

# R e p o r t f o r t h e f i r s t q u a r t e r 2 0 0 3

## Biora AB (publ)

April 25, 2003

	1st Qtr 2003	1st Qtr 2002	Full Year 2002
Net sales, SEK million	34.6	35.0	129.7
Operating result, SEK million	1.4	-1.0	-0.9
Net result, SEK million	1.4	-0.7	0.7

- On April 7, 2003, Straumann Holding AG announced a public offer to the shareholders and warrant holders of Biora AB. Biora's Board of Directors unanimously recommends that Biora shareholders accept the cash offer of SEK 17 per ordinary share.
- Sales during the first quarter 2003 amounted to SEK 34.6 million (compared to SEK 35.0 million for the first quarter 2002).
- Significant negative impact on sales during the first quarter 2003 due to the decline in the U.S. dollar exchange rate compared to the first quarter 2002.
- Net income during the first quarter 2003 was SEK 1.4 million (compared to a net loss of SEK 0.7 million for the first quarter 2002).
- Net change in cash for the first quarter 2003 was SEK –4.2 million (compared to SEK –3.5 million for the first quarter 2002).

*Biora develops, manufactures and sells biotechnology-based products to dentists. Its principal product, Emdogain® Gel, which is approved for sale in Europe, North America and Japan among others, naturally regenerates the tooth-supporting structure that the tooth has lost due to periodontitis. Biora's shares are listed on the "O-list" of the Stockholm Stock Exchange in Sweden.*

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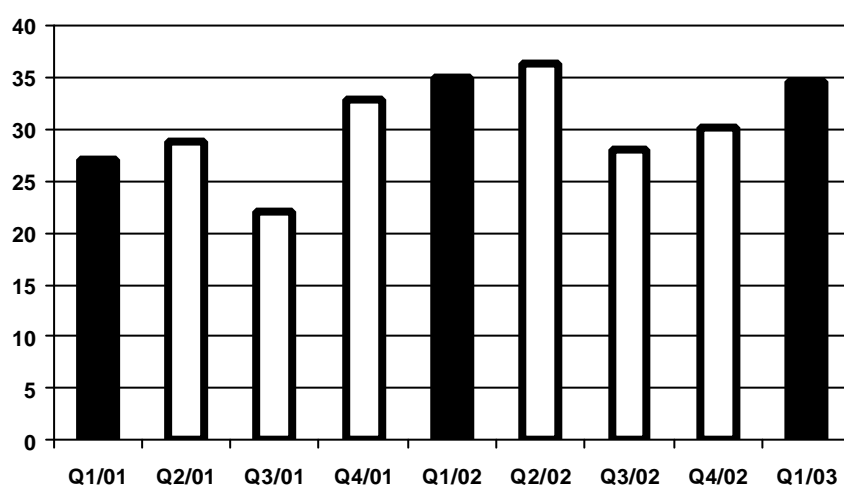
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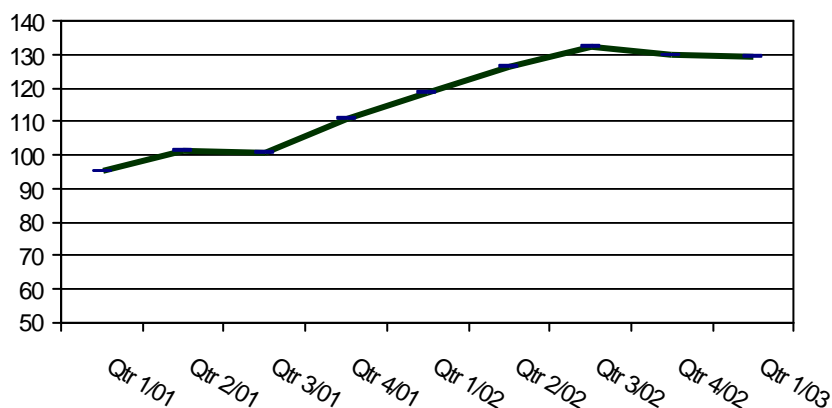
## Report for the first quarter 2003.

Biora's net sales for the first quarter 2003 amounted to SEK 34.6 million (SEK 35.0 million). This represents a decrease in revenue of one percent (a 9 percent increase in local currencies) compared to the first quarter 2002. The most significant reasons for the decrease in sales during the first quarter was a 19 percent decline in the U.S. dollar exchange rate and less significant deliveries of EmdogainGel to Japan this quarter.

*Sales by quarter, SEK million*



*Moving annual sales reported by quarter,  
Q1 2001 – Q1 2003, SEK million*



*(Throughout this report, figures for the comparable period in year 2002 are noted in parentheses immediately following the year 2003 figures.)*

## SALES

### ***A sales increase in the US market of 23 percent in US dollar***

The United States is Biora's single largest market. Sales during the first quarter 2003 were SEK 16.3 million (SEK 16.3 million). Compared to the same period last year Biora showed a sales increase of 23 percent measured in US dollars. The decline in the US dollar exchange rate eliminated the US sales increase when measured in SEK.

### ***Sales growth of 21 percent in the German market***

Germany is Biora's largest market in Europe. Sales during the first quarter 2003 amounted to SEK 7.9 million (SEK 6.6 million), an increase of 21 percent in SEK as well as in Euros compared to the corresponding period in 2002. Comparatively, sales during the first quarter 2003 were positively affected by the significant sales of EmdogainGel at the largest European dental congress (IDS), occurring every second year, which took place in Germany in March.

### ***Sales in Japan***

Biora's deliveries to Seikagaku, its Japanese partner, during the first quarter 2003 amounted to SEK 2.8 million (SEK 4.2 million). Comparatively, sales during Q1, 2002 were greater as Seikagaku built-up inventory for the reintroduction of the product in the Japanese market and for the launch of EmdogainGel in April 2002. Seikagaku has successfully introduced EmdogainGel to existing customers and has also gained a significant number of new customers.

## RESEARCH AND DEVELOPMENT

Biora's research efforts are focused on expanding the indications for EmdogainGel and on developing new, proprietary products for the dental market.

Biora is awaiting a response from the U.S. Food and Drug Administration (FDA) for the indications relating to recession defects as well as furcation defects (periodontal defects between the dental roots). An FDA approval letter was received during the fourth quarter last year for the furcation indication, which was conditional on the receipt of supplementary statistical information. Biora submitted the requested information during the first quarter this year.

Ongoing research projects are progressing as follows:

- An enamel matrix protein-based product for use in endodontic therapy (treatment of the dental pulp) – a phase I trial was finalized during the fourth quarter of 2002 and the analysis of the results is ongoing.
- As Biora announced in the Year End Report of 2002, phase II of the project involving Biora's patent-protected pharmaceutical product to treat xerostomia (dry mouth) is planned to be initiated in the third quarter 2003. Medpharma and Biora have agreed to further develop the xerostomia product through the phase II clinical trial. In April this year, Biora received a partial license fee payment from Medpharma of USD 50,000. Biora has additional license fees due of approximately USD 450,000 that Medpharma has agreed to pay by June 13, 2003.

## OTHER INFORMATION

***Biora's Board of Directors unanimously recommends the public offer from Straumann***

On April 7, 2003, Straumann Holding AG announced a public offer to the shareholders of and to the holders of warrants issued by Biora. Straumann is offering SEK 17 per ordinary share of Biora and SEK 1.50 for each employee warrant issued by Biora. Biora's Board of Directors retained Enskilda Securities to evaluate the offer and Enskilda Securities has concluded that the offer is fair from a financial standpoint. The offer by Straumann of SEK 17 per ordinary share implies a premium of approximately 47 per cent compared to the average closing price of Biora shares during the 30 trading days prior to the announcement of the offer. Based on this premium, as well as the fairness opinion provided by Enskilda Securities, the Board unanimously recommends that Biora shareholders and warrant holders accept the Straumann offer. Additional information regarding the offer from Straumann including the prospectus is planned to be distributed soon.

***Launch of the recession indication in Europe***

Biora will shortly launch EmdogainGel for the recession indication (exposed root surfaces) in the European markets. Aesthetic soft tissue procedures are well established in the United States and Biora believes that the number of these procedures is now increasing in Europe due to improved surgical techniques and increased patient demand. The use of EmdogainGel as an adjunct to current conventional procedures for soft tissue coverage increases the quality of the newly regenerated attachment and thereby improves the potential for long-term success.

***Biora's Presence at Europerio IV***

Europerio is the largest periodontal scientific meeting in Europe. The conference is held every third year in different locations throughout Europe. This year's meeting will take place in Berlin in June. EmdogainGel will be included as part of the main scientific program. Additionally, Biora has organized several scientific sessions where experienced customers will present their clinical findings from the use of EmdogainGel in the treatment of periodontal defects as well as clinical results from the use in recession and furcation defects.

***Changes to Biora's Board of Directors***

The Biora Board has been advised that at the Company's Annual General Meeting on April 29<sup>th</sup>, 2003 Jan Kvarnström and Lennart Jacobsson will decline to seek re-election as Directors due to changes in their working conditions. Jan Kvarnström has been a member of the Board since January 2002 and Lennart Jacobsson has been the deputy Board member since 1987. Due to the Company's current strategy and the broad experience of the other six Directors on the Biora Board, there are no plans to nominate new Directors at this time. However, a new deputy board member will be nominated at the Annual General Meeting.

**FINANCIAL INFORMATION*****Net sales***

The Group's net sales during the first quarter 2003 decreased to SEK 34.6 million (SEK 35.0 million). This amounts to a decrease of 1 percent (a 9 percent increase in local currencies).

***Results***

Gross profit during the first quarter 2003 was SEK 27.4 million (SEK 28.2 million). The decrease is primarily attributed to decreased sales, expressed in SEK, in the US and Japan. Another reason for the lower gross profit was a decrease in the gross margin to 79.2% (80.5%).

The operating result during the first quarter 2003 amounted to a profit of SEK 1.4 million (SEK 1.0 million loss). This improvement in the operating result is due to a reduction in the operating expenses. Selling expenses decreased by SEK 3.1 million and research and development expenses decreased by SEK 1.7 million. Administrative expenses during the first quarter 2003 increased by SEK 0.1 million. Other expenses include SEK 1.4 million for expenditures related to the negotiations with Straumann Holding AG.

The financial net for the first quarter 2003 amounted to a profit of SEK 0.1 million (SEK 0.3 million).

The net income during the first quarter 2003 was SEK 1.4 million (SEK 0.7 million loss) corresponding to a profit of SEK 0.06 per share (SEK 0.03 loss) calculated on the average number of shares outstanding (23,753,800).

### ***Capital expenditures***

Capital expenditures for long-term tangible assets and patents during the period totaled SEK 0.4 million (SEK 0.4 million).

### ***Financial position***

The net change in cash and cash equivalents during the first quarter 2003 was negative SEK 4.2 million (negative SEK 3.5 million). During the period, Biora repaid a royalty fee amounting to SEK 1.6 million to AstraZeneca. Biora's liability to AstraZeneca relating to prior year royalties at the end of the reporting period is SEK 8.1 million of which Biora plans to repay SEK 4.9 million during 2003 and SEK 3.2 million during 2004.

At the end of the reporting period the Group's liquid funds amounted to SEK 47.2 million (SEK 51.3 million), the equity/assets ratio was 65.9 percent (64.9 percent) and the Group's equity amounted to SEK 57.7 million (SEK 56.2 million).

### ***Employees***

As of March 31, 2003, the Group had 75 employees, compared to 78 as of December 31, 2002.

### ***Accounting principles***

The accounting principles used in this report for the period are the same as those used in the 2002 annual report.

### ***Forecast***

The sales growth in local currency for 2003 is expected to be in line with the growth achieved in 2002.

### ***Upcoming financial information***

Biora will publish financial information on the following dates:

Annual General Meeting, Malmö	April 29, 2003
Interim Report for the first half of 2003	August 7, 2003
Interim Report for the first nine months of 2003	October 30, 2003

Malmö, April 25th, 2003

*Donna Janson, President and CEO*

Biora's auditors have not audited this report.

*Biora AB has registered the trademarks Emdogain® and PrefGel™. In this report these registrations are only publicized in this paragraph.*

*This report may contain certain forward-looking statements that relate to future events or future business and financial performance. Such statements can only be predictions and the actual events or results may differ from those discussed. The Company cautions that these statements are subject to important factors that could cause actual results to differ materially from those expressed or implied in such forward-looking statements and are more fully discussed in periodic reports filed with the Securities and Exchange Commission.*

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## CONSOLIDATED STATEMENTS OF OPERATIONS

(Swedish GAAP unaudited) 1)	2003 1th Qtr (KSEK)	2002 1th Qtr (KSEK)	2002 Full year (KSEK)
Net sales	34 601	35 006	129 736
Costs of goods sold	-7 193	-6 814	-23 014
<b>Gross profit</b>	<b>27 408</b>	<b>28 192</b>	<b>106 722</b>
Selling expenses	-16 139	-19 215	-68 982
Administrative expenses	-5 462	-5 319	-21 474
Research and development costs	-2 620	-4 344	-16 686
Other operating income and expenses 2)	-1 804	-321	-448
<b>Operating result</b>	<b>1 383</b>	<b>-1 007</b>	<b>-868</b>
Financial net	146	346	1 565
<b>Result after financial items</b>	<b>1 529</b>	<b>-661</b>	<b>697</b>
Income tax 3)	-80	-50	-16
<b>Net income for the period</b>	<b>1 449</b>	<b>-711</b>	<b>681</b>
<b>Profit/loss per share 4)</b>	<b>0.06</b>	<b>-0.03</b>	<b>0.03</b>
Number of shares outstanding at the end of the period (000s)	23 754	23 754	23 754
Average number of shares outstanding (000s)	23 754	23 754	23 754

1) Average exchange rate Jan-Mar, 2003, USD/SEK 1 = 8.58, EUR/SEK 1 = 9.19

2) Other operating expenses include KSEK 1 425 for expenses related to the negotiations with Straumann Holding AG.

3) The Company reports no tax income in respect of accumulated losses. Deferred tax assets have been reduced by a valuation allowance to the amount that is "more likely than not" to be realized. The net deferred tax asset is zero.

4) Profit / loss per share have been calculated by dividing the profit / loss for the period by the average number of shares. Since the present value of the options' exercise prices are higher than the net realizable value of the shares, the profit / loss per share before and after dilution are the same.

## CONSOLIDATED BALANCE SHEETS

	Mar 31 2003 (KSEK)	Mar 31 2002 (KSEK)	Dec 31, 2002 (KSEK)
(Swedish GAAP, unaudited) 1)			
Intangible long term assets	8 079	6 901	8 001
Tangible long term assets	1 864	3 315	1 917
Financial long term assets	218	623	217
<b>Total long term assets</b>	<b>10 161</b>	<b>10 839</b>	<b>10 135</b>
Inventories	9 050	7 241	10 961
Current receivables	21 196	21 403	14 191
Bank deposits	-	28 000	-
Cash and bank	47 185	20 020	51 347
<b>Total current assets</b>	<b>77 431</b>	<b>76 664</b>	<b>76 499</b>
<b>Total assets</b>	<b>87 592</b>	<b>87 503</b>	<b>86 634</b>
Shareholders' equity 2)	57 706	55 337	56 215
Provisions	270	296	269
Long term liabilities 3)	-	-	-
Current liabilities 3)	29 616	30 870	30 150
<b>Total shareholders' equity and liabilities</b>	<b>87 592</b>	<b>87 503</b>	<b>86 634</b>

1) Exchange rate March 31<sup>st</sup> 2003, USD/SEK 1= 8.51, EUR/SEK 1 = 9.23

### 2) Change in shareholders' equity

	Share capital	Other restricted equity	Accumu- lated loss	Total 31.03 2003	Total 31.03 2002	Total 31.12 2002
Opening Balance	950	71 551	-16 286	56 215	55 870	55 870
Disposition of loss				-	-	0
Transfer				-	-	0
Change in translation differences		205	-163	42	178	-336
Net Income for the period			1 449	1 449	-711	681
<b>Closing Balance 2003-03-31</b>	<b>950</b>	<b>71 756</b>	<b>-15 000</b>	<b>57 706</b>	<b>55 337</b>	<b>56 215</b>

3) The interest bearing liabilities amounted to zero on March 31, 2003, March 31, 2002 and December 31, 2002.

## STATEMENT OF CASH FLOWS

<b>Consolidated (KSEK)</b> (Swedish GAAP, unaudited)	<b>2003</b> <b>1th Qtr</b>	<b>2002</b> <b>1th Qtr</b>	<b>2002</b> <b>Full year</b>
Net Income for the period	1 449	-711	681
Depreciation and amortization	405	794	3 715
Other adjustments to reconcile net result to net cash flows from operating activities	80	54	247
Change in assets and liabilities	-5 499	-2 879	-720
<b>Net cash used in operating activities</b>	<b>-3 565</b>	<b>-2 742</b>	<b>3 923</b>
Capital expenditures (tangible assets and patents)	-434	-387	-2 856
<b>Net cash used in/ from investing activities</b>	<b>-434</b>	<b>-387</b>	<b>-2 856</b>
Effect of exchange rate changes on cash and cash equivalents	-163	-322	-1 191
<b>Net change in cash and cash equivalents</b>	<b>-4 162</b>	<b>-3 451</b>	<b>-124</b>

## KEY RATIOS

<b>Consolidated</b> (Swedish GAAP, unaudited)	<b>2003</b> <b>1th Qtr</b>	<b>2002</b> <b>1th Qtr</b>	<b>2002</b> <b>Full year</b>	<b>2001</b> <b>Full year</b>	<b>2000</b> <b>Full year</b>
Net sales, (KSEK)	34 601	35 006	129 736	110 677	89 160
Gross margin, % 1)	79.2	80.5	82.3	79.4	76.3
R & D costs, (KSEK) 2)	2 620	4 344	16 686	26 787	42 789
Return on capital employed, % 3)	3.0	-4.8	1.6	-45.5	-83.7
Return on equity, % 4)	2.5	-5.1	1.2	-47.0	-85.4
Equity / assets ratio, % 5)	65.9	63.2	64.9	60.6	55.8
Net debt / equity ratio, % 6)	-81.8	-86.8	-91.3	-92.1	-100.9
Total equity, (KSEK)	57 706	55 337	56 215	55 870	50 915
Average number of shares					
Outstanding, (000s) 7)	23 754	23.754	23 754	22 014	21 204
Equity per share, SEK 7)	2.43	2.33	2.37	2.54	2.40
Result per share, SEK 7)	0.06	-0.03	0.03	-1.14	-3.59
Cash flow per share, SEK 8)	-0.18	-0.15	-0.01	-0.10	-2.78

1) Gross profit divided by net sales.

2) R&D-costs are shown gross, including capitalized costs. During 2003, as well as during 2000, 2001 and 2002, no costs were capitalized under the heading Capitalized R&D costs, which explains why the net and gross costs were equal.

4) Net result divided by average equity.

5) Shareholders' equity divided by total assets.

6) Interest-bearing liabilities less cash and bank deposits divided by shareholders' equity.



7) The dilution effects of outstanding options have not been considered when calculating equity, result and cash flow per share for the years 2000-2003 as the present values of the exercise prices at each year end has been higher than the net realizable value of the shares.

8) Net change in cash and cash equivalents divided by the average number of shares in accordance with note 7).