

BIOINVENT INTERIM REPORT 1 JANUARY - 30 JUNE 2002

- ☐ **BioInvent acquires the rights** to develop and commercialise a new type of drug against HIV.
- ☐ **New collaboration agreements** with CellControl Laboratories AG and Pharmacia Diagnostics AB will result in high capacity utilisation in the production facility.
- ☐ **In a directed new share issue** Oxford GlycoSciences Plc subscribed for 1,331,251 new shares at a price of SEK 39.06 per share. The payment injected funds of SEK 52 million into BioInvent.
- ☐ **Net revenue for January – June 2002** increased to SEK 40.3 million (28.6).
- ☐ **Cash flow from current operations and investment activity, January – June 2002** amounted to SEK 4.1 million (-22,4). Liquid funds at end of period: SEK 394.8 million
- ☐ **Loss after net financial items January – June 2002** amounted to SEK –23.9 million (-22.5).

Strong financial development

Operations BioInvent develops and manufactures antibody-based drugs and research tools. BioInvent's technology platform covers the entire development chain; from library technology for fast and efficient selection of human antibodies to manufacture in a facility that is approved for manufacturing biological drugs.

This platform is the starting point for development partnerships with international pharmaceutical and biotech companies. BioInvent has entered into agreements with, among others, Antisoma, GlaxoSmithKline, Igeneon, ImmunoGen, Novo Nordisk, Pharmacia and Oxford GlycoSciences.

BioInvent acquires the rights to develop and commercialise a new type of drug against HIV

After the end of the reporting period BioInvent acquired the rights to develop antibody-based drugs against a group of target structures associated with the HIV virus. The aim is to substantially reduce the number of virus particles in the patient's blood.

It is assessed that the prospects are good that the development of resistance in conjunction with the treatment can be avoided. This is a major problem with current treatments.

The rights were acquired from Thymon LLC, New Jersey, USA. BioInvent will pay an initial fee for access to the rights, progress-related milestone payments as well as royalties on sales of the finished product.

The agreement is a further step towards realising the Company's strategy: to build a portfolio of drug candidates based on the unique knowledge and technology platform that the Company has at its disposal.

Two new collaboration agreements During the period BioInvent has signed two new agreements for production collaboration.

One covers large-scale production of the German company CellControl Laboratories AG's antibody ACA-125. This antibody is used in a tumour vaccine against ovarian cancer that is currently undergoing clinical studies. Under the agreement BioInvent will carry out process qualification and cGMP production (current Good Manufacturing Practice) for Phase III studies of the vaccine, including regulatory support.

The second agreement concerns large-scale production of a monoclonal antibody product for Pharmacia Diagnostics AB, a world-leader in the laboratory diagnosis of allergies. Under the agreement BioInvent will carry out large-scale cGMP production, i.e. cell culture and purification, of an antibody destined for the company's in vitro diagnostics.

Both agreements strengthen BioInvent by contributing to high capacity utilisation in the production facility.

Strategy reflected in new organisation Prior to its stock exchange listing in 2001 BioInvent set out a strategy of building up its own portfolio of drug candidates in the longer term. The integrated platform is essential if this is to be achieved. A further requirement is access to target structures suitable for treatment with antibody-based drugs.

In order that the strategy may have even greater impact in the business, BioInvent is now carrying out a reorganisation in which the subsidiaries BioInvent Therapeutic AB and BioInvent Production AB will be merged with the parent company. This will create a single organisational unit focusing on projects which integrate the full range of the Company's knowledge and technology.

New share issue injects SEK 52 million The Annual General Meeting approved the Board's decision on a directed share issue to Oxford GlycoSciences Plc (OGS). The issue encompassed 1,331,251 new shares at a price of SEK 39.06 per share, totalling SEK 52 million.

Intellectual property During the period BioInvent submitted two new patent applications in respect of potential target structures for the treatment of cancer. In addition, the Company has acquired a non-exclusive licence from Biosite Inc. to practice phage display of antibody fragments from BioInvent's antibody library.

Revenue and financial performance

BioInvent continues to report strong growth. Revenue refers to remuneration for development and production collaborations as well as licence fees in respect of n-CoDeR™. The net revenue for the

second quarter increased to SEK 22.3 million compared to SEK 16.8 million for the corresponding period last year. The net revenue for the period January-June increased to SEK 40.3 million (28.6).

The loss after net financial items for the second quarter was SEK -12.2 million compared to SEK -11.0 million for the corresponding period last year. The loss after net financial items for the period January-June amounted to SEK -23.9 million (-22.5). An increase in the Company's research and development capacity and intensified marketing activity have had an impact on the result. The Group's research and development costs for the period January-June amounted to SEK 27.1 million (21.2).

Depreciation according to plan at an amount of SEK 4.8 million (3.2) was deducted from the operating result for the period.

Financial position and cash flow

The cash flow for January-June from current operations amounted to SEK 4.1 million (-22.4). The working capital was increased by payments from customers. The accumulated cash flow for January-June was SEK 56.1 million (249.9). New funds amounting to SEK 52.0 million were injected in conjunction with the new share issue to Oxford GlycoSciences Plc. As of 30 June 2002, the Group had liquid funds at an amount of SEK 394.8 million.

The Group's investments in tangible fixed assets amounted to SEK 4.9 million (15.1). Investments in intangible fixed assets amounted to SEK 9.2 million (-).

The shareholders' equity amounted to SEK 416.5 million at the end of the period. The Company's share capital was SEK 14.7 million divided between 29,475,556 shares with a nominal value of SEK 0.50 per share. As of 30 June, BioInvent had issued warrants equivalent to 1,259,500 shares, of which warrants for 652,650 shares are held by the Company for sale to the employees at market terms.

The equity/assets ratio at the end of the period was 87.9 per cent. The Group has no interest-bearing liabilities.

The Group's accumulated unutilised loss carried forward as of 30 June 2002 was SEK 187 million. BioInvent has not yet reported a taxable profit and does not expect to do so in the near future. No tax claim at any value relating to the loss carried forward has been entered into the accounts.

The parent company

The parent company reported a loss after net financial items of SEK 0.8 million (-3.2) for the period January – June. The parent company has allocated SEK 15 million in conditional shareholders' contributions to BioInvent Therapeutic AB.

Accounting principles

This interim report has been prepared in accordance with the recommendations and guidelines of the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council. The accounting principles and calculation methods are the same as those used in the preparation of the annual report for 2001.

Upcoming financial reports

BioInvent will present the following financial reports:

Interim report for the 3rd quarter	17 October
Financial statement for 2002	February 2003

Lund, 18 July 2002

Svein Mathisen, President and CEO

Consolidated income statement in brief (SEK thousands)

	3 MONTHS 2002 April-June	3 MONTHS 2001 April-June	6 MONTHS 2002 Jan.-June	6 MONTHS 2001 Jan.-June	12 MONTHS 2001 Jan.-Dec.
Net revenue	22,261	16,759	40,289	28,588	58,270
<i>Operating costs</i>					
Cost of goods and services sold	-14,025	-11,235	-25,727	-19,322	-39,863
Sales and administrative costs	-10,279	-6,546	-19,465	-13,193	-27,472
Research and development costs	-14,293	-11,588	-27,077	-21,204	-45,255
Other operating revenue and costs	<u>86</u>	<u>-80</u>	<u>618</u>	<u>-189</u>	<u>63</u>
Operating profit/loss	-16,250	-12,690	-31,362	-25,320	-54,257
Profit/loss from financial investments:	4,004	1,647	7,440	2,856	10,787
Profit/loss	-12,246	-11,043	-23,922	-22,464	-43,470
Earnings per share, average no. of shares SEK					
* Before dilution	-0.43	-0.46	-0.84	-0.97	-1.69
Average no. of shares					
Before dilution (thousands)	28,662	23,776	28,403	23,250	25,697
After full dilution (thousands)*	28,669	23,921	28,413	23,409	25,753

* The outstanding warrants lead to no dilution of earnings per share, as a conversion to shares would lead to an improvement of earnings per share

Consolidated balance sheet in brief (SEK thousands)

	2002 30 June	2001 30 June	2001 31 Dec.
<i>Assets</i>			
Fixed assets			
Intangible fixed assets	9,050	-	-
Tangible fixed assets	40,810	34,608	40,508
Current assets			
Inventories etc.	2,412	5,225	1,564
Current receivables	26,585	13,562	29,817
Cash and bank	394,765	391,114	338,662
Total assets	473,622	444,509	410,551
<i>Shareholders' equity and liabilities</i>			
Shareholders' equity	416,494	409,422	388,416
Short-term liabilities	57,128	35,087	22,135
Total shareholders' equity and liabilities	473,622	444,509	410,551

Consolidated cash-flow statement in brief (SEK thousands)

	2002 April-June	2001 April-June	2002 Jan.-June	2001 Jan.-June	2001 Jan.-Dec.
Current operations					
Operating profit/loss	-16,250	-12,690	-31,362	-25,320	-54,257
Depreciation	2,718	1,801	4,780	3,204	7,854
Interest received and paid	<u>4,004</u>	<u>1,647</u>	<u>7,440</u>	<u>2,856</u>	<u>10,787</u>
Cash flow from current operations before changes in working capital	-9,528	-9,242	-19,142	-19,260	-35,616
Changes in working capital	<u>2,541</u>	<u>10,619</u>	<u>37,377</u>	<u>11,970</u>	<u>-13,576</u>
Cash flow from current operations	-6,987	1,377	18,235	-7,290	-49,192
Investment activity					
Investment in intangible fixed assets	-9,243	-	-9,243	-	-
Investment in tangible fixed assets	<u>-4,114</u>	<u>-9,653</u>	<u>-4,889</u>	<u>-15,069</u>	<u>-25,619</u>
Cash flow from investment activity	-13,357	-9,653	-14,132	-15,069	-25,619
Cash flow from operations	-20,344	-8,276	4,103	-22,359	-74,811
Financing activity					
New share issues	<u>52,000</u>	<u>272,172</u>	<u>52,000</u>	<u>272,252</u>	<u>272,252</u>
Cash flow from financing activity	52,000	272,172	52,000	272,252	272,252
Change in liquid funds	31,656	263,896	56,103	249,893	197,441
Liquid funds at end of period	394,765	391,114	394,765	391,114	338,662

Changes in shareholders' equity for the Group (SEK thousands)

	Share capital	Share premium reserve	Other restricted equity	Accumulated loss	Total
Shareholders' equity on 31 December 2000	1,515	186,909	100	-28,890	159,634
Bonus issue	9,846	-9,846			0
New share issue due to utilisation of warrants	461	10,171			10,632
New share issue	2,250	259,370			261,620
Transfer between restricted and unrestricted reserves		-1,434		1,434	0
Profit/loss for the period				-22,464	-22,464
Shareholders' equity on 30 June 2001	14,072	445,170	100	-49,920	409,422
Profit/loss for the period				-21,006	-21,006
Shareholders' equity on 31 December 2001	14,072	445,170	100	-70,926	388,416
Directed new share issue	666	51,334			52,000
Transfer between restricted and unrestricted reserves		-210		210	0
Profit/loss for the period				-23,922	-23,922
Shareholders' equity on 30 June 2002	14,738	496,294	100	-94,638	416,494

The share capital as of 30 June 2002 following the directed new share issue consisted of 29,475,556 shares with a nominal value of SEK 0.50.

Key financial ratios

	2002 30 June	2001 30 June	2001 31 Dec.
Shareholders' equity per share at end of period, SEK			
Before dilution	14.13	14.55	13.80
After full dilution	14.13	14.47	13.77
Number of shares at end of period			
Before dilution (thousands)	29,476	28,144	28,144
After full dilution (thousands)	29,485	28,304	28,200
Equity/assets ratio, %	87.9%	92.1%	94.6%
No. of employees at end of period	119	100	110

I have briefly examined this interim report for the period 1 January 2002 – 30 June 2002 in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR). A brief examination is very limited compared to a full audit. I have found nothing to indicate that this interim report does not meet the requirements of the stock exchange and annual accounts laws.

Lund, 18 July 2002

ERNST & YOUNG AB

*Åke Stenmo
Authorised Public Accountant*

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The report is also available at: www.bioinvent.com

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