



**SKANDIGEN**  
INDUSTRIFÖRVALTNINGS AB

# Interim Report January – September 1999

- Net sales for the period amounted to MSEK 44.4 (32.1).
- The consolidated result after financial items was a loss of MSEK 0.4 (loss: 2.2).
- A directed issue of 6 million shares earned the company MSEK 136.1.
- Sale of shares in SIBIA brought a price of MSEK 69.3 and a capital gain of MSEK 21.5.
- Fermentech obtains CE approval of Fermathron® and signs distribution agreement.
- 15 percent of the shares in PartnerTech were acquired during the period.  
Following an additional purchase on November 1, the holding amounts to 25 percent.

## NEW GROUP STRUCTURE

In January, a non-cash issue was made to acquire 100 percent of Björkman Tigerschiöld Intressenter AB and Björkman Fritzell Tigerschiöld AB, plus 70 percent of G. Kallstrom & Co AB (the KBB companies).

Through the acquisition, Skandigen extended its scope of operations beyond biotechnology to also include investments in a number of Swedish growth companies, mainly in the fields of contract manufacturing of advanced industrial compo-

nents, electronics and information technology. Investment activities are divided into three business areas: Technology, Biotechnology and Services & Trade, comprising the following holdings<sup>1</sup>:

## Industriförvaltnings AB Skandigen

TECHNOLOGY		BIOTECHNOLOGY		SERVICES & TRADE	
Arkivator	13.8 %	BioNative	23.8 %	Beep Network	40.0 %
Axis	17.5 %	CMA Microdialysis	56.0 %	H. Lundén FK	14.0 %
LG Products	2.2 %	Fermentech Medical	97.0 %	PBK Outsourcing	49.5 % <sup>2</sup>
Micronic	0.8 %	Gamma Diagnostik	92.0 %	Plenia	37.5 % <sup>2</sup>
MYDATA	33.3 %	InRo Biomedtek	33.3 %	The Chimney Pot	19.9 %
PartnerTech	15.0 %	Sepragen	2.4 %	TPC Security	20.6 %
Vellinge Electronics	37.3 %				

<sup>1</sup> The ownership percentage reflects Skandigen's 70 percent ownership in G. Kallstrom & Co AB.

<sup>2</sup> Including options and convertibles.

The new Group structure consists of the Parent Company Industriförvaltnings AB Skandigen and the subsidiaries Fermentech Medical Ltd., CMA Microdialysis AB, Gamma Diagnostik AB, Björkman Tigerschiöld Intressenter AB, Björkman Fritzell Tigerschiöld AB and G. Kallstrom & Co AB. Skandigen acquired 49 percent of CMA Microdialysis in February, after which the

Group's total ownership stake amounts to 56 percent. The shares were acquired for a nominal amount, with the proviso that the seller will obtain a price premium should Skandigen sell the shares within a given period of time. The holding company BMPI Liquidating Trust was liquidated during 1999.

The acquisition of the KBB companies will be accounted for as a so-called "reverse

acquisition", which gives the most true and fair picture of the transaction in terms of both financial position and results. This entails that Skandigen is valued at its market value at the time the offer was made public, giving rise to goodwill of MSEK 97.2. The goodwill will be amortized over a period of five years, resulting in an annual charge to earnings of MSEK 19.4.

## **STRENGTHENED ORGANIZATION AND NEW ISSUE**

Patrik Tigerschiöld was appointed president in April 1999. The organization has furthermore been strengthened by a couple of additional recruitments. Håkan Dahlin has assumed the post of Financial Manager.

An extraordinary General Meeting of the Shareholders was held on 1 July. The Meeting approved a directed new issue of 6 million shares for the purpose of obtaining funds for new investments, preferably to be made in companies with a technological or IT-related profile. The reason for bypassing the preferential rights of the shareholders was to broaden ownership by bringing in some new institutional owners. The objective is that this should lead to improved liquidity in the share. Some dozen or so Swedish and international institutions chose to subscribe to the issue.

## **SKANDIGEN GROUP – SALES AND EARNINGS**

The Group's net sales for the period January – September 1999 amounted to MSEK 44.4 (32.1). The sales are entirely attributable to the biotechnology business. CMA Microdialysis's sales amounted to MSEK 29.3 and Fermentech Medical's to MSEK 15.0 (32.1).

The consolidated net result for the first nine months was MSEK 0.0 (loss: 2.2), equivalent to SEK 0.00 per share. The corresponding figure last year, based on the number of shares outstanding at that time, was a loss of SEK 0.22 per share. Earnings have been charged with amortization of net goodwill arising from the acquisition of the KBB companies totaling MSEK 11.6 (0).

The Group's research and development costs amounted to MSEK 13.0 (9.5), which is equivalent to 29 (30) percent of sales.

According to information from SPP, the Skandigen Group's share of SPP's policyholders' surplus amounts to MSEK 3.2. In view of the uncertainty concerning the

implementation of the consolidation decisions, the monies have not been included in the interim report.

## **CAPITAL EXPENDITURES**

The Group's net capital expenditures amounted to MSEK 41.7 (1.8), of which investments in shares account for MSEK 39.0.

## **LIQUIDITY, EQUITY/ASSETS RATIO AND NUMBER OF SHARES**

The Group's cash balances and short-term investments amounted to MSEK 145.1 (14.7) at the end of the period. In addition there are short-term investments in shares of MSEK 49.9 (0). Interest-bearing liabilities amounted to MSEK 0.3 (8.7). The equity/assets ratio was 88 (81) percent. Equity per share amounted to MSEK 8.86.

The new issue of 6 million shares earned the company MSEK 136.1 after deduction of issue expenses. The total number of shares after the issue is 55,043,920.

## **PARENT COMPANY**

The Parent Company's income before taxes for the period January – September was MSEK 22.2 (loss: 3.7). Net capital expenditures were MSEK 33.1 (0). Liquid assets amounted to MSEK 120.4 (14.7) at the end of the period.

## **PERSONNEL**

The average number of employees in the Group as per 30 September 1999 was 82 (30). The increase is attributable to CMA, which is consolidated from 1999. The figure for the Parent Company was 5 (1).

## **BUSINESS AREAS**

### **Technology**

**Arkivator AB** is a high-tech manufacturing group focusing on production and assembly of advanced industrial components, primarily in aluminum and steel. The Group's net sales for the period

January – September amounted to MSEK 382 (378). The increase can be attributed entirely to the third quarter, since stock level adjustments for certain customers led to lower sales during the first six months. Income before standard tax amounted to MSEK 66 (78), having been charged with costs of MSEK 5.9 for the closure of two units and the start-up of new production capacity. Earnings for the year as a whole are expected to be on a par with last year. Arkivator is quoted on the Stockholm Stock Exchange's OTC list. The Skandigen Group owns 13.8 percent of Arkivator.

On 23 September, Arkivator concluded an agreement with the principal owners of LG Products i Solna AB on acquisition of their shares, representing 64 percent of all the shares. The acquisition, which is contingent on approval by Arkivator's Annual General Meeting, will take place by means of a directed share issue. An equivalent bid will be submitted to LGP's other shareholders. The acquisition will give Arkivator competency in designing mobile telephone systems. Sales are projected to amount to MSEK 850, while income before taxes, goodwill amortization and transaction cost are projected to amount to MSEK 128, pro forma for the whole year 1999.

**Axis AB** develops and markets products that enable connection of various types of peripheral equipment to computer networks. Net sales for the period May – September (figures for five months) amounted to MSEK 273 (211), while income after net financial items amounted to MSEK 5.1 (loss: 4.1). Since the beginning of the year, the company has deepened its cooperation with world-leading high-tech companies such as Microsoft and Sun. The Skandigen Group owns 17.5 percent of Axis.

**MYDATA automation AB** develops, manufactures and markets advanced equipment for surface mounting of electronic components on printed circuit boards. Net

sales for January – September amounted to MSEK 317 (282), while income after net financial items was MSEK 12.5 (loss: 13.3). Thanks to a firm commitment to product development, MYDATA can now offer a wider product range. The performance of the products has been further improved. Moreover, the market for placement machines has improved. The Skandigen Group owns 33.3 percent of MYDATA.

**Vellinge Electronics AB** conducts contract manufacture of electronic products and is one of Sweden's largest producers of circuit boards. Net sales for the period May – September (figures for five months) amounted to MSEK 186 (181), while income after net financial items amounted to MSEK 15.5 (14.2). The Skandigen Group owns 37.3 percent of Vellinge Electronics.

During the period, Skandigen has acquired 15 percent of the votes and equity in **PartnerTech AB** from Addum AB. Following an additional purchase from Addum on November 1, the holding amounts to 25 percent. Of the total 1,890,200 shares, 150,000 shares are covered by a call option issued to PartnerTech's president Mikael Jonson. PartnerTech's business concept is to contract-manufacture complete modules and products within electronics and advanced mechanics. The company is quoted on the Stockholm Stock Exchange's O list. Partner Tech reports for the first nine months of the year net sales of MSEK 569 (380) and income after net financial items of MSEK 45.9 (15.7). The fundamental reason for the earnings improvement is the good volume growth. Market demand has continued to be good within the fields of information technology and telecommunications.

### Biotechnology

The subsidiary **Fermentech Medical Ltd's** sales of Ophthalin, which is used in cataract surgery, amounted to MSEK 15.0 (32.1) for the period. Demand and price

have fallen compared with last year. Both volume and price level have now stabilized. Sales are in a build-up phase in a number of countries outside Europe. The result for the period was a loss of MSEK 9.6 (income: 1.6).

Earnings were charged with MSEK 7.3 in R&D costs for clinical trials of, among other things, the company's hyaluronan-based product for intraarticular injection for pain relief in patients with osteoarthritis. Fermathron® obtained CE approval in September. At the same time, a long-term agreement was signed with Biomet Inc. (listed on the NASDAQ exchange) in which Biomet is designated sole distributor of Fermathron® all over the world. The agreement makes Biomet responsible for the clinical costs incurred in launching the product in the USA. The launch is expected to take place in 2001.

The first deliveries will take place in the fourth quarter, and the effect on the earnings is expected to be very positive. Fermentech's whole-year forecast is that sales will amount to about MSEK 30 with a loss after financial items of about MSEK 3. Further sales increases and a positive net result for the year are expected next year. Skandigen owns 97.0 percent of Fermentech Medical.

The subsidiary **CMA Microdialysis AB** (CMA), which manufactures and markets microdialysis equipment, reported net sales of MSEK 29.3 for the period. CMA's sales for the corresponding period last year amounted to MSEK 30.1. The decrease is attributable to the products for preclinical research. CMA has intensified its marketing of instruments for clinical applications, primarily in the fields of neurosurgery and neurointensive care. The loss for the first nine months was MSEK 4.4 (loss: 4.9). R&D costs amounted to MSEK 5.6, equivalent to 19 percent of sales. The Skandigen Group owns 56.0 percent of CMA, which is being consolidated from the first quarter of 1999.

Stock in **SIBIS Neurosciences, Inc.** equivalent to approximately 10 percent of the outstanding shares was sold in September. The sale brought in MSEK 69.3 and realized a gain of MSEK 21.5. The buyer was the Merck subsidiary MC Subsidiary Corp., which in August announced a bid of USD 8.5 per share. Skandigen's holding was 986,696 shares.

### Services & Trade

Multisound Technology MST AB was merged in March with **TPC Security AB**. The Skandigen Group increased its holding in the merged company, TPC Security AB, to 20.6 percent in conjunction with a new issue. Net sales during the first half of the year, amounting to MSEK 1.3, came mainly from the alarm product TeleSafe. The loss after net financial items was MSEK 3.0. TPC is listed on Aktietorget.

In May, 19.9 percent of **The Chimney Pot AB** (TCP) was acquired by means of a directed non-cash issue of 799,600 shares. TCP, founded in 1996, specializes in post-production and special effects for video and film productions. By means of the acquisition, Skandigen has acquired an ownership interest within the rapidly expanding media sector.

The board of **H. Lundén Fondkommission AB** has decided to change its business focus during the last quarter of the year. From previously having conducted stockbrokerage activities, the company is now switching to asset management.

### YEAR-END PRESS RELEASE

Skandigen's Year-End Press Release for fiscal 1999 will be published on February 24, 2000.

Stockholm, November 8, 1999

Industriförvaltnings AB Skandigen (publ)

Patrik Tigerschiöld

President

## Consolidated Statement of Income – Summary

Amounts in SEK '000	1999 Jan.–Sept.	1998 Jan. – Sept.	1998 Jan. – Dec.
Net sales	44,431	32,132	35,816
Change in inventories	2,002	–223	1,627
Other operating revenues	304	206	313
	46,737	32,115	37,756
Raw materials and consumables	–11,717	–9,142	–11,038
Other external expenses	–28,744	–14,921	–21,641
Personnel expenses	–24,379	–7,991	–10,458
Depreciation			
Goodwill	–11,615	–	–
Tangible assets	–4,678	–2,779	–3,626
<b>Operating loss</b>	<b>–34,396</b>	<b>–2,718</b>	<b>–9,007</b>
Financial income and expense, net	34,005	526	695
<b>Loss after financial items</b>	<b>–1,391</b>	<b>–2,192</b>	<b>–8,312</b>
Taxes	–	–	–
Minority shares	404	–	–
<b>Net income/loss for the period</b>	<b>13</b>	<b>–2,192</b>	<b>–8,312</b>

CMA Microdialysis AB is consolidated in the Group from the first quarter of 1999.

The results from participations in associated companies for the period are not included in the consolidated financial statements in this interim report.

## Quarterly Group Overview

Amounts in MSEK	3/99	2/99	1/99	4/98	3/98	2/98	1/98
Operating revenues	13.2	16.3	15.2	3.7	10.9	11.3	10.2
Change in inventories	0.8	0.4	0.8	1.9	0.2	1.3	–1.8
	14.0	16.7	16.0	5.6	11.1	12.6	8.4
Operating expenses	–25.5	–27.0	–28.6	–11.9	–12.4	–11.6	–10.8
<b>Operating income/loss</b>	<b>–11.5</b>	<b>–10.3</b>	<b>–12.6</b>	<b>–6.3</b>	<b>–1.3</b>	<b>1.0</b>	<b>–2.4</b>
Net financial items	27.8	4.8	1.8	0.2	0.2	0.1	0.2
<b>Income/loss for the period</b>	<b>16.3</b>	<b>–5.5</b>	<b>–10.8</b>	<b>–6.1</b>	<b>–1.1</b>	<b>1.1</b>	<b>–2.2</b>

## Consolidated Balance Sheet – Summary

Amounts in SEK '000	Sept. 30, 1999	Sept. 30, 1998	Dec. 31, 1998
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	71,762	–	–
Tangible assets	13,845	12,710	12,119
Financial assets	231,526	79,909	58,466
Total fixed assets	317,133	92,619	70,585
<b>Current assets</b>			
Other current assets	90,901	23,365	24,769
Liquid assets	145,053	14,707	29,476
Total current assets	235,954	38,072	54,245
<b>Total assets</b>	<b>553,087</b>	<b>130,691</b>	<b>124,830</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	487,920	105,632	99,482
Minority interest	37,144	8	8
Provisions	6,968	5,523	4,459
Liabilities	21,055	19,528	20,881
<b>Total shareholders' equity and liabilities</b>	<b>553,087</b>	<b>130,691</b>	<b>124,830</b>

CMA Microdialysis AB is consolidated in the Group from the first quarter of 1999.

The result from participations in associated companies for the period are not included in the consolidated financial statements in this interim report.

## Consolidated Statement of Cash Flows - Summary

Amounts in SEK '000	1999 Jan.-Sept.	1998 Jan.-Sept.	1998 Jan.-Dec.
Cash flow from operating activities before change in working capital	–6,857	587	–4,689
Change in working capital	–18,118	–2,738	1,002
<b>Cash flow from operating activities</b>	<b>–24,975</b>	<b>–2,151</b>	<b>–3,687</b>
<b>Cash flow from investing activities</b>	<b>8,805</b>	<b>–1,800</b>	<b>13,124</b>
<b>Cash flow from financing activities</b>	<b>131,916</b>	<b>8,708</b>	<b>10,245</b>
<b>Cash flow for the period</b>	<b>115,746</b>	<b>4,757</b>	<b>19,682</b>

This report has not been subject to separate examination by the Company's auditors.