

# Corporate Governance

## Introduction

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

## Shareholders

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

At December 31, 2010, the number of shareholders was 6,255. At the end of the year, Biotage AB was the single largest shareholder with the 8,848,632 shares (representing 10%) which were repurchased under the buy-back program adopted by the annual general meeting. Investor Growth Capital and Anders Walldov (with companies) are the next two largest shareholders after Biotage AB. 3.3 percent of the shareholders hold 1,000 shares or fewer, and the ten largest owners hold 52.8 percent of the total number of shares. The proportion of foreign investors is 14 percent. Further information about the shareholder structure can be found on page 23 of the annual report.

## General meeting of shareholders

Shareholders' influence in the Company is exercised at the shareholders' meeting, which is the Company's highest decision-making body. Shareholders wishing to participate in the shareholders' meeting, either in person or represented by proxy, must be listed in the register of shareholders no later than five working days before the meeting, and must notify the Company of their intention to attend, as specified in the notice of the meeting.

Notice of the annual general meeting of shareholders is given by announcement in Post och Inrikes Tidningar (The Swedish Gazette) and by making the information available on the Company's website ([www.biotage.com](http://www.biotage.com)). When notice of the meeting has been given, information to this effect shall be announced in Svenska Dagbladet.

The annual general meeting is held within six months of the end of the fiscal year. At this meeting, the shareholders make decisions on the election of the Board and auditor (when relevant), the composition of the nomination committee and the discharge from liability of the Board members and

CEO for the previous year. They also make decisions on the adoption of the financial statements, distribution of earnings, Board and auditor fees and principles for remuneration of the CEO and other senior executives.

## 2010 Annual General Meeting

The Board presented a report on its work during the year. The CEO informed the annual general meeting about the Group's financial performance and position, and commented on the results for 2009. The annual general meeting adopted the 2009 annual financial statements of the Parent Company and Group, decided on the distribution of the Company's earnings and discharged the Board and CEO from liability. A dividend of SEK 0.20 per share was adopted.

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

The meeting also adopted the nomination committee's proposal for the number of Board members to be six. The following Board members were re-elected Ove Mattsson (Chairman), Staffan Lindstrand, Thomas Eklund, Per-Olof Eriksson. Eva-Lotta Kraft and Anders Walldov were newly elected. Former Board members Mathias Uhlén and Bengt Samuelsson had declared themselves unavailable for re-election and the meeting thanked them for their services.

The meeting voted to grant the Board a mandate to issue shares and/or convertibles on one or more occasions before the 2011 annual general meeting, with or without preferential rights for shareholders. A decision by the Board to issue shares and/or convertibles may result in a total increase in the number of shares in the Company of up to 8,800,000 shares.

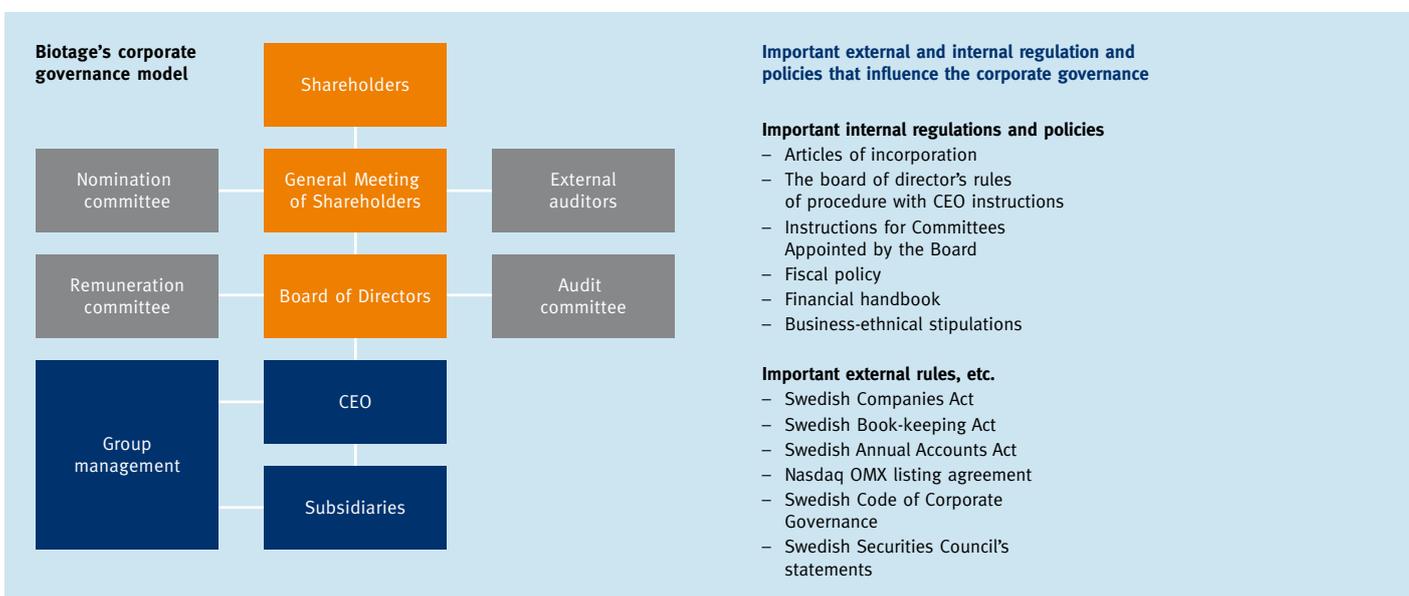
The meeting unanimously adopted the Board's proposal for a mandate for the Board to decide on the purchase or transfer of up to 8,848,632 of the Company's own shares on NASDAQ OMX Stockholm.

Board members Ove Mattsson, Staffan Lindstrand and Thomas Eklund and Chief Auditor Marcus Sörländer were present at the annual general meeting. Anders Walldov was also present as a proposed new Board member.

The minutes of the annual general meeting are available on Biotage's website ([www.biotage.com](http://www.biotage.com)).

## Nomination Committee

The nomination committee represents the interests of shareholders. The 2010 annual general meeting adopted a resolution that the Chairman of the Board be elected to serve on the nomination committee and that he and



the Company's largest shareholders (in terms of votes) at 01 September 2010 appoint three other members. It was decided that the names of these persons should be published no later than six months before the 2011 annual general meeting, which has been the case. It was also decided that the nomination committee would elect a chairman from one of its members, who should not be the Chairman of the Board.

The nomination committee consists of Staffan Josephson, Chairman (Investor Growth Capital), Anders Walldov (Brohuvudet AB and private holding), Tommy Jacobsson (Varenne AB) and Ove Mattsson (Chairman of the Board).

If a shareholder who is represented by one of the nomination committee's members is no longer one of the largest shareholders (in terms of votes) in the Company, or if a member of the nomination committee is no longer employed by such a shareholder or leaves the nomination committee before the 2011 annual general meeting for some other reason, the nomination committee's other members shall be entitled to appoint another member to replace that member.

During the year, the nomination committee has prepared proposals for consideration by the 2011 annual general meeting regarding the election of the Chairman of the Board, other Board members and a chairman of the annual general meeting and remuneration and related matters.

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

#### *The nomination committee's work since the 2010 annual meeting*

The nomination committee has had regular meetings and status reviews by telephone since its establishment in fall 2010. These meetings and status reviews have been mainly devoted to evaluation of the work of the present Board and discussions on the number of Board members, the need for new recruitment, potential new Board members and Board fees. The Chairman of the Board has provided the nomination committee with an account of the process used in the annual evaluation of the Board, its members and the CEO, and the results of the evaluation. In the lead-up to the 2011 annual general meeting, the nomination committee has formulated a proposed procedure for establishing the next nomination committee. The nomination committee is also responsible for submitting proposals for remuneration of the Board. To obtain an idea of reasonable remuneration levels, the committee has analyzed and compared fees paid in similar companies. The audit committee has assisted the nomination committee in the preparation of proposals for remuneration of the Board. Having studied the results of the Board's evaluation report, the nomination committee is of the opinion that the Board's work has been effective. The evaluation of the present Board includes the above-mentioned report on the Board's annual evaluation of its own work submitted to the nomination committee by the Chairman Ove Mattsson.

The nomination committee has proposed the re-election of the following members: Ove Mattsson, Thomas Eklund, Anders Walldov, Eva-Lotta Kraft and Per-Olof Eriksson. The committee has also proposed that Ove Mattsson be re-elected Chairman of the Board. As Staffan Lindstrand has declared himself unavailable for re-election, the nomination committee has decided to seek a new Board member. The committee therefore proposes that Dr. Nils Olof Björk be elected to the Board. Dr. Björk has had a long career with Alfa Laval, serving as CEO of Alfa Laval Japan between 1995 and 2002. Dr. Björk was a member of Alfa Laval's Group management between 2002 and 2009, with primary responsibility for acquisitions and new technology, with a focus on energy, food, pharma and environment. Since 2009, Dr. Björk has been Senior Advisor and Board member of Tranter Inc., Chairman of Österlens Kraft and Österlens Kraft e.f., and since 2011 also President of Sällskapet Lundaakademiker.

The nomination committee considers that, in view of the Company's business, stage of development and other circumstances, the Board is composed in such a way as to enable it meet the requirements of the Company's operations. The nomination committee has paid particular attention to the Company's strategic development, management and controls, and the demands these factors place on the Board's expertise and composition.

The nomination committee's other proposals are submitted with the notice of the annual general meeting.

#### **External auditors**

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

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

A review of the internal procedures and control systems is also conducted in the third quarter. The year-end accounts and annual report are reviewed and audited between January and March. The interim reports between January and September are reviewed by the auditors.

Information on auditors' fees can be found in note 6 of the annual report.

#### **Board**

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

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

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

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

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

The Board for 2010 consisted of the following persons:

- Ove Mattsson (Chairman)
- Staffan Lindstrand (retired from the Board on October 27, 2010)
- Thomas Eklund
- Per-Olof Eriksson
- Anders Walldov
- Eva-Lotta Kraft



In addition to the meeting-elected Board members above, the Board had another member, Andreas Lundin, who joined the Board as employee representative in August 2009 and resigned his position on December 1, 2010. Andreas Lundin was succeeded by the employee representative Niklas Jungnelius on the specified date. Employee representatives are appointed outside the annual general meeting by the trade unions that are represented in the Company.

#### *The Board's independence and attendance*

All Board members are considered independent of the Company and its management. All members, with the exception of Staffan Lindstrand and Per-Olof Eriksson, are considered independent of the Company's major shareholders, as defined in the Swedish Code. Information about Board members' attendance can be found on page 5.

#### *The Board's work in 2010*

The Board held 11 meetings at which minutes were taken. A quorum was established at all 11 meetings. The Secretary of the Board is Biotage's Vice President of Corporate Development, Lars Bäckman, who is not a member of the Board.

During the year, the Board of Biotage continued its focus on the Company's strategy and organization. The Board also dealt with other important matters during the year.

Two acquisitions were made during the year. Two product lines were acquired from the American company Caliper Life Sciences, Inc. for a purchase consideration of USD 16.5m. In addition, all outstanding shares in the Swedish company MIP Technologies AB were acquired based on an enterprise value of SEK 16m. The integration of the acquisitions is essentially completed. Further acquisition opportunities were also evaluated during the year.

The Board decided to exercise the mandate granted by the 2010 AGM to purchase and transfer the Company's own shares before the 2011 meeting. The share buy-back process was conducted on Nasdaq OMX Stockholm. No shares were resold, and at December 31, 2010, the Company owned 8,848,632 of its own shares, which had been acquired for SEK 64.3m. The average buy-back price was SEK 7.27.

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

The court has acceded to this request. The PTO has formally accepted the requested re-examination of the validity of the three patents in question.

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

#### **Remuneration Committee**

The remuneration committee submits proposals to the Board about the CEO's salary and employment terms. It also defines salaries and terms

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

At the annual general meeting of shareholders, the Board presents for approval proposals on the remuneration of the CEO and other senior executives. The 2010 meeting adopted the following proposals by the Board: i. the Company shall endeavor to offer key management personnel market salaries.

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

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

#### **Audit Committee**

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

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

During the year, the audit committee consisted of Thomas Eklund (chairman), Staffan Lindstrand and Ove Mattsson.

In 2010, the audit committee held five meetings at which minutes were taken.

#### **Group management**

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

Group management holds monthly meetings to discuss the financial performance and position of the Group and subsidiaries. The meetings also deal with strategic plans and the monitoring of budgets and forecasts. Additional meetings are held every two weeks to consider overall operational management. The Parent Company's CEO chairs the boards of the Company's directly owned subsidiaries. Other members of Group's



management also serve on these boards. The boards of the subsidiaries supervise current operations and define strategies and budgets.

#### **The Board's description of internal controls**

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

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

#### **Control environment – the basis of internal controls**

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

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

#### **Internal information and communication**

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

#### **Risk assessment**

The aim of risk assessment is to identify high-risk areas of the Group's operations and decide which controls are required to manage these risks. Risk assessment is conducted by assessing the level of risk on a quantitative and qualitative basis. Special guidelines are used to assess the risk associated with specific IT projects and the general IT environment.

#### **Control activities**

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

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

#### **Monitoring**

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

#### **External information and communication**

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

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

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#### **Auditors' statement on the corporate governance report**

To the Annual General Meeting of Biotage AB, reg. no. 556539-3138

The Board is responsible for the corporate governance report and ensuring it is prepared in accordance with the Swedish Annual Accounts Act.

As a basis for our opinion on whether the corporate governance report has been prepared and is consistent with the annual financial statements, we have studied the corporate governance report and verified its statutory content based on our knowledge of the Company.

It is our opinion that a corporate governance report has been prepared, and that its statutory information is consistent with the annual financial statements.

Stockholm, March 24, 2011  
Deloitte AB

Marcus Sörlander  
Authorized Public Accountant

# Board of Directors



## **Ove Mattsson** C

Chairman of the Board

*Education:* PhD, associate professor in organic chemistry.

*B.* 1940.

*Occupation:* Management Consultant.

*Other directorships:* Chairman of the Board of Aromatic AB. Director of Arctic Island Ltd, Fabryo Corporation SRL and Tikkurila Oyj. Member of the Royal Swedish Academy of Engineering Sciences.

*Length of Board service:* 8 years.

*Shares:* 6,283,531 via foreign endowment insurance.

Ove Mattsson attended all board meetings during the year.

## **Thomas Eklund** B

Board member

*Education:* MBA Stockholm School of Economics.

*B.* 1967.

*Occupation:* Managing Director, Investor Growth Capital.

*Other directorships:* Director of Caramel Pharma AB, Neoventa Medical AB, Memira AB and CMA Microdialys AB and Vårdapotek i Norden AB.

*Length of Board service:* 5 years.

*Shares:* 22,000.

Thomas Eklund was present at 7 out of 8 board meetings during the year.

## **Per-Olof Eriksson** E

Board member

*Education:* M.Sc. Royal Institute of Technology.

*B.* 1938.

*Occupation:* Former President and CEO of Seco Tools AB and Sandvik AB.

*Other directorships:* Chairman of the Board of Cross Control AB, Ferronordic Machine AB and Odlander, Fredriksson & Co AB. Director of Investment AB Öresund, Kamstrup AB and Södersjukhuset AB. Member of the Royal Swedish Academy of Engineering Sciences.

*Length of Board service:* 4 years.

*Shares:* 10,000.

Per-Olof Eriksson was present at 10 out of 11 board meetings during the year.

## **Eva-Lotta Kraft** D

Board member

*Education:* M.Sc. Royal Institute of Technology, MBA University of Uppsala.

*B.* 1951.

*Occupation:* Independent Director.

*Other directorships:* Director of ÅF AB, Nibe Industrier AB, Samhall AB, Boule Diagnostics AB and Siemens AB.

*Length of Board service:* 1 year.

*Shares:* 4,000.

Eva-Lotta Kraft has attended four board meetings since her election to the Board at the 2010 AGM.

## **Anders Walldov** not shown in photo

Board member

*Education:* B.Sc. (Econ) HHS in Lund, AMP Harvard Business School.

*B.* 1949.

*Occupation:* Investor.

*Other directorships:* Chairman of the Board of SevenDay Finans AB, Followit Holding AB (publ) and Wellnet AB. Director of Brohuvudet AB.

*Length of Board service:* 1 year.

*Shares:* 7,000,000 directly and through wholly-owned company. Anders Walldov has attended all five board meetings since his election to the Board at the 2010 AGM.

## **Niklas Jungnelius** A

Employee representative

*Education:* M.Sc. (Chemical engineering), Chalmers University of Technology.

*B.* 1974.

*Occupation:* Commercial Support & Analysis Manager.

*Length of Board service:* –

*Shares:* 5,000.

Niklas Jungnelius started as an employee representative on the Board in late December 2010 and has not participated in any board meetings in 2010.

## **Marcus Sörländer**

Auditor.

*B.* 1973.

Authorized Public Accountant, Deloitte AB.

# Group Management



A

B

C

## **Mats-Olof Wallin A**

*Position:* CFO.  
*B.* 1951.  
*Education:* B.Sc.  
*Length of employment in the Group:* 8 years.  
*Shares:* 18,000.  
*Options:* 60,000.

## **Torben Jørgensen B**

*Position:* President and CEO.  
*B.* 1952.  
*Education:* B.Sc. (Econ.)  
*Length of employment in the Group:* 5 years.  
*Shares:* 606,700.  
*Options:* 55,000.  
*Other appointments:* Director of Atlas Antibodies AB.

## **Lars Bäckman C**

*Position:* VP Corporate Development.  
*B.* 1961.  
*Education:* LLB.  
*Length of employment in the Group:* 4 years.  
*Shares:* –  
*Options:* 30,000.  
*Other appointments:* Chairman of Yubico AB.