Althin

INTERIM REPORT FOR ALTHIN MEDICAL AB

January - September 1999

- Group Sales for comparable units totaled SEK 736,0m (718,5).
- Operating income totaled SEK –71,8m and includes costs for transfer of the dialyzer production of SEK 32,3m (-59,6).
- Result after net financial items totaled SEK-90,7 (-79,6).
- Operating cash flow totaled SEK 7,3m (-18,0).
- Equity ratio totaled SEK 24,1% (35,2%), at year end 1998 equity ratio was 33,0%.
- The transfer of the dialyzer production to Ronneby is finalized. The transfer is estimated to give an annual cost reduction of SEK 35-40m from year 2000.

Marketing and Sales

The world market for all hemodialysis products amounts to approx.SEK 35 billion. The number of patients increases each year by 6-8% and the annual growth in market value is estimated to 4-5%.

Sales for the period totaled SEK 736,0m (759,7). Sales in the divested trading operations sold during 1998 totaled SEK 41,2m during the corresponding period last year. Excluding changes in exchange rates and the divested trading operations sales increased by 5% compared to the first three quarters of 1998.

Result

Operating income totaled SEK –71,8m (-59,6 for comparable units) and income after net financial items was SEK –90,7m (-79,6).

In the operating income for the period costs for restructuring and transfer of the dialyzer production of SEK 32,3m are included. The period January – September 1998 included structural costs and non reccurring revenues of net SEK +11,9m. When considering these items the improved result between the years amounts to SEK 32m.The improvement for the period is mainly the result of efforts to improve quality, a decrease in the number of employees, a concentration of the production as well as other improvements in production and logistics which all are part of the action plan that was implemented during the second quarter of 1998.

Operating income is adversely affected by the over capacity in the dialysis production within the Group (see also comments under Action plan).

Cash flow
The operating cash flow was SEK 7,3m (-18,0m) for the first nine months of 1999. The improvement in operating cash flow is mainly related to reductions of inventory and accounts receivable.

Operating cash flow previous year included payment for the sale of the real estate in Portland, Oregon of SEK 11.0m, and the sale of the trading operations of non dialysis products of SEK 41,7m and a grant from NUTEK of SEK 20,6m. Adjusted accordingly the improvement in operating cash flow totaled
SEK 98,6m.

Action plan
The transfer of the dialyzer production from Miami to Ronneby is finalized. The cost for the transfer is estimated to SEK 35m, of which the liquidity will be affected by SEK 14m. It has been charged to the income statement during the third quarter by SEK 32,3m with a liquidity effect of SEK 12,4m. Remaining SEK 2,7m is estimated to be charged to the result during the fourth quarter 1999. The reduction in numbers of employees as well as other synergy gains are estimated to give an annual cost reduction of SEK 35-40m from the year 2000. The decision that the total production of dialyzers in the future will take place in the automated plant in Ronneby, is in accordance with the earlier announced strategy to focus production on the production unit, which has the optimal prerequisite for each separate production line.

The plant in Miami will continue to be responsible for the development and the production of cellulose membrane and the new polysulfone membrane. Since the first of January 1999, all development and production of dialysis machines are concentrated to the plant in Miami. The plant in Ronneby focuses its production on dialyzers and Altracart™ products.

As can be seen in the Interim Report for the first six months of the year 50% of the total area of the property in USA will be released, which gives the company an opportunity to sell the whole or part of the real estate. An independent appraisal of the facility has given an indicative value for the whole real estate of SEK 90-110m. A sale at this level will result in a total net profit of SEK 60-80m.

Product development
Our new Polysulfone membrane has unique performance and is manufactured without the toxic substance PVB. The membrane was introduced and very well received at ASN in the USA in November this year, which is the largest dialysis trade show in the world. Our Polysulfone membrane has qualities such as high efficiency for large molecules and biocompatibility which by doctors are considered to increase the quality of life as well as decrease costs since the patient's health improves.

A new computer software for Althin's dialysis machine is being developed. The product will make it possible to quickly and easily adapt our patented dialysis machine, TINA®, to the development in hospital care when it comes to efficiency and new methods of treatment.

Investments
Investments during the period totaled SEK 25,6m (22,7 for comparable units). In the production plant in Miami a new EDP system has been implemented according to plan and has been put into operation at the end of September. The EDP investment totaled SEK 6,0m. Remaining investments during the period are mainly related to production equipment.

Financial position
The equity ratio was 24,1% at the end of the period compared to 35,2% at the end of the same period the previous year, and 33,0% at the year end 1998. The decrease is related to the loss during the period. Net financial liabilities increased from SEK 399,1m at year end to SEK 416,0m.

Liquid assets including the unutilized portion of approved lines of credit amounted to SEK 123,8m (128,2) Short term liabilities increased by SEK 22,6m compared to the same period previous year.

Organization
Althin Medical AB has worked out a new organization which was implemented during September – October 1999 and which divides the company into production- and sales divisions.

This means, among other things, that development, production and sales of membrane will be organized in one division. The Machine production and the Dialyzers/Altracart production will make two other divisions.

The sales divisions are as before, Europe, Americas and Asia. The purpose of the new organization is to considerably improve focus on production and sales of own made products with higher gross margins.

Number of employees
The number of employees was 732 by the end of the period compared to 817 at the same time the year before and 793 by year end 1998. The decrease in number of employees is related to the restructuring of production and the cost reduction programs implemented during 1998.

As a result of the decision to close the dialysis production in Miami approx. 100 employees will be made redundant during the second part of 1999. 75 people had left the company at the end of September.

Approval by regulatory authorities
Both the American and the Swedish factory has been inspected by TÜV in accordance with ISO 9001 and no remarks have been made.

Further both factories have during the period successfully been inspected by the American regulatory authority FDA. The Ronneby plant has hereby been given a preliminary clearance to export Dialyzers and Altracart to the USA. The formal clearance from the FDA is expected during the forth quarter of 1999.

Possible legal dispute concerning blood lines
FDA has in a written message stipulated that Althin Medical's American subsidiary is neither the producer of, nor responsible for the specifications for the blood lines that the company earlier distributed. This means that the potential liability of Althin Medical in a possible legal dispute is substantially reduced.

Transition to the year 2000
The process of securing Althin Medical's IT-system and computers for the year 2000 has been going on since the beginning of 1998. Tests of in principal all systems are completed. Equipment and systems which could have caused problems have been checked and approved. Althin Medical is well prepared for the transition to the year 2000.

Forecast for the year 2000
1999 has been influenced by large structural change which has caused a negative result. The implemented action plan will give lower costs and higher productivity. We expect a positive operating income during year 2000.

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

Stockholm November 18, 1999

ALTHIN MEDICAL AB

Board of directors

Future reports from ALTHIN Medical AB

Year end report January – December 1999	February 29, 2000
Annual Report 1999	Mars – April 2000

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INCOME STATEMENT

SEKm		**Jan-Sept**	**Adjusted Jan-Sept**	**Jan-Sept**	**Total**
		1999	**1998**	**1998**	**1998**
Sales		736,0	718,5	759,7	1007,8
Costs for goods sold		-505,7	-510,9	-536,6	-703,6
Gross profit		**230,3**	**207,6**	**223,1**	**304,5**
Sales costs		-96,8	,110,8	-119,3	-160.6
Administration costs	**1)**	-180,0	-117,2	-122,0	-166,7
Research & development costs		-25,3	-39,2	-39,2	-50,1
Operating income		**-71,8**	**-59,6**	**-57,4**	**-73,2**
Net financial items		-18,9	-20,0	-20,0	-25,8
Income after financial items		**-90,7**	**-79,6**	**-77,4**	**-99,0**
Taxes		-3,2	14,7	13,9	4,1
Net income for the year		**-93,8**	**-64,9**	**-63,5**	**-94,9**

The column Adjusted January-September 1998 excludes the during the last year divested trading operations. Some other adjustments have been made for comparable reasons.

1) Adjusted for restructuring costs and other comparable costs the Administration costs for the Group are in level with previous year.

QUARTERLY INFORMATION IN SUMMARY

SEKm

1999	**I**	**II**	**III**		
Invoiced sales	232	261	243		
Gross profit	72	82	76		
Operating income	-13	-14	-45		
1998	**I**	**II**	**III**	**IV**	**Total**
Invoiced sales	255	269	236	248	1008
Gross profit	76	76	66	87	305
Operating income	-40	3	-20	-16	-73

BALANCE SHEET

SEKm **Assets**	**Jan-Sept 1999**	**Jan-Sept 1998**	**Total 1998**
Intangible fixed assets	55,2	61,7	62,8
Material assets	211,7	212,6	214,1
Other fixed assets	19,9	14,3	15,9
Fixed assets	285,5	288,6	292,8
Inventory	231,3	282,9	244,0
Accounts receivables	265,4	285,4	271,5
Other short-term receivables	48,9	63,5	60,9
Short-term operating assets	545,6	631,8	576,4
Operating assets	**831,4**	**920,4**	**869,2**
Other financial assets	32,4	18,3	44,1
	19,3	6,4	23,7
Financial assets	**51,7**	**24,7**	**67,8**
Total assets	**883,1**	**945,1**	**937,0**

Liabilities and Equity

Capital stock	24,9	24,9	24,9
Restricted reserve	273,5	266,9	272,9
Restricted equity	298,4	291,8	297,8
Non restricted reserve	8,5	104,7	106,2
Net loss	-93,8	-63,5	-94,9
Non restricted equity	-85,3	41,2	11,3
Equity	**213,1**	**333,0**	**309,1**
Provision	**1,5**	**1,3**	**1,4**
Financial liabilities	**467,7**	**432,6**	**466,9**
Short-term operating liabilities	200,8	178,2	159,6
Total liabilities and equity	**883,1**	**945,1**	**937,0**

ANALYSIS OF CASH FLOW IN SUMMARY

SEKm	1999-09-30	1998-09-30	1998
Operating result	-71,8	-59,6	-73,2
Depreciation according to plan	34,1	33,8	47,2
Change in working capital	72,2	30,5	67,4
Investments	-27,2	-22,7	-40,3
Operating cash flow after investments	**7,3**	**-18,0**	**1,1**
Net financial items	-18,9	-20,0	-25,8
Tax paid	-3,2	13,9	4,1
Cash flow from financial operations	12,6	16,8	25,3
Adjustment for items not included in Cash flow	-2,2	3,9	9,2
Change in cash	**-4,4**	**-3,4**	**13,9**

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

KEY INDICATORS

	1999-09-30	1998-09-30	1998
Operating margin, %	-9,8	-7,6	-7,3
Profit margin, %	-12,3	-10,2	-9,8
Investments in long-term operating assets	25,6	22,7	48,0
Equity total assets ratio, %	24,1	35,2	33,0
Net debt-equity ratio (times)	2,0	1,3	1,3
Return on capital employed, %	-13,5	-10,0	-13,3
Result per share after full tax (SEK)	-15,1	-10,2	-15,3
Shareholder’s equity per share (SEK)	34,3	53,5	49,7
Number of shares (thousands)	6218	6218	6218