

Corporate governance

Introduction

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

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

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

Shareholders

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

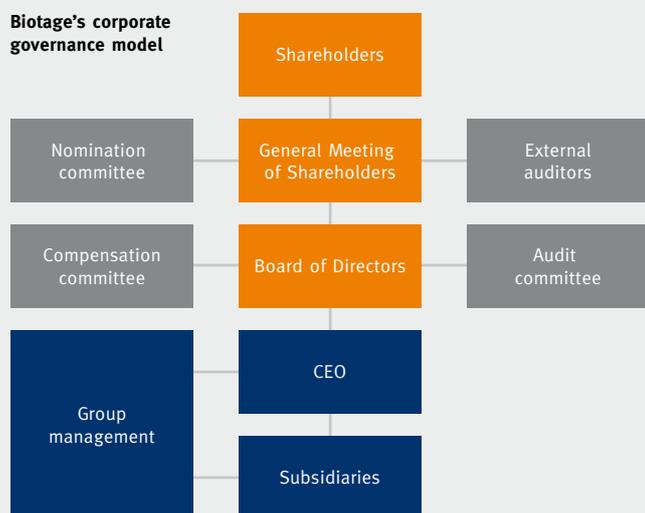
The share capital in Biotage consists of one class of shares, where each share carries one vote and the same right into the Company's assets and profits.

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

Shareholders' meeting

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

Biotage's corporate governance model



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

Important internal regulations and policies

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

Important external rules, etc.

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

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

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

Annual general meeting 2008

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

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

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

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

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

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

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

Extra ordinary general meeting 2008

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

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

Nomination committee

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

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

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

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

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

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

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

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

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

External auditors

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

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

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

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

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

Board of Directors

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

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

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

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

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

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

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

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

The board's independence and attendance

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

The board's activities 2008

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

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

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

Compensation Committee

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

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

The Audit Committee

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

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

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

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

Executive management

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

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

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

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

The board's account of the internal control system

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

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

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

The control environment provides the basis for the internal control

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

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

Information and communication

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

Risk assessment

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

Control activities

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

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

Follow-up

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

Information and communication

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

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