

PRELIMINARY REPORT 1997

- **Net sales increased by 122 percent to MSEK 41.8.**
- **The consolidated operating result was MSEK –3.1.**
- **The consolidated result after financial items was MSEK – 2.4.**

Sales and result

The Group's sales amounted to MSEK 41.8 (18.8) for 1997, an increase of 122 percent over 1996. The increase measured in fixed currency rates¹ was 92 percent. The sales are entirely attributable to the foreign subsidiary Fermentech Medical Ltd.'s sales of Ophthalin™. The Group's sales for the fourth quarter amounted to MSEK 9.0, compared with MSEK 5.5 during the corresponding period of last year.

The consolidated net result for the year was MSEK –2.4 (4.7), which corresponds to SEK -0.25 per share (0.48). The result for the fourth quarter was MSEK –1.5 (-1.1). The Parent Company's result for 1997 was MSEK -4.1 (6.8). Net financial items for 1996 include a non-recurring revenue of MSEK 10.2.

Subsidiaries

Fermentech Medical Ltd.'s result for 1997 amounted to MSEK 1.9 (-1.8). The result for the other subsidiaries; BMPI Liquidating Trust, Gramma Diagnostik AB and TRION AB totaled MSEK -0.2 (-0.3).

Research and Development

Costs for research and development charged against consolidated earnings totaled MSEK 8.7 (7.7), of which MSEK 8.5 (7.2) was charged against Fermentech Medical's result. Corresponding costs in the Parent Company amounted to MSEK 0.2 (0.5).

Investments

The Group's investments in fixed assets totaled MSEK 12.8 (6.5), of which MSEK 9.7 (1.5) was invested in production equipment in Fermentech Medical Ltd. and MSEK 2.9 (5.0) in convertible notes in BioStar, Inc.

¹ The change in fixed currency rates is calculated by using applicable rates for the corresponding period of last year.

Liquidity and Equity Ratio

At the end of the period cash and short-term investments (excluding an unutilized credit line of MSEK 10) amounted to MSEK 9.7 (11.7). The Group's interest-bearing liabilities were MSEK 11.4 (0) at the end of the period. The Group's equity ratio amounted to 78 percent (87). Stockholders' equity per share was SEK 10.2 (10.1).

Employees

The average number of employees in the Group was 29 (27) as of December 31, 1997.

Operations, subsidiaries and part-owned companies

Fermentech Medical Ltd.

Fermentech Medical's sales of Ophthalmic, which is used in cataract surgery, amounted in 1997 to MSEK 41.8 (18.8). The increase measured in fixed currency rates was 92 percent. Sales for the fourth quarter amounted to MSEK 9.0 (5.5), which is according to plan. The result for 1997 amounted to MSEK 1.9 (-1.8). The result for the fourth quarter was MSEK -0.4 (-0.1).

During the year Fermentech Medical made a MSEK 9.7 capital investment in its manufacturing facility. This investment enables Fermentech Medical to fill and package syringes, which allows for complete manufacture of Ophthalmic in-house. The syringe filling and packaging equipment can also be used for other products. The new facility became operational in September and, following scale up and optimisation of the hyaluronan process earlier in the year, resulted in lower manufacturing costs for Ophthalmic in the fourth quarter. Preclinical work is continuing on Fermentech Medical's product for treatment of osteoarthritis, an age-related chronic joint disease. Skandigen owns 97 percent of Fermentech Medical.

SIBIA Neurosciences, Inc.

SIBIA (Nasdaq: SIBI) reported revenues of USD 11.2 million (8.5) for 1997 and a net loss of USD 7.6 million (5.6). SIBIA has commenced a Phase II clinical trial of its proprietary drug for Parkinson's disease. SIBIA's drug discovery targets include, among other things, Parkinson's disease, Alzheimer's disease, epilepsy and stroke. Skandigen owns 10 percent of SIBIA based on the number of shares outstanding.

BioStar, Inc.

BioStar's revenues for 1997 amounted to USD 15.9 million (12.4) with a net loss of USD 1.9 million (3.8). The increase in revenues compared with 1996 is primarily due to an increase in contract revenues following new research contracts. Sales of rapid diagnostics tests decreased 7 percent to USD 10.8 million in 1997 from USD 11.6 million in 1996.

BioStar announced in December the signing of a merger agreement with Cortech, Inc., a Denver-based biopharmaceutical company quoted on Nasdaq (symbol CRTQ). The merger agreement is contingent upon, among other things, approval from the stockholders of both companies. The closing of the merger is anticipated to occur in the second quarter of 1998 and final determination of ownership levels will be made immediately prior to closing. As of December 31, 1997, Skandigen had a total ownership in BioStar of 16 percent based on the number of shares outstanding in BioStar.

Dividend

The Board of Directors proposes that no dividend be paid by the Company for the 1997 fiscal year.

Annual Meeting of Stockholders and financial information

The 1997 Annual Report is scheduled to be published during the week beginning April 20, 1998.

The Annual Meeting of Stockholders will be held on May 5, 1998, at 5 p.m. in Salénhuset, Norrlandsgatan 15, Stockholm, Sweden.

The Interim Report for Jan. – March, 1998, will be published on May 5, 1998.

The Interim Report for Jan. – June, 1998, will be published on August 24, 1998.

The Interim Report for Jan. – September, 1998, will be published on November 2, 1998.

Stockholm, March 2, 1998

Skandigen AB (publ)

Anki Forsberg
President

This report has not been subject to separate examination by the Company's auditors.

For further information, please contact:

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Summary Consolidated Statement of Income

Amounts in SEK 000s, fiscal year ended December 31	1997	1996
Net sales	41 818	18 836
Movement in inventories	-1 657	2 915
Other operating income	279	114
	40 440	21 865
Materials and consumables	-16 874	-8 801
Other external costs	-15 031	-11 724
Costs of personnel	-8 467	-6 665
Depreciation	-3 187	-1 432
Operating result	-3 119	-6 757
Financial income and expense, net*)	666	11 417
Result after financial income and expense	-2 453	4 660
Taxes	-	-
Result for the period	-2 453	4 660

*) 1996 includes a non-recurring revenue of MSEK 10.2.

Summary Consolidated Balance Sheet

Amounts in SEK 000s, December 31	1997	1996
ASSETS		
Fixed assets		
Tangible assets	13 461	6 191
Financial assets	79 696	76 278
Total fixed assets	93 157	82 469
Current assets		
Other current assets	18 678	13 658
Cash and bank deposits	9 708	11 740
Total current assets	28 386	25 398
Total assets	121 543	107 867
EQUITY AND LIABILITIES		
Equity	94 641	93 778
Minority interest	8	4
Provision for the adjustment of biotechnology assets	5 523	5 523
Liabilities	21 371	8 562
Total equity and liabilities	121 543	107 867

Quarterly Summary - Skandigen Group

Amounts in MSEK	4/97	3/97	2/97	1/97	4/96	3/96	2/96	1/96
Operating income	9,2	9,4	15,3	8,0	5,5	2,8	2,8	7,8
Movement in inventories	-0,2	-1,1	-1,0	0,9	1,2	-	2,7	-0,8
	9,0	8,3	14,3	8,9	6,7	2,8	5,5	7,0
Expenses	-10,7	-10,1	-12,1	-10,6	-8,1	-5,7	-7,9	-7,0
Operating result	-1,7	-1,8	2,2	-1,7	-1,4	-2,9	-2,4	0,0
Net financial items*)	0,2	0,1	0,1	0,2	0,3	0,3	0,4	10,4
Result for the period	-1,5	-1,7	2,3	-1,5	-1,1	-2,6	-2,0	10,4

*) The period Jan-March 1996 includes a non-recurring revenue of MSEK 10.2.