

**BIOLIGHT INTERNATIONAL AB (PUBL)**

**ANNUAL REPORT**

**FOR**

**THE FINANCIAL YEAR**

**JANUARY 1, 2002 – DECEMBER 31, 2002**

**BIOLIGHT INTERNATIONAL AB (PUBL)**

**ANNUAL REPORT**

**FOR**

**THE PERIOD**

**January 1, 2002 – December 31, 2002**

The Board and President of Biolight International AB (publ.) here present the annual report for the period January 1 to December 31, 2002.

**Board of Directors' report**

Included in the Biolight group are Biolight International AB (below referred to as the Company) and the wholly owned subsidiary Biolight Patent Holding AB. Biolight International AB is a subsidiary of Skagsudde AB.

**The year in brief**

During the last few years, through an extensive program of clinical trials in cooperation with well-reputed institutions, Biolight has built up a scientific basis to establish broad acceptance within medical care. The treatment results and treatment method have now been so well documented that operations in 2002 have changed focus, from clinical trials and technology & method development to market development and commercialisation.

During the year, the company has begun its commercialisation of Biolight<sup>®</sup> by entering into cooperation with distributors within the business area Dental Care, and by initiating its own sales activities in the business area Wound Care.

In February 2002, the company carried out a new share issue. This issue, directed towards a number of institutional investors, provided the company with SEK 25 million before issue expenses.

Invoiced sales during the year amounted to SEK 1.8 million (SEK 1.2 M).

On December 31, 2002, the company's liquid assets amounted to SEK 7.4 million. During the year the company has focused its resources on marketing. From January 2003, the cost level, excluding depreciation and amortisation, amounts to approximately SEK 1 million per month.

## Operations

Biolight International AB is a medical technology company with products based on the biological effects of pulsating, monochromatic light. Biolight develops a patented system for the effective, painless and safe treatment, primarily of ulcerations and inflammatory conditions within the business areas Wound Care, Dental Care and Physiotherapeutic Care. The method speeds up the healing processes and supplements traditional treatment. It contributes to an improved quality of life and reduces treatment expenses. The treatment is non-pharmaceutical and applied externally. It is easy to administer, painless and does not involve any side effects.

Biolight offers its customers, including patients, health care personnel and authorities, various products and services based on the company's patented method. Through clinical trials in cooperation with well-reputed institutions, Biolight has gradually expanded its scientific basis to gain broader acceptance within the health care system. In recent years, Biolight has focused on a small number of indication areas grouped around wound healing and dental care.

In 2002, market introduction has begun within the business areas Dental Care and Wound Care.

## Business area Wound Care

The first clinical trials on chronic wounds started back in 1996/1997. The company has since obtained very good and statistically significant results. Commercialisation of Biolight® within wound care began in 2002.

Within the Wound Care business area, the company is initially focusing solely on the Swedish market, where the company's own sales resources are used.

In addition to good results from clinical trials, a broader evaluation of the method in actual use, in private as well as public care, has also been required in order to establish Biolight® within the municipalities and county councils. One such evaluation was performed in 2002, and the response from medical staff, patients and relatives was very good.

During the third quarter 2002, the company started marketing activities on a larger scale in the Swedish wound care market. The reception has been positive. As a first result of these activities, the company has signed a 2-year agreement regarding treatment of chronic wounds with the home medical care service (Hemsjukvården) in western Göteborg, Sweden. The company has also signed a similar 1-year agreement with Hemmet för Gamla (residential service flats for elderly people) in Stockholm.

## Business area Dental Care

Through clinical studies within dental care, the company has obtained good results on inflammatory conditions in the oral cavity as well as on pain relief. Commercialisation has begun in 2002.

The launch of Biolight® in the Swedish market began in the third quarter 2002, in cooperation with the company's distributor DAB. The market response has been positive. The company has marketed its products to about 4,000 dentists, dental hygienists and other dental personnel during the year.

At the end of the year, the company's German distributor, NetDental (LIFCO), decided to discontinue its activities in the German market. We are currently seeking an agreement with a new distributor in Germany. The company has established contact with several potential distributors. Our goal is to sign an agreement with a new distributor in the first half of 2003. Biolight® is currently being tested at 7 clinics in Hamburg and Munich.

Our cooperation with Espansione in Italy proceeds according to plan, and the company expects marketing activities to begin in the first half of 2003.

During the autumn of 2001, a study on pain relief in connection with extraction (surgery) of wisdom teeth was carried out at the Faculty of Odontology at the Göteborg University. A preliminary report of the study was presented in the first quarter 2002. The study shows that the patients treated with Biolight® experienced 40 % less pain and consumed 50 % less pain-killers on the day following surgery. The results are statistically significant.

## Organisation

### *Personnel and organisation*

The Biolight headquarters are located in Danderyd outside Stockholm, and accommodate the management, sales and administrative functions.

Biolight is a small company in terms of personnel. The company has long been focusing on product development, implementing clinical studies and quality assurance of the production. The treatment equipment is now fully developed, production is quality assured, and the method and treatment results are well documented. During the past year, the organisation has been reduced, and currently consists of five people. We are now focusing on commercialisation, and this work began in 2002. Additional staff may be needed when sales increase.

### *Network*

Biolight operates through various networks, which gives access to high-level skills and expertise without having to build up a large, permanent organisation. Company operations are developed in close cooperation with external specialists. Project leader and purchaser roles are inclusive in the company's own organisation. The company develops treatment equipment together with technical consultants and other partners. Scientific trials and evaluations of treatment with Biolight® are primarily carried out in cooperation with Swedish researchers.

To ensure a well up-dated and high level of competence in matters regarding business law, patent rights, quality assurance and finance, the company has decided to cooperate with expert consultants in these areas.

## Board activities

Biolight's board of directors consists of eight members elected at the annual general meeting, and includes no deputy members. Company employees take part in board meetings to present reports.

In addition to the statutory meeting, the board has had 11 meetings during the year.

The board's activities follow an annual agenda designed to ensure that the board receives the information necessary to follow and develop operations. Rules of procedure have also been composed with instructions regarding the division of duties between the board and the president.

## Scientific council

Biolight's Scientific Council is a reference group and advisory body to the management and board in matters regarding the interpretation of trial results, the set-up of studies and priorities for future studies within clinical research.

The council has been active since 1995, and consists of a team of well-reputed researchers and clinicians in medicine, biochemistry, biophysics, physiology and technology. The council is also important for contacts and exchange with other scientists, clinicians and representatives of the academic world, and their cooperation strengthens the confidence in the Biolight treatment system.

## Partners

Biolight does not have its own production units, but has chosen to develop its products in cooperation with external partners. The treatment equipment is produced, stocked and distributed by Amersham Pharmacia Biotech AB in Umeå, Sweden. Teleca AB develops hardware and program cards. The design company, Krypton, is responsible for the design and function of the treatment equipment. Biolight's partners are quality assured in compliance with international standards.

## Patents and market approvals

Two of the company's central patents have been approved in the EU. This has resulted in 27 national patents in 15 countries.

The company has obtained FDA approval – 510(k) – for Physiotherapeutic Care. This approval entitles the company to market and sell its equipment (PCD) and treatment programs for the prevention and rehabilitation of injuries in the locomotor system in the American market.

## Financing

In February 2002, the company carried out a new share issue directed to a number of institutional investors. This share issue, which was carried out at the price of SEK 2.11 per share, provided the company with SEK 25 million before issue expenses.

On December 31, 2002, the company's liquid assets amounted to SEK 7.4 million. The company has reduced its cost level this year. From January 2003, operating expenses, excluding depreciation and amortisation, amount to approximately SEK 1 million per month.

The company is currently working on procuring new capital to finance operations until a positive cash flow has been achieved.

## The Share

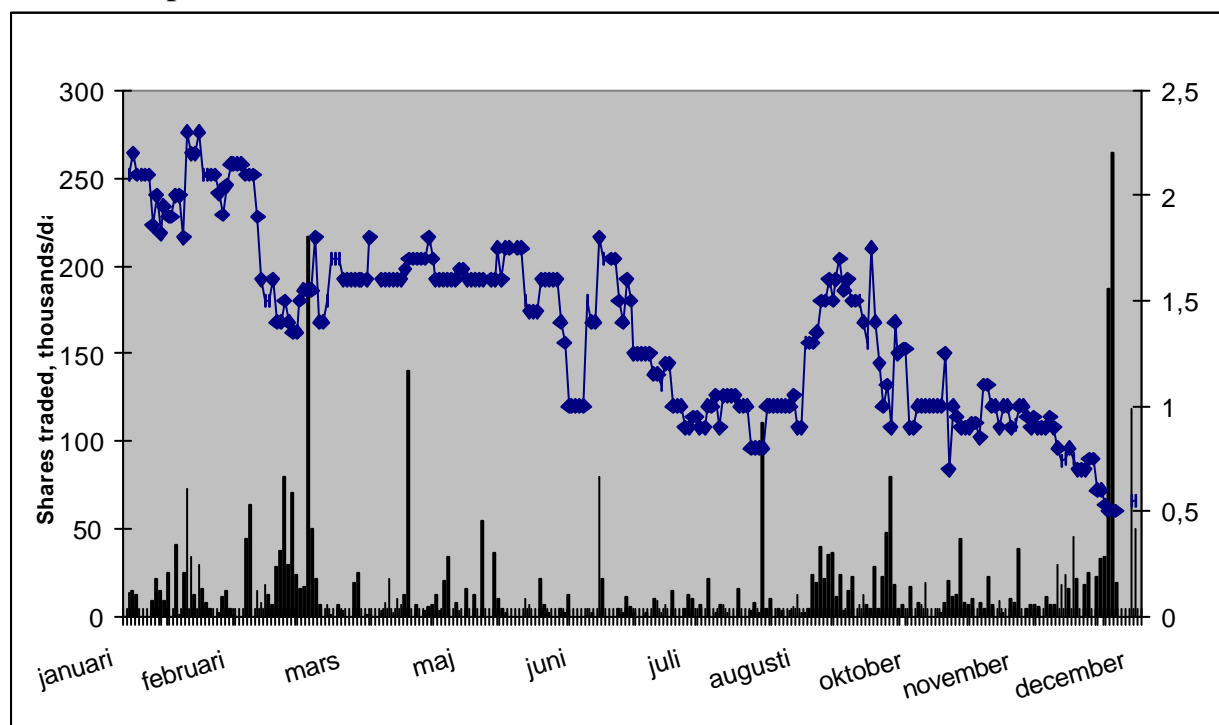
The shares of the company have been listed on the NGM Equity (Nordic Growth Market NGM AB) since 1997. Since its foundation in 1993, Biolight has mainly financed its operation through the Swedish venture capital market. The amount of venture capital injected during the period 1993 to 2002 totals approximately SEK 155 million. The main portion of this capital has been employed to document and verify the method clinically, and to develop and certify new treatment equipment. Market introduction began in 2002.

The highest price this year, SEK 2.45, was quoted in January. On the first day of this year the price of the Class B share was SEK 2.10. The lowest price, quoted in December, was SEK 0.50. The total market capitalisation amounted to SEK 39 million on December 31. In 2002, 83,400 Class A shares and 3,910,181 Class B shares were traded, which represents 0.6 per cent and 6.7 per cent of the total number of Class A and Class B shares respectively. The Class A share entitles the holder to ten votes, and the Class B share to one vote.

## Class of shares

	No. of shares	No. of votes	Percentage of votes	Percentage of capital
Class A (10 votes)	12,737,500	127,375,000	69	18
Class B (1 vote)	58,525,918	58,525,918	31	82
<b>Total</b>	<b>71,263,418</b>	<b>185,900,918</b>	<b>100</b>	<b>100</b>

## The development of Class B shares in 2002



Source: NGM.

## Dividend policy

Biolight does not intend to pay out any dividends for the financial year 2002. During the year, the company has begun commercialising the product within the business areas Wound Care and Dental Care. For the coming years, the available financial resources will mainly be used for commercialisation of the product.

## Ownership structure

On December 31, 2002, the number of shareholders was 4,846, an increase of 0.4 per cent on the previous year. The ten largest shareholders represented 78.7 per cent of the votes and 60.2 per cent of the capital. The largest owners are the Skagsudde group and the innovator of the treatment method, Rolf Thiberg and his family.

### Ownership structure – Biolight's ten largest shareholders on December 30, 2002

<b>Name/rank according to voting rights</b>	<b>% of votes</b>	<b>% of capital</b>
Skagsudde	51.0%	27.0%
Thiberg, Rolf and family	10.7%	5.0%
BNP Paribas	5.5%	4.1%
Banco Teknik & Innovationsfond	3.0%	6.8%
Wallstreet	2.5%	6.7%
Banque Generale du Luxembourg	2.1%	5.5%
Jarl, Ralph and family	1.0%	0.3%
Åslund, Ulf and family	1.0%	1.3%
Andersson, Lars and family	1.0%	1.2%
Fortis Bank SA/NV	0.9%	2.3%
<b>Total</b>	<b>78.7%</b>	<b>60.2%</b>

Source: VPC AB. Direct and nominee-registered share lists.

### Shareholder statistics on December 31, 2002

<b>Shareholding</b>	<b>No. of shareholders</b>	<b>No. of shares</b>	<b>% of capital</b>
1-500	1,186	344,537	0.5 %
501-1,000	1,356	1,298,016	1.8 %
1,001-2,000	838	1,526,293	2.1 %
2,001-5,000	787	2,951,732	4.1 %
5,001-10,000	365	3,041,584	4.3 %
10,001-20,000	147	2,288,230	3.2 %
20,001-50,000	90	2,921,497	4.1 %
50,001-100,000	31	2,329,667	3.3 %
100,001-	46	54,561,862	76.6 %
<b>Total</b>	<b>4,846</b>	<b>71,263,418</b>	<b>100.0%</b>

Source: VPC AB. Direct and nominee-registered share lists.

## Development of share capital (SEK and number of shares)

<b>Transaction/Date</b>	<b>Par share value SEK</b>	<b>Change in share capital</b>	<b>Total share capital, SEK</b>	<b>Number of A shares</b>	<b>Number of B shares</b>	<b>Total no. of shares</b>
Company incorporation 1993	100.00	50,000	50,000			500
New issue Sep. 17, -93	100.00	37,000	87,000			870
Stock split 500:1 as of Nov. 2, -93	0.20					435,000
New issue Nov. 18, -93	0.20	70,000	157,000			785,000
Restamping (Class A & B shares)	0.20			510,250	274,750	785,000
Stock split 10:1 as of Nov. 8, -94	0.02			5,102,500	2,747,500	7,850,000
New issue – general and selective as of Nov. 8, -94	0.02	25,560	182,560		4,025,500	9,128,000
New issue – general and selective as of March 28, -95	0.02	17,000	199,560		4,875,500	9,978,000
Bonus issue Nov. 13, -95	0.02	48,330	247,890		7,292,000	12,394,500
New issue Feb. 27, -96	0.02	160,000	407,890	13,102,500		20,394,500
New issue July 18, -97	0.03	203,945	611,835			20,394,500
Restamping Oct. 29, -97	0.03	367,101	978,936		19,528,700	32,631,200
New issue Dec. 22, -98	0.03	62,520	1,041,456		21,612,700	34,715,200
New issue June 24, -00				-365,000	365,000	34,715,200
New issue Feb. 18, -02	0.03	520,728	1,562,184		39,335,300	52,072,800
	0.03	218,182	1,780,366		46,608,027	59,345,527
	0.03	357,537	2,137,903		58,525,918	71,263,418
<b>Dec. 31, 2002</b>	<b>0.03</b>		<b>2,137,903</b>	<b>12,737,500</b>	<b>58,525,918</b>	<b>71,263,418</b>

## Outstanding subscription warrants

The annual general meeting in 1999 resolved to raise a debenture loan and issue a debenture with detachable subscription warrants to the company's president, Christer Wallin. The warrants provide the right to subscribe for 400,000 Class B shares at the price of SEK 4.32 during the period April 29, 2001 to April 28, 2004.

The annual general meeting in 2000 resolved to raise a debenture loan and issue a debenture with detachable subscription warrants to Rytmen AB. The warrants provide the right to subscribe for 50,000 Class B shares. The price is 165 % of the average price paid from April 17 to May 3, 2000, and the subscription period is May 31, 2001 to May 31, 2003.



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The annual general meeting in 2001 resolved to issue a debenture at a maximum nominal value of SEK 10,000, combined with a maximum of one million detachable subscription warrants for subscription of new company shares directed to Biolight Patent Holding AB, intended for transfer of detached warrants to company employees and board members. These warrants provide the right to subscribe for shares at the price of SEK 5.88 during the period May 18, 2004 to May 18, 2005. Warrants corresponding to 466,000 Class B shares were subscribed. Of these, 300,000 are held by Biolight Patent Holding AB.

## **Result and liquidity**

### **Sales**

In 2002, sales amounted to SEK 1.8 million (1.2).

### **Costs**

The operating expenses amounted to SEK 26.4 million (28.2) in 2002.

### **Result after taxes**

The consolidated result after taxes showed a loss of SEK 25.8 million in 2002 (-26.4).

The result for 2002 was encumbered by share issue expenses of SEK 1.7 M.

### **Investments**

Investments during the year amounted to SEK 0.5 million (6.4), including SEK 0 million (4.4) for clinical trials.

### **Liquid assets**

Liquid assets as of December 31, 2002, amounted to SEK 7.4 M (4.8).

## **Proposal for the allocation of earnings**

The board and the president recommend that accumulated losses of SEK 52,166 thousand be settled against the share premium reserve.

Consolidated accumulated losses amount to SEK 52,713 thousand. No allocations for restricted reserves are necessary.

For other information regarding the company's earnings and financial position, the reader is referred below to the income statement, balance sheet and accompanying notes.

## Income statement

		<i>Consolidated</i>			<i>Parent Company</i>		
<i>Amounts in SEK thousands</i>	<i>Note</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Net sales		1,772	1,150	417	1,772	1,150	417
Other operating income		33	48	109	27	48	107
		<b>1,805</b>	<b>1,198</b>	<b>526</b>	<b>1,799</b>	<b>1,198</b>	<b>524</b>
<b>Operating expenses</b>							
Goods for resale		-623	-439	-182	-623	-439	-182
Other external costs	2,3	-10,524	-13,457	-10,435	-10,524	-13,457	-10,428
Personnel costs	1	-8,718	-8,756	-6,008	-8,718	-8,756	-6,008
Depreciation of intangible and tangible assets	4	-6,484	-5,506	-1,539	-6,484	-5,506	-1,539
Other operating expenses		-61	-80	-11	-61	-80	-11
<b>Operating loss</b>		<b>-24,605</b>	<b>-27,040</b>	<b>-17,649</b>	<b>-24,611</b>	<b>-27,040</b>	<b>-17,644</b>
<b>Net financial items</b>							
Interest income and similar items	5	550	672	982	550	672	982
Interest expenses and similar items		-2	-6	-1	-2	-6	-1
Issue expenses		-1,729	-	-2,997	-1,729	-	-2,997
		-1,181	666	-2,016	-1,181	666	-2,016
<b>Loss before taxes</b>		<b>-25,786</b>	<b>-26,374</b>	<b>-19,665</b>	<b>-25,792</b>	<b>-26,374</b>	<b>-19,660</b>
<b>Taxes</b>	6						
Current taxes		-1	-	-	-	-	-
Deferred taxes		-	-	2	-	-	-
		-1	-	2	-	-	-
<b>Net loss of the year</b>	7	<b>-25,787</b>	<b>-26,374</b>	<b>-19,663</b>	<b>-25,792</b>	<b>-26,374</b>	<b>-19,660</b>

## Balance sheet

		Consolidated			Parent Company		
Amounts in SEK thousands	Note	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
ASSETS							
Fixed assets							
Intangible assets							
Capitalised costs for clinical trials	8	8,314	11,340	9,110	8,314	11,340	9,110
Capitalised costs for development of treatment equipment	9	7,039	9,386	11,732	7,039	9,386	11,732
Patents, licences, trademarks and similar rights	10	1,587	1,756	837	1,587	1,756	837
		16,940	22,482	21,679	16,940	22,482	21,679
Tangible assets							
Treatment equipment and accessories	11	17	-	151	17	-	151
Fixtures, furniture and equipment	12	1,583	2,070	1,943	1,583	2,070	1,943
		1,600	2,070	2,094	1,600	2,070	2,094
Financial assets							
Shares and participation in group companies	13	-	-	-	705	549	300
		-	-	-	705	549	300
Total fixed assets		18,540	24,552	23,773	19,245	25,101	24,073
Current assets							
Projects in progress							
Clinical trials		337	66	2,660	337	66	2,660
		337	66	2,660	337	66	2,660
Inventories							
Goods for resale		4,718	2,368	172	4,718	2,368	172
		4,718	2,368	172	4,718	2,368	172

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		Consolidated			Parent Company		
Amounts in SEK thousands	Note	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Current receivables							
Accounts receivable		97	240	43	97	240	43
Claims on group companies		-	-	-	-	51	-
Prepaid taxes		234	129	-	234	129	-
Other receivables		991	865	977	991	865	975
Prepaid expenses and accrued income		705	867	667	705	867	667
		2,027	2,101	1,687	2,027	2,152	1,685
Short-term investments	14	5,000	3,000	28,000	5,000	3,000	28,000
Cash and bank balances		2,426	1,809	2,456	2,369	1,752	2,293
Total current assets		14,508	9,344	34,975	14,451	9,338	34,810
TOTAL ASSETS		33,048	33,896	58,748	33,696	34,439	58,883

## Balance sheet

		<i>Consolidated</i>			<i>Parent Company</i>		
		<i>Dec. 31, 2002</i>	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
<i>Amounts in SEK thousands</i>							
<hr/>							
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES							
<b>Shareholders' equity</b>	15						
<b>Restricted equity</b>							
Share capital (71,263,418 shares)		2,138	1,780	1,780	2,138	1,780	1,780
Share premium reserve		-	-	-	65,009	40,220	99,183
Statutory reserve		-	-	-	14,499	14,499	14,499
Restricted reserves		79,508	54,719	113,682	-	-	-
		<b>81,646</b>	<b>56,499</b>	<b>115,462</b>	<b>81,646</b>	<b>56,499</b>	<b>115,462</b>
<b>Accumulated losses</b>							
Accumulated loss brought forward		-26,926	-551	-40,076	-26,374	-	-39,936
Net loss of the year		-25,787	-26,374	-19,663	-25,792	-26,374	-19,660
		<b>-52,713</b>	<b>-26,925</b>	<b>-59,739</b>	<b>-52,166</b>	<b>-26,374</b>	<b>-59,596</b>
<b>Total shareholders' equity</b>		<b>28,933</b>	<b>29,574</b>	<b>55,723</b>	<b>29,480</b>	<b>30,125</b>	<b>55,866</b>
<b>Provisions</b>							
Provisions for deferred taxes	16	2	2	2	-	-	-
<b>Total provisions</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>							
Accounts payable		2,120	1,790	1,280	2,120	1,790	1,280
Debt to group companies		-	-	-	105	-	-
Other liabilities		288	544	263	288	544	263
Accrued expenses and deferred income		1,705	1,986	1,480	1,703	1,980	1,474
<b>Total current liabilities</b>		<b>4,113</b>	<b>4,320</b>	<b>3,023</b>	<b>4,216</b>	<b>4,314</b>	<b>3,017</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>33,048</b>	<b>33,896</b>	<b>58,748</b>	<b>33,696</b>	<b>34,439</b>	<b>58,883</b>

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		<i>Consolidated</i>			<i>Parent Company</i>		
<i>Amounts in SEK thousands</i>	<i>Note</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2001</i>	<i>Dec. 31, 2000</i>
<b>Assets pledged and contingent liabilities</b>							
<b>Assets pledged</b>		1,230	None	None	1,230	None	None
<b>Contingent liabilities</b>		None	None	None	None	None	None

## Cash flow analysis

	<i>Consolidated</i>			<i>Parent Company</i>		
<i>Amounts in SEK thousands</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
<b>Operating activities</b>						
Loss after financial items	-25,786	-26,374	-19,663	-25,792	-26,374	-19,660
Adjustments for items not included in the cash flow	6,549	5,570	1,550	6,551	5,570	1,550
	<b>-19,237</b>	<b>-20,804</b>	<b>-18,113</b>	<b>-19,241</b>	<b>-20,804</b>	<b>-18,110</b>
Taxes paid	-106	-129	-	-106	-129	-
<b>Cash flow from operating activities before changes of working capital</b>	<b>-19,343</b>	<b>-20,933</b>	<b>-18,113</b>	<b>-19,347</b>	<b>-20,933</b>	<b>-18,110</b>
<b>Cash flow from changes in working capital</b>						
Increase/decrease (-) in work in progress projects	-271	2,594	14,256	-271	2,594	14,256
Increase/decrease (-) in inventories	-2,349	-2,196	-21	-2,349	-2,196	-21
Increase/decrease (-) in receivables	179	-285	11	230	-338	9
Increase/decrease (-) in current liabilities	-209	1,298	173	-100	1,298	173
<b>Cash flow from operating activities</b>	<b>-21,993</b>	<b>-19,522</b>	<b>-3,694</b>	<b>-21,837</b>	<b>-19,575</b>	<b>-3,693</b>
<b>Investing activities</b>						
Net acquisition of intangible assets	-360	-5,669	-21,222	-360	-5,669	-21,222
Net acquisition of tangible assets	-177	-682	-1,610	-177	-682	-1,610
Shareholders' contribution	-	-	-	-156	-249	-
<b>Cash flow from investing activities</b>	<b>-537</b>	<b>-6,351</b>	<b>-22,832</b>	<b>-693</b>	<b>-6,600</b>	<b>-22,832</b>
<b>Financing activities</b>						
New share issue	25,147	-	40,000	25,147	-	40,000
Subscription warrants	-	226	49	-	634	49
Repayment of debts	-	-	-2	-	-	-
<b>Cash flow from financing activities</b>	<b>25,147</b>	<b>226</b>	<b>40,047</b>	<b>25,147</b>	<b>634</b>	<b>40,049</b>
<b>Period's cash flow</b>	<b>2,617</b>	<b>-25,647</b>	<b>13,521</b>	<b>2,617</b>	<b>-25,541</b>	<b>13,524</b>
<b>Liquid assets at beginning of period</b>	<b>4,809</b>	<b>30,456</b>	<b>16,935</b>	<b>4,752</b>	<b>30,293</b>	<b>16,769</b>
<b>Liquid assets at end of period</b>	<b>7,426</b>	<b>4,809</b>	<b>30,456</b>	<b>7,369</b>	<b>4,752</b>	<b>30,293</b>
<i>Adjustments for items not included in the cash flow</i>						
Depreciation	6,484	5,506	1,539	6,484	5,506	1,539
Result from sales of inventories	65	64	11	67	64	11
	6,549	5,570	1,550	6,551	5,570	1,550
<i>Acquisition of tangible and intangible assets</i>						
- of which transferred from projects in progress	3	4,383	15,631	3	4,383	15,631
Interests paid and received as shown in the income statement and list of notes.						

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**BALANCE SHEET SUMMARY (SEK thousands)**

	2002	2001	2000	1999	1998
Intangible assets	16,940	22,482	21,679	1,710	1,961
Tangible assets	1,600	2,070	2,094	781	889
Current assets	14,508	9,344	34,975	35,700	47,610
Shareholders' equity	28,933	29,574	55,723	35,337	48,693
Provisions	2	2	2	4	6
Current liabilities	4,113	4,320	3,023	2,850	1,761
Balance sheet total	33,048	33,896	58,748	38,191	50,460

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**INCOME STATEMENT SUMMARY (SEK thousands)**

	2002	2001	2000	1999	1998
Operating income	1,805	1,198	526	936	833
Operating loss	-24,605	-27,040	-17,649	-14,273	-10,071
Net financial items	-1,181	666	-2,016	704	-3,392
Loss after financial items	-25,786	-26,374	-19,665	-13,569	-13,463
Net loss of the year	-25,787	-26,374	-19,663	-13,567	-13,486

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**KEY RATIOS**

	2002	2001	2000	1999	1998
Investments in fixed assets, SEK thousands	537	6,351	22,832	669	1,085
Working capital, SEK thousands	10,395	5,024	31,952	32,850	45,849
Current ratio (times)	4	2	12	13	27
Equity ratio in %	87.5%	87.2%	94.9%	92.5%	96.5%
Average no. of shares (thousands)	69,674	59,346	55,992	52,073	35,191
No. of shares at end of period (thousands)	71,263	59,346	59,346	52,073	52,073
No. of outstanding subscription warrants (thousands)	916	916	450	400	-
Earnings per share before dilution	-0.37	-0.44	-0.35	-0.26	-0.38
Earnings per share after dilution	-0.37	-0.44	-0.35	-0.26	-
Return on equity	neg.	neg.	neg.	neg.	neg.
Return on capital employed	neg.	neg.	neg.	neg.	neg.
Shareholders' equity per share	0.41	0.50	0.94	0.68	0.94
Market price at year-end, Class B share, SEK	0.50	1.90	2.50	2.20	2.30
Number of employees	8	8	7	6	5



## **DEFINITIONS OF KEY RATIOS**

Shareholders' equity – Shareholders' equity as shown in the balance sheet.

Working capital – Current assets minus current liabilities.

Current ratio (times) – Current assets in relation to current liabilities.

Equity ratio – Shareholders' equity as a per cent of total assets.

Average no. of shares – The weighted average number of shares during the year.

Earnings per share before dilution – Result divided by the average number of shares.

Earnings per share after dilution – Result divided by the average number of shares, adjusted for outstanding warrants.

Return on equity – Net income as shown in income statement as a per cent of average shareholders' equity.

Return on capital employed – Net income after net financial income plus financial expenses as a per cent of average capital employed (total assets minus non-interest-bearing debts).

Shareholders' equity per share – Shareholders' equity divided by the number of shares at year-end.

## **Accounting principles and notes**

### **Accounting principles**

The annual report has been prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council and the statements of their Urgent Issues Task Force, with the exception of RR 6:99.

The report includes figures from the last three years, as this annual report is to be included in an upcoming share issue prospectus.

### **Principles of valuation**

Unless otherwise indicated, assets, provisions and liabilities have been valued at their acquisition cost.

#### **Inventories**

Inventories are valued according to recommendation 2 of the Swedish Financial Accounting Standards Council, and are recorded at the lower of purchase price according to the FIFO method and net realisable value. Consequently, risks for obsolescence have been taken into account.

#### **Receivables**

Receivables are reported at the net amount expected to be paid, based on individual assessments.

#### **Short-term investments**

Short-term investments are valued in conformity with the Annual Accounts Act at the lower of acquisition value and net realisable value.

#### **Principles for depreciation of fixed assets**

Depreciation according to plan is based on the original acquisition value and the estimated period of use.

The following depreciation periods are applied:

##### **Intangible assets**

Capitalised costs for clinical trials	5 years
Capitalised costs for development of treatment equipment	5 years
Patents, licences, trademarks and similar rights	5 years

##### **Tangible assets**

Treatment equipment and accessories	3-4 years
Fixtures, furniture and equipment	5 years

In cases where the reported value of an asset exceeds its estimated recovery value, this asset is immediately depreciated to its recovery value. The recovery value is the higher of the net realisable value and value of use of an asset.

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**Corp. reg. no. 556463-9440**

**Clinical trials**

The company's own costs for research and development of Biolight® are charged against income as incurred, as are all external costs for preclinical studies, phase I and pilot studies.

External costs for clinical trials of Biolight®, corresponding to phase II and phase III trials in drug testing, are capitalised, if the trial in question has a medical evidentiary value and leads to future economic advantages.

**Development of new treatment equipment**

External development costs, which largely consist of technical consulting fees, are capitalised under "Capitalised costs for development of treatment equipment".

**Leasing**

Leasing agreements for company cars and office equipment are reported as operating leases. The net effects on the consolidated results would be negligible if recommendation RR 6:99 of the Swedish Financial Accounting Standards Council were applied.

**Consolidated accounts**

The consolidated accounts include the parent company and the wholly-owned subsidiary Biolight Patent Holding AB. The consolidated accounts have been prepared in accordance with recommendation RR 1:00 of the Swedish Financial Accounting Standards Council.

No intra-group sales have occurred.

**Shareholder contribution**

The company complies with the Urgent Issues Task Force within the Swedish Financial Accounting Standards Council in its presentation of shareholder contribution. Shareholder contribution is charged directly against the subsidiary's equity and is capitalised in the parent company's shares and stakes.

**Group details**

The company is a subsidiary of Skagsudde AB (Corp. reg. no. 556162-2746), with its registered office in Stockholm.

## Notes (amounts in SEK thousands unless otherwise indicated)

### Note 1 Employees and personnel costs

#### Parent Company

#### Average number of employees

	2002	Men	2001	Men	2000	Men
Sweden	8	83%	8	78%	7	71%

#### Salaries, other remuneration and social costs

	2002		2001		2000	
	<i>Salaries and remuneration</i>	<i>Social costs</i>	<i>Salaries and remuneration</i>	<i>Social costs</i>	<i>Salaries and remuneration</i>	<i>Social costs</i>
Board of Directors and President	1,6531)	783	1,6051)	800	1,4751)	770
<i>including pension costs of</i>		(236)		(258)		(274)
Other employees	3,818	2,384	3,664	2,386	2,594	1,803
<i>including pension costs of</i>		(1,076)		(1,136)		(929)
<b>Total</b>	<b>5,471</b>	<b>3,167</b>	<b>5,269</b>	<b>3,186</b>	<b>4,069</b>	<b>2,573</b>
<i>including pension costs of</i>		(1,312)		(1,394)		(1,203)

Salaries and other remuneration refer to employees in Sweden. The subsidiary has no employees. No salary or remuneration has been paid out.

1) In 2002, salary and benefits to the president amounted to SEK 1,180 thousand (1,166) and to the chairman of the board to SEK 150 thousand (SEK 150 thousand).

No bonus is paid to the board or president.

In addition to fringe benefits during the period of notice, the president has a right to a severance pay corresponding to 6 months' salary, after notice given by the company.

The president is entitled to the usual pension benefits in accordance with the national pension scheme.

Salaries and other benefits to persons in leading positions during the year amounted to SEK 3,677 thousand.

Salaries and other remuneration are set after individual negotiations with the president. The remuneration level for the president is decided by the board.

**Note 2 Other external costs**

	<i>Consolidated</i>			<i>Parent Company</i>		
	2002	2001	2000	2002	2001	2000
Royalty fees 1)	103	67	24	103	67	24
Consulting fees to Skagsudde AB	-	-	58	-	-	58
Pilot studies recorded under expenses	-	15	1,093	-	15	1,093
Other 2)	10,421	13,375	9,260	10,421	13,375	9,253
<b>Total</b>	<b>10,524</b>	<b>13,457</b>	<b>10,435</b>	<b>10,524</b>	<b>13,457</b>	<b>10,428</b>

*(1) Royalty fees*

When the rights to the Biolight method were acquired in 1995, the company made an agreement regarding royalty fees to the innovator, Rolf Thiberg.

Royalty fees paid until 2004 inclusive, are based on sales of products and services in relation to the Biolight method.

*(2) Audit fees*

“Other” include audit fees to KPMG as specified below:

	<i>Consolidated</i>			<i>Parent Company</i>		
	2002	2001	2000	2002	2001	2000
Audit fees	157	141	175	157	141	168
Other	14	145	-	14	145	-
<b>Total</b>	<b>171</b>	<b>286</b>	<b>175</b>	<b>171</b>	<b>286</b>	<b>168</b>

From 2001, audit fees refer to the parent company and the subsidiary.

**Note 3 Leasing costs**

The leasing costs for the financial year 2002 amount to SEK 455 thousand (372), rents not included. Costs for operating and financial leases, comprising a term of at least another year, amount to approximately SEK 490 thousand. The costs within one year amount to approximately SEK 362 thousand, and for one to five years, approximately SEK 215 thousand. All leasing agreements are reported as operating leases. The net effects on the consolidated results would be negligible if RR 6:99 were applied.

**Note 4 Depreciation of intangible and tangible assets**

	<i>Consolidated and parent company</i>		
	2002	2001	2000
<i>Intangible assets</i>			
Capitalised costs for clinical trials	3,029	2,153	941
Capitalised costs for development of treatment equipment	2,347	2,346	0
Patents, licences, trademarks and similar rights	519	367	312
<i>Tangible assets</i>			
Treatment equipment and accessories	6	85	126
Fixtures, furniture and equipment	583	555	160
	6,484	5,506	1,539

**Note 5 Interest income and similar items**

	<i>Consolidated and parent company</i>		
	2002	2001	2000
Interest income, other	81	38	57
Capital gain from securities	469	634	925
	550	672	982

**Note 6 Taxes on profit for the year**

<b>Reconciliation of effective tax</b>	2002		2001		2000	
<i>Consolidated</i>						
Loss before taxes	-25,786		-26,374		-19,665	
Taxes according to current tax rate for the group	7,220	28%	7,385	28%	5,507	28%
Tax effect from:						
Non-deductible costs	-22		-43		-26	
Non-taxable income	1		-		1	
Increase of tax loss carryforwards without equivalent capitalisation of deferred taxes	-7,200	-28%	-7,342	-28%	-5,480	-28%
Reported tax expense	-1	0%	0	0%	2	0%

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<i>Parent Company</i>	2002		2001		2000	
Loss before taxes	-25,792		-26,374		-19,660	
Taxes according to current tax rate for the parent company	7,221	28%	7,385	28%	5,505	28%
Tax effect from:						
Non-deductible costs	-22		-43		-26	
Non-taxable income	1		-		1	
Increase of tax loss carryforwards without equivalent capitalisation of deferred taxes	-7,200	-28%	-7,342	-28%	-5,480	-28%
Reported tax expense	0	0%	0	0%	0	0%

**Note 7 Earnings per share**

	<i>Consolidated</i>		
	2002	2001	2000
Result of the period, SEK thousands	-25,787	-26,374	-19,663
Earnings per share before dilution	-0.37	-0.44	-0.35
Earnings per share after dilution	-0.37	-0.44	-0.35
Average number of shares during the period (thousands)	69,674	59,346	55,992

**Note 8 Capitalised costs for clinical trials**

	<i>Consolidated and parent company</i>		
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
<i>Accumulated acquisition value</i>			
At beginning of year	15,145	10,763	1,780
Capitalisation during the year	3	4,382	8,983
	15,148	15,145	10,763
<i>Accumulated depreciation according to plan</i>			
At beginning of year	-3,805	-1,653	-712
Depreciation according to plan during the year	-3,029	-2,152	-941
	-6,834	-3,805	-1,653
<b>Net book value at beginning of year</b>	11,340	9,110	1,068
<b>Net book value at year -end</b>	8,314	11,340	9,110

Since Biolight is a medical technology treatment method, scientifically significant results from clinical trials are necessary for commercialising the method. As regards healing of chronic wounds as well as oral inflammations and ache, Biolight has obtained commercially interesting, statistically significant results in clinical trials. The net book value at year-end is assessed to perfectly well match the value in regard of commercial requirements for the method. Remaining depreciation period is approximately 3 years.

**Note 9 Capitalised costs for development of treatment equipment**

	<i>Consolidated and parent company</i>		
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
<i>Accumulated acquisition value</i>			
At beginning of year	12,206	12,206	474
Capitalisation during the year	-	-	11,732
	12,206	12,206	12,206
<i>Accumulated depreciation according to plan</i>			
At beginning of year	-2,820	-474	-474
Depreciation according to plan during the year	-2,347	-2,346	-
	-5,167	-2,820	-474
<b>Net book value at beginning of year</b>	9,386	11,732	0
<b>Net book value at year -end</b>	7,039	9,386	11,732

Great demands are placed on medical technology treatment equipment. Biolight's treatment equipment meets these high requirements and is approved according to the medical device directive MDD 93/42/EEC (CE). The net book value at year-end is assessed to perfectly well match the value in regard of the commercial value of the development work. Remaining depreciation period is approximately 3 years.

**Note 10 Patents, licences, trademarks and similar rights**

	<i>Consolidated</i>			<i>Parent Company</i>		
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
<i>Accumulated acquisition value</i>						
At beginning of year	3,971	2,685	2,178	3,819	2,533	2,026
Acquisitions during the year	350	1,286	507	350	1,286	507
Disposals and retirements	-500	-	-	-500	-	-
	3,821	3,971	2,685	3,669	3,819	2,533
<i>Accumulated depreciation according to plan</i>						
At beginning of year	-2,215	-1,848	-1,536	-2,063	-1,696	-1,384
Disposals and retirements	500	-	-	500	-	-
Depreciation according to plan during the year	-519	-367	-312	-519	-367	-312
	-2,234	-2,215	-1,848	-2,082	-2,063	-1,696
<b>Net book value at beginning of year</b>	1,756	837	642	1,756	837	642
<b>Net book value at year -end</b>	1,587	1,756	837	1,587	1,756	837

The company is gradually extending its patent protection. The net book value at year-end is well motivated in regard of the importance of the patents as protection against competitor infringement. Remaining depreciation period is approximately 4 years.



**Note 11 Treatment equipment and accessories**

	<i>Consolidated and parent company</i>		
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
<i>Accumulated acquisition value</i>			
At beginning of year	0	2,942	2,942
Acquisitions during the year	23	-	-
Disposals and retirements	-	-2,942	-
	23	0	2,942
<i>Accumulated depreciation according to plan</i>			
At beginning of year	0	-2,791	-2,665
Disposals and retirements	-	2,876	-
Depreciation according to plan during the year	-6	-85	-126
	-6	0	-2,791
<b>Net book value at year-end</b>	<b>17</b>	<b>0</b>	<b>151</b>

**Note 12 Fixtures, furniture and equipment**

	<i>Consolidated and parent company</i>		
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
<i>Accumulated acquisition value</i>			
At beginning of year	2,912	2,309	721
Acquisitions during the year	163	682	1,609
Disposals and retirements	-78	-79	-21
	2,997	2,912	2,309
<i>Accumulated depreciation according to plan</i>			
At beginning of year	-842	-366	-217
Disposals and retirements	11	79	11
Depreciation according to plan during the year	-583	-555	-160
	-1,414	-842	-366
<b>Net book value at year-end</b>	<b>1,583</b>	<b>2,070</b>	<b>1,943</b>

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**Note 13 Shares and participation in group companies**

	<i>Number of shares</i>	<i>Share of capital</i>	<i>Par share value</i>	<i>Book value</i>
Biolight Patent Holding AB	1,000	100%	100	705
<i>Corp. reg. no. 556497-5448</i>				
<i>Registered office Danderyd</i>				
	<i>Parent Company</i>			
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	
<i>Accumulated acquisition value</i>				
At beginning of year		549	300	300
Shareholders' contribution		156	249	-
		705	549	300
<b>Net book value at year -end</b>		705	549	300

**Note 14 Short-term investments**

	<i>Consolidated and parent company</i>		
	Book value	Book value	Book value
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Listed mutual fund shares 1)	5,000	3,000	28,000
	5,000	3,000	28,000

1) The market value as of December 31, 2002 amounted to SEK 5,008 thousand (SEK 3,003 thousand).

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**Note 15 Shareholders' equity**

**Consolidated**

	Share capital	Restricted reserves	Accumulated losses
At beginning of year	1,780	54,719	-26,925
New share issue	358	24,789	
Rounding-off difference			-1
Net loss of the year			-25,787
At year-end	2,138	79,508	-52,713

**Parent Company**

	Share capital	Share premium reserve	Statutory reserve	Accumulated losses
At beginning of year	1,780	40,220	14,499	-26,374
New share issue	358	24,789		
Net loss of the year				-25,792
At year-end	2,138	65,009	14,499	-52,166

**Note 16 Provisions for deferred taxes**

<i>Consolidated</i>	2002	2001	2000
Tax allocation reserve	2	2	2

The tax loss carryforwards of the parent company amount to SEK 122,400 thousand. No calculation of deferred taxes recoverable has been made.

## **Board members**

**HANS LARSSON (b. 1942)**

Board member since 1995.

Chairman since 1995. Chairman of Nobia AB, Sydsvenska Kemi AB and Carema AB.

Board member of Bilia AB, Holmen AB, Pergo AB, Svenska Handelsbanken AB and other companies.

Part-owner of the Skagsudde group (25%), Biolight International AB's principle owner.

Holdings: 47,250 Class B shares and, through companies, 2,100,000 Class A shares and 2,711,286 Class B shares.

**TORD BERGSTEDT (b. 1933)**

Board member since 1993.

Chairman of the Centre for Biotechnology, the Centre for Nutrition and Toxicology and the Centre for Structural Biochemistry, Novum, Karolinska Institutet. Honorary doctor of Medicine at Karolinska Institutet.

Formerly Director of Health Care and Financial Director in the County Council of Stockholm county.

Holdings: 100,000 Class B shares.

**CLAES HOLMBERG (b. 1954)**

Board member since 1995.

Doctor of technology. President of Biolin AB.

Chairman of Sinterkil AB, Osspol AB, Linde Maskiner AB and the Foundation for Strategic Research Program in Bio-compatible and Polymer Materials.

Board member of Biolin AB, Bivator AB, MediTeam Dental AB and SACS Medical AB.

Holdings: 10,000 Class B shares (through companies).

**BIRGIT GIDLUND LARSSON (b. 1952)**

Board member since 1995.

President of Skagsudde AB. Chairwoman of Savecap Holding AB. Board member of Citymail AB, the Centre for Structural Biochemistry, Novum, Karolinska Institutet and the Vetenskapsstaden Foundation.

Part-owner of the Skagsudde group (25%), Biolight International AB's principle owner.

Holdings: 37,500 Class B shares and, through companies, 2,100,000 Class A shares and 2,711,286 Class B shares.

**AKBAR SEDDIGH (b. 1943)**

Board member since 1999.

Chairman of Artimplant AB, Elekta AB, Cascade Computing AB, Neoventa Medical AB and Ortivus AB.

Board member of Affärsstrategerna AB and other companies.

Holdings: 0 shares and 100,000 subscription warrants.

**HÅKAN SJUNNESSON (b. 1956)**

Board member since 1995. Partner of Monitor Company.

Part-owner of the Skagsudde group (25%), Biolight International AB's principle owner.

Holdings: 140,000 Class B shares (with family), and, through companies, 2,100,000 Class A shares and 2,711,286 Class B shares.

**ROLF THIBERG (b. 1947)**

Board member since 1993.

Innovator of Biolight®. Responsible for research and development at Biolight International AB.

Holdings: 1,814,750 Class A shares and 1,775,000 Class B shares (with family and through companies).

**CHRISTER WALLIN (b. 1953)**

President since February 1, 1999.

Holdings: 115 000 Class B shares (with family) and 400,000 subscription warrants.

## **Scientific council**

### **JAN-ÅKE GUSTAFSSON**

Chairman since 1995.

Other assignments: Head of the Department of Medical Nutrition and the Department of Biosciences, Novum, Karolinska Institutet, and member of the Medical Nobel Assembly at Karolinska Institutet.

Member of the Royal Swedish Academy of Sciences, the Royal Swedish Academy of Engineering Sciences, and the US National Academy of Sciences.

Holdings: 15,000 Class B shares.

### **LARS KLARESKOG**

Member since 1995.

Lars Klareskog is professor of rheumatology at the Karolinska Hospital and Karolinska Institutet, and a member of the Medical Nobel Assembly at Karolinska Institutet.

Holdings: 0

### **KJELL LINDSTRÖM**

Member since 1995.

Kjell Lindström is professor of electrical measurements at Lund Institute of Technology, and professor of medical technology at the institute of radiology and physiology at the University Hospital MAS in Malmö, Sweden.

Holdings: 21,500 Class B shares.

### **JAN RYDSTRÖM**

Member since 1995.

Professor Jan Rydström represents the department of biochemistry and biophysics at the Faculty of Chemistry at Göteborg University.

Holdings: 0

## **Accountants**

### **PER BERGMAN (b. 1946)**

Regular auditor. Certified public accountant, KPMG.

### **MAGNUS JACOBSSON (b. 1958)**

Deputy auditor. Certified public accountant, KPMG.

## **Management**

### **CHRISTER WALLIN (b. 1953)**

President since February 1, 1999.

Holdings: 115,000 Class B shares (with family) and 400,000 subscription warrants.

### **ROLF THIBERG (b. 1947)**

Head of research and development. Founder of the company and innovator of Biolight®.

Holdings: 1,814,750 Class A shares and 1,775,000 Class B shares (with family and through companies).

**BIOLIGHT INTERNATIONAL AB (PUBL)**  
**Corp. reg. no. 556463-9440**

Danderyd, April 7, 2003

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Hans Larsson  
Chairman

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Claes Holmberg  
Board member

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Tord Bergstedt  
Board member

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Birgit Gidlund Larsson  
Board member

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Rolf Thiberg  
Board member

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Håkan Sjunnesson  
Board member

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Akbar Seddigh  
Board member

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Christer Wallin  
President

My audit report was issued on April 7, 2003.

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Per Bergman  
Authorised Public Accountant

## **Auditor's report**

To the Annual General Meeting of Biolight International AB (publ)  
Corp. reg. no. 556463-9440

I have audited the annual accounts, the consolidated accounts and the accounting records and the administration of the Board of Directors and the President of Biolight International AB (publ) for the year 2002. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I have 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 consolidated 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 evaluating the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. My opinion regarding discharge from liability is based on my examination of 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 President. I have also examined whether any Board member or the President has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Company's Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

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

I recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the loss of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, April 7, 2003  
Per Bergman  
Authorised Public Accountant