

VIRTUAL GENETICS LABORATORY AB (PUBL)**Org. Reg. No. 556342-0446****Group press release of unaudited annual earnings figures for July-December 2000**

Virtual Genetics Laboratory AB (VGL) has concluded its shortened financial year, July-December 2000. The company has continued its development and operations according to plan and has received its first commercial order from the drug industry. There has been further financing by means of two new share issues in collaboration with Nordiska Fondkommission AB. During the course of the financial year Virtual Genetics has focused on customer contacts, development work and continued recruitment. As the new financial year commences, the company is planning a global marketing and sales drive for its applications and intends to build on strategically important partnerships and develop its technology. This is the way Virtual Genetics can best meet customers' stringent present and future requirements within the rapidly growing bioinformatics market.

- *The turnover was SEK 810,213 (2,542,948*)*
- *The operating profit/loss was SEK -15,446,684 (-9,884,078*)*
- *The profit/loss after financial income and expense was SEK -17,752,611 (-10,673,590*)*
- *Earnings per share SEK - 0.63 (-0.61*)*
- *New share issues brought SEK 41.5 million into the company before issue expenses*
- *The number of employees increased to 28 (23) by the end of the financial year*
- *A preliminary study has been performed on behalf of the American company Celera Genomics*
- *The company's technology has been contracted to a project in the field of Swedish medical care (Julius)*
- *A commercial order has been signed with Pharmacia AB in connection with VirtualAdapt*
- *Collaboration has been established with Computer Associates Sweden AB, Prevas AB and Compaq Computer AB / Compaq Chemical & Biological Sciences*

* Comparative figures refer to the 12-month financial year 01.07.1999 – 30.06.2000

Profit/loss

Over the course of the financial year the group's profit/loss after financial income and expense amounted to SEK -17,752,611 (-10,673,590*), which corresponds to SEK -0.63 (-0.61*) per share. A low turnover over the course of the shortened financial year was anticipated because of the conclusion of the CIPRESS project and the fact that delivery to Eidos Media Srl took place at the beginning of January 2001. The cost of new share issues burdened the profit/loss by SEK 2.6 million, and depreciation of acquired software and written-off patents affected the profit/loss by SEK 0.3 million. The parent company's profit/loss after financial income and expense totalled SEK -18,201,184 (-10,699,393*). VGL's profit/loss for the financial year is in accordance with the prognosis, facilitating rapid growth in terms of expertise and outreach on a global market.

Investments

The group's investments over the course of the financial year amounted to SEK 299,090 (3,821,078*), of which SEK 4,600 (3,200,000*) was made up of intangible fixed assets. The parent company's investments amounted to SEK 293,329 (3,806,078*), of which SEK 0 (3,200,000*) was intangible fixed assets.

Liquidity

At the end of the financial year the group's liquid resources totalled SEK 28,499,187 (2,295,330*). The parent company's liquid resources totalled SEK 28,437,648 (2,248,157*).

Important events after the end of the financial year

After the end of the period VGL signed a cooperation agreement with Compaq Computer AB / Compaq Chemical & Biological Sciences in order to assess possibilities of collaboration in the field of bioinformatics.

Operations

The marked advance in genetic research has continued unabated and its significance within the field of medical research is constantly increasing. The government research project HGP and the private company Celera have jointly declared that they have almost completed their respective surveys. The three billion building blocks that make up the human genome have now been identified. In the near future this information is to be made completely public, thereby constituting a basis for future global research efforts. This means a sharp focus on bioinformatics, the exciting new field of research for which Virtual Genetics is developing high-tech solutions.

Ever since 1997 Virtual Genetics has been working on technology which considerably simplifies the analysis of large amounts of information, primarily in the fields of drug development and searching for medical information. Bioinformatics is an interdisciplinary area that encompasses computer science, advanced mathematics and experimental biology. The aim of the drug industry's future research is to evaluate biological information quickly and correctly and be able to translate this into innovative new methods of treatment.

In recent years developments in the field of biotechnology have created entirely new conditions for finding valuable new drugs. Current research facilitates the identification of gene sequences and proteins, and this generates new ideas for medical products. There is a great influx of information for medical research, and its complexity is continually increasing. The exploitation of all this information in research calls for computer support offering intelligent software solutions.

The software products which Virtual Genetics is developing enable researchers to find and analyse data optimally. In addition to creating an understanding of the processes that cause ill health, the company's technology in the field of bioinformatics will shorten lead times for the process of developing new drugs.

Product development

VGL's product development has progressed according to plan and the company's development resources have been focused on developing existing applications and their functionality. This has meant that over the course of the financial year

VGL has prepared VirtualAdapt for its first delivery to Pharmacia AB during Q1 of 2001.

VirtualAdapt forms the basis of the company's platform in the field of advanced information searching. VirtualPredict is made up of a unique item of software based on Inductive Logical Programming, and is intended for complex analyses. Together they will constitute the basis for increasing knowledge in the field of biological information.

Market and sales during the period

VGL's market is chiefly in the field of drugs and biotechnology. 60% of this is made up of the American market and 30% of the European one. VGL's future revenue is expected to come mainly from product sales, OEM (Original Equipment Manufacturing), expert consultancy and future possibilities in the field of ASPs (Application Service Providers). VGL's wholly-owned subsidiary Search & Find Technologies AB has continued with its previously initiated OEM collaboration in Italia. During the autumn VGL performed a preliminary study on behalf of the American company Celera Genomics and commenced a project together with Swedish healthcare service so as better to be able to use clinical data in the fields of healthcare and research. Furthermore, the earlier evaluation of VirtualAdapt has resulted in a first order from Pharmacia AB.

During the course of the financial year VGL has continued to assert its presence internationally and has established a number of important collaborative agreements. VGL has established collaboration with Computer Associates Sweden AB, Prevas AB and Compaq Computer AB / Compaq Chemical & Biological Sciences. A number of important customer contacts have been forged, some of them with drug and biotechnology companies, and this constitutes significant potential for the coming financial year.

Other events during the period

During the course of the financial year Virtual Genetics has continued its rapid development and implemented two new share issues together with Nordiska Fondkommission AB. These brought VGL a total of SEK 41.5 million before issue costs.

The EU project CIPRESS has been implemented and concluded according to plan. The final report was good.

The staff and board have benefited from an option programme amounting to 1,500,000 options. The aim of the programme is to motivate existing staff and encourage recruitment at the end of 2000 and during the first six months of 2001.

The board has received reinforcement in the form of Eric Martin, Johan Emilsson, Ingemar Ernberg and Gösta Bergvall (dep.).

Employees

Over the course of the financial year recruitment at VGL has continued to be intensive and targeted. VGL has gained significant high-tech and financial expertise in the form of Stefan Grinneby as CTO and Björn H Jonsson as CFO.

The average number of employees totalled 25 and at the end of the financial year VGL had 28 employees. There were no employees outside the parent company in Sweden. VGL intends to continue its offensive recruitment so as to be able to meet its need for expertise and guarantee high-tech quality and market expansion internationally.

Acquisitions during the financial year

There have been no acquisitions during the financial year.

Future prospects

In connection with its first commercial order and the delivery of VirtualAdapt, and in preparation for the next financial year, Virtual Genetics is very much focusing on international sales and marketing. Primarily the company's activities and presence on the American market will be increasing. The subsidiary in Italy will be recruiting certain staff to support the company's undertakings and establish further development on the European market. And there will thus be a strong international presence in accordance with plans.

The company's development work will be further reinforced. A joint technological platform and architecture will be created for existing and future applications. Furthermore, VGL's research and bioinformatics group will be focusing on new problem areas in the field of bioinformatics to support the market's future need for advanced products and specific solutions. VGL will also be building on and increasing the valuable contacts and collaboration established hitherto in order to search for synergies and alliances aimed at a rapidly growing market. The coming financial year will constitute an important milestone, and for this period VGL's aim, in addition to marketing its strength with regard to advanced search and

analytical tools, is to find synergies with additional companies so as to be able to offer advantageous overall solutions to its customers.

Share data

The group had 28,250,000 registered shares as of December 31st 2000. The group's profit/loss after financial income and expense is equivalent to SEK – 0.63 (–0.61) per share. During the course of the financial year the number of shares increased by a total of 10,893,360, partly as a result of a preferential share issue for existing shareholders and partly through a targeted share issue to institutional investors.

The AGM on October 3rd 2000 resolved to authorise the board to implement share issues equivalent to a increase in the number of shares totalling a maximum of 13,041,594 at a nominal value of SEK 0.10.

Dividend

At the annual general meeting the Board and MD of Virtual Genetics will be proposing that no dividend be paid out.

Ownership structure

Principal owners: Lindbron AB, Joakim Cöster and Göran Mattisson own 46% (62) of the shares. The targeted share issue brought three institutional investors as owners. These are Banco Fonder, Nordbanken Fonder and Aldano AB, jointly accounting for a total of 16% of the shares. During the course of the financial year the number of shareholders increased, exceeding 1,000 (500) at the end of the financial year.

AGM

VGL will be holding its AGM on Tuesday March 13th 2001 at VGL's premises at Fogdevreten 2a in Solna. The meeting is timed for 3 pm.

Future reporting opportunities

- The interim report for the first quarter will be published on April 25th 2001.
- The interim report for the second quarter will be published on August 8th 2001.
- The interim report for the third quarter will be published on October 17th 2001.
- The group press release of unaudited annual earnings figures for the financial year 2001 is expected in February/March 2002.

The annual accounts will be available via the Swedish Stock Exchange's Information Service

(www.bit.se) and at the company's offices from February 23rd 2001.

This report has been subjected to particular scrutiny on the part of the company's auditors.

VIRTUAL GENETICS LABORATORY AB (publ)

The board Solna February 23rd 2001

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GROUP PROFIT/LOSS STATEMENT
(broken down according to cost)

	01.07.00	01.07.99
	-31.12.00	-30.06.00
Net turnover	<u>810,213</u>	<u>2,542,948</u>
	810,213	2,542,948
Operating expenses		
Raw materials and essentials	- 321,700	0
Other external costs	- 7,116,997	- 5,440,440
Staff costs	- 8,392,824	- 6,245,293
Depreciation/amortisation and writing-off of tangible and intangible fixed assets	<u>- 425,376</u>	<u>- 741,293</u>
	- 16,256,897	- 12,427,026
Operating profit/loss	- 15,446,684	- 9,884,078
Profit/loss from financial investments		
Other interest income and similar profit/loss items	363,708	321,248
Interest expenses and similar profit/loss items	<u>- 2,669,635</u>	<u>- 1,110,760</u>
Profit/loss after financial income and expense	- 17,752,611	- 10,673,590
Annual profit/loss	<u>- 17,752,611</u>	<u>- 10,673,590</u>

GROUP BALANCE SHEET
ASSETS
Fixed assets
Intangible fixed assets

Software

2,243,680 2,560,000

Tangible fixed assets

Machinery and equipment

678,050 578,452

Financial fixed assets

Other long-term receivables

35,000 15,000
Total fixed assets
2,956,730 3 153,452
Current assets
Current receivables

Trade debtors

894,182 19,938

Other claims

775,956 1,940,871

Deferred charges and accrued income

1,144,702 2,258,211

Cash and bank

28,499,187 2,295,330
Total current assets
31,314,027 6,514,350
TOTAL ASSETS
34,270,757 9,667,802
EQUITY AND DEBTS
Restricted equity

Share capital (28,250,000 shares at a nominal value of SEK 0.10)

2,825,000 1,735,664

Restricted reserves

46,333,984 11,355,490
49,158,984 13,091,154
Non-restricted equity

Non-restricted reserves

- 2,913,310 - 3,595,210

Annual profit/loss

- 17,752,611 - 10,673,590
- 20,665,921 - 14,268,800
Total equity
28,493,063 - 1,177,646
Long-term liabilities

Other debts

30,000 6,471,500

Current liabilities

Trade creditors

2,104,730 1,226,782

Other debts

1,544,656 840,610

Accrued expenses and deferred income

2,098,308 2,306,556
5,747,694 4,373,948
TOTAL EQUITY AND DEBTS
34,270,757 9,667,802

KEY RATIOS AND FINANCIAL DATA

	Group (6 mon.) 01.07.00- 31.12.00	Group 01.07.99- 30.06.00
Net turnover (ThSEK)	810	2,543
Operating profit/loss (ThSEK)	-15,447	-9,884
Profit/loss after financial income and expense (ThSEK)	-17,753	-10,674
Profit/loss for the period (ThSEK)	-17,753	-10,674
Balance-sheet total (ThSEK)	34,271	9,668
Equity (ThSEK)	28,493	-1,178
Solidity (%)	83	-12
Profit/loss per share (SEK)	-0.63	-0.61
Number of shares after full dilution	31,250,000	18,856,640
Profit/loss per share (SEK) after full dilution	-0.57	-0.57
Equity per share (SEK)	1.01	-0.07
Number of employees at end of period	28	23
Number of shares at end of period	28,250,000	17,356,640

GROUP CASHFLOW ANALYSIS

	(6 mon.) 01.07.00 -31.12.00	01.07.99 -30.06.00
Profit/loss after financial income and expense	-17,752,611	-10,673,590
Cancellation of write-offs	426,752	741,293
Cancellation of disposal of tangible fixed assets	<u>0</u>	<u>0</u>
Cashflow from ongoing operations	-17,325,859	-9,932,297
Change in current receivables	1,404,180	-3,633,926
Change in current liabilities	<u>1,373,746</u>	<u>3,558,820</u>
Change in working capital	2,777,926	-75,106
Total cashflow from ongoing operations	-14,547,933	-10,007,403
Disposal of tangible fixed assets	69,060	0
Acquisition of intangible fixed assets	-4,600	-3,200,000
Acquisition of tangible fixed assets	-274,490	-606,078
Acquisition of financial fixed assets	<u>-20,000</u>	<u>-15,000</u>
Cashflow from investment operations	-230,030	-3,821,078
New share issue	41,423,320	9,525,768
Convertible debenture loan	-6,000,000	6,000,000
Conversion of convertible debenture loan	6,000,000	0
Change in other long-term liabilities	<u>-441,500</u>	<u>-15,000</u>
Cashflow from financing operations	40,981,820	15,510,768
Change in liquid resources	26,203,857	1,682,287