



EQUIPMENT FOR DRUG AND EXPLOSIVES DETECTION

Year-end Report 2008

Biosensor Applications Sweden AB (publ)

Biosensor has developed a unique method for detection of narcotics and explosives. The technology is based on super-sensitive biotechnological sensors that are able to detect and analyse these substances simultaneously, even at a molecular level. The technology is accurate, with low false alarm rates. Biosensor's customers are found among police forces, security companies, border control, the armed forces, the criminal justice system and rehabilitation clinics on a world-wide basis.





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BIOSENS® 300



YEAR-END REPORT 2008

The Year-end Report in Summary

PERIOD JAN-DEC 2008 Group*	PERIOD JAN-DEC 2008 Parent Company
Revenue MSEK 6.8 (3.6) Gross profit MSEK 2.7 (1.7) Operating result MSEK -30.8 (-26.4) Result for the year MSEK -28.9 (-25.6) Earnings per share before and after dilution SEK -0.07 (-0.07) Equity ratio 72% (80%) Cash and cash equivalents MSEK 6.9 (31.4)	Revenue MSEK 6.1 (3.6) Gross profit MSEK 2.3 (1.7) Operating result MSEK -24.8 (-25.8) Result for the year MSEK -23.4 (-25.0) Equity ratio 79% (84%) Cash and cash equivalents MSEK 5.4 (29.4)
Q 4 OCT-DEC 2008 Group*	Q 4 OCT-DEC 2008 Parent Company
Revenue MSEK 2.2 (0.5) Gross profit MSEK 0.5 (0.3) Operating result MSEK -9.5 (-7.0) Result for the period MSEK -8.3 (-6.2) Earnings per share before and after dilution SEK -0.02 (-0.02)	Revenue MSEK 2.2 (0.5) Gross profit MSEK 0.5 (0.3) Operating result MSEK -6.1 (-6.3) Result for the period MSEK -5.3 (-5.6)

The average number of employees during the period was 23 (20) in the Group, 17 (19) of whom in the Parent Company.

* Subsidiary Biosensor GmbH was acquired 1 November 2007. There are thus no comparative data for the preceding year since Biosensor GmbH is a part of the Group since that time. Subsidiary Agotaras AB was acquired 15 December 2008 and is consolidated from that date. There are thus no comparative data for the preceding year.

Significant events

- Sales during the period are higher than during the corresponding year-ago period. A total of 28 systems were delivered (8 of which on rental), as compared with 8 systems during the preceding year.
- During the period the Australian Customs placed a large order for the third year in a row. Twenty previously sold systems were upgraded during the period.
- Biosensor's equipment, which during the period was tested by the English police, received good reviews and has displayed "...significant operational benefits and achieved major cost savings..." according to a spokesperson for the English police district "East Midlands Force, UK". Biosensor has delivered 2 systems to the English police.
- During the period the Company floated a new issue with pre-emptive rights for existing shareholders. Proceeds of the issue after issuing costs were MSEK 5.4.
- During the fourth quarter the Company implemented an action program which will result in lower costs during 2009.
- After test, the BIOSENS® system has been rated as "promising" and will therefore undergo further testing within the framework of the so-called ESTHER project. In this project the European police will undertake tests of drug-affected drivers in six European countries. The tests will constitute the basis for Pan-European recommendations.

Significant events after the end of the period

- The Company's development work has been successful and the acquisition of a supplementary technology by establishing Biosensor GmbH has made it possible to launch the new equipment earlier than expected. The new products Biosens 300 and Biosens 600 were unveiled at a press conference on 2 February 2009. With a broader product range Biosensor now stands strong in facing the challenges of detecting drugs and explosives.
- Biosensor has called an extra general meeting in the month of February 2009 to request an authorisation for the Board of Directors to provide working capital to the Company through a new issue in the total amount of up to MSEK 30.

Accounting policies

The year-end report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The Group applies International Financial Reporting Standards (IFRS) as adopted by the EU and the Parent Company applies the Swedish Annual Accounts Act and RFR 2.1 Accounting for legal entities. The same accounting policies and calculation methods have been used in preparing the year-end report as for the most recent Annual Report.

The year-end report has not been reviewed by the Company's auditors.

**Significant risks and factors of uncertainty**

The year-end report has been prepared with an assumption that the upcoming rights issue will take place and that funds in an amount as described above in the section under "Significant events after the end of the period" will be added to the Company. If, contrary to expectations, Biosensor is unable to attract sufficient capital through new issues the Company will be forced to re-evaluate extensively its marketing and sales efforts. Biosensor may also be forced to lay off personnel to handle the Company's liquidity needs during the coming twelve months. The Board of Directors will then seek alternative financing opportunities. In the event that these efforts were to fail in obtaining additional working capital, the sale of parts or all of the business in one form or another may become necessary.

Risks and factors of uncertainty were described in the Board of Directors Report of the most recent Annual Report and in Note 1 Accounting policies, as well as in Note 26 Presumption of continuing operations. A detailed description was provided in Biosensor's memorandum in connection with the rights issue in October 2008 in the section Risk factors.

Annual General Meeting and dividend

The Annual General Meeting will be held 19 May 2009. Information about location will be provided in connection with the notice for the Annual General Meeting. The Annual Report for 2008 will be available at the Company's website www.biosensor.se not later than two weeks before the Annual General Meeting. At that time it will also be possible to request the report by e-mail to info@biosensor.se. The Board of Directors proposes no dividend for 2008.

Future reporting schedule: Interim Report Q1 18 May 2009, Interim Report Q2 in August 2009, Interim Report Q3 in November 2009, Year-end Report in February 2010 .

*Solana, 23 February 2009
Board of Directors*


Summary Income Statement (consolidated)

(SEK thousand)	JAN-DEC		Q4	
	2008	2007	2008	2007
Revenue	6,807	3,557	2,207	450
Cost of goods sold	-4,138	-1,830	-1,733	-191
Gross result	2,669	1,727	474	258
Selling expenses	-5,974	-4,964	-1,567	-1,285
Administration and logistics expenses	-9,261	-8,838	-3,852	-1,738
Research and development expenditure	-19,040	-14,503	-5,087	-4,368
Other operating income	1,610	272	1,175	179
Other operating expense	-785	-141	-686	-59
Total operating expenses	-33,450	-28,174	-10,016	-7,271
Operating result	-30,781	-26,447	-9,543	-7,012
<i>Result from financial investments</i>				
Finance income	1,981	1,211	1,290	813
Finance expense	-576	-481	-178	-63
Result after finance items	-29,375	-25,717	-8,430	-6,262
Taxes	495	82	124	82
NET RESULT FOR THE YEAR	-28,881	-25,634	-8,307	-6,180
Attributable to the:				
-Parent Company's equity holders	-28 292	-25 634	-8 901	-6 180
-Minority interest	-589	-	594	-
Key financial indicators				
Earnings per share before and after dilution	-0.07	-0.07	-0.02	-0.02
Average number of shares outstanding (thousands)	416,531	358,293	425,842	373,330
Gross margin	39%	49%	21%	58%
Operating margin	neg	neg	neg	neg
Revenue per employee	296	179	96	23


Summary Income Statement (Parent Company)

(SEK thousand)	JAN-DEC		Q4	
	2008	2007	2008	2007
Revenue	6,123	3,557	2,192	450
Cost of good sold	-3,785	-1,830	-1,722	-191
Gross result	2 338	1 727	470	259
Selling expenses	-5,643	-4,962	-1,525	-1,283
Administrative and logistics expenses	-6,551	-8,564	-646	-1,306
Research and development expenditure	-15,768	-14,115	-4,919	-3,979
Other operating income	1,610	271	1,175	69
Other operating expenses	-786	-141	-686	-59
Total operating expenses	-27,138	-27,511	-6,601	-6,558
Operating result	-24,800	-25,784	-6,131	-6,299
<i>Result from financial investments</i>				
Finance income	2,268	1,234	1,376	818
Finance costs	-912	-481	-530	-96
Result after finance items	-23,444	-25,031	-5,285	-5,577
Taxes	0	0	0	0
NET RESULT FOR THE YEAR	-23,444	-25,031	-5,285	-5,577

**Summary Balance Sheet (consolidated)**

(SEK thousand)	31 Dec 2008	31 Dec 2007
Intangible assets	56,623	49,584
Tangible non-current assets	2,925	2,009
Financial assets	32	49
Inventories	3,294	3,422
Trade receivables	2,313	
Other receivables	2,985	3,353
Cash and cash equivalents	6,895	31,389
Total assets	75,068	89,806
Equity attributable to the Parent Company's equity holders	49,567	66,875
Minority interest	4,787	5,376
Provisions	86	162
Long-term liabilities	5,087	4,864
Current liabilities	15,541	12,529
Total shareholder's equity and liabilities	75,068	89,806
Key financial indicators		
Number of shares in issue* (thousands)	450,672	413,427
Number of shares in issue after dilution** (thousands)	450,672	413,427
Equity ratio	72%	80%

**Summary Balance Sheet (Parent Company)**

(KSEK)	31 Dec 2008	31 Dec 2007
Intangible assets	37,541	33,521
Tangible non-current assets	1,500	1,361
Financial assets	16,984	8,989
Inventories	3,136	3,422
Trade receivables	2,313	
Other receivables	3,071	3,194
Cash and cash equivalents	5,416	29,415
Total assets	69,961	79,902
Shareholders' equity	55,012	67,478
Provisions	86	162
Committed credit facility	3,762	–
Other current liabilities	11,101	12,262
Total shareholders' equity and liabilities	69,961	79,902
Key financial indicators		
Number of shares in issue* thousands)	450,672	413,427
Number of shares in issue after dilution** (thousands)	450,672	413,427
Equity ratio	79%	84%


Cash Flow Statement

(SEK thousand) (indirect method)	Group*		Parent Company	
	Jan-Dec 2008	Jan-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
CASH FLOW FROM OPERATING ACTIVITIES				
Result after finance items	-29,375	-25,717	-23,444	-25,031
Adjustment for items not included in cash flow, etc.	6,220	4,803	4,309	4,524
Paid taxes				
Cash flow from operating activities before changes in working capital	-23,155	-20,914	-19,135	-20,507
Cash flow from changes in working capital				
Increase (-) / decrease (+) in inventories	128	1 038	286	1 038
Increase (-) / decrease (+) in current receivables	-1,944	-338	-2,190	-154
Increase (+) / decrease (-) in current liabilities	4,781	-561	4,371	-880
CASH FLOW FROM OPERATING ACTIVITIES	-20,190	-20,775	-16,668	-20,503
INVESTING ACTIVITIES				
Acquisition of subsidiary	-85	-165	-85	-5 572
Acquisition of tangible non-current assets	-1,649	-1,097	-673	-435
Acquisition of financial non-current assets	16	-8	-7,910	-3,376
Capitalisation of development expenditure	-12,510	-5,499	-7,871	-4,836
CASH FLOW FROM INVESTING ACTIVITIES	-14,228	-6,769	-16,539	-14,219
FINANCING ACTIVITIES				
Loans raised	0	0	0	5 203
New issue	5,446	39,342	5,446	39,342
Increase (+) / decrease (-) in long-term liabilities	716	-3,454	0	-3,453
Loans raised (committed credit facility)	3,762		3,762	
Dividend paid	0	0	0	0
CASH FLOW FROM FINANCING ACTIVITIES	9,924	35,888	9,208	41,092
CASH FLOW FOR THE YEAR	-24,494	8,344	-23,999	6,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	31,389	23,045	29,415	23,045
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,895	31,389	5,416	29,415

* Subsidiary Biosensor GmbH was acquired 1 November 2007. Comparative data from the preceding year therefore do not exist since the operations of Biosensor GmbH are consolidated from that point in time. Subsidiary Agotaras AB was acquired 15 December 2008 and is consolidated from that point in time. Comparative data from the preceding year therefore do not exist.



Change in Equity (Group)

(SEK thousand)	Restricted equity				Unrestricted equity				Total	Minority interest	Total
	Share capital	Unregistered capital increase	Premium reserve	Legal reserve	Premium reserve	Loss brought forward	Restatement reserve				
Opening equity 2007-01-01	35,328	0	0	176,017	41,312	-199,491	0	53,166	0	53,166	
Converted option programme	247				616			863		863	
New issue	5,082				28,595			33,677		33,677	
New issue paid in, not registered		4,802						4,802		4,802	
Translation difference							2	2		2	
Net result for the year						-25,635		-25,635		-25,635	
Minority interest relating to acquisition								0	5,376	5,376	
Closing equity 2007-12-31	40,657	4,802	0	176,017	70,523	-225,126	2	66,875	5,376	72,251	
Opening equity 2008-01-01	40,657	4,802	0	176,017	70,523	-225,126	2	66,875	5,376	72,251	
Registered new issue, paid in before year-end	686	-4,802			4,116			0		0	
Registered new issue, November 08	3,110				2,336			5,446		5,446	
Set-off issue registered in Jan 09		5,532						5,532		5,532	
Translation difference							5	5		5	
Net result for the year						-28 292		-28 292	-589	-28 881	
Closing equity 2008-12-31	44,453	5,532	0	176,017	76,975	-253,418	7	49,566	4,787	54,353	

Change in Equity (Parent Company)

(SEK thousand)	Restricted equity				Unrestricted equity			
	Share capital	Unregistered capital increase	Premium reserve	Legal reserve	Premium reserve	Loss brought forward	Total	
Opening equity 2007-01-01	35,328	0	0	176,017	41,312	-199,491	53,166	
Converted option programme	247				616		863	
New issue	5,082				28,595		33,677	
New issue paid in, not registered		4,802					4,802	
Translation difference							0	
Net result for the year						-25,031	-25,031	
Closing equity 2007-12-31	40,657	4,802	0	176,017	70,523	-224,522	67,478	
Opening equity 2008-01-01	40,657	4,802	0	176,017	70,523	-224,522	67,478	
Registered new issue, paid in before year-end	686	-4,802			4,116		0	
Registered new issue, Nov 08	3,110				2,336		5,446	
Set-off issue registered in Jan 09		5,532					5,532	
Net result for the year						-23,444	-23,444	
Closing equity 2008-12-31	44,453	5,532	0	176,017	76,975	-247,966	55,012	

**Closely related parties and their shareholdings**

Closely related parties	2008-12-31	2007-12-31		
	Class A shares*)	Class C shares	Class A shares	Class C shares
Pär M Ericson	22,000	–	–	–
Pär M Ericson (closely related)	102,205,708	5,069,400	88,089,023	5,069,400
Ulf Ericsson (closely related)	2,145,490	266,250	1,926,241	266,250
Ulf Ericsson	40,856	–	37,142	–
Olof Lundberg	–	–	–	–
Leif Engström	2,009,900	532,500	2,009,900	532,500
Bengt Hagander (closely related)	102,205,708	5,069,400	88,089,023	5,069,400
Bengt Hagander	15,714	–	5,000	–
Magnus Björkqvist	–	–	–	–
Kristina Elfström (closely related)	5,000	–	5,000	–
Kristina Elfström	444,180	–	429,180	–
Jonas Åkesson	307,800	–	282,800	–
Per Månsson	487,800	–	462,800	–
Thomas Strömberg	–	–	–	–

*) Including BTA shares converted to class A shares during January 2009.

For additional information, contact: Bengt Hagander, President +46 8 706 75 00.

Biosensor Applications® is a Swedish company located in Solna. The company is listed on AktieTorget. Biosensor offers a unique technology for detection of trace substances, based on biotechnological sensors. Both explosives and narcotics are detected simultaneously in very small amounts with a low rate of false alarms. Biosensor's customers are found among police forces, security companies, border control, the armed forces, the criminal justice system and rehabilitation clinics on a world-wide basis.

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