BioPhausia 2010

This information was submitted for publication on February 14, 2011 at 08.30

Year-end Report January–December 2010

Period October-December

- The Group's net sales for the period were SEK 142 (153) million. After adjustment for the disposal of the OTC products, organic growth was 9%.
- EBITDA for the period amounted to SEK 21* (23) million. After adjustment for the disposal of the OTC products and closing-down costs in Poland, EBITDA amounted to SEK 24 (14) million.
- Operating profit was SEK 7** (13) million.
- Profit after tax for the period was SEK 0*** (2) million.
- Earnings per share after tax, before and after dilution, for the period was SEK 0.00 (0.01).

Period January-December

- The Group's net sales for the period were SEK 553 (634) million.
- EBITDA for the period amounted to SEK -16* (98) million.
- Operating profit/loss was SEK -122** (71) million.
- Profit/loss after tax for the period was SEK -163*** (18) million.
- Earnings per share after tax, before and after dilution, for the period was SEK -0.48 (0.05).

Significant events during the period January-December

- The Board decided to streamline operations and focus on prescription pharmaceuticals in the Nordic region. These measures resulted in a strong fourth quarter for BioPhausia.
- BioPhausia sold OTC products to Meda AB for SEK 190 million, resulting in a capital loss of SEK 74 million.
- Bank loan repayments amounted to SEK 245 million during the period.
- BioPhausia became the main supplier of parallel-imported pharmaceuticals to Apoteksgruppen.
- Impairment losses of SEK 82 million were recognised for intangible assets and SEK 18 million for inventories.
- Niklas Prager was elected as the new Chairman of the Board of BioPhausia.
- Maris Hartmanis took up the position of BioPhausia CEO on 9 August.

"Includes non-recurring costs of SEK 102 million for the period and SEK 3 million for the quarter. See also Note 7.
***Includes non-recurring costs of SEK 182 million for the period and SEK 7 million for the quarter. See also Note 7.
***Includes non-recurring costs of SEK 193 million for the period and SEK 7 million for the quarter. See also Note 7.

Consolidated income statement in brief

MSEK	Q 4 2010	Q 4 2009	Change	Full year 2010	Full year 2009	Change
Revenue	142	153	-7 %	553	635	-13 %
EBITDA*	21	23	-7 %	-16	98	
EBIT**	7	13	-43 %	-122	71	
Profit before tax***	2	3	-41 %	-174	26	
Profit after tax***	0	2		-163	18	
Earnings per share before tax before and after dilution	0.01	0.01		-0.50	0.08	
Earnings per share after tax before and after dilution	0.00	0.01		-0.48	0.05	

BioPhausia AB (publ), Blasieholmsgatan 2, SE-111 48 Stockholm, Tel: +46-8-407 64 30, Fax: +46-8-407 64 39
info@biophausia.se, www.biophausia.se, org nr 556485-0153

CEO's Comments

Strong fourth quarter with underlying improved profitability and organic growth

The large-scale changes which BioPhausia's operations and structure have undergone since I became CEO in August 2010 are now starting to bear fruit. During the fourth quarter, we continued our efforts to focus the Company on prescription pharmaceuticals in the Nordic region, improve profitability and bring out the underlying earnings capacity. EBITDA for the fourth quarter, not taking into account restructuring costs of SEK 3 million in Poland, amounted to SEK 24 million. This is in line with the underlying EBITDA for the third quarter of 2010. Organic growth for the period October to December was 9 percent, after adjustment for the disposal of the OTC portfolio in September 2010. The Company's strong cash flow during the final quarter of the year enabled us to make operating loan repayments of SEK 23 million. In the course of one year, interest-bearing liabilities have been halved from SEK 472 million to SEK 224 million and the Company does not have any bank loans with covenants at the present time. This is indicative of good profitability and a stable cash flow.

Strong profitability for Own products

The segment, which since September 2010 has a portfolio of prescription pharmaceuticals only, showed very strong Q4 growth, with a 24 percent increase in sales and an improved EBITDA of 52 percent compared with the same period in 2009. This is based on adjusted figures, excluding the OTC products which were disposed of at the end of the third quarter. The segment shows inherent strength, with both organic growth and improved profitability.

Continuing growth and good profitability for Parallel-imported products

During the fourth quarter, the segment exceeded its sales figure for the same period in 2009 by 11 percent. At the same time, the Parallel-imported segment's sales increased for the third successive quarter. The rapid growth is clear evidence that the underlying potential of the existing agreements with the pharmacy chains is now starting to manifest itself in a desirable way. Profitability for the quarter was good, with an EBITDA margin of 10 percent. Exchange rates moved in the right direction during the period and contributed towards stronger earnings for both the Company and the pharmacy chains. Cross Pharma continues to be one of the major players on the Swedish market, and has a competitive advantage in its cost-effective repacking unit in Poland.

In December, the decision was taken to further increase the number of licences. This increases the number of parallel-imported pharmaceuticals that can be offered to the pharmacy chains in Sweden and positions the segment for continuing growth.

Profit for Licensed products

During the fourth quarter, the segment turned its previous heavy losses during 2010 into an EBITDA profit of SEK 1 million. Despite the major changes and the reduction in the number of markets and licensed pharmaceuticals, sales remained on a par with the figure reported for 2009, while profitability improved. Although we were successful in turning the negative trend into a small profit, we face the future challenge of being a small profitable generic player on the Nordic market with humility.

Other

In Poland, the winding-up of the operations we had previously decided to discontinue was completed. This had a negative effect on Q4 earnings of just over SEK 3 million in the form of restructuring costs and a further SEK 4 million in the form of impairment of property, plant and equipment. Of the previously large-scale Polish operations, only the Prodlekpol repacking unit in Warsaw, a wholly owned subsidiary of Cross Pharma, now remains.

As a further part of BioPhausia's focusing and streamlining programme, the process to dispose of, or phase out, the recently impaired products RescueFlow and GlycoVisc as soon as possible was started, while the activities relating to the previously signed Chinese generic cooperation are being reviewed. RescueFlow was sold in February 2011, after the end of the reporting period, for a purchase consideration of just under SEK 1 million.

With the streamlining of the existing operations having been completed at the end of last year, a process has also started to develop the company's long-term strategy in the area of prescription pharmaceuticals.

Group

Consolidated income statement in brief

Mkr	Q 4 2010	Q 4 2009	Change	Full year 2010	Full year 2009	Change
Revenue	142	153	-7 %	553	634	-13 %
Cost of goods sold	-96	-105	-9 %	-397	-448	-11 %
Gross profit	**46**	**47**	**-3 %**	**157**	**186**	**-16 %**
Selling expenses	-18	-20	-8 %	-72	-69	4 %
Administrative expenses	-5	-5	1 %	-24	-19	25 %
Other operating revenue/expenses	-2	1		-77		
EBITDA	**21**	**23**	**-7 %**	**-16**	**98**	
Depreciation, amortisation and impairm	-14	-10	37 %	-105	-27	
EBIT	**7**	**13**	**-43 %**	**-122**	**71**	
Net financial items	-5	-10	-44 %	-52	-45	15 %
Tax	-2	-1	-41 %	11	-8	
Profit for the period	**0**	**2**		**-163**	**18**	

Group turnover and profit

Revenue

January – December
Revenues during the period amounted to SEK 553 (634) million, a decline of 13% on the same period the previous year. After adjustment for the disposal of the OTC products at the end of the 3rd quarter, the decline was 9%. Sales were distributed as follows: Own Products, SEK 192 (207) million, Licensed Products, SEK 89 (107) million, Parallel-Imported Products, SEK 252 (297) million and BioPhausia General SEK 20 (23) million.

The decline in sales is largely due to initially lower sales in the Parallel-imported products segment. 2010 was a start-up year with the new pharmacy chains, and it took some time to get sales underway during the year and realise the potential of the agreements.

October – December
Sales for the period October-December amounted to SEK 142 (153) million, which is a decline of 7%. However, organic growth was 9% after adjustment for the disposal of the OTC products at the end of the 3rd quarter.

Sales for the remaining prescription portfolio in the Own products segment in the 4th quarter showed growth of 24% compared with the previous year.

The gradual increase in sales in the Parallel-imported products segment continued during the year. Growth for the 4th quarter was 11%

Sales for the Licensed products segment were largely on a par with the previous year, despite the strategic review which resulted in the Company reducing the number of pharmaceuticals on the market and discontinuing its non-Nordic operations.

Earnings

January – December
EBITDA for the period amounted to SEK -16 (98) million. EBITDA for the period was negatively affected by non-recurring costs of SEK 102 million. These are distributed as follows: capital loss on the sale of OTC products, SEK 74 million, inventory write-downs in the Licensed products segment, SEK 17 million, costs associated with the change of CEO, SEK 4 million, net loss on the sale of two subsidiaries, SEK 4 million, and restructuring costs in Poland, SEK 3 million.

Depreciation, amortisation and impairment amounted to SEK 105 (27) million. SEK 82 (5) million of this figure related to impairment of intangible assets. SEK 50 million of the impairment of intangible assets was a result of the strategic overview completed during the year, which concluded that a large number of licensed products lacked sustainable future market potential.

In connection with the strategic review, the company's entire intangible assets were subjected to impairment testing, resulting in impairment of SEK 26 million.

October – December
EBITDA for the period October-December amounted to SEK 21 (23) million. After adjustment for restructuring costs of SEK 3 million in Poland, EBITDA amounted to SEK 24 million. EBITDA for the 4th quarter of 2009, excluding the disposal of the OTC products, was SEK 14 million. All three segments showed improved profitability compared with the same period the previous year. The Own products segment was responsible for the majority of the improvement.

Depreciation, amortisation and impairment amounted to SEK 14 (10) million, with impairment accounting for SEK 11 (5) million of this figure. Impairment of intangible assets, SEK 6 million, was mainly attributable to the closing-down of a contract manufacturer in the Licensed products segment. Impairment of property, plant and equipment, SEK 4 million, was attributable to the discontinuation of operations in Poland.

Net financial items

Net financial items for the period amounted to SEK -52 (-45) million. Net financial items were negatively affected by non-cash costs of SEK 11 million, as a result of bank loan repayments comprising accrued transaction costs, SEK 5 million, and the reclassification of forward rate instruments from comprehensive income to the income statement, SEK 6 million.

Net finance income/expense during the 4th quarter was SEK -5 (-10) million. The change compared with the same quarter the previous year is mainly due to the fact that all bank loans were repaid in September 2010, resulting in lower interest expenses.

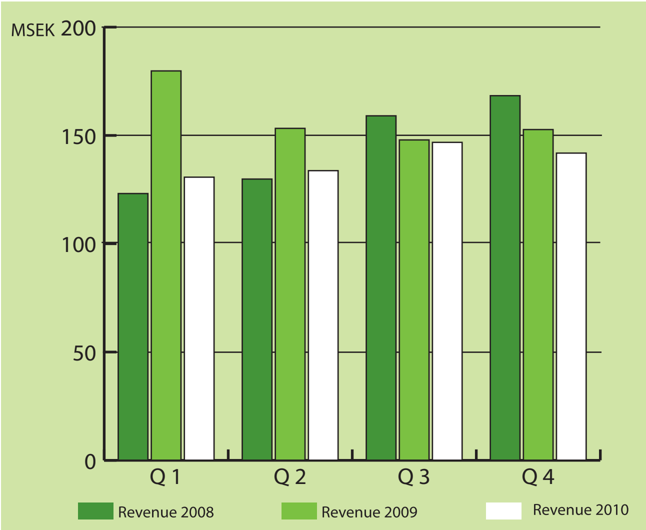
Tax

No current tax is to be paid as there are tax loss carryforwards which can be utilised. The Group's tax comprises tax income of SEK 11 (-8) million. This relates to tax on temporary differences (the difference between accounting profit and tax base). Temporary differences in the Group fell during the period, mainly as a result of the sale of the OTC portfolio. This resulted in a reversal of the deferred tax liability, giving tax income of SEK 17 million.

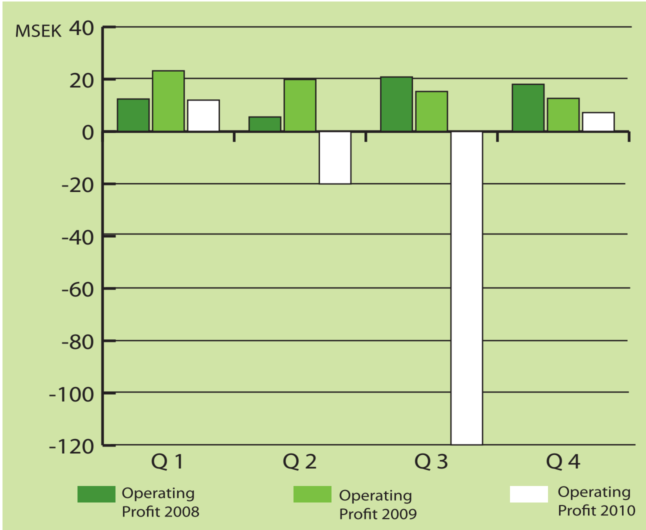
Total tax losses carried forward at the beginning of the year were SEK 278 million. SEK 270 million of this figure was recognised in the balance sheet, corresponding to a deferred tax asset of SEK 71 million. Additional tax loss carryforwards of SEK 96 million arose during the year. These were not recognised in the balance sheet. Closing tax loss carryforwards on the reporting date were SEK 374 million.

Group

Revenue



Operating Profit



Financial position

Cash flow

At the end of the period, cash & cash equivalents were SEK 9 million, compared with 16 million at the beginning of the year. Total operating loan facilities amounted to SEK 130 million, of which SEK 55 (37) million has not been utilised. Changes in working capital for the fourth quarter, SEK -7 million, include operating loan repayments of SEK 23 million.

Operating activities

Cash flow from operating activities before changes in working capital for the period was SEK 34 (60) million. Inventories declined by SEK 42 million during the period. The decline in inventories is largely attributable to the sale of the OTC products (SEK 12 million), retirement of licensed products (SEK 18 million) and inventories in sold companies (SEK 3 million). Cash flow from changes in working capital was SEK 36 (-11) million. Cash flow from operating activities for the period was SEK 70 (49) million.

Investing activities

Cash flow from investing activities was SEK 168 (-13) million. The main change during the period was attributable to the sale of the OTC products for a purchase consideration of SEK 19 million.

Financing activities

Interest-bearing liabilities amounted to SEK 224 (472) million at the reporting date. This figure comprises bank loans, SEK 0 (238) million, operating loans, SEK 75 (88) million, and debentures, SEK 149 (145) million. Bank loan repayments for the period amounted to SEK 245 million.

At the reporting date, debenture loans and hedging instruments which expire in 2011 were classified as current liabilities and totalled SEK 94 million.

Cash flow from financing activities amounted to SEK -245 (-36) million and related mainly to bank loan repayments.

The net debt/equity ratio was 0.53 (0.82) times.

Equity

Equity amounted to SEK 408 (558) million at the reporting date. SEK 86 million of this amount was share capital.

The number of shares was 342,555,069 at the reporting date.

The equity/assets ratio was 58% (50%).

Other

At the annual general meeting, a new Chairman of the Board and some new Board members were elected. The meeting re-elected Mats Lindquist, Roger Johanson and Johan Unger to the Board, while Niklas Prager and Anna Malm Bernsten were newly elected. Niklas Prager was elected as Chairman of the Board.

Maris Hartmanis took up the position of CEO on 9 August 2010.

Segments

Own products - Prescription

Table 1

Own products (SEK '000)	**Q 4 2010**	**Q 4 2009***	**Change**	**Full year 2010**	**Full year 2009***	**Change**
Revenue	40 067	32 439	24 %	135 834	119 248	14 %
EBITDA	20 682	13 643	52 %	64 535	45 181	43 %
EBITDA margin	52 %	42 %		48 %	38 %	

Own products - not adjusted for the sale of OTC-products

Table 2

Own products (SEK '000)	**Q 4 2010**	**Q 4 2009***	**Change**	**Full year 2010**	**Full year 2009***	**Change**
Revenue	40 428	55 541	-27 %	192 407	206 711	-7 %
EBITDA	19 728	23 328	-15 %	11 485	80 569	-86 %
EBITDA margin	49 %	42 %		%	39 %	

*In 2010, certain allocation keys relating to indirect operating expenses have been changed. The 2009 figures have therefore been restated to give comparable figures.

Own products

The description and comparison of key figures below is based on the segment's remaining prescription pharmaceuticals. On 23 September, the Company sold its portfolio of OTC products and some prescription products with a natural connection to the OTC portfolio. The capital loss of SEK 74 million arising from the sale of the OTC products is not taken into account in the comparison between periods. In table 2 above, the segment results are reported without adjustment for product disposals.

Revenue

January - December

Sales for the period amounted to SEK 136 (119) million, an increase of 14% compared with the previous year.

October - December

Sales for the period amounted to SEK 40 (32) million, an increase of 24% compared with the previous year. The main reason for the increase is the growth in the Company's medicines for colds.

Earnings

January - December

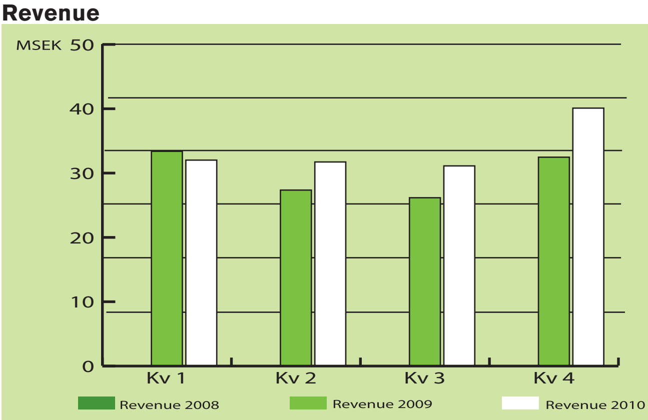
EBITDA for the period amounted to SEK 64 (45) million, giving an EBITDA margin of 48% (38%). The margin increase is mainly due to price adjustments and effects of a stronger Swedish krona, as a large proportion of purchases are in euros.

October - December

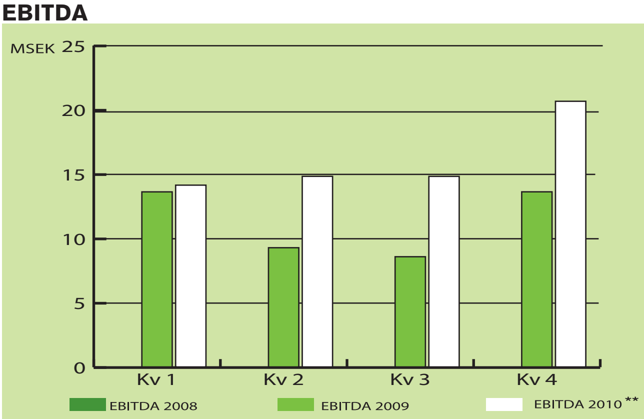
The positive performance of the Own products segment continued in the fourth quarter and was manifested in increased sales and, in particular, improved profitability. EBITDA for the remaining prescription portfolio amounted to SEK 21 (14) million and the EBITDA margin was 52% (42%). The increased earnings for the quarter are attributable to the same factors as for the period, with increased sales of the Company's medicines for colds making the largest impact on the quarterly results.

	Q 4 2010	Q 4 2009
Products - Self-care	0	6
Products - Prescription	14	19
Products on market	**14**	**25**
Products in registration	0	1

Revenue



EBITDA



Definition – segment Own products

Own products are products owned without restriction by BioPhausia. Examples are that the company owns a dossier (documentation about a product), a brand, other intangible rights, but not necessarily a patent. Own products can be divided up into original products and generic products.

Examples of products in this segment are Citodon, Mollipect and Laxabon.

Licensed products (SEK '000)	Q 4 2010	Q 4 2009*	Change	Full year 2010	Full year 2009*	Change
Revenue	22 091	22 312	-1 %	88 766	106 926	-17 %
EBITDA	789	-1 311		-22 853	5 275	
EBITDA margin	4 %	-6 %		-26 %	5 %	

*In 2010, certain allocation keys relating to indirect operating expenses have been changed. The 2009 figures have therefore been restated to give comparable figures.

Licensed products

Revenue

January - December

Sales for the period amounted to SEK 89 (107) million. At the end of the period, there were 26 pharmaceuticals on the market, compared with 32 at the same point in the previous year. On 12 August, the Board decided the Company would focus on the Nordic market in the future. As a result of this decision, the process of winding up the Polish and Baltic generic operations began and the Dutch subsidiary was sold on 31 August. Sales in the non-Nordic operations amounted to SEK 10 million during the period.

From the strategic review of the generic portfolio, completed in the third quarter, it emerged that about 20 of the Company's products are considered to have good future commercial potential. The total number of licences was reduced from 57 at the end of 2009 to 29 at the end of 2010.

October - December

Sales for the period amounted to SEK 22 (22) million. Non-Nordic sales amounted to SEK 1 million in the fourth quarter.

Earnings

January - December

EBITDA for the period amounted to SEK -23 (5) million. Inventories were written down by SEK 18 million during the period, and this was largely a direct consequence of the strategic review. The non-Nordic operations reported EBITDA of SEK -8 million during the period.

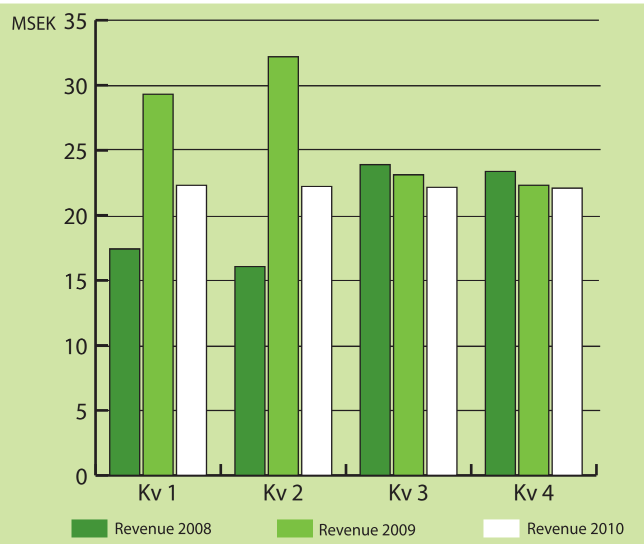
October - December

EBITDA for the period October-December amounted to SEK 1 (-1) million. There was a considerable improvement in earnings in the 4th quarter compared with the previous quarters of the year, and this was the first and only quarter to show a positive EBITDA in 2010. In Denmark, the segment was positively affected by higher sales of individual products with good profitability. The non-Nordic operations reported negative EBITDA of SEK 1 million for the 4th quarter.

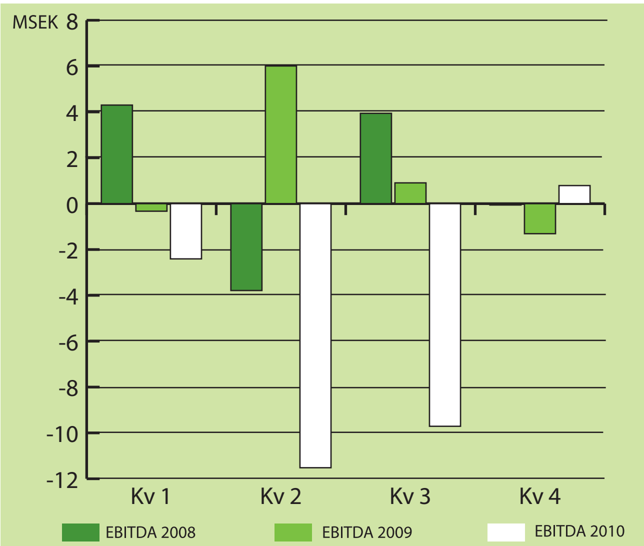
The winding-up of the generic operations in Poland and the Baltic region is now completed and the Company does not expect any further material costs associated with these discontinued operations during 2011.

	Q 4 2010	Q 4 2009
Products on market	26	32
Products in registration	3	25
Total licenses	**29**	**57**
New licenses during period	0	0

Revenue



EBITDA



Definition – segment Licensed products

Licensed products are products where BioPhausia has limited ownership of a dossier, or alternatively only has a distribution right without holding a marketing permit (agent). Restrictions may be territorial or the license may not give the opportunity for sub-licensing or sale of a dossier. Licensed products can be divided up into original products and generic products.Examples of products in this segment are Omeprazol, Cetirizin and Amlodipin.

Parallel-imported (SEK '000)	**Q 4 2010**	**Q 4 2009***	**Change**	**Full year 2010**	**Full year 2009***	**Change**
Revenue	73 450	66 355	11 %	252 398	296 974	-15 %
EBITDA	7 120	5 196	37 %	19 053	21 616	-12 %
EBITDA margin	10 %	8 %		8 %	7 %	

*In 2010, certain allocation keys relating to indirect operating expenses have been changed. The 2009 figures have therefore been restated to give comparable figures.

Parallel-imported products

Revenue

January - December

Sales for the period amounted to SEK 252 (296) million. The decline in sales is mainly attributable to the 1st quarter when the Company adopted an intentionally cautious approach both to product purchasing and pricing prior to the signing of agreements with the new pharmacy chains. Under one of these agreements, BioPhausia became the main supplier of parallel-imported pharmaceuticals to Apoteksgruppen. The cooperation with new pharmacy chains made 2010 resemble a start-up year, and it took some time to get sales underway and realise the potential of the agreements.

October - December

Sales for the period amounted to SEK 73 (66) million, an increase of 11% compared with the previous year. Compared with the 1st quarter, the increase was 37%. The 4th quarter was the first quarter to show growth compared with the previous year and the third successive quarter of increased sales. These growth figures support the Company's assessment that conditions are right for the segment to return to the sales levels it had before the re-regulation of the Swedish pharmacy market. The segment has increased the number of parallel-imported pharmaceuticals. At the end of the period, there were 94 pharmaceuticals on the market, compared with 85 at the same point in the previous year.

The aim is to continue to grow and be able to offer a large range of parallel-imported pharmaceuticals to the pharmacy chains. At the end of 2010, the segment had another 30 pharmaceuticals awaiting registration.

Earnings

January - December

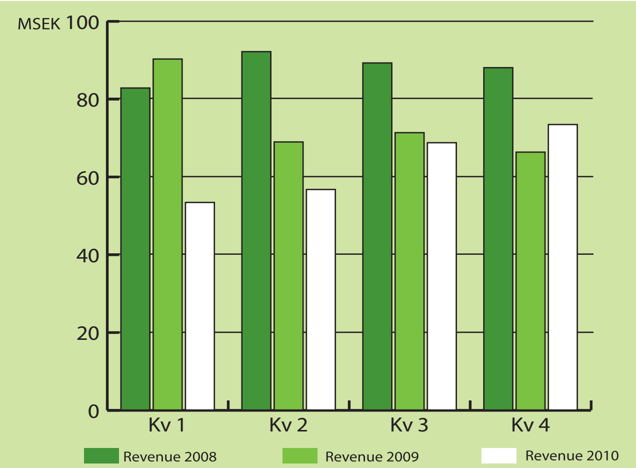
EBITDA for the period amounted to SEK 19 (22) million. The EBITDA margin increased to 8% (7%). As sales have recovered after the cautious start to the year, profitability has also improved.

October - December

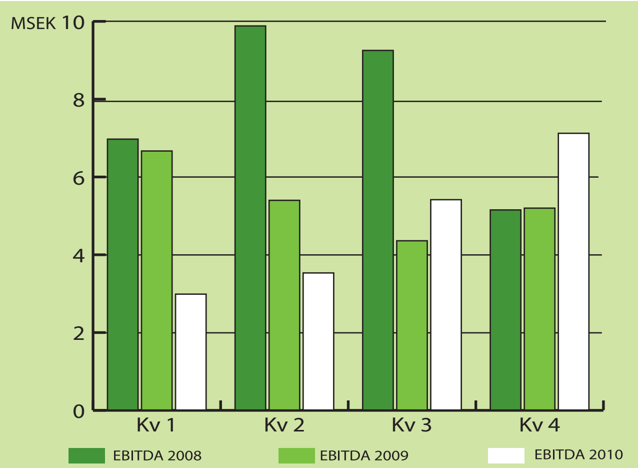
EBITDA for the quarter amounted to SEK 7 (5) million. The EBITDA margin of 10% (8%) is largely due to the stronger Swedish krona which has lowered the costs of product purchasing in the EU. The pharmacy chains will also benefit in the form of higher margins and a wider selection of pharmaceuticals suitable for parallel-imports.

	Q 4 2010	Q 4 2009
Products on market	94	85
Products in registration	35	11

Revenue



EBITDA



Definition – segment Parallel-imported products

Parallel-imported products are products where BioPhausia lacks ownership of a dossier. The company merely has the right to import and sell the product, and the Medical Products Agency is the counterpart.
Examples of parallel-imported products are all the products sold by Cross Pharma.

Parent Company

Parent company revenue and earnings

Revenue

January - December
The parent company's sales for the period amounted to SEK 194 (207) million. This figure relates mainly to sales of Own products.

Earnings

January - December
Operating profit for the period amounted to SEK 25 (36) million. The figure includes a capital loss of SEK 23 million in the parent company relating to the sale of the OTC portfolio.

Net financial items
Net financial items for the period amounted to SEK -72 (-26) million. Shares in subsidiaries were written down by SEK 23 million during the period, while an internal receivable was written down by SEK 13 million. Earnings were negatively affected by non-cash costs of SEK 11 million which arose in connection with full repayment of the long-term bank loans.

Tax
No current tax is to be paid as there are tax loss carryforwards which can be utilised. The parent company's tax, SEK -21 (0) million, consists mainly of tax expense associated with group contributions.

Financial position

Cash and cash equivalents
At the reporting date, cash & cash equivalents were SEK 4 (7) million.

Investments and disposals
Investments for the period amounted to SEK 6 (3) million. The OTC portfolio was sold for a purchase consideration of SEK 190 million during the period. The sale reduced intangible assets by SEK 213 million. The subsidiaries Omnidea and Allgen were also sold during the period, which reduced financial assets by SEK 8 million.

Financing
Interest-bearing liabilities amounted to SEK 179 (426) million at the reporting date, 31 December. Repayments totalling SEK 245 million were made in the period. At the reporting date, debenture loans and hedging instruments which expire in 2011 were classified as current liabilities, and totalled SEK 94 million.

Shares
The number of shares increased by 7,312 in 2010 after the exercise of issued warrants. The number of shares was 342,555,069 at the reporting date.

Incentive programme
An incentive programme in the form of warrants was initiated in 2009. For more information, see Note 6.

Financial calender 2011

Interim reports

- Interim report January-March 2011; 10 May 2011
- Annual General Meeting 2011; 10 May 2011
- Interim report January-June 2011; 25 August 2011
- Interim report January-September 2011; 9 November 2011

2011 Annual General Meeting

The annual general meeting will be held at 2 p.m. on Tuesday 10 May 2011 at the Radisson Blu Strand Hotel in Stockholm. Shareholders wishing to have business considered at the meeting on 10 May must send the Board a written request early enough for it to be included in the notice convening the meeting. Requests should be sent to BioPhausia AB/Årsstämma, Blasieholmsgatan 2, 111 48 Stockholm or by email to arsstamma@biophausia.se.

Annual Report

The full annual report will be available three weeks before the annual general meeting on 10 May 2011, and can be obtained from BioPhausia AB, Blasieholmgsgatan 2, 111 48 Stockholm or on the website www.biophausia.se. The annual report is sent to shareholders who have requested a copy from the address above.

Nomination committee prior to 2011 AGM

The nomination committee for the election of the Board at the 2011 AGM is as follows:
Caroline af Ugglas (Skandia Liv), Chair
Niklas Prager (Chairman of the Board)
Tedde Jeansson jr (Originat AB)
Sören Berggren (individual shareholder)

Shareholders can make proposals to the nomination committee by submitting them to members of the committee or by writing to:

BioPhausia AB
Nomination committee
Blasieholmsgatan 2
111 48 Stockholm

Dividend proposal

The Board proposes that no dividend be paid for the 2010 financial year.

This report has not been audited or reviewed by the Company's auditors.

Stockholm 14th of February 2011

MARIS HARTMANIS
CHIEF EXECUTIVE OFFICER

FOR FURTHER INFORMATION
Maris Hartmanis CEO, +46-8-407 64 30
maris.hartmanis@biophausia.se
www.biophausia.se

Information in this interim report is provided pursuant to Biophausia AB (publ)'s disclosure requirements under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on 14 February 2011.

BIOPHAUSIA is a Swedish specialty pharma company with operations in originator, generic and parallel-imported pharmaceuticals. The portfolio of pharmaceuticals covers therapeutic areas such as stomach/intestines, CNS (central nervous system) and acute medicine, and contains products such as Mollipect and Citodon. The Company's operations are concentrated in the Nordic region with a repacking facility in Poland. BioPhausia AB (publ) has its registered office in Stockholm and is listed on Nasdaq OMX Nordic Exchange, Small Cap, in Stockholm.

Group income statement

(SEK '000)	2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Revenue	141 826	152 690	553 370	633 584
Cost of goods sold	-95 541	-105 202	-396 592	-447 556
Gross profit	**46 285**	**47 488**	**156 778**	**186 028**
Selling expenses*	-32 144	-29 995	-177 103	-93 645
Administrative expenses*	-5 377	-4 889	-23 445	-18 972
Research and development expenses*	0	-469	-502	-1 874
Other operating revenue	3 265	1 571	9 507	3 694
Other operating expenses	-4 826	-1 046	-86 832	-4 186
Operating profit	**7 203**	**12 660**	**-121 597**	**71 045**
Net financial items	-5 438	-9 654	-51 970	-45 320
Profit before tax	**1 765**	**3 006**	**-173 567**	**25 725**
Tax on this year´s profit/deferred tax	-1 882	-1 345	10 541	-8 215
Profit for the period	**-117**	**1 661**	**-163 026**	**17 510**
Attributable to:				
Equity holders of the parent	*-117*	*1 661*	*-163 026*	*17 510*
Profit for the period	**-117**	**1 661**	**-163 026**	**17 510**
Profit per share before and after dilution (SEK)	0.00	0.01	-0.48	0.05

Statement of comprehensive income

Profit for the period	-117	1 661	-163 026	17 510
Other comprehensive income for the period:				
Translation differences	1 337	292	4 369	743
Gain/loss on cash flow hedges	0	1 541	10 877	3 418
Other comprehensive income for the period	*1 337*	*1 833*	*15 246*	*4 161*
Total comprehensive income for the period	**1 220**	**3 494**	**-147 780**	**21 671**
Attributable to:				
Equity holders of the parent	1 220	3 494	-147 780	21 671
Total comprehensive income for the period	**1 220**	**3 494**	**-147 780**	**21 671**

* Depreciation, amortisation and impairment included in operating profit	13 934	10 158	105 494	26 623

Consolidated balance sheet

(SEK'000)	2010-12-31	2009-12-31
Fixed assets		
Intangible assets	483 372	842 363
Property, plant and equipment	2 244	5 123
Deferred tax asset	47 168	40 213
Total fixed assets	**533 184**	**887 699**
Current assets		
Inventories	81 073	123 071
Trade receivables	68 485	68 419
Other current receivables	7 907	13 635
Cash and cash equivalents	8 878	15 644
Total current assets	**166 343**	**220 769**
Total assets	**699 527**	**1 108 468**
Equity	**407 617**	**558 121**
Long-term liabilities		
Deferred tax liabilities		
Longterm liabilities	58 887	332 894
Total long-term liabilities	**58 887**	**332 894**
Current liabilities	**233 023**	**217 453**
Total liabilities	**291 911**	**550 347**
Total equity and liabilities	**699 527**	**1 108 468**
Pledged assets	140 368	183 836
Contingent liabilities	None	None

Consolidated statement of changes in equity

(SEK'000)	2010-12-31	2009-12-31
Opening equity	**558 121**	**534 437**
The raising of capital	11	4 604
Cost attributable to raising capital		-506
Exercise of warrants		89
Incentive programme	-156	762
Other changes	-2 579	-2 936
Total comprehensive income for the period	-147 780	21 671
Closing equity at end of period	**407 617**	**558 121**

Key figures Group

	2010-12-31	2009-12-31
Number of shares in issue at end of period (´000)	342 555	342 548
Average number of shares before dilution (´000)	342 555	342 489
Average number of shares after dilution (´000)	385 285	367 420
Equity per share (SEK)	1.19	1.63
Equity/assets ratio (%)	58	50
Return on equity (%) *	-37.3	3.2
Return on operating capital (%) *	-14.0	7.1
Return on total capital (%) *	-12.8	6.5
Profit per share before tax (SEK) before and after dilution	-0.48	0.08
Profit per share after tax (SEK) before and after dilution	-0.48	0.05
Net debt/equity ratio (times)	0.53	0.82

* Calculated on rolling 12-monthly profit

Definitions
Equity per share. *Reported equity divided by total number of shares at end of period adjusted for issues and conversions.*
Equity/assets ratio. *Equity as a percentage of total assets.*
Profit per share. *Profit/loss for the period divided by the weighted average number of shares outstanding during the period, with an adjustment for the calculated bonus element.*
Return on average equity. *Net profit/loss as a percentage of average equity based on net profit/loss and equity for the last 12 months.*
Return on average capital employed. *Profit/loss after net financial items plus finance costs for the last 12 months as a percentage of average capital employed.*
Capital employed. *Total assets less non-interest-bearing liabilities, including deferred tax liability.*
Return on average total assets. *Profit/loss after net financial items plus finance costs for the last 12 months as a percentage of average total assets.*
Net debt/equity ratio. *Interest-bearing liabilities less financial assets (including cash & cash equivalents) divided by equity.*
EBITDA. *Earnings before interest, taxes, depreciation and amortisation.*
EBITDA margin. *EBITDA as a percentage of revenue.*

Consolidated cash flow statement in brief

(SEK' 000)	2010 Oct–Dec	2009 Oct–Dec	2010 Jan–Dec	2009 Jan–Dec
Cash flow from operating activities before change in working capital	16 571	8 293	34 040	60 394
Change in working capital	-7 334	7 711	35 611	-10 934
Cash flow from operating activities	9 237	16 004	69 651	49 460
Cash flow from investing activities	-6 667	-2 650	168 333	-12 949
Cash flow from financing activities	-218	-14 952	-244 750	-36 370
Change in cash and cash equivalents	**2 352**	**-1 598**	**-6 766**	**141**
Cash and cash equivalents at start of period	6 526	17 242	15 644	15 503
Cash and cash equivalents at end of period	8 878	15 644	8 878	15 644
Interest received	*42*	*38*	*64*	*85*
Interest paid	*-11 484*	*-15 372*	*-34 146*	*-35 456*

Group operating profit in summary

2009	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Full year**
Net sales	179 757	153 237	147 900	152 690	633 584
Gross profit	50 127	47 280	41 133	47 488	186 028
Selling expenses	-21 367	-22 045	-20 238	-29 995	-93 645
Administration expenses	-4 921	-4 637	-4 525	-4 889	-18 972
R&D expenses	-475	-494	-436	-469	-1 874
Other operating items	-169	-211	-637	525	-492
Operating profit	**23 195**	**19 893**	**15 297**	**12 660**	**71 045**
EBITDA	**28 475**	**25 521**	**20 854**	**22 818**	**97 668**

2010	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Full year**
Net sales	130 713	134 052	146 779	141 829	553 370
Gross profit	43 911	33 324	33 258	46 285	156 778
Selling expenses	-26 255	-47 237	-71 467	-32 144	-177 103
Administration expenses	-6 816	-5 853	-5 399	-5 377	-23 445
R&D expenses	-344	-95	-63		-502
Other operating items	689	-243	-76 210	-1 561	-77 325
Operating profit*	**11 185**	**-20 104**	**-119 881**	**7 203**	**-121 597**
EBITDA**	**17 502**	**9 381**	**-64 123**	**21 137**	**-16 103**

*Includes non-recurring costs of SEK 182 million for the period January to December and SEK 7 million for the 4th quarter. For more information, see Note 7.
**Includes non-recurring costs of SEK 102 million for the period January to December and SEK 3 million for the 4th quarter. For more information, see Note 7.

Parent company income statement

(SEK '000)	2010 Oct–Dec	2009 Oct–Dec	2010 Jan–Dec	2009 Jan–Dec
Revenue	41 693	55 628	193 673	207 255
Cost of goods sold	-15 733	-27 840	-87 236	-108 696
Gross profit	**25 961**	**27 788**	**106 438**	**98 559**
Selling expenses	-11 797	-19 103	-62 936	-65 018
Administrative expenses	-4 675	-3 888	-20 662	-17 092
Research and development expenses		-468	-502	-1 874
Other operating income and operating expenses	5 422	5 017	2 713	21 108
Operating profit	**14 910**	**9 345**	**14 051**	**35 683**
Net financial items	-11 642	-4 954	-72 146	-26 419
Profit after financial items	**3 268**	**4 391**	**-47 095**	**9 264**
Tax on this year's profit/deferred tax	-23 443	-439	-21 093	-113
Profit for the period	**-20 175**	**3 952**	**-68 188**	**9 151**

Parent company balance sheet

(SEK '000)	2010-12-31	2009-12-31
Fixed assets		
Intangible assets	302 471	548 730
Tangible assets	454	474
Participations in Group companies	52 489	77 559
Deferred tax receivable	70 103	72 025
Long-term receivables from Group companies	138 369	142 548
Total fixed assets	**563 886**	**841 336**
Current assets		
Inventory	10 959	26 604
Trade accounts receivable	17 645	24 365
Current receivables from Group companies	22 680	120 487
Other current assets	2 190	2 340
Liquid funds	3 989	6 935
Total current assets	**57 463**	**180 731**
Total assets	**621 349**	**1 022 067**
Equity	**406 638**	**528 691**
Long-term liabilities	58 865	331 300
Total long-term liabilities	**58 865**	**331 300**
Current liabilities to Group companies	10 984	20 751
Other current liabilities	144 862	141 325
Total current liabilities	**155 846**	**162 076**
Total equity and liabilities	**621 346**	**1 022 067**
Pledged assets	115 918	133 105
Contingent liabilities	62 415	61 849

Notes

Note 1 Accounting principles
This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Like the year-end accounts for 2009, the consolidated year-end accounts for 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting policies are the same as those applied in the 2009 annual report. New reporting standards applicable with effect from1 January 2010 are the revised IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements. The standards have not had any effect on this interim report.

Note 2 Segment reporting
Reporting of operating segments

SEK ´000	Own products	Licensed products	Parallel-imported products	Otherl	Adjustments	Total
January – December 2010						
Revenue	192 407	88 766	252 398	19 776		553 347
EBITDA	11 485	-22 853	19 053	-20 479	-3 310	-16 103
Depreciation	-14 448	-78 062	-954	-12 030		-105 494
Net financial items						-51 970
Tax						10 541
Profit for the period						**-163 026**
January – December 2009*						
Revenue	206 711	106 926	296 974	22 973		633 584
EBITDA	80 569	5 275	21 616	-5 224	-4 567	97 669
Depreciation	-16 599	-6 383	-1 600	-2 041		-26 623
Net financial items						-45 320
Tax						-8 215
Profit for the period						**17 510**

*In 2010, certain allocation keys relating to indirect operating expenses were changed. The 2009 figures have therefore been restated to give comparable figures.

The presentation format has been made clearer in accordance with IFRS 8, with the previous segment BioPhausia General having been divided into other segments and adjustments. Other segments comprise small operations which do not come under any of the other segments. Adjustments comprise general Group costs which have not been allocated to segments.

The capital loss of SEK 74 million generated by the sale of the OTC portfolio is reported in the Own products segment and included in the EBITDA of SEK 11 million. The capital loss of SEK 4 million generated by the sale of the subsidiaries Allgen and Omnidea is reported in Other segments.

Note 3 Tax on profit for the year/deferred tax
Tax for the period relates to tax on temporary differences (difference between accounting profit and tax base).

Note 4 Risks and uncertainty factors
The group and parent company's significant risks and uncertainties consist of business risks in the form of uncertainty in market assessments (future prospects, eg size of market) and competition in the form of price pressure, which may lead to falling margins. Other significant risks include financial risks in the form of exchange rate movements, changes in interest rates, fulfilment of covenants and liquidity risks. These are covered by the company's policy for financial management. Apart from these risks and the risks described in note 3 of BioPhausia's 2009 annual report, no other significant risks are considered to have arisen.

Note 5 Related-party transactions
Transactions with companies related to the previous Chairman of the Board amounted to SEK 42 thousand during the period.

Note 6 Incentive programme

The AGM held in May 2009 adopted an incentive programme of warrants for BioPhausia Group personnel. The programme comprises a maximum of 5,160,000 warrants, which will be transferred at a market price, as calculated by an independent rating agency in accordance with the Black & Scholes option pricing model. In September 2009, the subscription price was set at SEK 2.04 per share and the warrants were priced at SEK 0.36 each. The warrants expire on 30 September 2012.

Note 7 Non-recurring costs in the Group

Summary of non-recurring costs in 2010

The following summary shows the costs reported under non-recurring costs, which negatively affected earnings for the period.

Type of cost	Earnings effect SEK m, period	Earnings effect SEK m, quarter
Write-down of inventories to estimated realisable va	-17	
Costs associated with change of CEO	-4	-
Capital loss on disposal of OTC portfolio	-74	-
Capital loss on disposal of subsidiaries	-4	-
Restructurin expenses Polen	-3	-3
EBITDA	**-102**	**-3**
Impairment of intangible assets	-76	-
Impairment tangible assets Polen	-4	-4
Total non-recurring costs, operating profit	**-182**	**-7**
Reversal of accrued transaction costs, loans	-5	-
Transfer of forward rate instruments to income statement	-6	-
Total non-recurring costs	**-193**	**-7**

Note 8 Intangible assets in the Group

Summary of intangible assets and changes during the year, SEK million

OB 01/01/2010	**842**
Acquisitions during the year	20
Disposals during the year	-277
Depreciation for the year	-17
Impairment for the year	-82
Other changes	-1
CB 31/12/2010	**484**

The acquisition of intangible assets amounted to SEK 20 million during the year. The disposal of the OTC portfolio reduced the carrying amount of intangible assets by SEK -264 million. The disposal of the subsidiaries Omnidea and Allgen reduced intangible assets by SEK -13 million. Amortisation of intangible assets for the year amounted to SEK 17 million and impairment of intangible assets for the year amounted to SEK 82 million.