

## Interim Report Nine months ended September 30, 1999

- ☐ A convertible debenture loan totalling SEK 24,992,261 underwritten by AB Traction (publ) will be issued.
- ☐ Rescue Flow® wins final approval for sale in eight EU countries; negotiations continue with several presumptive distributors and licensees
- ☐ Preliminary agreement reached concerning transfer of Krillase® project.
- ☐ Net result for the period amounted to a loss of SEK 19,514,000 (loss 35,738,000) of which research and development costs amounted to SEK 14,368,000 (26,053,000).
- ☐ New market-oriented organization now under development.

### Convertible debenture loan

The Board of Directors of BioPhausia AB (publ) resolved on October 29, 1999, in accordance with authority granted by a Special General Meeting of shareholders on August 26, 1999, to raise a convertible debenture loan in a nominal amount not to exceed SEK 24,992,261 through an issue of convertible debentures. The loan will carry an average interest of 10% and falls due for payment on January 1, 2004. The conversion price has been fixed at SEK 4.25. The conversion period extends from July 1, 2000 through December 1, 2003. At full conversion, the company's share capital will be increased by a maximum of SEK 14,701,330 through the issue of not more than 5,880,532 shares with a par value of SEK 2.50 each. A prospectus will be sent to shareholders during the week beginning November 29, 1999. Complete terms and conditions of the loan are available at BioPhausia's homepage, [www.biophausia.se](http://www.biophausia.se), and may also be ordered from the company

### RescueFlow®

Final confirmation of marketing approval for Rescue Flow® has now been received in Finland, Denmark, the United Kingdom, The Netherlands, France, Germany and Austria. Including Sweden, the product is now approved for sale in eight EU countries.

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### **Krillase®**

BioPhausia does not have the financial resources to conduct required studies to continue its pursuit of the Krillase® project. Ownership transfer of the project is subject to approval by Industrifonden (the Swedish Industrial Development Fund). A preliminary agreement has been reached to transfer ownership to another company, and Industrifonden has expressed approval of the transfer. BioPhausia's agreement with Industrifonden regarding a conditional loan totalling SEK 20M, which was raised to finance the Krillase® project, is expected to be settled in conjunction with the project's ownership transfer. Negotiations regarding final agreements between the buyers and BioPhausia, and the buyers and Industrifonden, have not yet been completed.

### **Organization and personnel**

As of September 30, 1999, the number of employees totaled 11 (21), one (1) of whom was based in the US subsidiary. A new market-oriented organization has been established. Recruitment efforts are now in progress, and new employees are expected to join the company in the early part of year 2000. Initially, the new organization will consist of 10 persons.

### **Consolidated earnings**

BioPhausia reported a loss of SEK 19,514,000 (loss: 35,738,000) for the nine-month period under review. Depreciation amounting to SEK 2,428,000 was distributed among Group functions.

Research and development costs amounted to SEK 14,368,000 (26,053,000).

Depreciation accounted for SEK 1,901,000 of research and development costs during the period.

Administration expenses during the period January – September 1999 include all costs related to the subsidiary in the United States, totaling SEK 1,670,000. In earlier periods, these costs were reported as sales expenses. The subsidiary's costs during the corresponding period of 1998 totaled SEK 2,240,000.

Administration expenses also included the capital loss from the investment of product rights for the dextran-based product, Perfadex (SEK 500,000).

A supplementary purchase payment has been received in the amount of SEK 3,290,000, which is attributable to the divestment of dextran business activities in 1997.

### **Finansiell ställning och investeringar**

The Group's liquid funds at the close of the period amounted to SEK 4.8 M (33.3).

The equity/assets ratio was 52,6% (53.3%). Equity per share amounted to SEK 3.30 (6.90).

BioPhausia's interest-bearing liabilities (SEK 20M) consist exclusively of a conditional loan from the Swedish Industrial Development Fund.

No investments in fixed assets were made during the period.

### **Summary of Consolidated Income Statement (SEK 000's)**

	<b>Jan-Sep 1999</b>	<b>Jan-Sep 1998</b>
Net Sales	1 764	11 715
Cost of Goods Sold	-13	-10 276
Cost sold licences	-400	-
<b>Gross Profit</b>	<b>1 351</b>	<b>1 439</b>
Selling expenses	-	-2 063

Administrative Expenses	-9 595	-8 769
Research and Development Expenses	-14 368	-26 053
Items affecting Comparability	3 290	
Exchange Profit	317	1 056
Exchange Loss	-275	-1 005
<b>Operating Loss</b>	<b>-19 279</b>	<b>-35 395</b>
Interest Income and similar Income	285	1 005
Interest expense and similar costs	-499	-1 261
<b>Loss after financial items</b>	<b>-19 493</b>	<b>-35 651</b>
Taxes	-21	-87
<b>Net loss for the year</b>	<b>-19 514</b>	<b>-35 738</b>

#### **Summary of consolidated Balance sheet (SEK 000's)**

	<b>1999-09-30</b>	<b>1998-09-30</b>
Fixed Assets	42 577	48 324
Other Current Assets	2 433	4 189
Inventories	76	491
Accounts receivable	6 009	23 902
Liquid Assets	4 810	33 365
<b>Total Assets</b>	<b>55 905</b>	<b>110 271</b>
Equity	29 394	61 028
Interest bearing liability	20 000	20 000
Operating liability	6 511	29 243
<b>Total Equity and Liabilities</b>	<b>55 905</b>	<b>110 271</b>

#### **Key Ratios**

Equity per share, SEK	3,3	6,9
Equity/Assets ratio, %	52,6	55,3
Earnings per share, SEK	-2,2	-4,1

#### **Summary of Cash Flow Analysis (SEK 000's)**

	<b>Jan-Sep 1999</b>	<b>Jan-Sep 1998</b>
Cash used in operating activities before change in working capital items	-17 086	-33 371
Change in working capital items	-2 361	-1 825
<b>Cash used in operating activities</b>	<b>-19 447</b>	<b>-35 196</b>
<b>Cash provided by interesting activities</b>	<b>1 160</b>	<b>-1 538</b>
<b>Cash used in financing activities</b>	<b>-2</b>	<b>30 818</b>

<b>Total cash flow</b>	<b>-18 285</b>	<b>-5 916</b>
Liquid assets at the start of the period	23 095	39 281
Liquid assets at the end of the period	4 810	33 365

**Summary of operating profit/loss, Group (KSEK)**

	<b>Q3 99</b>	<b>Q2 99</b>	<b>Q1 99</b>	<b>Year 98</b>	<b>Q4 98</b>	<b>Q3 98</b>	<b>Q2 98</b>	<b>Q1 98</b>
Gross profit/loss	-	1 201	150	1 367	-72	-290	1 183	546
Selling Expenses		-	-	-2 522	-459	-423	-799	-841
Administration Expenses	-3 307	-3 435	-2 853	-11 638	-2 869	-2 636	-2 492	-3 641
R&D expenses	-4 157	-3 641	-6 570	-34 913	-8 860	-7 741	-7 567	-10 745
Exchange profit/loss	-142	147	37	-28	-79	593	327	-869
<b>Operating Loss</b>	<b>-4 316</b>	<b>-5 728</b>	<b>-9 236</b>	<b>-47 734</b>	<b>-12 339</b>	<b>-10 497</b>	<b>-9 348</b>	<b>-15 550</b>

Uppsala den 18 november, 1999

Ernst Feldtström  
President