



Press release

Contacts

Jeff Bork, President and CEO

Tel: +46 734-22 16 60

Mats-Olof Wallin, CFO

Tel: +46 705-93 52 73

Biotage AB

Vallongatan 1

752 28 Uppsala

Tel: +46 18-565900

www.biotage.com

Org nr: 556539-3138

Interim report for the fourth quarter and year-end results 2003

Development in brief (figures in brackets refer to the same period last year)

- Sales increased to 105 MSEK in Q4 (34) and to 174 MSEK in 2003 (98 MSEK)
- Operating result for Q4, excluding non-recurring items and goodwill amortization, improved to -31 MSEK (-44) and for 2003, operating result excluding non-recurring items and goodwill amortization, improved to -148 MSEK (-162 MSEK)
- Result after tax was -244 MSEK (-168 MSEK)
- Earnings per share was -6.02 SEK (-4.84 SEK)
- The company acquired Biotage LLC for 35 MUSD
- The company's name was changed from Pyrosequencing AB to Biotage AB

Amounts in KSEK	Fourth quarter 2003	Fourth quarter 2002	Whole year 2003	Whole year 2002
Net sales	105 079	34 185	173 652	97 581
Operating result, excl. goodwill amortization & non-recur. items	-31 477	-44 477	-148 215	-161 840
Operating result	-56 079	-55 285	-261 189	-172 648
Net result	-54 829	-47 797	-244 397	-168 378

Biotage on the right course

To create increased turnover and achieve profitability more rapidly, the company broadened its operations through two acquisitions in 2003; Personal Chemistry in the third quarter and Biotage LLC in the fourth quarter. The two new companies formed the business area Discovery Chemistry, which is a world-leading supplier of systems for synthesis and purification of chemical entities involved in the drug development process. The integration of the new companies has progressed according to plan.

The market for genetic analysis remains slow and whole year sales for business area Biosystems remained at the same level as in 2002. During the year Biotage signed an agreement with 454 Life Sciences, which gives a minimum royalty amounting to 1 MUSD per year throughout the lifetime of the patents. The distribution of products from Corbett was successfully launched during the year and their sales compensated for the negative currency effects influencing the company due to the weak US dollar. The company's focus on selected areas, molecular microbiology and oncology, among others, is expected to yield results in the years ahead.

The restructuring program started in 2003 will reduce the company's costs significantly. The company aims to have operating costs of no more than 300 MSEK in 2004. Together with a positive sales development this creates a good basis for achieving profitability in the near future.

Group financial position*Full year 2003*

During 2003 the group's net sales increased by 78 percent to 173.7 MSEK, compared to 97.6 MSEK for the corresponding period last year.

The gross margin amounted to 60.4 percent, a decrease compared with the 68.8 percent reported for the corresponding period last year. The decrease was caused primarily by the weakened dollar, increased sales of distributor products as well as the acquisitions of Personal Chemistry and Biotage LLC, which have lower gross margins.

Sales in the US in 2003 amounted to 92.9 MSEK, corresponding to 53.5 percent. In Europe sales amounted to 64.7 MSEK or 37.3 percent. Sales for the rest of the world were 16 MSEK, or 9.2 percent.

Operating expenses, excluding restructuring costs and costs for goodwill amortization, amounted to 253.1 MSEK.

Biotage reported a net loss for 2003 of 244.4 MSEK, or 6.02 SEK per share, compared to a net loss of 168.4 MSEK, or 4.84 SEK per share, for the same period last year.

Biotage's income statement contains non-recurring items amounting to a total of 103.8 MSEK. They refer to restructuring costs for the new Biotage group pertaining to the legal and operative structure.

Goodwill amortization amounted to 9.2 MSEK, relating to the acquisitions of Personal Chemistry and Biotage LLC.

In 2002 a new accounting principle was adopted, involving the capitalization of development costs. During 2003 the company capitalized development costs amounting to 8.7 MSEK, compared to 58.6 MSEK last year. The amortization of capitalized development costs was 15.9 MSEK in 2003, compared to 8.1 MSEK last year. At September 30, 2003 the company wrote down capitalized development costs by 26.2 MSEK. At December 31 capitalized development costs amounted to 18.3 MSEK.

Fourth quarter 2003

In the fourth quarter of 2003, the group's net sales increased by 207 percent to 105.1 MSEK, compared to 34.2 MSEK the corresponding period last year.

The gross margin amounted to 61.4 percent compared to 68.5 percent for the corresponding period in 2002. The decrease was caused primarily by the weakened dollar, increased sales of distributor products as well as the acquisitions of Personal Chemistry and Biotage LLC, which have lower gross margins.

Sales in the US amounted to 51.7 MSEK or 49.2 percent. In Europe sales amounted to 43.4 MSEK or 41.3 percent and in the rest of the world sales were 10 MSEK, corresponding to 9.5 percent.

Operating expenses, excluding restructuring costs and costs for goodwill amortization, amounted to 96.0 MSEK in the fourth quarter.

Biotage's income statement contains non-recurring items amounting to 15.4 MSEK in the fourth quarter. They refer to restructuring costs for the new Biotage group pertaining to the legal and operative structure.

Balance sheet items

At December 31, 2003 cash and high-grade debt securities totaled 74.9 MSEK, compared to 471.7 MSEK at December 31, 2002. The company believes that this cash together with the company's 50 MSEK bank overdraft facility will be sufficient until the time when the company generates a positive cash flow.

The acquisition of Personal Chemistry was finalized on September 30. This acquisition brought goodwill amounting to 234.6 MSEK. At October 29 Biotage LLC was acquired, with goodwill amounting to 176.4 MSEK. At December 31 the company has a total goodwill of 402.6 MSEK. The Company's goodwill is amortized over 10 years.

Pro forma reporting

A pro forma report has been prepared for illustrative purposes. The pro forma accounting covers Biotage AB, Biotage LLC, Personal Chemistry AB and the subsidiaries of these companies.

Pro forma income statements have been prepared as if the acquisitions were finalized at January 1, 2003. The goodwill accrued through the acquisitions has in the pro forma statements been amortized over 10 years.

Biosystems (Genetic analysis)

Today Biosystems has practically all its sales in the academic and medical research market segments. These researchers use the technology to study the connection between genome, disease progression and new therapy methods.

For business area Biosystems (formerly Pyrosequencing) sales amounted to 97.1 MSEK, compared to 97.6 MSEK last year. The effects of the weakening US dollar were compensated by strong sales of real-time DNA amplification and lab automation instruments. Excluding currency effects compared to the same period last year net sales would have amounted to 110.5 MSEK, an increase of 13 percent.

In the fourth quarter sales amounted to 29 MSEK, compared to 34 MSEK the same period last year.

The US accounts for 55.6 percent of Biosystems' sales and is thus the business area's largest market. The US is also the market where sales have developed most strongly during the year. Sales in Europe amounted to 36.5 percent and the rest of the world 7.9 percent.

In 2003 Biosystems has actively worked with new applications in e.g. microbiology and cancer research. This has led to very promising results by leading research groups and the company expects to see positive sales results from this in 2004.

During the fourth quarter Biosystems made a thorough analysis of the market potential in order to focus on the areas where Pyrosequencing™ has documented advantages over other technologies. In 2004 the sales activities will above all be focused on growing markets like molecular microbiology, epigenomics and pharmacogenomics.

Discovery Chemistry (Medicinal chemistry)

Biotage's new business area, Discovery Chemistry, which was formed by merging the two acquired companies Personal Chemistry and Biotage LLC, is the market leader in systems for synthesis and purification of chemical entities involved in the drug development process, with chemists at the pharmaceutical companies as the main customer group.

For business area Discovery Chemistry (previously Personal Chemistry and Biotage LLC) sales amounted to 76.5 MSEK. Sales have been consolidated for Personal Chemistry during the entire fourth quarter and for Biotage LLC starting October 29. Pro forma, the sales for the fourth quarter amounted to 85 MSEK.

The US was the single most important geographic area for Discovery Chemistry, accounting for 50.9 percent of the sales. Europe accounts for 38.2 percent and the rest of the world for 10.9 percent.

Invoicing was good in the fourth quarter, indicating that the willingness to invest has increased among big pharmaceutical companies during the second half of 2003 after a slow start to the year. Consumable sales increased strongly during the year, with a marked increase in the fourth quarter. The company estimates that Discovery Chemistry had more than 50 percent market share at the end of the year and remains the market leader in systems for the synthesis and purification of chemical entities involved in the drug development process.

The outlook for 2004 is positive. The market potential remains high. So far half of the world's approx. 30 000 drug chemists have converted to pre-prepared disposable articles for purification. In microwave-based synthesis the market penetration has only just begun. Several new products will be introduced in 2004, most of them during the first half of the year. This is expected to influence sales positively.

Acquisition of Biotage LLC

In October the company acquired Biotage LLC for 35 MUSD, paid in cash. Restructuring costs relating to the acquisition of Biotage amount to 15.4 MSEK, corresponding to half of the expected annual synergies of 30-35 MSEK. These will primarily be achieved in marketing and sales, through the merging of sales organizations. During the fourth quarter the operations were merged with those of Personal Chemistry to form business area Discovery Chemistry.

The group currently has 19 legal entities. A restructuring of these is in progress and will result in a smaller number of legal entities.

Human resources

At the end of the year the group had 298 employees. 41 of them have been given notice and will leave the company.

During the fourth quarter the company allocated 550,200 employee options to 254 employees. In order to ensure the payment of possible costs in connection with the employee option program, 640,200 detachable warrants were issued, entitling to the subscription of the same number of shares.

Parent company

The group's parent company, Biotage AB, has wholly-owned subsidiaries in Sweden, the United States, United Kingdom, France, Germany, Italy, the Netherlands and Japan. The

parent company conducts strategic business development, central marketing, research and development, manufacturing and administrative functions for the group. For the period January – December 2003 the parent company reported income amounting to 85.3 MSEK (96.6) and the result before appropriations and taxes was – 176.1 MSEK (-319.3).

Annual General Meeting and dividend

The Annual General Meeting will be held in Uppsala on April 28, 2004. The summons to the meeting will be published on the company's website. Biotage's Annual Report will be distributed to the shareholders well in advance of the meeting.

Biotage's board of directors will propose to the Annual General Meeting that no dividend is paid for the financial year 2003.

Outlook

Biotage intends to reduce the annual operating costs to approx. 300 MSEK, excluding goodwill amortization, in 2004. A positive cash flow is expected during the second half of 2004. Together with a positive sales development this creates a good basis for achieving profitability in the near future.

Next report

The interim report for the first quarter 2004 will be published on April 28, 2004.

Uppsala, Sweden February 19, 2004

Jeff Bork

President and CEO

About Biotage

Biotage is a global company active in life science research with strong technologies, a broad range of operations and a long-term view of the market. The company offers solutions, knowledge and experience in the areas of genetic analysis and medicinal chemistry. Customers include the world's top 30 pharmaceutical companies, 20 largest biotech companies and leading academic institutes. The company is headquartered in Uppsala and has offices in the US, Japan and several European countries. Biotage has approx. 250 employees and had sales of 174 MSEK in 2003. Biotage is listed on the Stockholm stock exchange. Website: www.biotage.com

Certain statements in this press release are forward-looking. These may be identified by the use of forward-looking words or phrases such as "believe," "expect," "intend," and "should," among others. These forward-looking statements are based on Biotage's current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, Biotage notes that a variety of factors could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. Such uncertainties and risks include, but are not limited to, risks associated with management of growth and international operations (including the effects of currency fluctuations), variability of operating results, the commercial development of the microwave synthesis and flash purification in the drug discovery market, DNA sequencing and genomics market, nucleic acid-based molecular diagnostics market, and genetic vaccination and gene therapy markets, competition, rapid or unexpected changes in technologies, fluctuations in demand for Biotage's products (including seasonal fluctuations), difficulties in successfully adapting the Company's products to integrated solutions and producing such products, and the Company's ability to identify and develop new products and to differentiate its products from competitors.

Biotage AB (publ)
Year-End Report 2003
2003-01-01—2003-12-31

INCOME STATEMENTS

Group	1)Proforma				
Amounts in SEK (in thousands)	1/1/03- 12/31/03	1/1/02 12/31/02	10/1/03- 12/31/03	10/1/02- 12/31/02	1/1/03- 12/31/03
Net sales	173,652	97,581	105,079	34,185	362,051
Cost of goods sold	(68,754)	(30,412)	(40,588)	(10,780)	(150,117)
	104,898	67,169	64,491	23,405	211,934
Selling expenses	(112,510)	(100,445)	(50,396)	(23,875)	(223,274)
Administrative expenses	(41,783)	(52,754)	(12,375)	(12,727)	(81,864)
Research and development costs**	(82,533)	(71,697)	(24,861)	(30,252)	(133,111)
Other operating income	1,456	3,533	1,072	1,315	1,456
Other operating expenses	(17,743)	(7,646)	(9,408)	(2,343)	(36,414)
Operating result before non-recurring items and goodwill amortization	(148,215)	(161,840)	(31,477)	(44,477)	(261,273)
Non recurring items***	(103,754)	(10,808)	(15,382)	(10,808)	(134,564)
Depreciation goodwill	(9,220)	0	(9,220)	0	(46,569)
Operating loss	(261,189)	(172,648)	(56,079)	(55,285)	(442,406)
Result from financial investments					
Financial income (net)	16 954	24 118	1 259	7 618	16 817
Loss after financial items	(244,235)	(148,530)	(54,820)	(47,667)	(425,589)
Tax expense	(162)	(19,848)	(9)	(130)	(162)
Net loss for the period	(244,397)	(168,378)	(54,829)	(47,797)	(425,751)
Weighted average shares outstanding	40,584,205	34,770,100	57,771,350	34,770,100	57,792,108
Weighted average shares outstanding after dilution	41,183,948	35,430,362	61,341,934	34,770,100	58,391,851
Common shares outstanding	57,792,108	34,770,100	57,792,108	34,770,100	57,792,108
Net loss per share	(6,02)	(4,84)	(0,95)	(1,38)	(7,37)
Net loss per share after dilution*)	(6,02)	(4,84)	(0,95)	(1,38)	(7,37)
*)As the earnings per share would decrease the loss per share when considering dilution, as a result of shares outstanding, the earnings per share have only been calculated without consideration of dilution					
**R&D costs in income statement	(82,533)	(71,697)	(24,861)	(30,252)	(133,111)
Capitalization during the period	(8,703)	(58,644)	(5,780)	(3,756)	(8,703)
Amortization during the period.	15,887	8,149	1,749	4,610	15,887
R&D costs without net capitalization	(75,349)	(122,192)	(28,892)	(29,398)	(125,927)
***Non recurring items					
Restructuring costs	61,335	10,808	15,382	10,808	92,145
Write-down capitalized development costs	40,609	0	0	0	40,609
Write-down patents and license rights	1,810	0	0	0	1,810
	103,754	10,808	15,382	10,808	134,564

1) Pro forma includes Biotage, Personal Chemistry and Biotage LLC group. See page 3.

Biotage AB (publ)
Year-End Report 2003
2003-01-01—2003-12-31
BALANCE SHEETS
Group

Amounts in SEK (in thousands)	12/31/03	12/31/02
ASSETS		
Fixed assets		
Intangible assets		
Capitalized expenditure for development	18,279	50,495
Patents and license rights	21,183	20,228
Goodwill	402,567	0
	442,029	70,723
Tangible assets		
Building and land	47,657	0
Leasehold and improvements	9,175	17,369
Plant and machinery	17,938	18,063
Equipment, tools, fixtures and fittings	32,833	15,745
Construction in progress and advance payments for tangible assets	0	94
	107,603	51,271
Financial assets		
Other securities held as financial assets	45,783	374,387
Other long-term receivables	985	163
	46,768	374,550
Total fixed assets	596,400	496,544
Current assets		
Inventories		
Inventories	76,039	32,883
	76,039	32,883
Current receivables		
Accounts receivable - trade	65,717	28,328
Other receivables	8,732	8,707
Prepaid expenses and accrued income	4,864	14,219
	79,313	51,254
Investments		
Other short-term investments	0	71,700
	0	71,700
Cash and bank balances	74,900	25,655
Total current assets	230,253	181,492
TOTAL ASSETS	826,652	678,036

Biotage AB (publ)
 Year-End Report 2003
 2003-01-01—2003-12-31

BALANCE SHEETS

Group

Amounts in SEK (in thousands)	12/31/03	12/31/02
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	57,736	34,770
Restricted reserves/Share premium reserve	1,263,543	1,054,360
	1,321,279	1,089,130
Non-restricted equity		
Accumulated deficit	(467,383)	(304,591)
Net loss for the period	(244,397)	(168,378)
	(711,780)	(472,969)
Total equity	609,499	616,161
Provisions		
Other provisions	32,918	370
	32,918	370
Long term liabilities	32,990	0
Other long term liabilities	32,990	0
Current liabilities		
Accounts payable – trade	53,636	18,419
Tax liabilities	139	0
Other liabilities	12,306	7,335
Accrued expenses and deferred income	85,164	35,751
	151,245	61,505
TOTAL EQUITY AND LIABILITIES	826,652	678,036

Biotage AB (publ)
 Year-End Report 2003
 2003-01-01—2003-12-31
CHANGES IN EQUITY

Group

Amounts in SEK (in thousands)	2003	2002
Balance brought forward 1/1	616,161	784,983
Non-cash issue*	250,201	0
Issue expenses	0	(444)
Translation difference	(12,466)	0
Net loss for the period 1/1 –12/31	(244,397)	(168,378)
Balance carried forward 12/31	609,499	616,161

Biotage AB (publ)
 Year-End Report 2003
 2003-01-01—2003-12-31

STATEMENTS OF CASH FLOW

Group

Amounts in SEK (in thousands)	1/1/03- 12/31/03	1/1/02- 12/31/02
Operating activities		
Operating loss after financing items	(244,235)	(148,530)
Adjustments for items not affecting cash flow		
Depreciation	42,438	24,402
Write off	51,774	0
Other items	17,752	(3,118)
Cash used in operating activities before changes in working capital	(132,271)	(127,246)
Changes in working capital		
Decrease/Increase in inventories	(4,027)	(3,502)
Decrease in accounts receivable - trade	(2,453)	(68)
Decrease in other current assets	18,956	1,557
Increase/Decrease in other current liabilities	19,530	2,236
Cash used in operating activities	(100,265)	(127,023)
Investing activities		
Purchase of intangible assets	(13,935)	(58,690)
Purchase of tangible assets	(3,028)	(9,039)
Purchase of long-term investments	(45,783)	0
Acquisition of subsidiaries	(229,407)	0
Sale of tangible assets	0	724
Sale of short-term investments	71,700	122,335
Sale of long-term investments	374,387	68,858
Increase / Decrease of long-term receivables	(822)	567
Cash provided by investing activities	153,112	124,755
Finance operations		
Repayment of long term liabilities	(256)	0
Cash flow of financing operations	(256)	0
Net change in cash and cash equivalents	52,591	(2,268)
Cash and cash equivalents beginning of year	25,655	27,923
Translation difference in liquid funds	(3,346)	0
Cash and cash equivalents end of the period	74,900	25,655
Cash, cash equivalents and investments in high-grade debt securities end of period	74,900	471,742

Accounting Principles

The accounting principles used in preparation of these financial statements are consistent with those used in the Company's latest Annual Report, with addition of the 2003 Swedish Financial Standards Council (Redovisningsrådet) recommendations which are presented below. These recommendations were implemented by the Company beginning on January 1, 2003.

Recommendation number 22, Presentation of Financial Statements

This recommendation has no significant effect on the interim reports.

Recommendation number 25, Segment Reporting – Branches and Geographical Areas

At the beginning of the year, the Company considered all its business to be one segment, as the risks and opportunities are similar in the whole business. As a result of the acquisitions, the Company has from October 1, 2003 reported the two segments; Biosystems and Discovery Chemistry. Net sales are divided into three geographic areas.

Recommendation number 26, Events after the Balance Sheet Date

When appropriate, the Company communicates substantial events that have taken place between the balance sheet date and the date for signing the financial statements.

Recommendation number 27, Financial Instruments: Disclosure and Presentation

The Company will provide information according to this recommendation in the Annual Report 2003.

The Company amortizes its goodwill over 10 years.

Other 2003 recommendations have not been included in these comments, as they have no significant effect on the financial statements.

Review report

As the appointed auditors of Biotage AB we have reviewed this year-end report and interim report for the fourth quarter in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. The non-audited pro forma accounts in the year-end report and interim report are prepared as explained on page 3. Nothing has come to our attention that causes us to believe that the year-end report and interim report does not comply with the requirements of the Exchange and Clearing Operations Act and Annual Accounts Act.

Uppsala February 19, 2004

Deloitte & Touche AB

Lars-Gunnar Nilsson
Authorized Public Accountant