

# BioPhausia

## Preliminary report on 1999 operations

- | RescueFlow® approved for sale in eight EU countries
- | Activities proceeding as planned for new application to the FDA for approval of RescueFlow®
- | Studies covering use of RescueFlow® in surgery under way.
- | Krillase® project sold to Convergence AB
- | Issue of convertible debenture loan totaling SEK 24,992,261 implemented
- | New organization implemented
- | Net result for the fiscal year amounted to a loss of SEK 27,776,000 (loss: 47,777,000), of which research and development costs amounted to SEK 18,728,000 (34,913,000).

### **RescueFlow®**

RescueFlow® was approved during the year for sale 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.

In cooperation with American experts, BioPhausia has begun work with preparing a new application to the FDA for approval in the US. The new application pertains to trauma and surgery. Negotiations have been initiated regarding distribution agreements in those EU countries in which RescueFlow® is approved.

BioPhausia is conducting a clinical study in Munich to demonstrate the value of RescueFlow® also during surgery. Further studies will be carried out at 2-3 surgery wards in Sweden and are designed to compare RescueFlow® with traditional fluid treatment of patients undergoing surgery. A demonstrated stabilization of the patient's circulation after surgery would significantly broaden the application area for RescueFlow®. The Swedish study is expected to be completed in 2000 and a registration application for the broadened indication is expected to be submitted at the beginning of 2001.

### **Krillase®**

In August 1999, BioPhausia's Board decided to discontinue the Krillase® project as a proprietary development program and find an interested party that would be willing to take over the continuing work. The reason for this was the uncertainty of the results

BioPhausia AB (publ)  
AR 4, S-741 74 Uppsala, Sweden  
Telephone: +46 18-34 99 00  
Fax: +46 18-34 94 95  
E-mail: [info@biophausia.se](mailto:info@biophausia.se)  
Org. No. 556485-0153

from the Phase III studies in which one of the sub-studies showed inconclusive results. Another reason was the change in market conditions. Krillase® was developed for hospital use, but the trend shows that chronic leg ulcers are increasingly not being treated in a hospital environment.

Redefinition and a new study program are required to pursue the project through to registration. BioPhausia does not have the financial resources to conduct these activities. Accordingly, BioPhausia has transferred the project to Convergence AB following agreement with Industrifonden (the Swedish Industrial Development Fund).

A three-party agreement was reached on December 30, 1999 between Industrifonden, BioPhausia AB and Convergence AB whereby Convergence AB took over the entire Krillase® project, including know-how, production equipment and laboratory.

The effect of the agreement on BioPhausia was that the production and laboratory equipment and intangible assets were transferred at an amount corresponding to the book value and that BioPhausia has rights for seven years to royalties on all sales and licensing of products based on krillase enzymes.

Convergence AB and AB Traction each assumed SEK 10 M of BioPhausia's debt to Industrifonden of SEK 20 M. The receivable owed to Traction AB by BioPhausia as a result is considered as a contribution to shareholders' equity through a private placement, if an Extraordinary General Meeting so resolves.

#### **Convertible debenture loan**

The issue pertaining to BioPhausia's convertible debenture loan resulted in shareholders subscribing for 65% (3,798,466 convertibles) and AB Traction, which guaranteed the issue, for 35% (2,082,532 convertibles). The total issue amount was SEK 24,992,261.

#### **Organization and personnel**

As of December 31, 1999, the number of employees totaled 10 (20), one (1). A new market-oriented organization was established and began work in January 2000. The new organization comprises 11 persons.

#### **Consolidated earnings**

BioPhausia reported an operating loss of SEK 27,776,000 (loss: 47,777,000). Depreciation totaling SEK 2,926,000 was distributed among Group functions. Research and development costs amounted to SEK 18,726,000 (34,913,000). Depreciation accounted for SEK 2,355,000 of research and development costs during the year.

Administration expenses during the period January - December 1999 include all costs related to the subsidiary in the United States, totaling SEK 2,630,000. In earlier periods, these costs were reported as sales expenses. The subsidiary's costs during 1998 totaled SEK 2,522,000.

A supplementary purchase payment was received in the amount of SEK 3,290,000 for the dextran business activities, which is reported as items affecting comparability.

**Financial position and investments**

The Group's liquid funds at the close of the period amounted to SEK 2,133,000 (23,100,000). The issue proceeds of SEK 24,992,000 were received after year-end and are included in other current assets. The equity/assets ratio was 41.2% (55.1%). No investments in fixed assets were made during the period.

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

	<b>1999</b>	<b>1998</b>
Net Sales	1 764	12 636
Cost of Goods Sold	-13	-11 269
Cost of sold Licenses	-400	-
<b>Gross Profit</b>	<b>1 351</b>	<b>1 367</b>
Selling Expenses	-	-2 522
Administrative Expenses	-13 492	-11 638
Research and Development Expenses	-18 728	-34 913
Items affecting Comparability	3 290	
Exchange Profit	863	1 427
Exchange Loss	-664	-1 455
<b>Operating Loss</b>	<b>-27 380</b>	<b>-47 734</b>
Interest Income and Similar Income	314	1 005
Interest Expense and Similar Cost	-685	-1 443
<b>Loss after financial items</b>	<b>-27 751</b>	<b>-47 690</b>
Taxes	-25	-87
<b>Net Loss for the year</b>	<b>-27 776</b>	<b>-47 777</b>

**Summary of consolidated Balance Sheet (SEK 000's)**

	<b>1999</b>	<b>1998</b>
Fixed Assets	31 107	46 216
Other Current Assets	27 411	2 042
Inventories	74	75
Accounts receivables	740	17 472
Liquid Assets	2 133	23 095
<b>Total Assets</b>	<b>61 465</b>	<b>88 900</b>
Equity	25 300	48 957
Convertible Debenture Loan	20 344	
Interest Bearing Liability	-	20 000
Operating Liability	15 821	
<b>Total Equity and Liabilities</b>	<b>61 465</b>	<b>88 900</b>

**Key Ratios**

Equity per share, SEK	2,9	5,6
Equity/Assets ratio, %	41,2	55,1
Earnings per share, SEK	-3,1	-5,4

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

	1999	1998
Cash used in operating activities before change in working capital items	-24 849	-44 498
Change in working capital items	12 634	-2 132
<b>Cash used in operating activities</b>	<b>-12 215</b>	<b>-46 630</b>
<b>Cash provided by investment activities</b>	<b>11 253</b>	<b>-346</b>
<b>Cash used in financing activities</b>	<b>-20 000</b>	<b>-16186</b>
<b>Cash Flow</b>	<b>-20 962</b>	<b>-16 186</b>
Liquid Assets at the start of the period	23 095	39 281
Liquid Assets at the end of the period	2 133	23 095

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

	Year 99	Q 4 99	Q3 99	Q 2 99	Q 1 99	Year 98	Q 4 98	Q 3 98	Q 2 98	Q 1 98
Gross Profit/Loss	1 351	-	-	1 201	150	1 367	-72	-290	1 183	546
Selling Expenses	-	-	-	-	-	-2 522	-459	-423	-799	-841
Administrative Expenses	-13 492	-3 897	-3 307	-3 435	-2 853	-11 638	-2 869	-2 636	-2 492	-3 641
R&D Expenses	-18 728	-4 360	-4 157	-3 641	-6 570	-34 913	-8 860	-7 741	-7 567	-10 745
Items affecting comparability	3 290	-	3 290							
Exchange Profit/Loss	199	157	-142	147	37	-28	-79	593	327	-869
Operating Loss	-27 380	-8 100	-4 316	-5 728	-9 236	-47 734	-12 339	-10 497	-9 348	-15 550

Uppsala February 25, 2000

Ernst Feldtström  
President

