

The external audit of the Parent Company's and Group's accounts and the Board's and CEO's administration is conducted in accordance with generally accepted auditing standards in Sweden. The accountant participates in at least one Board meeting each year in order to go through the annual accounts and discuss matters with Board members without the presence of the CEO.

The auditor reviews the closing accounts for the period January to September. A review of the internal procedures and control systems is also conducted in the third quarter. The year-end accounts and annual report are reviewed and audited between January and March. The interim reports between January and September are reviewed. Information on auditors' fees can be found in note 6 of the annual report.

Board

The Board's overall task is to manage the Company's affairs in the best possible way on behalf of the shareholders. The Board shall continuously evaluate the Group's financial position and operational management. The Board determines issues concerning the Group's strategic direction and organization, and makes decisions on major investments (over SEK 5 million) and commitments.

Each year, the Board establishes its own rules of procedure and a set of CEO instructions defining the division of work between the CEO and Board.

The Board's rules of procedure define the division of work among Board members, the frequency of Board meetings and the tasks of the Board's committees. Board members receive a written agenda and all the necessary decision-support material before each Board meeting. Each Board meeting includes a thorough examination of the current business situation, the Company's results and financial position and the outlook for the rest of the year. Other matters for consideration include competition and the market situation.

The Chairman of the Board leads the Board's work, represents the Company in ownership matters and is responsible for the evaluation of the Board's work. The Chairman is also responsible for ongoing contact with Group management and ensuring the Board carries out its duties.

According to the articles of association, the Board shall consist of a minimum of five and a maximum of nine members elected by the shareholders' general meeting. The Board has a quorum if more than half the meeting-elected members are present. The Board must have diversity and breadth of qualifications and a background appropriate to Biotage's organization, sector and operations, New Board members receive introductory training in order to quickly obtain the knowledge they need in order to represent the interests of the Company and its shareholders.

The Board of directors for 2009 consisted of the following persons:
- Ove Mattsson (Chairman)
- Staffan Lindstrand
- Thomas Eklund
- Per-Olof Eriksson
- Mathias Uhlén
- Bengt Samuelsson

In addition to the Board members above, the Board has another member, Andreas Lundin, who joined the Board as employee representative in August 2009.

The Board's independence and attendance
All Board members are considered independent of the Company and its management. All members, with the exception of Staffan Lindstrand and Per-Olof Eriksson, are considered independent of the Company's major shareholders, as defined in the Swedish Code. Information about Board members' attendance can be found on page 72 of the annual report.

The Board's work in 2009
The Board held eight meetings at which minutes were taken. A quorum was established at all eight 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 continued its focus on the Company's strategy and organization, including the decision to restructure the Company's US operations. This involved the reduction of 50 employees after manufacturing at the Company's factory in Charlottesville, Virginia, was closed down. A sales and marketing company for the North American market has now been established in Charlotte, North Carolina. Production has been outsourced to contract manufacturers and transferred to Biotage's factory in Wales.

Closure of the Charlottesville operations also involved activity aimed at selling the company-owned property from which the operations had been conducted. These sales efforts continued through most of 2009, and the property was finally sold, with the net proceeds after transaction costs adding approximately USD 1.3 million to the Company's cash assets.

The Board also dealt with other important matters during the year. The Company's UK operations were consolidated into one location, and all activity in the UK now takes place in Cardiff, Wales.

The Board decided to exercise the mandate granted by the 2009 AGM to purchase and transfer the Company's own shares before the 2010 meeting. The share buy-back process was conducted on Nasdaq OMX Stockholm. No shares were resold, and at December 31, 2009, the Company owned 1,578,109 of its own shares, which had been acquired for SEK 10.2 million. The average buy-back price was SEK 6.45.

In April 2009, the Company was sued for patent infringement in the United States. Biotage has requested the US Patent and Trademark Office to re-examine the validity of all patent claims relating to the three patents which are the subject of the alleged patent infringement. Biotage has also requested a stay of proceedings in the infringement case, pending the result of the PTO's re-examination. The court has acceded this request. The PTO has formally accepted the requested re-examination of the validity of the three patents in question.

The Board has two preparatory committees – the remuneration committee and the audit committee.

Remuneration Committee

The remuneration committee submits proposals to the Board about the

CEO's salary and employment terms. It also defines salaries and terms of employment for the other members of Group management and a framework for salaries and terms of employment for other key management personnel. The remuneration committee held three meetings during the year. The remuneration committee consists of Per-Olof Eriksson (chairman), Ove Mattsson and Staffan Lindstrand.

At the annual general meeting of shareholders, the Board presents for approval proposals on the remuneration of the CEO and other senior executives. The 2009 meeting adopted the following proposals by the Board:

1) the Company shall endeavor to offer key management personnel market salaries.

2) the remuneration committee shall prepare matters relating to remuneration and present these to the Board for consideration.

3) remuneration shall consist of a fixed salary, variable pay, retirement benefits, discretionary bonuses and termination benefits. A more detailed description of the terms of employment for the Group's key management personnel can be found in note 1 of the annual report.

Audit Committee

The audit committee follows its own rules of procedure, which the Board defines each year. The chairman of the audit committee is responsible for keeping the Board informed of the committee's activities and, when appropriate, submitting matters to the Board for approval. The audit committee's main task is to support the Board in ensuring that financial reporting is of high quality. The committee has regular meetings with the Company's auditor and evaluates the aims and scope of the audit.

The committee also discusses auditing issues of particular significance to the Group, and assists the nomination committee in preparing nominations for the post of auditor and recommendations on fees for auditing services.

The audit committee consists of Thomas Eklund (chairman), Staffan Lindstrand and Ove Mattsson. All the members of the audit committee are considered independent of the Company's major shareholders.

In 2009, the audit committee held four meetings at which minutes were taken.

Group management

Group management is responsible for establishing and implementing the Group's overall strategy, and dealing with activities such as acquisitions, disposals and large investments, which are prepared by Group management for approval by the Parent Company's Board. The CEO is responsible for the day-to-day management of the Company in accordance with the Board's instructions and guidelines. Group management consists of Torben Jörgensen (CEO), Mats-Olof Wallin (CFO) and Lars Bäckman (Vice President of Corporate Development).

Group management holds monthly meetings to discuss the financial performance and position of the Group and subsidiaries. The meetings also deal with strategic plans and the monitoring of budgets and forecasts.

Additional meetings are held every two weeks to consider overall operational management. The Parent Company's CEO chairs the boards of the Company's directly owned subsidiaries. Other members of Group management also serve on these boards. The boards of the subsidiaries supervise current operations and define strategies and budgets.

The Board's description of internal controls

Under the Swedish Code, the Board is required to provide an annual description of the Company's internal controls and risk management with regard to financial reporting.

The Board must also conduct an annual evaluation of the need for a separate internal audit function. In its evaluation, the Board has come to the conclusion that Biotage's present size and risk exposure do not justify a separate internal audit function.

The following description has not been reviewed by the Company's auditor.

The control environment – the basis of internal controls

The control environment creates Biotage's culture and defines the standards and guidelines on which the Group's business actions take place. In substance, the control environment consists of the documented guidelines, manuals and instructions which have been communicated across the entire organization.

The organizational structure is transparent, with defined roles and responsibilities communicated in the form of documented instructions to the Board, the Board's committees, the CEO and managers of the subsidiaries. Regular evaluation is carried out at the function and department levels in the organization to ensure there is relevant knowledge with regard to financial reporting.

Information and communication

The most important steering documents for financial reporting are regularly updated and communicated to relevant personnel via the Company's intranet, newsletters, regular meetings, etc. Information channels have been established to ensure effective communication to relevant employees in the organization.

Risk assessment

The aim of risk assessment is to identify high-risk areas of the Group's operations and decide which controls are required to manage these risks. Risk assessment involves assessing the risk level from a quantitative and qualitative perspective at the account level and assessing similar processes which may be subject to fraud risk. Special guidelines are used to assess the risk associated with specific IT projects and the general IT environment.

Control activities

The control structure is designed to ensure effective management of what the Board and management consider significant risks to the Company's operations, compliance with legislation and regulations and financial reporting. Defined decision procedures, including authorization instructions, have been established for activities such as investments and the signing of contracts. Where appropriate, automatic controls designed especially for financial reporting have been established. Most control activities are integrated into the Company's key processes, which include ordering, revenue recognition, investments, supply contracts and purchasing.

The IT structure is designed to handle potential IT-related risks. This is done by means of controls and checks in the IT systems related to processes which affect financial reporting.

Monitoring

Each local manager or CEO is responsible for ensuring there are adequate internal controls in his own entity and that the entity follows the Group's overall rules and directives for financial reporting. The Board's monitoring of internal controls with regard to financial reporting is normally carried out by its audit committee, which monitors the work and reporting of internal and external auditors.

Information and communication

Biotage's communication must be correct, open and prompt, and delivered simultaneously to all its stakeholders. All communication shall be provided in accordance with the Nasdaq OMX Listing Agreement for listed companies in Sweden. Financial information shall give the stock market and present and future shareholders a clear overall picture of the Company and its operations, strategy and financial development. The Board approves the Group's annual report and year-end report, and instructs the Group President to release interim reports. All financial reports are published on the Company's website (www.biotage.com) and distributed to the media and Nasdaq OMX Stockholm. Financial information about the Group may only be communicated by the Group President and the Group CFO.

The Company observes a silent period of four weeks before publishing annual and interim reports. If price-sensitive information is leaked or incidents occur which could affect the valuation of the Company, Nasdaq OMX Stockholm must be informed and a corresponding press release issued. The Company's information-sharing is regulated by an information policy.

Board of Directors

Ove Mattsson

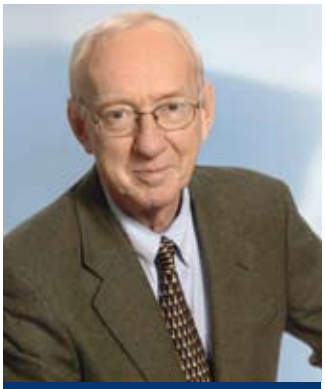
Chairman of the board of directors.
Education: PhD, associate professor in organic chemistry.
Born: 1940.
Occupation: Management consultant.
Other tasks: Chairman of the board of directors in Aromatic AB and AB Geveko. Member of the board in Arctic Island Ltd, Fabryo Corporation SRL and Tikkurila Oyj. Member of the Royal Swedish Academy of Sciences.
Number of years on the board of directors: 7.
Shares: 158,531 shares via fully owned company.
Ove Mattsson 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 HealthCap AB, Aerocrine AB, Orexo AB, Technolas Perfect Vision Gmbh and PulmonX Inc.
Number of years on the board of directors: 7.
Shares: 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.

Thomas Eklund

Member of the board of directors.
Education: MBA Stockholm School of Economics.
Born: 1967.
Occupation: Managing Director, Investor Growth Capital.
Other tasks: Member of the board in Carmel Pharma AB, Neoventa Medical AB, Memira AB, CMA Microdialys AB and Vårdapotek i Norden AB.
Number of years on the board of directors: 4.
Shares: 22,000 shares.
Thomas Eklund has been present at 7 of 8 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 board in NicOx SA, Cardoz AB, Orexo AB and LTB4 Sweden AB. Advisor to Odlander, Fredrikson & Co. AB. 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. Awarded the Nobel Prize of Medicine in 1982.
Number of years on the board of directors: 10.
Shares: 110,000 shares.
Bengt Samuelsson has been present at 7 of 8 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 the Royal Institute of Technology in Stockholm.
Other tasks: Chairman in Atlas Antibodies AB. Member of the board 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: 13.
Shares: 3,000,751 shares.
Mathias Uhlén has been present at all board meetings during the year.

Andreas Lundin

Employee representative.
Education: M.Sc. engineering University of Wollongong, B.Sc. Uppsala University.
Born: 1976.
Occupation: Product developer.
Number of years on the board of directors: 1.
Shares: –
Andreas Lundin started serving as employee representative on the board of directors during 2009 and has been present at 2 board meetings during the year.

Per-Olof Eriksson

Member of the board of directors.
Education: M. Sc. Royal Institute of Technology.
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. Member of the board in Investment AB Öresund, Kamstrup-Senea AB and Södersjukhuset AB. Member of the Royal Swedish academy of Engineering Sciences.
Number of years on the board of directors: 3.
Shares: 10,000 shares.
Per-Olof Eriksson has been present at all board meetings during the year.

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

Group Management

Torben Jørgensen

Position: President and CEO.
Born: 1952.
Education: B. Sc. in economics.
Number of years employed in group: 4.
Share ownership: 606,700.
Option ownership: 55,000.
Other tasks: Member of the board of directors in Atlas Antibodies AB.

Mats-Olof Wallin

Position: CFO.
Born: 1951.
Education: B. Sc.
Number of years employed in the group: 7.
Share ownership: 18,000.
Option ownership: 60,000.

Lars Bäckman

Position: VP Corporate Development.
Born: 1961.
Education: LLM.
Number of years employed in the group: 3.
Share ownership: –
Option ownership: 30,000.
Other tasks: Member of the board of directors in Bodén & Co AB, Expericard AB and Yubico AB.

Glossary

CMO (Contract Manufacturing Organizations): Contract manufacturing organizations.

CRO (Contract Research Organizations): Contract research organizations.

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.

LLE (Liquid Liquid Extraction): A method to separate compounds based on their relative solubilities in two different immiscible liquids, usually water and an organic solvent. It is an extraction of a substance from one liquid phase into another liquid phase.

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

Reagents: A substance that is added in a synthesis to restructure the start material to the desired product.

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.

SLE (Supported Liquid Extraction): A product and method representing an efficient alternative to traditional LLE, that has higher recovery rates and lends itself well to automation. The sample is absorbed onto an inert solid support and then eluted off using an organic solvent.

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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