

Interim Report January – June 1999

- RescueFlow® was launched in Sweden as first country.
- Seven EU countries have announced they will approve RescueFlow® for marketing. A business plan for the international launch of RescueFlow® has been prepared.
- The Krill project under BioPhausia's management has been terminated, but work completed to date is being documented.
- The net result for the period amounted to a loss of SEK 15,091,000 (loss: 25,308,000), of which research and development costs amounted to SEK 10,211,000 (18,312,000).
- The Board of Directors and management is adapting the company's organization and personnel to meet future operations.
- Ernst Feldtström took over as company president on June 14, 1999.

RescueFlow

In May the regulatory authorities in the UK, Germany, France, the Netherlands, Denmark, Finland and Austria announced that they will approve RescueFlow® for marketing. New activities have been initiated with the aim to gain approval for marketing of RescueFlow® in the United States.

A study is under way in Germany for use of RescueFlow® during surgery. It currently includes 21 of 30 planned patients. Future studies are planned to obtain approval for use of RescueFlow® during surgery.

RescueFlow® was launched in Sweden in June 1999 by the licensee, Pharmalink Basläkemedel.

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A business plan for the international launch of RescueFlow® has been prepared and will form the basis for the company's continuing operations.

Net sales for the period included nonrecurring revenue of SEK 1.6 M related to the license agreement for RescueFlow® in the Nordic region.

BP-04 and Hyaluronidase

Co-operation with the research groups focusing on BP-04 and hyaluronidase continued during the period. However, certain development costs were postponed in order to concentrate on RescueFlow®. Work to broaden patent territories for both projects progressed.

Krillase®

Efforts to find licensees for Krillase® for the debridement of chronic leg ulcers were unsuccessful, the main reason being the unclear results obtained from the phase III studies. As a result, the Board decided in August 1999 to terminate the Krillase® project. The activities carried out to date will be finalized and documented. As at June 30, 1999, the book-value of the production equipment and intangible assets totalled SEK 20.8 M. The decision to terminate the project will result in substantial write-downs of the booked values. The write-downs are offset by the agreement with Industrifonden (Swedish Industrial Development Fund) regarding the forgiving of the conditional loan.

Organization and personnel

As at June 30, 1999, the number of employees totalled 18 (21), of whom 1 (2) was based in the US subsidiary. Ernst Feldström took over as company president on June 14, 1999. Executive management is working actively to adapt the organization and reallocate personnel to meet the new conditions.

Consolidated earnings

BioPhausia posted a loss for the period of SEK 15,091,000 (loss: 25,308,000). Total depreciation of SEK 1,600,000 was distributed among the various functions.

Research and development costs totalled SEK 10,211,000 (18,312,000). SEK 1,294,000 of the R&D costs was accounted for by depreciation.

Administration expenses during the period January to June 1999 included all of the costs related to the subsidiary in the United States, namely SEK 1,076,000. In previous periods, these costs have been reported as sales costs. The subsidiary's costs during the corresponding period of 1998 totalled SEK 1,640,000. Administration expenses also included the capital loss that arose from the divestment of product rights for the dextran-based product, Perfadex (SEK 500,000).

Financial position and investments

The Group's liquid funds at the end of the period amounted to SEK 12.5 M (49.3 M). The equity/assets ratio was 52.5% (55.2%). Equity per share amounted to SEK 3.8 (8.1). BioPhausia's interest-bearing liabilities (SEK 20 M) consist entirely of a conditional loan from the Swedish Industrial Development Fund.

No investments in fixed assets were made during the period.

Since BioPhausia was formally responsible for deliveries of dextran substances to Pharmalink Basläkemedel AB during the period, accounts receivable and accounts payable relating to this

relationship are included in the accounts (SEK 4.4 M). BioPhausia's role is limited to that of intermediary, and the Company has neither revenues nor costs pertaining to the operations. This operation was terminated during the summer.

Summary of Consolidated Income Statement (SEK 000's)

	Jan-June 1999	Jan-June 1998
Net sales	1 764	7 124
Cost of goods sold	-13	-5 395
Cost of licenses sold	-400	-
Gross profit	1 351	1 729
Selling expenses	-	-1 640
Administrative expenses	-6 288	-6 133
Research and development expenses	-10 211	-18 312
Exchange profit	643	767
Exchange loss	-459	-1 309
Operating loss	-14 964	-24 898
Interest income and similar revenues	235	666
Interest expenditure and similar costs	-341	-1 033
Loss after financial items	-15 070	-25 265
Taxes	-21	-43
Net loss for the year	-15 091	-25 308

Summary of Consolidated Balance Sheet (SEK 000's)

	June 30 1999	June 30 1998
Fixed assets	43 462	48 228
Other current assets	2 626	4 495
Inventories	76	1 160
Accounts receivable	5 625	26 197
Liquid assets	12 476	49 288
Total assets	64 265	129 368
Equity	37 733	71 454
Interest-bearing liability	20 000	20 000
Operating liability	10 532	37 914
Total equity	64 265	129 368

Key ratios

Equity per share, SEK	3.8	8.1
Equity/assets ratio	52.5	55.2
Earnings per share	-1.7	-2.9

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

	Jan-June 1999	Jan-June 1998
Cash flow from the current operation before change in working capital	-13 491	-23 682
Change in working capital	1 851	3 575
Cash flow from the current operation	-11 640	-20 107
Cash flow from investing activities	1 160	-660
Cash flow from financing activities	-139	30 774
Changes in liquid assets	-10 619	10 007
Liquid assets at the beginning of the of the period	23 095	39 281
Liquid assets at the end of the period	12 476	49 288

Summary of operating profit/loss, Group(SEK 000's)

	Q 2 99	Q 1 99	Full year 98	Q 4 98	Q 3 98	Q 2 98	Q 1 98
Gross profit/loss	1 201	150	1 367	-72	-290	1 183	546
Selling expenses	-	-	-2 522	-459	-423	-799	-841
Admin. expenses	-3 435	-2 853	-11 638	-2 869	-2 636	-2 492	-3 641
R&D cost	-3 641	-6 570	-34 913	-8 860	-7 741	-7 567	-10 745
Exchange loss/profit	147	37	-28	-79	593	327	-869
Operating loss	-5 728	-9 236	-47 734	-12 339	-10 497	-9 348	-15 550

Uppsala August 26, 1999

Ernst Feldtström
President

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