



January – September

interim
report

1998

SKANDIGEN

January – September 1998

Net sales amounted to MSEK 32.1 (32.8).

The consolidated operating result was MSEK –2.7 (–1.4).

The consolidated result after financial items was MSEK – 2.2 (–0.9).

A conditional offer to acquire G. Kallstrom & Co AB, Björkman Tigerschiöld Intressenter AB and Björkman Fritzell Tigerschiöld AB was submitted on August 25.

The part-owned company BioStar is in the process of completing a sale of its assets.

THE OFFER

The Board of Skandigen AB decided on August 25 to submit an offer to the shareholders of G. Kallstrom & Co AB, Björkman Tigerschiöld Intressenter AB and Björkman Fritzell Tigerschiöld AB to acquire all the shares in these companies through a directed issue of 47,248,824 shares in Skandigen. Skandigen currently has 9,751,176 shares outstanding and the

issue thus corresponds to 83 percent of the total number of shares following the issue. The principal owners of these companies are Johan Björkman, Christer Brandberg, Lars Fritzell and Dag Tigerschiöld. The offer is conditional on certain terms regarding the sellers' tax situation, among others. The terms are still under investigation. Information material presenting the transaction will be distrib-

uted to Skandigen's shareholders prior to an extraordinary general meeting.

If the transaction is carried out, Skandigen's scope will widen to comprise holdings in Swedish growth companies in other fields with interesting development opportunities, such as electronics, information technology, telecommunications, medical technology and advanced machining. The most significant holdings are:

Holding	Company	Sales 1997, MSEK	Annual sales growth 93–97	1997 result, MSEK
18.6%	Arkivator (OTC quoted)	408	+30%	63
25.0%	Axis AB	522	+41 %	11
47.6%	Mydata Automation AB	437	+31 %	–6
37.3%	Vellinge Electronics AB	342	+29%	28

SKANDIGEN GROUP – SALES AND RESULT

The Group's sales amounted to MSEK 32.1 (32.8) for the period January – September 1998, a decrease of 2 percent over the same period of last year. The decrease measured in fixed currency rates¹ was 10 percent. The sales are attributable to the foreign subsidiary Fermentech Medical Ltd.'s sales of Ophthalin™. The Group's sales for the third quarter amounted to MSEK 10.8, compared with MSEK 9.4 during the corresponding period of last year.

The consolidated net result for the period was MSEK –2.2 (–0.9), which corresponds

to SEK –0.22 per share (–0.09). The result for the third quarter was MSEK –1.1 (–1.7). The Parent Company's result for the period January – September 1998 was MSEK –3.7 (–3.0). The prepaid expenses in the balance sheet include MSEK 2.2, among other things for due diligence in connection with the above-mentioned offer.

SUBSIDIARIES

Fermentech Medical Ltd.'s profit for the period amounted to MSEK 1.6 (2.2). The result for the other subsidiaries; BMPI Liquidating Trust, Gamma Diagnostik AB and TRION AB totaled MSEK –0.1 (–0.1).

RESEARCH AND DEVELOPMENT

Research and development costs increased to MSEK 9.5 (6.6), which corresponds to 29 (20) percent of sales. R&D costs were charged mainly against Fermentech Medical's result.

INVESTMENTS

The Group's investments in fixed assets totaled MSEK 1.8 (11.8).

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 14.7 (7.6 at the corresponding date of last

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

year). The Group's interest-bearing liabilities amounted to MSEK 8.7 (11.4) at the end of the period. The Group's equity ratio amounted to 81 percent (78). Stockholders' equity per share was SEK 10.8 (10.2). At the end of June the share capital increased by MSEK 12.5 when all 500,000 outstanding warrants were exercised for subscription to 500,000 series B shares. The number of shares outstanding thus increased to 9,751,176.

EMPLOYEES

The average number of employees in the Group was 30 (29) as of September 30, 1998.

SUBSIDIARIES AND PART-OWNED COMPANIES

Fermentech Medical Ltd.

The subsidiary Fermentech Medical's sales of Ophthalin, which is used in cataract surgery, were MSEK 32.1 (32.8) during the period. Measured in fixed currency rates sales decreased by 10 percent. Sales for the third quarter amounted to MSEK 10.8 (9.4). Sales are in a build-up phase in a number of countries outside Europe, where the degree of market penetration is of importance for the sales trend. The crisis in Asia and Latin America and lower prices have a negative impact on the trend. Fermentech's profit for the period was MSEK 1.6 (2.2). The result for the third

quarter was MSEK -0.1 (-0.7) due to higher costs mainly for clinical trials of the company's hyaluronan product for treatment of osteoarthritis. The trials are continuing according to plan with the aim of obtaining product registration in the EU during the first half of 1999. Skandigen owns 97 percent of Fermentech Medical.

SIBIA Neurosciences, Inc.

SIBIA Neurosciences, Inc. has not yet submitted its report for the third quarter. SIBIA's drug discovery targets include, among other things, Parkinson's disease, Alzheimer's disease, epilepsy and stroke. The clinical trials (Phase I and II, respectively) of its drug candidate for treatment of Alzheimer's and Parkinson's disease are progressing according to plan. Skandigen owns 10 percent of SIBIA based on the number of shares outstanding.

BioStar, Inc.

BioStar is in the process of completing the sale of its assets to Thermo BioAnalysis Corporation. According to the agreement, Thermo BioAnalysis will acquire the assets for approximately USD 25 million and assume certain of BioStar's liabilities. BioStar's Board of Directors, which is dominated by representatives of the venture capital firms that own a majority in BioStar, has elected to sell the assets instead of taking part in financing of

the increased resource requirements that follow from the company's continued growth.

Skandigen owns, directly and indirectly through the subsidiary BMPI Liquidating Trust, about 16 percent in BioStar based on shares outstanding. The holding, which comprises shares and notes, has a book value of MSEK 24.1 in the Group and MSEK 55.0 in the Parent Company. A sale is not expected to impact the result accounted for in the Group based on currently available information. The net loss in the Parent Company is estimated at approximately MSEK 11 after the adjustment provision of MSEK 21.3 has been dissolved. The loss will be charged against the fourth quarter result. Skandigen is expected to receive a cash addition of approximately MSEK 24, of which about MSEK 19 will be paid upon the closing expected to be held in November and the rest over a two-year period unless the funds are used for claims for indemnification.

Stockholm, November 2, 1998

Skandigen AB (publ)


Anki Forsberg
President

Quarterly Summary – Skandigen Group

Amounts in MSEK	3/98	2/98	1/98	4/97	3/97	2/97	1/97
Operating income	10.9	11.3	10.2	9.2	9.4	15.3	8.0
Movement in inventories	0.2	1.3	-1.8	-0.2	-1.1	-1.0	0.9
	11.1	12.6	8.4	9.0	8.3	14.3	8.9
Expenses	-12.4	-11.6	-10.8	-10.7	-10.1	-12.1	-10.6
Operating result	-1.3	1.0	-2.4	-1.7	-1.8	2.2	-1.7
Net financial items	0.2	0.1	0.2	0.2	0.1	0.1	0.2
Result for the period	-1.1	1.1	-2.2	-1.5	-1.7	2.3	-1.5

Summary Consolidated Statement of Income

Amounts in SEK 000s	1998 Jan.–Sept.	1997 Jan.–Sept.	1997 Jan.–Dec.
Net sales	32,132	32,781	41,818
Change in inventories	–223	–1,419	–1,657
Other operating income	206	119	279
	32,115	31,481	40,440
Raw materials and consumables	–9,142	–13,586	–16,874
Other external costs	–14,921	–10,828	–15,004
Personnel costs	–7,991	–6,125	–8,467
Depreciation	–2,779	–2,319	–3,187
Operating result	–2,718	–1,377	–3,092
Financial income and expense, net	526	453	639
Result after financial items	–2,192	–924	–2,453
Taxes	–	–	–
Net result for the period	–2,192	–924	–2,453

Summary Consolidated Balance Sheet

Amounts in SEK 000s	Sept. 30, 1998	Sept. 30, 1997	Dec. 31, 1997
ASSETS			
Fixed assets			
Tangible assets	12,710	13,077	13,461
Financial assets	79,909	79,696	79,696
Total fixed assets	92,619	92,773	93,157
Current assets			
Other current assets	23,365	19,553	18,678
Cash and bank balances	14,707	7,649	9,708
Total current assets	38,072	27,202	28,386
Total assets	130,691	119,975	121,543
EQUITY AND LIABILITIES			
Equity	105,632	94,175	94,641
Minority interest	8	–	8
Provision for the adjustment of the value of biotechnology assets	5,523	5,523	5,523
Liabilities	19,528	20,277	21,371
Total equity and liabilities	130,691	119,975	121,543

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

For further information, please contact: Anki Forsberg, President Skandigen AB, tel +46 8 796 95 90.

The 1998 preliminary results will be published on February 22, 1999.