



Stockholm

February 18th, 2004

Year-end report – 2003

An important year for Biolipox

- International venture-capital companies invest SEK 190 million
- Clinical phase I study successfully concluded – phase II study initiated
- Strengthened – and expanded – project portfolio
- Stronger focus on research operations through establishment of an in-house research unit at the Karolinska Institutet
- Large increase in number of chemists – intensified search for drug candidates
- Biolipox extend cooperation in drug development
- Torbjörn Bjerke assumes position as President & CEO
- Håkan Åström elected Chairman of the Board
- Net sales amounted to SEK 0 (0)
- Result after tax amounted to a loss of SEK 63.3 million (loss 35.7)
- Earnings per share amounted to a loss of SEK 72.46 (loss 37.70)

Biolipox's year-end report for 2003 is presented on the following pages.

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Fourth quarter 2003

- Net sales amounted to SEK 0 (0)
- Result after tax amounted to a loss of SEK 18.5 million (loss 10.7)
- Earnings per share amounted to a loss of SEK 20.84 (loss 11.20)



2003 – an important year for Biolipox

International venture-capital companies invest SEK 190 million

At year-end 2002, a new share-issue decision was reached whereby a total of SEK 190 million was conveyed to Biolipox by Apax Partners (one of the world's largest venture-capital companies), HealthCap, Sofinnova Partners, Crédit Lyonnaise Private equity and Auriga Partners. Of this amount, Biolipox received SEK 95 million at year-end 2002, with the remaining SEK 95 million released to the company during February 2004. The funds provided are to be used primarily to accelerate the drug development projects into clinical phase.

Clinical Phase I study successfully concluded – Phase II study initiated

New nasal spray for treatment of rhinitis in clinical phase

During the year, Biolipox successfully performed a phase I study on a new nasal spray for treating allergic and non-allergic rhinitis. Results were favourable and, in December, a clinical phase II study was initiated in patients suffering from rhinitis, the results of which should be available by mid-2004.

Rhinitis gives rise to an inflamed swelling in the mucous membranes of the nose, which can result in nasal congestion, itch, and sneezing. Rhinitis can be allergic or non-allergic, with an incidence having increased sharply during the past 25 years. It is estimated that approximately 25 percent of the global population is afflicted. The total market for allergic and non-allergic rhinitis drugs is valued at about SEK 65 billion

Strengthened – and expanded – project portfolio

Selective prostaglandin inhibitor – an efficacious anti-inflammatory medicine with few side effects

The project is aimed at the development of a new effective medicine for inhibiting pain, inflammation and fever, with fewer side effects than existing drugs. The project is based on the discovery of a new mechanism of action that enables selective blocking of a specific enzyme, which is central to various inflammatory processes.

The non-steroidal anti-inflammatory drugs of today (NSAIDs, e.g. aspirin) are so called cyclo-oxygenase inhibitors (COX-inhibitors), which means that they block the first step in the formation of prostaglandins. Since all prostaglandins are blocked, also those that are necessary for the body's proper functioning, this gives rise to side effects. Selective blocking of the formation of the illness-inducing prostaglandin E₂, markedly reduce the risk of side effects. The project is in preclinical development phase. The research results during the year were positive, and the synthesis of drug candidates is now under way.

The total market for COX inhibitors (NSAIDs) is valued at about SEK 70 billion.

Anti-eoxins – an entirely new class of drugs for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD)

Biolipox, through its cooperation with Karolinska Institutet, has a long experience of research in the field of arachidonic acid and its conversion to biologically active substances, including prostaglandins and leukotrienes. The ongoing research within the company has resulted in the discovery of a new group of substances formed from arachidonic acid, and which have been demonstrated to be important in various inflammatory processes.



The anti-eoxin project is aimed at the development of a new generation of drugs for asthma, COPD and other inflammatory diseases. The project is in preclinical development phase. The research results during the year were positive, and the synthesis of drug candidates is now under way.

New drug development project initiated

Yet another project, in the early pre-clinical phase, has been initiated. The project is aimed at developing a drug to inhibit both bronchial constriction and the inflammatory component of asthma.

Asthma is a chronic inflammatory disease which occurs in 6 to 8 percent of the adult population in industrially developed countries. Among children, the prevalence is even higher, with a 10-percent occurrence in most countries. The total market for asthma is valued at about SEK 90 billion.

Chronic Obstructive Pulmonary Disease (COPD) is a permanent pulmonary inflammation (chronic bronchitis), combined with respiratory distress and impaired lung function. Inflammation brings about increased mucous formation, lesions in the airway wall and lung tissue which combined, causes obstruction, that is, a reduced diameter of the airways, thereby restricting air flow. COPD is usually caused by smoking.

COPD is widespread (presently encompassing 22 million Americans, or 7 to 8 percent of the adult population), incurable and a common cause of death. Since COPD is difficult to diagnose early and to treat, a large proportion of patients receive insufficient treatment or none at all. The total market is at least SEK 10 billion.

Stronger focus on research operations through the establishment of an in-house research unit at Karolinska Institutet

During the year Biolipox focused and intensified its research efforts within the arachidonic acid area. In line with this work was the establishment of our own research unit at Karolinska Institutet. This establishment is aimed at expanding basic research within the arachidonic acid area, and facilitating the identification of new drug candidates in the development project. This establishment – which is a development of an already successful academic collaboration – engenders a clearer focus on development projects and provides encouraging prospects for academic collaboration between adjoining research areas.

Large increase in number of chemists – intensified search for drug candidates

The intensified search for drug candidates required a marked increase in the number of chemists. As a consequence, and through new hires or "out-sourcing", 11 additional chemists were recruited during the year. At year-end, the number of full-time chemists was 23, an emphasis that has been proven successful, since several patent applications were submitted during the year.

Biolipox successfully extended the cooperation in pharmaceutical development in the treatment of respiratory diseases

Biolipox has successfully extended the cooperation with Nicox regarding nitric-oxide-releasing drugs. Nitric oxide (NO) has proven anti-inflammatory properties and can potentially play a major role in the future treatment of respiratory diseases. Biolipox hereby gains the opportunity to combine its broad research expertise in respiratory disease with state-of-the-art expertise in NO-releasing drugs.



Torbjörn Bjerke appointed new President

During the year, the former President and CEO, Carl-Johan Dalsgaard, resumed his position as a venture partner in HealthCap, one of Biolipox's principal owners. The new President and CEO is Torbjörn Bjerke, formerly Executive Vice President R&D of ALK-Abelló, a leading Danish pharmaceutical company within allergy diagnostics and treatment. Torbjörn Bjerke has extensive experience of the type of development-intensive operations that also characterize Biolipox.

Håkan Åström, former Senior Vice President of Pharmacia Corporation, appointed Chairman of the Board

Håkan Åström was appointed new Chairman of the Board during the year. He has previously held a number of international positions in the pharmaceuticals industry, most recently that of Senior Vice President at Pharmacia Corporation, where he was responsible for Group strategy, Swedish operations and investor relations. He also sits on the Boards of Biovitrum, Scandinavian Life Science Venture AB and Karolinska Institutet.

Revenues and costs 2003

Costs and earnings

Earnings

Net loss for 2003 amounted to SEK 63.3 million (loss: 35.7), while net loss for the fourth quarter was SEK 18.5 million (loss: 10.7). Cost increases pertain to external project-related activities and internal costs in the form of personnel and other operative expenses.

Research and development

Biolipox's operations during the year were characterized by increased investment in current research projects. R&D costs rose by SEK 26.5 million to SEK 54.7 million (28.2), corresponding to an increase of 94 percent compared with 2002. Project activities comprise preclinical studies, pharmaceutical and chemical development and clinical trials. The company has several joint research ventures, both project-related and early research within the field of arachidonic acid.

During the fourth quarter, R&D costs amounted to SEK 15.4 million (7.3), representing an increase of 111 percent.

Administration

Administrative expenses during 2003 amounted to SEK 10.3 million (7.9), an increase of 30 percent compared with 2002. Administrative expenses include costs for functions such as accounts and finance, legal, HR, business development, external communications, the President and fees for Board members. During the fourth quarter, administrative expenses amounted to SEK 3.4 million (3.6). The relatively high administrative expenses during the fourth quarter of 2002 were attributable to the impending new share issue.



Personnel

Personnel cost during 2003 increased by 89 percent year-on-year to SEK 23.2 million (12.3). The number of employees at year-end was 24 (11), while the average number of employees increased by 113 percent during 2003 to 17 (8).

Net financial income and depreciation

Biolipox's net financial income amounted to SEK 1.7 million (0.3), of which SEK 0.2 million (0.1) pertained to the fourth quarter. The improvement in net financial income is due to interest income during the year on the SEK 94.4 million generated by the new share issue.

Depreciation in an amount of SEK 1.3 million (0.8) was charged against earnings for 2003, including SEK 0.4 million (0.2) during the fourth quarter. Depreciation relates entirely to tangible fixed assets such as instruments and equipment.

Other

Other operating income and operating expenses mainly comprise exchange gains and losses arising on accounts payable. During 2003, the company reported other operating income of SEK 0.1 million (-), while the corresponding figure for the fourth quarter was SEK - million (-). Other operating expenses for 2003 amounted to SEK - million (-).

Investments and cash flow

Cash flow during 2003 was negative in an amount of SEK 67.5 million (67.6). Cash flow from current operations was negative in an amount of SEK 65.5 million (negative: 25.6), mainly due to the company making a loss. In addition, cash flow from current operations was affected by changes in working capital amounting to SEK -3.5 million (9.3).

Investment activities pertaining to capital investment in machinery and equipment (mainly instruments, computers and office equipment) amounted to SEK 2.0 million (1.7) during the year. No financing transactions were made during 2003 (2002: SEK 94.9 million). The positive cash flow in 2002 was due to the new share issue during the year, which generated SEK 94.4 million after issue costs.

Biolipox's liquid funds at December 31, 2003 amounted to SEK 30.0 million (97.5). The second and final part-payment of approximately SEK 95 million relating to the new share issues decided in December 2002 will be paid to the company in February 1004.

Personnel

During 2003, Biolipox significantly expanded its organization as a result of setting up its own research unit at Karolinska Institutet and substantially increasing the number of chemists.

At the end of 2003, Biolipox had 24 employees, of which 19 were employed on a full-time basis on the company's R&D projects. In addition, about 30 people were employed full-time through research agreements linked to the company.



Income statement

Amount in SEK millions	Jan-Dec 2003	Jan-Dec 2002	Oct-Dec 2003	Oct-Dec 2002
Net sales	-	-	-	-
Administrative costs	-10.3	-7.9	-3.4	-3.6
Research and development costs	-54.7	-28.2	-15.4	-7.3
Other operating revenues	0.1	-	0.0	-
Other operating costs	-	0.0	-	0.0
Operating loss	-65.0	-36.0	-18.8	-10.9
Profit from net financial items				
Interest income and similar items	1.7	0.3	0.2	0.1
Interest expense and similar items	0.0	-	0.0	-
Profit after net financial item	-63.3	-35.7	-18.5	-10.7
Tax on earnings for the year	-	-	-	-
Loss for the period	-63.3	-35.7	-18.5	-10.7
Earnings per share, SEK ¹	-72.46	-37.70	-20.84	-11.20
Earnings per share after full dilution, SEK ²	-72.46	-37.70	-20.84	-11.20
Number of shares at end of period	1,000,000	1,000,000	1,000,000	1,000,000
Average number of shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000

¹ Profit per share is computed as the average number of ordinary shares outstanding during the period. In calculating the earnings per share for the year, the dividend to which the preferential shares are entitled was taken into consideration, which reduced the year's earnings by SEK 9.2 million (-2.0). As per December 31, 2003, 3,376,414 (3,376,414) preferential shares are entitled to a cumulative dividend of SEK 11.4 million (2.3).

² The number of potential ordinary shares (preferential shares and warrants) amounted to 3,711,353 (3,541,853) at December 31, 2003. Since earnings per share increase on the conversion of potential ordinary shares to ordinary shares, no dilution effect occurs, in accordance with recommendation RR18 of the Swedish Financial Accounting Standards Council.

Key figures	2003	2002
Number of employees at December 31	24	11
Number of employees, average	17	8
Equity/assets ratio, %	68.6	83.2
Shareholders' equity per share, SEK	25.96	89.23
Shareholders' equity per share after full dilution, SEK	5.51	19.65



Balance sheet

Amount in SEK millions	Dec. 31, 2003	Dec. 31, 2002
<i>Fixed assets</i>		
Tangible fixed assets	4.3	3.7
Participations in Group companies	0.1	0.1
Other long-term receivables	-	0.4
<i>Total fixed assets</i>	<u>4.4</u>	<u>4.2</u>
<i>Current assets</i>		
Accounts receivable	-	-
Other receivables	1.7	2.5
Deferred costs and accrued income	1.8	3.1
Liquid assets and short-term investments	30.0	97.5
<i>Total current assets</i>	<u>33.5</u>	<u>103.1</u>
Total assets	37.9	107.3
Shareholders' equity	26.0	89.2
Long-term liabilities	-	0.4
<i>Current liabilities</i>		
Accounts payable, trade	7.2	7.4
Liabilities, Group companies	-	0.0
Other short-term liabilities	1.0	6.0
Accrued costs and deferred income	3.7	4.3
<i>Total current liabilities</i>	<u>12.0</u>	<u>17.6</u>
Total shareholders' equity and liabilities	37.9	107.3

Change in shareholders' equity during the period

Total in SEK millions	Jan-Dec 2003	Jan-Dec 2002
Shareholders' equity, Jan. 1	89.2	30.0
Options program	-	0.5
New share issue	-	94.4
Result for the year	-63.3	-35.7
Shareholders' equity, year-end	26.0	89.2



Cash-flow statement

Amount in SEK millions	Jan-Dec 2003	Jan-Dec 2002
Cash flow from continuing operations ¹	-65.5	-25.6
Cash flow from investments	-2.0	-1.7
Cash flow from financing activities	-	94.9
Cash flow for the period	-67.5	67.6
Liquid assets, January 1	97.5	29.8
Liquid assets, December 31	30.0	97.5
¹ Of which, changes in operating capital	-3.5	9.3

Additional information to the cash-flow statement

Amount in SEK millions	2003	2002
<i>Interest paid and received</i>		
Interest received	1.7	0.3
Interest paid	0.0	-
Depreciation and write-down of assets	1.3	0.8



Proposed appropriation of profits

In regard to the Company's early stage of development, the Company is not expected to pay a dividend for the next few years.

Annual General Meeting

The Annual General Meeting of shareholders in Biolipox will be held on Friday, May 7, 2004, at 2:00 p.m., at the company's premises, Västmannagatan 15, Stockholm. Registration for the Annual General Meeting will commence at 1:30 p.m. Registration of participation must be addressed to Biolipox not later than Monday, May 3, 2004, at 4:00 p.m.

Annual Report

The Annual Report for the 2003 financial year will be available at Biolipox' head office, Västmannagatan 15, Stockholm, two weeks prior to the Annual General Meeting. The Annual Report and other future reports will be available at www.biolipox.com.

Future reports

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|--|-------------------|
| • Interim report, January-March 2004 | May 7, 2004 |
| • Interim report, January-June 2004 | July 29, 2004 |
| • Interim report, January-September 2004 | November 19, 2004 |

Biolipox AB

Torbjörn Bjerke, President & CEO

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