



DEVELOPING ACADEMIC RESEARCH

Annual Report 1997/98

ANNUAL REPORT

The Board and the Managing Director of A+ Science Invest Aktiebolag hereby submit the Annual Report for the financial year July 2, 1997 until December 31, 1998, the company's first year, which comprises 18 months.

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ADMINISTRATION REPORT

Ownership

The Company is owned to 50% by Holdingbolaget vid Göteborgs Universitet AB (the Holding Company of Göteborg University), and

50% by Allmänna Pensionsfonden, Sjätte Fondstyrelsen (the Managing Board of the Sixth National Pension Insurance Fund).

The Business

The business of the Company is the development of academic research. The Company acquires, develops and commercialises patentable inventions in the fields of medicine and natural science. The products acquired must be patentable and emanate from academic research. After further research and development the projects are commercialised directly or through fully or part owned companies through licensing or sales.

During the financial year, the Company made a new share issue worth SEK 32 million, out of which SEK 2 million was, a non-cash issue. SEK 8 million has been transferred to the share premium reserve. The Company has also issued a warrant scheme, which has been offered to researchers and employees. The programme can upon full conversion yield 8 million new shares. Associated premiums of SEK 400 thousand have

been transferred to the share premium reserve.

During the first year of business 40 patents and patent applications were acquired. The Company has invested SEK 13,910 thousand in research and development and SEK 4,680 thousand in patents amounting to a total of SEK 18,590 thousand. The compensation to the researchers for the patent and patent applications is handled through royalty agreements.

In January 1999 a licence agreement was signed with Janssen Pharmaceutica concerning an Obstructive sleep apnoea (OSA) project. The agreement was preceded by a "letter of agree-ments" which was adopted during the autumn of 1998 when the Company started a clinical Phase II study. The project has been recognised in revenue with an amount corresponding to the financial year's accrued expenses for the project.

Future Development

The business of the Company requires capital and to meet future needs a process has been started during the spring of 1999 in order to extend the capital base. The plans are to do this through a new share

issue in conjunction with the extension of shares.

The previously mentioned agreement with Janssen Pharmaceutica is estimated to provide a profit during the financial year 1999.

Outcome and Balance

Business ratios

(thousands of SEK)

1997/1998

Turnover	1,236
Loss for the year	- 6,097
Total assets	30,114
Average number of employees	6

Proposed Appropriations

The Board and the Managing Director suggest that the loss for the year, SEK 6,097,030, should be brought forward.

PROFIT AND LOSS STATEMENT

(thousands of SEK)

July 2 1997- Dec 31 1998
(18 months)

Net turnover		1,236
Cost of goods sold	(note 2)	<u>- 1,237</u>
Gross profit		- 1
Cost of sales		- 2,500
Administration costs		- 3,697
R & D costs		- 728
Other operating income		50
Other operating costs		<u>- 11</u>
		- 6,886
Operating loss	(note 3, 4)	- 6,887
<i>Profit from financial investments:</i>		
Income from fixed asset receivables		2
Interest income		809
Interest costs		<u>- 21</u>
		790
Loss for the year		- 6,097

BALANCE SHEET

(thousands of SEK)

December 31, 1998

ASSETS

Fixed assets

<u>Non-tangible fixed assets</u> (note 2)	
Capitalised R& D costs	<u>17,353</u>
	17,353
<u>Tangible fixed assets</u> (note 4)	
Equipment	<u>1,070</u>
	1,070
<u>Financial fixed assets</u> (note 5)	
Other long-term receivables	<u>200</u>
	200
Total fixed assets	18,623

Current assets

<u>Current receivables</u>	
Accounts receivable-trade	1,219
Other receivables	728
Prepaid costs (note 6)	<u>505</u>
	2,452
Short-term investments	
Other short-term investments	<u>15</u>
	15
<u>Cash and bank</u>	9,024
Total current assets	11,491
Total assets	30,114

BALANCE SHEET

(thousands of SEK)

December 31, 1998

EQUITY AND LIABILITIES

Equity

Restricted equity

Share capital (24,000,000 shares to
a nom value of SEK 1)

24,000

Share premium reserve

8,400

32,400

Accumulated deficit

Loss for the year

- 6,097

- 6,097

Total equity

26,303

Liabilities

Current liabilities

Accounts payable-trade

973

Other liabilities

204

Accruals (note 7)

2,634

3,811

Total liabilities

3,811

Total equity and liabilities

30,114

Pledged assets

None

Contingent Liabilities

None

STATEMENT OF CASH FLOW

(thousands of SEK)

July 2 1997- Dec 31 1998
(18 months)

Operating activities

Loss for the year - 6,887

Adjustment non cash flow items:

Depreciation 248

Translation costs 11

- 6 628

Interest receivable 811

Interest payable - 21

**Operational cash flow pre
working capital adjustments - 5,838**

Working capital adjustments

Increased receivables - 2,467

Increases liabilities 3,811

Exchange loss liabilities - 11

Operational cash flow - 4,505

Investing activities

Non-tangible assets (note 2) - 18,590

Tangible fixed assets (note 4) - 1,318

Financial assets (note 5) - 200

Sales, non-tangible assets (note 2) 1,237

Cash flow capitalisation's - 18,871

Financing activities

Warrants 400

New share issue 32,000

Financial Cash flow 32,400

Change in liquid capital 9,024

Cash and bank at beginning of year 0

Cash and bank at year-end 9,024

NOTES TO THE ACCOUNTS

(thousands of SEK)

Note 1: Accounting and valuation principles

The Annual Report is prepared in accordance with the Swedish Annual Accounts Act (ÅRL).

Current assets have been valued to estimated real value; liabilities have been valued to the nominal value. Foreign exchange receivables and liabilities have been valued to the closing day rate.

Patents acquired, patent applications and inventions are recorded as non-tangible assets. Consequently, accrued expenses relating to the projects are capitalised as non-tangible assets.

The capitalised values are tested continuously and at year-end. If necessary, required write-downs are made.

Straight-line depreciation over five years is made. Depreciation commences when the respective projects are complete and ready for introduction. Conformity between revenues and costs is thereby achieved.

The OSA project mentioned in the Administration Report has been accounted for in accordance with the Swedish Financial Accounting Standards Council draft of recommendation whereby the revenue has been limited to the amount corresponding to the actual costs arisen during the financial year.

The regular depreciation on tangible fixed assets has been based on the acquisition value and estimated financial life span. Regular depreciation is made by 33 % for computers and 20% for other office equipment.

Note 2: Non tangible fixed assets

December 31, 1998

Capitalised R & D projects

Capitalised R & D costs	12,940
Capitalised patent costs	<u>4,413</u>
Book value	17,353

Over and above the capitalised items R & D costs amounting to SEK 1,965 thousand have been expensed.

Note 3: Personnel costs

Average number of employees

The average number of employees during the year has been 6 persons, there of 2 women.

Salaries, other compensations and social costs

Salaries and other compensation during the year have amounted to SEK 2,731 thousand, out of which the Managing Director and the Board have received SEK 935 thousand.

Social security costs during the year have amounted to SEK 1,254 thousand, out of which SEK 382 thousand are pension costs. Out of the pension costs, SEK 174 thousand refer to the Managing Director.

Severance pay

Over and above the 12 months agreed termination salary the Managing Director is entitled to a severance pay corresponding to a maximum of six months salaries.

Warrants

The Company has issued a debenture loan with options. The loan has been repaid and researchers and employees have been offered warrants. A total of eight million warrants have been issued. Each warrant provides the bearer the right to acquire one share to a price of SEK 6,12 during the period 1997 until 2002.

Note 4: Tangible fixed assets**December 31, 1998****Equipment**

Acquisitions	<u>1,318</u>
Accumulated acquisitions	1,318
Depreciation	<u>- 248</u>
Accumulated depreciation	- 248
Book value	1,070

Note 5: Financial assets**December 31, 1998****Other long-term receivables**

Loans granted	<u>200</u>
Receivable at year-end	200

Note 6: Prepaid costs

Prepaid rents	212
Prepaid R & D costs	236
Other items	<u>57</u>
Total pre-paid costs	505

Note 7: Accruals

Social security costs	124
Prepaid revenues	1,983
Swedish pension tax	70
Accrued R & D costs	281
Other items	<u>176</u>
Total accruals	2,634

Göteborg, March 4, 1999

Olle Isaksson
Chairman of the Board

Håkan Bohlin

Staffan Edén

Lars Ingelmark

Lars Nordström

Jan Ahlström
Managing Director

Auditors report

My audit report was issued on April 12, 1999

Dan Brännström
Authorized public accountant

Auditors 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 for the financial year July 2, 1997 - December 31, 1998. 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, the administration report 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 and the administration report are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts and administration report. 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 and the administration report. 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 and whether they have 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, consequently I recommend

that the income statements and the balance sheet be adopted, and

that the loss be dealt with in accordance with the proposal in the administration report.

The board members and the managing director have not committed any act or been guilty of any omission, which, in my opinion, could give rise to any liability to the company. I therefore recommend

that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg, April 12, 1999

Dan Brännström

Authorized Public Accountant

Organization

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