Annual Report 2013

Biotage®

Contents

Operations

Annual Report

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.

Biotage – an overview

Biotage is a global Life Science company that develops and sells innovative systems, consumables and services within three areas – Organic Chemistry, Analytical Chemistry and Industrial Resins.

Organic Chemistry

Biotage offers solutions that are used in the early phase of pharmaceutical development. They enhance the process by improving the creation and optimization of substances that form the basis for new medicines. Customers include pharmaceutical companies, contract-research organizations and academic institutions around the world.

Analytical Chemistry

Biotage provides laboratories with qualitative and effective solutions that are a central part of the process of analyzing samples within greatly differing areas such as clinical tests, forensics and food safety. Customers include commercial laboratories for clinical tests, forensic laboratories, as well as public authorities and laboratories within food safety and the environment.

Industrial Resins

Biotage develops unique solutions that can separate specific substances from products such as food and pharmaceuticals. Biotage has commercial cooperation agreements with companies within different sectors in order to develop solutions that can be used in their production processes.

Biotage – key figures

	2013	2012
Net sales, SEK m	444.6	462.9
Gross profit, SEK m	249.6	271.4
Gross margin, %	56.1	58.6
Operating profit, SEK m	39.2	43.8
Operating margin, %	8.8	9.5
Profit before tax, SEK m	40.4	38.3
Profit after tax, SEK m	41.4	38.3
Earnings per share, SEK	0.61	0.52
Equity/assets ratio, %	81	81
Average number of employees	290	280

Biotage's activities and business model

Most of Biotage's activities are within the areas of Organic Chemistry and Analytical Chemistry, while the Industrial Resins area is currently being built up.

Biotage has three principal revenue sources through the sale of systems, consumables and services. In 2013, systems represented approximately 43 percent of total sales, while consumables and services represented about 57 percent.

The major part of Biotage's sales is generated in the United States, Europe and Japan.

The Company's offices are located in Uppsala and Lund (Sweden), Cardiff (Wales), Charlotte (USA), Osaka and Tokyo (Japan) and Shanghai (China). Biotage's own production facilities are located in Lund (Sweden) and Cardiff (Wales).

	Organic Chemistry	Analytical Chemistry	Industrial Resins
Offering	– Systems – Consumables – Services		– Research services – Material in bulk
Production	Mixture of own production and contract manufacturing		Own production
Distribution and market	International market with emphasis on the U.S. and Europe that is covered by Biotage's own sales organization and by distributors.		Biotage's own sales organization targets selected industries.
Customers	– Pharmaceutical companies – Contract-research organizations – Academic institutions	– Commercial laboratories – Hospitals/bio-analytical laboratories – Laboratories within food analysis – Laboratories within environmental analysis – Laboratories within forensics	Customers come from various sectors, where pharmaceuticals and foodstuffs are two examples.

2013 in brief

April 2013

Biotage launches ISOLUTE® Myco – a product for separating a broad spectrum of mycotoxins from raw foodstuffs with the help of Biotage's ISOLUTE® SPE columns. Mycotoxins are formed for example by mold growing on food, which can arise in conjunction with transportation. With the help of just one column, the product enables the extraction and analysis of relevant mycotoxins from an individual foodstuff.

May 2013

Biotage launches Isolera™ Dalton and thus raises the bar for what pharmaceutical chemists can expect of the modern purification process. The new system provides mass detection in direct association with the purification process, which has never previously been offered as a commercial product. This significantly improves the chemist's workflow and saves both time and money. The launch was received by the market with considerable interest and enthusiasm.

July 2013

Biotage successfully moves the TurboVap® and RapidTrace® production lines from contract manufacturers in the United States to Biotage's facility in Cardiff, Wales.

October 2013

Biotage launches a new website that is completely redesigned for both content and appearance. The new website offers customers both a web shop and access to all relevant information related to the Company's products, including application notes and user guides.

December 2013

Biotage launches ISOLUTE® PLD+, which combines the removal of proteins and phospholipids in just one product prior to LC-MS/MS analysis. In principle, the product does not require any method development, and can be quickly and simply integrated into the chemist's workflow.

A tough year, but with distinct bright aspects

The year 2013 presented Biotage with many challenges. I can confirm that developments during the year – in sales, the gross margin and the operating margin – were a little behind our long-term goals and the budget that we established for the year.

It was above all sales that did not live up to our expectations, which in turn affected the operating margin despite having good cost control. We have seen that many customers' willingness to invest has been affected by budget restrictions and a general uncertain business climate. This led to us feeling a headwind in our sales efforts during most of 2013.

I am nonetheless pleased with the way that we closed the year. Focused sales efforts in combination with a more positive market gave us good sales growth in the fourth quarter. This also implies that we achieved growth in sales for the full year at comparable currency rates. The order intake for the fourth quarter was good, which meant that we entered 2014 with a good volume of orders.

Attractive product portfolio

One aspect that pleases me is that we have succeeded well with strengthening the product portfolio. This is an important part of Biotage's strategy, and we presented several exciting new products in 2013, both for systems and consumables. More is also in progress at the beginning of 2014, which is important for strengthening our position in the market.

The main item is the Isolera™ Dalton purification system where we added mass detection in direct association with the purification process, which has not previously been offered as a commercial product. Pharmaceutical chemists can immediately identify the purified substances and do not need to send them to a central laboratory, which in turn saves time and money.

Together with the automatic system for peptide synthesis, Biotage® Initiator+ Alstra™, which was launched in 2012 and which we further developed during the year, we now have two new systems with market-leading performance that strengthen the image of Biotage as an innovator in the market. In 2014, we will also add a system within the area of analytical chemistry, Biotage® Extrahera™, which is directed toward its own exclusive niche and which we expect will further strengthen our image.

Success with ISOLUTE® SLE+

The area of consumables for analytical chemistry has seen our highest growth in recent years. It is also an important area for us in the future because it supports our strategies of increasing sales of consumables and reaching new customer groups. On the other hand, we have noticed less demand for our systems within analytical chemistry, which we hope to correct through the launch of Biotage Extrahera.

”One aspect that pleases me is that we have succeeded well with strengthening the product portfolio.”

A large part of our success can be attributed to SLE+ consumables, which are used for the preparation of samples for analysis. Interest is particularly strong from large commercial laboratories in the United States that continuously demand new methods to rationalize their analyses of samples. SLE+ products have shown that they can meet their requirements. We are rapidly developing new application areas for these products in order to broaden the area of utilization, and thereby the underlying market.

Improvement potential within organic chemistry

The area of organic chemistry – which is primarily oriented toward pharmaceutical companies and academic institutions – has seen positive developments in both Europe and the United States, due above all to a rise in sales of purification systems and where we have taken market shares.

In general one can note that growth within this part of the sector has been weak for several years. This means that we currently do not get something for nothing in the market, but instead must create increased growth ourselves – which is why our launches of new innovative products are so important. They create greater interest from our customers and enable us to take market share.

One specific area where we have improvement potential is the sale of consumables for use with our purification systems. Our market share of purification systems is significantly higher than our market share regarding consumables for these systems. In other words, there exists an unexploited potential for us, not least because we have both breadth and high performance within our offering. We will therefore adopt a more focused approach in Europe, the United States and Japan in 2014 in order to increase our market share.

Weak trends in China

I can note that developments were not as we had expected in China following last year’s investments. Sales declined compared with the previous year, which was a disappointment. We have been negatively affected by the Chinese market for contract research, and other services to the pharmaceutical industry have seen less demand. To a certain degree, this situation has been compensated for by increased sales to academic customers.

Our long-term ambition in China is to enter the market for analytical chemistry, which is a large market with interesting potential – not least related to testing foodstuffs before they are exported. This is however a challenging task that will require time.

New customers within Industrial Resins

Work within our newest area, Industrial Resins, progressed well during the year. This area is directed primarily toward companies that need to remove on a large scale undesired substances from their products. We have increased our sales efforts, which have yielded several new customers who have initiated contract research projects with us. At the same time, I can humbly note that it is taking more time to build up operations than we had initially thought. The most important thing for us in 2014 is to continue to generate a flow of new research projects together with customers, at the same time as we take a number of projects closer to commercial production.

New start of production in Cardiff

We successfully established completely new production lines during the year for two of our systems in Cardiff, Wales. This also marks the start of the new production strategy for Biotage. From previously having all systems production outsourced on contract, we now wish to have an optimal balance between own production and contract manufacturing based on the most suitable solution for each individual product line. We estimated that production of the two systems that we have now brought back home could be conducted more effectively by ourselves, and thereby have a positive effect on the gross margin. In addition to a higher margin, this has also given us quality improvements and greater flexibility.

Priority on sales

Our first priority in 2014 will be on sales. We continued to improve cost controls in 2013, and currently have efficient operations. In other words, it is growth that is missing to enable us to deliver results in line with our goals. We will make focused efforts within selected product areas and markets, with the objective of creating increased sales.

I would like to take this opportunity to thank all of our employees for their excellent work and considerable commitment during the year. We have started 2014 with an exciting offering to the market, which was strengthened with new innovative systems in 2013. It is now for us to benefit from this situation so that it can also be seen in our sales.

Uppsala, March 2014

Torben Jørgensen
President and CEO

Financial goals

Biotage's operations are conducted according to a long-term plan that is adopted by the board of directors. The plan is reviewed regularly and has a three-year perspective. Biotage has three financial goals that form a basis for the strategic plan. The goals are formulated as an average for the three-year period 2013-2015.

Organic growth
8%

Biotage's goal is to achieve average organic growth of 8 percent, which is an ambitious target in view of the fact that growth rates are significantly lower in many of the markets where Biotage is currently active. To achieve this goal, Biotage must succeed with broadening its product range and cultivating a more differentiated customer group than previously. The work currently being carried out within the Analytical Chemistry and Industrial Resins product areas is focused to a large extent with this in mind.

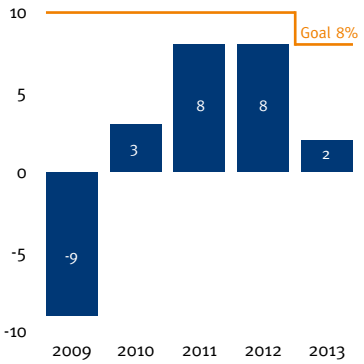
Gross margin
60%

Biotage's goal is to achieve an average gross margin of 60 percent. Important prerequisites to achieve this goal include revenues from aftermarket sales being greater than revenues from sales of systems. The goal is therefore strongly linked to the strategy that 60 percent of sales will come from aftermarket, which also yields a more even spread of sales over the year. This will be combined with ongoing rationalization measures within the entire research chain – from purchasing and production to delivery.

Operating margin (EBIT)
10%

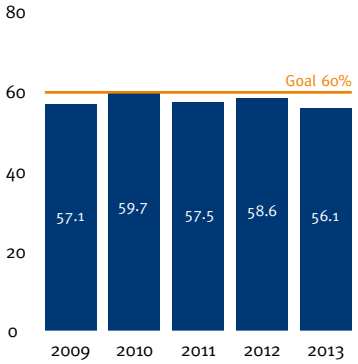
Biotage's goal is to achieve an average operating margin of 10 percent. The possibility of achieving this goal is influenced to a great extent by the outcome of the growth goal and the gross margin goal. In addition, Biotage will continue to rationalize operations and thereby reduce costs. The Company has the ambition to reduce both sales costs and administration costs in relation to sales.

Organic growth %



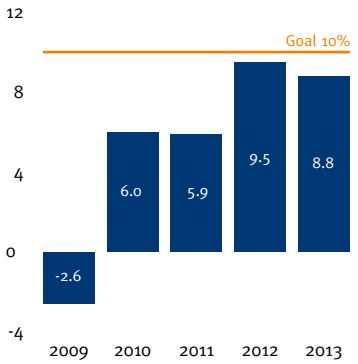
Development 2013
With comparable currency rates, sales increased by 2 percent in 2013, which Biotage believes to be in line with growth of the market.

Gross margin %



Development 2013
The gross margin declined to 56.1 percent in 2013, due primarily to currency effects. Several important sales currencies weakened, at the same time as a large part of production costs are in GBP, which was strong during the year.

Operating margin (EBIT) %



Development 2013
The operating margin fell to 8.8 percent in 2013 as a result of the lower net sales and poorer gross margin. Biotage has improved efficiency and reduced operational costs, which has partly compensated for the decline in sales.

Strategy

Biotage has identified a number of overall strategic focus areas that are important in the process of achieving the Company's goals. They are evaluated each year and may be modified when required. The focus areas are then broken down into a number of more detailed strategic measures.

Greater proportion of aftermarket sales

Biotage's ambition is that at least 60 percent of sales will come from aftermarket sales, composed of consumables and services. Apart from better profitability, one benefit of aftermarket sales is that they are more evenly spread over the year than systems sales, and relatively insensitive to economic fluctuations.

An important part of the strategy is investment in the analytical chemistry product area, where the products are mainly composed of consumables. Biotage is also endeavoring to strengthen the service offering to customers by composing attractive service packages.

Identification of and investment in new market segments and customer groups

An important part of Biotage's growth-creation process is to reach new market segments and customer groups. Growth within Biotage's largest customer group – the pharmaceutical industry – is currently not sufficiently strong to achieve sales increases in line with the Company's goals. The primary issue is to further develop existing technology so that it can be utilized within new application areas. Biotage has several successful examples, not least within the area of analytical chemistry, where the offering is being strengthened to new market segments such as food safety, forensic science and clinical investigations.

This framework also embraces increased investment within the Industrial Resins area, composed of products used for purification or separation in industrial applications that are oriented to a great extent toward new customer groups such as the food industry and pharmaceutical production. ››

Biotage's work within strategically important focus areas will help the Company achieve its financial goals.

Biotage 2013

Organic growth
2%

Gross margin
56.1%

Operating margin
8.8%

Strategic focus areas

- Greater proportion of aftermarket sales
- Investment in new market segments and customers
- Investment in research and development
- Strengthened market presence
- Optimized production structure

Goals 2013-2015

Organic growth
8%

Gross margin
60%

Operating margin
10%

Investments in research and development

The development and launching of new products and application areas are very important for Biotage in the process of creating increased growth. The launching of new innovative products not only enables higher sales but also creates general attention and greater interest in Biotage among customers. One example is the Isolera™ Dalton purification system where Biotage provides mass detection in direct association with the purification process, which improves the workflow and saves time for chemists.

Within analytical chemistry, applications development is a decisive success factor. The greater the number of applications (methods for the preparation of samples for analysis) that the Company can develop, the greater the potential will be to broaden the underlying customer base.

Focus is a keyword in Biotage's approach to product development. This implies concentrating investments on areas that have the greatest potential for Biotage, while focusing efforts in utilizing the development budget for the best possible outcome.

Strengthened market presence with focus on BRIC countries

Biotage intends to strengthen its presence in new important geographic markets, particularly in China, India and Latin America. There is a long-term interesting potential in these markets with regard to the offering within both organic chemistry and analytical chemistry. The Company has already initiated investments in these countries, and is currently endeavoring to increase its market penetration in the respective markets.

Optimized production structure

For several years, Biotage had a production strategy where all systems production was outsourced to contract manufacturers, while the production of consumables and polymer-based products took place at Biotage's own facilities. In 2013, Biotage abandoned this strategy in view of the fact that certain systems production could be performed more cost-effectively by the Company itself, with a subsequent positive effect on the gross margin.

Biotage is today striving to obtain an optimal balance between own production and contract manufacturing based on the most suitable solution for each individual product line with regard to total cost, flexibility, risk and tied-up capital.

Vision

Biotage shall be the first choice for customers, employees and shareholders by constantly striving to develop innovative and effective solutions within the areas of separation technology, analytical and organic chemistry.

Business concept

Biotage offers effective separation technologies from analysis to industrial levels, as well as high-quality solutions for analytical chemistry in everything from research to commercial analysis laboratories.

Biotage's products are used by public authorities, academic institutions, pharmaceutical companies and the food industry.

Chairman's statement

Dear Shareholders,
Biotage continued to develop in 2013 in accordance with our long-term strategy, and took further steps to consolidate the new platform for operations that was created in conjunction with the two acquisitions made in 2010. These acquisitions were good as such, but more significantly, they provided a focus on Analytical Chemistry and Industrial Resins – operations that had previously lived in the shadow of Organic Chemistry. For example, without the acquisition from Caliper we would not have been able to launch in 2014 a new analysis instrument that has also made us an interesting systems supplier within analytical chemistry.

We have also taken considerable steps forward within Industrial Resins, which was formed after the acquisition of MIP Technologies. Biotage's existing offering of products directed toward more large-scale applications was then added to the Industrial Resins area. This investment has entailed greater focus on industrial customers and an understanding that we have a first-class library of polymers suitable for purification and separation in industrial production. The result of this focus is that the area as a whole has developed positively, and where pharmaceutical-related industries form the customer group that is most rapidly becoming a major user of our products.

Significant events in 2013

An important aspect of 2013 was the extensive development work that has distinctly strengthened Biotage's offering as systems supplier. Both the Isolera™ Dalton purification system and the Biotage® Initiator+ Alstra™ peptide synthesis system have become well-established in the market. We now have an attractive base of instruments and consumables to further develop operations within both organic and analytical chemistry.

The establishment of our own instrument production in Cardiff, Wales has also been very significant. Apart from pure financial benefits in the form of improved gross margins, access to internal production competence also enables benefits within product development. The possibility to recruit qualified and professional personnel strongly contributed to the Company deciding to place production in Cardiff, and thereby further strengthening the already good performance of operations there.

The composition and work of the board of directors

I believe that the board of directors is well-composed and that their work functions well within Biotage, which was also confirmed in the board evaluation performed during the year. The different experience and fields of expertise of the board members are well-adapted to the demands placed by our operations with regard to strategic development, management and control. The board contains both financial and industrial competence, as well as substantial experience within areas associated with Biotage's operations.

During the year, the board reviewed succession planning within the Company with the objective of reducing the risk associated with key persons leaving the Company. We have thus ensured that Biotage has suitable candidates who can immediately take over vacant positions while a permanent solution is being found.

Higher dividend

One of the primary areas of responsibility of the board of directors is to monitor the Company's financial position. The board aims to ensure that Biotage maintains a good capital reserve that provides sustainability in uncertain times and liberty of action should interesting acquisition opportunities or investments be identified. Biotage's dividend policy implies that the Company shall distribute at least 50 percent of the net profit to the shareholders. Based on the Company's strong financial position, the board of directors proposes that the dividend for the fiscal year 2013 be raised to SEK 0.60 per share, which basically corresponds to the profit after tax for 2013. Our financial position will continue to be strong after both the dividend payment and the repurchase of own shares realized during the past year.

Growth is important

In my previous Chairman's Statements, I have written that it is important for us on the board of directors to ensure that Biotage is able to generate growth in its operations. The new platform is in place, and we must now take advantage of the significant development work carried out in recent years – which has created an excellent starting point for 2014 while providing strong self-confidence in the organization and a good opportunity to come closer to our growth goal of 8 percent.

Ove Mattsson
Chairman of the Board

Market

Biotage operates in a global market. The major part of Biotage's sales is generated in the United States, Europe and Japan. In recent years, the Company has invested more in growth markets such as China and Latin America.

Organic Chemistry

Biotage's market within Organic Chemistry is primarily associated with research surrounding new pharmaceuticals. The principles and methods to conduct such research are relatively similar irrespective of the geographic location. Pharmaceutical companies are the dominating customer group for the offering within organic chemistry, and the customers include nearly all of the multinational pharmaceutical companies.

Driving forces and trends

There exists a dividing line in the market between customers who are strongly focused on the quality and performance of products, and customers who prioritize low price and low costs. The first customer group wants to have systems and consumables that help them increase efficiency and productivity in research surrounding new pharmaceuticals, which saves them time and money. In many cases, customers in the United States, Europe and Japan belong to this group. For the second customer group, prices are a more important factor, and China and India often belong to this group. Lower wages in these countries mean lower personnel costs and subsequently less incentive to find solutions that increase productivity.

The trend of pharmaceutical companies in the United States, Europe and Japan in outsourcing parts of their pharmaceutical research to growth markets such as China, abated in 2013. Biotage has noted that outsourcing now goes to contract-research companies that are geographically closer to the pharmaceutical companies. In certain cases, pharmaceutical companies also choose to perform the work themselves in preference to outsourcing.

Organic Chemistry

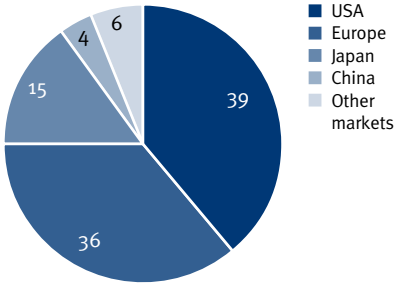
Product areas	Largest geographic markets	Primary competitors	Largest customer groups
Purification (flash chromatography)	1. USA 2. Europe 3. Japan	Isco Interchim	1. Pharmaceutical companies 2. Contract-research organizations (CRO) and contract manufacturing organizations (CMO) 3. Academic institutions
Microwave-assisted synthesis	1. USA 2. Europe 3. Japan	CEM Anton Paar	
Peptide synthesis	1. Europe 2. Japan	CEM Protein Technologies	

Position and success factors

Biotage holds a strong position as a manufacturer of high-quality systems and consumables that create added value for customers. Biotage works with direct sales and has its own service and support organizations in the major markets. Other markets are covered by distributors.

An important success factor for Biotage is through the combination of high quality that characterizes the Company as offering the market's best service and support services. A continued high pace of innovation is important within areas such as purification and peptide synthesis in order to maintain and further develop the strong position that Biotage has established in the market. Examples include last year's launches of Isolera™ Dalton and Biotage® Initiator+ Alstra™.

Sales per geographic market 2013 %



Analytical Chemistry

Product areas	Largest geographic markets	Primary competitors	Primary competitors
Consumables (sample prep)	1. USA 2. Europe 3. Japan	Waters Agilent Technologies	1. Commercial laboratories/CRO 2. Hospitals/bio-analytical laboratories 3. Food manufacturers/ laboratories active within food analysis 4. Laboratories active within environmental analysis
Automated SPE analysis	1. USA 2. Other markets 3. Europe	Gilson Horizon Technology	
Evaporation of samples	1. USA 2. Other markets 3. Europe	Gyrozen Labconco	

Analytical Chemistry

The market for Analytical Chemistry has distinct regional and local differences, due to the fact that demands and requirements of public authorities vary from one country to another. For example, there are local and regional requirements that companies must test their products to ensure that they do not contain certain dangerous substances. In a similar way, there are demands within other areas, not least regarding the environment, as well as geographic and cultural differences. One example is that vitamin D tests are performed to a greater degree on patients in countries that have little sunlight, such as the Nordic countries, to see if different states of ill-health can depend upon a deficiency of the vitamin.

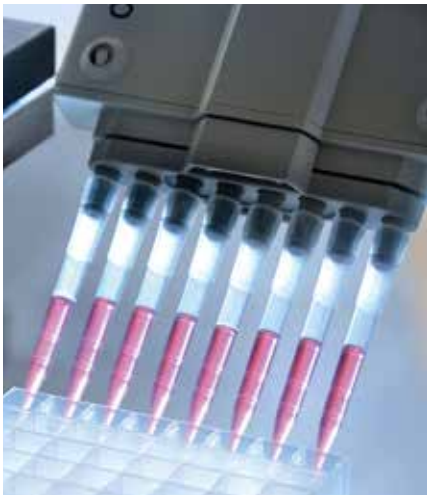
Within analytical chemistry the largest customer group consists of commercial laboratories that analyze samples within, in major part, clinical tests.

Driving forces and trends

Regulation is an important driving force in the market, and the trend is currently moving towards increased regulation within many areas, such as food safety and the environment. Greater regulation regarding which substances may be found in products and the environment increases demand for products used to analyze the presence of such substances.

Another trend that has become quite marked in recent years is so-called miniaturizing. This trend is related to greater environmental awareness. Organic solvents are a central component in the process of separating various substances prior to analysis, as done by Biotage's consumables. At the same time, it is desirable to reduce the use of solvents from an environmental perspective. Miniaturizing implies that everything is done on a smaller scale, which in turn requires smaller amounts of solvent. Biotage is currently working intensively in line with this trend.

Other developments that affect the market include the increasingly improved



systems for mass spectrometry that identify the underlying structure of a sample. As and when these systems become more sensitive and better, samples do not need to be purified to the same high degree prior to analysis. This implies that very exact but more time-consuming and thus more expensive separation methods, such as those based on SPE (Solid Phase Extraction), can be replaced with faster and more efficient methods that provide a slightly lower degree of separation. This is an important reason why Biotage's ISOLUTE® SLE+ method has been so successful.

Position and success factors

Biotage has established an increasingly strong position in the market for analytical chemistry. The Company is a leading player within the product area of SLE (Supported Liquid Extraction). Biotage has local sales, service and support departments in the major markets. Proximity to customers is important so as to be able to address the needs of each respective market.

The development of applications is the most important success factor for Biotage within analytical chemistry. Very simply, the link implies that the more applications Biotage offers for its consumables, the larger the underlying market will become. The choice and prioritization of which applications will be developed is naturally extremely important.

Industrial Resins

Biotage's operations within Industrial Resins are currently in a build-up phase. The market is primarily composed of consumables companies and manufacturing companies within process industries that need to separate certain substances from their products in the production process. Various methods and technologies are available to do this, and customers often perform detailed evaluations of existing alternatives. Customers come from various sectors, where pharmaceuticals and foodstuffs are two examples.

Driving forces and trends

There are several different driving forces within the market that create a need for companies to remove various substances from their products. Greater awareness that certain substances are harmful for human beings and the environment leads to higher demands from public authorities that the presence of such substances be limited. Companies' own demands can also mean that they wish to remove the substances from their products, for example if this can improve the quality of the product in question.

Position and success factors

Biotage offers unique technology with high performance that can be customized to selectively separate specific substances.

The foremost success factors for Biotage are that the Company reaches potential customers with information about the possibilities enabled by the Company's technology, and that the Company has considerable capacity to realize development projects together with the customer to produce and secure a method that successfully addresses the customer's needs.

Sales are currently conducted in Lund – and as of 2014 also in the United States and Japan – with dedicated sales resources.

Size of the market

Biotage estimates that the size of the market for systems and consumables within the area of organic chemistry is approximately 185 million dollars (synthesis, peptide synthesis, flash chromatography).

Within analytical chemistry, Biotage estimates that the size of the market for systems (analytical evaporation and SPE automation) and consumables to be approximately 230 million dollars.

These estimates of market volumes are based on Biotage's internal appraisals as well as information from Strategic Directions International (SDI).

Offering

Biotage's offering consists of systems, consumables and services within Organic Chemistry, Analytical Chemistry and Industrial Resins. Biotage's products are characterized by high quality, a high degree of innovation, and market-leading performance.

Organic Chemistry

Biotage's systems and consumables are used by pharmaceutical chemists in the early phase of pharmaceutical development through research to create and optimize the substances that form the basis for new medicines.

Biotage's offering includes products for pharmaceutical development based on both small molecules and peptides. Medicines in tablet form are an example of medicines based on small molecules. Medicines based on peptides are usually taken through injections, such as insulin for example.

Biotage's offering

Biotage offers systems and consumables that help customers to work more efficiently and increase productivity in their development processes by reducing the time spent on several of the most important stages of early pharmaceutical development. With Biotage's products for microwave-assisted synthesis, microwave-assisted peptide synthesis and flash chromatography, processes for creating new substances (synthesis) and purifying the substances after synthesis (flash chromatography) are rationalized.

1. Start material
The various reagents and catalysts that the chemist will synthesize in order to produce the desired substance.

2. Synthesis/ reaction
The chemist creates a new substance by combining (synthesizing) several other substances.

3. Reaction mix
Result of the synthesis. Catalysts and parts of the reagents may remain in the reaction mix.

4. Reprocessing
Catalysts and reagents are removed from the reaction mix.

5. Ready-mixed product in untreated condition

6. Purification
The ready-mixed product is cleansed of remaining impurities.

7. Purified product

8. Evaporation
Transforms the solution with the synthesized and purified molecules to a fixed format (powder form).

9. Finished product

Biotage's products are used here.

Product offering

MICROWAVE-ASSISTED ORGANIC SYNTHESIS	
Systems	Consumables
Biotage® Initiator+ Biotage® Initiator+ Robot Eight/Robot Sixty	Reaction vials Resins
PURIFICATION (FLASH CHROMATOGRAPHY)	
Systems	Consumables
Isolera™ Dalton Isolera™ Spektra One/Four Isolera™ One/Four Isolera™ Prime Isolera™ LS Biotage® Flash 75/150	Biotage® SNAP Ultra Biotage® SNAP Biotage ZIP® Sphere Biotage ZIP® Resins
PEPTIDE SYNTHESIS	
Systems	Consumables
Biotage® Initiator+ Alstra™ Biotage® Initiator+ SP *Wave* Biotage® Syro *Wave*™ Syro I/II	ChemMatrix® Biotage® Resolux™ columns

The offering also includes Biotage's system for evaporation, Biotage® V-10, as well as consumables from the range of products for analytical chemistry, such as scavengers and filtration columns.

Analytical Chemistry

Biotage's products are used by laboratory chemists when examining different types of samples. Biotage places particular focus on selected areas such as bio-analytical and clinical tests, forensic science, food safety and the environment.

Clinical tests embrace routine examinations, for example of blood or urine samples performed at hospitals and clinics. Another example is testing for vitamin D or thyroxine. Tests within forensic science can include identifying the presence of various addiction drugs in samples. Within food safety, the presence of toxins, such as melamine or mycotoxins, is tested in food samples. Within the area of the environment, tests are made to identify the presence of various environmental toxins in water or earth samples.

Biotage's offering

Biotage's offering consists primarily of consumables with related applications (methods) to extract selected substances from various types of samples. The consumables are based on SPE (Solid Phase Extraction) and SLE (Supported Liquid Extraction), which are two ways of separating the desired substance from a liquid mixture. This is supplemented with systems that automate the handling of the samples that are to be separated, as well as systems that concentrate (evaporate) the samples after they have been separated.

1. Samples
The sample to be analyzed could be, for example, blood, blood plasma, urine, water or earth, etc.

2. Extraction
The substance for which the sample is to be examined with techniques such as Solid Phase Extraction, Liquid to Liquid Extraction and Supported Liquid Extraction.

3. Extract

4. Evaporation
The extract must be concentrated before it can be analyzed with the help of a mass spectrometer. This implies that parts of the solvent used for the extraction must be vaporized.

5. Final sample

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

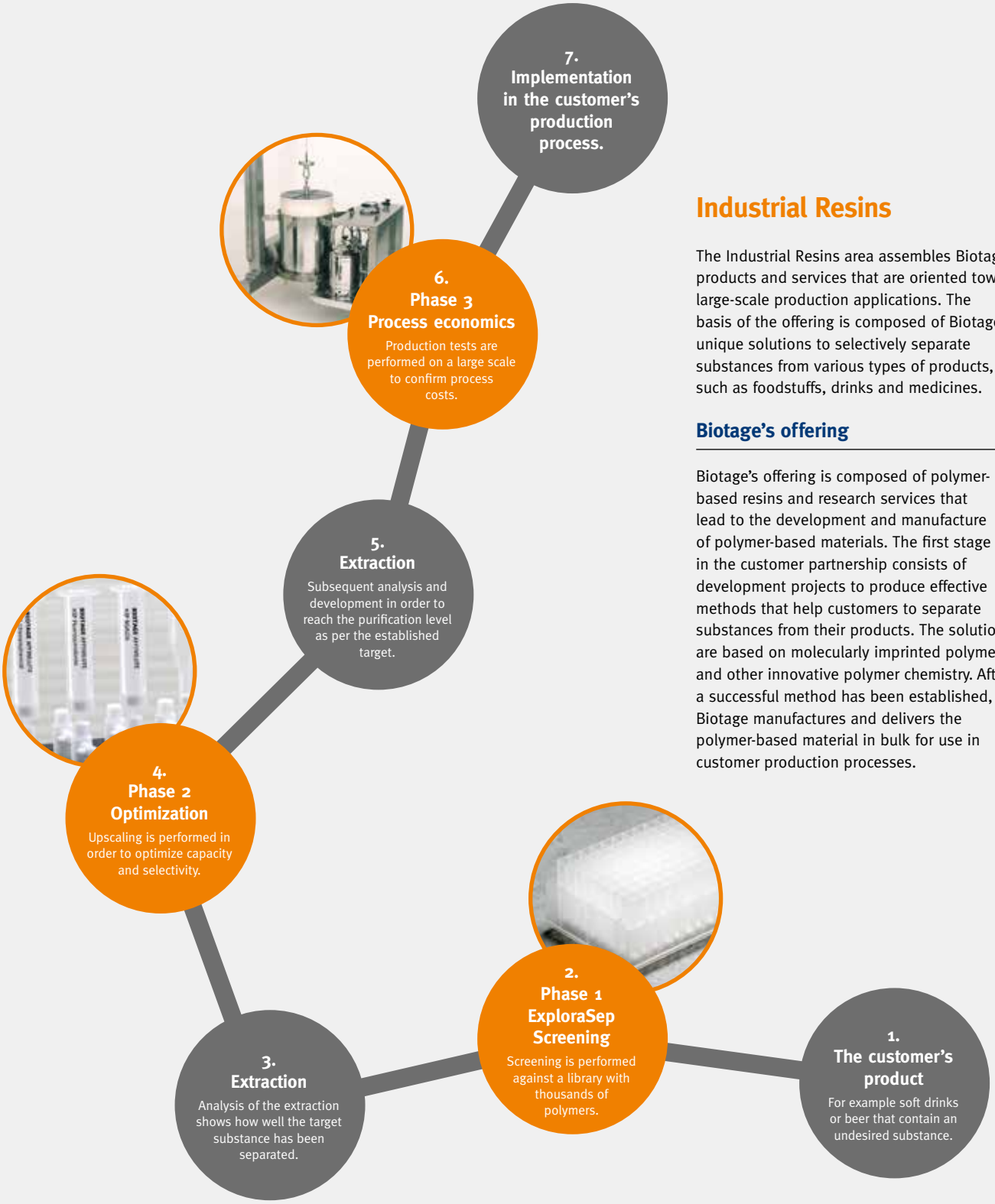
7. Results of the analysis
The result shows how much of the sought-after substance was found in the sample.

Biotage's products are used here.

Product offering

SAMPLE PREPARATION	
Systems	Consumables
RapidTrace® Biotage® PRESSURE+	ISOLUTE® ISOLUTE® SLE+ EVOLUTE® Resins

EVAPORATION OF SAMPLES
Systems
TurboVap® II TurboVap® LV TurboVap® 96 TurboVap® 500 Biotage® SPE Dry 96



Industrial Resins

The Industrial Resins area assembles Biotage's products and services that are oriented toward large-scale production applications. The basis of the offering is composed of Biotage's unique solutions to selectively separate substances from various types of products, such as foodstuffs, drinks and medicines.

Biotage's offering

Biotage's offering is composed of polymer-based resins and research services that lead to the development and manufacture of polymer-based materials. The first stage in the customer partnership consists of development projects to produce effective methods that help customers to separate substances from their products. The solutions are based on molecularly imprinted polymers and other innovative polymer chemistry. After a successful method has been established, Biotage manufactures and delivers the polymer-based material in bulk for use in customer production processes.

Product offering
CUSTOMER-SPECIFIC DEVELOPMENT PROJECTS
Research services
RESINS IN BULK
Development and production of polymer-based materials.
PURIFICATION (FLASH CHROMATOGRAPHY)
Systems
Biotage® Flash 400
The offering also includes Biotage® Flash 400 and KILOPREP® consumables.

Biotage's products are used here.

Research & development

2013 was marked by a high level of research and development activity for Biotage. Several highly innovative new systems and a large number of new applications for the Company's consumables were launched during the year.

Active product development with a high degree of innovation is an important success factor for Biotage. The Company has a clear strategy with regard to prioritization of the work in the area of product development. This strategy means that the majority of development resources are invested in areas where the Company holds a market-leading position or in areas where it has the potential to achieve such a position.

In other product areas, Biotage will remain competitive and maintain its market position. For this reason, development initiatives in these areas are concentrated on activities that are likely to have the greatest commercial impact in the short term.

Organic chemistry

One of the highlights of 2013 was the launch of the Isolera™ Dalton purification system, which has consolidated Biotage's position as a leading innovator in purification using flash chromatography. The system integrates identification of chemical compounds by mass detection into the purification process, allowing immediate and real time triggering of multiple substance collection during the purification process. The previous procedure has often involved forwarding the collected substances to a central laboratory for mass spectrometric analysis. The new system creates significant workflow improvements and results in time and cost savings for chemists. The launch attracted strong market attention and customers have shown keen interest.

Biotage also made further developments during the year to Biotage® Initiator+ Alstra™, a fully automatic system for peptide synthesis that was launched towards the end of 2012. The development work involved hardware improvements and further development of the functionality. Biotage has also developed a UV detector which can be connected to the system and allows UV monitoring during peptide synthesis to improve the synthesis efficiency. The detector, which will be launched in January 2014, brings additional functionality to a system that already provides unique performance and ease of use by means of the market's most advanced software.

Analytical chemistry

Biotage has developed a new system and several new applications for the Company's consumables in the area of analytical chemistry. It is very important for Biotage to develop applications as the more applications Biotage offers for its consumables, the larger its market base.

The development of applications follows a stringent process. Decisions on selecting and prioritizing the products to be developed are made by a steering group with representatives from the sales, marketing and product development (R&D) departments. This ensures that information and demand from the market and customers form an important basis for identifying possible future applications. A good return on the resources invested is a key requirement for the applications that are to be developed, as well as other factors such as the length of time to develop a particular application and the technical requirements.

New applications

Biotage is strongly committed to developing applications for consumables based on ISOLUTE® SLE+ (Supported Liquid Extraction), which is one of several different methods of purifying samples prior to analysis and an area where Biotage is currently the market leader. Efforts are focused on three main areas – clinical, forensics and food safety. Important new applications developed during the year include vitamin D analysis (clinical), further applications for analysis of multiple drugs of abuse (forensics) including new 'designer drugs' and an application for analysis of mycotoxins (food safety).

During 2014, Biotage® Extrahera™ will be launched, which is a new system for automated sample preparation for customers in analytical chemistry. The system includes several new innovations that create significant improvements for the user.

Production

Biotage develops and manufactures products within areas where customers place high demands on quality and reliability. These demands are combined with a focus on good production economics in order to secure competitive prices and profitability.

Biotage's production consists of a mixture of own production and contract manufacturing. All production of consumables is carried out by Biotage at facilities located in Cardiff, Wales and in Lund, Sweden. All systems production was previously outsourced to contract manufacturers. This strategy was changed last year in view of the fact that part of the systems production could be performed more cost-effectively by the Company itself, with a subsequent positive effect on the gross margin.

For systems production, Biotage is currently striving to obtain an optimal balance between own production and contract manufacturing based on the most suitable solution for each individual product line with regard to total cost, flexibility, risk and tied-up capital.

New production line in Cardiff

In accordance with the new production strategy, Biotage started up production in Cardiff in 2013 for two systems, RapidTrace® and TurboVap®, which was previously carried out by a contract manufacturer. Biotage has established a completely new production line, and the Company's personnel have been to the previous contract manufacturer so as to ensure the transfer of knowledge and materials. One specific requirement was that the production move would take place without having any effect on customers.

The production of systems in Cardiff started in July 2013, and since then experiences have been positive. It is believed that the planned efficiency improvements can be realized, and feedback from customers and the product development department show that the quality of the products has increased as a result of the move. These good results mean that Biotage has also chosen to produce the forthcoming system for automated Sample Prep – Biotage® Extrahera™ in Cardiff.

Continuous rationalizations

Biotage's systems production consists mainly of the assembly of related components delivered by subcontractors. When producing consumables, several refinement stages of media are carried out at the facility in Cardiff before final formatting to a finished product. At the facility in Lund, polymer-based products are manufactured from base.

Biotage seeks in several ways to continuously rationalize operations through the entire value chain. For systems production, the cost of materials represents the major part of production costs. Biotage has an active purchasing department that endeavors to reduce costs related to materials that are purchased. The Company regularly evaluates suppliers in order to obtain the best possible price and conditions for the components required for the systems.

With regard to consumables, Biotage aims to continuously increase the degree of automation in production. This process was successful during the year, and more products have been produced at a higher value but at maintained cost levels. This development has been positively affected by Biotage directing sales to products that are suitable for a higher level of automation.

Quality

Biotage focuses strongly on product quality. The production of systems and consumables in Cardiff, as well as the production of consumables in Lund, are certified in accordance with ISO 9001.

The systems are tested several times during the production process. Such tests include both individual modules in the products as well as the finished product before delivery. All test results are archived. The quality of consumables is controlled through ongoing random samples at determined intervals, which can mean for example that each twentieth product is picked out for testing to ensure consistent performance in each batch of produced consumables.

In 2012, Biotage initiated programs both in Lund and in Cardiff in order to certify the Company in accordance with the environmental standard ISO 14001. In December 2013, Biotage applied for registration as per ISO 14001 for the operations in Cardiff where most of the internal production takes place.

Biotage's value chain

Purchasing

Biotage's central purchasing department in Uppsala, Sweden is responsible for the purchase of materials as well as products that are purchased from Swedish contract manufacturers. This is supplemented by purchasing departments in Charlotte, USA for products from American contract manufacturers, and in Cardiff, Wales for raw materials for the Company's own production.

Production

The facility in Cardiff, Wales produces all of Biotage's consumables as well as certain systems. Other systems production is performed by contract manufacturers. The facility in Lund, Sweden produces polymer materials in bulk for operations within the Industrial Resins area.

Delivery

The logistics center in Uppsala, Sweden is responsible for deliveries to customers in Europe, while the logistics centers in Japan, China and the United States are responsible for stocks and customer deliveries in their respective markets. Other countries are handled by the logistics center in Uppsala.

Personnel

Biotage endeavors to be an attractive employer by providing employees with challenges and development opportunities in an international environment. This contributes to competent and committed employees who create value for both Biotage and the Company's customers.

Biotage has a structured process to strengthen both the Company and employees, based on creating career opportunities within the Company, offering relevant skills enhancement, as well as succession planning so as to reduce risks should key persons leave the Company.

Succession planning

Biotage placed further focus on succession planning in 2013 and established a detailed replacement plan for the management team in both the short and long term. This implies that the Company currently has a fundamental succession plan for both management and middle-management levels, as well as for persons in other key positions.

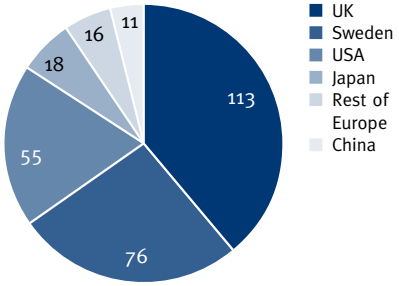
An important part of this work concerns identifying talents that exist within the Company that have the will and potential to soon move forward to new positions. This will be achieved through a close dialog between the employee and their manager or supervisor, a distinct target with follow-up, as well as upward transparency within the organization.

Career opportunities

To provide career opportunities is a central element of encouraging the talent present within the Company. Internal career opportunities also strengthen the image of Biotage as an attractive employer, which is important for attracting the most competent personnel. Employees must be able to see that there are ways to develop and have opportunities to work with new, exciting tasks, irrespective of whether they wish to take a step upward within the organization or move to a new area. For this reason, Biotage endeavors to make career planning a natural part of the annual employee dialog.

In order to emphasize career opportunities within the Company, Biotage focuses on internal recruitment as the primary recruitment channel, which also creates other benefits for the Company. A high proportion of internal recruitment contributes to continuity in the corporate culture, and reduces costs and risks associated with external recruitment. Biotage has seen greater internal movement as a result of this process, including in the form of internal recruitment to the management group.

Employees per geographic market 2013



Skills enhancement

Biotage's employees are offered relevant skills enhancement programs to strengthen them in their role within the Company through a combination of internal and external training courses, which can include for example ongoing internal technical courses for the sales team led by members of Biotage's product development department. Courses can be supplemented by external training programs, and Biotage has placed particular importance on project management for personnel within production and product development.

Work environment high up on the agenda

Biotage believes that a natural part of its commitments is to safeguard its employees' health and safety. All local legislation concerning working conditions and the work environment are respected. Biotage has structured work-environment procedures for both the physical work environment and questions regarding gender equality and discrimination. In 2013, Biotage placed particular focus on work-environment issues in conjunction with establishing a new product line in Cardiff, Wales. The Company values the fact that sickness absenteeism in general is low within Biotage. The Company did not have any serious accidents or cases of discrimination in 2013.

Biotage's core values

We are driven by our customers' needs Biotage's principal focus is the customer. When we face challenges, we work together to develop solutions that benefit our customers, and we listen to their viewpoints.

We focus on performance, delivery and reliability We offer products and solutions that are effective and reliable. We deliver, keep our promises, and take responsibility toward our customers and each other. We treat the company as if it were our own.

We are business-oriented and seek opportunities Biotage welcomes ideas and their related changes. We endeavor to maintain a culture where questions give rise to solutions. We value creativity, look forward, and accept challenges.

We take care of each other We observe how our actions influence each other. Biotage believes that each individual makes a difference, and we treat each other with dignity and respect.

Five years in summary

Key figures and ratios	Note	2013	2012	2011	2010	2009
Group						
Net sales, SEK thousands		444,644	462,942	428,408	428,926	394,123
Growth in net sales, %		-4.0	8.1	-0.1	8.8	2.3
Gross profit, SEK thousands		249,583	271,434	246,281	256,263	225,098
Gross margin, %		56.1	58.6	57.5	59.7	57.1
Operating margin, %	1)	8.8	9.5	5.9	6.0	-2.6
Profit margin, %	1)	9.1	10.0	6.6	6.2	-1.7
Profit before tax, SEK thousands		40,369	38,316	27,986	-418,524	-8,999
Total assets, SEK thousands		592,247	654,074	699,054	693,427	1,227,390
Equity/assets ratio, %		80.5	81.2	80.7	81.9	88.7
Proportion of risk-bearing capital, %		80.5	81.2	80.7	81.9	88.7
Capital expenditure, SEK thousands		41,471	40,259	44,554	176,236	39,958
Average number of employees		290	280	269	263	268
Debt/equity ratio, %		1.2	1.0	1.1	1.2	3.5
Interest coverage ratio, times		519.1	5.8	141.1	33.8	-3.0
Return on equity, %		8.2	7.0	4.6	2.3	-0.9
Return on capital employed, %		5.5	6.9	4.9	3.2	-0.6
Return on total assets, %		6.5	6.8	4.0	2.8	-0.5
Data per share						
Earnings, SEK/share		0.61	0.52	0.42	-4.91	0.15
Earnings after dilution, SEK/share		0.61	0.52	0.42	-4.91	0.15
Dividend, SEK/share	2)	0.50	0.40	0.25	0.20	0.20
Stock market price at end of period, SEK/share		10.00	8.30	5.20	6.70	7.10
Equity, SEK/share		6.82	7.25	7.08	6.42	12.31
Equity after dilution, SEK/share		6.82	7.25	7.08	6.42	12.31
Price/book value, SEK/share		6.82	7.25	7.08	6.42	12.31
Price/book value, SEK/share after dilution		6.82	7.25	7.08	6.42	12.31
P/E ratio, times		16.3	16.0	12.5	16.4	46.5
P/S ratio, times		1.6	1.3	1.0	1.4	1.6
Cash flow from operations, SEK/share		0.81	1.02	1.19	0.39	0.45
Weighted average number of shares, thousands	3)	68,139	73,258	78,094	83,528	88,263
Weighted average number of shares after dilution, thousands	3)	68,139	73,258	78,094	83,528	88,263
Total number of shares outstanding at end of the period, thousands	3)	69,861	73,256	79,638	88,486	88,486
Total number of shares outstanding at end of the period after dilution, thousands	3)	69,861	73,256	79,638	88,486	88,486

1) For the calculation of the operating margin and profit margin for 2010, the Group's goodwill write-down of SEK 444.5m has been reinstated.
2) The board of directors recommends that the AGM adopt a dividend of SEK 0.60 per share for the fiscal year 2013.
3) In 2009, 2010, 2011, 2012 and 2013, the Parent Company Biotage AB repurchased shares, which affected the average number of outstanding shares. The number of shares at December 31, 2010, 2011, 2012 and 2013 includes the repurchased shares, as these were still in the Company's possession on each respective balance-sheet date. The shares repurchased in 2009, 2010, 2011 and 2012 have been withdrawn following a resolution adopted by the AGM.

Definitions

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

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

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

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

Equity/assets ratio
Equity divided by total assets.

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

Gross margin, %
Gross profit divided by net sales.

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

Operating margin
Operating profit divided by sales.

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

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.

Profit margin
Operating profit plus finance income divided by sales.

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.

P/S ratio
Stock-market price divided by sales per share outstanding at the end of the period.

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

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

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

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

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 to Liquid Extraction)
A method to separate compounds based on their relative solubility in two different immiscible liquids, usually water and 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 the reaction.

MIP (Molecularly Imprinted Polymers)
Molecularly imprinted polymers.

Purification
Involves the synthesized compound being isolated from impurities.

Purification column
The physical unit where the medium needed to carry out flash chromatography is packaged. The sample that shall be purified in the column is then 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 extraction of a substance is performed by the sample first being absorbed onto a 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.

Re-agent
A substance that is added in a synthesis to restructure the start material to the desired product.

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

The Biotage share

Biotage's shares are listed on the Nasdaq OMX Stockholm Small Cap list under the name of Biotage (BIOT). Share capital in Biotage at December 31, 2013 totaled SEK 89,423 thousand (89,372). The number of outstanding shares was 69,861,330 (73,255,705) with a par value of SEK 1.28 (1.22).

Share price trends

In 2013, Biotage's share price rose by 20 percent from SEK 8.30 to SEK 10.00. The highest closing price paid for the share in 2013 was SEK 10.60 and was reported on September 24. The lowest closing price paid for the share was SEK 8.00 and was reported on May 23. In 2013, a total of 21.9 million (21.3) shares was traded for a value of SEK 203.1 million (152.5) corresponding to an annual trading turnover of 31 percent (29). At the end of 2013, Biotage's market capitalization was SEK 699 million (608).

Shareholders

The number of shareholders in Biotage at December 31, 2013 was 4,868 (5,085). The 10 largest shareholders accounted for 52.1 percent of the capital and 48.3 percent of the votes. The proportion of non-Swedish shareholders was 14.6 percent of the capital and 15.7 percent of the votes. The difference between the capital proportion and the vote proportion is due to the shares that Biotage bought back and now holds, which have been made passive with respect to voting.

Option programs

At the end of 2013, the Parent Company had one (1) outstanding option program aimed at employees in the Group. The number of outstanding options was 278,000, which with full utilization entitled the holders to subscribe for an equal number of shares in Biotage AB. The subscription price was SEK 16.64 and the last day of the subscription period was February 15, 2014. No new shares have been subscribed for with the support of this option.

Repurchase of shares, withdrawal of repurchased shares, and bonus issue

The Annual General Meeting of Shareholders (AGM) held in 2013 resolved that the shares Biotage had previously repurchased would be withdrawn. Biotage's share capital was subsequently reduced by SEK 4,141 thousand. At the same time, it was resolved to carry out a bonus issue that increased the share capital by SEK 4,192 thousand.

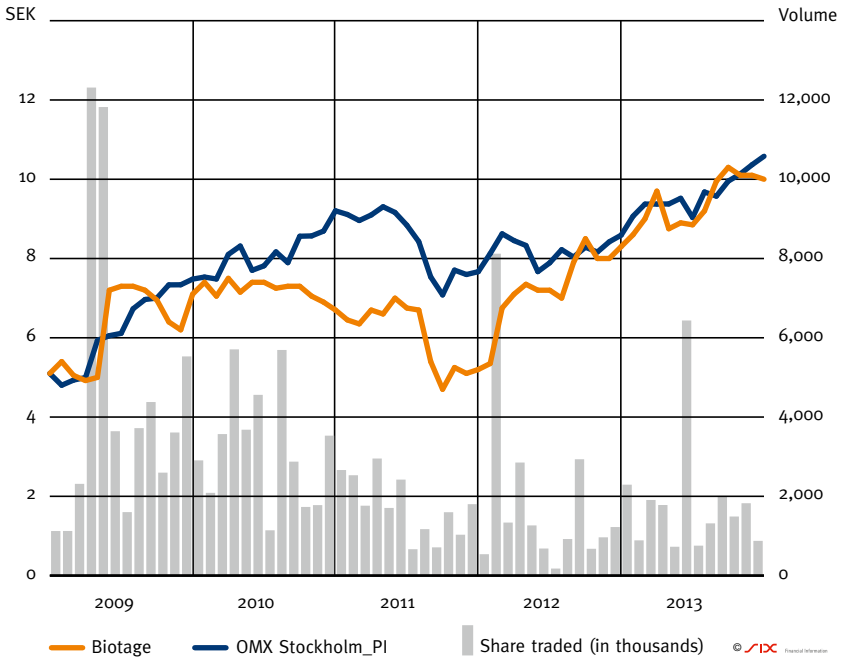
The AGM held in 2013 also resolved to authorize the board of directors to carry out a new repurchase program that covers a maximum of 10 percent of the Company's outstanding shares. On December 31, 2013, the Company held 5,137,609 own shares with an average acquisition price of SEK 9.07.

Issue authorization

The AGM held in 2013 authorized the board of directors to adopt on one or several occasions an issue of shares and/or convertibles. This authorization has not been exercised.

Dividend policy and dividend

Biotage's dividend policy is that at least 50 percent of the earnings per share shall be distributed to the shareholders. For fiscal year 2013, the board of directors of Biotage AB recommends a dividend of SEK 0.60 per share (0.50).



Shareholder categories as of December 31, 2013

Shareholders	Number of shares	Proportion of capital %	Proportion of votes %
Swedish shareholders > 500 shares	59,275,302	84.8	83.7
of whom:			
Mutual funds	4,512,748	6.5	7.0
Biotage AB (repurchase of own shares)	5,131,718	7.3	–
Private companies	15,421,577	22.1	23.8
Insurance companies	2,730,874	3.9	4.2
Pension fund investors	3,488,879	5.0	5.4
Swedish private individuals	26,926,159	38.5	41.6
Other	1,063,347	1.5	1.7
Non-Swedish shareholders > 500 shares	10,169,200	14.6	15.7
Shareholders < 500 shares	416,828	0.6	0.6
Total	69,861,330	100.0	100.0

The 15 largest shareholders as of December 31, 2013

Shareholders	Number of shares	Proportion of capital %	Proportion of votes %
Anders Walldov and company	9,000,000	12.9	13.9
Ove Mattsson (through endowment insurance)[1]	7,462,656	10.7	11.5
Biotage AB (repurchase of own shares)[2]	5,131,718	7.3	–
Länsförsäkringar fondförvaltning	4,011,700	5.7	6.2
Varenne AB	3,397,013	4.9	5.2
Fourth Swedish National Pension Fund (AP4)	2,362,280	3.4	3.6
Hans Sköld, family and company	1,490,000	2.1	2.3
Avanza Pension Försäkring AB	1,269,348	1.8	2.0
DFA Funds (USA)	1,140,048	1.6	1.8
Rolf Kraft	1,132,138	1.6	1.7
Riksbankens jubileumsfond (The Bank of Sweden Tercentenary Foundation)	900,000	1.3	1.4
SHB Livförsäkring AB	830,947	1.2	1.3
R5 Installationer AB	638,649	0.9	1.0
Torben Jørgensen	618,700	0.9	1.0
Mathias Uhlén	601,793	0.9	0.9

[1] According to the shareholder, the total holding amounts to 8,532,656 shares. The difference is due to the fact that details regarding certain holdings via foreign endowment insurance were not available to SIS Ownership Service when their ownership analysis was compiled.

[2] This amount from SIS Ownership Service is 5,891 shares fewer than Biotage's actual holding of own shares as of December 31, 2013, which amounted to 5,137,609 shares.

Shareholders by size of holding as of December 31, 2013

Size classes	Number of shareholders	Proportion of capital %	Proportion of votes %
1 - 500	2,179	0.6	0.6
501 - 1,000	873	1.1	1.2
1,001 - 10,000	1,428	7.1	7.6
10,001 - 100,000	321	13.4	14.6
100,001 -	67	77.8	76.0
Total	4,868	100.0	100.0

Source: Ownership analysis, SIS Ownership Service

Directors' report

Biotage AB (556539-3138)

About the Company

Biotage offers effective separation technologies from analysis to industrial scale, as well as high-quality solutions for analytical chemistry in everything from research to commercial analytical laboratories. Biotage's products are used by public authorities, academic institutions, pharmaceutical companies and food producers. Biotage AB, headquartered in Uppsala, Sweden, is the Parent Company of the Group with wholly-owned subsidiaries in Sweden, Great Britain, Germany, France, Italy, the United States, Japan and China. The Biotage share is listed on the NASDAQ OMX Stockholm Small Cap list.

Summary of business activities in 2013

Biotage's sales declined by 4 percent in 2013. However, at comparable currency rates of exchange, sales increased by 2 percent over the previous year. These figures are below the Company's long-term strategic goal of 8 percent but in line with growth within the market where the Group operates. Biotage's largest product area, Purification, grew by 10 percent, with the launch of the combined Flash and Mass Detector instrument Isolera™ Dalton being a strong contributor. The Peptide Synthesis product area continues to develop positively, and grew by 24 percent in 2013. A large part of this growth came from the automated peptide synthesis system Biotage® Initiator+ Alstra™, which was launched at the end of 2012. Within Analytical Chemistry, the Company saw weaker trends of instrument sales, while sales of consumables continue to grow. The Company endeavored during the year to broaden the customer base within the Industrial Resins product area, which saw lower sales compared with the previous year.

The United States represented Biotage's largest individual market with 39 percent of sales, while Europe represented 36 percent, Japan 15 percent, China 4 percent, and the rest of the world 6 percent of net sales. For operations in China, 2013 was a challenging year while refocusing from contract research customers to academic and government customers.

The gross margin amounted to 56.1 percent. Successful system launches have led to an increase in the proportion of instrument sales, which together with unfavorable currency movements, particularly regarding the USD and JPY, contributed to 2013 not reaching the gross margin goal of 60 percent. The strategic goal that sales of products within analytical and organic chemistry shall be roughly the same was also affected by the system launches within organic chemistry. In 2013, Organic Chemistry represented 55 percent, Analytical Chemistry 39 percent, and Industrial Resins 6 percent of sales.

Biotage systematically further develops the Company's products so that they may be applied to new application areas. This concerns not least the Company's products within analytical chemistry, which are adapted to be used in the environment, food, and forensic science areas. In line with this strategy, several new applications were launched in 2013, which contributed to Biotage continuing to show good sales growth within consumables for analytical chemistry.

In 2013, the TurboVap® and RapidTrace® production lines were successfully moved from contract manufacturers in the United States to Biotage's own facility in Cardiff, Wales.

Patent dispute in the United States

As previously announced, Biotage has been sued for alleged patent infringement in the United States. These lawsuits have been stayed by the court pending the outcome of the re-examination of the patents' validity by the U.S. Patent and Trademark Office. The appeal board of the U.S. Patent and Trademark Office has declared null and void all patent claims in the U.S. patent numbers 7,138,061, 7,381,327 and 7,410,571. This decision has been appealed by the opposing party to the U.S. Court of Appeals for the Federal Circuit. The re-examination proceedings concerning the U.S. patent numbers 8,066,875 and 7,381,327 are currently in progress, and in general there is nothing new to report regarding these two cases. Biotage continues to believe that the Company is in a strong position and that the opposing party lacks evidence of alleged patent infringement.

Repurchase of own shares, withdrawal of repurchased shares, and bonus issue

The Annual General Meeting of Shareholders (AGM) held in 2013 resolved that all of the 3,394,375 previously repurchased shares would be withdrawn. Biotage's share capital was subsequently reduced by SEK 4,141 thousand (7,148). At the same time, it was resolved to carry out a bonus issue that increased the share capital by SEK 4,192 thousand (7,326). Following execution of the AGM's decision, the registered share capital is SEK 89,423 thousand (89,372). The number of outstanding shares is 69,861,330 (73,255,705) with a par value of SEK 1.28 (1.22).

The AGM held in 2013 also resolved to authorize the board of directors to carry out a new repurchase program that covers a maximum of 10 percent of the Company's outstanding shares. The purpose of the repurchase program is to provide the board of directors with greater room to maneuver regarding the Company's capital structure. On December 31, 2013, the Company held 5,137,609 own shares (1,782,906), representing 7.3 percent of the share capital, acquired for a total of SEK 46.6 million at an average acquisition price of SEK 9.07 (8.27). The Company has not transferred any of the repurchased shares. Since the fiscal year-end and up to March 7, Biotage has acquired a further 9,274 own shares, after which the Company's total holding of own shares amounts to 5,146,883. The repurchase of shares was carried out on the NASDAQ OMX Stockholm Exchange at a price within the registered price range prevailing at each given time.

Issue authorization

The AGM held in 2013 authorized the board of directors to adopt on one or several occasions an issue of shares and/or convertibles. This authorization has not been exercised.

Income and cash flow

In 2013, the Group's net sales declined by 4 percent to SEK 444.6 million (462.9). The gross margin was 56.1 percent (58.6). Currency movements unfavorable to Biotage had a negative effect on both sales and the gross margin. Profitability is also affected by variations in the product mix, apportionment among different sales channels, and the geographic composition of sales.

Operating costs amounted to SEK 210.4m (227.6). The Company has successfully implemented active cost control, and all departments contribute to cost reductions. The operating profit was SEK 39.2m

(43.8) with an operating margin of 8.8 percent (9.5). Net financial items amounted to SEK 1.2m (-5.5), including a net effect of SEK 0.5m (-7.6) from currency differences from Group internal and other financial items. Profit after tax amounted to SEK 41.4m (38.3).

Cash flow from operating activities was SEK 56.8m (67.5) for remaining activities.

Balance-sheet items and financial position

The Group's liquid assets amounted at December 31, 2013 to SEK 90.8m (170.9), and interest-bearing liabilities amounted to SEK 5.7m (5.6). The Group has reported total goodwill of SEK 104.0m (102.1). The change for the year pertains to currency effects. Other intangible non-current assets amounted to SEK 126.0m (116.3), which includes patent and license rights and other intangible non-current assets from acquisitions of SEK 37.5m (41.0) and capitalized development costs of SEK 88.4m (75.3).

Equity at December 31, 2013 was SEK 476.8 (530.8). The change in equity for the year is attributable to the net profit of SEK 41.4m, dividends to shareholders of SEK 34.9m, the repurchase of shares for SEK 60.2m, as well as currency hedging and currency effects upon the conversion of foreign subsidiaries of SEK -0.3m.

Investments and depreciation

Investments for the year totaled SEK 41.5m (40.3), of which SEK 29.5m (27.9) pertained to capitalized development costs. Depreciation and amortization amounted to SEK 27.6m (28.6), of which SEK 16.0m (16.3) was the amortization of capitalized development costs. Capitalized development costs were written down by SEK 0.3m (5.4).

Research and development

Biotage's strategy for research and development is clearly market-oriented. The development of new and innovative products is an important means of competition and a way of creating opportunities for increased growth. Efforts are mostly aimed at developing new products by improving existing technology and adding new functionality. In the short term, applications development based on existing products is the most important development investment for increased growth. The Company's long-term goal is to attain a research and development investment level, before capitalization, of about 10 percent of sales revenue. In 2013, this investment level amounted to 10.0 percent. About one-tenth of the development budget is allocated to innovative research surrounding new concepts, and Biotage collaborates with academic research groups within this framework.

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 151 registered patents as well as 44 patent applications pending divided into 42 patent families. During the year, 10 new patents were granted, and 4 new patent applications were submitted.

Personnel

The Group had 290 (290) employees at the end of the year. Within the framework of the Group's systematic work environment procedures, Biotage performs risk analyses to ensure a good physical and social work environment. Sickness absenteeism is low, and is less than 2 percent. The Company invests in keep-fit activities, and is prepared to quickly act and take measures should an employee suffer ill-health. The Company's Work Environment Policy has been supplemented with an Alcohol and Drug Policy, as well as a Policy against Sexual and Other Harassment. All of the policies include action plans for handling any shortcomings that may arise. The Company's Equal Opportunities and Discrimination Policy is regularly updated, and an Equal Opportunities Plan has been prepared for the period 2012-2014. Biotage performs annual salary analyses in order to ensure salary equality.

Biotage Sweden AB has a collective agreement with the labor-market's partners. Other companies within the Group observe prevailing local regulations and guidelines. The Company applies individual, performance-related and market salary levels.

Environment

Biotage has a low environmental impact in its production because it does not have any manufacturing processes. The Company's production consists primarily of the assembly and installation of components, and complies with the European Union's RoHS Directive. The environmental impact in Biotage's operations is primarily related to freight and transportation. In order to reduce its impact, Biotage endeavors when possible to move transportation flows from air to sea and to optimize packaging by, for example, increasing the number of products in each package.

The environmental impact from production activities comes essentially from the use of energy. However, production is not electricity-intensive. The facilities in Cardiff and Lund also generate waste in the form of solvents used in the production process. Biotage's ambition is to continuously replace these solvents, when possible, with others that have less environmental impact. Most of the used solvents are recycled. At the facility in Cardiff, waste is also generated in the form of packaging materials from incoming goods, which are sorted and forwarded for recycling when possible. The environmental aspect is also important within product development, and is included in a natural way when designing new products.

In 2012, Biotage initiated programs both in Lund and in Cardiff to establish environmental policies, known as Environmental Management Systems (EMS), as part of the process to certify the Company in accordance with ISO 14001. In December 2013, Biotage applied for registration as per ISO 14001 for the operations in Cardiff, where most of the production takes place.

Risks

Biotage's operations are associated with risk within different areas.

Customers and market

The Company has a broad customer base within several different sectors. No customer represents more than five percent of sales, thus reducing the risk related to variations in demand arising from fluctuations in grants within academic research or in the customer base in general. New or cheaper products from rivals could, however, affect the Company's market position. Biotage seeks 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. In recent years, Biotage has endeavored to broaden its customer base to application areas such as the environmental and food sectors.

Products and technologies

The Company 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 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 redundant.

Production
The production of systems takes place at the Company's contract manufacturers in Sweden and the United States as well as, since 2013, at the Company's own facility in Cardiff, Wales. Consumables are produced at facilities in Lund, Sweden and Cardiff, Wales. All production facilities have the capacity at short notice to increase production of the Group's products. The dependence on external production capacity can increase the risk of delays or non-deliveries, although Biotage believes that the risk is limited. Biotage has special staff allocated to closely monitor how suppliers are able to fulfill their obligations with respect to both product quality and agreed delivery times.

Personnel
Biotage has a large proportion of highly skilled, committed and motivated employees, who have developed strong customer relationships. To recruit and retain qualified staff is an important prerequisite for Biotage to be able to fulfill the Group's business strategies. Biotage offers its employees competitive employment conditions, the possibility to have a contributory influence over the Group's product range and their own tasks, as well as opportunities for personal development through training, further education and career planning.

Competitors
Competition in the market is tough, and in certain cases Biotage is competing against large and well-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. Biotage endeavors to attain a major market presence and greater commitment, as well as greater focus on customers' needs than its competitors.

Intellectual property rights
Biotage is dependent on non-patentable business secrets, know-how and continued technological inventions, as well as the ability to obtain and maintain patents to protect the Group's technologies and products. Biotage continuously applies for patent protection for methods and products that it has developed. Should the Company be unsuccessful in protecting its patents, business secrets, know-how or technologies, or should they not provide sufficient protection against competitors, the Company's competitive position could be undermined and the value of the Company's existing and future products could be negatively affected. Should a party claim that the Company's inventions or use of technologies infringe such party's intangible rights, the Company would be obliged to pay damages should the opposite party be deemed to have good reason for its claim against Biotage in a court of law. The Company may also need to initiate proceedings to defend its intangible rights. Even if Biotage should win a case, the related process is time-consuming and costly, as well as taking much of management's time and attention. Biotage endeavors, as far as possible, to monitor the development of new products and methods in the Group's surrounding world, and to maintain good technical and legal expertise within its own organization.

Financial risks
Financial risks include currency risks, interest risks, credit risks, liquidity risks and refinancing risks. The currency risk constitutes the most significant financial risk for Biotage, while interest risks and credit risks weigh less heavily.

The currency risk lies in that a greater proportion of the Group's revenues are related to foreign currencies than its operating costs. Fluctuations in exchange rates can displace the relationship between sales revenues and operating costs, and affect the Group's profitability. In order to reduce the currency risk, some of the net flows are forward-covered. In the long term, the currency risk could be reduced if the Group relocated parts of its activities, but this would imply costs and a danger of losing competence and expertise. Furthermore, the Parent Company has invested in subsidiaries, particularly in the United States, Great Britain, China 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 for Biotage is primarily the risk that a financial investment cannot quickly be converted at the market price, and may consequently create unforeseen losses should cash funds need to be released. Biotage's financial position and liquidity are satisfactory with an equity ratio of 81 percent (81). The Company's liquid assets and current investments amounted to SEK 91m (171) on the balance-sheet date, and liabilities to credit institutions at fiscal year-end amounted to SEK 5.7m (5.6). The cash flow statements show adequately positive cash flow from operating activities, which reasonably 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 Group's expansion could become dependent on credit or owner investments where the position lies outside the Group's control. Biotage addresses these risks in the long term by focusing strongly on operating profit, financial balance and cash flow from operating activities. In the long term, this will create the conditions required for organic growth and confidence among shareholders and creditors.

A statement of the Group's financial risks and risk management is set forth on pages 41-42.

Parent Company

The Group's Parent Company has wholly-owned subsidiaries in Sweden, the United States, Great Britain, Germany, France, Italy, Japan and China. 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 2.4m (2.1). Net financial items were SEK 195.2m (36.2), of which SEK 189.6m pertained to profits from shares in Group companies that consist primarily of the reversal of write-downs of internal Group receivables subsequent to moving the RapidTrace® and TurboVap® production lines, as well as Group contributions from subsidiaries. The profit after financial items was SEK 178.6m (12.8), of which SEK 160.3m pertains to the reversal of previous write-downs of receivables from subsidiaries. As of December 31, 2012, the Parent Company had receivables that were classified as investments in foreign operations amounting to SEK 164m. As of December 31, 2013, all of these receivables had been settled or reclassified.

Investments in intangible non-current assets were SEK 1.4m (1.4). At December 31, 2013, the Parent Company's liquid assets amounted to SEK 30.1m (52.3). The decrease in the Parent Company's liquid assets pertains primarily to a dividend to the Company's shareholders, the repurchase of own shares, inter-company transactions and the profit for the period.

The Biotage share

Biotage has a total of 69,861,330 outstanding shares. Within the framework of the repurchase program resolved by the Annual General Meeting, there were 5,137,609 shares in own custody, representing 7.4 percent (2.4). Repurchased shares do not have any voting right. 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 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.

Corporate governance

Biotage has prepared a Corporate Governance Report in accordance with the provisions and applicatory instructions contained in Swedish law and the Swedish Code of Corporate Governance. The report has been prepared separately from the annual report and is available, together with the related auditors' report, at the Group's website at www.biotage.se together with other information about corporate governance within Biotage.

Principles and guidelines for remuneration of senior executives

The current principles and guidelines for remuneration to senior executives adopted by the Annual General Meeting held in 2013 are set forth in note 1 on page 45.

The board of directors' proposed resolution to the Annual General Meeting 2014 regarding guidelines for remuneration to senior executives

The Company will endeavor to offer the Company's senior executives market salaries. The remuneration committee will prepare remuneration matters and present proposals for the board of directors' consideration. Proposals for remuneration will 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 of directors is entitled to derogate from these guidelines if it believes there is sufficient reason to do so in a particular case.

Chief executive officer
The Company's CEO receives an annual salary of SEK 2,600,000 under the terms of his current employment contract. In accordance with the employment contract, the Company makes a pension provision corresponding to 35 percent of the CEO's fixed annual salary. In addition to the fixed annual salary, the CEO receives variable pay of up to 50 percent of the fixed annual salary. The variable pay is linked to the Company's achievement of defined financial targets. The CEO receives annual compensation of SEK 100,000 for travel and increased housing costs.

Other members of Company management
This group currently consists of two individuals, who report directly to the CEO. All members of Company management receive a fixed annual salary that 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 certain defined financial targets. The remaining 25 percent is based on defined goals relating to personal performance. The pension provision may amount to up to 30 percent of the fixed annual salary. Any new members of Company management can expect the same remuneration conditions.

Discretionary bonuses
The board of directors 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 of directors may decide on the criteria for variable pay.

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

Previously decided remuneration
No previously decided remuneration is pending for payment. A description of existing incentive programs is set forth on page 47.

Remuneration in 2013
Information concerning remuneration of senior executives in 2013 is set forth in note 1 on page 45.

Proposed appropriation of income

The Parent Company holds the following amounts at the disposal of the Annual General Meeting of Shareholders (SEK):

Retained earnings brought forward	353,917,542
Fund for fair value	-66,054,649
Profit for the year	181,819,064
Total	469,681,957

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

Payment of dividend to shareholders of SEK 0.60 per share *)	38,828,668
Carried forward to retained earnings	430,853,288
Total	469,681,957

*) The recommended dividend in SEK provides a maximum dividend calculated with a deduction for own shares that the Company held as of March 7, 2014. The shares that the Company acquired within the ongoing repurchase program do not give right to a dividend. The recommended dividend in SEK could therefore be less should the Company acquire further own shares after March 7, 2014.

The recommended dividend reduces the Parent Company's equity ratio by 0.9 percentage points to 85.2 percent, and the Group's equity is reduced by 1.4 percentage points to 79.1 percent. These changes are based on the Parent Company's and the Group's balance sheets as of December 31, 2013. The total dividend amount does not include the shares that Biotage has repurchased and holds in own custody as of March 7, 2014.

The board of directors proposes that the record date be Friday, May 2, 2014, as payment of the dividend by Euroclear Sweden AB is expected to take place on Wednesday, May 7, 2014.

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 of directors 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	2013	2012
Net sales	2	444,644	462,942
Cost of sales	1,2,5,6	-195,061	-191,508
Gross profit		**249,583**	**271,434**
Distribution costs	1,2,5,6	-134,712	-141,865
Administrative expenses	1,2,5,6	-42,687	-47,416
Research & development expenses	1,2,5,6	-33,483	-36,848
Other operating income		884	545
Other operating expenses		-390	-2,003
Total operating expenses		-210,388	-227,587
Operating profit		**39,196**	**43,847**
Finance income	7	1,096	2,447
Finance costs	7	78	-7 978
Profit/loss before tax		**40,369**	**38,316**
Income tax	8	1,023	308
Profit/loss for the year, continuing operations		**41,392**	**38,624**
Profit/loss for the year, discontinued operations	3	0	-288
Profit/loss for the year		**41,392**	**38,336**
Other comprehensive income			
Items that may be reclassified to profit or loss for the year			
Exchange differences from translation of foreign subsidiaries		-236	-7,485
Cash flow hedges		-52	632
Total other comprehensive income		**-288**	**-6,853**
Total comprehensive income for the year		**41,104**	**31,483**
Profit/loss for the year attributable to owners of the Parent		41,392	38,336
Total comprehensive income attributable to owners of the Parent		41,104	31,483
Average number of shares outstanding		68,139,330	73,258,156
Average number of shares outstanding after dilution		68,139,330	73,258,156
Ordinary shares outstanding at the reporting date *)		69,861,330	73,255,705
Earnings per share		0.61 SEK	0.52 SEK
Earnings per share after dilution		0.61 SEK	0.52 SEK
Earnings per share relates to:			
Continuing operations		0.61 SEK	0.52 SEK
Discontinued operations		– SEK	– SEK
Total earnings per share		0.60 SEK	0.43 SEK
Total comprehensive income per share after dilution		0.60 SEK	0.43 SEK

*) 5,137,609 (1,782,906) of the number of shares outstanding at December 31, 2013 are owned by Biotage and were purchased under the share buy-back mandate adopted by the AGM on April 25, 2013.

Quarterly Summary for 2012 and 2013

				2013				2012
Amounts in SEK thousands	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net sales	121,649	103,418	116,344	103,234	113,941	107,134	122,287	119,579
Cost of sales	-54,776	-44,851	-50,489	-44,945	-45,825	-42,532	-51,889	-51,262
Gross profit	**66,872**	**58,567**	**65,855**	**58,288**	**68,117**	**64,602**	**70,398**	**68,317**
Gross margin	55.0%	56.6%	56.6%	56.5%	59.8%	60.3%	57.6%	57.1%
Operating expenses	-53,430	-50,957	-53,789	-52,211	-54,599	-55,727	-57,532	-59,729
Operating profit/loss	**13,443**	**7,610**	**12,066**	**6,077**	**13,518**	**8,875**	**12,866**	**8,588**
Net financial items	3,058	-431	1,007	-2,461	-3,108	-3,862	625	813
Profit/loss before tax	**16,501**	**7,179**	**13,073**	**3,616**	**10,410**	**5,013**	**13,491**	**9,401**
Tax	1,985	-260	-165	-537	3,207	-1,345	-304	-1,250
Profit/loss for the period, continuing operations	18,486	6,919	12,908	3,079	13,618	3,669	13,187	8,151
Profit/loss for the period, discontinued operations	–	–	–	–	–	–	–	-288
Profit/loss for the period	**18,486**	**6,919**	**12,908**	**3,079**	**13,618**	**3,669**	**13,187**	**7,863**

Consolidated Statement of Financial Position

Amounts in SEK thousands	Note	12-31-2013	12-31-2012
ASSETS			
Non-current assets			
Property, plant & equipment	9	41,608	40,695
Goodwill	10	104,023	102,054
Other intangible assets	11	125,964	116,260
Financial assets	12	1,224	1,205
Deferred tax asset	19	44,914	41,733
Total non-current assets		**317,732**	**301,946**
Current assets			
Inventories	13	85,887	84,119
Trade and other receivables	14,15	97,860	97,092
Cash & cash equivalents		90,769	170,916
Total current assets		**274,515**	**352,128**
Total assets		**592,247**	**654,074**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital		89,423	89,372
Other paid-in capital		4,993	4,993
Reserves		-108,090	-107,801
Retained earnings		490,447	544,266
Total equity		**476,774**	**530,830**
Non-current liabilities			
Liabilities to credit institutions	7	5,293	5,124
Other financial liabilities	15,16,17	19,194	22,642
Deferred tax liabilities	19	1,835	1,752
Non-current provisions	18	1,202	1,537
Total non-current liabilities		**27,523**	**31,054**
Current liabilities			
Other financial liabilities	17	3,217	1,382
Trade and other payables	15,20	81,767	88,268
Tax liabilities		1,307	1,354
Liabilities to credit institutions	7	444	434
Current provisions	18	1,214	752
Total current liabilities		**87,950**	**92,190**
Total equity and liabilities		**592,247**	**654,074**
Pledged assets	22	62,862	62,862
Contingent liabilities	22	–	–

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, 2012	**89,194**	**4,993**	**-100,544**	**-404**	**570,659**	**563,897**
Changes in equity in 2012						
Profit/loss for the year	–	–	–	–	38,336	38,336
Other comprehensive income:						
Cash flow hedges	–	–	–	632	–	632
Exchange differences on translation of net investments in foreign subsidiaries	–	–	-7,485	–	–	-7,485
Total comprehensive income	**–**	**–**	**-7,485**	**632**	**38,336**	**31,483**
Transactions with owners of the parent						
Cancellation of repurchased shares*)	-7,148	–	–	–	7,148	–
Bonus issue*)	7,326	–	–	–	-7,326	–
Dividend to shareholders of the parent	–	–	–	–	-29,302	-29,302
Share buy-back, parent company*)	–	–	–	–	-35,249	-35,249
Closing balance December 31, 2012	**89,372**	**4,993**	**-108,029**	**228**	**544,266**	**530,829**
Changes in equity in 2013						
Profit/loss for the year	–	–	–	–	41,392	41,392
Other comprehensive income:						
Cash flow hedges	–	–	–	-52	–	-52
Exchange differences on translation of net investments in foreign subsidiaries	–	–	-236	–	–	-236
Total comprehensive income	**–**	**–**	**-236**	**-52**	**41,392**	**41,104**
Transactions with owners of the parent						
Cancellation of repurchased shares*)	-4,141	–	–	–	4,141	–
Bonus issue*)	4,192	–	–	–	-4,192	–
Dividend to shareholders of the parent	–	–	–	–	-34,931	-34,931
Share buy-back, parent company*)	–	–	–	–	-60,229	-60,229
Closing balance December 31, 2013	**89,423**	**4,993**	**-108,266**	**176**	**490,447**	**476,774**

*) Repurchased shares, cancellation of repurchased shares and bonus issue.

At the 2011 annual general meeting, the Board was granted a mandate to buy back shares. This was conditional on the repurchased shares not exceeding ten percent of the total issued shares. On the date of the following AGM, April 26, 2012, the Company had repurchased 6,381,983 shares under the buy-back program at an average price of SEK 6.40. At the 2012 AGM, it was decided to cancel the repurchased shares. As a result of the cancellation, the Company's share capital fell by SEK 7,148 thousand. At the 2012 AGM, it was also decided to implement a bonus issue, thereby increasing the share capital by SEK 7,326 thousand to SEK 89,371 thousand, without issuing any new shares. After the cancellation of the repurchased shares and the bonus issue, the number of shares was 73,255,705 (par value SEK 1.22).

At the 2012 AGM, it was decided to grant the Board a mandate to implement a new buy-back program corresponding to a maximum of ten percent of the Company's outstanding shares, namely a total of 7,325,570 shares. On the date of the following AGM, April 25, 2013, the Company had repurchased 3,394,375 shares under the buy-back program at an average price of SEK 8.35. At the 2013 AGM, it was decided to cancel the 3,394,375 repurchased shares, in accordance with the Board's proposal. As a result, the Company's share capital decreased by SEK 4,141 thousand. At the same time it was decided to increase the Company's share capital by SEK 4,192 thousand with a bonus issue. The issue amount was transferred from the Parent Company's distributable reserves. After the AGM's decision was implemented, the registered share capital was SEK 89,422,502 and the number of shares outstanding was 69,861,330 (par value SEK 1.28).

The AGM also granted the Board a mandate to buy back shares in the period up to the 2014 AGM, provided the Company's holding of repurchased shares did not exceed ten percent of the number of registered shares. On the reporting date, December 31, 2013, a total of 5,137,609 shares had been repurchased at an average price of SEK 9.07.

Consolidated Statement of Cash Flows

Amounts in SEK thousands	Note	2013	2012
Operating activities			
Profit/loss before tax		40,369	38,316
Adjustments for non-cash items		32,460	36,546
		72,829	**74,862**
Income tax paid		-4,319	978
Cash flow from operating activities before changes in working capital		**68,510**	**75,840**
Cash flow from changes in working capital:			
Increase (-)/decrease (+) in inventories		-2,755	982
Increase (-)/decrease (+) in trade receivables		-9,507	4,806
Increase (-)/decrease (+) in other current receivables		8,099	-5,659
Increase (+)/decrease (-) in other liabilities		-7,592	-8,508
Cash flow from operating activities - continuing operations		**56,757**	**67,461**
Cash flow from operating activities - discontinued operations		**–**	**7,012**
Cash flow from operating activities		**56,757**	**74,472**
Investing activities			
Acquisition of intangible assets		-32,513	-29,586
Acquisition of property, plant & equipment		-8,815	-10,373
Acquisition of financial assets		-144	-300
Acquisition of companies and product lines		–	261
Cash flow from investing activities		**-41,471**	**-39,998**
Financing activities			
Dividend to shareholders		-34,931	-29,302
Share buy-back		-60,230	-35,249
Changes in borrowings		66	-625
Cash flow from financing activities		**-95,095**	**-65,176**
Cash flow for the year		**-79,810**	**-30,702**
Cash & cash equivalents at beginning of year		170,916	204,711
Exchange differences		-337	-3,093
Cash & cash equivalents at end of year		**90,769**	**170,916**
Additional disclosures			
Adjustments for non-cash items:			
Depreciation and impairment	6	30,609	28,622
Other items		1,851	7,924
Total		**32,460**	**36,546**
Interest received		1,084	2,447
Interest paid		-437	-206

Income Statement, Parent

Amounts in SEK thousands	Note	2013	2012
Net sales	2	2,405	2,117
Administrative expenses	1,2,4	-17,170	-22,295
Research & development expenses	1,2,6	-1,699	-1,383
Other operating income		–	–
Other operating expenses		-148	-1,883
Operating expenses, net		-19,016	-25,561
Operating profit/loss		**-16,611**	**-23,444**
Profit/loss from financial investments:			
Interest income from receivables from group companies		7,424	9,958
Interest expense from liabilities to group companies		-2,927	-2,200
Profit/loss from investments in group companies		153,633	-10,568
Other interest and similar income		915	6,067
Interest and similar expense		251	-2,700
Group contributions received		35,954	35,649
Net financial items	7	195,249	36,206
Profit/loss after financial items		**178,638**	**12,761**
Income tax	8	3,181	2,372
Profit/loss for the year		**181,819**	**15,133**

Statement of Comprehensive Income, Parent

Amounts in SEK thousands	2013	2012
Profit/loss for the year	181,819	15,133
Other comprehensive income		
Items that may be reclassified to profit or loss for the year		
Exchange differences on translation of receivables		
from foreign subsidiaries	687	-13,509
Comprehensive income for the year	**182,506**	**1,625**

Balance Sheet, Parent

Amounts in SEK thousands	Note	12-31-2013	12-31-2012
ASSETS			
Non-current assets			
Intangible assets			
Patents and licenses	11	7,986	7,718
Financial assets			
Investments in group companies	21	481,628	481,728
Receivables from group companies	23	36,529	7,789
Deferred tax asset	19	44,914	41,733
		563,071	531,250
Total non-current assets		**571,057**	**538,968**
Current assets			
Current receivables			
Receivables from group companies	23	46,266	11,762
Other receivables	14	474	4,891
Prepayments and accrued income	14	1,297	1,399
		48,037	18,051
Cash and bank balances		30,112	52,286
Total current assets		**78,149**	**70,337**
Total assets		**649,206**	**609,305**
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital		89,423	89,372
Unrestricted equity			
Fair value reserve		-66,055	-66,742
Retained earnings		353,918	433,996
Profit/loss for the year		181,819	15,133
		469,682	382,388
Total equity		**559,104**	**471,759**
Other financial liabilities	16,17	**19,194**	**22,642**
Current liabilities			
Other financial liabilities	16,17	3,217	1,382
Trade payables	20	824	2,157
Liabilities to group companies	23	63,556	106,026
Other current liabilities	20	106	1,273
Accruals and deferred income	20	3,205	4,065
		70,908	114,904
Total equity and liabilities		**649,206**	**609,305**
Pledged assets	22	22,500	22,500
Contingent liabilities	22	–	–

Statement of Changes in Equity, Parent

Amounts in SEK thousands	Share capital	Fair value reserve	Retained earnings	Total equity
Opening balance January 1, 2012	**89,194**	**-53,233**	**498,725**	**534,686**
Changes in equity in 2012				
Profit/loss for the year	–	–	15,133	15,133
Other comprehensive income:				
Exchange differences on translation of receivables from foreign subsidiaries	–	-13,509	–	-13,509
Total comprehensive income	**–**	**-13,509**	**15,133**	**1,624**
Owner transactions:				
Cancellation of repurchased shares*)	-7,148	–	7,148	–
Bonus issue*)	7,326	–	-7,326	–
Dividend to shareholders of the parent	–	–	-29,302	-29,302
Share buy-back*)	–	–	-35,249	-35,249
Closing balance December 31, 2012	**89,372**	**-66,742**	**449,129**	**471,759**
Changes in 2013				
Profit/loss for the year	–	–	181,819	181,819
Other comprehensive income:				
Exchange differences on translation of receivables from foreign subsidiaries	–	687	–	687
Total comprehensive income	**–**	**687**	**181,819**	**182,506**
Owner transactions:				
Cancellation of repurchased shares*)	-4,141	–	4,141	–
Bonus issue*)	4,192	–	-4,192	–
Dividend to shareholders of the parent	–	–	-34,931	-34,931
Share buy-back*)	–	–	-60,230	-60,230
Closing balance December 31, 2013	**89,423**	**-66,055**	**535,736**	**559,104**

*) Repurchased shares, cancellation of repurchased shares and bonus issue.

At the annual general meeting 2011, the Board was granted a mandate to buy back shares. This was conditional on the repurchased shares not exceeding ten percent of the total issued shares. On the date of the following AGM, April 26, 2012, the Company had repurchased 6,381,983 shares under the buy-back program at an average price of SEK 6.40. At the 2012 AGM, it was decided to cancel the repurchased shares. As a result of the cancellation, the Company's share capital fell by SEK 7,148 thousand. At the 2012 AGM, it was also decided to implement a bonus issue, thereby increasing the share capital by SEK 7,326 thousand to SEK 89,371 thousand, without issuing any new shares. After the cancellation of the repurchased shares and the bonus issue, the number of shares was 73,255,705 (par value SEK 1.22).

At the 2012 AGM, it was decided to grant the Board a mandate to implement a new buy-back program corresponding to a maximum of ten percent of the Company's outstanding shares, namely a total of 7,325,570 shares. On the date of the following AGM, April 25, 2013, the Company had repurchased 3,394,375 shares under the buy-back program at an average price of SEK 8.35. At the 2013 AGM, it was decided to cancel the 3,394,375 repurchased shares, in accordance with the Board's proposal. As a result, the Company's share capital decreased by SEK 4,141 thousand. At the same time it was decided to increase the Company's share capital by SEK 4,192 thousand with a bonus issue. The issue amount was transferred from the Parent Company's distributable reserves. After the AGM's decision was implemented, the registered share capital was SEK 89,422,502 and the number of shares outstanding was 69,861,330 (par value SEK 1.28).

The AGM also granted the Board a mandate to buy back shares in the period up to the 2014 AGM, provided the Company's holding of repurchased shares did not exceed ten percent of the number of registered shares. On the reporting date, December 31, 2013, a total of 5,137,609 shares had been repurchased at an average price of SEK 9.07.

Statement of Cash Flows, Parent

Amounts in SEK thousands	Note	2013	2012
Operating activities			
Profit/loss after financial items		178,638	12,761
Adjustments for non-cash items		-189,270	-11,560
		-10,632	1,201
Income tax paid		–	–
Cash flow from operating activities before changes in working capital		**-10,327**	**1,201**
Cash flow from changes in working capital:			
Increase (-)/decrease (+) in other current receivables		90,047	2,833
Increase (+)/decrease (-) in other liabilities		-3,360	9,470
Cash flow from operating activities		**76,055**	**13,504**
Investing activities			
Acquisition of intangible assets		-1,455	-1,351
Cash flow from investing activities		**-1,455**	**-1,351**
Cash flow from financing activities			
Reduction of other financial liabilities		-1,613	–
Dividend to shareholders of the parent		-34,931	-29,302
Share buy-back		-60,230	-35,249
Cash flow from financing activities		**-96,774**	**-64,551**
Cash flow for the year		**-22,174**	**-52,398**
Cash & cash equivalents at beginning of year		52,286	104,684
Cash & cash equivalents at end of year		**30,112**	**52,286**
Additional disclosures:			
Adjustments for non-cash items:			
Depreciation and impairment	6,21	7,286	22,995
Group contributions		-35,955	-35,649
Reversal of impairment of intra-group receivables		-160,349	–
Other non-cash items		-252	1,094
Total		**-189,270**	**-11,560**
Interest received		8,339	11,951
Interest paid		-2,929	-2,201

Summary of significant accounting and valuation principles, Group and Parent

Contents

1. Introductory information

Biotage's consolidated annual financial statements and the Parent Company's annual financial statements for the fiscal year ending December 31, 2013 were approved by the Board and CEO for publication on March 26, 2014 and will be presented for adoption at the annual general meeting on April 28, 2014.

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 Parent Company is a Swedish public limited liability company. The address of the registered office is Vimpelgatan 5, 751 03 Uppsala, and this is where the Group's management and central functions are located. The Company's shares are listed on NASDAQ OMX Stockholm.

Biotage offers effective separation technology, from analysis to industrial scale, and high-quality solutions for analytical chemistry in everything from research to commercial analytical laboratories. Users of Biotage's products include government agencies, academic institutions and the pharmaceutical and food industries. Biotage has about 290 employees and reported net sales of SEK 445 million in 2013. The Group has offices in Sweden, the United States, the United Kingdom, China and Japan.

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) issued by the *International Accounting Standards Board* (IASB), as adopted by the European Union, and the interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC) effective for periods beginning on or after January 1, 2013. The Group also applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, *Supplementary Accounting Rules for Groups.* Differences between the Parent Company's and the Group's accounting policies are described in Section 8. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements and to the financial statements of companies in the Biotage Group.

New IFRS standards

New and amended standards and interpretations applicable for 2013

New and amended standards and interpretations from the IASB and the IFRS *Interpretations Committee,* effective for annual periods beginning on or after January 1, 2013, have not had any impact on the consolidated financial statements other than enhanced disclosure requirements.

The amendments to IAS 1 *Presentation of Financial Statements* require items of other comprehensive income to be grouped into two categories: a) items that will not be reclassified to profit or loss and b) items that will be reclassified to profit or loss if certain criteria are met.

The new standard IFRS 13 *Fair Value Measurement* is applicable when measuring the fair value of financial and non-financial items. IFRS 13 has been applied prospectively from January 1, 2013, but has not had any effect on the amounts reported. IFRS 13 requires several quantitative and qualitative disclosures about fair value measurement in the annual financial statements.

New and amended standards and interpretations not yet effective

The IASB *(International Accounting Standards Board)* and IFRS Interpretations Committee have issued a number of new and amended standards and a new interpretation which are not yet effective.

IFRS 9 *Financial Instruments,* published in November 2009, introduced new requirements for the classification and measurement of financial assets. Requirements for financial liabilities and derecognition were added to IFRS 9 in October 2010. The amended IFRS 9, published in December 2011, introduces enhanced disclosure requirements in the period when IFRS 9 is applied for the first time. In November 2013, the IASB published IFRS 9 *Hedge Accounting.* As the mandatory effective date (January 1, 2015) for IFRS 9 has been removed from the standard, the effective date is not currently known. It is management's assessment that the application of IFRS 9 will not have any material effect, but that it may affect the reported amounts for assets and liabilities in the consolidated financial statements. Management has not yet completed a detailed analysis of the impact of the effects of the application of IFRS 9 and is therefore not yet able to quantify any effects.

However, other new and amended standards and interpretations are not considered likely to have any material effect on the Group's financial reports in the period of initial application.

Early application of standards

Biotage has opted for early adoption of the amendments to IAS 36 *Impairment* of Assets, which deal with the disclosure of recoverable amounts, and are effective for annual periods beginning on or after January 1, 2014. The amendments remove the requirement to disclose the recoverable amount of an asset, which was introduced in IFRS 13. Recoverable amount disclosures need only be given in connection with the impairment or reversal of impairment. Early application has therefore only affected the Group's disclosures. Biotage has not opted for early application of any other standards or interpretations.

Functional currency and presentation currency

Biotage's financial statements are reported in Swedish kronor, which is the Parent Company's functional currency and 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.

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. These 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 that require a high degree of estimation or where accounting estimates are of key significance to the consolidated financial statements can be found in Section 10, Significant accounting estimates.

Classification

Non-current assets, liabilities and provisions are essentially amounts that are expected to be recovered or paid more than 12 months after the reporting date. Current assets, liabilities and provisions are amounts expected to be recovered or settled within 12 months of the reporting date. Investments in financial instruments for 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.

3. Consolidation and business combinations

Consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries. The financial statements of companies included in the consolidated financial statements 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 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. The purchase price consists of the fair value of assets acquired and liabilities incurred by Biotage to former owners of the acquiree and the fair value of the shares issued by the Group. 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. For business combinations where the total of the purchase consideration transferred, non-controlling interests (if any) and the acquisition-date fair value of the acquirer's previous equity interest in the acquiree exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill in the statement of financial position. If on acquisition of a subsidiary the fair value of acquired assets, liabilities and contingent liabilities is higher than cost, the surplus is recognized immediately in the income statement. Acquisition costs are recognized in the income statement in the period in which they are incurred.

4. Segment reporting

Segment information is required to be presented using a management approach, and operating segments are identified on the basis of internal reporting to the chief operating decision-maker, which in Biotage's case is the Group's CEO. In the internal reporting system used by the CEO to review operating results and make decisions about the allocation of resources, financial information is presented for the Group as a whole. Consequently, the Group consists of one operating segment, and for this reason Biotage does not report separate segment information.

5. Foreign currency translation

Functional currency and presentation currency

Items in the individual financial statements of each Group entity are presented in the currency used in the area in which the entity operates (its functional currency). The consolidated financial statements are presented in Swedish kronor, which is the Parent Company's functional currency.

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.

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.

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, is essentially a part of the Company's net investment in that foreign operation. Exchange differences arising on the translation of such monetary items are recognized in other comprehensive income.

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 the translation 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, these exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiree.

6. Items in the consolidated statement of financial position

6.1 Intangible assets

Intangible assets are recognized at cost less accumulated amortization and impairment. 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 when the annual financial statements are prepared or when there is an indication of a decline in value. The useful life of goodwill is generally assumed to be indefinite.

Capitalized development expenditure

Expenditure on development projects is recognized as an asset in the consolidated financial statements when it is probable that the projects will generate future economic benefits. If a business combination gives the Group access to products, technological equipment or processes it did not previously have and utilization of these is expected to provide economic benefits for the Group, a value for these technology-based intangible assets may be reported in the consolidated statement of financial position.

The purpose of development projects is to develop new products and improve existing ones. 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 fiscal years. Reporting and control of development expenses takes place through project reporting, which is part of the Group companies' ERP system.

Development projects are classified as *Product Care, Pre-Study* or *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 and ends when the new product is launched in the Group's sales markets.

The amortization period begins with the launch of the new product and is based on an assessment of the product's estimated useful life, which is 3-7 years. The useful life of acquired technology-based assets is 3-10 years.

Software applications, which are an integral part of the Group's products, are capitalized as development expenditure and amortized over their estimated useful life, which is 3 years.

Market and customer-related intangible assets

Patent and license rights and trademarks are recognized at cost less accumulated amortization. The amortization period for patents is normally 10 years, but never longer than the patent term. Amortization begins when the first national patent is granted. The patent portfolio is also regularly evaluated to identify any need for additional amortization. License rights are amortized over their duration. The useful life of trademarks is 10 years.

Goodwill

Goodwill is recognized as an intangible asset at cost less accumulated impairment in the balance sheet. For business combinations where the total of the purchase consideration transferred, non-controlling interests (if any) and the acquisition-date fair value of the acquirer's previous equity interest in the acquiree exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill. Goodwill is tested for impairment annually or more frequently if there are indications of a decline in value. The carrying amount of goodwill is compared with its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized as an expense in the income statement.

For impairment testing, goodwill is allocated to the smallest cash generating unit in the Company in which the goodwill in question is monitored during internal control. See also Section 10, Significant accounting estimates, on page 42, which describes the estimates and assumptions made during impairment testing.

Software

Acquired software licenses are capitalized on the basis of the expenditure incurred when the software itself is acquired and put into operation. Amortization is applied over the useful life, which is 3 to 7 years.

6.2 Property, plant & equipment

Items of property, plant & equipment are recognized at cost less accumulated depreciation and impairment losses. These assets include factories, 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 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
Other property, plant & equipment	5 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.

6.3 Financial assets

Financial assets are accounted for in accordance with the description in Section 6.6 Financial instruments.

6.4 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, it is classified as an operating lease. The Group recognizes finance leases as assets and a corresponding liability is recognized on initial recognition. 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. Leased assets held under operating leases are not recognized in the balance sheet. The lease payments are recognized in the income statement on a straight-line basis over the lease term.

In financial and cost terms, the scope of Biotage's leases is limited. The leases are mainly rental agreements for premises. All the Group's leases and rental agreements are classified as operating leases.

6.5 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.

6.6 Financial instruments

Financial instruments reported in the statement of financial position include securities, other financial receivables, trade and other receivables, cash & cash equivalents, trade payables, loans, other liabilities and derivatives.

Recognition in the statement of financial position

Financial assets are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are recognized 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 when the contractual obligation has been discharged or extinguished in some other way. All changes in value, realized and unrealized, are recognized in profit or loss.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of an event. Typical events include a significantly weakened financial position for the other party or non-payment of past due amounts.

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 set off 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

On initial recognition, a financial instrument is classified according to the purpose for which it was acquired. The definitions of the different categories are such that a financial instrument may be classified in more than one category. Financial assets and financial liabilities which are not subsequently measured at fair value through profit or loss are initially recognized at fair value, plus or minus transaction costs. Financial assets and financial liabilities which are subsequently measured at fair value through profit or loss are initially recognized at fair value. Financial instruments are subsequently measured at amortized cost or fair value, depending on their initial classification in accordance with IAS 39.

IAS 39 classifies financial instruments in the following categories:

1. *Financial assets and liabilities at fair value through profit or loss*
   This category comprises three types of items:
a) Financial assets held for trading. These are assets that are held for the purpose of short-term profit taking.
b) Derivatives that are assets.
c) Designated – other financial assets the Company has chosen to report in this category.

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

3. *Loans and receivables*
   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables, other receivables and other non-current receivables.

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.

5. *Other liabilities*
   Financial liabilities that are not measured at fair value through profit or loss are classified as other liabilities.

After the date of acquisition, financial instruments classified as *Financial assets and liabilities at fair value through profit or loss* and *Available-for-sale financial assets* are measured at fair value. Financial instruments in the categories *Held-to-maturity investments*, *Loans and receivables* and *Other liabilities* are subsequently measured at amortized cost using the effective interest method.

Amortized cost is the amount at which an asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest rate is the rate that discounts all estimated future cash payments or receipts through the expected life of the financial instrument to the initially recognized carrying amount of the financial asset or liability.

For a description of fair value measurement, see note 16.

Derivatives and hedge accounting

Derivatives are recognized on the contract date and are subsequently measured at fair value. Under Biotage's financial policy, derivative financial instruments may only be held for hedging purposes. In hedge accounting, derivatives are classified as cash flow hedges, fair value hedges or hedges of a net investment in a foreign operation. Biotage's derivatives consist of forward contracts which are used to hedge currency risk associated with external and internal flows of products and services. In accordance with IAS 39, the portion of the gain or loss on a derivative designated as a cash flow hedge that is determined to be an effective hedge is recognized in other comprehensive income, and the accumulated changes in fair value are recognized in the hedging reserve in equity. Any gain or loss on the ineffective portion of the hedge is recognized immediately in profit or loss. Amounts in the hedging reserve are recycled into profit or loss in the same period in which the hedged item affects profit or loss. Biotage hedges currency risk in accordance with the Board's established financial policies. Currency hedging is based on the expected difference between the cash flow in Swedish krona and other currencies.

Other information about financial instruments

Trade receivables

Trade receivables are classified as *Loans and receivables.* Trade receivables are reported net of provision for doubtful debts. As trade receivables 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 receivables are classified as *Loans and receivables* and non-current securities are classified as *Held-to-maturity investments.* If there is a clear indication that the fair value is less than the carrying amount, the assets are written down.

Trade payables

Trade payables are classified as *Other liabilities.* 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 categorized as *Other liabilities* and 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, while current liabilities are due within 12 months of the reporting date.

6.7 Taxes

Income tax consists of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized in OCI or directly in equity, in which case the related tax effect is also recognized in OCI or equity.

A current tax liability or asset is the amount of income taxes 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 is measured using national tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Group has legal entities with tax losses that can be utilized.

6.8 Provisions

Provisions for restructuring are 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. Biotage's restructuring provisions include the cost of lease cancellation 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. Provisions are classified as non-current and current items. Non-current obligations will not require an outflow of resources during the next 12 months. All other obligations are classified as current.

6.9 Share capital

All issued shares are ordinary shares, which are classified as equity. At the end of 2013, the Company had outstanding options issued to the Group's senior executives. See also page 47. 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.

7. Items in the consolidated income statement

7.1 Revenue recognition

Revenue is the fair value of the consideration received or receivable from 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.

Sale of goods

The Group develops and sells systems, re-agents, 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 been transferred to the buyer and the customer has confirmed acceptance of the goods, which normally happens on delivery.

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.

Interest income

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

Dividend income

Dividend income is recognized when the right to receive payment is established.

7.2 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 and share of common costs.

7.3 Employee benefits

Retirement benefit obligations

The Group's pension plans are funded by contributions to insurance policies. They are all reported as 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. The expenses are charged to the Group's income as the benefits are earned, which normally coincides with the date on which the premium is paid.

Share-based payment

The Company had one outstanding equity-settled incentive plan at the reporting date. Under this plan, employees of Group companies receive payment in the form of share options, which are equity instruments entitling the holder to subscribe for shares in the Parent Company at a fixed price.

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 formula 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.

Termination benefits

Termination benefits are paid when employment is terminated before the normal retirement age or when an employee accepts voluntary layoff in return for termination benefits. Termination benefits are recognized when the Company is committed to terminate the employment before the normal retirement date and has a detailed formal plan for the termination, or provide termination benefits as a result of an offer made to encourage voluntary layoff.

Profit-sharing and bonus plans

The Group has a bonus program for employees in positions where their performance has a measurable effect on the Group's earnings. Estimated bonus expenses are recognized on an ongoing basis and provision is made for these expenses in the consolidated statement of financial position. Bonus payments to key management personnel are described on pages 44-48.

Short-term employee benefits

For employee benefits such as wages, paid vacation and sick leave, and pensions, the amount of the benefits paid in respect of service rendered by employees in a period is recognized in the same period.

7.4 Impairment

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in income. 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.

7.5 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.

8. The Parent Company's accounting policies

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities.* Consequently, the Parent Company applies IFRS as adopted by the EU to the extent that such application does not conflict with the Swedish Annual Accounts Act and Pension Obligations Vesting Act. The Parent Company's application of accounting policies also takes into account the relationship between tax expense and accounting profit. The differences between the Parent Company's and the Group's accounting policies are described below.

Amended accounting policies for the Parent Company

The Swedish Financial Reporting Board has issued an amendment to RFR 2 *Accounting for Legal Entities* concerning accounting for group contributions, which is effective for annual periods beginning on or after January 1, 2013. Under the main rule, a parent reports group contributions received from a subsidiary as finance income and group contributions provided to subsidiaries as an increase in investments in group companies. Under the alternative rule, a parent reports group contributions received from or provided to a subsidiary as appropriations. The amendment does not affect Biotage's financial reporting.

8.1 Classification and presentation

The Parent Company's income statement and balance sheet are presented in accordance with the format described in the Annual Accounts Act. The main difference from IAS 1 *Presentation of Financial Statements,* which is

applied when preparing the consolidated financial statements, concerns the reporting of finance income, finance costs, non-current assets and equity, and the presentation of provisions as a separate item. The Parent Company also presents a statement of comprehensive income, which is separate from the income statement.

8.2 Investments in Group companies

Investments in subsidiaries are recognized at cost in the Parent Company's financial statements. Acquisition-related costs for subsidiaries, which are recognized as an expense in the consolidated financial statements, are included as part of the cost of investments in subsidiaries.

8.3 Financial instruments

The Parent Company does not apply IAS 39 *Financial Instruments: Recognition and Measurement.* The Parent Company measures financial instruments on the basis of cost, as described in the Annual Accounts Act.

8.4 Shareholder and Group contributions

Group contributions the Parent receives from a subsidiary are accounted for using the same principles as ordinary dividends from subsidiaries and are reported under finance income. Group contributions made by the Parent to subsidiaries are reported as an increase in investments in Group companies. Shareholder contributions are recognized directly in the recipient's equity and are capitalized in the issuer's shares and interests, to the extent that impairment is not required.

8.5 Untaxed reserves

Changes in untaxed reserves are recognized as an appropriation in the income statement. The accumulated value of the provisions is reported under untaxed reserves in the balance sheet. Tax depreciation allowances are calculated in accordance with current tax legislation. Tax depreciation allowances are regarded as accelerated depreciation, which is reported as an untaxed reserve.

9. Financial risks and the Group's risk management

9.1 Financial risks in the Biotage Group

In addition to the business risks that Biotage faces in the course of its operations, there are also different types of financial risks, which include 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. 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 proportion of the Group's sales are conducted in USD, EUR, GBP and JPY. The proportion of sales in SEK is relatively small. Operating expenses and financial instruments are also related to these currencies, although the Swedish krona is dominant. The Group's legal entities have considerable intra-group balances. Translation of these balances to SEK may have a significant effect on the Group's financial position and results. As the Group's functional currency is SEK, movements of this currency against other transaction currencies will have an effect on the Group's results and financial position. A 10 percent change in the USD/SEK exchange rate would affect income and equity by SEK 2,749 (5,152) thousand. With a 10 percent change in the EUR/SEK rate, the effect would be SEK -2,734 (-2,693) thousand.

Net sales

The Group's most significant revenue currencies are USD and EUR.

Net sales by currency

			2013			2012
Amounts in SEK thousands	In currency	In SEK	Distribution %	In currency	In SEK	Distribution %
EUR	11,882	102,768	23	11,220	97,677	21
USD	33,040	215,222	48	32,805	222,265	48
GBP	3,901	39,742	9	3,662	39,307	8
JPY	961,339	64,314	14	978,534	83,273	18
CNY	2,080	2,204	0	481	517	0
SEK	20,395	20,395	5	19,903	19,903	4
Total SEK thousands		444,644	100		462,942	100

Net assets

In the Group's net assets there is a predominance of assets in Swedish kronor.

Net assets by foreign currency at December 31

			2013			2012
Amounts in SEK thousands	In currency	In SEK	Distribution %	In currency	In SEK	Distribution %
EUR	-3,057	-27,340	-6	-3,126	-26,932	-5
USD	4,224	27,494	6	7,907	51,516	10
GBP	2,554	27,407	6	2,278	23,897	5
JPY	20,489	1,266	0	-3,508	-265	0
CHF				–	–	–
CNY	1,989	-2,134	0	-298	-312	0
SEK	450,080	450,080	94	482,925	482,925	91
Total SEK thousands		476,774	100		530,829	100

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 the holdings are of short duration. The Group's interest rate is essentially the risk that its refinancing will be more expensive if general interest rates rise and vice-versa. Biotage has only a small amount of interest-bearing liabilities, and the associated interest-rate risk is therefore low. A 1 percent change in the Group's interest rate on interest-bearing assets would affect income and equity by SEK 907 (1,709) thousand.

Credit risk
Credit risk is the risk that customers will be unable to pay for delivered goods. The majority of customers are large companies and scientific institutions with operations which are normally state-financed. On the basis of historical facts, management considers Biotage's credit risk to be low.

Liquidity and refinancing risk
Liquidity risk is the risk that the Group will encounter difficulty in accessing funds to discharge its financial obligations. The statements of cash flow for 2012 and 2013 show sufficiently positive cash flows from operations to allow the Group to fully discharge its current obligations. In addition, Biotage's cash & cash equivalents are considerably higher than current and non-current liabilities. In addition, 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.

9.2 The Group's risk management
To minimize any negative effects of the financial risks associated with Biotage's businesses activities and financial management, the Board has drawn up a Group financial policy. This policy is designed to facilitate the Group's financial work and alleviate the economic consequences of financial risks. Work must be performed carefully and professionally. Implemented measures must be documented and reported to the appropriate company body. Administration costs must be minimized.

The policy document contains a specific division of responsibilities, duties and authority between the Company's Board, CEO, CFO and Accounting Manager. Administrative procedures have also been established on the basis that those who conduct transactions should be separate from those responsible for control, accounting and reporting of transactions. Systematic reporting documentation for financial transactions must be submitted to the accounting manager for checking against the documents received by the transaction counterparty.

Biotage's central finance function at head office manages currency risk for the entire Group. Because the Group engages in operations, production and sales in a number of countries, it has a 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/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.

Biotage aims to minimize the currency risk which arises in commercial cash flows. There must be no speculative position-taking, i.e., entering into transactions for which there is no underlying commercial cash flow or imbalance. Credit risk associated with trade receivables must be monitored on an ongoing basis.

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 companies 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.

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. The main financial instruments are trade receivables, other operating receivables, shares, trade payables, other operating liabilities and loans with security in owner-occupied property. Exchange rate movements may have a material impact on the Group's results and financial position, and this has previously been the case.

9.3 Capital management
Biotage defines capital as equity. The Group's capital management objective is to safeguard its ability to continue operating in order to generate reasonable returns for shareholders and value for other stakeholders. The Group monitors its capital structure on the basis of the equity/assets ratio, which is calculated as equity divided by total assets. At the end of the year, the equity/assets ratio was 81 (81) percent for the Group and 86 (77) percent for the Parent Company.

10. Significant accounting estimates

When preparing the consolidated and Parent Company's financial statements, the Board and CEO make a number of judgments and estimates that may affect the reported financial position and results.

Estimation uncertainty
Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and expectations about future events which are considered reasonable in the present circumstances. 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 as a result of adjusted assumptions or estimates. The most significant judgments and estimates used in the measurement of assets and liabilities are based on assumptions regarding the future scope for marketing the Group's products and services in volumes and at prices that allow a reasonable business profit. Scope for marketing is highly dependent on the Group's access to technical expertise for the production of new and improved products and on the level of customers' investment in new product development, knowledge and methods in the scientific areas in which the Group's products are used. The estimated success level of the Group's objective of broadening its products' areas of application also affects the overall estimates of Biotage's sales figures and financial results. Improvement of the Group's financial performance is dependent on this level remaining stable or at least not rising more quickly than sales growth.

Impairment testing of goodwill and other assets
Goodwill is tested for impairment annually when the annual financial statements are prepared, or as soon as impairment is indicated by changes. 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. At the end of the year, the Group's goodwill was SEK 104 (102) million. See also note 10.

Capitalized development expenditure
Development costs are capitalized when a project meets all the criteria described in IAS 38. Biotage capitalizes its development on the basis of a measurement of each project's expected contribution to the Group's sales revenue and cash flows. Projects are measured at cost. An item is derecognized in the statement of financial position when the product is no longer marketed or is only expected to generate sales revenue on a 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 arise from rapid technological development and improved products from competitors. At the end of the year, the Group's capitalized development expenditure was SEK 88 (75) million. See also note 11.

Deferred tax assets

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 is 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, an impairment loss would have to be recognized for this item. Similarly, the value of tax losses can be affected by changes in legislation regarding their utilization and changes in tax rates. At the end of the year, recognized deferred tax assets arising from unused tax losses amounted to SEK 45 (42) million. See also note 19.

Notes

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

	Group		Parent	
	2013	2012	2013	2012
Board and senior executives				
A presentation of Board members and senior executives can be found on pages 65-66.				
Board				
Female	1	1	1	1
Male	5	5	5	5
Total	6	6	6	6
Group Management				
Female	1	1	–	–
Male	2	2	1	1
Total	3	3	1	1
Average number of employees				
Female	96	92	–	–
Male	195	189	1	1
Total	290	280	1	1
Salaries and benefits				
Board and CEO	4,940	4,641	4,940	4,641
Other senior executives, 2 individuals	2,939	2,939	–	–
Other employees	119,972	118,473	–	–
Total salaries and benefits	127,851	126,053	4,940	4,641
Contractual and statutory social security contributions				
Board and CEO	1,292	1,471	1,292	1,471
Other senior executives	1,184	1,410	–	–
Other employees	29,169	28,385	–	–
Total contractual and statutory social security contributions	31,645	31,266	1,292	1,471
Pension expenses *)				
Board and CEO	910	923	910	923
Other senior executives	629	710	–	–
Other employees	7,164	7,232	–	–
Total pension expenses	8,703	8,865	910	923
Total salaries, social security contributions and pension expenses	**168,199**	**166,185**	**7,142**	**7,035**

*) For salaried employees in Sweden, the ITP 2 plan's defined-benefit retirement and family pension obligation (or family pension) is covered by insurance with Alecta. According to the Swedish Financial Reporting Board's statement UFR 3, Classification of ITP Plans Financed by Insurance in Alecta, this is a multi-employer defined-benefit pension plan. The Company did not have access to sufficient information for the 2013 fiscal year to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined-benefit plan. Consequently, the ITP 2 pension plan insured through Alecta is reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated individually and is based on factors that include salary, previously earned pensions and the expected remaining period of service. Expected contributions in the next reporting period for ITP 2 insurance covered by Alecta are SEK 2,088 thousand (2013: SEK 3,055 thousand). The Group's share of the total contributions to the plan is 0.014 (0.012) percent, while its share of the total number of active members in the plan is 0.008 (0.008) percent.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated by reference to Alecta's actuarial methods and assumptions. This is not consistent with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, measures must be taken to create the right conditions for the level to return to the normal range. If the consolidation level is too low, an appropriate measure could be to increase the agreed price for new insurance and extension of existing benefits. If the consolidation level is too high, premium reductions could be introduced. At the end of 2013, Alecta's surplus, which was reported as a collective consolidation level 1, was 148 (129) percent.

Cont'd. Note 1 Average number of employees, salaries, employee benefits and social security contributions

Average number of employees by country

	2013			2012		
	Total	male	female	Total	male	female
Parent, Sweden	1	1	–	1	1	–
Subsidiaries, Sweden	75	47	28	73	47	26
USA	56	38	18	54	38	16
UK	113	71	42	110	69	40
Germany	11	10	1	13	11	2
France	5	5	–	5	5	–
China	11	10	1	7	6	1
Japan	19	13	6	19	13	6
Total	290	194	96	280	189	92
Distribution %		67%	33%		67%	33%

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. The President & CEO Torben Jörgensen receives variable pay, which is linked to the Group's annual results, up to a maximum of SEK 1,297,998. Other senior executives receive variable pay up to a maximum of 30 percent of their basic salary.

Accrued salaries, fees and other benefits in 2013

	Board fees	Basic salary	Variable pay	Other benefits	Pension expense	Other remune-ration	Total
Chairman of the Board:							
Ove Mattsson*)	445,000	–	–	–	–	–	445,000
Board members:							
Anders Walldov	160,000	–	–	–	–	–	160,000
Thomas Eklund*)	210,000	–	–	–	–	–	210,000
Peter Ehrenheim	–	–	–	–	–	–	–
Karolina Lawitz	160,000	–	–	–	–	–	160,000
Per-Olof Eriksson	185,000	–	–	–	–	–	185,000
Nils Olof Björk*)	160,000	–	–	–	–	–	160,000
Total accrued cost of fees paid to Board members in 2013	**1,320,000**	**–**	**–**	**–**	**–**	**–**	**1,320,000**
CEO							
Torben Jörgensen**)	–	2,599,992	341,130	96,000	910,544	171,762	**4,119,428**
Other senior executives (2 individuals)**)	–	2,520,000	187,100	–	628,887	42,722	**3,378,709**
Total for 2013	**1,320,000**	**5,119,992**	**528,230**	**96,000**	**1,539,431**	**214,484**	**8,818,137**

*) The Chairman of the Board also receives compensation for statutory employer contributions of SEK 45,435, as his fee is paid to a legal entity. Board member Karolina Lawitz also receives compensation for statutory employer contributions of SEK 50,272, as her fee is paid to a legal entity. Board member Thomas Eklund also receives compensation for statutory employer contributions of SEK 65,982, as his fee is paid to a legal entity. Board member Nils-Olof Björk also receives compensation for statutory employer contributions of SEK 50,272, as his fee is paid to a legal entity.

**) Other remuneration is mainly vacation allowances paid in accordance with the Swedish Annual Leave Act.

Cont'd. Note 1 Average number of employees, salaries, employee benefits and social security contributions

Accrued salaries, fees and other benefits in 2012

	Board fees	Basic salary	Variable pay	Other benefits	Pension expense	Other remune-ration	Total
Chairman of the Board:							
Ove Mattsson*)	445,000	–	–	–	–	–	445,000
Board members:							
Anders Walldov	160,000	–	–	–	–	–	160,000
Thomas Eklund*)	210,000	–	–	–	–	–	210,000
Eva-Lotta Kraft*)	61,667	–	–	–	–	–	61,667
Karolina Lawitz	106,667	–	–	–	–	–	106,667
Per-Olof Eriksson	160,000	–	–	–	–	–	160,000
Nils Olof Björk*)	176,666	–	–	–	–	–	176,666
Total accrued cost of fees paid to Board members in 2012	**1,320,000**	**–**	**–**	**–**	**–**	**–**	**1,320,000**
CEO							
Torben Jörgensen	–	2,591,659	571,751	98,958	923,284	58,599	**4,244,251**
Other senior executives (2 individuals)**)	–	3,917,020	369,648	2,292	710,157	60,076	**5,059,193**
Total for 2012	**1,320,000**	**6,508,679**	**941,399**	**101,250**	**1,633,441**	**118,675**	**10,623,444**

*) The Chairman of the Board also receives compensation for statutory employer contributions of SEK 45,435, as his fee is paid to a legal entity. Board member Eva-Lotta Kraft also receives compensation for statutory employer contributions of SEK 19,376, as her fee is paid to a legal entity. Board member Thomas Eklund also receives compensation for statutory employer contributions of SEK 65,982, as his fee is paid to a legal entity. Board member Nils-Olof Björk also receives compensation for statutory employer contributions of 71,304, as his fee is paid to a legal entity.

**) The remuneration of other senior executives includes compensation to the departing CFO for 7 months.

Comments on the tables above and on the previous page

Board

The 2012 annual general meeting adopted Board fees of SEK 1,220,000 for the period until the 2013 annual general meeting. SEK 420,000 of this amount related to the Chairman's fees. The 2013 annual general meeting adopted Board fees of SEK 1,220,000 for the period until the 2014 annual general meeting. SEK 420,000 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 2012 and 2013 annual general meetings.

President & CEO

The President & CEO Torben Jörgensen receives a basic monthly salary of SEK 216,666. In addition to the basic salary, a vacation allowance is paid in accordance with the Swedish Annual Leave Act. The President & CEO also receives variable pay and a pension, and is entitled to termination benefits, which are described below.

Bonuses and other benefits

President & CEO Torben Jörgensen receives an annual quality bonus of up to 50 percent of his fixed annual salary, i.e., a maximum of SEK 1,297,998.

Pensions

The retirement age for the President & CEO Torben Jörgensen is 65. The pension premium is 35 percent of the pensionable salary. The pensionable salary is the basic salary.

Termination of employment/termination benefits

The Company and President & CEO Torben Jörgensen have a mutual period of notice of 8 months. However, the agreement is terminated without a prior period of notice on the date of Torben Jörgensen's retirement. There is no pay during the notice period after Torben Jörgensen has reached the age of 65. In the case of termination requested by the Company (which is not based on the CEO's gross neglect of his duties to the Company), the following termination benefits are paid in addition to pay during the notice period:

1) Termination during the period 16 April 2012 to 15 April 2013, ten-twelfths of the fixed annual salary on termination of employment.

2) Termination during the period 16 April 2013 to 15 April 2014, eight-twelfths of the fixed annual salary on termination of employment.

3) Termination during the period 16 April 2014 to 15 April 2015, six-twelfths of the fixed annual salary on termination of employment.

4) Termination during the period 16 April 2015 to 15 April 2016, four-twelfths of the fixed annual salary on termination of employment. If the termination is after April 15, 2016, no termination benefits are paid. Termination benefits are paid monthly in installments of one-twelfth of the total amount, beginning with the month following termination of employment. Pay during the notice period and termination benefits are not paid after the date of Torben Jörgensen's retirement. Termination benefits are not pensionable salary 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 have a mutual period of notice of 6 months.

Share option plans

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. Adopted and outstanding plans at December 31, 2013 encompass a total of 278,000 share options entitling the holders to subscribe for an equal number of shares.

Number of employee share options	2007 Plan
CEO	
Torben Jörgensen:	
At beginning of year	55,000
Options exercised for new share subscription in 2013	–
At end of year	55,000
Other senior executives (2 individuals):	
At beginning of year	30,000
Options exercised for new share subscription in 2013	–
At end of year	30,000
Total options holdings – CEO and other senior executives	85,000
Number of shares that can be subscribed for	85,000
Subscription price	16.64 kr

Comments:

Conditions for the option plans and information on all outstanding options in the Company can be found on page 48.

Information on the total number of financial instruments in the Company held by Board members and management can be found on pages 65-66.

Guidelines for remuneration of senior executives adopted by the 2013 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 2,600,000 under the terms of his employment contract. In accordance with the contract, the Company makes a pension provision corresponding to 35 percent of the CEO's fixed annual salary. In addition to the fixed annual salary, the CEO receives variable pay of up to 50 percent of his fixed annual salary. The variable pay is linked to the Company's achievement of defined financial targets. The CEO receives annual compensation of SEK 100,000 for travel and increased housing costs.

Other members of Company management

This group consists of two 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 defined goals relating to 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.

Previously decided remuneration

There is no previously decided remuneration that is not yet due for payment. A description of existing incentive programs can be found on page 48.

Cont'd. Note 1 Average number of employees, salaries, employee benefits and social security contributions

Summary of outstanding options at December 31, 2013

Year	Number of options	Shares per option [a]	Number of shares for subscription	Shares that can be issued for cash flow hedging [b]	Subscription price SEK [a]	Start of subscription period	End of subscription period
Share option plans for Group employees:							
2007	278,000	1,00	278,000	44,480	16.64	2007-02-15	2014-02-15
Total	278,000		278,000	44,480			

[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.

	Change in outstanding options for the year			Option plan costs according to IFRS 2, incl. statutory employer's contributions		
Year	Opening balance 2013	Options lapsed in 2013	Closing balance 2013	2005-2012	2013	Remaining cost Dec. 31, 2013 for 2013-2014
2007	327,000	-49,000	278,000	2,252,998	–	–
Summa	327,000	-49,000	278,000	2,252,998	0	0

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 key parameters were used:		Issue year 2007
The following key parameters were used:		SEK 16.64
Value of underlying share at grant date		SEK 16.64
Expected duration	Vesting 1	4.0 years
	Vesting 2	4.5 years
	Vesting 3	5.0 years
Distribution over vesting periods		1/3 each
Risk-free interest	Vesting 1	3.90%
	Vesting 2	3.93%
	Vesting 3	3.93%
Expected future share price volatility		40.0%
Expected dividend over the life of the options		SEK 0.00
Expected staff turnover		7.0%
Value per option	Vesting 1	SEK 5.01
	Vesting 2	SEK 5.37
	Vesting 3	SEK 5.71
Cost according to IFRS 2 (excl. employer's contribution)		SEK 2,779,631

Higher than expected staff turnover meant the total cost for 2007-2013 was somewhat lower than the calculation above and no further costs needed to be recognized in 2013. In addition, no costs have been charged to the consolidated income statement for the remainder of the option plans.

Note 2 Composition of income and expense

If Biotage had presented its income statements classified by nature of expense, the composition would have been as follows:

	Group		Parent	
	2013	2012	2013	2012
Operating income				
Net sales (a)	444,644	462,942	2,405	2,117
Operating expenses				
Purchased finished products, input products, semi-finished goods and production services	-135,931	-142,732	–	–
Personnel expenses	-154,591	-155,195	-5,014	-5,058
Other external costs	-86,663	-88,800	-8,803	-18,078
Regular depreciation/amortization of assets	-28,758	-30,909	-559	-543
Other operating items	494	-1,457	-2,235	-1,883
Total operating expenses	-405,449	-419,094	-16,611	-25,561
Operating profit/loss	**39,196**	**43,847**	**-14,206**	**-23,444**

	Group		Parent	
(a) Composition of sales revenue:	2013	2012	2013	2012
Net sales are distributed between products and services as follows:				
Products	384,435	403,143	–	–
Service contracts and other services	52,215	52,351	2,405	2,117
Other sales revenue	7,995	7,447	–	–
Total sales revenue	444,644	462,942	2,405	2,117

Revenue by geographical market	2013	2012
USA	167,630	173,931
Europe	155,936	156,601
Japan	64,314	83,273
Other markets	56,764	49,137
Total sales revenue	444,644	462,942
Sweden's share of sales in Europe	8,826	7,731

The distribution relates to sales to customers located in the above geographical areas.

	Group		Parent	
Intra-group sales and purchases of products and services:	2013	2012	2013	2012
Parent to subsidiary, products	–	–	–	–
Parent to subsidiary, services	2,405	2,117	2,405	2,117
Subsidiary to parent, products	–	–	–	–
Subsidiary to parent, services	4,476	7,502	–	–
Subsidiary to subsidiary, products	182,957	195,996	–	–
Subsidiary to subsidiary, services	46,161	43,129	–	–
Total intra-group sales	235,998	248,745	2,405	2,117

Note 3 Discontinued operations

The Biosystems business area was sold on October 2, 2008.

	Group	
	2013	2012
Exchange differences arising from final settlement of additional purchase consideration for 2011	–	-288
	–	**-288**

With the additional purchase consideration Biotage received for the fiscal year 2011, the agreed maximum of USD 7.0 million for the period 2009-2011 has now been reached. Consequently, there will be no further additional purchase consideration. The additional purchase consideration is reported as other operating income in the Parent Company's financial statements.

Note 4 Administrative expenses

Administrative expenses include the following fees paid to auditors. Audit services include 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	
	2013	2012	2013	2012
Fees to the auditors Deloitte				
Audit services	1,074	1,151	650	697
Other assistance arising from audit	52	13	52	13
Tax advisory services	215	180	–	–
Other services	25	137	–	–
Total	1,366	1,481	702	710
Fees to other auditors				
Audit services	98	–	–	–
Other assistance arising from audit	–	–	–	–
Tax advisory services	285	278	–	–
Other services	–	–	–	–
Total	383	278	–	–

Note 5 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	
	2013	2012	2013	2012
Lease and rental agreements during the year amounted to	11,547	12,419	–	–
Remaining rental and lease payments				
Within one year	7,872	11,035	–	–
Between one and five years	13,686	22,331	–	–
After five years	2,531	–	–	–
Total	24,089	33,366	–	–
The year's rental and lease payments relating to rent for premises	9,867	9,857		
Remaining rental and lease payments relating to rent for premises	18,990	30,404		

Note 6 Depreciation, amortization and impairment of assets

Depreciation/amortization is distributed by class of assets as follows:

	Group		Parent	
	2013	2012	2013	2012
Capitalized research & development expenditure	16,028	14,856	–	–
Patents and licenses	5,258	6,196	559	543
Land and buildings	233	391	–	–
Improvement of third-party property	418	328	–	–
Plant and machinery	5,632	6,564	–	–
Total depreciation/amortization	27,569	28,334	559	543
Impairment arising from disposals	2,747	2,585	627	–
Total amortization and impairment	**30,316**	**30,919**	**1,186**	**543**

Depreciation, amortization and impairment are distributed according to function of expense as follows:

	Group		Parent	
	2013	2012	2013	2012
Cost of sales	3,353	3,143	–	–
Distribution costs	6,577	4,950	–	–
Administrative expenses	2,547	848	–	–
Research & development	17,839	21,979	1,186	543
Total depreciation/amortization	**30,316**	**30,919**	**1,186**	**543**

Note 7 Finance income, finance costs and borrowing

	Group		Parent	
	2013	2012	2013	2012
Finance income:				
Interest income on cash & cash equivalents	1,096	2,447	915	6,067
Interest income from receivables from group companies	–	–	7,424	9,958
Reversal of previously impaired intra-group receivable (a)	–	–	160,349	–
Group contributions received	–	–	35,954	35,649
Total	**1,096**	**2,447**	**204,642**	**51,674**
Finance costs:				
Interest expense and similar payments to banks	437	206	2	2
Interest expense on liabilities to group companies	–	–	2,927	2,199
Exchange losses from financing measures, net	-515	7,650	-939	2,698
Profit/loss from investments in group companies (b)	–	123	6,716	10,568
Total	**-78**	**7,978**	**8,706**	**15,467**
Net finance income/expenses	**1,173**	**-5,531**	**195,936**	**36,206**

(a) The Parent Company has reversed the previous impairment of receivables from subsidiaries, most of which are from Biotage LLC. The reversal was made possible by the intra-group transfer of RapidTrace and TurboVap implemented during the year. The other reversals were based on a reassessment of the subsidiaries' ability to repay.

(b) Profit/loss from investments in group companies comprises:

Dividend from shares in subsidiaries	–	–		-3,349
Impairment of shares in subsidiaries	–	–	6,100	13,290
Profit/loss from closure of group companies	–	123	616	626
Net cost	–	123	6,716	10,568

	Group		Parent	
Borrowing:	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Long-term				
Bank loans	5,293	5,124	–	–
Total long-term borrowing	**5,293**	**5,124**	**–**	**–**
Loan maturities: 1-5 years	2,220	2,170	–	–
6+ years	2,406	2,954	–	–
Short-term				
Operating loans from banks	444	434	–	–
Total short-term borrowing	**444**	**434**	**–**	**–**
Total borrowing	**5,737**	**5,558**	**–**	**–**

	Group	
	12-31-2013	12-31-2012
Distribution of credit by currency:	Local currency	Local currency
GBP thousands	534	530

	12-31-2013	12-31-2012
Converted to:	SEK thousands	SEK thousands
SEK thousands	5,737	5,558
Total	**5,737**	**5,558**

Note 8 Taxes

	Group		Parent	
	2013	2012	2013	2012
Current tax	-2,159	-1,988	0	75
Deferred tax	3,181	2,297	3,181	2,297
Total	**1,023**	**308**	**3,181**	**2,372**
Reconciliation of effective tax				
Profit before tax (including discontinued operations)	40,369	38,316	178,638	12,761
Tax using parent's applicable tax rate	-8,882	-10,077	-39,300	-3,356
Effect of different tax rates for foreign subsidiaries	-6,759	-1,760	–	–
Non-taxable income	2	884	35,277	881
Non-deductible expenses	-1,530	-3,129	-1,488	-3,671
Other taxable income statement items not included in profit for the year	245	–	–	–
Other deductible income statement items not included in profit for the year	-689	–	–	–
Correction, prior years	-37	596	0	75
Effect of increase (-)/decrease (+) in loss carryforwards without effect on deferred tax	15,025	11,663	5,511	6,146
Other items	467	-165	–	–
Capitalization of loss carryforwards	3,181	2,297	3,181	2,297
Total tax reported in the consolidated and parent income statements	**1,023**	**308**	**3,181**	**2,372**
Items in other comprehensive income	-288	6,852	687	-13,509
Tax effects of these items	–	–	–	–

Note 9 Property, plant & equipment

Land and buildings

	Group	
Cost:	12-31-2013	12-31-2012
Opening balance, January 1	17,987	17,401
Acquisitions during the year	–	586
Sales during the year	–	–
Disposals/impairment during the year	–	–
Sub-total	17,987	17,987
Opening change in value due to exchange differences	-3,005	-2,840
Closing change in value due to exchange differences	229	-165
Closing balance, December 31	15,211	14,982
Accumulated depreciation and impairment:		
Opening balance, January 1	-2,892	-2,501
Depreciation for the year	-233	-391
Sales during the year	–	–
Disposals/impairment during the year	–	–
Sub-total	-3,125	-2,892
Opening change in value due to exchange differences	-143	-175
Closing change in value due to exchange differences	-200	32
Closing balance, December 31	-3,468	-3,035
Carrying amount	**11,743**	**11,947**

Cont'd. Note 9 Property, plant & equipment

Improvement of third-party property

	Group	
Cost:	**12-31-2013**	**12-31-2012**
Opening balance, January 1	4,744	4,798
Acquisitions during the year	2,375	–
Sales during the year	–	–
Disposals/impairment during the year	–	-54
Sub-total	7,119	4,744
Opening change in value due to exchange differences	-901	-774
Closing change in value due to exchange differences	-95	-127
Closing balance, December 31	6,122	3,842
Accumulated depreciation and impairment:		
Opening balance, January 1	-2,978	-2,648
Depreciation for the year	-418	-330
Sales during the year	–	–
Disposals/impairment during the year	–	–
Sub-total	-3,396	-2,978
Opening change in value due to exchange differences	540	495
Closing change in value due to exchange differences	80	45
Closing balance, December 31	-2,776	-2,438
Carrying amount	**3,346**	**1,404**

Plant and machinery

	Group	
Cost:	**12-31-2013**	**12-31-2012**
Opening balance, January 1	106,903	99,294
Acquisitions during the year	6,440	9,787
Business combinations	–	–
Sales during the year	–	–
Reclassifications	–	–
Disposals/impairment during the year	-2,356	-2,178
Sub-total	110,987	106,903
Opening change in value due to exchange differences	-10,614	-9,324
Closing change in value due to exchange differences	-546	-1,290
Closing balance, December 31	99,827	96,289
Accumulated depreciation and impairment:		
Opening balance, January 1	-77,000	-71,574
Depreciation for the year	-5,632	-6,518
Business combinations	–	–
Sales during the year	–	–
Disposals/impairment during the year	809	1,091
Sub-total	-81,823	-77,000
Opening change in value due to exchange differences	8,055	7,315
Closing change in value due to exchange differences	460	740
Closing balance, December 31	-73,309	-68,946
Carrying amount	**26,518**	**27,343**

Summary of carrying amount:

	Group	
Cost:	**12-31-2013**	**12-31-2012**
Land and buildings	11,743	11,947
Improvement of third-party property	3,346	1,404
Plant and machinery	26,518	27,343
Total in consolidated balance sheet	**41,608**	**40,695**

Note 10 Goodwill

	Group	
	2013	**2012**
Opening cost	556,273	560,327
Business combinations	–	–
Translation differences	1,969	-4,054
Closing accumulated cost	**558,242**	**556,273**
Opening impairment	-454,219	-454,219
Total impairment	-454,219	-454,219
Impairment for the year (see below)	–	–
Total impairment	-454,219	-454,219
Closing accumulated impairment	**-454,219**	**-454,219**
Carrying amount	**104,023**	**102,054**

Goodwill impairment testing

Preparation of the 2013 annual financial statements included goodwill impairment testing. This involved a calculation of projected cash flows from the Group's operations based on the Company's own assessments and using past experience. The projected cash flows did not reveal an indication of goodwill impairment, as the recoverable amount was found to be higher than the carrying amount in the consolidated statement of financial position. Management monitors goodwill for the Group as a whole. The cash flows are based on the Group's budget for 2014 and business forecasts for 2015-2018. The recoverable amount is based on value in use. Key parameters in the calculation of the recoverable amount are estimated sales growth, gross profit, gross margin, operating expenses, investments, amortization, working capital and discount rate.

Future cash flows were discounted to the present value in the goodwill impairment testing. The following post-tax rates were used in the calculations:

	2013	**2012**
Equity financing	11.10%	11.27%
Debt financing	2.98%	3.65%
Average based on Group's capital structure	10.29%	10.51%
The pre-tax discount rate has been calculated as:	13.30%	13.67%

An assumption of annual sales growth of 8.0 (8.0) percent has been used in the impairment testing until the end of the forecast period in 2018. A growth rate of 2 percent has been assumed for the period thereafter. Management does not believe that any reasonable changes to these interest rates or forecasts and budgets would affect the calculation results in such a way as to indicate impairment.

Note 11 Other intangible assets

Capitalized development expenditure

	Group		Parent	
Cost:	**12-31-2013**	**12-31-2012**	**12-31-2013**	**12-31-2012**
Opening balance, January 1	121,868	103,799	–	–
Acquisitions during the year	29,493	27,888	–	–
Business combinations	–	–	–	–
Disposals during the year	-277	-9,819	–	–
Sub-total	151,084	121,868	–	–
Opening change in value due to exchange differences	-592	-571	–	–
Closing change in value due to exchange differences	–	-21	–	–
Closing balance, December 31	150,492	121,276	–	–
Accumulated amortization and impairment:				
Opening balance, January 1	-46,582	-40,058	–	–
Amortization for the year	-16,029	-13,112	–	–
Sales during the year	–	–	–	–
Disposals during the year	–	6,587	–	–
Sub-total	-62,611	-46,582	–	–
Opening change in value due to exchange differences	532	511	–	–
Closing change in value due to exchange differences	–	21	–	–
Closing balance, December 31	-62,079	-46,050	–	–
Carrying amount	**88,414**	**75,226**	**–**	**–**

Cont'd. Note 11 Other intangible assets

Patents, licenses, trademarks, etc.

	Group		Parent	
Cost:	**12-31-2013**	**12-31-2012**	**12-31-2013**	**12-31-2012**
Opening balance, January 1	97,749	96,062	15,402	14,062
Acquisitions during the year	3,020	1,698	1,455	1,351
Reclassifications	–	–	–	–
Disposals during the year	-2,559	-11	-627	-11
Sub-total	98,210	97,749	16,229	15,402
Opening change in value due to exchange differences	-7,517	-5,166	–	–
Closing change in value due to exchange differences	-51	-2,352	–	–
Closing balance, December 31	90,641	90,231	16,229	15,402
Accumulated amortization and impairment:				
Opening balance, January 1	-50,041	-43,867	-7,684	-7,153
Amortization for the year	-5,258	-6,185	-559	-531
Reclassifications	–	–	–	–
Disposals during the year	1,353	11	–	–
Sub-total	-53,946	-50,041	-8,244	-7,684
Opening change in value due to exchange differences	844	389	–	–
Closing change in value due to exchange differences	10	454	–	–
Closing balance, December 31	-53,093	-49,198	-8,244	-7,684
Carrying amount	**37,550**	**41,034**	**7,986**	**7,717**

Total property, plant & equipment and intangible assets reported:	Group		Parent	
	12-31-2013	**12-31-2012**	**12-31-2013**	**12-31-2012**
Land and buildings	11,743	11,948	–	–
Improvement of third-party property	3,346	1,403	–	–
Plant and machinery	26,518	27,344	–	–
Sub-total property, plant & equipment	41,608	40,695	–	–
Goodwill	104,023	102,054	–	–
Capitalized development expenditure	88,414	75,226	–	–
Patents, licenses, trademarks, etc.	37,550	41,034	7,986	7,717
Sub-total intangible assets	125,964	116,260	7,986	7,717
Total carrying amount of property, plant & equipment and intangible assets	**271,594**	**259,009**	**7,986**	**7 717**

	Group		Parent	
Distribution by country:	**12-31-2013**	**12-31-2012**	**12-31-2013**	**12-31-2012**
Sweden	242,816	140,001	7,986	7,717
USA	3,617	94,541	–	–
UK	24,311	23,187	–	–
Other countries	850	1,279	–	–
Total	**271,594**	**259,009**	**7,986**	**7,717**

Note 12 Financial assets

	Group		Parent	
	12-31-2013	**12-31-2012**	**12-31-2013**	**12-31-2012**
Miscellaneous non-current receivables	694	751	–	–
Miscellaneous long-term deposits	530	454	–	–
Total financial assets	**1,224**	**1,205**	**–**	**–**

Note 13 Inventories

	Group	
	12-31-2013	12-31-2012
Raw materials and consumables	19,303	15,889
Products in progress	11,032	10,288
Finished products	55,552	57,943
Total inventories	**85,887**	**84,119**

Note 14 Trade and other receivables

	Group		Parent	
	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Trade receivables (a)	80,737	74,031	–	–
Prepayments and accrued income (b)	8,276	8,925	1,297	1,399
Other current receivables (c)	8,847	14,136	474	4,891
Total trade and other receivables	**97,860**	**97,092**	**1,771**	**6,289**

Management believes that the carrying amount of trade receivables, net of the provision for doubtful debts, is in line with their fair value.

	Group		Parent	
(a) Change in provision for doubtful debts	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Provision for doubtful debts at beginning of year	-541	-872	–	–
Trade receivables written off during the year	35	217	–	–
Provision for doubtful debts during the year	-295	-141	–	–
Reversal of unused amounts	262	255	–	–
Total provision for doubtful debts	**-539**	**-541**	**–**	**–**

	12-31-2013			12-31-2012		
Group						
Age structure of trade receivables	**Gross**	**Provision for doubtful debts**	**Trade receivables**	**Gross**	**Provision for doubtful debts**	**Trade receivables**
Not due	67,138	-277	66,861	55,678	-71	55,607
Past due, 1-30 days	7,645	–	7,645	13,142	-268	12,873
Past due, 31-60 days	2,747	–	2,747	2,908	-55	2,853
Past due, > 61 days	3,746	-262	3,484	2,845	-147	2,697
Total	**81,276**	**-539**	**80,737**	**74,572**	**-541**	**74,031**

The Company expects that payment will be obtained for receivables that are past due but not written off, as the customers' payment history is good.

	Group		Parent	
(b) Prepayments and accrued income	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Accrued income	924	491	274	175
Prepaid rents	1,662	1,804	–	–
Prepaid insurance	1,771	1,851	545	942
Other items	3,919	4,779	478	282
Total	**8,276**	**8,925**	**1,297**	**1,399**
(c) Other current receivables				
VAT	1,636	4,159	279	1,482
Income tax	3,225	6,622	–	3,140
Other current receivables	3,986	3,356	64	269
Total	**8,847**	**14,136**	**343**	**4,891**

Note 15 Financial assets and liabilities

Classification

Classification of the Group's financial instruments, which is described on pages 38-39, is as follows:

		Carrying amount	
Assets	**Classification**	**12-31-2013**	**12-31-2012**
Non-current receivables	3)	694	751
Other non-current securities	3)	530	454
Trade receivables	3)	80,737	74,031
Other current receivables	3)	8,671	14,136
Currency hedging	6)	176	0
Accruals and deferred income	3)	8,276	8,925
Cash & cash equivalents	3)	90,769	170,916
Total		**189,853**	**269,213**

		Carrying amount	
Liabilities	**Classification**	**12-31-2013**	**12-31-2012**
Non-current liabilities to credit institutions	5)	5,293	5,124
Current liabilities to credit institutions	5)	444	434
Additional purchase consideration		22,411	24,024
Trade payables	5)	31,609	37,912
Currency hedging		0	229
Other current liabilities	5)	10,108	8,733
Accruals and deferred income	5)	41,357	42,749
Total		**111,222**	**119,204**

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
5) Other liabilities
6) Derivatives

Note 16 Fair value

The tables below provide information on how fair value is determined for financial instruments measured at fair value in the statement of financial position. Fair value is determined on the basis of inputs in one of the following three levels:
Level 1: inputs that are quoted prices in active markets for identical instruments
Level 2: inputs other than quoted market prices in Level 1 that are directly or indirectly observable market data
Level 3: inputs that are not observable in the market

Group

Financial assets at fair value	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Derivatives used for hedging	–	–	–	–
Closing balance 12-31-2012	**–**	**–**	**–**	**–**
Derivatives used for hedging	176	–	176	–
Closing balance 12-31-2013	**176**	**–**	**176**	**–**

Financial liabilities at fair value	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Derivatives used for hedging	229	–	229	–
Additional purchase consideration	24,024	–	–	24,024
Closing balance 12-31-2012	**24,253**	**–**	**229**	**24,024**
Additional purchase consideration	22,411	–	–	22,411
Closing balance 12-31-2013	**22,411**	**–**	**–**	**22,411**

Cont'd. Note 16 Fair value

Parent Financial assets at fair value	Total	(Level 1)	(Level 2)	(Level 3)
Derivatives used for hedging	–	–	–	–
Closing balance 12-31-2012	**–**	**–**	**–**	**–**
Derivatives used for hedging	176	–	176	–
Closing balance 12-31-2013	**176**	**–**	**176**	**–**

Financial liabilities at fair value	Totalt	(Level 1)	(Level 2)	(Level 3)
Derivatives used for hedging	229	–	229	–
Additional purchase consideration payable	24,024	–	–	24,024
Closing balance 12-31-2012	**24,253**	**–**	**229**	**24,024**
Additional purchase consideration payable	22,411	–	–	22,411
Closing balance 12-31-2013	**22,411**	**–**	**–**	**22,411**

There were no transfers between the levels during the periods.

The tables below present a reconciliation of opening and closing balances for instruments measured at fair value in the statement of financial position and which are included in level 3.

Group Changes in financial instruments in Level 3	Additional purchase consideration payable 2013	 2012
At beginning of year	24,024	26,391
Total recognized gains and losses		
reported in profit/loss for the year	–	–
reported in OCI	–	–
Reduction in provision for additional purchase consideration	-1,613	-2,367
Closing balance 12-31-2013	**22,411**	**24,024**

Parent Changes in financial instruments in Level 3	Additional purchase consideration payable 2013	 2012
At beginning of year	24,024	26,391
Total recognized gains and losses		
reported in profit/loss for the year	–	–
reported in OCI	–	–
Reduction in provision for additional purchase consideration	-1,613	-2,367
Closing balance 12-31-2013	**22,411**	**24,024**

Measurement of derivatives (level 2)
The fair value of derivatives used for hedging is determined by discounting future cash flows using a discount rate that reflects the counterparty's credit risk. Future cash flows are estimated based on the Swedish Central Bank's quoted exchange rates.

Measurement of additional purchase consideration payable (level 3)
Financial assets measured at fair value consist entirely of an additional purchase consideration relating to the subsidiary MIP Technologies AB. The fair value is determined based on management's forecast for the parts of the business which the additional purchase price concerns.

Financial assets and liabilities measured at amortized cost
Estimated fair values based on discounted future cash flows, with a discount rate that reflects the counterparty's credit risk being the most significant input, are not expected to differ significantly from the carrying amount of financial assets and liabilities measured at amortized cost. Consequently, the carrying amounts of these financial assets and liabilities are considered to represent a good approximation of the fair values. These assets and liabilities are classified in Level 2 of the fair value hierarchy.

Note 17 Other financial liabilities

Liability for additional purchase consideration in business combinations

Changes during the year	Group	Parent
Opening balance 01-01-2013	24,024	24,024
New provisions during the year	–	–
Amounts used during the year	-1,613	-1,613
Closing balance 12-31-2013	**22,411**	**22,411**

	Group		Parent	
The liability consists of:	**12-31-2013**	**12-31-2012**	**12-31-2013**	**12-31-2012**
Non-current portion	19,194	22,642	19,194	22,642
Current portion	3,217	1,382	3,217	1,382
Total	**22,411**	**24,024**	**22,411**	**24,024**

Financial liability for additional purchase consideration in business combinations

Under the agreement for the acquisition of MIP Technologies AB, an additional purchase consideration, based on the distribution of gross profits in certain areas, may be applied in the period up to the end of 2015. The agreement with the sellers does not refer to a maximum amount, as there is considerable uncertainty about future results. However, the Company has estimated this at SEK 22.4 million. The additional purchase consideration is calculated and settled annually. The additional purchase consideration of SEK 1,613 thousand for the fiscal year 2012 was settled in 2013.

Note 18 Provisions

	Group	
	12-31-2013	**12-31-2012**
Provision for warranties	955	981
Provision for social security contributions on share option plans	259	423
Other provisions	1,202	886
Total provisions	**2,416**	**2,289**
The provisions consist of:		
Non-current portion	1,202	1,537
Current portion	1,214	752
Total	**2,416**	**2,289**

Changes during the year, Group	Warranty commitments	Social sec. contrib. on share option plans	Other provisions	Total
Opening balance 01-01-2013	981	423	886	2,290
New provisions during the year	955	–	316	1,271
Amounts used during the year	-981	-164	–	-1,145
Closing balance 12-31-2013	**955**	**259**	**1,202**	**2,416**

Provision for warranties:

Biotage normally provides a one-year warranty on its products. The recognized provision for warranties corresponds to a percentage of the year's sales. The percentage is calculated on the basis of actual warranty costs during the fiscal year. The provision for warranties is classified as a short-term obligation as it is considered likely that the warranty obligations will be settled within 12 months of the reporting date.

Provision for social security contributions on share option plans:

Biotage's share option plans are accounted for in accordance with IFRS 2. *UFR 7 IFRS 2 and Social Security Contributions for Listed Enterprises* requires recognition of the expected employer contributions at the value of the share options granted to the Group's 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.

Note 19 Deferred tax

	Group		Parent	
	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Deferred tax assets				
Tax loss carryforwards	44,914	41,733	44,914	41,733
Total deferred tax assets	**44,914**	**41,733**	**44,914**	**41,733**
Deferred tax liabilities				
Accelerated depreciation allowances	1,835	1,752	–	–
Total deferred tax liabilities	**1,835**	**1,752**	**–**	**–**
Total deferred tax assets and liabilities	**43,079**	**39,981**	**44,914**	**41,733**

Group	Deferred tax asset	Deferred tax liability
Change in deferred tax	Tax loss carryforwards	Accelerated depreciation
At January 1, 2012	39,436	1,949
Recognized in income statement	2,297	-197
At December 31, 2012	41,733	1,752
At January 1, 2013	41,733	1,752
Recognized in income statement	3,181	83
At December 31, 2013	**44,914**	**1,835**

Parent	Deferred tax asset	Deferred tax liability
Change in deferred tax	Tax loss carryforwards	Accelerated depreciation
At January 1, 2012	39,436	–
Recognized in income statement	2,297	–
At December 31, 2012	41,733	–
At January 1, 2013	41,733	–
Recognized in income statement	3,181	–
At December 31, 2013	**44,914**	**–**

Capitalization of loss carryforwards

The Group starts the 2014 tax year with tax losses of SEK 422 million in the Swedish legal entities. Approx. SEK 20 million of this amount will be used in the 2014 tax year. Tax losses in US subsidiaries amount to approx. SEK 230 million and are restricted until the end of the 2031 fiscal year. Tax losses in German subsidiaries amount to approx. SEK 13 million and in Japan to approx. SEK 1 million. 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 44.9 million at December 31, 2013.

Note 20 Trade and other payables

	Group		Parent	
	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Liabilities to suppliers	31,609	37,912	824	2,157
Other current liabilities	8,801	7,608	106	1,273
Accruals and deferred income (a)	41,357	42,749	3,205	4,065
Total trade and other payables	**81,767**	**88,268**	**4,135**	**7,495**
(a) Accruals and deferred income				
Personnel-related expenses	17,475	16,918	2,453	3,203
Deferred income	18,225	17,962	–	–
Other accruals	5,658	7,869	753	862
Total	**41,357**	**42,749**	**3,205**	**4,065**

Note 21 Shares and interests

	12-31-2013	12-31-2012
Parent		
Opening cost	929,136	919,136
Investments for the year	6,000	10,000
Sales during the year	–	–
Closing accumulated cost	**935,136**	**929,136**
Opening impairment	-447,408	-424,955
Impairment for the year	-6,100	-22,453
Closing accumulated impairment	**-453,508**	**-447,408**
Closing accumulated carrying amount	**481,628**	**481,728**

Companies owned directly by the Parent

Company name	Reg. no.	Reg'd office	Number of shares	Share of capital	Share of votes	Carrying amount Opening balance 2013	Invest-ments during year	Impair-ment during year	Carrying amount Closing balance 2013
Biotage Sweden AB	556487-4922	Uppsala, Sweden	19,336,284	100%	100%	276,224	–	–	276,224
CEMU Bioteknik AB	556011-2384	Uppsala, Sweden	100	100%	100%	120	–	–	120
Pyrosequencing AB	556554-3476	Stockholm, Sweden	100	100%	100%	200	–	-100	100
MIP Technologies AB	556578-4674	Lund, Sweden	96,940	100%	100%	49,683	6,000	-6,000	49,683
Pyrosequencing Inc	04-3484142	Boston, USA	100	100%	100%	77,695	–	–	77,695
Biotage GmbH	HRB 39374	Düsseldorf, Germany	1	100%	100%	0	–	–	0
Biotage SARL	2001B00976	Paris, France	500	100%	100%	68	–	–	68
Biotage Ltd	3938925	London, England	2	100%	100%	0	–	–	0
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	90%	90%	0	–	–	0
Biotage Ltd	0126-01-004032	Tokyo, Japan	200	100%	100%	0	–	–	0
Biotage GB	Ltd 1033865	Cardiff, Wales	100	100%	100%	76,744	–	–	76,744
Biotage China		Shanghai, China	1	100%	100%	994	–	–	994
Total carrying amount						**481,729**	**6,000**	**-6,100**	**481,628**

Companies owned by other subsidiaries

Company name	Reg. no.	Reg'd office	Number of shares	Share of capital	Share of votes	Carrying amount Opening balance 2013		Carrying amount Closing balance 2013
Biotage LLC	04-3535072	Charlotte, USA		100%	100%	161,624		161,803
Esytech AB	556588-8350	Uppsala, Sweden	100,000	100%	100%	260		260
Biotage Italy S.r.l	IT03617450964	Milan, Italy	1	10%	10%	9		9
Summa						**161,893**		**162,072**

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

Note 22 Pledged assets and contingent liabilities

	Group		Parent	
	12-31-2013	12-31-2012	12-31-2013	12-31-2012
Pledged assets				
Chattel mortgages	51,500	51,500	22,500	22,500
Real estate mortgages	11,743	11,362	–	–
Total	**63,243**	**62,862**	**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	Charlotte, USA
Biotage GB	Ltd 1033865	Cardiff, Wales
Biotage Sweden AB	556487-4922	Uppsala, Sweden

Note 23 Related party disclosures

Subsidiaries

Biotage 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 the previous page.

Summary of transactions with subsidiaries:

Amounts in SEK thousands		Receivables from subsidiaries		Liabilities to subsidiaries		Services sale (+) purchase (-)		Interest received (+) paid (-)	
Subsidiary	**Country**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Biotage Sweden AB	SE	40,616	2,052	–	82,338	1,002	1,203	–	–
Biotage Sweden AB	SE	–	–	–	–	-4,482	-7,502	–	–
CEMU Bioteknik AB	SE	–	–	116	116	–	–	–	–
Pyrosequencing AB	SE	–	–	100	100	–	–	–	–
MIP Technologies AB	SE	5,128	6,503		–	–	–	–	–
Pyrosequencing Inc.	US	12,118	148,921	–	–	576	655	4,186	8,244
Biotage SARL	FR	–	–	–	–	–	–	–	–
Biotage GmbH	DE	29,533	28,455	–	–	–	–	–	143
Biotage (UK) Ltd.	GB	71,652	66,684	–	–	–	–	3,257	1,570
Biotage Ltd.	JP	12,939	15,736	–	–	188	159	–	–
Biotage GB Ltd.	GB	116	–	63,231	59,120	452	91	-2,931	-2,199
Biotage China	CH	297	340	–	–	–	–	–	–
Impairment reserve		-89,712	-249,144	–	–	–	–	–	–
		82,686	19,547	63,447	141,674	-2,264	-5,395	4,512	7,758

Key management personnel in the company or its parent

Payments to the Board and senior executives are described on pages 44-48. No other transactions have been conducted with Board members, senior executives or individuals or legal entities that are related parties to them.

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 on April 28, 2014.

Uppsala, March 26, 2014

Ove Mattsson
Chairman of the Board

Thomas Eklund
Board Member

Peter Ehrenheim
Board Member

Anders Walldov
Board Member

Nils-Olof Björk
Board Member

Karolina Lawitz
Board Member

Nils Granlund
Employee Representative

Love Amcoff
Employee Representative

Torben Jørgensen
President & CEO

Our Audit Report was submitted on March 26, 2014.

Deloitte AB

Marcus Sörlander
Authorized Public Accountant

Audit Report

To the Annual General Meeting of the shareholders of Biotage AB (publ)
Reg. no. 556539-3138

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Biotage AB (publ) for the fiscal year January 1, 2013 to December 31, 2013. The Parent Company's annual financial statements and the consolidated financial statements are included in the printed version of this document on pages 24-62.

Responsibility of the Board of Directors and Managing Director for the annual accounts and consolidated accounts
The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at 31 December 2013 and its financial performance and cash flows for the year then ended. In our opinion, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2013 and its financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and Managing Director of Biotage AB (publ) for the fiscal year January 1, 2013 to December 31, 2013.

Responsibility of the Board of Directors and Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration as defined in the Companies Act.

Auditor's responsibility
Our responsibility is express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the Company. We have also conducted examinations to establish whether any member of the Board or the CEO has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Company's Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the fiscal year.

Stockholm, March 26, 2014

Deloitte AB

Marcus Sörlander
Authorized Public Accountant

Board

Ove Mattsson
Chairman of the Board
Education: PhD, associate professor in organic chemistry.
b. 1940
Occupation: Management Consultant.
Other assignments: Chairman of the Board of Fabryo Corporation SRL, Nico AB, Nico Real Estate AB and Nico Export AB. Director of Ecolean AB. Member of the Royal Swedish Academy of Engineering Sciences.
Board service: 11 years
Shares: 8,532,656 via foreign endowment insurance.
Ove Mattsson attended all board meetings during the year.

Thomas Eklund
Board member
Education: MBA Stockholm School of Economics.
b. 1967
Occupation: Managing Director, Investor Growth Capital.
Other assignments: Director of Neoventa Medical AB, Memira AB, Rodebjer Form AB, Global Health Partners AB and Aerocrine AB.
Board service: 8 years
Shares: 467,004, including shares owned via endowment and pension insurance.
Thomas Eklund attended all board meetings during the year.

Peter Ehrenheim
Board member
Education: M.Sc. Mechanical Engineering, KTH Stockholm.
b. 1955
Occupation: CEO and Chairman of Robustus Wear Components AB.
Other assignments: Chairman of Biolin Scientific Holding AB and Denator AB. Director of Meda AB.
Board service: 1 year
Shares: –
Peter Ehrenheim has attended 6 out of 7 board meetings since his election at the 2013 AGM.

Karolina Lawitz
Board member
Education: MSc, University of Uppsala
b. 1956
Occupation: Consultant.
Board service: 2 years
Shares: 3,000
Karolina Lawitz attended all board meetings during the year.

Anders Walldov
Board member
Education: B.Sc. (Econ) HHS in Lund, AMP Harvard Business School.
b. 1949
Occupation: Investor.
Other assignments: Chairman of the Board of SevenDay Finans AB and Wellnet AB. Director of Brohuvudet AB.
Board service: 4 years
Shares: 9,000,000, directly and through wholly-owned company.
Anders Walldov attended all board meetings during the year.

Nils-Olof Björk
Board member
Education: Engineer, Ph.D. Inorganic chemistry
b. 1947
Occupation: Management Consultant.
Other assignments: Chairman of the Board of Österlens Kraft AB and Österlens Kraft e.f., Airec AB and Björk Consulting AB. Director of Climate Well AB (publ.).
Board service: 3 years
Shares: 26,500
Nils-Olof Björk attended 8 out of 9 board meetings during the year.

Nils Granlund
Employee Representative
Education: MS Economics, Stockholm University.
b. 1971
Occupation: Dynamics Ax Administrator.
Board service: 2 years
Shares: 1,000
Nils Granlund attended 7 out of 9 board meetings during the year.

Love Amcoff
Employee Representative (deputy)
Education: M.Sc. (Engineering) KTH Royal Institute of Technology.
b. 1974
Occupation: Systems Engineer.
Board service: 2 years
Shares: 2,000
Love Amcoff attended all board meetings during the year.

Marcus Sörlander
Auditor
b. 1973
Authorized Public Accountant, Deloitte AB.

The shareholdings for the Board of Directors refer to the number of shares held on January 31, 2014.

Senior Executives

Torben Jörgensen (4)
Position: President & CEO.
b. 1952
Education: B.Sc. (Econ.)
Employment in the Group: 8 years
Shares: 618,700
Options: 55,000
Other assignments: Director of Atlas Antibodies AB.

Erika Söderberg Johnson (6)
Position: CFO.
b. 1970
Education: MBA Stockholm School of Economics.
Employment in the Group: 2 years
Shares: 7,700
Options: –
Other assignments: Director of Sectra AB.

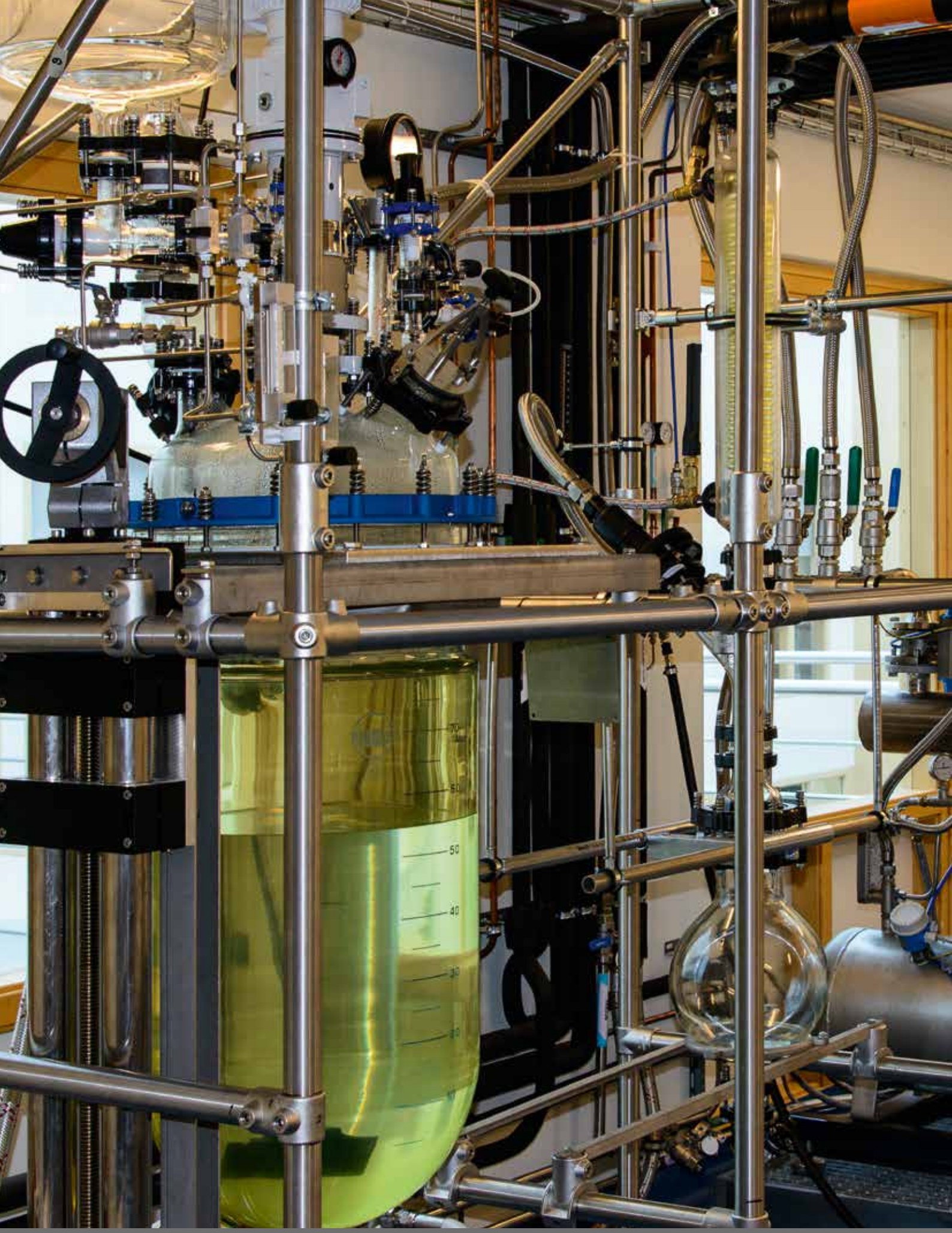
Lars Bäckman (2)
Position: VP Corporate Development.
b. 1961
Education: LLB
Employment in the Group: 7 years
Shares: 20,000
Options: 30,000
Other assignments: –

Anders Wikström (1)
Position: VP Operations.
b. 1973
Education: BSc CS
Employment in the Group: 12 years
Shares: 9,150
Options: –
Other assignments: –

Anthony Rees (3)
Position: CSO.
b. 1944
Education: MSc, MA, DPhil
Employment in the Group: 10 years
Shares: 24,762
Options: –
Other assignments: –

Toshi Yachi (5)
Position: VP Marketing.
b. 1968
Education: B. Eng., Applied Physics
Employment in the Group: 8 years
Shares: 2,553
Options: –
Other assignments: –

The shareholdings for Group Management refer to the number of shares held on January 31, 2014.



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