

BioPhausia

Preliminary report on 1998 operations

- Following the results of the Phase III studies of krill enzymes for wound debridement, it is clear that the project has a value that is considerably lower than previously assumed.
- Operating expenses in 1999 are less than SEK 2 M per month.
- Following the Swedish Medical Products Agency's approval of RescueFlow[®], an agreement was signed with Pharmalink to market the product in the Nordic countries.
- A patent application for using hyaluronidase to treat traumatic swelling has been approved.
- Research and development costs amounted to SEK 34.9 M (36.2).
- A loss of SEK 47.8 M (loss: 65.1) was posted for 1998.

Research and development

Research and development costs in 1998 amounted to SEK 34.9 M (36.2). The proportion pertaining to clinical research was high.

In January, 1999, following the Swedish Medical Products Agency's approval of RescueFlow[®] in November, applications for marketing authorisations could be submitted in nine more EU countries. The first registrations are expected to be approved in early summer.

An agreement regarding the marketing of RescueFlow[®] in the Nordic countries was signed with Pharmalink Basläkemedel. BioPhausia receives a nonrecurring sum of SEK 1.5 M plus 15 % in royalty. Apoteksbolaget AB has set the price for RescueFlow[®] in Sweden at SEK 790 per unit. Discussions regarding a license agreement for the rest of the world are under way with another party.

Negotiations with conceivable partners for licensing of Krillase[®] continue. Preliminary results of the Phase III studies show that the project has a considerably lower value than was previously estimated.

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The BP-04 project, which aims to facilitate cytostatics penetration in tumours, is developing according to plan. The target of starting clinical studies in the year 2000 is unchanged.

In February, 1999, the patent application for the BP-03 project, the use of hyaluronidase to treat traumatic oedema, was approved in Sweden. BioPhausia owns all commercial rights to this treatment method.

A research co-operation with Active Biotech, Sweden, BP-05, concerns testing the effect of the hyaluronidase enzyme on tumours. The goal of this project, which may have enormous potential, is to jointly test the hypothesis within one year, in order to determine the value of the project.

Personnel

In February, 1999, Erika Kjellberg Eriksson assumed duties as acting president of the company.

On January 1, 1999, the company had 20 (24) employees, of whom 1 (3) in the U.S. subsidiary.

Results

In the U.S., until October 1998, BioPhausia conducted sales of dextran substance and dextran solutions, commissioned by Cooper Surgical Inc. and Pharmalink Basläkemedel, which acquired these operations in 1997. In 1998, this resulted in sales of SEK 12,317,000, producing a gross profit of SEK 1,147,000.

Parent company sales, attributable to the Perfadex[®] product, a low-concentration dextran product for organ preservation prior to transplantation, amounted to SEK 319,000 in 1998.

The consolidated operating loss amounted to SEK 47.7 (loss: 68.2), and the loss after net financial items was SEK 47.7 M (loss: 70.3). Operating expenses in 1999 are less than SEK 2 M per month.

Financial position and investments

The Group's liquid funds at the close of the period amounted to SEK 23.1 M (39.2). The equity/assets ratio was 55.1% (35.0%). The Board is studying future financing possibilities for the research projects.

Group investments in fixed assets amounted to SEK 1,172,000 (1,392,000).

Accounts payable and accounts receivable

Since the BioPhausia Group until further notice is formally responsible for sales of dextran substances, accounts receivable and accounts payable related to these products are included in the accounts. Operations are conducted back-to-back, without effect on earnings.

The Annual General Meeting will be held at 2:00 p.m. on April 26, 1999 in the company's offices in Knivsta, Sweden. Public announcement will be inserted in the daily press and the Swedish Official Gazette, after which registration must be made to BioPhausia in accordance with instructions given in the announcement.

Summary of Consolidated Income Statement (SEK 000's)

	1998	1997
Net sales	12 636	72 432
Cost of goods sold	-11 269	-52 163
Gross profit	1 367	20 269
Selling expenses	-2 522	-18 406
Administrative expenses	-11 638	-9 218
Research and development expenses	-34 913	-36 242
Items affecting comparability	-	-27 990
Exchange profit	1 427	6 350
Exchange loss	-1 455	-2 953
Operating loss	-47 734	-68 190
Interest income and similar revenues	1 487	893
Interest expenditure and similar costs	-1 443	-3 018
Loss after financial items	-47 690	-70 315
Taxes	-87	-5 174
Net loss for the year	-47 777	-65 141

Summary of Consolidated Balance Sheet (SEK 000's)

	1998-12-31	1997-12-31
Fixed assets	46 216	49 232
Other current assets	2 042	3 432
Inventories	75	939
Accounts receivables	17 472	28 778
Liquid assets	23 095	39 281
Total assets	88 900	121 662
Equity	48 957	42 527
Interest-bearing liability	20 000	43 500
Operating liability	19 943	35 635
Total equity	88 900	121 662

Cash Flow Analysis, Group (SEK 000's)

	1998	1997
Operating activities		
Loss after financial items	-47 690	-70 315
Adjustments for non cash items	3 279	3 103
Taxes	-87	5 174
Cash used in operating activities before change in working capital items	-44 498	-62 038
Change in working capital items	-2 132	10 983
Cash used in operating activities	-46 630	-51 055
Investing activities		
Changes in fixed assets	-346	39 732
Financing activities		
Changes in current liabilities	-23 500	6 500
Changes in long-term liabilities	-	-26 495
Changes in deferred taxes	-83	-5 200
Changes in minority share	-	-98
Share issue	54 242	70 156
Translation difference and other differences	131	-321
Cash provided by financing activities	30 790	44 542
Total cash flow	-16 186	33 219
Balance at beginning of year	39 281	6 062
Balance at end of the year	23 095	39 281

Summary of operating profit/loss, Group

	Full year 1998	Q 4 1998	Q 3 1998	Q 2 1998	Q 1 1998	Full year 1997	Q 4 1997	Q 3 1997	Q 2 1997	Q 1 1997
Gross profit/loss	1 367	-72	-290	1 183	546	20 269	2 737	5 671	5 976	5 885
Selling expenses	-2 522	-459	-423	-799	-841	-18 406	-4 495	-4 078	-4 527	-5 306
Admin. cost	-11 638	-2 869	-2 636	-2 492	-3 641	-9 218	-2 151	-1 264	-4 194	-1 609
R&D cost	-34 913	-8 860	-7 741	-7 567	-10 745	-36 242	-11 720	-8 405	-8 127	-7 990
Items affecting comparability	-	-	-	-	-	-27 990	-27 990	-	-	-
Exchange loss/profit	-28	-79	593	327	-869	3 397	292	-183	1 800	1 488
Operating profit/loss	-47 734	-12 339	-10 497	-9 348	-15 550	-68 190	-43 327	-8 259	-9 072	-7 532

Key ratios

	1998	1997
Equity per share, SEK	5.6	6.5
Earnings per share	-5.4	-7.4
Net debt, MSEK	3.1	-4.2
Equity/assets ratio	55.1	35.0

Uppsala February 25, 1999

Erika Kjellberg Eriksson
President

*Based on its contact network and know-how, primarily in connective tissue biology, **BioPhausia** is developing products for licensing to well-established pharmaceutical companies with strong marketing organisations.*

*The product and project portfolio includes **RescueFlow®**, a resuscitation solution, **Krillase®** for the debridement of chronic wounds (clinical phase III), and preclinical projects in the **tumour** and **trauma** treatment areas.*

