

Year-end report 2006

Biotage achieves profit for the full year and continues its positive profit development in the fourth quarter

- For the full year 2006 Biotage reports a 2.8 MSEK profit (-39.9 MSEK last year). The positive development of the operating result and the result after tax continued during the fourth quarter. The cash flow for the operating activities was very strong in the fourth quarter.
- Net sales increased by 21% to 519.5 MSEK (430.4) in the full year 2006. At constant exchange rates and pro-forma* the full year increase was approx. 9%. In the fourth quarter net sales decreased by 1% and amounted to 136.6 MSEK (138.4). At constant exchange rates and pro-forma* the increase was a 7%.
- The operating result for the full year improved by 69.4 MSEK and amounted to 6.5 MSEK (-62.9). In the fourth quarter the operating result improved to 9.4 MSEK (-4.7).
- The result after tax amounted to 2.8 MSEK (-39.9) for the full year and to 11.0 MSEK (0.4) in the fourth quarter.
- Earnings per share amounted to 0.03 SEK (-0.57) for the full year and to 0.12 SEK (0.01) in the fourth quarter.
- The cash flow from operating activities has improved considerably and amounted to 39.9 MSEK (-21.7) for the full year and to 28.0 MSEK (10.2) in the fourth quarter. The positive cash flow development is among other things attributable to the positive results development and to improvements of the working capital.
- The Biosystems business area developed very well, in the fourth quarter as well as in the full year. Sales have increased and the business area has had good profitability in 2006.
- Biotage is running five major product development projects. In the first six months of 2007 we will launch a new series of consumables and re-launch the company's evaporation system.

Amounts in MSEK	4 th quarter 2006	4 th quarter 2005	Full year 2006	Full year 2005
Net sales	136.6	138.4	519.5	430.4
Cost of goods sold	-51.7	-59.1	-199.8	-200.3
Gross profit	84.9	79.2	319.7	230.0
Operating expenses	-75.5	-83.9	-313.3	-293.0
Operating profit/loss	9.4	-4.7	6.5	-62.9
Financial items	0.1	7.0	-0.4	25.9
Profit/loss after financial items	9.5	2.3	6.1	-37.1
Tax expenses	1.5	-1.9	-3.2	-2.8
Profit/loss after tax	11.0	0.4	2.8	-39.9

The Biosystems business area increased its sales in the fourth quarter by 15% to 25.8 MSEK (22.4). Adjusted for the discontinued Corbett business and at constant exchange rates the increase was 25%. The gross margin improved to 75% (65%) and the operating expenses decreased by approx. 30%. The operating result improved from -4.2 MSEK to 6.1 MSEK.

The Discovery Chemistry business area decreased its fourth quarter sales by 4%, from 116.0 MSEK to 110.8 MSEK. At constant exchange rates the sales increased by 3%. The gross margin was 59% (56%). The operating result improved from 4.6 MSEK to 11.2 MSEK.

* Note: Pro-forma refers to an adjustment for the distribution of Corbett's products in the Biosystems business area (divested in 2005), and for the Argonaut business in the Discovery Chemistry business area (acquired on June 3, 2005). The pro-forma figures have not been subject to review by the company's accountant.

Group result and financial position

Fourth quarter 2006

In the fourth quarter 2006, Group net sales decreased by 1% compared to the fourth quarter 2005, from 138.4 MSEK to 136.6 MSEK. The decrease is attributable to differences in exchange rates between 2006 and 2005. Pro-forma the increase was approx. 7% at constant exchange rates.

Sales per business area

Amounts in MSEK	4 th quarter 2006	4 th quarter 2005	Full year 2006	Full year 2005
Discovery Chemistry	110.8	116.0	430.0	350.9
Biosystems	25.8	22.4	89.5	79.5
Group total	136.6	138.4	519.5	430.4

Group sales per geographic market

USA	47%	52%	44%	52%
The EU area	41%	39%	42%	36%
Rest of the world	12%	9%	14%	12%
Group total	100%	100%	100%	100%

The Group's gross margin increased from 57% in the fourth quarter 2005 to 62% in the fourth quarter 2006. The gross margin was positively influenced by an improved product mix, reduced production costs and an improved capacity utilization in the company's plants.

The operating expenses amounted to 75.5 MSEK (83.9). The expenses have been charged with 4.1 MSEK relating to the final settlement with the previous CEO.

Investments in the fourth quarter 2006 amounted to 13.5 MSEK (5.6). Of this sum 9.9 MSEK (5.3) were capitalized development costs. In the fourth quarter 2006 amortizations were made to the amount of 10.7 MSEK. Of this sum 2.9 MSEK (2.4) were amortizations of capitalized development costs.

The operating result improved from -4.7 MSEK in 2005 to 9.4 MSEK in 2006.

The net financial income amounted to 0.1 MSEK (7.0). The decrease is attributable to exchange losses compared to the corresponding period last year. During the quarter dividends from the financial holding in Corbett have been received to the amount of 1.9 MSEK (2.1).

The Group's tax expense was positive with 1.5 MSEK in the fourth quarter due to reversed taxes in two of the Group's foreign subsidiaries.

The result after taxes amounted to 11.0 MSEK, corresponding to 0.12 SEK per share, compared to 0.4 MSEK in 2005, corresponding to 0.01 per share.

The cash-flow from operating activities amounted to 28.0 MSEK (10.2).

Full year 2006

In 2006 the Group's net sales increased by 21% to 519.5 MSEK, compared to 430.4 MSEK in 2005. Pro-forma the increase was approx. 9% at constant exchange rates.

The gross margin for 2006 amounted to 62%, compared to 54% last year. The gross margin was positively influenced by an improved product mix, reduced production costs and improved capacity utilization in the company's plants.

The operating expenses amounted to a total of 313.3 MSEK in 2006, compared to 293.0 in 2005. The expenses have been charged with 10.0 MSEK relating to the final settlement with the previous CEO.

Investments in 2006 amounted to 43.1 MSEK (22.5). Of this sum 25.5 MSEK (12.4) were capitalized development costs. Amortizations in 2006 amounted to 38.6 MSEK (35.8). Of this sum 10.7 MSEK (10.2) concerned amortization of capitalized development costs.

The operating result amounted to 6.5 MSEK in 2006, compared to -62.9 MSEK in 2005.

The reported Group net financial income is -0.4 MSEK for 2006, compared to 25.9 MSEK in 2005. The decreased net financial income is attributable to unrealized exchange gains affecting the 2006 net financial income to the amount of -1.7 MSEK, while unrealized exchange gains affected the 2005 net financial income with a total of 30.5 MSEK. Dividends from the financial holding in Corbett have been received to the amount of 6.3 MSEK (2.1).

The Group reports a result after tax for 2006 amounting to 2.8 MSEK, corresponding to 0.03 SEK per share, compared to -39.9 MSEK in 2005, corresponding to -0.57 SEK per share.

Balance sheet items

At December 31, 2006 the Group's cash and securities totaled 50.1 MSEK, compared to 52.8 MSEK at December 31, 2005. Granted unutilized credits amounted to 38.2 MSEK at December 31, 2006, compared to 37.9 MSEK at December 31, 2005. The Group's interest-bearing liabilities amounted to 76.7 MSEK at December 31, 2006, compared to 92.2 MSEK at December 31, 2005.

At the balance sheet date the company had a total goodwill of 471.8 MSEK (503,5). This is attributable to the acquisitions of Personal Chemistry and Biotage LLC in 2003, the acquisition of Argonaut in the second quarter 2005, and the acquisition of Separtis in the fourth quarter 2005. The decrease is attributable to differences in exchange rates between 2006 and 2005. The company has carried out an impairment test of the goodwill item as at the balance sheet date, showing that no need for write-down exists.

Other intangible fixed assets in the form of patents and license rights amounted to 31.7 MSEK (32.6) and capitalized development costs to 40.0 MSEK (25.6)

At the balance sheet date the equity capital amounted to 712.5 MSEK, compared to 738.3 MSEK at December 31, 2005. The Group's equity capital has increased with 2.8 MSEK due to the year's net result, with 1.1 MSEK due to stock related remunerations, and with 4.6 MSEK due to reimbursed VAT on the 2000 new share issue. Changed exchange rates have decreased the equity capital with 34.3 MSEK.

Discovery Chemistry (Medicinal chemistry)

Amounts in MSEK	4 th quarter 2006	4 th quarter 2005	Full year 2006	Full year 2005
Net sales	110.8	116.0	430.0	350.9
Operating result	11.2	4.6	29.2	-8.1

In the fourth quarter the Discovery Chemistry business area decreased its sales by 4% from 116.0 MSEK to 110.8 MSEK. At constant exchange rates the sales increased by 3%.

The gross margin was 59% in the fourth quarter 2006, a 3% improvement compared with the fourth quarter 2005.

The operating result for the fourth quarter amounted to 11.2 MSEK, compared to 4.6 MSEK the same period last year. During the year a project has been carried out at the company's plant in Charlottesville which has resulted in increased productivity and cost-reducing measures.

The operating margin for the fourth quarter was 10.1%, compared to 4.0% the corresponding period last year.

The United States were Discovery Chemistry's largest geographical market, accounting for 43% of the sales. Europe contributed 44% and the rest of the world 13% of the business area's fourth quarter sales 2006.

The market for the company's products continued to be favorable in the fourth quarter. As a result of the previously introduced package solutions for synthesis and purification, there has been a very strong increase in the demand within the academic customer segment. The pharmaceutical industry has shown a more hesitant attitude in the purchasing processes. The profitability in the Chem Dev business segment has been unsatisfactory and the company has therefore decided to close it down gradually.

The business area's costs have gradually been reduced. The production costs have decreased, which together with higher productivity has resulted in improved gross margins.

The business area currently has four high priority development projects for new instruments and consumables in the areas of synthesis, purification, sample prep and evaporation. In the fourth quarter the development department in the USA was closed down and new products are now developed only in Uppsala and Cardiff.

Biosystems (Genetic analysis)

Amounts in MSEK	4 th quarter 2006	4 th quarter 2005	Full year 2006	Full year 2005
Net sales	25.8	22.4	89.5	79.5
Operating result	6.1	-4.2	11.0	-34.8

In the fourth quarter the Biosystems business area increased its sales by 15% to 25.8 MSEK (22.4). Adjusted for the discontinued Corbett business and at constant exchange rates the increase was 25%.

The gross margin improved to 75% in the fourth quarter 2006, compared to 65% the same period last year.

The operating result amounted to 6.1 MSEK in the fourth quarter 2005, compared to -4.2 MSEK the same period last year.

The operating margin for the fourth quarter was 23.6%, compared to -18.8% the corresponding period last year.

Sales increased very strongly during the quarter and amounted to 25 systems or a total of 25.8 MSEK. At constant exchange rates the sales increase was 25%. Despite an unfavorable development of exchange rates compared to previous periods, this is the business area's best sales result in many years. The demand and the interest in the Pyrosequencing technology and its products has increased considerably. During the quarter the product mix changed towards the higher price segment. The gross profit developed positively as a result of the changed product mix and a higher share of direct sales. The partial outsourcing of the production of kits and reagents in 2005 has resulted in heavily reduced production costs during 2006.

The USA contributed 50% of the fourth quarter sales, Europe 41% and the rest of the world 9%.

During the last year Biotage and other companies active in the area of DNA analysis have seen a very strong demand for products and a strong growth in molecular diagnostics. A clear sign of this is the fact that the research market for CpG methylation increased its share of the Biosystems business area's sales significantly last year. Information on the degree of methylation is already today used in some cancer conditions to enable the selection of the most effective treatment of the disease. The number of applications is expected to increase in the future.

Biotage has the ambition to establish itself as a leading player in molecular diagnostics. The company is strengthening this market position by developing new instruments and tests. A new instrument is planned to be launched around the turn of the year 2007/2008, and this is expected to strongly expand the installed base of instruments. We will also continue to develop molecular diagnostics tests in order to further take part in this rapidly growing market.

The business area is running a project concerning a new, simpler, lower priced instrument intended to be IVD approved for the European market.

Human resources

At December 31, 2006 the Group had 332 employees, compared to 330 at the start of the year.

Parent company

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

In the fourth quarter 2006 the parent company reported income amounting to 2.2 MSEK (2.3). In the full year 2006 the income amounted to 8.6 MSEK (9.4).

The result before appropriations and taxes amounted to -29.9 MSEK in the fourth quarter 2006 and to -31.7 MSEK in the full year 2006. The result for the fourth quarter 2005 was 7.4 MSEK and for the full year 2005 37.6 MSEK. The weaker result in 2006 is attributable to unrealized exchange losses relating to intra-group receivables.

The parent company's investments in intangible fixed assets amounted to 0.3 MSEK (0.0) in the fourth quarter and to 6.9 MSEK (0.9) in the full year 2006.

On December 31, 2006 cash and bank balance amounted to 8.6 MSEK, compared to 16.4 MSEK at December 31, 2005.

Annual General Meeting and dividends

The Annual General Meeting will be held at the company's office in Uppsala on April 26, 2007. Notice for the meeting will be available on the company's web site. Biotage's Annual Report will be distributed to the shareholders in week 14, 2007. Biotage's board of directors will propose to the Annual General Meeting that no dividends are paid for the financial year 2006.

Financial reports in 2007

The interim report for the first quarter 2007 will be issued in connection with the Annual General Meeting on April 26, 2007.

The interim report for the second quarter 2007 will be issued on August 14, 2007.

The interim report for the third quarter 2007 will be issued on October 25, 2007.

This report has been reviewed by the company's auditors.

Uppsala February 9, 2007

Torben Jörgensen
President and CEO

For further information, please contact:

Torben Jörgensen, president and CEO, phone: +46 707 49 05 84
Mats-Olof Wallin, CFO, phone: +46 705 93 52 73

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. In 2005 business and products from the company Argonaut were acquired, further strengthening the product range in medicinal chemistry. The customers include the world's top 30 pharma companies, the world's top 20 biotech companies, and leading academic institutes. The company is headquartered in Uppsala and has subsidiaries in the U.S., Japan, UK, Germany and several other European countries. Biotage has 332 employees and had sales of 520 MSEK in 2006. Biotage is listed on the Stockholm stock exchange. Website: www.biotage.com

Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Reporting and RR 31 Group Interim Reporting. The accounting principles applied agree with those applied in the preparation of the Group's latest Annual Report, described on pp. 32-39 in the 2005 Annual Report, with the following exception.

The United States constitute the most important geographical market for sale of the Group's products. The parent company has therefore invested the greater part of its financial resources in building business operations in the US, through the establishment of own operations as well as through company acquisitions. Among other things, credits relating to working capital, investments and company acquisitions have been granted to the US subsidiaries. The credits granted have partly been converted to equity capital in the subsidiaries. At the balance sheet date December 31, 2006 there are remaining receivables not converted to equity capital in the subsidiaries amounting to 32,686 KUSD. Of these receivables the parent company has reported 28,245 KUSD as financial assets and 4,441 KUSD as current assets. In accordance with the rules in IAS 21, Effects of changed currency rates, the amounts receivable have been recalculated to the Group's functional currency according to the balance sheet date exchange rates. The differences between actual value at balance sheet date and reported value have been reported in the profit and loss statement until March 31, 2007.

According to IAS 21:15 a claim or a debt to a foreign operation which is not planned to or is unlikely to be settled in the foreseeable future in practice constitutes a part of the company's net investment in the independent foreign operation. According to IAS 21:32-33 exchange rate differences occurring at recalculation of such items shall be reported directly against the Group's equity capital.

The parent company's board has, effective April 1, 2006, decided to adopt a new approach to the parent company's long-term receivables relating to the US subsidiaries. As these claims are not expected to be settled in the foreseeable future, the receivables constitute a part of the parent company's and the Group's investments in foreign operations. For this reason, exchange rate differences occurring at recalculation of receivables to Swedish currency are no longer reported in the Group's profit and loss statement, but directly against the Group's equity capital. As an effect of this change, the Group's net financial income, profit/loss after financial items, and result after tax for the period January 1 – December 31, 2006 have not been charged with exchange rate differences amounting to 27.1 MSEK.

Readers wishing to study the accounting principles presented in the 2005 Annual Report can download this report from Biotage AB's website www.biotage.se or order it from Biotage AB, Kungsgatan 76, SE-753 18 Uppsala, or at info@biotage.com.

Review report

Introduction

We have performed a review of Biotage AB's interim report for the period January 1, 2006 – December 31, 2006. The responsibility for truly and fairly preparing and presenting this interim financial information in accordance with IAS 34 and the Annual Accounts Act rests with the board of directors and the president. Our responsibility is to state an opinion regarding this interim financial information based on our review.

The purpose and scope of the review

We have performed our review in accordance with Standard for Reviewing (SÖG) 2410, *Reviewing of interim financial information by the company's elected accountants*. Performing a review consists of asking questions, primarily from persons responsible for financial and reporting issues, conducting analytical auditing and performing other general audit steps.

A review has another purpose and is considerably smaller in scope compared to the purpose and scope of an audit according to the Auditing Standard in Sweden (RS) and generally accepted accounting principles. The audit steps performed in connection with a review do not enable us to gain such a degree of certainty that we can become aware of all important circumstances that might have been identified if an audit had been performed. A stated opinion based on a review has thus not the degree of certainty that a stated opinion based on an audit has.

Opinion

Based on our review, no circumstances have been disclosed that would give us reason to think that this interim report is not in all essentials prepared according to IAS 34 and the Annual Accounts Act for the Group and according to the Annual Accounts Act for the parent company.

Stockholm February 9, 2007

Deloitte AB
Lars-Gunnar Nilsson
Authorized public accountant

INCOME STATEMENTS

	2006-10-01	2005-10-01	2006-01-01	2005-01-01
Amounts in KSEK	2006-12-31	2005-12-31	2006-12-31	2005-12-31
Net sales	136,607	138,370	519,497	430,396
Cost of goods sold	-51,726	-59,148	-199,782	-200,348
Gross profit	84,881	79,222	319,715	230,047
Selling expenses	-43,014	-49,720	-183,467	-174,890
Administrative expenses	-15,518	-15,335	-65,571	-54,939
Research and development costs	-16,180	-17,495	-58,755	-66,842
Other operating income	1,170	85	1,715	8,369
Other operating expenses	-1,972	-1,453	-7,175	-4,695
Operating expenses	-75,513	-83,919	-313,253	-292,997
Operating profit/loss	9,368	-4,697	6,463	-62,949
Financial income net	144	7,005	-409	25,860
Profit/loss after financial items	9,512	2,308	6,054	-37,090
Tax expenses*	1,504	-1,866	-3,238	-2,802
Profit/loss after tax	11,015	442	2,816	-39,892
Part related to the parent company's shareholders	11,015	442	2,816	-39,892
Average shares outstanding	88,486,320	80,961,089	88,486,320	70,205,832
Average shares outstanding after dilution	88,965,131	81,289,961	88,883,110	70,572,333
Shares outstanding after dilution	88,486,320	88,486,320	88,486,320	88,486,320
Profit/loss per share SEK	0.12	0.01	0.03	-0.57
Profit/loss per share after dilution SEK	0.12	0.01	0.03	-0.57

*) The reported tax expenses are attributable to tax in foreign subsidiaries.

BALANCE SHEETS

Amounts in KSEK	2006-12-31	2005-12-31
ASSETS		
Tangible assets	95,333	113,424
Goodwill	471,839	503,510
Other intangible assets	71,695	58,165
Financial assets	46,824	48,552
Total fixed assets	685,692	723,651
Inventory	85,627	92,695
Account receivable and other receivable	95,810	105,598
Liquid funds	50,136	52,795
Total current assets	231,573	251,087
TOTALT ASSETS	917,265	974,738
EQUITY AND LIABILITIES		
Total equity	712,474	738,252
Provisions	11,095	9,731
Long term liabilities	46,809	55,429
Accounts payable - trade	37,418	40,980
Other current liabilities	109,470	130,346
Total current liabilities	146,888	171,326
TOTAL EQUITY AND LIABILITIES	917,265	974,738

CASH FLOW STATEMENT

Amounts in KSEK	2006-10-01 2006-12-31	2005-10-01 2005-12-31	2006-01-01 2006-12-31	2005-01-01 2005-12-31
Operating activities				
Cash flow from operating activities				
before changes in working capital	20,667	3,023	48,248	-20,692
Changes in working capital	7,336	7,160	-8,340	-1,001
Cash flow from operating activities	28,003	10,183	39,908	-21,693
Cash flow from investment activities	-13,489	-5,630	-43,099	-22,526
Company acquisitions		-18,187	0	-167,881
Cash flow from financial activities	4,024	-68,734	1,647	232,412
Cash flow during period	18,538	-82,368	-1,543	20,312
Cash and liquid assets beginning of period	32,285	135,074	52,795	31,397
Exchange differences in liquid assets	-687	89	-1,115	1,086
Cash and liquid assets end of period	50,136	52,795	50,136	52,795

CHANGES IN EQUITY

Amounts in KSEK	2006	2005
Balance brought forward January, 1	738,252	563,843
New share issue		200,127
Exchange rate differences	-34,321	12,914
Change due to outstanding option programs directed to employees of the Group	1,094	1,259
Change due to repayed values add tax realted to costs for new share issue	4,633	
Net loss for the period	2,816	-39,892
Balance carried forward December 31,	712,474	738,252

INCOME STATEMENTS BY SEGMENT

	2006-10-01 -- 2006-12-31				2005-10-01 -- 2005-12-31			
Amounts in KSEK	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
Net sales	25,849	110,758		136,607	22,407	115,964		138,370
Cost of goods sold	-6,442	-45,284		-51,726	-7,902	-51,246		-59,148
Gross profit	19,408	65,473	0	84,881	14,504	64,718	0	79,222
Gross margin	75.1%	59.1%		62.1%	64.7%	55.8%		57.3%
Operating expenses	-13,298	-54,245	-7,971	-75,513	-18,707	-60,099	-5,114	-83,919
Operating profit/loss	6,110	11,229	-7,971	9,368	-4,202	4,619	-5,114	-4,697
Financial income net	0	0	144	144	0	0	7,005	7,005
Profit/loss after financial items	6,110	11,229	-7,827	9,512	-4,202	4,619	1,891	2,308
Tax expenses	0	0	1,504	1,504	0	0	-1,866	-1,866
Profit/loss after tax	6,110	11,229	-6,323	11,015	-4,202	4,619	25	442

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INCOME STATEMENTS BY SEGMENT

	2006-01-01 -- 2006-12-31				2005-01-01 -- 2005-12-31			
Amounts in KSEK	Biosystems	Discovery Chemistry	Other operations	Total	Biosystems	Discovery Chemistry	Other operations	Total
Net sales	89,454	430,043		519,497	79,511	350,885	0	430,396
Cost of goods sold	-25,049	-174,733		-199,782	-39,697	-153,846	-6,805	-200,348
Gross profit	64,405	255,310	0	319,715	39,814	197,039	-6,805	230,047
Gross margin	72.0%	59.4%		61.5%	50.1%	56.2%		53.5%
Operating expenses	-53,422	-226,146	-33,685	-313,253	-74,662	-205,136	-13,199	-292,997
Operating profit/loss	10,983	29,164	-33,685	6,463	-34,848	-8,097	-20,004	-62,949
Financial income net	0	0	-409	-409	0	0	25,860	25,860
Profit/loss after financial items	10,983	29,164	-34,093	6,054	-34,848	-8,097	5,856	-37,090
Tax expenses	0	0	-3,238	-3,238	0	0	-2,802	-2,802
Profit/loss after tax	10,983	29,164	-37,331	2,816	-34,848	-8,097	3,053	-39,892