



DEVELOPING ACADEMIC RESEARCH

Annual Report 2000

ANNUAL REPORT

The Board and the Managing Director of A⁺ Science Invest Aktiebolag (publ), registration no 556544-2521, hereby submit the Annual Report for the financial year January 1, 2000 until December 31, 2000.

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Unless otherwise noted, amounts are shown in thousands of Swedish kronor (KSEK)

ADMINISTRATION REPORT

Operations during 2000

The Company's business concept is to develop academic research by acquiring, developing, funding, and commercializing patentable inventions in medicine and the natural sciences. The intangible protection of the inventions is strengthened through the provision of project management and other competencies required for the protection of patents and other intellectual property.

The inventions acquired must be the result of academic research, and subsequent projects must be patentable. After further research and development, the projects are commercialized directly, or via fully or partly owned companies through licensing, or sales.

The Company issued new stock worth KSEK 16 949 during the financial year. The Company's registered capital stock after the new issue is KSEK 38 058, while the stock premium reserve amounts to KSEK 51 194.

The Company's portfolio currently contains 23 projects that are protected by, or for which patent applications are in various stages of development. During the year, KSEK 13 537 (KSEK 18 847 during 1999) were invested in research and development, while KSEK 3 527 (KSEK 2 339) were spent on patent costs, for a grand total of KSEK 17 064 (KSEK 21 186). Compensation to scientists for patents and patent applications is handled through royalty agreements.

The Company's activities have been concentrated to fewer projects with a special focus on ten of these. An agreement was reached with a number of scientists about the creation of a joint enterprise, Pharmacore AB, the purpose of which is to further develop substances used primarily in the gastrointestinal area. Another associated enterprise, Cellectricon AB, was created with a different group of scientists for the purpose of developing research results in cellular biochemistry.

Furthermore, the Company, the Malaysian Rubber Board and the University of Hertfordshire (UK) agreed to cooperate in the development of gene modified rubber trees.

In August, Boo Edgar took over as managing director after Staffan Sjödin.

See Note 2 for ownership

Future Development

The business concept requires substantial amounts of financial capital. To meet future needs for additional financial resources, a continuous process is in progress to extend the capital base in the form of a new share issue.

Four clinical tests in Phase I and early Phase II are currently in progress. Pre-clinical animal testing is being conducted in an addition four projects.

Licence agreements are being negotiated for three different projects. Negotiations are expected to be completed during 2001.

Net Income and Balance

The Company's development may be summarized as follows:

	<u>2000</u>	<u>1999</u>	<u>1997 / 1998</u>
Net Sales	38	2 791	1 236
Net Income for the Year	-14 232	-14 269	-6 097
Total Assets	59 681	60 080	30 114
Number of Employees	6	7	6

Proposed Appropriations

The Board and the Managing Director propose that the loss for the year, SEK 14 231 862, as well as the balanced deficit of SEK 20 366 277 be carried forward.

INCOME STATEMENT

2000-01-01
- 2000-12-31

1999-01-01
- 1999-12-31

Net Sales	38	2 791
Cost of Goods Sold	<u>0</u>	<u>-1 922</u>
Gross Operating Income	38	869
Cost of Sales	-2 636	-3 469
Administration Costs (Note 4)	-4 260	-4 313
R & D Costs (Note 5)	-8 027	-7 198
Other Operating Income	16	149
Other Operating Costs	<u>0</u>	<u>-61</u>
	-14 907	-14 892
Net Operating Income (Notes 6 and 7)	-14 869	-14 023
<i>Income from Financial Investment</i>		
Interest Income	805	113
Interest Expenses	<u>-168</u>	<u>-359</u>
	637	-246
Loss for the Year	-14 232	-14 269

BALANCE SHEET

2000-12-31

1999-12-31

ASSETS

Fixed Assets

Fixed Non-tangible Assets (Note 3)

Capitalized Development Expenditure

40 205

40 205

30 451

30 451

Fixed Tangible Assets (Note 7)

Equipment

771

771

1 308

1 308

Fixed Financial Assets (Note 8)

Shares in Associated Company

50

50

0

0

Total Fixed Assets

41 026

31 759

Current Assets

Current Receivables

Accounts Receivable, Sales

4

22

Other Receivables

2 180

842

Prepaid Costs (Note 9)

487

240

2 671

1 104

Short-term Investment

Other Short-term Investments

14 037

14 037

38

38

Cash and Bank

2 157

27 179

Total Current Assets

18 865

28 321

Total Assets

59 891

60 080

BALANCE SHEET

2000-12-31

1999-12-31

EQUITY AND LIABILITIES

Equity

Restricted Equity (Note 10)

Common Stock (38.057.500 shares at a nominal value of SEK 1)	38 058	24 000
Stock Premium Reserve	51 194	8 400
New Stock Issue in Progress	0	39 902
	<hr/> 89 252	<hr/> 72 302

Accumulated Deficit

Loss brought forward	-20 366	-6 097
Loss for the Year	-14 232	-14 269
	<hr/> -34 598	<hr/> -20 366

Total Equity

54 654

51 936

Liabilities

Current Liabilities

Accounts Payable, Purchases	2 874	5 688
Other Liabilities	185	287
Accruals and Deferred Income (Note 11)	2 178	2 169
Total Current Liabilities	<hr/> 5 237	<hr/> 8 144

Total Liabilities

5 237

8 144

Total Equity and Liabilities

59 891

60 080

Pledged Assets

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Contingent Liabilities

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STATEMENT OF CASH FLOW

2000-01-01
- 2000-12-31

1999-01-01
- 1999-12-31

Operating Activities

Operating Income,	-14 869	-14 023
Adjustment for		
Non-cashflow items:		
Depreciation	375	414
Write down of Projects	7 309	6 166
	<u>-7 185</u>	<u>-7 443</u>

Interest Income	805	113
Interest Expenses	-168	-360

Operating Cashflow Before Working Capital Adjustments

-6 548 -7 690

Working Capital Adjustments

Adjustments, Current	-1 566	1 325
Receivables		
Adjustments, Current	-2 906	4 333
Payables		

Operating Cashflow

-11 020 -2 032

Investment Activities

Investment, Non-tangible Assets (Note 3)	-17 064	-21 186
Acquisition, Fixed Tangible Assets (Note 7)	-200	-811
Sales, Fixed Non-tangible Assets	0	1 922
Sales, Fixed Tangible Assets	363	160
Change, Fixed Financial Assets	-50	200

Cashflow Capitalisation

-16 951 -19 715

Financing Activities

New Stock Issue	16 949	39 902
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Financing Cashflow

16 949 39 902

Change in Cash

-11 022 18 155

Cash and Bank at Beginning of Year

27 179 9 024

Cash and Bank at End of Year (Note 12)

16 157 27 179

NOTES

Note 1: Accounting and Valuation Principles

The Annual Report is prepared in accordance with the Swedish Annual Accounts Act (ÅRL). The recommendations of the Swedish Financial Accounting Standards Council will be implemented on their effective dates.

Current assets are valued at estimated real value, while current liabilities are valued at nominal value. Receivables and payables in foreign currency are valued at closing day rate..

Acquired patents, patent applications and inventions are posted as non-tangible assets. Consequently, accrued expenses relating to projects are capitalized as non-tangible assets.

Capitalized values are tested continuously and at year-end. If required write downs are carried out.

Linear depreciation over five years is applied. Depreciation commences when the projects are completed and ready for introduction, thus achieving conformity between income and cost.

The regular depreciation of fixed tangible assets is based on the acquisition value and estimated financial life span. The regular depreciation rate for computers is 33% and 20% for other office equipment.

Note 2: Ownership

During the financial year, The Company has undertaken a new stock issue. A total of 3 639 800 new shares have been issued at a nominal value of SEK 1 per share. Furthermore, 57 500 options have been converted to the equivalent number of shares.

After the new stock issue and the option conversion, Company stock is distributed as follows:

	<i>Total Number of Shares</i>	<i>% of Share Capital</i>
The Managing Board, 6th National Pension Insurance Fund	13 200 000	34,7%
The Holding Company, Göteborg University AB	8 800 000	23,1%
Investor Investments Novare Limited	8 604 600	22,6%
Biofund	3 639 800	9,6%
Optiomi OY	2 325 600	6,1%
Ceve Securities N.V.	960 000	2,5%
Others	527 500	1,4%
<i>Total</i>	<i>38 057 500</i>	<i>100,0%</i>

At year-end, 8 942 500 Company issued warrants were outstanding.
See also Note 6

Note 3: Fixed Non-tangible Assets

Capitalized Development Expenditure

	2000-12-31	1999-12-31
Acquisition Value	53 747	36 684
Accumulated write downs	<u>-13 542</u>	<u>-6 233</u>
	40 205	30 451
Book Value at Beginning of Year	30 451	
Investments	17 063	
Write downs	<u>-7 309</u>	
Book Value at Year-End	40 205	

Development costs of KSEK 718 (KSEK 1 032) have been posted in addition to the above transactions.

Note 4: Audit Fee

Payment to Enst & Young AB

	2000-01-01 - 2000-12-31	1999-01-01 - 1999-12-31
Audit Fee	124	109
Other Fees	<u>81</u>	<u>28</u>
	205	137

Note 5: R & D Costs

R & D Costs include write downs of KSEK 7 309 (KSEK 6 166)

Note 6: Personnel Costs

Average Number of Employees

The average number of employees during the year was 6 (7) persons, of which 2 (2) were women.

Salaries, Other Compensation and Social Wage Taxes

Salaries and other compensation during the year amounted to KSEK 4 209 (KSEK 3 959), of which the Managing Director and Board members received KSEK 1 221 (KSEK 813).

Payroll overhead amounted to KSEK 1 793 (KSEK 1 889), of which KSEK 741 (KSEK 603) were pension plan payments. Of the pension plan payments KSEK 172 (KSEK 237) were for the Managing Director.

Incentive Plan

During previous years, the Company has issued a debenture loan with warrants. The loan has been repaid, and scientist and employees have been offered warrants. A total of eight million warrants have been issued. Each warrant entitles the bearer to acquire one share at a price of SEK 6.12 during the period between 1997 and 2002. 57 500 warrants were converted during the year.

An additional debenture loan with warrants was issued during the year (2000/2005). This loan has also been repaid, and scientists and employees will be offered warrants. However, by year-end, all warrants were in the Company's possession. Each warrant entitles the bearer to acquire one share at a price of SEK 11 during the period between 2003 and 2005. One million warrants have been issued in the course of this loan.

Note 7: Fixed Tangible Assets

	2000-12-31	1999-12-31
<u>Equipment</u>		
Accumulated Acquisition Values at Beginning of Year	1 872	1 318
Acquisitions	200	811
Sales	-427	-257
<i>Accumulated Acquisitions, End of Year</i>	<u>1 645</u>	<u>1 872</u>
Accumulated Depreciation, Beginning of Year	-564	-248
Reversed Depreciation, Sold Equipment	64	56
Depreciation	-374	-372
<i>Accumulated Depreciation, End of Year</i>	<u>-874</u>	<u>-564</u>
Book Value	771	1 308

Note 8: Shares in Associated Company

	Capital Share	Voting Right Share	No. Of Shares	Book Value
Cellectricon AB	50%	50%	500	50
Total	50%	50%	500	50

Information about Cellectricon AB:

Company Name	AB Grogrunden nr 916 will be changed to Cellectricon AB
Registration No.	556602-0896
Domicile	Göteborg

Note 9: Prepaid Costs

	2000-12-31	1999-12-31
Prepaid Rent	118	144
Prepaid R & D Costs	269	0
Other Prepaid Costs	100	96
Total Prepaid Costs	487	240

Note 10: Restricted Equity

Through a new issue, capital stock increased by KSEK 14 058 during the year, while the Stock Premium Reserve increased by KSEK 42 794.

Note 11: Accruals and Differed Income

	2000-12-31	1999-12-31
Accrued R & D Costs	1 022	752
Rent, Office Space	0	314
Fees, Board Members'	631	0
Payroll overhead	124	261
Special Employer's Contribution	145	119
Differed Income	47	17
Other Items	209	706
Total Accruals and Differed Income	2 178	2 169

Note 12: Cash and Bank in the Cashflow Statement

	2000-12-31	1999-12-31
Short-term financial investments are included in Cash and Bank	14 000	0

Göteborg on January 23, 2001

Per Carendi
Chairman of the Board

Staffan Edén

Lars Ingelmark

Staffan Josephson

Kalevi Kurkijärvi

Lars Nordström

Lennart Philipson

Boo Edgar
Managing Director

Auditor's Note

My audit report was issued on January 23, 2001.

Dan Brännström
Authorized Public Accountant

Audit Report

To the general meeting of the shareholders of A⁺ Science Invest AB

Corporate identity number 556544-2521

I have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of A⁺ Science Invest AB the financial year January 1, 2000 – December 31, 2000. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the managing director. I also examined whether any board member or the managing director has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the financial position of the Company and of the results of its operations in accordance with generally accepted accounting principles in Sweden.

I recommend to the general meeting of the shareholders that the income statement and the balance sheet be adopted, that the loss be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg, January 23, 2001

Dan Brännström
Authorized Public Accountant