



**Perbio Science AB**  
**Interim report**  
**January-September 2002**

**Continued growth despite weaker US dollar**

- Net sales up 19 % to SEK 1,663 (1,396) million
- Operating profit before amortisation of goodwill up 18 % to SEK 306 (260) million
- Profit after financial items up 16 % to SEK 276 (237) million after exchange losses of SEK 4 million (gains of SEK 15 million)
- Net profit up 17 % to SEK 168 (143) million
- The lower growth in profits is because the third quarter experienced exceptionally high sales of amidites with low margins, high relative sales of Cell Culture products, weaker dollar and lower serum sales due to lower serum raw material supply

## **Summary: January-September 2002**

Perbio Science has continued to cement its position in the market. There was strong growth from the Cell Culture and Medical Device divisions and the Bioresearch division's protein chemistry business.

Sales for the period climbed 19% to SEK 1,663 (1,396) million. The Cell Culture and Medical Device divisions posted growth of 32% and 28% respectively, while the Bioresearch division's sales were up 3% on last year with major variations between the different product areas.

The Bioresearch division's protein chemistry business, which is the largest and most important part of Bioresearch, reported growth of 17% in local currency, which we estimate to be above the market growth. Sales from the molecular biology business in Milwaukee were down 1% on last year in local currency but grew strongly during the third quarter and were 50% up on the second quarter this year and 62% up on the third quarter last year. Sales of immunology products were 11% down on last year in local currency.

Relative to last year, the USD was an average of 3 % down against the SEK over the period as a whole and 11.2% down during the third quarter.

The group's gross margin was 1.5 percentage points lower than last year, due primarily to lower amidite prices and an increase in the Cell Culture division's share of the group's overall sales.

The balance sheet has been affected by the weaker USD. The USD exchange rate of SEK 9.28 on 30 September 2002 was down 13% from SEK 10.66 a year earlier and SEK 10.67 at the beginning of this year. The weaker USD has had a positive impact on the return on both equity and capital employed.

Profit before net financial items increased by 19% to SEK 290 (244) million. Net profit climbed 17% to SEK 168 (143) million.

The operating margin fell slightly during the period, due partly to the lower gross margin following changes in the product mix and partly to higher R&D and selling expenses. R&D expenses increased by 39% to SEK 100 (72) million or 6.0% (5.5%) of the group's sales. The main benefactors have been the Bioresearch division and the Cell Culture division's BioProcess Container (BPC) and serum-free cell culture media businesses. All divisions have stepped up their marketing, and the takeover of amidite sales has required the sales and marketing organisation to be expanded.

The board of Perbio Science AB has resolved to make CEO Mats Fischier its chairman and appoint Leland G Foster, currently head of the Cell Culture division, as CEO with effect from 1 November 2002. Leland Foster is a US citizen and approval has been received from the Swedish Companies Register to appoint him as CEO of Perbio Science AB. The reasoning behind this change is the fact that 80% of Perbio's business and workforce are to be found in the USA. A US-based CEO has long been considered a key factor for the group's global growth.

Lynn Quilter, currently the division's financial controller and head of the serum business, has been appointed acting head of the Cell Culture division

## The divisions: January-September 2002

### Bioresearch

Sales totalled SEK 627 (606) million.

Relative to last year, the division's strategically most important business – products for protein analysis – grew by 17% over the period as a whole and 13% during the third quarter in local currency.

Sales of immunology products totalled USD 6.1 (6.9) million, down 11% on last year, due primarily to less profitable product lines being phased out to allow the business to concentrate on its most profitable lines.

Sales from the plant in Milwaukee were around 1% down on the same period last year. Amidite prices remain low. Sales during the third quarter were no less than 50% up on the second quarter in local currency. This is expected to have a negative impact on quarter four sales.

Sales from Milwaukee (USD m):

Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002
6.3	6.5	4.8	3.8	4.4	5.2	7.8

The division's gross margin decreased slightly relative to the same period last year because of the substantial drop in amidite prices. Margins on other products increased, due partly to a higher proportion of sales being channelled through subsidiaries directly to end-customers in Europe, and partly to new products accounting for a higher proportion of sales.

### Cell Culture

Sales rose by 32% to SEK 900 (684) million.

Sales continued to improve in all three-product areas: serum, cell culture media, and bioprocess containers (BPC's). Margins continued to improve in BPC's and cell culture media. Due to the declining supply of serum raw material the cost has increased causing a slight decrease in the margin percent.

The high rate of growth is attributable to increased market share and growing demand for BPC's and production volumes of cell culture media for pharmaceutical production including other process liquids.

The division has continued to step up its investment in research and development in BPC's and specialty cell culture media.

During the third quarter the construction of a new plant for the production of cell culture media in powder form started. The investment increases the production capacity as well as reduces the manufacturing costs. The plant is due to be completed in the second quarter of 2003 at a total cost of around USD 3 million.

A very high number of concrete enquires about the new single-use production system for sterile liquids including cell culture media based on BPC technology were received during the quarter. The new technology offers a strong alternative to traditional production plants and enables customers to rationalize their own production through increased flexibility and reduced capital costs.

Sales of cell culture media from the new plant based on BPC technology are expected to commence in the fourth quarter.

## Medical Device

Sales climbed 28% to SEK 136 (106) million.

The division continued to report strong growth in voice prostheses/heat & moisture exchangers (HMEs) and contract production of obesity products. HMEs were the fastest-growing product group.

The products FreeHands® and TrachPhone® were approved for sale in the USA during the quarter.

## Sales

### Net sales

Perbio Science recorded net sales for the period of SEK 1,663 (1,396) million, an increase of 19% relative to the same period last year. The USD exchange rate averaged SEK 9.93 during the period, down 3.1% from SEK 10.24 last year. A combination of all exchange rates reduced sales by 2.4%. During the third quarter the USD was an average of 11.2% down on last year. A combination of all exchange rates reduced sales by 9.4%.

Net sales and sales growth 2002		
	Jan-Sep	Jul-Sep
Net sales, SEK m	1,663	555
Sales growth, SEK m	264	55
Sales growth, %	19	11
Of which		
Volumes, %	19	15
Acquisitions, %	0	0
Exchange rates/prices, %	0	-4
Growth in local currency	22	20

## Earnings

### Operating profit before amortisation of goodwill

Operating profit before amortisation of goodwill rose 18% to SEK 306 (260) million, corresponding to an operating margin of 18.4% (18.6%). Exchange rates impacted on operating profit in the same way as on net sales.

Research and development expenses increased by SEK 23 million to SEK 100 (77) million, equivalent to 6.0% (5.5%) of net sales.

One time cost of SEK 3 million for CEO Mats Fischier has been included in the third quarter result.

### Profit after financial items

Profit after financial items was SEK 276 (237) million, an increase of 16%. The net financial items figure of SEK -14 (-7) million includes exchange rate losses of SEK 4 million (gains of SEK 15 million).

### Net profit

The net profit for the period was SEK 168 (143) million, an increase of 17%.

### Tax

The tax rate for the period was an estimated 38.5%, which is currently also expected to be the group's tax rate for the 2002 financial year as a whole.

## Other information

### Accounting policies

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation on interim reporting (RR20). The accounts are based on the same accounting policies as the last annual report and on the recommendations from the Swedish Financial Accounting Standards Council entering into force on 1 January 2002. Previous acquisitions have not been restated when applying recommendation RR 1:00.

### Investments

Investments in fixed assets, excluding acquisitions, totalled SEK 94 (69) million. Of this, around SEK 55 (26) million was attributable to plant and buildings under construction. SEK 46 (2) million was invested in acquisitions. Depreciation totalled SEK 53 (54) million.

### Cash flow

Perbio Science generated net cash flow of SEK 66 (58) million and cash flow from operations of SEK 204 (284) million during the period.

### Liquidity

The group had liquid assets of SEK 152 (81) million and unused credit facilities of SEK 361 million at the end of the period. Net interest-bearing debt totalled SEK 320 (427) million.

## **Equity**

Shareholders' equity increased by SEK 41 million to SEK 1,134 (1,093) million during the period. This breaks down into a reduction of SEK 140 million due to translation differences offset by an increase of SEK 13 million from the exercise of warrants and the net profit for the period of SEK 168 million. The equity/assets ratio was 60% at the end of the period.

## **Personnel**

The group had 1,241 (1,041) employees at the end of the period. Acquisitions during the period brought in 30 new staff.

## **Parent company**

The parent company generated net sales of SEK 14 (13) million and a loss after financial items of SEK 8 million (profit of SEK 14 million). It had liquid assets of SEK 105 (46) million and unused credit facilities of SEK 347 (184) million at the end of the period. The company made no investments in equipment during the period and had five employees.

The parent company has injected fresh equity of SEK 66 million into HyClone Laboratories Inc so far this year.

## **Stock options**

The extraordinary general meeting of 27 August 2002 resolved to introduce an incentive scheme for senior officers in the USA involving the issue of 210,000 warrants, equivalent to maximum dilution of 0.6% when fully subscribed. These warrants will entitle the holders to purchase shares in Perbio Science AB in August 2003 at a price of SEK 156.50 each.

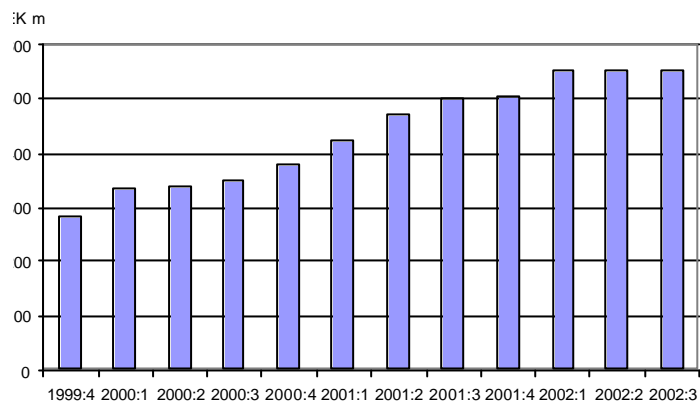
## **Financial information**

11 February 2003	Year-end report 2002
10 April	Annual general meeting
28 April	First-quarter interim report

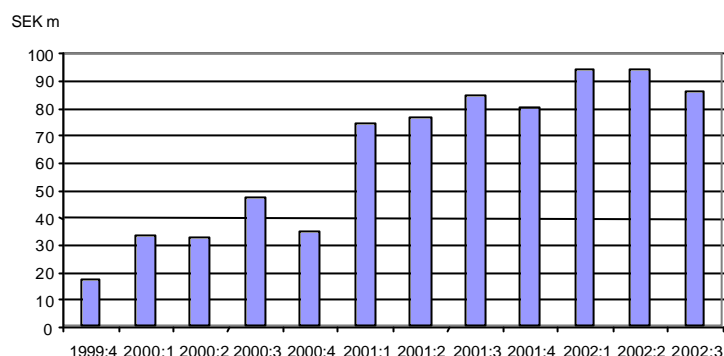
Helsingborg, 23 October 2002

The board of Perbio Science AB

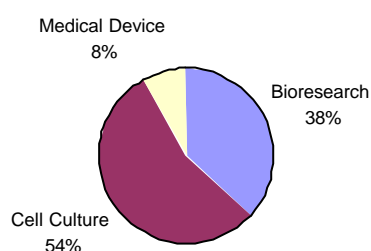
Net sales by quarter



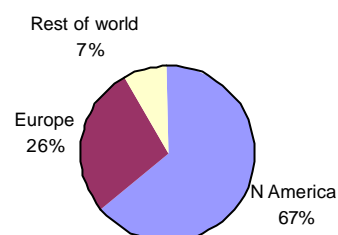
Profit after financial items by quarter



Net sales by division, January-September



Net sales by market, January-September



Net sales by division, SEK m

	Jan-Sep		Jul-Sep	
	2002	2001	2002	2001
Bioresearch	627	606	210	194
Cell Culture	900	684	298	272
Medical Device	136	106	47	34
<b>Total</b>	<b>1,663</b>	<b>1,396</b>	<b>555</b>	<b>500</b>

Growth by division relative to 2001

	Jan-Sep			Jul-Sep		
	SEK m	%	% excluding exchange rate effects	SEK m	%	% excluding exchange rate effects
Bioresearch	21	3	6	16	8	18
Cell Culture	216	32	34	26	10	19
Medical Device	30	28	28	13	38	41
<b>Total</b>	<b>267</b>	<b>19</b>	<b>22</b>	<b>55</b>	<b>11</b>	<b>20</b>

Geographical breakdown of net sales and sales growth relative to 2001

Jan-Sep	2002 SEK m	2001 SEK m	Sales growth SEK m	Sales growth %	Sales growth % excluding exchange rate effects
North America	1 109	932	177	19	22
Europe	442	373	69	18	20
Rest of world	112	91	21	23	26
<b>Total</b>	<b>1,663</b>	<b>1,396</b>	<b>267</b>	<b>19</b>	<b>22</b>

## Key figures

Key figures	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001
Sales growth, %	19	36	35
Gross margin, %	45.4	46.9	47.0
Operating margin before amortisation of goodwill, %	18.4	18.6	18.3
Operating margin, %	17.4	17.5	17.2
Net profit margin, %	10.1	10.2	10.2
Earnings per share, SEK*	4.60	3.96	5.33
Earnings per share, SEK**	4.53	3.85	5.20
Earnings per share before amortisation of goodwill*	5.04	4.40	5.91
Earnings per share before amortisation of goodwill**	4.96	4.28	5.76
Working capital, SEK m	696	712	747
Capital employed, SEK m	1,454	1,464	1,547
Net debt, SEK m	320	427	454
Debt/equity multiple	0.28	0.41	0.42
Equity/assets ratio, %	60	55	55
Equity per share, SEK	30.98	28.57	30.10
Equity per share after full dilution, SEK	31.22	28.98	30.46
Number of shares	36,608,420	36,294,045	36,312,795
Number of shares after full dilution	37,124,670	37,124,670	37,124,670
Return on capital employed, %***	25.9	25.1	24.0
Return on equity, %***	20.1	20.8	20.4
R&D expenses/net sales, %	6.0	5.5	5.6
Capital expenditure, SEK m	94	69	139
Number of employees at the end of the period	1,241	1,041	1,089

\* Based on the average number of shares in issue.

\*\* After full dilution.

1,870,000 warrants were issued in December 1999. These warrants can be exercised up until 1 September 2003. Of the warrants issued, 1,332,500 have been subscribed for. In August 2002 a further 210,000 warrants were issued with a strike price of SEK 156.50. The key figures above are based on 37,124,670 shares, ie they ignore the September 2002 warrant programme. This is because the strike price is significantly above the current share price, the life of the warrants is relatively short at 11 months, and the impact on the group's key figures is limited given maximum dilution of just 0.6%. The strike price for the December 1999 warrants outstanding is SEK 47 and SEK 49. As at 30 September 2002 a total of 816,250 of these warrants had been exercised.

\*\*\* Extrapolated to 12 months on a linear basis.



## Income statement, balance sheet and cash flow analysis

<b>Income statement, SEK m</b>	<b>Jan-Sep 2002</b>	<b>Jan-Sep 2001</b>	<b>Jan-Dec 2001</b>
Net sales	1,663	1,396	1,899
Cost of goods sold	-908	-741	-1 007
<b>Gross income</b>	<b>755</b>	<b>655</b>	<b>892</b>
Selling expenses	-209	-178	-247
General and administrative expenses	-141	-140	-190
Research and development expenses	-100	-77	-106
Other operating revenues and expenses	1	0	-1
<b>Operating income before amortisation of consolidated goodwill</b>	<b>306</b>	<b>260</b>	<b>348</b>
Amortisation of consolidated goodwill	-16	-16	-21
<b>Operating income</b>	<b>290</b>	<b>244</b>	<b>327</b>
Financial net	-14	-7	-9
<b>Income after financial items</b>	<b>276</b>	<b>237</b>	<b>318</b>
Tax	-107	-93	-124
Minority interests	-1	-1	-1
<b>Net income for the period</b>	<b>168</b>	<b>143</b>	<b>193</b>
<b>Earnings per share</b> (see p 8)	<b>4.60</b>	<b>3.96</b>	<b>5.33</b>
<b>Earnings per share after full dilution</b> (see p 8)	<b>4.53</b>	<b>3.85</b>	<b>5.20</b>

<b>Balance sheet, SEK m</b>	<b>30 Sep 2002</b>	<b>30 Sep 2001</b>	<b>31 Dec 2001</b>
Consolidated goodwill	246	289	287
Other intangible fixed assets	41	27	25
Tangible fixed assets	462	415	470
Financial fixed assets	31	69	71
Inventory	573	628	671
Current receivables	379	364	362
Cash and bank balances	152	81	100
<b>Total assets</b>	<b>1,884</b>	<b>1,873</b>	<b>1,986</b>
Shareholders' equity	1,134	1,037	1,093
Minority interests	5	5	5
Provisions	12	7	10
Long-term liabilities	482	544	592
Current liabilities	251	280	286
<b>Total shareholders' equity and liabilities</b>	<b>1,884</b>	<b>1,873</b>	<b>1,986</b>
Pledged assets	None	None	None
Contingent liabilities	7	93	8

Cash flow analysis, SEK m		
	Jan-Sep 2002	Jan-Sep 2001
Income after financial items	276	237
<i>Adjustment for non-cash items</i>		
Amortisation of consolidated goodwill	16	15
Depreciation	53	54
Tax paid	-141	-107
<i>Changes in working capital</i>		
Inventory	24	-62
Other operating assets	-38	107
Operating liabilities	14	40
<b>Cash flow from operations</b>	<b>204</b>	<b>284</b>
<i>Investment activities</i>		
Capital expenditure	-94	-69
Acquisition of businesses*	-46	-2
Financing activities	2	-155
<b>Net cash flow for the period</b>	<b>66</b>	<b>58</b>
Cash at the beginning of the period	100	55
Translation differences	-14	-32
Cash at the end of the period	152	81

\* Includes acquisitions of inventory and tangible fixed assets.

## Reconciliation of movements in shareholder's equity

Group, SEK m	Share capital	Restricted equity	Nonrestricted equity	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001
Equity at the beginning of the period	182	335	576	1,093	798	798
New issues	1	12		13	19	20
Transfers between restricted and non-restricted equity		19	-19	0		0
Net profit for the period			168	168	143	193
Translation differences		-99	-41	-140	77	82
<b>Equity at the end of the period</b>	<b>183</b>	<b>267</b>	<b>684</b>	<b>1,134</b>	<b>1,037</b>	<b>1,093</b>

<b>Income statement by quarter, SEK m</b>	<b>Q3 2000</b>	<b>Q4 2000</b>	<b>Q1 2001</b>	<b>Q2 2001</b>	<b>Q3 2001</b>	<b>Q4 2001</b>	<b>Q1 2002</b>	<b>Q2 2002</b>	<b>Q3 2002</b>
Net sales	353	380	425	471	500	503	552	556	<b>555</b>
Cost of goods sold	-199	-210	-226	-249	-266	-266	-298	-301	<b>-309</b>
Gross income	154	170	199	222	234	237	254	255	<b>246</b>
Selling expenses	-42	-49	-55	-60	-63	-69	-70	-70	<b>-69</b>
General and administrative expenses	-38	-45	-44	-48	-48	-50	-47	-45	<b>-49</b>
Research and development expenses	-25	-25	-24	-27	-26	-29	-33	-34	<b>-33</b>
Other operating revenues and expenses	3	-2	2	-1	-1	-1	0	0	<b>1</b>
Operating income before amortisation of consolidated goodwill	52	49	78	86	96	88	104	106	<b>96</b>
Amortisation of consolidated goodwill	-6	-4	-5	-5	-6	-5	-5	-5	<b>-6</b>
Operating income	46	45	73	81	90	83	99	101	<b>90</b>
Financial net	2	-10	2	-4	-5	-2	-4	-6	<b>-4</b>
Income after financial items	48	35	75	77	85	81	95	95	<b>86</b>
Tax	-18	-14	-30	-30	-33	-31	-37	-36	<b>-34</b>
Minority interests	0	0	0	0	-1	0	0	-1	<b>0</b>
Net income for the period	30	21	45	47	51	50	58	58	<b>52</b>

## Information on Perbio Science

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More information on Perbio Science can be found on the company's website at [www.perbio.com](http://www.perbio.com).

This interim report has not been reviewed by the company's auditors.

Perbio Science AB is a listed Swedish biotechnology company with research institutes, pharmaceutical companies and diagnostics companies as its customers. The USA accounts for the bulk of its business. Perbio Science develops products in the Bioresearch, Cell Culture and Medical Device fields. The group has 1 241 employees and offices in Sweden, the USA and a number of other countries. Its head office is in Helsingborg, Sweden.