Medi-Cult a/s

Annual Report 2001

Medi-Cult is a leading provider of cell culture media to fertility clinics all over the world, serum-free cell culture media for industrial use, and diagnostic technology to the pharmaceutical industry.

The Company is developing a new treatment of infertility, applying In Vitro Maturation of eggs, and avoiding hormone stimulation.

Medi-Cult was founded in 1987. The Company is based in Jyllinge, West of Copenhagen (Denmark), and has operating subsidiaries in Surrey (UK) and Lyon (France). Its stock is listed on the Oslo Stock Exchange.

Medi-Cult Group

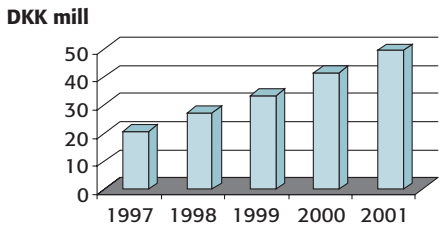
Million DKK		1997	1998	1999	2000	2001
Income Statements						
Net revenues		20.6	27.3	33.5	41.6	49.5
Production costs		(8.1)	(12.9)	(17.0)	(20.3)	(23.1)
Gross profit		12.5	14.3	16.5	21.3	26.4
Other operating income		–	–	–	1.1	1.9
Operating costs (excluding R&D)		(17.4)	(25.5)	(22.3)	(22.9)	(24.3)
Operating result (before R&D)		**(4.9)**	**(11.1)**	**(5.8)**	**(0.5)**	**4.1**
Research & development expenses		(5.0)	(6.5)	(9.0)	(11.5)	(14.8)
Operating result (EBITA)		(9.9)	(17.6)	(14.8)	(12.0)	(10.7)
Goodwill amortisation		(0.6)	(2.3)	(2.3)	(2.3)	(2.3)
Result before financial items (EBIT)		(10.5)	(20.0)	(17.1)	(14.3)	(13.0)
Financial items		2.6	(0.9)	(2.0)	(10.5)	0.7
Result before tax		(7.9)	(20.9)	(19.1)	(24.8)	(12.4)
Tax and extraordinary items		(0.1)	–	–	(0.1)	(0.3)
Net result		**(8.0)**	**(20.9)**	**(19.1)**	**(24.9)**	**(12.7)**
Balance Sheets						
Assets		68.3	63.7	102.9	133.6	120.0
Debt (short- & long-term)		6.0	20.8	101.2	45.7	45.5
Equity		62.2	42.1	(6.3)	87.5	74.2
Cash Flow Statements						
Operating activities		(8.9)	(22.3)	(47.7)	(27.2)	(17.1)
Investment activities		(14.2)	(16.0)	(7.7)	(1.1)	(8.7)
Financing activities		–	12.9	47.3	104.1	9.9
Cash flows, total		(23.1)	(25.4)	(8.1)	75.8	(15.9)
Key figures						
Gross profit margin	%	61	53	49	51	53
Operating profit margin (excl. R&D)	%	(24)	(41)	(17)	(1)	8
R&D expenses / Net revenues	%	24	24	27	28	30
Earnings per share (EPS)	DKK	(2.09)	(5.38)	(4.48)	(1.42)	(0.73)
Cash flow per share (CFPS)	DKK	(5.96)	(6.54)	(1.91)	4.32	(0.91)
Dividends per share (DPS)	DKK	–	–	–	–	–
Share price, end of year (Oslo SE)	NOK	59.00	39.80	14.86	16.00	26.20
Equity ratio	%	91	66	(6)	66	62
Number of shares (average)		3,881,327	3,881,327	4,267,434	17,537,911	17,537,911
Number of employees (average)		32	49	47	54	58

In order to provide comparability, the accounts for 1999 were restated on a pro forma basis, reflecting Medi-Cult's continuing businesses and excluding the acquisition and disposal of Unisyn.

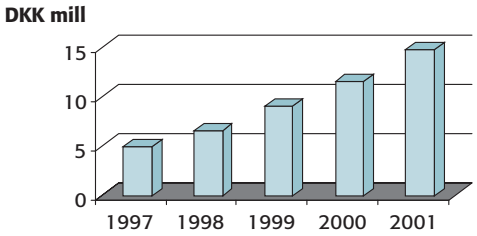
Highlights 2001

- Revenues increased by 19% to DKK 49.5 million.
- Revenues in the fertility business and in the wholly owned subsidiary Amdex increased by 23% and 41%, respectively.
- The operating result (before R&D expenses) amounted to DKK 4.1 million – a positive result for the first time ever. The operating margin was 8%.
- Medi-Cult's break-through *In Vitro Maturation* (IVM) technology approaching launch.
- Exclusive research collaboration agreement with Cellutions Ltd., York.
- R&D expenses increased by 29% to DKK 14.8 million.
- The net result was a loss of DKK 12.7 million, compared to a loss of DKK 24.9 million in 2000.

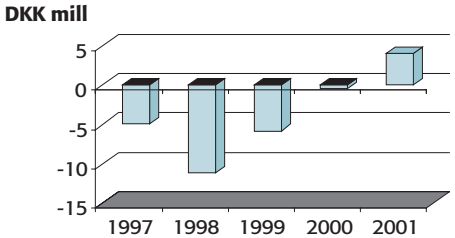
Net Revenues



Research and Development expenses



Operating Result before Research and Development



To the Shareholders:

Having Passed The Turning Point, Now Accelerating

2001 marked an important turning point in Medi-Cult's development. Net revenues from Medi-Cult's key business, IVF products for the treatment of infertility, increased by 23% to DKK 44 million. Our products are recognised for their high quality standards, and Medi-Cult has increased its market share world-wide with continuing market penetration of important geographical markets.

Our operating profit reached DKK 4 million before research & development costs – a positive result for the first time ever, demonstrating the combined effect of healthy demand for Medi-Cult products and firm management of resources.

Since the financing activities towards the end of 2000, Medi-Cult has been well consolidated and able to execute its focused strategy to become one of the world's leading providers of high-quality and safe products and procedures for assisted reproduction.

Shortly, Medi-Cult's wide range of media for In Vitro Fertilisation (IVF) is to be further strengthened by products utilising its break-through *In Vitro Maturation* (IVM) technology. The extensive use of hormones that are used routinely during traditional assisted conception is no longer required with this innovative technology. Thus, unwanted and dangerous side effects from hormone stimulation can be avoided while the infertile couple is still obtaining the possibility of a successful treatment. Currently, trials are being performed by clinics in different countries to gain experience and collect data documentation before the launch of the IVM products later this year.

Building upon our philosophy of *Innovation with care* and the Company's considerable skills within the development of highly specified and well documented formulations, a number of additional products were introduced during 2001: The world's first commercial formulation for freezing and thawing of oocytes. A new flexible system for the culture and cleavage of blastocyst embryos, facilitating the optimisation of the culturing process, thereby offering infertile couples the best possible chances of pregnancy. And finally, a range of new and improved freezing and thawing products for blastocyst embryos, in order to provide more favourable cryopreservation options for healthy embryos that are not transferred.

As an important addition to Medi-Cult's product development pipeline of innovative and scientifically based products, we secured an exclusive research collaboration agreement with Cellutions Ltd. in 2001. Under this agreement, Medi-Cult will gain access to extensive research into the specific needs of the early human embryo, conducted by professor Henry Leese and his team of researchers at the University of York. The comprehensive research – using novel sampling and microanalysis techniques – and clinical data obtained, will provide innovative new formulations adjusted to the specific needs of the early human embryo. This "Back to Nature" approach will result in culture media considerably closer to Nature's own environment for the human embryo than media that are presently used in assisted reproduction techniques.

During 2001, Medi-Cult's production facilities were extended in order to meet the significantly increased demand. In addition, we acquired a building adjacent to the existing plant in order to secure the capacity for future expansion of the current production and cold storage facilities.

Medi-Cult's core competence of developing and manufacturing highly specified industrial media and its comprehensive experience in the field of assisted reproduction provide an excellent platform for the development of media for other pharmaceutical and bio-industrial technologies. Thus, the Company initiated research and development of media formulations suited for stem cell technology. This emerging niche market requires highly specified quality products.

Furthermore, Medi-Cult is engaged in a research project on neuronal stem cells via its participation in the ECTINS research project, together with a number of well-reputed research organisations from all over

Europe. Medi-Cult will optimise the media used in the project, and significant progress was made during 2001.

The Bio-industrial business unit also continued its efforts to win contracts for the production of vaccines and therapeutic pharmaceutical compounds. We hope leads established during the last two years will soon materialise into contracts. Additionally, development of synthetic serum was commenced, offering the potential of replacing serum entirely in basal media.

Amdex, Medi-Cult's wholly owned subsidiary, continued its progress, evidenced in the establishment of a substantial number of *In Vitro Diagnostics* (IVD) projects with various companies. Several of these projects developed successfully in 2001 and are expected to be concluded with the execution of new licence agreements. Amdex has made substantial advances in the development of Medi-Cult's IVM diagnostic dipstick and expects finalisation this year.

Throughout 2001, our staff worked hard to bring Medi-Cult forward and to strengthen the Company's position in the marketplace. At the same time, all efforts honoured the corporate commitment to *Innovation with care.* On behalf of the Board of Directors and the Executive Management, I thank our employees for their dedication and participation.

Finally, we are very grateful to our co-operation partners within research, development, production and distribution for their valued contribution to Medi-Cult's progress.

28 February 2002

Jens U. Holst
Chairman of the Board of Directors

Financial Review

Management's discussion and analysis of the financial condition and results of operations of the Medi-Cult Group 2001.

Net revenues

The Group's total net revenues amounted to DKK 49.5 million as compared to DKK 41.6 million in 2000, an increase of 19%.

DKK ´000	**2001**	**2000**	**Change** %
Fertility products	44,493	36,292	22.6
RenCyte (bio-industrial media)	723	1,848	(60.9)
Medi-Cult	45,216	38,140	18.6
Amdex	4,284	3,040	40.9
Other income	(11)	417	NA
Medi-Cult Group	49,489	41,597	19.0

Medi-Cult

The development in the *fertility business* (IVF), which increased by 23% in 2001, was impacted by a strong growth in Scandinavia, Central and Eastern Europe and the Far East. During 2001 Medi-Cult added new innovative IVF products to its product portfolio: The first commercial formulation world wide for freezing and thawing of oocytes (non-fertilised eggs), a new flexible system for the culture and cleavage of blastocyst embryos and new and improved freezing and thawing products for blastocyst embryos.

Net revenues from the *industrial media, RenCyte,* amounted to DKK 0.7 million, a significant decrease from last year. The development in 2001 was affected by the continued pursuit of contracts with larger pharmaceutical companies for the delivery of media for the production of vaccines and therapeutic pharmaceutical compounds. In addition, Medi-Cult initiated research in and development of media formulations to the emerging market for the stem cell technology.

Amdex (Wholly owned subsidiary)

Net revenues amounted to DKK 4.3 million compared to DKK 3.0 million in 2000, an increase of 41%, which was partly due to an increase in contract development on behalf of In Vitro Diagnostic companies and partly to higher product sales.

Amdex is currently in the process of developing the diagnostic markers to be used in Medi-Cult's IVM project. Net revenues from this project are not included in Amdex's net revenues.

Production costs

The Group's total production costs amounted to DKK 23.1 million compared to DKK 20.3 million in 2000, an increase of close to 14% as a result of the increase in volume produced and sold and greater product complexity of the IVF media.

Medi-Cult

Medi-Cult's production costs amounted to DKK 21.7 million as compared to DKK 19.1 million in 2000, an increase of 14%. The increase mainly reflects the increased sales volume. The complexity of Medi-Cult's products has resulted in higher costs of raw materials. Hence, costs of products sold as a percentage of total revenues amounted to approximately 19% in 2001, an increase of approximately 4%-point compared to last year. Other production costs increased by only 1% as compared to 2000.

Premises, including maintenance, electricity, water and heating, amounted to DKK 3.5 million, an increase of 21% compared to 2000. The increase was due to significant maintenance costs and costs associated with the upgrading and extension of the IVF production in the first half of 2001. Additionally, maintenance and cleaning costs increased as a result of the extension of the existing production facilities in the second half of 2001.

Quality Control and Assurance costs amounted to DKK 5.2 million in 2001, a fall against DKK 6.3 million in 2000. The higher costs last year reflect a larger number of stability tests carried out in 2000 as a result of new regulation introduced by the FDA in the United States demanding extra certification on media used for IVF. All of Medi-Cult's IVF media marketed

in the United States were certified in 2000. Other production costs remained at the level of 2000.

Amdex
Production and Quality Control expenses in Amdex increased by 13% compared to 2000 and amounted to approximately DKK 1.3 million, reflecting the increase in product sales.

Other operating income

Medi-Cult participates in two European development projects: ECTINS (European Cell Therapy in the Nervous System) and a EUREKA programme. R&D grants from these projects, in support of activities, amounted to DKK 1.9 million in 2001 compared to DKK 1.1 million in 2000.

The first project, ECTINS, aims at finding commercially viable ways to derive and deliver conditionally immortalised brain stem cells for transplantation into a diseased brain. Medi-Cult participates in a consortium together with the British based biotech company ReNeuron Ltd. and a number of European research institutes. The consortium has been awarded a three-year R&D grant by the European Commission under Framework 5, totalling ECU 4.2 million.

The second project in which Medi-Cult participates, is a European consortium in which the partner is the Dutch company Quest International. Medi-Cult has been awarded a three-year R&D grant by the EUREKA programme, totalling approximately DKK 2.8 million, in support of activities.

Operating expenses (excluding R&D)

Total operating expenses of the Medi-Cult Group (other than research and development expenses) amounted to DKK 24.3 million in 2001 as compared to DKK 22.9 million in 2000, an increase of close to 6%.

Medi-Cult
Medi-Cult's sales and marketing expenses, including expenses in the sales and marketing subsidiaries in the United Kingdom and France, increased from DKK 13.5 million in 2000 to DKK 15.0 million in 2001 or close to 11%. Sales and marketing expenses rose in Denmark and France but fell in the United Kingdom. General and administrative expenses decreased by approximately 10% compared to 2000 and amounted to DKK 6.9 million.

Amdex
Total sales and marketing costs in Amdex decreased by 4% as compared to 2000. General and administrative costs remained at the level of 2000.

Operating result (before R&D expenses)

The Group's operating result before research and development expenses amounted to DKK 4.1 million in 2001 as compared to minus DKK 0.5 million in 2000, an improvement of DKK 4.6 million, derived from the positive development in Medi-Cult's IVF business.

Research and development expenses

Total research and development expenses aggregated DKK 14.8 million against DKK 11.5 million in 2000, a significant change of close to 29%. The change is due to the continued increased spending on the IVM project, research within the industrial media, and Amdex. In addition, in accordance with the International Accounting Standards (IAS), Medi-Cult capitalised patent costs amounting to DKK 1.7 million.

Medi-Cult
R&D expenses in Medi-Cult increased to DKK 12.4 million in 2001, compared to DKK 9.9 million in 2000, an increase of 25%. R&D expenses corresponded to approximately 28% and 26% of Medi-Cult's net revenues in 2001 and 2000, respectively. The past two years' relatively high expenses reflect the work on the IVM project and development of Medi-Cult's industrial media.

Amdex
Research and development expenses increased by 50% in 2001. During the year, Amdex carried out a sub-

stantial number of development projects with various In Vitro Diagnostic companies as a consequence of the customer pre-qualification effort started in 2000. Amdex was able to apply its polymer technology to key focus areas such as lateral flow devices and DNA diagnostics systems, and has expanded the use of the Dextran system to well-established platforms like ELISA.

Operating result (EBITA)

The operating result of the Group (before goodwill amortisation and financial items, EBITA) was minus DKK 10.7 million as compared to minus DKK 12.0 million in 2000. The improvement of DKK 1.3 million is a consequence of a combination of a strong increase in sales of IVF products, a significant increase in research and development costs, and a modest development in operating costs.

Goodwill amortisation

Amortisation of goodwill, reflecting the acquisition of Amdex in 1997, amounted to DKK 2.3 million as in 2000.

Financial items

The Group's net financial income in 2001 amounted to DKK 0.7 million compared to net financial costs of DKK 10.5 million in 2000. The positive development in 2001 is a result of the financing activities in 2000. After the conclusion of the Private Placement in December 2000, Medi-Cult repaid a significant amount of the Company's short-term debt. Furthermore, financing in connection with the purchase of the new facility allowed for an additional amount of USD 0.6 million to be repaid.

Tax

Due to profits generated in the Group's subsidiary in the United Kingdom, Medi-Cult will have to pay tax for the year amounting to DKK 0.3 million.

Net result

The Group's net result amounted to a loss of DKK 12.7 million as compared to a loss of DKK 24.9 million in 2000.

In summary, the net result mainly reflects:

- A significant increase in sales of IVF media and Amdex products;
- Increased raw material costs;
- An increase in gross margin;
- Significant increase in R&D costs;
- A modest increase in sales and marketing costs;
- Reduced general and administrative costs; and
- A significant reduction in financial costs.

The combined effect was an improvement in the Group's operating result before research and development costs of DKK 4.6 million, an improvement in the operating result before goodwill amortisation and financials (EBITA) of DKK 1.2 million (10.3%), and an improvement in the net result of DKK 12.2 million (49%).

Reported results for 2001 were in line with expectations as announced by Management at the beginning of the year. Thus, revenues increased by close to 20% to DKK 50 million, operating profit (excluding R&D expenses) was positive, and positive net financials were reported – all according to expectations.

Allocation of result

The Board of Directors will propose to the Annual General Meeting that the years' result be charged to the equity.

Liquidity and capital resources

Equity

Medi-Cult's equity amounted to DKK 74.1 million at the end of 2001 against DKK 87.5 million at the end of 2000. The development in equity reflects the 2001 net result.

Debt

As mentioned above, Medi-Cult reduced its borrowing in FIH by USD 0.6 million in conjunction with the mortgage financing of the purchase of an additional production facility. The balance of the FIH loan, amounting to USD 1.65 million, matures over a maximum of two years. The loan is covered by normal financial covenants and interest of the loan is CIBOR+1%.

Capital expenditure

Medi-Cult's total capital expenditure on property, plant and equipment, primarily investments in the extended production facility and new laboratory equipment, amounted to DKK 7.9 million as compared to DKK 1.1 million in 2000.

Cash flow

The Group's cash flow from operating activities aggregated minus DKK 17.0 million as compared to minus DKK 27.2 million in 2000.

Total cash funds as of 31 December 2001 amounted to DKK 62.4 million as compared to DKK 78.3 million at the end of 2000.

Foreign exchange risk

The majority of Medi-Cult's sales is invoiced in Danish Kroner as only sales of fertility products to the US, UK, France and Sweden are invoiced in foreign currency.

It has been agreed that Medi-Cult may swap the USD denominated loan facility with Finansieringsinstituttet for Industri og Håndværk A/S (FIH) into Danish Kroner at a favourable level.

Outlook

The positive development in the existing IVF-business experienced in 2001 is expected to continue in 2002. Sales of products offering treatment of infertility are expected to grow due to increased demand and the introduction of new high quality and innovative products on the market.

Sales of industrial media are expected to improve due to the expressed interest from potential industrial customers for non-animal media. In addition, it is expected that the development work with media in the area of stem cells research will lead to commercially interesting products, combining Medi-Cult's expertise in highly purified and protein-free media with its natural collaboration partners within the field of embryology.

The successful conclusion of a number of development contracts in 2001 is expected to result in income from license fees and future sales of products based on Amdex's unique dextran technology.

Medi-Cult's IVM-technology will be commercially available at the end of first quarter 2002. To ensure successful results and the collection of sufficient data for regulatory approval in key countries, a controlled and limited release in selected European countries is planned. Ongoing clinical trials are providing a growing base of experience and data to support the rationale for this new treatment against infertility. Due to the controlled introduction to the market only limited sales revenue from the IVM-technology is expected in 2002.

Based on the assumptions and expectations for 2002, consolidated sales from the existing business is expected to increase by 15-20%. Net financials, exclusive of goodwill amortisation, are expected to be positive.

Medi-Cult expects to realise a positive operating result in 2002, exclusive of R&D costs. The net result, however, will be influenced by costs to market the IVM-project, the marketing of which is expected to carry on throughout the year.

The future financial results are subject to risks and uncertainties that may cause actual results to differ materially from expectations. Such risks and uncertainties include – but are not limited to – government mandated regulatory requirements, introduction of competing products on Medi-Cult's major markets,

price changes and unexpected developments in R&D programmes. Further, Medi-Cult's long-term development will depend on the following key factors:

- The development in the market for IVF-products and Medi-Cult's ability to sustain and further grow sales of media to the fertility clinics;
- Customers' acceptance of Medi-Cult's highly purified and protein-free industrial media;
- The pace by which Medi-Cult will be able to commercialise the IVM-technology; and
- The pace by which Amdex will be able to attract new customers to its dextran technology for the biopharmaceutical industry.

Medi-Cult will strive to utilise its strong market position within the field of infertility treatment to develop a new treatment which does not have the side effects normally associated with traditional IVF-treatment. Further, the Company is attractively positioned to gain from the new exciting development of stem cells. In using Medi-Cult's guaranteed protein free media in the development of stem cells, the Company hopes to be involved in the development of future new products, which will be useful in the treatment of serious diseases. By working together with a number of highly qualified research institutes under the ECTINS-project, Medi-Cult has been given an opportunity to be in the forefront of this development.

The performance in 2001 affirms Management's belief in Medi-Cult' future and we look forward to reporting on positive developments and progress in revenues as well as results in the years to come.

Assisting fertility

For the second year running, Medi-Cult sales of fertility products showed a good upward development. Sales world-wide rose by 23% compared with 2000. Eastern Europe, Japan, the Nordic countries, France and UK all returned strong performances in 2001. South East Asia markets continued to show improvements that suggest a sustainable optimistic future. Products that had gained 510K approval late in the previous year underwent individual presentation to US customers and were well received by the clinics, adding to sales in this market.

Medi-Cult set up a number of new distribution agreements in Europe and the Middle East with distributors who were already established in their respective markets. As expected, embryo culture media products remained the largest single product sale, but products for Intra-Cytoplasmic Sperm Injection (ICSI) and cryopreservation also showed good growth in comparison to the previous year. The use of ICSI is becoming more widespread – a feature that seems not entirely related to the incidence of male factor problems – and it is believed that sales of ICSI products will rise further as a consequence.

The outlook for the continuation of the present sales development appears encouraging, despite aggressive competition in established markets. Growth has been rapid, particularly in countries where the infertile population is aware of treatment possibilities mainly via the Internet, and clinic numbers have multiplied in response to patient demand. Even in mature markets, the proliferation of new clinics with niche specialisation in specific techniques remains a feature, offering an unsuccessful couple further possibilities in the quest to have a child.

Enhanced Internet services

Mid-year, Medi-Cult unveiled a new, more user-friendly web site, offering a more cohesive presentation of the company and its products. Over the next eighteen months further construction is planned so that customers and distributors can have custom product purchase options via this facility as well as obtain specification documentation or reference information for individual items. With more and more clinics recognising the benefit of the Web to attract patients, it is likely that their routine business will also be conducted in this manner, making it essential for Medi-Cult to link intimately with its customer supply chain.

Medi-Cult also plans that doctors, embryologists, scientists and patient groups will be able to access key information and learn about research developments and methods of treatments relevant to their particular interest. The overall aim is to deliver a complete communication tool for use by our customers and those with a vested interest in assisted reproductive technology.

Addressing the needs of both the infertile couple and the clinic

The question of whether blastocyst culture and transfer is a more effective method than cleavage stage culture and transfer still continues to be debated within the global Assisted Reproduction Technology (ART) community. Some clinics are now doing cleavage or blastocyst culture depending on the indications of the couple and their cycle whilst others elect only to offer cleavage or blastocyst stage transfer. However, there is growing evidence that for certain types of patients, blastocyst culture and replacement gives superior results but further corroborative research has yet to be concluded.

Medi-Cult introduced a flexible sequential media series called ISM1, ISM2 and UTM, developed by professor Yves Menezo in the Spring of 2001, for culture and cleavage of blastocyst embryos. A complimentary alternative to the successful BlastAssist system, the ISM series offers a choice to the clinic to decide whether to replace embryos at the cleavage stage or take the embryos to blastocyst development before replacement.

Unique amongst all sequential culture systems, the ISM series includes a special embryo transfer medium designed to facilitate implantation of the embryo. Clinical trial on non-selected patients under 40 years old showed that it was possible to transfer just one or

two embryos without compromising the couple's chance of success. Furthermore, ISM demonstrated a very low twin rate: No monozygotic twins were seen in the entire study, contrary to other media systems where this type of twinning is often observed and which adds additional risk both for the mother and her unborn children. The market has welcomed the ISM media as suitable for single embryo transfer (SET) and sales of these products have been very encouraging.

Unique amongst all sequential culture systems, the ISM series includes a special embryo transfer medium formulated with hyaluronate, designed to facilitate implantation of the embryo.

Cryopreservation improvements

It is now becoming commonly accepted that cryopreservation is an important element in augmenting the success of any IVF programme. Freezing and thawing of pronuclear and cleavage stage embryos are now well documented, and results from frozen treatment cycles are approaching those from fresh cycles in numerous clinics. Cryopreservation of blastocyst embryos has however been less successful and this may well be one factor contributing to the overall reluctance to move routinely to blastocyst culture. Similarly oocyte freezing and thawing has also suffered from poor success rates. The freezing of oocytes is an important technique as it not only provides further possibilities to couples seeking infertility treatment, but also the cryopreservation of oocytes offers a vital hope for all young women undergoing chemotherapy for the treatment of cancer.

At the 2001 meeting of the European Society for Human Reproduction, Medi-Cult announced the launch of a second generation of freezing and thawing media for blastocyst embryos and the first commercially available formulation patented for oocyte freezing and thawing. Each product showed improved efficacy, backed by documentation gained over an extensive period in routine clinical practice. The new products have only been available for a limited period, but already many have observed improvements in success rates with these new formulations.

Back to Nature

With the signing of the agreement earlier in the year between Medi-Cult and Cellutions Ltd., clinical trials began. The formulations for which Medi-Cult has exclusive rights world-wide, employ a 'Back to Nature' approach, mimicking the in vivo environment of the pre-implantation embryo. Cellutions' consultant, Professor Leese and his co-workers at the University of York have used novel micro-sampling techniques and analytical techniques to determine optimal culture conditions for human embryos.
With present culture methods and media formulations clinics are still reliant on visual assessment parameters that are inherently difficult to standardise and give no indication of the metabolic health of the embryo. Undoubtedly, the determination of embryo health will become increasingly important in the future as the necessity of choosing which embryo has the best chance of implanting becomes of paramount importance.

Correct nutrition of the embryo in the first five days of its life is now, more than ever before, being shown to be a critical requirement to produce morphologically and metabolically healthy embryos. The construction of the 'Back to Nature' formulation has allowed a reproducible determination of a characteristic metabolic profile of a healthy human embryo. This non-invasive technique which requires the embryo to be cultured in the 'Back to Nature' media formulations, is the subject of a patent application by the University of York. It is hoped that with further development, this diagnostic tool can be used routinely to identify metabolically healthy as well as morphologically sound embryos and thereby ultimately improve the chances of having a baby for childless couples, and minimising the risk of multiple births.

In Vitro Maturation (IVM)

Medi-Cult's break-through In Vitro Maturation (IVM) technology does not require the extensive use of hormones that are used routinely during traditional assisted conception. Thus, unwanted and dangerous side effects from hormone stimulation can be avoided while the infertile couple is still obtaining the possibility of a successful treatment.

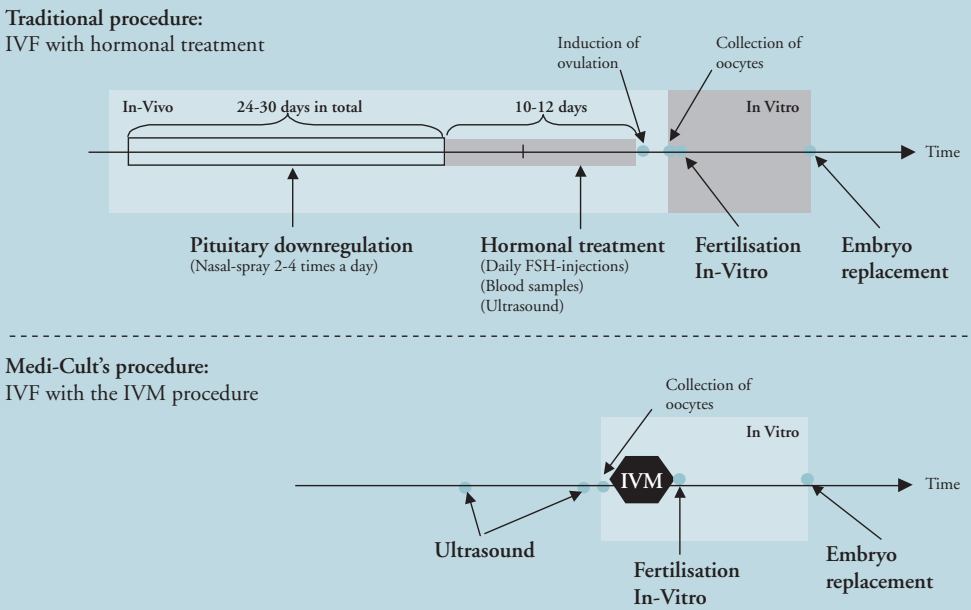
The fundamentals of reproduction

During human female reproductive period, many oocytes start to mature each day. Most of these oocytes never finalise maturation but die during the maturation process. The oocytes are enclosed in a group of cells called the granulosa cells. The oocyte and the granulosa cells together comprise the follicle, a structure that grows from 20-30 micrometers to 20 millimetres during the more than two months it takes to mature a human oocyte.

Early in each menstrual cycle, a cohort of 2-10 follicles is available for the final maturation step. Approaching the ovulation, one of these follicles becomes dominant. This so-called leading follicle starts to express biological signals that will induce cell death and atresia of the other follicles in the same cohort. In most cases, this ensures that females ovulate a single oocyte in each menstrual cycle.

The genetic quality of human oocytes and spermatozoa is very low compared to other mammals. More than half of all oocytes fertilised in vivo have a genetic constitution incompatible even with early embryonic development. Studies have shown that in more than 60% of natural conceptions, the fertilised oocytes are rejected about two to three weeks following fertilisation.

IVM cycle vs. traditional IVF/ICSI cycle



In assisted reproduction, it is therefore advantageous to obtain and fertilise more than one oocyte at a time and to select the fertilised oocytes showing normal development for replacement into the uterus. In order to obtain at least one normally developing fertilised oocyte for replacement, the woman is usually treated with hormones. These hormones disrupt the normal signals from the dominant follicle and enable simultaneous maturation of many follicles. Thus, the hormone stimulation interferes with the release or action of Gonadotrophin Releasing Hormone (GnRH) in combination with a potent preparation of Follicle Stimulating Hormone (FSH). FSH needs to be injected subcutaneously daily for a period of 10 to 20 days.

Depending on patient group and treatment regime, 0.5-5% of patients suffer from a serious side effect of FSH administration, namely the ovarian hyperstimulation syndrome. This syndrome is potentially life threatening and patients are usually hospitalised and closely monitored/treated. Deaths have occurred from this syndrome in conjunction with assisted reproduction.

The IVM alternative

Alternatively, in a natural unstimulated cycle, the maturing oocytes can be collected from the ovary prior to the expression of the dominance signals from the leading follicle. Immature oocytes can be matured in vitro and then fertilised and cultured as normally done in assisted reproduction. This method is usually called In Vitro Maturation or IVM in short.

The woman enrolled for IVM treatment arrives at the clinic at day three of the menstrual cycle without prior hormone stimulation. The ovaries are investigated by ultrasound and the number of maturing follicles is recorded. If more than two follicles are maturing, the final maturation of the follicles are then followed by ultrasound examinations from day seven and onwards until a dominant follicle is detected.

Then, all maturing oocytes are collected, using ultrasound guided follicular puncture. The oocytes collected are matured for 28-30 hours using specially designed culture media and laboratory procedures. After maturation the oocytes are fertilised using Intra-Cytoplasmatic Sperm Injection (ICSI) and cultured for two days, prior to replacement into the woman's uterus.

Research collaboration with Herlev Hospital

Medi-Cult has been an integral part in the development of IVM at the Herlev Hospital in Copenhagen. The initial focus was on the development of clinical procedures that enabled the retrieval of immature oocytes that could be matured in vitro, be fertilised in vitro and give rise to ongoing pregnancies when replaced into the woman's uterus.

Together with the IVM team at Herlev Hospital, Medi-Cult discovered that hormones such as Inhibin A, measured early in the menstrual cycle, could predict whether a woman was about to mature oocytes that had the potential of ongoing pregnancies. The European Patent Office judged these observations to be novel and in 2001 acknowledged that Medi-Cult would be able to pursue a patent which covers the commercial use of all markers that can predict the outcome after IVM. This will give Medi-Cult a very strong patent protection on all diagnostic markers for IVM. For the time being, the analysis of Inhibin A is complicated, time consuming and costly. Through its wholly owned company Amdex, Medi-Cult is developing a method for the analysis of Inhibin A which can be performed at any clinic and eventually at the patient's home.

Also in 2001, the IVM team at Herlev Hospital developed the laboratory part of IVM. The team demonstrated that oocytes benefit from a resting period before being placed in the medium, which induces the final nuclear maturation (resumption of meiosis). This observation was instrumental in the development of a more robust laboratory protocol.

The team is also testing a new IVM medium; fully based on Medi-Cult technology in prospective randomised clinical trials.

When performing IVM according to standard procedures, the Herlev team obtained pregnancy rates at the same level as obtained previously with traditional procedures. 48 pregnancies were obtained and as of 28 February, 2002, 27 babies have been born, so far – all developing normally. Currently 3 pregnancies are ongoing in the Danish IVM programme.

Helsinki experience

In 2001, the fertility clinic of the Finnish Family Federation in Helsinki initiated the performance of IVM, following the procedure developed by Medi-Cult. The programme is headed by Dr. Anne-Maria Suikkari, who gained IVM experience in Melbourne in the mid-1990s. So far 11 healthy babies have been born in the IVM programme in Helsinki and 5 pregnancies are ongoing. The Helsinki team was very successful in 2001 and the results of the programme were:

Started Cycles	91
Oocyte Recoveries	79
Embryo replacements	60
Positive hCG (pregnancy test)	15
Babies born	9
Ongoing pregnancies	5

The clinic in Helsinki also investigated the effect of starting the nuclear maturation of the oocytes in vivo by the administration of hCG prior to oocyte recovery. However, the team found no beneficial effect of this, compared to performing the standard procedure developed in Denmark.

Participation of additional clinics

In 2001, embryologists and medical doctors from clinics in Amman, Bologna, Helsinki, Lyon, Maribor and Riyadh visited Copenhagen for training in Medi-Cult's IVM method. The clinic in Helsinki is up and running. The other clinics have just started or are about to start performing IVM according to the Medi-Cult protocols.

The clinics in Amman, Maribor, Lyon and Riyadh participate in prospective randomised clinical trials organised by Medi-Cult in order to strengthen the basis of experience and data documentation to support the selected introduction in 2002.

Bio-Industrial Media

Testing of RenCyte products customised for specific processes for major bio-manufacturing companies continued during 2001 with some very encouraging results. In a number of instances RenCyte formulations showed superior productivity against medium containing components of biological origin and these projects have progressed to pilot scale-ups.

The present market for bio-industrial products is crowded with companies supplying defined formulations that are not animal component free. Many of the producers of current bio-products are still not forced to use protein-free formulations that do not contain any animal components, despite batch variability and concern about the risks of contamination by pathogenic agents. For those for whom the use of protein-free formulations is mandatory for the future, the incorporation into the existing production pathway can sometimes be a lengthy and time-consuming process. The reluctance to move forward with non-animal media for products presently on the market and the period needed for customisation of the production process have contributed to the slow uptake of RenCyte products by the industry. However, changes in the regulatory environment for biologically derived new therapeutics mean that more and more producers must adopt a protein-free culture strategy from the outset if their product is to gain approval in the future. Medi-Cult is using these opportunities to initiate collaborative programmes with bio-product producers to speed the technological advances required for incorporation of the RenCyte product into their production pathways.

EUREKA research programme

Responding to the need to look for alternative culture media components other than those of animal origin, a European research and development programme has been initiated. Quest International and Medi-Cult have joined notable academic research groups, selected for their complementary specialist skills. The combination of expertise that each member brings to the programme is seen as the key approach in producing and optimising non-animal component media for the production of bio-therapeutic products. As part of this initiative, a three-year grant totalling DKK 2.8 million has been awarded to Medi-Cult to investigate novel components in order to achieve more defined and productive formulations, using its protein-free media formulation technology.

Quest International has been able to develop protein hydrolysates of plant origin as a potential replacement or in some cases, improvement upon the biologically derived counter-part. These Hypep™ products have been shown to be very suitable for incorporation in culture media destined for bio-manufacturing and confer an unrivalled safety profile for each formulation, avoiding the risk of transmission of pathogenic agents from biological sources.

Medi-Cult's trials with the Hypep™ in protein-free formulations have given positive results. Different formulations were used on a variety of cell lines of commercial interest and demonstrated excellent morphology and proliferative capacity. The protein hydrolysates derived from plants are very stable in solution and the indications are that improvements in shelf life of culture media containing these components are possible. On the basis of the results gained so far, Medi-Cult hopes to incorporate the Hypep™ products into its next generation of protein-free media formulations for bio-industrial and stem cell media applications.

Neuronal stem cells for transplant

The core technology upon which the RenCyte media are based has also shown itself to be highly suitable for inclusion in formulations that are used in the ECTINS (European Cell Therapy in the Nervous System) project. Medi-Cult is a partner in this multi-disciplinary consortium of international recognised centres of excellence whose aim is to derive and deliver conditionally immortalised neuronal cells for transplantation into the diseased brain. The group is headed by ReNeuron Ltd, a British based biotech company specialising in technology associated with the use of embryonic neuronal stem cells for therapeutic applications in degenerative diseases of the nervous system. The consortium was

awarded a three-year research and development grant for ECU 4.2 million that began in 2000.

The technological development necessary for the treatment of serious degenerative disorders of the nervous system, using embryonic stem cells, is soon to become reality. Stem cells can be conditionally immortalised so that they only multiply in culture but not when transplanted into the brain of a patient, preventing life-threatening unregulated proliferation. Once injected into the brain the stem cells migrate to where the damaged cells are located and remain there replacing the dysfunctional cells as healthy and viable substitutes.

As part of its ECTINS project commitment Medi-Cult has been able to formulate protein-free media to maintain, proliferate and cryopreserve the embryonic stem cells used in the project. This is a fundamentally important advance for stem cell transplant technology since it negates the risk of transmission of any pathogenic agents that may be present as a consequence of using biologically derived components in the culture environment. It also obviates local regulatory barriers associated with the import and use of products containing or having been produced with animal derived components.

Finally, Medi-Cult is now applying its core RenCyte technology to develop other protein-free formulations for proliferation, differentiation maintenance, and transport for therapeutic stems of different origins.

Amdex

Amdex, a wholly owned subsidiary of Medi-Cult, continues to focus on the implementation of its patented technology for signal amplification to the *In Vitro Diagnostics* (IVD) industry. The technology allows companies to detect minute quantities of analytes in sample material from all sorts of preparations.
The diagnostic industry is continuously enhancing their systems according to increased sensitivity, speed, and/or reproducibility. Detection is provided by a marker molecule, or label, which transforms the detected presence of an analyte into a readable signal, e.g. colour, light, fluorescence or electric impulse.
The more signal transmitted per molecule of analyte detected, the more sensitive and quickly will one be able to read the result.

The Amdex technology offers the possibility to bind to each analyte several folds more labels than traditional systems by introducing a polymeric chain as placeholder for specific binding molecules and labels. The result is more signal, which again permits either to shorten the time per test – since a readable signal is more quickly developed – or to increase the sensitivity of a test, or a combination of both effects.

During 2001, Amdex carried out a substantial number of development projects with various IVD companies as a consequence of the customer pre-qualification effort started in 2000. Amdex has been able to apply its polymer technology to key focus areas such as lateral flow devices and DNA diagnostics systems, and has expanded the use of the Dextran system to well-established platforms like ELISA. As a consequence of the increased level of activity, Amdex relocated to larger premises within the Medi-Cult Group building complex during 2001.

Easy-to-use dipstick devices

Amdex has been particularly active in the development and implementation of its technology for dipstick devices for use in OTC and POC applications. The unique nature of the Amdex technology allows companies to add value to the dipstick concept by developing devices that in one system allows the simple end-user Yes/No answer as well as more precise and quantitative read-out. This approach is not yet possible with other competing technologies and hence, allows Amdex to take advantage of this new market opportunity.

As a consequence hereof, a project has been carried out with Synbiotics Corporation to implement the Amdex technology into sophisticated OTC devices for the monitoring of infectious deceases in animals. Amdex has already executed a license agreement to Synbiotics for the use of the technology in classical ELISA applications, and a new license for the use of the technology in OTC devices has been issued.

Also, the collaboration with the Danish company Besst-Test (a fusion of ActiWatch and RSV-QuickTest) has continued during 2001 towards the finalisation and upscale of the ActiWatch device as well as the finalisation of the RS-virus detection test utilising the Amdex technology in an OTC concept. It is expected that a blanket license will be issued to Besst-Test during 2002 for use in similar OTC tests and that Amdex will assume responsibility for the production of the final ActiWatch and RSV devices.

Additional applications

Several projects have been initiated to take advantage of the possibility of using the Amdex technology in DNA diagnostic applications. These projects have particular interest to Amdex as they offer the possibility for Amdex to enter the high growth DNA diagnostic market. Amdex intends to increase its research effort in this segment with the aim to develop appropriate signal amplification systems.

Amdex made substantial progress in the development of the predictive IVM dipstick marker for diagnosing the Day 3 event. During the cause of the project several milestones have successfully been achieved proving the functionality of the concept. Also, license negotiations with DSL have been initiated in order to start the commercialisation of the test. The project is moving according to schedule and will be ready by 2002.

Patent applications progressing

2001 saw progress in Amdex's patent applications concerning the use of the polymer technology for signal amplification of diagnostics kits and systems. A patent regarding DNA diagnostic applications, applied for in 1996, was granted in the USA and Australia in 2001 and is expected to be granted in Europe in 2002. Amdex's latest patent application from 1998 for specific use in OTC/POC applications has moved into the country application phase and approval is expected in 2002/2003.

Management's Statement on the Consolidated Financial Statements and the Financial Statements

The Board of Directors and the Management have discussed and adopted the consolidated financial statements, the financial statements and the annual report today.

The consolidated financial statements and the financial statements have been presented in accordance with existing accounting provisions.

We consider that the accounting policies applied are appropriate and that the consolidated financial statements and the financial statements thus give a true and fair view.

We recommend that the consolidated financial statements and the financial statements be approved at the Annual General Meeting.

Copenhagen, 28 February 2002

Management

Mogens Vang Rasmussen

Board of Directors

Jens U. Holst (chairman)	Ole Henrik Eide	Jørgen Drejer
Ørn R. Stuge	Flemming Juul Jensen	Jens Zilstorff

Auditors' Report

We have audited the consolidated financial statements and the financial statements presented by the Board of Directors and the Management for the year 2001 of Medi-Cult a/s and Medi-Cult group.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards as applied in Denmark to obtain reasonable assurance that the financial statements are free from material misstatements. Based on an evaluation of materiality and risk, we have tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies applied and the accounting estimates made by the Board of Directors and the Management. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the company's and the group's assets and liabilities, financial position and loss for the year.

Copenhagen, 28 February 2002

Grothen & Perregaard
Incorporated State Authorized Public Accountants

Gert Fisker Tomczyk Per H. Jensen
State Authorized Public Accountants

KPMG C. Jespersen
State Authorized Public Accountants

Poul Erik Olsen
State Authorized Public Accountant

Accounting Policies

General Comments

The consolidated financial statements and the parent company's financial statements have been prepared in pursuance of Danish legislation in force regarding presentation of annual financial statements and consolidated financial statements, Danish accounting standards, and generally accepted accounting policies.

The accounting policies are unchanged from 2000.

The Consolidated Financial Statements

The consolidated financial statements comprise MediCult a/s (the Company) and the companies in which the parent company owns more than 50% of the voting rights. The group comprises the parent company and the 5 subsidiary companies listed in note 4.

The financial statements used for consolidation purposes are prepared in accordance with the accounting policies of the parent company.

The group financial statements consolidate the individual financial statements of the parent company and its subsidiary companies. On consolidation, intercompany income and expenses, shareholdings, outstanding accounts, dividends and unrealised intercompany profits and losses on stocks have been eliminated.

Subsidiaries acquired during the year have been included in the profit and loss account from the date of acquisition. Comparative figures have not been adjusted in accordance with the group's accounting policies.

In the consolidated financial statements, the book value of the parent company's shares in the subsidiaries has been set off against the parent company's share in the equity of the subsidiaries at the time when the group relationship was established. Differences in connection with the set-off have been distributed to the assets and liabilities in the consolidated financial statements which had a higher or a lower fair value than the value at which they were recorded in the financial statements of the subsidiaries.

Foreign currencies

Items in foreign currencies have been translated into DKK using the official rates of exchange at the date of transaction. Monetary items in foreign currencies in the balance sheet have been translated into DKK using the official rates of exchange at the balance sheet date. Foreign exchange gains and losses have been included in the statement of income under investment income and expenditure.

On translation of the results of foreign subsidiaries into DKK, the average exchange rates for the year have been used. Equity and balance sheet items are translated at the official rates of exchange at the balance sheet date. Exchange rate differences arising in connection with this translation are entered under reserves as all the foreign subsidiaries, due to their limited size, are considered individual entities in relation to the exchange rate translation.

PROFIT AND LOSS ACCOUNT

In the profit and loss account, classifications are made according to function. This means that all costs have been transferred to the function to which they relate: production, sales and marketing, administrative costs or development costs.

Net turnover for the group comprises turnover invoiced. The company's net turnover therefore represents the sales in the year less discounts directly connected with these sales.

Production costs comprise raw materials and consumables, trading goods, QC costs and other costs including depreciation and salaries, which have been incurred in order to obtain the net turnover for the year.

Sales and marketing costs include costs for sales personnel, advertising and exhibition costs, distribution costs, etc. and include depreciation and salaries.

General and administrative expenses include expenses for administrative personnel, management, office premises,

office expenses, etc. and include depreciation and salaries.

Research and development expenses include costs incurred in connection with research and development, relating to production or improvement of existing products or processes. Research and development costs are charged in the year they occur, as the conditions for capitalising development costs have not been met. External costs related to filing for patents are capitalised.

Financial income and charges include interest, price adjustments to securities and exchange rate adjustments, if any.

Contributions to project. Contributions received have been included in other operating income.

Tax on profit /(loss) for the year. The expected tax payable on the taxable income is charged to the profit and loss account together with the changes in the provision for deferred tax. Provision for deferred tax relates to temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

THE BALANCE SHEET

Intangible Fixed Assets

Goodwill

In connection with acquisition, goodwill is calculated as the excess of the cost of acquisition over the fair value of the net identifiable assets. Goodwill is capitalised in the Group's consolidated financial statements and amortised on a straight-line basis over the time during which the benefits are expected to be consumed, subject to a maximum of 20 years. If impaired, goodwill is written down to its estimated recoverable amount.

Patents

Patens are stated at cost price less accumulated amortisation. Amortisation is charged on a straight-line basis over 5 years.

Tangible Fixed Assets

Tangible fixed assets are stated at purchase price less accumulated depreciation and write downs to utility value where this is lower for reasons not considered temporary.

Tangible fixed assets are depreciated by the straight-line method over the expected useful lives of the assets. When determining the useful lives, assets are divided into homogeneous groups, the useful lives of large assets are, however, determined on an individual basis. The following depreciation periods have been used:

- Buildings 30 years (scrap value 50%)
- Plant and machinery 5-10 years
- Fixtures and fittings, tools and equipment 3-5 years

Assets with a purchase price not exceeding DKK 10,000 per unit or with useful lives below 3 years are charged to the profit and loss account in the year of acquisition.

Leases of plant and equipment under which the Group assumes almost all risks and rewards incidental to ownership (finance leases) are recognised in the balance sheet by recording an asset and liability equal to the present value of the minimum lease payments at the inception of the lease. Capitalised leased assets are depreciated in accordance with the depreciation policy noted above.

Fixed asset investments

Participating Interests in Affiliated Companies

Participating interest in subsidiaries are valued in accordance with the equity method on the basis of the proportion of the company's capital and reserves owned by the Group.

In the parent company's profit and loss account, the subsidiaries' results before tax are included under the heading "Income from participating interests in affiliated companies", the share in the subsidiaries' tax is included under the heading "Tax on results for the year". The parent company's share of the equity of its

subsidiaries is entered in the balance sheet under the heading "Participating interests in affiliated companies" less any intercompany gain net of tax.

Any negative equity value in an affiliated company is set off in the intercompany account with the same company.

Current Assets

Stocks

Goods for resale, raw materials and consumables are stated at the lower of purchase price including landing costs and net realisable value. Self-produced goods are assessed at the value of materials used, costs of conversion and other costs incurred, including systematically allocated fixed and variable production overheads that are incurred in converting materials into finished goods.

Stocks are valued using the first-in first-out method. Consequently, the latest produced and acquired goods are considered to be in stock.

All stocks have been written down for any obsolete or slow-moving items.

Debtors

The solvency of debtors is subject to an individual assessment and provisions for bad debts are made if necessary.

Provision

Provisions comprise obligations related to divestiture of activities and other legal or constructive obligations.

CASH FLOW STATEMENT

The cash flow statement shows the cash flow of the group for the year and the group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is presented indirectly and is calculated as the results for the year adjusted for non-cash operating items, changes in the net working capital, financial and extraordinary items paid and corporation tax paid.

Net cash flow in investment activities comprises payments in connection with purchase and sale of fixed assets.

Net cash flow from financing activities comprises ayments of dividends to shareholders and the contracting and payment of loans and other long-term debt.

Statement of Income

The Parent Company					The Group		
1999 (DKK '000)	2000 (DKK '000)	2001 (DKK '000)	Note		2001 (DKK '000)	2000 (DKK '000)	1999*) (DKK '000)
24,774	32,099	38,810	1	Net turnover	49,489	41,597	33,522
15,782	18,593	21,681	3	Production costs	23,074	20,280	17,018
8,992	**13,506**	**17,129**		**Gross profit**	**26,415**	**21,317**	**16,504**
6,545	7,241	10,348		Sales and marketing costs	16,406	14,247	13,475
7,758	7,713	6,907	2/3	General and administrative costs	7,859	8,662	8,818
7,608	10,674	12,753	2/3	Research and development expenses	14,814	11,509	8,998
–	1,135	1,933		Other operating income	1,933	1,135	–
-12,919	**-10,987**	**-10,946**		**Operating result**	**-10,731**	**-11,966**	**-14,787**
			2	Goodwill, amortisation	2,316	2,316	2,342
-36,138	-4,250	-2,356		Income from participating interests in affiliated companies	–	–	–
-49,057	**-15,237**	**-13,302**		**Result before financial income and expenditure**	**-13,047**	**-14,282**	**-17,129**
3,924	2,340	3,255	7	Financial income	3,016	1,388	1,867
5,307	11,898	2,349		Financial charges	2,365	11,901	3,877
-50,440	**-24,795**	**-12,396**		**Result of ordinary activities before tax**	**-12,396**	**-24,795**	**-19,139**
–	87	335		Tax on results of ordinary activities	335	87	–
-50,440	**-24,882**	**-12,731**		**Result for the year before extraordinary charges**	**-12,731**	**-24,882**	**-19,139**
-34,773	–	–	2	Extraordinary charges	–	–	–
-85,213	**-24,882**	**-12,731**		**Result for the year**	**-12,731**	**-24,882**	**-19,139**

*) Medi-Cult's continuing business areas (fertility, industrial media and diagnostics) are stated on a pro forma basis for 1999 for comparison purposes with year 2000 and 2001. Unisyn Technologies is not included.

Balance Sheet as at 31 December

The Parent Company 2000 (DKK '000)	The Parent Company 2001 (DKK '000)	Note		The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
–	–		Goodwill	13,315	15,631
–	1,349		Patents	1,720	–
–	1,349	2	**Intangible fixed assets**	15,035	15,631
17,664	22,231		Properties	22,231	17,664
478	1,090		Plant and machinery	1,090	478
553	517		Other fixtures and fittings, tools and equipment	1,127	1,042
18,695	23,838	3	**Tangible fixed assets**	24,448	19,184
14,669	15,025	4	Participating interests in affiliated companies	–	–
122	148	5	Deposits	182	153
14,791	15,173		**Fixed asset investments**	182	153
33,486	**40,360**		**Total fixed assets**	**39,665**	**34,968**
3,654	5,158	6	**Stocks**	5,704	4,074
4,547	6,615		Trade debtors	10,976	8,010
7,009	5,852	7	Amounts owed by affiliated companies	–	–
5,649	–		Outstanding capital injection	–	5,649
1,111	525		Other debtors	602	1,215
1,252	617		Prepayments	664	1,389
19,568	13,609		**Debtors**	12,242	16,263
74,703	58,535		**Cash at bank and in hand**	62,431	78,259
97,925	**77,302**		**Total current assets**	**80,377**	**98,596**
131,411	**117,662**		**Total assets**	**120,042**	**133,564**

Balance Sheet as at 31 December

The Parent Company 2000 (DKK '000)	The Parent Company 2001 (DKK '000)	Note		The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
87,690	87,690		Share capital	87,690	87,690
-182	-13.531		Loss carried forward	-13,531	-182
87,508	**74,159**	8	**Total capital and reserves**	**74,159**	**87,508**
384	384	9	Provisions	384	384
384	**384**		**Total provisions**	**384**	**384**
29,886	34.591	10	Credit institutions	34,591	29,886
29,886	34,591		**Long-term creditors**	34,591	29,886
333	782		Current portion of long-term creditors	782	333
9,564	3,633		Trade creditors	4.026	10,065
–	–		Corporation tax	341	–
3,412	3,983		Other debt	5,629	5,064
324	130		Prepayments	130	324
13,633	8,528		**Short-term creditors**	10,908	15,786
43,519	**43,119**		**Total creditors**	**45,499**	**45,672**
131,411	**117,662**		**Total liabilities**	**120,042**	**133,564**

11 Financial instruments.
12 Deferred tax.
13 Contingent obligations, collateral, etc.
14 Information on staff and remuneration.
15 Information on fee to the company's auditors.

Cash Flow Statement

Note		The Group 2001 (DKK '000)	2000 (DKK '000)
	Results for the year	-12,731	-24,882
16	Adjustments	3,712	13,597
17	Changes in net working capital	-8,818	-4,318
	Cash flow from operations before financial items	-17,837	-15,603
	Financial income	3,016	1,388
	Financial charges.	-2,197	-8,637
	Tax	-79	–
	Extraordinary charges	–	-4,358
	Cash flow from operating activities	**-17,097**	**-27,210**
	Investments in intangible fixed assets	-2,096	–
	Investments in tangible fixed assets	-6,594	-1,084
	Investments in fixed asset investments	-29	-32
	Net cash flow in investment activities	**-8,719**	**-1,116**
	Capital increase, net (previous year)	5,486	143,691
	Established loans	15,170	0
	Loan and credit institutions repayment	-10,456	-39,246
	Mortgage repayment	-265	-360
	Net cash flow from financing activities	**9.935**	**104,085**
	Change in cash and cash equivalents	**-15,881**	**75,759**
	Cash and cash equivalents as at 1 January	78,259	2,484
	Exchange rate adjustments	53	16
	Cash and cash equivalents as at 31 December	**62,431**	**78,259**

Notes

Note 1 – Net turnover	The Parent Company 2000 (DKK '000)	The Parent Company 2001 (DKK '000)	The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
Distribution over business areas:				
Fertility products	30,285	38,285	44,493	36,292
Diagnostics	–	–	4,284	3,040
Biotech	1,814	525	723	1,848
Other products	–	–	-11	417
	32,099	**38,810**	**49,489**	**41,597**
Distribution on geographical markets:				
Scandinavia	5,645	6,470	7,313	6,520
Europe	18,636	22,118	30,294	26,202
USA	1,314	1,720	3,375	2,343
Rest of the World	6,504	8,502	8,507	6,532
	32,099	**38,810**	**49,489**	**41,597**

Note 2 – Intangible fixed assets	The Parent Company (DKK '000)	The Group (DKK '000)	The Group (DKK '000)
	Patents	Goodwill	Patents
Purchase price as at 1 January	–	23,181	–
Foreign exchange adjustments	–	–	–
Additions during the year	1,652	–	2,096
Disposals during the year	–	–	–
Purchase price as of 31 December	**1,652**	**23,181**	**2,096**
Amortisation as at 1 January	–	7,550	–
Foreign exchange adjustments	–	–	–
Amortisation and write-down	303	2,316	376
Amortisation and write-down on disposals during the year	–	–	–
Amortisation as at 31 December	303	9,866	376
Net book value as at 31 December	**1,349**	**13,315**	**1,720**
Amortisation is charged as:			
Goodwill	–	2,316	–
Research and development cost	303	–	376
	303	**2,316**	**376**

Note 3 – Tangible fixed assets
The Parent Company

	Properties (DKK '000)	Plant and machinery (DKK '000)	Other fixtures and fittings, tools and equipment (DKK '000)
Costs as at 1 January	18,703	2,594	2,186
Additions during the year	5,164	931	165
Disposals	–	–	–
Costs as at 31 December	23,867	3.525	2,351
Depreciation as at 1 January	1,039	2,116	1,633
Depreciation in the year	597	319	201
Depreciation on disposals during the year	–	–	–
Depreciation as at 31 December	1,636	2,435	1,834
Book value as at 31 December	**22,231**	**1,090**	**517**
Depreciation is charged as:			
Production costs	597	153	26
Sales and marketing costs	–	–	7
Administrative costs	–	–	103
Research and development costs	–	166	65
	597	**319**	**201**

As at 1 January 2001, the total official annual valuation regarding Danish properties amounts to DKK 14,300 thousand. Additions during the year of DKK 914 thousand are not included in the annual adjustment of the value of land on buildings as at 1 January 2001.

Note 3 – Tangible fixed assets (continued) The Group	Properties (DKK '000)	Plant and machinery (DKK '000)	Other fixtures and fittings, tools and equipment (DKK '000)
Costs as at 1 January	18,703	2,594	3,654
Additions during the year	5,164	931	500
Disposals during the year	–	–	-154
Exchange rate adjustments	–	–	12
Costs as at 31 December	23,867	3,525	4,012
Depreciation as at 1 January	1,039	2,116	2,612
Depreciation charge for the year	597	319	344
Depreciation on disposals during the year	–	–	-78
Exchange rate adjustments	–	–	7
Depreciation as at 31 December	1,636	2,435	2,885
Book value as at 31 December	**22,231**	**1,090**	**1,127**
Depreciation is charged as:			
Production costs	597	153	74
Sales costs	–	–	80
Administrative costs	–	–	114
Research and development costs	–	166	76
	597	**319**	**344**

Notes

Note 4 – Fixed asset investments, participating interests
The Parent Company

(DKK '000)

Purchase price as at 1 January	47,512
Additions during the year	2,500
Disposals during the year (Hopkinton Inc.)	-18,578
Purchase price as at 31 December	31,434
Adjustments as at 1 January	-89,583
Exchange rate adjustments	-456
Loss for the year after tax	-2,488
Reversal of impairments in connection with the liquidation of Hopkinton Inc., cf. note 7	62,240
Adjustments as at 31 December	-30,287
Net book value as at 31 December	1,147
Set off against intercompany receivables	13,878
Fixed asset investments (include goodwill of DKK 13.3 million)	**15,025**

Note 4 – Fixed asset investments, participating interests

		Share capital	Participating interests
Affiliated companies			
Amdex A/S, Copenhagen, Denmark	DKK	700,000	100%
Medi-Cult Ltd., London, Great Britain	GBP	2	100%
Medi-Cult. Inc., Boston, USA	USD	1,000	100%
Medi-Cult France Sarl., Lyon, France	EURO	7,622	100%
Biogenesis S.a.r.l., France	EURO	7,622	100%

In 2001 the remaining activity in the former subsidiary Hipkinton has been liquidated and thus the original investment has been realised.

Notes

Note 5 – Deposits	The Parent Company 2000 (DKK '000)	The Parent Company 2001 (DKK '000)	The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
Costs as at 1 January	78	122	153	332
Addition during the year	85	61	64	32
Disposals	-41	-35	-35	-211
	122	**148**	**182**	**153**

Note 6 – Stocks	The Parent Company 2000 (DKK '000)	The Parent Company 2001 (DKK '000)	The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
Raw materials and consumables	2,404	4,025	4,421	2,616
Finished goods	1,250	1,133	1,283	1,458
	3,654	**5,158**	**5,704**	**4,074**

Note 7 – Receivable, affiliated companies	The Parent Company 2000 (DKK '000)	The Parent Company 2001 (DKK '000)	The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
Subordinated loan capital, Amdex A/S	750	750	–	–
Receivables	62,999	18,980	–	–
Negative equity value (cf. note 4)	-56,740	-13,878	–	–
	7,009	**5,852**	**0**	**0**
Intercompany interest income	**972**	**308**	**–**	**–**
Intercompany fee	**168**	**360**	**–**	**–**

Notes

Note 8 – Equity

	Share capital (DKK '000)	Loss carried forward (DKK '000)
Equity as at 1 January	87,690	-182
Costs related to capital increases previous years	–	-162
Exchange rate adjustment re. foreign subsidiaries	–	-456
Result for the year	–	-12,731
Capital and reserves as at 31 December	**87,690**	**-13,531**

The share capital consists of 17,537,911 shares with a nominal value of DKK 5 each, none of the shares has special rights.

The development in the equity during the year can be specified as follows:

	2001 (DKK '000)
Equity as at 1 January	87,508
Costs related to capital increases previous years	-162
Exchange rate adjustment re. foreign subsidiaries	-456
Results for the year	-12.731
Equity as at 31 December	**74,159**

Note 9 – Provision

The provision relates to estimated costs and losses in connection with the divestment of the former subsidiary Hopkinton Inc.

	The Parent Company		The Group	
Note 10 – Credit institutions	2000 (DKK '000)	2001 (DKK '000)	2001 (DKK '000)	2000 (DKK '000)
Long-term creditors due after more than 5 years on the balance date	**10,337**	**17,082**	**17,082**	**10,337**

Notes

Note 11 – Financial instruments

The Medi-Cult Group has entered into a number of financial instrument contracts with the aim of minimizing its exposure to interest and currency fluctuations.

Currency risks

Generally, the net investments in foreign subsidiaries are not hedged. Any adjustments arising as a result of changes in the exchange rates are booked directly to equity capital in accordance with the accounting policy of the group.

The exposures of the Medi-Cult group to currency fluctuations are mainly related to foreign debtors and creditors as well as the net investment in foreign subsidiaries.

Interest rate risks

The exposure of the Medi-Cult group to interest fluctuations mainly relates to cash as well as the loans as specified below:

	Currency	Principal	Interest rate p.a.	Outstanding debt (DKK '000)	Market value (DKK '000)	Interest due
Realkredit Danmark, EUR	EUR	1,295,700	3,558	9,597	9,791	[1]
Realkredit Danmark, EUR	EUR	743,800	3,558	5,509	5,621	[2]
Danske Bank, valutalån	DKK	7,000,000	6,68	6,391	6,391	[3]
FIH 4)	USD	1,250,000	3,6	10,512	10,512	
FIH	USD	1,000,000	3,6	3,364	3,364	

[1] Annual adjustment of interest, first adjustment as at 1 January 2003
[2] Annual adjustment of interest, first adjustment as at 1 January 2003
[3] Fixed interest
[4] Foreign Currency Loan

Credit risks

All bank deposits have been placed in major banks and the credit risk is considered to be small.

The company's turnover and trade debtors are concentrated on some major customers who have done business with the company for several years. In order to minimize the credit risk the company is evaluating the credit worthiness of all customers on an ongoing basis.

Note 12 – Deferred tax

As a consequence of tax losses from previous years, there are no actual or deferred taxes in the parent company. The tax value of deferred tax reductions (tax asset) amounting to approx. DKK 22 million in the parent company has not been included in the balance sheet due to uncertainty as to whether this can be utilised.

Notes

Note 13 – Contigent liabilities, collateral, claims, etc.	The Parent Company 2000 (DKK '000)	2001 (DKK '000)	The Group 2001 (DKK '000)	2000 (DKK '000)
Leasing obligations	347	297	297	347
Leasing obligations falling due within 1 year from the balance sheet date	196	159	159	196
The company is liable for a guarantee for Amdex A/S for a credit facility of maximum	500	500	0	0

Note 14 – Information on staff and remuneration	The Parent Company 2000 (DKK '000)	2001 (DKK '000)	The Group 2001 (DKK '000)	2000 (DKK '000)
The total staff salaries, etc., can be specified as follows:				
Salaries	15,295	16,496	21,504	21,361
Pension schemes	876	923	1,195	1,142
Other social security costs	67	77	538	275
	16,238	**17,496**	**23,237**	**22,778**
Remuneration included the above items to:				
Management	1,257	1,285	1,285	1,257
Board of directors	350	470	470	350
	1,607	**1,755**	**1,755**	**1,607**
Average number of employees	**40**	**43**	**60**	**54**

Notes

Warrants

Issuance of warrants

In 2001 the following warrants have been issued.

Issuance to the employees of the Company decided on 11 October 2001
At the board meeting of 11 October 2001 it was decided to issue 100,000 warrants to employees of the company in accordance with a distribution plan for subscription of shares during the period 30 August - 30 September 2002 as far as concerns 50 per cent of the warrants subscribed for and the period 30 August - 30 September 2003 for the remaining warrants subscribed for.

If fully subscribed for, the warrants issued will reflect an increase of the capital of DKK 500,000 (100,000 shares of nominal value DKK 5.00) by cash payment at a price of NOK 18 as converted into DKK at the official rate of exchange between DKK and NOK as of 30 August 2001.

Outstanding warrants

As at 31 December 2001, the total number of outstanding warrants is 729,700 of which 570,700 relate to the distribution plan from August 2000 and 100,000 relate to the distribution plan from October 2001 as described above. This represents the total number of warrants originally issued less the accumulated number of warrants cancelled as a consequence of employees resigning from the Company. The exercise price of the outstanding warrants is between NOK 18 and NOK 26.9.

Warrants issued to the Management and Board of Directors can be summarized as follows:

	Outstanding Warrants	Exercise Price (NOK)
Management	130,000	20,20-26,90
Board of Directors	200,000	26,90

Anthorisation to issue warrants

In addition to the above mentioned issued warrants, the Board of Directors has further been anthorised to issue warrants to the employees of up to 358,000 warrants.

Notes

Note 15 - Information on fee to auditors, appointed at the company's general meeting	The Parent Company 2001 (DKK '000)	The Parent Company 2000 (DKK '000)
Grothen & Perregaard:		
– Audit fee	171	171
– Other fees	209	459
KPMG:		
– Audit fee	50	40
– Other fees	–	104
	430	**774**

Note 16 – Adjustment	The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
Depreciation and amortisation	3,952	3,686
Financial income	-3,016	-1,388
Financial charges	2,365	11,901
Tax	335	–
Other adjustments	76	-602
Total adjustments	**3,712**	**13,597**

Note 17 – Changes in network capital	The Group 2001 (DKK '000)	The Group 2000 (DKK '000)
Increase in stocks and receivables	-3,223	-1,219
Decrease in creditors and other debt	-5,595	-3,099
Changes in net working capital	**-8,818**	**-4,318**

Shareholder Information

Share capital

The share capital consists of 17,537,911 shares with a nominal value of DKK 5 each. All shares are subject to public trading and without voting limitations or special rights. Market capitalisation value at the end of December 2001 was DKK 428.4 million.

On 2 January 2002, the company's 20 largest registered shareholders were as follows:

Name	Shareholding Number of Shares	Ownership %
SND Invest AS	2,316,000	13.21
Den Norske Krigsforsikring for Skib	1,145,506	6.53
Bio Holding AS	838,800	4.78
Firstnordic Norge v/Firstnordic Fonden	694,000	3.96
Skandia SMB Norge v/Skandia Fondsforvaltning	545,500	3.11
Gjensidige Nor Spare	338,000	1.93
Statoil Pensjonskas	250,000	1.43
Nordea S/A Nordea (DK) CCA	221,125	1.26
Holst, Jens U.	158,200	0.90
Scandivest Ltd.	130,000	0.74
Statoil Forsikring	125,000	0.71
Vesta Liv AS Aksjer	120,000	0.68
Kolnor Trading A/S	107,000	0.61
Joff Eiendom AS	95,100	0.54
Aristar AS	92,500	0.53
Lie Ole Hannibal	90,000	0.51
Larsson Karl Østen Tomas	80,500	0.46
Farstad Alexander	75,500	0.43
DNB Markets Aksjeha	75,500	0.43
Scandinavian Fashion	75,000	0.43
Sum, 20 largest shareholders	7,573,231	43.18
Other shareholders	9,964,680	56.82
Total	**17,537,911**	**100.00**

Board of Directors and Management

Board of Directors

Jens U. Holst, Chairman
Born 1944.
Elected to the Board 1996.
Member of the Board of Directors of Noran A/S and NorChip A/S.
Lives in Oslo, Norway.
Owns 153,200 shares, 50,000 warrants. In addition Holst owns 43.7% of the shares of Bio Holding AS which owns 838,800 shares in Medi-Cult.

Jørgen Drejer
Born 1958. Ph.D., neurobiology.
Elected to the Board 1999.
Vice President and member of the Management of NeuroSearch A/S.
Member of the Board of Directors of NeuroSearch A/S, Azign Bioscience A/S, Poseidon Pharmaceuticals A/S and NsGene A/S.
Lives in Copenhagen, Denmark.
Owns 15,000 shares, 30,000 warrants.

Ole Henrik Eide
Born 1951.
Elected to the Board 1996.
Managing Director of Den norske Krigsforsikring for Skibe (The Norwegian Shipowners' Mutual War Risk Insurance Association).
Lives in Bærum, Norway.
Owns 22,842 shares, 30,000 warrants.

Flemming Juul Jensen
Born 1949. Master of Science, Pharmacy.
Elected to the Board 2000.
Lives in Penn, Buckinghamshire, U.K.
Owns 500 shares, 30,000 warrants.

Ørn Stuge
Born 1954, Medical Doctor and MBA.
Elected to the Board 2001.
Vice President of Medtronic Europe S.A.
Lives in St. Prex, Switzerland.
Owns no shares, 30,000 warrants.

Jens H. Zilstorff
Born 1955. Master of Law.
Elected to the Board 1990.
Partner in Plesner Svane Grønborg Advokatfirma (law firm).
Member of the Board of Directors of Baxter A/S, IAC Nordic A/S, Wonsild & Søn A/S, Sticks 'n' Sushi A/S, H.C. Petersen & Co.'s Eftf. A/S, Consort A/S, Flavone Sunproducts A/S, Safe Smoke Technology A/S, Danfo A/S, Uniq Filtration Technology A/S, Geograf A/S, Info-Connect A/S, RC-Holding A/S, Job-Index A/S and VisioPharm ApS.
Lives in Copenhagen, Denmark.
Owns no shares, 30,000 warrants.

Management

Mogens Vang Rasmussen, President & CEO
Born 1951. M.Sc., Economics.
Employed by Medi-Cult as Chief Financial Officer in January 1999, appointed President and Chief Executive Officer in December 1999.
Owns no shares, 130,000 warrants.

Company Information

The Company

Medi-Cult a/s
Møllehaven 12
4040 Jyllinge, Denmark
Tel.: +45 46 79 02 00
Fax.: +45 46 79 03 00
E-mail: Medi-Cult @ medi-cult.dk
Website: www.medicult.com

Register of Companies No. 10 97 50 77

Board of Directors

Jens U. Holst, Chairman
Jørgen Drejer
Ole Henrik Eide
Jens Zilstorff
Ørn R. Stuge
Flemming Juul Jensen

Management

Mogens Vang Rasmussen

Auditors

Grothen & Perregaard
(Grant Thornton Denmark)
Incorporated State Authorized Public Accountants
Stockholmsgade 45
2100 Copenhagen Ø
Denmark

KPMG C. Jespersen
State Authorized Public Accountants
Borups Allé 177
2000 Frederiksberg
Denmark

Subsidiaries

Medi-Cult Inc.
25 South Street
Hopkinton
MA 01748-2217, USA

Medi-Cult (UK) Ltd.
Lesley Pamela Hutchins, General Manager
The Old Tannery, Oakdene Road, Redhill, Surrey
RH1 6BT, UK

Medi-Cult France S.a.r.l.
Denis Azra, General Manager
48, Rue Quivogne,
69002 Lyon, France

Amdex A/S
Heinrich Biehl, Ph.d., President
Møllehaven 12
4040 Jyllinge, Denmark

Biogenesis S.a.r.l.
Denis Azra, General Manager
48, RueQuivogne,
69002, Lyon, France

Investor Relations

Medi-Cult a/s
Mogens Vang Rasmussen
Tel.: +45 46 79 02 15
Fax.: +45 46 79 03 00
E-mail: mvr@medi-cult.dk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