

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934 (Fee Required)  
For the fiscal year ended December 31, 1997 or

Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934 (No Fee Required)  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-16109

ADVANCED POLYMER SYSTEMS, INC.  
SALARY REDUCTION PROFIT SHARING PLAN

ADVANCED POLYMER SYSTEMS, INC.  
123 Saginaw Drive  
Redwood City, California 94063  
Telephone: (650) 366-2626

FINANCIAL STATEMENTS AND EXHIBITS

ADVANCED POLYMER SYSTEMS, INC.  
SALARY REDUCTION PROFIT SHARING PLAN  
STATEMENT OF FINANCIAL CONDITION  
at December 31, 1997

	American Balanced Fund	Bond Fund of America	Templeton Foreign Fund	Dreyfus S&P 500 Index Fund	Fidelity Magellan Fund	Twentieth Century Growth Fund	Warburg Pincus Emerging Growth	Nationwide Guaranty and Savings Fund	APS Common Stock	Parti- cipant Loans	Total All Funds
ASSETS:											
Cash account	\$ -	-	-	-	-	-	-	15	-	-	15
Investments at fair value											
Mutual funds (cost \$1,152,104)	502,840	187,269	49,594	25,179	300,003	729,857	55,663	-	-	-	1,850,405
Fixed dollar annuities (cost \$284,955)	-	-	-	-	-	-	-	370,675	-	-	370,675
Company stock (cost \$72,552)	-	-	-	-	-	-	-	-	75,406	-	75,406
Participant loans	-	-	-	-	-	-	-	-	-	8,451	8,451
Employer contributions receivable	3,971	2,041	1,864	891	3,533	4,961	1,520	4,071	1,197	-	24,049
TOTAL ASSETS	<u>\$506,811</u>	<u>189,310</u>	<u>51,458</u>	<u>26,070</u>	<u>303,536</u>	<u>734,818</u>	<u>57,183</u>	<u>374,761</u>	<u>76,603</u>	<u>8,451</u>	<u>2,329,001</u>

PLAN EQUITY:

Salary reduction accounts	420,174	152,056	41,508	24,988	240,260	597,337	47,216	295,076	59,801	8,451	1,886,867
Employer matching accounts	86,637	37,254	9,950	1,082	63,276	137,481	9,967	79,685	16,802	-	442,134
TOTAL EQUITY	<u>\$506,811</u>	<u>189,310</u>	<u>51,458</u>	<u>26,070</u>	<u>303,536</u>	<u>734,818</u>	<u>57,183</u>	<u>374,761</u>	<u>76,603</u>	<u>8,451</u>	<u>2,329,001</u>

See accompanying notes to the financial statements.

ADVANCED POLYMER SYSTEMS, INC.  
SALARY REDUCTION PROFIT SHARING PLAN  
STATEMENT OF FINANCIAL CONDITION  
at December 31, 1996

	American Balanced Fund	Bond Fund of America	Templeton Foreign Fund	Fidelity Magellan Fund	Twentieth Century Growth Fund	Warburg Pincus Emerging Growth	Nationwide Guaranty and Savings Fund	APS Common Stock	Participant Loans	Total All Funds
<b>ASSETS:</b>										
Cash account	\$ -	-	-	-	-	-	5,887	-	-	5,887
Investments at fair value										
Mutual funds										
(cost										
\$1,050,167)	393,452	182,926	-	241,543	617,549	-	-	-	-	1,435,470
Fixed dollar annuities										
(cost \$332,773)	-	-	-	-	-	-	390,911	-	-	390,911
Company stock										
(cost										
\$52,524)	-	-	-	-	-	-	-	67,489	-	67,489
Participant loans	-	-	-	-	-	-	-	-	11,128	11,128
Employer contributions receivable	4,066	1,721	1,832	5,118	5,930	1,205	3,787	1,378	-	25,037
<b>TOTAL ASSETS</b>	<b>\$397,518</b>	<b>184,647</b>	<b>1,832</b>	<b>246,661</b>	<b>623,479</b>	<b>1,205</b>	<b>400,585</b>	<b>68,867</b>	<b>11,128</b>	<b>1,935,922</b>
<b>PLAN EQUITY:</b>										
Salary reduction accounts	332,016	154,357	-	195,405	522,137	-	323,798	55,454	11,128	1,594,295
Employer matching accounts	65,502	30,290	1,832	51,256	101,342	1,205	76,787	13,413	-	341,627
<b>TOTAL EQUITY</b>	<b>\$397,518</b>	<b>184,647</b>	<b>1,832</b>	<b>246,661</b>	<b>623,479</b>	<b>1,205</b>	<b>400,585</b>	<b>68,867</b>	<b>11,128</b>	<b>1,935,922</b>

See accompanying notes to the financial statements.

ADVANCED POLYMER SYSTEMS, INC.  
SALARY REDUCTION PROFIT SHARING PLAN  
STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY  
for the year ended December 31, 1997

	American Balanced Fund	Bond Fund of America	Templeton Foreign Fund	Dreyfus S&P 500 Index Fund	Fidelity Magellan Fund	Twentieth Century Growth Fund	Warburg Pincus Emerging Growth	Nationwide Guaranty and Savings Fund	APS Common Stock	Participant Loans	Total All Funds
Net investment income:											
Interest	\$ -	-	-	-	-	-	-	21,994	-	957	22,951
Total net investment income	-	-	-	-	-	-	-	21,994	-	957	22,951
Net realized and unrealized gains (losses) on investments	76,490	13,351	(1,018)	342	64,320	156,385	4,874	-	(12,292)	-	302,452
Contributions:											
Employee	53,808	20,236	27,326	4,001	52,972	70,311	23,561	46,971	15,994	-	315,180
Employer	17,058	8,529	9,077	891	15,340	24,762	7,176	17,209	5,470	-	105,512
Rollovers	-	-	-	3,206	-	-	962	3,690	-	-	7,858
Total Contributions	70,866	28,765	36,403	8,098	68,312	95,073	31,699	67,870	21,464	-	428,550
Withdrawals, transfers and distributions:											
Member accounts withdrawn & distributed	(56,754)	(27,276)	-	-	(84,299)	(146,576)	-	(43,985)	(1,984)	-	(360,874)
Member accounts transferred-in (out)	18,691	(10,177)	14,241	17,630	8,542	6,457	19,405	(71,703)	548	(3,634)	-
Net withdrawals, transfers and distributions	(38,063)	(37,453)	14,241	17,630	(75,757)	(140,119)	19,405	(115,688)	(1,436)	(3,634)	(360,874)
Net increase (decrease) in plan equity	109,293	4,663	49,626	26,070	56,875	111,339	55,978	(25,824)	7,736	(2,677)	393,079
Plan equity: Beginning of the year	397,518	184,647	1,832	-	246,661	623,479	1,205	400,585	68,867	11,128	1,935,922
End of the year	\$506,811	189,310	51,458	26,070	303,536	734,818	57,183	374,761	76,603	8,451	2,329,001

See accompanying notes to the financial statements.

ADVANCED POLYMER SYSTEMS, INC.  
SALARY REDUCTION PROFIT SHARING PLAN  
STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY  
for the year ended December 31, 1996

	American Balanced Fund	Bond Fund of America	Templeton Foreign Fund	Fidelity Magellan Fund	Twentieth Century Growth Fund	Warburg Pincus Emerging Growth	Nationwide Guaranty and Savings Fund	APS Common Stock	Participant Loans	Total All Funds
Net investment income:										
Interest	\$ -	-	-	-	-	-	19,981	-	781	20,762
Total net investment income	-	-	-	-	-	-	19,981	-	781	20,762
Net realized and unrealized gains on investments	37,966	8,749	-	19,348	68,997	-	-	13,150	-	148,210
Contributions:										
Employee	53,948	23,696	-	88,164	77,480	-	61,207	16,439	-	320,934
Employer	16,724	7,582	1,832	27,347	24,837	1,205	20,393	5,511	-	105,431
Rollovers	5,058	14	-	4,936	11,964	-	2,873	-	-	24,845
Total contributions	75,730	31,292	1,832	120,447	114,281	1,205	84,473	21,950	-	451,210
Withdrawals, transfers and distributions:										
Member accounts withdrawn & distributed	(14,487)	(10,488)	-	(23,534)	(56,696)	-	(66,590)	(4,815)	-	(176,610)
Member accounts transferred-in (out)	1,820	(4,107)	-	(860)	(1,238)	-	(2,951)	3,520	3,816	-
Net withdrawals, transfers and distributions	(12,667)	(14,595)	-	(24,394)	(57,934)	-	(69,541)	(1,295)	3,816	(176,610)
Net increase in plan equity	101,029	25,446	1,832	115,401	125,344	1,205	34,913	33,805	4,597	443,572
Plan equity:										
Beginning of the year	296,489	159,201	-	131,260	498,135	-	365,672	35,062	6,531	1,492,350
End of the year	\$397,518	184,647	1,832	246,661	623,479	1,205	400,585	68,867	11,128	1,935,922

See accompanying notes to the financial statements.

ADVANCED POLYMER SYSTEMS, INC.  
SALARY REDUCTION PROFIT SHARING PLAN  
STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY  
for the year ended December 31, 1995

	American Balanced Fund	Bond Fund of America	Fidelity Magellan Fund	Twentieth Century Growth Fund	Nationwide Guaranty and Savings Fund	APS Common Stock	Participant Loans	Total All Funds
Net investment income:								
Interest	\$ -	-	-	-	18,162	-	753	18,915
Total net investment income	-	-	-	-	18,162	-	753	18,915
Net realized and unrealized gains on investments	46,387	21,690	26,872	71,238	-	5,247	-	171,434
Contributions:								
Employee	43,172	19,728	57,220	61,994	66,221	11,399	-	259,734
Employer	12,777	7,237	20,869	21,815	22,760	4,036	-	89,494
Rollovers	3,458	3,270	2,417	18,285	16,689	-	-	44,119
Total contributions	59,407	30,235	80,506	102,094	105,670	15,435	-	393,347
Withdrawals, transfers and distributions:								
Member accounts withdrawn & distributed	(12,848)	(20,558)	(7,413)	(57,690)	(22,723)	(2,885)	-	(124,117)
Member accounts transferred-in (out)	8,919	(9,411)	7,923	(18,312)	20,840	(5,629)	(4,330)	-
Net withdrawals, transfers and distributions	(3,929)	(29,969)	510	(76,002)	(1,883)	(8,514)	(4,330)	(124,117)
Net increase (decrease) in plan equity	101,865	21,956	107,888	97,330	121,949	12,168	(3,577)	459,579
Plan equity:								
Beginning of the year	194,624	137,245	23,372	400,805	243,723	22,894	10,108	1,032,771
End of the year	\$296,489	159,201	131,260	498,135	365,672	35,062	6,531	1,492,350

See accompanying notes to the financial statements.

1. DESCRIPTION OF THE PLAN

The following description of the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan (the "401(k) Plan" or the "Plan") provides only general information. Members should refer to the 401(k) Plan document for more complete information.

(a) General

The 401(k) Plan is a defined contribution plan covering active employees of Advanced Polymer Systems, Inc. and subsidiaries ("APS" or the "Company"). Prior to 1997, any employee who was at least 21 years old was eligible to become a voluntary member of the 401(k) Plan immediately upon employment. In 1997, the age requirement for eligibility was eliminated.

The 401(k) Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

(b) Contributions - Employee

Eligible domestic employees may contribute up to 15% of their total compensation for each calendar year, limited to \$9,500 in 1997 and 1996, and \$9,240 in 1995 (the "Employee Contribution").

(c) Contributions - Employer

The Company makes matching contributions equal to 50% of each member's Employee Contribution during a Plan year up to a maximum amount equal to the lesser of 3% of each member's annual compensation, or \$4,750 per calendar year (the "Employer Matching Contribution"). The Company may also contribute additional discretionary amounts as it may determine (the "Employer Discretionary Contribution"). No Employer Discretionary Contributions have been made to the Plan since its inception.

(d) Members' Accounts

The Company maintains separate Employee Contribution accounts, Employer Matching Contribution accounts and Employer Discretionary Contribution accounts for each member. Contributions are credited to the member accounts each bi-weekly payroll period.

In 1996, the plan trustees added the Warburg Pincus Emerging Growth Fund and the Templeton Foreign Fund to the investment options offered to the participants. In 1997, the plan trustees added the Dreyfus S&P 500 Index Fund to the investment options offered to the participants. Each member may elect from the following investment options for his/her Employee Contribution accounts:

Company Common Stock:

The Common Stock of APS will be purchased by the 401(k) Plan's investment manager for the member in a market transaction at the then current market price as quoted on the NASDAQ National Market System. Each member may elect to invest up to 10% of his/her Employee Contributions and Employer Matching Contributions in this option.

Warburg Pincus Emerging Growth Fund:

A mutual fund seeking capital appreciation by investing primarily in common stock of small and medium size companies that show positive earnings and prospects of achieving significant gains in a relatively short time period.

Templeton Foreign Fund:

A mutual fund seeking capital growth by investing in stock and debt securities of companies and governments outside of the United States.

Dreyfus S&P 500 Index Fund:

A mutual fund seeking to match investment results of the Standard and Poor's 500 Composite Stock Price Index.

Fidelity Magellan Fund:

A mutual fund seeking capital growth by investing primarily in common stocks and securities convertible into common stock of domestic and foreign multinational issuers of all sizes.

Twentieth Century Growth Fund:

A mutual fund seeking capital growth by investing primarily in common

stocks that are considered by fund management to have better-than-average prospects for appreciation.

American Balanced Fund:

A mutual fund seeking conversion of capital, current income and long-term growth of both capital and income through investments in stocks, bonds and other fixed-income securities.

Bond Fund of America:

A mutual fund seeking to provide shareholders as high a level of current income as is consistent with the preservation of capital by investing primarily in bonds such as marketable corporate debt securities, U.S. Government securities, mortgage related securities and cash or money market instruments.

Nationwide Guaranty and Savings Fund:

Fixed dollar annuity invested in short-term securities with a guaranteed rate of 6.1% in 1997, 5.85% in 1996 and 6.1% in 1995.

Members may change their investment options at any time during the Plan year as set forth in the 401(k) Plan document. Income from the selected investments of 401(k) Plan assets is allocated quarterly in the proportion that each member's investment option balance bears to the cumulative balance of each investment option.

(e) Vesting

The 401(k) Plan provides that the allocated contribution and income of both the Employee Contribution account and the Employer Matching Contribution account are immediately and fully vested. Employer Discretionary Contributions become vested over a period of 6 years in accordance with the following schedule:

Years of Service -----	Vested Percentage -----
Less than 1	0%
1	10%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

(f) Withdrawal of Member Accounts

Upon retirement (at 62 years of age or if later, the employee's fifth anniversary of employment with the Company), the participant can elect to receive distributions through either a single lump-sum payment or installments (for all investments except investments in the company common stock) over the participant's assumed life expectancy (or the participant and the participant's beneficiary's assumed life expectancy) determined at the time of distribution.

Upon death, permanent disability or termination of employment prior to retirement (as defined above), the participant will be entitled to a distribution equal to the vested portion of his/her accounts.

Members should refer to the 401(k) Plan document for a more complete description of procedures and calculations for the withdrawal of accounts.

(g) Trustees

The 401(k) Plan is administered by the Company. A Trustee is responsible for investing the assets of the Plan which are held in Trust. The current trustee is Michael O'Connell, Chief Financial Officer of Advanced Polymer Systems, Inc.

The Trustee has retained CMG Consulting, Inc. ("CMG") to provide recordkeeping services to the 401(k) Plan. CMG invests Plan assets in a fixed dollar annuity and the various mutual fund options offered by Nationwide Life Insurance.

The company has engaged Securities America to invest Plan assets in APS company stock.

Members of the Board of Directors and employees of the Company serving as Trustees receive no additional compensation for services in connection with the administration of the 401(k) Plan.

(h) Participant Loans

Participants are allowed to borrow from the Plan assets. The Plan will allow a participant to borrow up to the lesser of 50% of his/her vested Plan balance or \$50,000. The loan, secured by the vested Plan balance of

the participant, is repayable in installments over a period up to 5 years at the prime rate plus 2%. The term of the loan can be extended for more than 5 years if the loan is used to purchase the principal dwelling of the participant.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Investment Valuation

The fair value of investments in mutual funds and company stock is based upon quoted market values on the last business day of the year.

The value of the Guaranteed Fund is calculated as the sum of contributions, transfers and interest income less any withdrawals and administrative expenses. The value of the Guaranteed Fund approximates fair value. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yields of the Guaranteed Fund were 6.1%, 5.85% and 6.1% in 1997, 1996 and 1995, respectively.

### (b) Security Transactions and Investment Income

Security transactions are recorded on a trade date basis. The difference between cost and market value of investments at the beginning and end of the period is reported as unrealized appreciation or depreciation in the market value of investments using the average cost method. Cost represents revalued cost based on prices at the beginning of the period.

### (c) Expenses of the 401(k) Plan

Reasonable fees and expenses incurred in the establishment and administration of the 401(k) Plan, and reasonable compensation of attorneys, accountants, investment managers, actuaries, consultants or expenses of the Trustees or any agent of the Trustees if not employed by the Company will be paid out of the assets of the 401(k) Plan, except to the extent that the Company pays such expenses directly. For the three-year period ended December 31, 1997, all such expenses were paid by the Company.

### (d) Forfeited Funds

If a Participant terminates employment with APS prior to completing six years of service, the unvested portion of such member's Employer Discretionary Contribution account will be forfeited and allocated among the remaining participants in the 401(k) Plan.

### (e) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

### (f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Changes in such estimates may affect amounts reported in the future periods.

## 3. INVESTMENTS

Investments of the 401(k) Plan at fair value as of December 31 are as follows:

1997	Fair Value Per Unit/ Share*	Units/ Shares	Cost	Fair Value
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
<b>Mutual Funds</b>				
American Balanced Fund**	\$2.64	190,271	\$ 307,577	\$ 502,840
Bond Fund of America**	2.35	79,677	131,500	187,269
Templeton Foreign Fund**	1.39	35,724	52,476	49,594
Dreyfus S&P 500 Index Fund**	2.87	8,766	25,728	25,179
Fidelity Magellan Fund**	2.51	119,487	192,547	300,003
Twentieth Century Growth Fund**	5.52	132,306	389,967	729,857
Warburg Pincus Emerging Growth**	1.41	39,418	52,309	55,663
<b>Fixed Dollar Annuities</b>				
Nationwide Guaranty and Savings Fund**	1.22	304,691	284,955	370,675
<b>Company Stock</b>				
APS Common Stock**	6.63	11,382	72,552	75,406
Participant Loan**	1.00	8,451	8,451	8,451
			-----	-----
			\$1,518,062	\$2,304,937
			=====	=====
	Fair Value Per Unit/	Units/		



1996	Share*	Shares	Cost	Fair Value
Mutual Funds				
American Balanced Fund**	\$2.17	181,182	\$ 274,841	\$ 393,452
Bond Fund of America**	2.14	85,433	140,188	182,926
Fidelity Magellan Fund**	1.95	123,698	199,992	241,543
Twentieth Century Growth Fund**	4.25	145,470	435,146	617,549
Fixed Dollar Annuities				
Nationwide Guaranty and Savings Fund**	1.12	349,325	332,773	390,911
Company Stock				
APS Common Stock**	7.63	8,851	52,524	67,489
Participant Loan**	1.00	11,128	11,128	11,128
			\$1,446,592	\$1,904,998
			=====	=====

\* Unit value is rounded

\*\* Party in interest

Investment option elections of the members of the 401(k) Plan at December 31 are summarized as follows:

	Number of Participants	
	1997	1996
Mutual Funds		
American Balanced Fund	45	46
Bond Fund of America	27	28
Templeton Foreign Fund	24	--
Dreyfus S&P 500 Index Fund	8	--
Fidelity Magellan Fund	44	44
Twentieth Century Growth Fund	54	53
Warburg Pincus Emerging Growth	20	--
Fixed Dollar Annuities		
Nationwide Guaranty and Savings Fund	44	43
Company Stock		
APS Common Stock	36	48

#### 4. INCOME TAXES

APS received a favorable determination from the Internal Revenue Service ("IRS") stating that the 401(k) Plan is qualified under Section 401 of the Internal Revenue Code ("Code") as amended, and is exempt from federal income taxation under Section 501 of the Code. Accordingly, the financial statements do not contain a provision for income taxes. The continued qualification is dependent on the Plan's future operation.

Members do not become subject to income taxes as a result of participation in the 401(k) Plan until assets in the members' accounts are distributed. Under certain circumstances, a distribution from the 401(k) Plan is subject to income tax as ordinary income.

#### 5. PLAN TERMINATION

Although it has not expressed any intent to do so, APS has the right to terminate the 401(k) Plan at any time. In the event of termination, all accounts will become fully vested, and the plan equity will be allocated and distributed to the members based on their respective account balances.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders of Advanced Polymer Systems, Inc. and the Trustees and Participants in the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan:

We have audited the accompanying statements of financial condition of the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan as of December 31, 1997 and 1996, and the related statements of income and changes in plan equity for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan as of December 31, 1997 and 1996, and the results of its operations and its changes in Plan equity for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Fund Information in the statement of financial condition and the statement of income and changes in plan equity is presented for purposes of additional analysis rather than to present the statement of financial condition and the statement of income and changes in plan equity of each fund. The Fund Information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/KPMG Peat Marwick LLP

San Francisco, California  
March 13, 1998

Exhibits

23 Consent of Independent Certified Public Accountants

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

Advanced Polymer Systems, Inc.  
Salary Reduction Profit Sharing Plan  
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Date: March 27, 1998  
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/s/ Michael O'Connell  
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Michael O'Connell  
Trustee

EXHIBIT INDEX

23 Consent of Independent Public Accountants

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders of Advanced Polymer Systems, Inc. and the Trustees and Participants in the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan;

We consent to incorporation by reference in the Registration Statement (No. 33-29084) on Form S-8 of the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan of our report dated March 13, 1998 relating to the statements of financial condition of the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan as of December 31, 1997 and 1996 and the related statements of income and changes in Plan equity for each of the years in the three-year period ended December 31, 1997, which report appears in the December 31, 1997 annual report on Form 11-K of the Advanced Polymer Systems, Inc. Salary Reduction Profit Sharing Plan.

/s/KPMG Peat Marwick LLP

San Francisco, California  
March 27, 1998