

# Althin

## INTERIM REPORT FOR ALTHIN MEDICAL AB

1<sup>st</sup> Quarter

January – March 1999

- Group Sales for comparable units totaled SEK 231,7m (231,8).
- Operating income improved to SEK –13,5m (-42,0).
- Income after net financial items totaled SEK –19,7m (-52,0).
- Operating cashflow totaled SEK 4,3m (-50,4)
- Operating gross margin during the first quarter was 31,2% compared to 23,5% for the same period the previous year.
- Order intake for equipment was high during the first quarter.
- Equity ratio was 33,1% (35,0%) , and 33,0% at year-end 1998.

### Sales

Sales for the period totaled SEK 231,7m (254,8). Sales in the divested trading operations that were sold during 1998 totaled SEK 23,0m for the same period previous year. After adjustment for the divested trading operations and changes in exchange rates, sales for the period is comparable to sales for the first quarter the previous year. Divided in geographical areas dialysis sales in total have increased by 2% in Europe, 4% in Americas while sales in Asia have decreased by 19%. Sales have developed especially well in Italy, France and Argentina. On the product side sales for our bicarbonate cartridge, Altracart™, has increased by approximately 64% compared to the previous year. We have also recently received approval from the american FDA (Food and Drug Administration) to sell Altracart™ on the american market.

### Profits

Operating income for comparable units totaled SEK –13,5m (-42,0) and income after net financial items was SEK –19,7 (-52,0). The major reason for the improved result compared to the year before is the effect of the cost reduction programs started during 1998, which have led to decreased costs and improved efficiency. Restructuring costs of SEK 17,3m effected the result for the first quarter of 1998.

Depreciation according to plan for the period was SEK 11,4m (10,6) and the financial net was SEK –6,2m (-10,0).

The financial result for the period has been negatively influenced by the over capacity that still exist in the dialyzer production of the group. The quality of the company's products has improved substantially during 1999. The order intake of dialysis equipment has been high during the first quarter of the year. The result of the first quarter of 1999 was effected by warranty costs related to earlier quality problems in the monitor production.

### **Cash flow**

The operating cash flow was SEK 4,3 (-50,4) for the first quarter 1999 which is an improvement of SEK 54,7m for comparable units. The improvement is mainly related to reductions of inventory and accounts receivable, less investments and an improved result.

### **Action plan**

The Group-wide action plan that was implemented during the second quarter of 1998 to improve the groups operational efficiency, encompassing some of the following projects; improvements in management systems, control systems, capital budgeting, logistics and production areas, a reorganization in the US and consolidating the production of the various product lines. The cost reduction programs are developing according to plan. Manufacturing of machines was, during 1998, transferred to Miami Lakes, USA. During 1999 manufacturing of dialyzers will in its entirety be transferred to Ronneby, Sweden.

The action plan also includes considerable efforts to further improve the quality of machines and dialyzers. During the first quarter these efforts have had a positive effect on both sales and quality costs.

Actions taken to reduce the capital tied up in accounts receivable and inventory has resulted in a capital reduction of SEK 31,3m during the period. We expect a continuous decrease of the capital during 1999.

### **Product development**

Clinical tests of our new polysulphone membrane Althane™ – P.S has been successful and is planned to be introduced to the market during the second half of 1999. There is a substantial interest from other companies in the industry to buy our membranes and our intention is to choose our collaborators during the coming six months. During the first quarter new options, such as Hemodiafiltration (HDF) and sterile filter, for our dialysis machines have been introduced and positively received by the market.

### **Investments**

Investments for comparable units during the period totaled SEK 4,6m (12,4). The investments during the period are mainly related to production equipment.

## **Financial Position**

The equity ratio was 33,1 percent at the end of the period compared to 35,1 percent for the same period the year before, and 33,0 percent at year-end 1998.

The net financial liabilities increased from SEK 399,1m at year-end to SEK 403,7m. Liquid assets including the unutilized portion of approved lines of credit amounted to SEK 133,9m (67,0) which, compared to the same period the previous year, is an increase of SEK 66,9m. Short term liabilities decreased by SEK 71,8m compared to the same period previous year.

## **Number of employees**

The number of employees were 777 by the end of the period compared to 864 at the same time the year before, and 793 by the end of 1998. The decrease in number of employees is related to the restructuring of production and the cost reduction programs implemented during 1998.

## **Forecast for 1999**

The result for 1999 is expected to be improved considerably compared to 1998.

Ronneby May 11, 1999  
ALTHIN MEDICAL AB

Board of Directors

The interim report has not been subject for audit by the company's auditors.

Future reports from Althin Medical AB

Interim report January – June 1999	August 27, 1999
Interim report January – September 1999	November 18, 1999

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**INCOME STATEMENT**

SEK m

	<b>Jan-Mar 1999</b>	<b>Adjusted Jan-Mar 1998</b>	<b>Jan-Mar 1998</b>	<b>Total 1998</b>
Sales	231,7	231,8	254,8	1007,8
Cost of goods sold	-159,5	177,4	-191,7	-755,9
<b>Gross profit</b>	<b>72,2</b>	<b>54,4</b>	<b>63,1</b>	<b>251,9</b>
Sales costs	-31,1	-35,8	-40,1	-160,6
Administration costs	-46,1	-48,1	-50,8	-114,4
Research & Development costs	-8,5	-12,5	-12,5	-50,1
<b>Operating income</b>	<b>-13,5</b>	<b>-42,0</b>	<b>-40,3</b>	<b>-73,2</b>
Net financial items	-6,2	-10,0	-10,0	-25,8
<b>Income after financial items</b>	<b>-19,7</b>	<b>-52,0</b>	<b>-50,3</b>	<b>-99,0</b>
Taxes	-0,3	11,0	10,5	4,1
<b>Net income for the year</b>	<b>-20,0</b>	<b>-41,0</b>	<b>-39,8</b>	<b>-94,9</b>

The column Adjusted Jan-Mar 1998 is excluding the sold trading operations. Some other adjustments have been made for comparable reasons.

**QUARTERLY INFORMATION IN SUMMARY****1999**

Invoiced sales  
Gross profit  
Operating income

**I**  
232  
72  
-13

**1998**

Invoiced sales  
Gross profit  
Operating income

<b><u>I</u></b>	<b><u>II</u></b>	<b><u>III</u></b>	<b><u>IV</u></b>	<b><u>Total</u></b>
255	269	236	248	1008
63	60	53	76	252
-40	3	-20	-16	-73

## BALANCE SHEET

SEK m	Jan-Mar	Jan-Mar	Total
<b>Assets</b>	<b>1999</b>	<b>1998</b>	<b>1998</b>
Intangible fixed assets	58,9	60,2	62,8
Material assets	214,8	230,2	214,1
Other fixed assets	<u>15,4</u>	<u>12,9</u>	<u>15,9</u>
Fixed assets	289,1	303,3	292,8
Inventory	226,2	291,6	244,0
Accounts receivable	258,0	322,1	271,5
Other short-term receivables	<u>56,3</u>	<u>86,2</u>	<u>60,9</u>
Short-term operating assets	540,5	699,9	576,4
<b>Operating assets</b>	<b>829,6</b>	<b>1.003,3</b>	<b>869,2</b>
<b>Financial assets</b>	<b>41,3</b>	<b>20,3</b>	<b>67,8</b>
<b>Total assets</b>	<b>870,9</b>	<b>1.023,6</b>	<b>937,0</b>
<b><u>Liabilities and Equity</u></b>			
Capital stock	24,9	24,9	24,9
Restricted reserve	<u>270,9</u>	<u>267,8</u>	<u>272,9</u>
Restricted equity	295,8	292,7	297,8
Nonrestricted reserve	12,3	106,6	106,2
Net loss	<u>-20,0</u>	<u>-39,8</u>	<u>-94,9</u>
Nonrestricted equity	-7,7	66,7	11,3
<b>Equity</b>	<b>288,1</b>	<b>359,5</b>	<b>309,1</b>
<b>Provision</b>	<b>2,9</b>	<b>1,3</b>	<b>1,4</b>
<b>Financial liabilities</b>	<b>445,0</b>	<b>456,1</b>	<b>466,9</b>
Short-term operating liabilities	134,9	206,7	159,6
<b>Total liabilities and equity</b>	<b>870,9</b>	<b>1.023,6</b>	<b>937,0</b>

Figures for comparison includes sold trading operations. Some adjustments have been made for comparable reasons.

## ANALYSIS OF CASH FLOW IN SUMMARY

<b>SEK m</b>	<b><u>1999-03-31</u></b>	<b><u>1998-03-31</u></b>	<b><u>1998</u></b>
<b>Operating result</b>	<b>-13,5</b>	<b>-42,0</b>	<b>-73,2</b>
Depreciation according to plan	11,4	10,6	47,2
Change in working capital	12,7	-6,5	67,4
Investments	-6,3	-12,5	-40,3
<b>Operating cash flow after investments</b>	<b>4,3</b>	<b>-50,4</b>	<b>1,1</b>

Quarterly figures from previous year have been adjusted for the divested trading operations for comparable reasons.

## KEY INDICATORS

	<b><u>1999-03-31</u></b>	<b><u>1998-03-31</u></b>	<b><u>1998</u></b>
Operating margin, %	-5,8	-15,8	-7,3
Profit margin, %	-8,5	-19,7	-9,8
Investments in long-term operating assets	4,6	12,4	48,0
Equity total assets ratio, %	33,1	35,1	33,0
Net debt-equity ratio (times)	1,4	1,2	1,3
Return on capital employed, %	-11,3	-20,4	-13,3
Result per share after full tax (SEK)	-3,2	-6,4	-15,3
Shareholder's equity per share (SEK)	46,3	57,8	49,7
Number of shares (thousands)	6218	6218	6218