BioPhausia

Interim report January – March 1999

- A further seven EU countries have announced they will approve RescueFlow® for marketing.
- The Annual General Meeting voted unanimously to authorize the Board of Directors to decide on a possible new share issue.
- The Annual General Meeting elected Ulf Holmström and Gösta Jonsson as new Board members.
- The net result for the period amounted to a loss of SEK 9,285,000 (loss: 16,035,000).
- Research and development costs amounted to SEK 6,570,000 (10,745,000).

Krillase®
In mid-April, a smaller study concerning Krillase® was launched. The purpose of the study is to indicate whether intensive wound treatment using Krillase® (4–6 applications per day for a maximum of four days) can clean chronic leg ulcers so effectively that successful skin transplantation can be carried out without delay. The long-term wound healing will also be monitored during a two-month period following the treatment.

RescueFlow®
On May 4, the regulatory authorities in the UK, Germany, France, the Netherlands, Denmark, Finland and Austria announced that they will approve RescueFlow® for marketing, on the basis of the Swedish Medical Products Agency ‘s assessment. The formal national registrations are expected to be gained within 1–3 months.

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RescueFlow® will be marketed in the Nordic countries by Pharmalink Basläkemedel. The first deliveries are expected in June. Negotiations regarding the rest of the world are ongoing.

BP-04

The BP-04 project, aimed at releasing cramp conditions in solid cancerous tumors to facilitate penetration of cytostatics, continues according to plan. Having shown significantly greater absorption of marker substance following treatment with BP-04, trials are under way to investigate the absorption of established cytostatics.

Hyaluronidase (BP-03)

The application for the Swedish patent for use of hyaluronidase to treat interstitial oedema was approved in February.

Co-operation with Q-Med

BioPhausia and Q-Med have signed a co-operation agreement to develop products combining Q-Med's hyaluronic acid technology with BioPhausia's technology for cleansing with krill enzymes**.** The products, which the one party can develop and market based on the common technology, will generate royalty from their sale for the other party.

Decisions at the Annual General Meeting on April 26

The Annual General Meeting decided unanimously to authorize the Board of Directors to decide on a new issue of Series A or B shares. The authorization will be in effect until the next Annual General Meeting. Any issue so authorized may be carried out independently of shareholders' preferential rights. The maximum number of shares that may be issued is 10,000,000.

The Annual General Meeting re-elected Board members Torvard Laurent, Bertil Larsson and Johannes Norrby. Ulf Holmström and Gösta Jonsson were elected to the Board as new members. Past Board members Stellan Lind and Richard Hainsworth declined re-election. At the statutory meeting following the Annual General Meeting, the Board appointed Johannes Norrby as Chairman.

Personnel

The number of employees on March 31 was 17 (22), of whom 1 (2) was in the U.S. subsidiary.

Group results

The period produced a loss of SEK 9,285,000 (loss: 16,035,000). Total depreciation, SEK 804,000, has been distributed among the various functions.

Research and development costs amounted to SEK 6,570,000 (10,745,000) – a 39% reduction compared with the year-earlier period. Depreciation accounted for SEK 655,000 of research and development costs.

Administration costs during the period included the administration costs of the U.S. subsidiary, SEK 514,000. In earlier periods, these costs were reported as sales costs. In the year-earlier period, the subsidiary's costs amounted to SEK 841,000. In addition,

administration costs included a capital loss of SEK 500,000 resulting from the divestment of the product rights to the dextran-based product, Perfadex®.

Financial position and investments

The Group's liquid funds at the end of the period amounted to SEK 15.9 M (8.9 million). The equity/assets ratio was 59.3% (33.6%). Equity per share amounted to SEK 4.50 (4.10). Net debt amounted to SEK 4.1 M. BioPhausia's interest-bearing liabilities consist entirely (SEK 20 M) of a conditional loan from the Swedish Industrial Development Fund.

No investments in fixed assets were made during the period.

Since BioPhausia until further notice is formally responsible for deliveries of dextran substances to Pharmalink Basläkemedel, accounts receivable and accounts payable relating to this relationship are included in the accounts. BioPhausia's role is limited to that of intermediary, and the Company has neither revenues nor costs pertaining to the operations.

Other interim reports for 1999 will be published on August 26 and November 18.

Summary of Consolidated Income Statement (SEK 000´s)

	Jan–March 1999	**Jan-March 1998**
Net sales	163	2 991
Cost of goods sold	-13	-2 445
Gross profit	**150**	**546**
Selling expenses	-	-841
Administrative expenses	-2 853	-3 641
Research end development expenses	-6 570	-10 745
Exchange profit	109	303
Exchange loss	-72	-1 172
Operating loss	**-9 236**	**-15 550**
Interest income and similar revenues	139	259
Interest expenditure and similar costs	-185	-729
Loss after financial items	**-9 282**	**-16 020**
Taxes	-3	-15
Net loss for the year	**-9 285**	**-16 035**

Summary of Consolidated Balance Sheet (SEK 000´s)

	1999-03-31	1998-03-31
Fixed assets	44 363	47 567
Other current assets	2 404	4 892
Inventories	-	990
Accounts receivable	4 050	16 425
Liquid assets	15 902	8 953
Total assets	**66 719**	**78 827**
Equity	39 595	26 481
Interest-bearing liability	20 000	20 000
Operating liability	7 124	32 346
Total equity	**66 719**	**78 827**

Key ratios

Equity per share, SEK *	4.5	4.1
Net debt, MSEK	-4.1	-11.0
Equity/assets ratio	59.3	33.6
Earnings per share SEK *	-1.1	-2.5

* 1998 figures adjusted for share issue in April 1998.

Summary of Cash Flow Analysis, Group (SEK 000´s)

	Jan-March 1999	Jan-March 1998
Cash used in operating activities before change in working capital items	-8 481	-15 245
Change in working capital items	316	8 524
Cash used in operating activities	**-8 165**	**-6 721**
Cash provided by investing activities	**1 030**	**-130**
Cash used in financing activities	**-58**	**-23 477**
Total cash flow	**-7 193**	**-30 328**
Liquid assets at the start of the period	23 095	39 281
Liquid assets at the end of the period	15 902	8 953

Summary of operating profit/loss, Group (KSEK)

	Q 1 1999	Full year 1998	Q 4 1998	Q 3 1998	Q 2 1998	Q 1 1998
Gross profit/loss	150	1 367	-72	-290	1 183	546
Selling expenses	-	-2 522	-459	-423	-799	-841
Admin. cost	-2 853	-11 638	-2 869	-2 636	-2 492	-3 641
R&D cost	-6 570	-34 913	-8 860	-7 741	-7 567	-10 745
Exchange loss/profit	37	-28	-79	593	327	-869
Operating loss	**-9 236**	**-47 734**	**-12 339**	**-10 497**	**-9 348**	**-15 550**

Uppsala May 25, 1999

Erika Kjellberg Eriksson
President

This interim report has not been subject to examination by the company's auditors.

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.*