



**ProgressNow! invest AG**



A N N U A L R E P O R T

2003

Innovation

+

Sustainability

=

Progress

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## **Forward-looking statements**

In this annual report, statements concerning the development of the company and the portfolio companies (forward-looking statements) are made on various occasions. Shareholders and investors are cautioned that such forward-looking statements reflect the company's current assessments regarding market conditions and future events at the portfolio companies and are subject to certain risks, uncertainties and assumptions. Various circumstances may cause actual events to differ materially from those expressed or implied by such forward-looking statements. These include the environment in which individual portfolio companies operate in relation to the timing and importance of the introduction of new products, the introduction of competing products by other companies, lack of acceptance of new products and services by the target groups of the individual portfolio companies, changes in the political, social and legal environment within which individual portfolio companies operate or changes in economic and technological trends and conditions including currency fluctuations, inflation and consumer behaviour at the global, regional and national level as well as various other factors. The company accepts no obligation to update or revise such forward-looking statements.

# Chairman's Statement

Dear shareholder

ProgressNow! *invest* can look back on a successful 2003. The net asset value of the company increased by nearly 27% to almost CHF 99 per share, and the share price also rose by more than 30%, this being in line with the increase in the Nasdaq Composite Index (adjusted for exchange rate movements).

The beginning of 2003 had been marked by various uncertainties in world politics such as terrorist attacks, the Iraq conflict and the SARS epidemic. However, after the nadir in March, economic growth in the United States picked up, and the international stock markets reacted accordingly. In the second half of the year, the "bulls" took the lead on the stock exchanges. The cost cutting and reorganisation measures of companies are now beginning to show results, and in general the signs of recovery are increasing. Economic forecasts support this positive trend, which we expect to bring a significant economic improvement in 2004.

The private equity market proved difficult until well into the third quarter, with first quarter investment in private equity in the U.S. the lowest since 1997. By the fourth quarter, however, the trend reversed in this market as well, a fact confirmed by increasing investment volumes and company valuations.

The IPO market in the U.S. mirrored this development. According to Dealogic, an IPO financial data provider, 85 IPOs took place in 2003, comparable to the year before. However, whereas only 10 IPOs took place in the first half of the year, the third quarter saw no less than 21. The real fireworks occurred at the end of the year: of the 54 IPOs in the fourth quarter, 24 took place in December alone.

## **Review of ProgressNow!'s investments**

2003 was another year in which the unfavourable exchange rate of the US dollar versus the Swiss franc affected the ProgressNow! portfolio. The US dollar depreciated by more than 10%, and as a result of this, exchange rate related valuation adjustments had to be made on all the USD-based private equity investments, convertible notes and loans of ProgressNow!.

As foreseen, ProgressNow! concentrated mainly on existing investments in the past year and, in view of the limited resources available, the advisory team focussed on the investments that in the company's assessment possess a high profit potential. The advisory team became increasingly active through board memberships and temporary assumption of management duties with core investments.

ProgressNow! abstained from participating in the further financing rounds of two of its portfolio companies and this led to a reduction in the fair value of these investments. The valuation of Cadent Holdings Inc was reduced by USD 414'704 after ProgressNow! decided against participating in the financing round of April 2003. For the same reason, the investment in Energetech Australia Pty Ltd was reduced in value by AUD 133'638 in accordance with the conditions of the financing round in December 2003.

In addition, valuation adjustments had to be made to the investments in Axya Medical Inc and EndoVia Medical Inc. Axya Medical faces difficulties regarding future long-term financing, and this led the board of ProgressNow! to reduce the fair value of this investment by USD 3.7m. The remaining valuation reflects the pre-money valuation of a proposed financing round. Despite successful human trials with its Laprotek system, EndoVia Medical missed its targets for 2003. As a result, the fair value of this investment was reduced by USD 2.4m, reflecting a valuation adjustment of 50%.

# Chairman's Statement

In the second half of the year, ProgressNow! disposed of its investment in Precious Woods Holding AG in order to generate liquidity for its other investments. A joint success story came to an end. "The involvement of ProgressNow! was of considerable significance for Precious Woods. Together with other investors, it made the expansion to Parà possible, which was important for Precious Woods", stated Andres Gut, chairman of Precious Woods Holding AG. Following its listing on the SWX Swiss Exchange, and its acceptance in wider investor circles, private equity investors were no longer so important for Precious Woods. This is reflected in the share price of the company which has remained stable since listing despite the mostly unfavourable market environment. The board of ProgressNow! wishes Precious Woods a continuing positive development!

2003 was a successful year for the core investments Pendragon Medical AG and ZymeQuest Inc. As foreseen in the annual report 2002, Pendragon Medical AG received the CE mark for its product Pendra® in May. In addition, several distribution agreements were again signed this year, and mass production of the Pendra® commenced. ProgressNow! has continued to provide financing for the company in 2003. After the successful presentation of the Pendra® in August at the International Diabetes Foundation in Paris, a live demonstration took place at the meeting of the Diabetes Technology Society in San Francisco in November. David C. Klonoff, Managing Director of the DTS, places Pendra® „at the cutting edge of diabetes technology“. In addition, Pendragon Medical has negotiated an outside financing with a renowned venture capital fund which will be closed in the first quarter of 2004. According to the conditions of the term sheet signed in December, the company valuation in the planned financing round results in a revaluation of ProgressNow!'s investment by CHF 6.2m.

Despite advances in its clinical development program, ZymeQuest could not close an outside financing round in the first quarter of 2003. Bridge financing was therefore provided in April by existing investors including ProgressNow!. In July the outstanding convertible notes were converted to preference shares and, as a result, ProgressNow! became the owner of just under 50% of ZymeQuest's stock. In December a financing round of USD 8.6m was completed, resulting in a revaluation of USD 17.3m in ProgressNow!'s investment. In addition, ZymeQuest signed a cooperation agreement with Chiron Corporation, providing for a partnership to develop and commercialise ZymeQuest's enzymatic conversion system for red blood cells. In addition Chiron has made a significant equity investment in ZymeQuest. Jack Goldstein, president of Chiron Blood Testing, said: "ZymeQuest's innovative technology will fill a critical need for blood and transfusion centres. This technology will decrease the potential difficulties associated with mismatched blood and also reduce inventory problems at blood banks caused by shortages of group O red cells. In addition, the technology could reduce the amount of donor blood discarded because of outdating."

## **Outlook for 2004**

In the coming year, ProgressNow! will continue to focus on the long term growth in value of its portfolio. Attention will continue to be concentrated on existing investments, which in the company's opinion show significant profit potential. In the coming year, ProgressNow! expects a successful sale of its investment in Alphaport Inc; negotiations for the sale of this company are in progress. In the case of Axya Medical Inc, the efforts in connection with an effective financing are a priority. The challenge with EndoVia Medical Inc lies in positioning the company with regard to a strategic partnership, a partial sale of intellectual property and/or a merger.

Pendragon Medical AG will deliver the first Pendra® devices to distributors in the first semester. This will represent an important milestone for the company, as well as the hoped-for partnership with a major national distributor. ZymeQuest Inc will complete negotiations with an additional partner for commercial

# Chairman's Statement

production of the required enzymes in the first half of 2004 and plans to conduct a single pivotal clinical trial (Phase III) for both the A and B conversion systems. Besides another financing round, Energetech Australia Pty Ltd plans to complete the construction of the Port Kembla demonstration wave energy plant and start it operating by September 2004. Enablearning Inc is facing the challenge of introducing its product nationwide in the U.S. in collaboration with a strategic partner.

Despite continuing uncertainties such as the possibility of terrorist attacks and wars of supranational significance, signs of a worldwide economic recovery are multiplying. Success in private equity investing usually comes late in the business cycle because value growth changes only after concrete events such as financing rounds, trade sales or IPOs. Therefore the coming year can be faced with optimism.

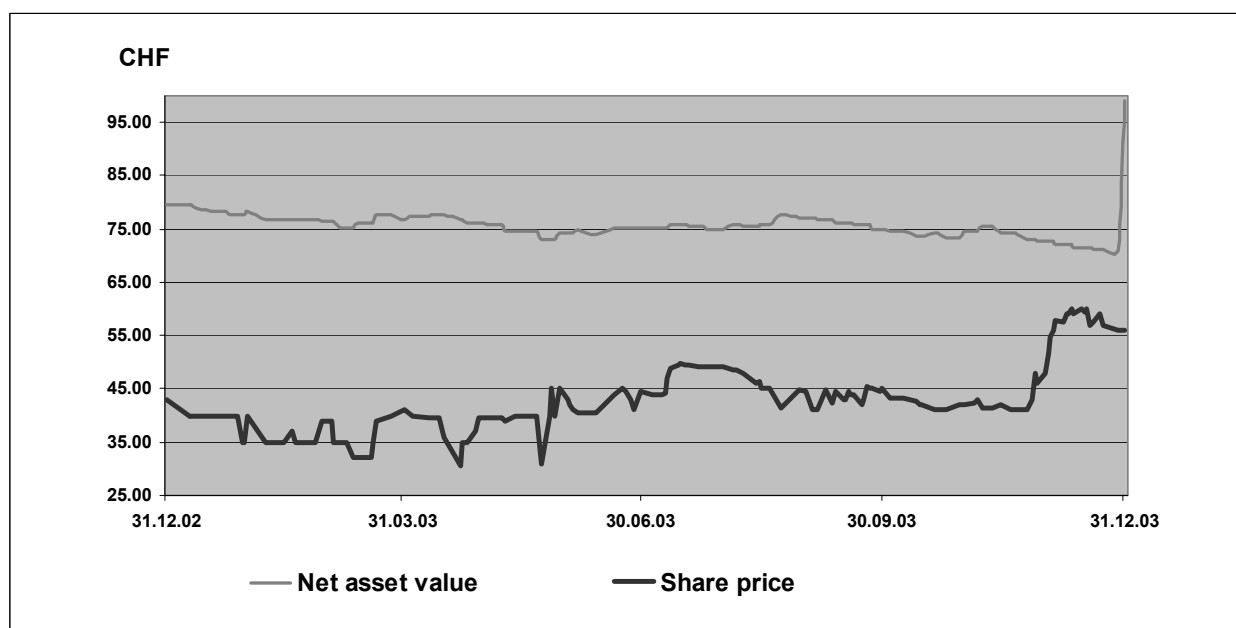
ProgressNow! has every confidence in the investments detailed on the following pages. Considering the quality of the portfolio, the company does not expect any significant downward valuation adjustments in 2004. However, the year under review has shown that the net asset value of the company remains susceptible to exchange rate movements.

The board of directors of ProgressNow! is confident that it has a well-balanced portfolio of promising companies that will make an active contribution to human development and well-being.

Dr. Robert Straub  
Chairman of the Board

# Net asset value of the company and per issued share

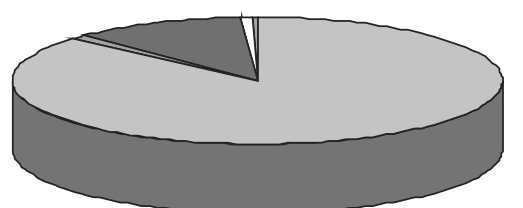
	<u>31.12.03</u>	<u>31.12.02</u>
Cash and cash equivalents	CHF 262'240	CHF 1'563'525
Receivables	CHF 186'795	CHF 415'748
Marketable securities	CHF 0	CHF 4'739'625
Private equity investments	CHF 61'570'453	CHF 39'923'777
Shareholders' loans and convertible notes	<u>CHF 8'567'162</u>	<u>CHF 6'875'075</u>
Total assets	CHF 70'586'650	CHF 53'517'750
Total liabilities	CHF -1'145'125	CHF -64'615
Treasury shares at market value	<u>CHF 40'992</u>	<u>CHF 1'339'321</u>
<b>Net asset value of the company</b>	<b>CHF 69'482'517</b>	<b>CHF 54'792'456</b>
Total issued shares of nominal value CHF 50	702'500	702'500
<b>Net asset value per issued share</b>	<b>CHF 98.91</b>	<b>CHF 78.00</b>
<b>Share price</b>	<b>CHF 56.00</b>	<b>CHF 43.00</b>



# Portfolio as per December 31, 2003

Private equity investments	Investment type	Number	Currency	Valuation per number	Total fair value in CHF		% of portfolio	Profit/Loss
					31.12.2003	31.12.2003		
<b>Healthcare</b>								
Alphaport, Inc	Options	725'000	USD	0.00	0		0.00%	0.00%
Axya Medical, Inc	Shares	1'666'667	USD	0.18	371'025		0.53%	-93.29%
Cadent Holdings, Inc	Shares	310'090	USD	3.21	1'230'932		1.76%	-36.88%
EndoVia Medical, Inc	Shares	4'007'766	USD	0.61	3'023'529		4.31%	-55.29%
Pendragon Medical AG	Shares	1'191'667	CHF	12.78	15'229'504		21.71%	68.99%
	Options	2	CHF	125'000.00	250'000		0.36%	0.00%
ZymeQuest, Inc	Shares	9'041'585	USD	2.50	27'955'451		39.86%	133.95%
	Options	1'730'769	USD	1.96	4'195'436		5.98%	362.96%
					<b>52'255'877</b>		<b>74.50%</b>	
<b>Environment</b>								
Plant Health Care, Inc	Shares	600'000	USD	1.00	742'050		1.06%	-10.57%
					<b>742'050</b>		<b>1.06%</b>	
<b>Energy</b>								
Energetech Australia Pty Ltd	Shares	348'179	AUD	1.61	523'909		0.75%	-4.86%
					<b>523'909</b>		<b>0.75%</b>	
<b>Education</b>								
Enablearning, Inc	Shares	1'452'905	USD	0.87	1'556'916		2.22%	-10.57%
	Options	144'266	USD	0.00	0		0.00%	0.00%
WebCT, Inc	Shares	580'000	USD	9.05	6'491'701		9.26%	-10.57%
					<b>8'048'617</b>		<b>11.48%</b>	
<b>Total per balance sheet</b>					<b>61'570'453</b>		<b>87.79%</b>	
<b>Shareholders' loans (SL) and convertible notes (CN)</b>								
			Currency	Historic cost	Total net value in CHF	% of portfolio	Valuation adjustments	
					31.12.2003	31.12.2003	2003	
<b>Healthcare</b>								
Alphaport, Inc (CN)			USD	525'000	649'294	0.93%	-10.57%	
Pendragon Medical AG (SL)			CHF	6'982'027	6'982'027	9.95%	0.00%	
EndoVia Medical, Inc (CN)			USD	756'694	935'841	1.33%	-7.74%	
					<b>8'567'162</b>	<b>12.21%</b>		
<b>Energy</b>								
Ecopower Energy Solutions AG (SL)			CHF	1'584'351	0	0.00%	0.00%	
					<b>0</b>	<b>0.00%</b>		
<b>Total per balance sheet</b>					<b>8'567'162</b>	<b>12.21%</b>		
<b>Total portfolio as per December 31, 2003</b>					<b>70'137'615</b>	<b>100.00%</b>		

Sector allocation as per December 31, 2003



Healthcare Environment Education Energy Cash

Geographical allocation as per December 31, 2003



United States of America Switzerland Australia

# Healthcare

## Alhaporport, Inc

800 Cummings Center, Suite 258X, Beverly, MA 01915, USA

Financing stage: Start-up  
Ownership: na

Investment:		Cost:	Fair value:
November 2001	Convertible note	USD 500'000	
December 2002	Convertible note	USD 25'000	
<b>Total 31.12.2002</b>		<b>USD 525'000</b>	<b>USD 525'000</b>
<b>Total 31.12.2003</b>		<b>USD 525'000</b>	<b>USD 525'000</b>

*ProgressNow! (Overseas) Ltd holds 8% convertible notes, convertible into preferred shares of the company issued in the next financing round (at the issue price fixed in such round), options to purchase 500'000 ordinary shares at a price of USD 0.01 per share exercisable upon certain events but at the latest by 31/10/2006 and options to purchase 225'000 ordinary shares at a price of USD 0.01 per share exercisable upon certain events but at the latest by 31/10/2007.*

### Description

Alhaporport has developed a hemodialysis vascular access device to treat end stage renal disease (ESRD). ESRD disease is a chronic and life threatening condition, characterised by the loss of kidney function which is often caused by diabetes and hypertension. While kidney transplantation is a treatment option, there are only enough organs available for 5% of the ESRD population with the remainder requiring regular dialysis treatment to rid themselves of the buildup of various solutes in the blood. By being completely implanted, the Alhaporport dialysis access system is likely to have considerably fewer infection complications than current long term percutaneous dialysis catheters. Other advantages for the patient and physician include immediate access, simple implant procedure, short dialysis procedure and lower overall costs.

### Developments in year

Although animal studies were completed with very encouraging results, Alhaporport has encountered difficulties in funding human trials of its dialysis access system. The planned financing round in 2003 did not materialise and at the moment the company is inactive.

### Outlook

Negotiations for the sale of the company are continuing. If, as seems likely, these are concluded at the terms expected ProgressNow! will recover at least the cost of its investment.

### Valuation

The valuation remains unchanged at cost.

### Other significant investors

None. The other shares are mainly held by the company founders and management.

# Healthcare

## Axya Medical, Inc

100 Cummings Center, Suite 444C, Beverly, MA 01915, USA  
www.axya.com

*Financing stage:*                      *Early stage*  
*Ownership:*                              *6.07% (fully diluted), 6.56% (voting rights)*

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>December 2000</i>	<i>USD 2.40</i>	<i>USD 4'000'001</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>USD 4'000'001</i></b>	<b><i>USD 4'000'001</i></b>
<b><i>Total 31.12.2003</i></b>		<b><i>USD 4'000'001</i></b>	<b><i>USD 300'000</i></b>

### Description

Axya Medical develops products that use ultrasonic technology to weld polymeric materials. Axya's approach is that sutures can be welded rather than knotted. Ultrasonic welding is preferable particularly in those cases where access is difficult for the surgeon.

### Developments in year

Following the restructuring in November 2002, the company has been concentrating solely on the development of the second generation shoulder fixation system (AxyaWeld II) and this has been proceeding positively. First results with a test group of surgeons indicate a much improved performance of the device. However, results for 2003 have been worse than budget and milestones that would lead to some equity financing by strategic investors have not yet been achieved.

### Outlook

It is planned to introduce the second generation shoulder fixation system in the United States during 2004. At the same time the company is seeking to close a financing round and continuing to investigate possible strategic deals with medical device companies.

### Valuation

The valuation has been reduced to reflect the pre-money valuation of the proposed financing round and the uncertainty as to future long term financing.

### Other significant investors

Piper Jaffray Healthcare Fund II, Prism Venture Partners, Delphi Ventures, Johnson & Johnson Development Corp., Vector Later-Stage Equity II, Marquette Venture Partners, Crossbow Equity Partners LP, Ba-loise Private Equity Limited, GE Capital Equity Investments Inc and Mosaix Ventures LP.

# Healthcare

## Cadent Holdings, Inc

640 Gotham Parkway, Carlstadt, NJ 07072, USA  
www.orthocad.com

*Financing stage:* Expansion - Development  
*Ownership:* 4.00% (fully diluted), 4.83% (voting rights)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
October 2001	USD 6.06	USD 1'879'999	
<b>Total 31.12.2002</b>		<b>USD 1'879'999</b>	<b>USD 1'410'000</b>
<b>Total 31.12.2003</b>		<b>USD 1'879'999</b>	<b>USD 995'296</b>

### Description

Cadent, headquartered in New Jersey with an R&D facility in Tel Aviv, is a provider of 3D digital information services that replace the use of physical models in dentistry.

Cadent's first service, OrthoCAD, provides 3D digital models for orthodontic treatment planning and the correct placement of appliances. The OrthoCAD study model allows the orthodontist to make accurate measurements for the treatment plan while at the same time eliminating the current model storage and retrieval issues. The OrthoCAD "Set Up model" allows full digital simulation of multiple orthodontic strategies on specific cases. OrthoCAD services enhance the quality of care the patient receives and reduces the time required to complete the treatment, benefiting patients and orthodontists alike.

Cadent's second service targets the procedure of dental Crowns and Bridges (C&B). With its unique intra-oral scanner, Cadent replaces the physical and time-consuming C&B impression process with a fast digital one that extracts information directly from the treatment area. The Cadent C&B service allows the practitioner to maintain full control over the impression process and eliminates re-work caused by faulty physical impressions. The prosthesis for the patient is produced by computerized fabrication equipment utilising the digital impression captured by Cadent's C&B technology. This process replaces the current manual and technician skill dependent manufacturing procedures.

### Developments in year

Cadent has continued to expand its customer base and the number of processed models from month to month in 2003. Although revenues were below budget in the first 9 months of the year, they exceeded the full year 2002. In February 2003 Douglas Stickney, an experienced businessman from the healthcare services industry, was appointed CEO and President of the board. A series D financing round, in which ProgressNow! did not participate, was completed in April 2003 with a total of USD 5.3 million being raised.

### Outlook

Cadent expects to reach profitability with the orthodontic line in 2004 and overall profitability in 2005. To execute its business plan Cadent needs to close a significant investment round in 2004.

### Valuation

The valuation has been reduced in accordance with the terms of the financing round in April 2003.

### Other significant investors

JP Morgan Partners, Apex Partners, Schroder Ventures Life Sciences, Pitango (Polaris) and Goldman Group.

# Healthcare

## EndoVia Medical, Inc

150 Kerry Place, Norwood, MA 02062, USA  
www.endoviamedical.com

<i>Financing stage:</i>	<i>Early stage</i>		
<i>Ownership:</i>	<i>17.42% (fully diluted), 21.83% (voting rights)</i>		
<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>August 2000</i>	<i>USD 0.95</i>	<i>USD 2'250'001</i>	
<i>March 2002</i>	<i>USD 1.22</i>	<i>USD 2'000'000</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>USD 4'250'001</i></b>	<b><i>USD 4'889'475</i></b>
<i>August 2003</i>	<i>Convertible note</i>	<i>USD 476'717</i>	
<i>October 2003</i>	<i>Convertible note</i>	<i>USD 279'977</i>	
<b><i>Total 31.12.2003</i></b>		<b><i>USD 5'006'695</i></b>	<b><i>USD 3'201'432</i></b>

*ProgressNow! (Overseas) Ltd holds an 8% convertible note, maturing February 2004, which is convertible into preferred shares of the company issued in the next financing round, given the approval of a majority of noteholders.*

### Description

EndoVia Medical was founded in 1996 by Dr. David Brock and Dr. Gary Rogers with the mission to develop a new generation of computer-assisted laparoscopic instruments. In laparoscopy, the patient's abdominal wall is penetrated near the navel and the abdominal cavity distended by filling it with carbon dioxide. In 2002 endoVia Medical developed a new generation of computer-guided endoscopic instruments which complement their Laprotek system. These new instruments are part of the ViaCath System and introduce computer control to endoscopic catheters, offering a less invasive approach to a range of procedures traditionally done through laparoscopic or open surgical techniques.

### Developments in year

Human clinical trials of EndoVia's Laprotek system were commenced in May. Although the results were positive, the planned introduction of the product has not occurred due to financial constraints. Several prototypes of instruments for the ViaCath System were developed and positive tests completed with the revolutionary catheter.

A bridge loan was granted by existing shareholders to enable the company to hold discussions with possible strategic partners and potential acquirers. In order to conserve cash manufacturing operations have been halted.

### Outlook

Discussions with possible strategic partners may lead to a merger and/or sale of certain intellectual property.

### Valuation

The valuation of the shares has been reduced by 50% to reflect the missed targets in 2003 and the failure in raising the capital necessary to launch the laparoscopic product. The convertible note granted during the year has been valued at cost.

### Other significant investors

Catalyst Health & Technology Partners, Johnson & Johnson Development Corp, Seaflower Bioventure Fund II, Omeah Limited Partnership and Massachusetts Technology Development Corp.

# Healthcare

## Pendragon Medical AG

Hagenholzstrasse 81a, CH-8050 Zurich  
www.pendragonmedical.com

*Financing stage:* Expansion - Development  
*Ownership:* 52.00% (fully diluted), 53.34% (voting rights)  
(30.21 % and 35.99% respectively as of completion of the financing round in the first quarter 2004)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
Dec 2000 – Dec 2002	CHF 7.55	CHF 9'002'121	
June 2001	Options	CHF 250'000	
December 2002	Shareholders' loan	CHF 2'000'000	
<b>Total 31.12.2002</b>		<b>CHF 11'252'121</b>	<b>CHF 11'252'121</b>
February – November 2003	Shareholders' loan	CHF 4'982'027	
<b>Total 31.12.2003</b>		<b>CHF 16'234'148</b>	<b>CHF 22'461'531</b>

The shareholders' loan of CHF 6'832'027, which carries interest at 6% pa, is repayable on 31st January 2004 or in installments based on the dates of external financing. ProgressNow! (Overseas) Ltd also holds options to purchase 5% of the share capital of the company outstanding at the exercise date from two of the founding shareholders.

### Description

Pendragon Medical, established in March 2000, has developed a revolutionary new procedure for measuring blood sugar, which is of vital importance for diabetics. The conventional method consists of taking a blood sample from the fingertip and smearing it on a test strip that is inserted into a measuring device. Pendragon Medical's technology is based on a non-invasive method allowing for frequent measurements without blood extraction. The Pendra<sup>®</sup> device, which is worn like a wristwatch, continuously monitors the blood glucose level without the need for a blood sample. The data stored in the device can also be transferred to a computer for more detailed analysis.

### Developments in the year

In March 2003 Stephan Rietiker, former CEO of Centerpulse, joined the company as CEO. The company completed clinical trials of its glucose monitoring device and in May the Pendra<sup>®</sup> was approved by the European regulatory authorities (CE certification). Pendra<sup>®</sup> was launched at a conference of the International Diabetes Foundation in Paris in August and a live demonstration was performed at the Diabetes Technology Meeting in San Francisco in November. The first distribution agreements covering Switzerland, Germany, Austria, Holland, Greece, Eastern Europe (excluding Russia) and South Africa have been signed. Several others will be signed shortly and mass production of the Pendra<sup>®</sup> has commenced. ProgressNow! has continued to finance the company in 2003.

### Outlook

Pendragon Medical expects to close the external financing round in the first quarter of 2004 under the leadership of a renowned German venture capital fund. The company will deliver the first Pendra<sup>®</sup> devices to distributors in the first semester. Increasing efforts will be made to enter into the U.S. market possibly through a partnership with a major national distributor.

### Valuation

The valuation reflects the terms of the term sheet received by the company in December 2003.

### Other significant investors

The other shares are currently held by the company founders and the employees.

# Healthcare

## ZymeQuest, Inc

100 Cummings Center, Suite 436H, Beverly, MA 01915-6122, USA  
www.zymequest.com

*Financing stage:* Early stage  
*Ownership:* 43.57% (fully diluted), 42.99% (voting rights)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>May - December 2000</i>	<i>USD 4.67</i>	<i>USD 4'426'112</i>	
<i>December 2001 (July 2003)</i>	<i>USD 0.52</i>	<i>USD 3'000'000</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>USD 7'426'112</i></b>	<b><i>USD 7'426'112</i></b>
<i>July 2003</i>	<i>USD 0.52</i>	<i>USD 1'208'509</i>	
<b><i>Total 31.12.2003</i></b>		<b><i>USD 8'634'621</i></b>	<b><i>USD 25'996'270</i></b>

*In April 2003 the 8% convertible note, given in December 2001, was increased to USD 4'118'904 by the payment of USD 800'000 and the consolidation of accrued interest of USD 318'904. In July 2003 this note, together with further accrued interest of USD 89'605, was converted into preferred shares. ProgressNow! (Overseas) Ltd holds warrants to purchase 1'730'769 Ordinary shares of the company exercisable at any time until 14/12/2006 at a price of USD 0.54 per share.*

### Description

ZymeQuest is the leader in the discovery, development and commercialisation of enzymatic blood conversion of groups A, B and AB red blood cells to group O (ECO<sup>®</sup>) red blood cells. Only group O cells can be safely transfused to anyone regardless of the recipient's blood group. The conversion of all A, B and AB blood supplies into type O will reduce shortages of rare blood groups (such as B- and AB-) and eliminate the danger of an accidental transfusion with the wrong blood group. In addition, losses from the disposal of outdated blood will be kept to a minimum. ZymeQuest intends to manufacture and sell processing systems (disposable kits, solutions, including recombinant enzymes, and processing devices) that convert non-group O red cells to group O (ECO<sup>®</sup>) red blood cells.

### Developments in the year

ZymeQuest continued to make advances in its clinical development program in 2003. Human trials with enzymatically converted blood group A have been successful and the company has completed this aspect of phase I testing. Bridge financing of USD 1.5 million was provided by existing investors in April. In December a Series E & F Financing round of USD 8.6 million was completed at a price per share of USD 2.50. ZymeQuest has formed a partnership with Chiron Corporation to develop and commercialise ZymeQuest's enzymatic conversion system. Under the terms of the agreement, Chiron will share in the costs of developing and commercialising the enzymatic conversion system and obtains worldwide marketing rights. In addition Chiron has made a significant equity investment.

### Outlook

Upon successful completion of the group A conversion trials (Phase II), the company plans to conduct a single pivotal clinical trial (Phase III) for both the A and B conversion. This trial, which will be carried out in several clinics, will be designed to convert groups A, B and AB red blood cells to ECO<sup>®</sup> red blood cells for patients who need transfusions. After completion of this pivotal trial and FDA review and clearance, the company expects to be in a position to commercialise its conversion technology. Negotiations with an additional partner for commercial production of the required enzymes are expected to be completed in the first half of 2004.

### Valuation

The valuation has been increased to reflect the terms of the Series E & F Financing in December.

### Other significant investors

Chiron Corporation, Baloise Private Equity and Penny Lane Partners L.P.

## Ecopower Energy Solutions AG

Bözingenstrasse 39, CH-2500 Biel 4  
www.ecopower.ch

Ownership: 20.00% (fully diluted/voting rights)

Investment:		Cost:	Fair value:
July 2001	Shareholders' loan	CHF 2'000'000	
May 2002	Repayment	CHF 415'619	
<b>Total 31.12.2002</b>		<b>CHF 1'584'381</b>	<b>CHF 0</b>
<b>Total 31.12.2003</b>		<b>CHF 1'584'381</b>	<b>CHF 0</b>

*ProgressNow! (Overseas) Ltd granted the company a shareholders' loan of CHF 2'000'000, and in consideration for this also received shares and a shareholders' loan of CHF 3'000'000 to Ecopower from the other shareholders. Part of the loan was repaid in May 2002.*

### Description

Ecopower Energy Solutions AG was a research and development company for small hydroelectric power plants and Combined Heat and Power (CHP) systems. The Ecopower micro-CHP was developed for use in detached houses and apartment blocks.

### Developments in the year

As stated in last years' report the company ceased operations in 2002. All assets have been sold.

### Outlook

The liquidation of the company is scheduled for early 2004.

### Valuation

The remaining loan was fully written off in 2002 and this valuation remains unchanged.

### Other significant investors

JURA-Holding, Vorsorgestiftung VSAO.

# Energy

## Energetech Australia Pty Ltd

1 The Avenue, Randwick, NSW 2031, Australia  
www.energetech.com.au

*Financing stage:* Start-up  
*Ownership:* 5.24% (fully diluted), 5.31% (voting rights)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
May 2002	AUD 2.11	AUD 610'388	
<b>Total 31.12.2002</b>		<b>AUD 610'388</b>	<b>AUD 610'388</b>
July 2003	AUD 1.46	AUD 85'250	
<b>Total 31.12.2003</b>		<b>AUD 695'638</b>	<b>AUD 562'000</b>

### Description

Energetech is a renewable energy company that has developed a new system for extracting energy from ocean waves and converting it to electricity. The Energetech technology will make it possible for wave energy to provide a sustainable source of electric power. Wave energy is a suitable renewable energy resource for certain coastlines in major markets in Australia, North and South America, the Pacific Islands, Japan, China, northern Europe, and Africa. The Energetech system can be deployed as a single device, or strung together in a series, similar in concept to wind energy's "wind farms".

The Denniss-Auld turbine, a key component of the Energetech system, can also be sold as a separate component and incorporated into wave energy devices developed by other companies.

### Developments in the year

Although the Energetech turbine was successfully constructed and tested, other agreed milestones were not achieved in the year. In particular, talks with two possible strategic investors did not produce any tangible results. As a result of this the conditions for further funding from the current investor group (SAM Group) were renegotiated twice during the year. Although ProgressNow! participated in the small initial investment round in July 2003 under revised terms, it decided not to participate in the December 2003 round under the newly revised terms.

### Outlook

The December 2003 investment by SAM Group is the first part of a two stage funding to enable the company to complete (by September 2004) the construction of the Port Kembla demonstration wave energy plant and fund the company until mid 2005. The company envisages receiving the second stage of the funding (on the same terms as the SAM Group investment) from new investors by May 2004. If this is not the case the SAM Group is committed to providing the funding at a much reduced valuation.

### Valuation

The valuation has been reduced to reflect the terms of the December 2003 financing round.

### Other significant investors

SAM Sustainable Asset Management Group, Prime New Energy AG, Connecticut Clean Energy Fund and RWE Venture Capital.

# Environment

## Plant Health Care, Inc

440 William Pitt Way, Pittsburgh, PA 15238, USA  
www.planthealthcare.com

*Financing stage:* Expansion - Development  
*Ownership:* 4.91% (fully diluted), 6.70% (voting rights)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>March 2000</i>	<i>USD 3.50</i>	<i>USD 2'100'000</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>USD 2'100'000</i></b>	<b><i>USD 600'000</i></b>
<b><i>Total 31.12.2003</i></b>		<b><i>USD 2'100'000</i></b>	<b><i>USD 600'000</i></b>

### Description

Plant Health Care was established in November 1994 to develop environmentally acceptable alternatives to chemical products for the horticulture, forestry, agriculture, and land restoration industries. The company has four operating units: Plant Health Care USA, PHC Reclamation, PHC de Mexico and PHC Europe. The main products are so-called mycorrhizae, microscopic fungi that live in and around the roots of 95% of the earth's plant species, serving as secondary root systems and extending themselves far out into the soil. Further products of Plant Health Care include rhizobacteria and natural wetting agents. Rhizobacteria improve plant resistance to many root diseases and help make essential soil mineral elements available to the plant. Wetting agents improve the wetting and penetration properties of water. Plant Health Care's products are also put to use by PHC Reclamation which is active in the environmentally friendly reforestation of land devastated by mining and other human activities.

### Developments this year

Revenues and operating results continued to improve in 2003 although breakeven has not yet been achieved. The company has concentrated on markets and products where there is an established PHC brand identity and continued to shed non core operations. Simplot Partners, the largest US golf distribution company, was added as distributor for golf and turf products.

### Outlook

The company believes that it is poised to grow rapidly and profitably in 2004 and subsequent years.

### Valuation

This valuation remains unchanged and is based on the conversion price of USD 1.00 per share of convertible notes issued in 2001-2003.

### Other significant investors

Management and private investors, no significant institutional investors.

# Environment

## Precious Woods Holding AG

c/o Curator AG, Industriestrasse 7, CH-6301 Zug  
www.preciouswoods.ch

<i>Financing stage:</i>	<i>Quoted on the SWX Swiss Exchange</i>		
<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>Dec 2000 – Jan 2001</i>	<i>CHF 59.41</i>	<i>CHF 4'505'565</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>CHF 4'505'565</i></b>	<b><i>CHF 4'739'625</i></b>
<i>May 2003 – Dec 2003</i>	<i>Sales</i>	<i>CHF 4'505'565</i>	
<b><i>Total 31.12.2003</i></b>		<b><i>CHF 0</i></b>	<b><i>CHF 0</i></b>

*During 2003 the entire shareholding (75'834 shares) was sold for CHF 4'643'811 (original cost CHF 4'505'565) in order to generate liquidity.*

### Description

Precious Woods is an internationally leading company in sustainable forest management and has several years' experience in the utilization of naturally produced tropical woods in Latin America. At present Precious Woods operates three projects in Costa Rica and Brazil (Amazonia and Pará). Further information about the company can be found at <http://www.preciouswoods.com>.

# Education

## Enablearning, Inc

98 Raymond Street, Cambridge, MA 02140, USA  
www.enablearning.com

*Financing stage:* Early stage  
*Ownership:* 25.47% (fully diluted), 26.58% (voting rights)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>February – December 2002</i>	<i>USD 0.87</i>	<i>USD 1'258'877</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>USD 1'258'877</i></b>	<b><i>USD 1'258'877</i></b>
<b><i>Total 31.12.2003</i></b>		<b><i>USD 1'258'877</i></b>	<b><i>USD 1'258'877</i></b>

*ProgressNow! (Overseas) Ltd holds warrants to purchase 144'266 Ordinary shares exercisable at any time until 31/1/2007 at a price of USD 0.30 per share.*

### Description

Enablearning has developed an educational Web-based enabling software platform. In contrast to several other e-learning providers' solutions in the area of content management, Enablearning's platform is an "operating system" in the back of a course. The system enables instructors, content developers and students to create and use interactive and visual instructional content.

### Developments this year

During 2003 the company introduced version 3.0 of its Instructional Toolkit, with its three modules Faraday, Maxwell and Marconi. Enablearning continues to place its focus on the problem of Developmental Math in the community colleges. It is the chief technology partner of the Massachusetts Community Colleges in a federally funded, three year grant from the Fund for the Improvement of Post Secondary Education of the US Department of Education to substantially improve the success rates of developmental math students. Expenditure has been carefully controlled and kept within Budget.

### Outlook

Enablearning is in discussions with strategic partners to introduce its product nationwide. Interest from educators is significant and a wide-ranging introduction of the system is expected in 2004.

### Valuation

The valuation remains unchanged at cost.

### Other significant investors

None. The other shares are held by the company founders and the employees.

# Education

## WebCT, Inc

6 Kimball Lane, Suite 310, Lynnfield, MA 01940, USA  
www.webct.com

*Financing stage:* Expansion - Development  
*Ownership:* 1.76% (fully diluted), 2.18% (voting rights)

<i>Investment:</i>	<i>Price per share:</i>	<i>Cost:</i>	<i>Fair value:</i>
<i>March 2000</i>	<i>USD 7.00</i>	<i>USD 4'060'000</i>	
<b><i>Total 31.12.2002</i></b>		<b><i>USD 4'060'000</i></b>	<b><i>USD 5'249'000</i></b>
<b><i>Total 31.12.2003</i></b>		<b><i>USD 4'060'000</i></b>	<b><i>USD 5'249'000</i></b>

### Description

WebCT supports institutes of higher learning in their efforts to provide top quality education using up to date learning methods. WebCT offers students a flexible and varied Web-based learning environment and publishers an ideal platform on which to provide the richest variety of content. The learning process can be individually tailored to better meet the needs of the students and access to academic training programs is made more widely available.

Since its inception in 1995 WebCT has become the market leader in the e-learning marketplace for colleges and universities.

### Developments in year

In May 2003 WebCT introduced WebCT Vista 2.0, the latest version of its Vista "Academic Enterprise System". Since its introduction in 2002, more than 70 institutions have adopted the Vista technology. In addition WebCT continues to offer its course management system WebCT campus. Altogether colleges and universities in 80 countries, including the Swiss Virtual Campus, use WebCT which is available in 14 major languages.

Revenues have increased by over 50% in 2003 and breakeven is expected in the fourth quarter.

### Outlook

The company expects increasing success of its WebCT Vista 2.0 product and an expansion of its market leader position in the e-learning marketplace for colleges and universities. Furthermore WebCT expects to report a significant pre-tax profit for the full year 2004.

### Valuation

The valuation remains unchanged and is based on the USD 70 million Series G share issue at a price of USD 9.05 in September 2000.

### Other significant investors

Thomson Finance SA, JP Morgan Partners, Systems & Computer Technology Corp, BancBoston, Boston Millennia Partners LLP, Munder Net Fund and CMG@ventures.

# Company Information - Corporate Governance

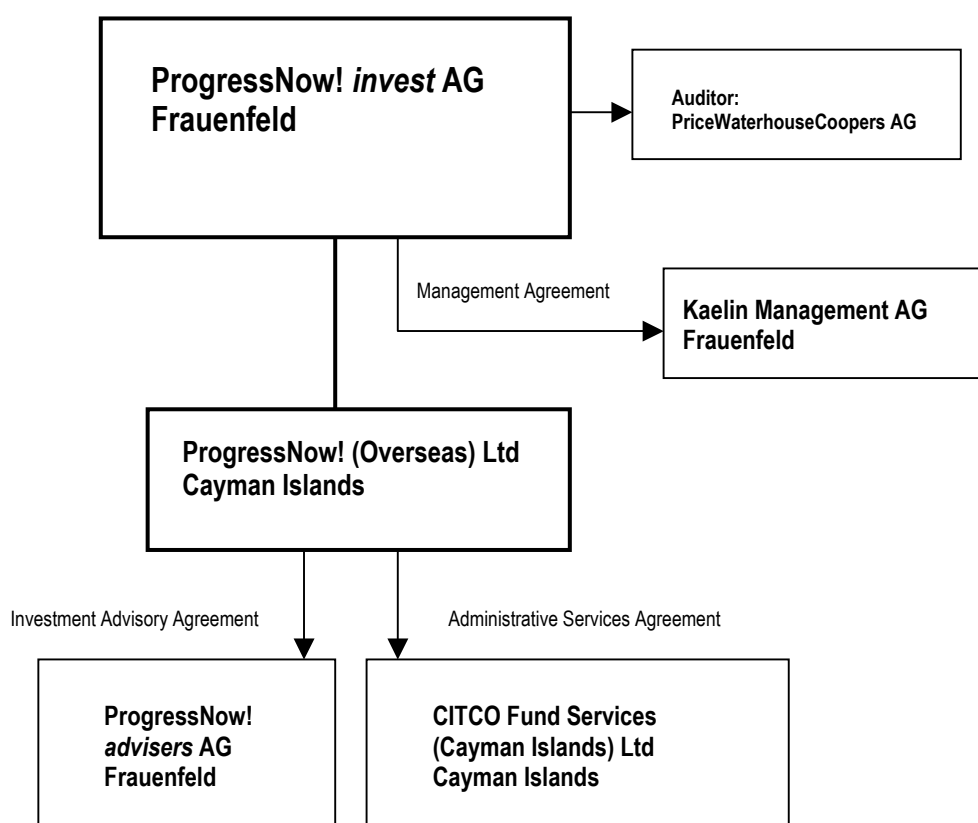
ProgressNow! invest AG, Frauenfeld, was established as a holding company according to Swiss law in February 2000. Through its subsidiary, it invests in listed and unlisted companies that are active in a field, or offer goods or services, that make an active contribution to human development and well-being. Preconditions for an investment are a high degree of innovation, a revolutionary approach and a unique product. Further characteristics of a truly progressive product are universal applicability, a long-term benefit to consumers and a minimum of negative side-effects. If these conditions are met, in the medium to long term the company can expect a strong market position, a large consumer base, a high degree of added value and sustainable profitability.

The information set out below is in accordance the Directive on Information Relating to Corporate Governance of the SWX Swiss Exchange:

## 1. Group structure and shareholders

### 1.1 Group structure

1.1.1 Diagram of the operational group structure:



1.1.2 Information about stock exchange listed companies that are consolidated as per 31.12.2003:

Company	Registered office	Place of listing	Stock market capitalisation	Swiss Security No.
ProgressNow! invest AG	Frauenfeld	SWX Swiss Exchange	CHF 39'340'000	1 051 086

# Company Information - Corporate Governance

1.1.3 Information about unlisted companies that are consolidated as per 31.12.2003:

Company	Registered office	Share capital	% ownership	% of votes
ProgressNow! (Overseas) Ltd	Grand Cayman Cayman Islands B.W.I	CHF 50'000	100%	100%

## 1.2 Significant shareholders

Significant shareholders or shareholder groups	Number of shares as per 31.12.2003	% ownership	% of votes
Bâloise Holding	200'000	28.47%	28.47%
Beamtenversicherungskasse des Kantons Zürich	50'000	7.12%	7.12%
KM (Overseas) Ltd	37'550	5.35%	5.35%

## 1.3 Cross-shareholdings

There are no cross-shareholdings.

## 2. Capital structure

### 2.1 Capital

Ordinary capital as per 31.12.2003: CHF 35'125'000  
 Authorised capital as per 31.12.2003: CHF 17'562'500

### 2.2 Authorised and conditional capital

Authorised capital	Authorisation until	Share category	Nominal value
CHF 17'562'500	11 April 2005	Registered shares	CHF 50

Conditions: The board of directors is authorised to raise the capital at any time by issuing a maximum of 351'250 registered shares which shall be fully paid in. Increases by underwriting as well as partial increases are permissible. The issue price, the date for entitlement to dividends and the type of contribution shall be determined by the board of directors. Shareholders' pre-emptive rights can be excluded and allocated to third parties if such new shares shall be placed at market conditions on foreign capital markets.

The company has no conditional capital.

### 2.3 Changes in capital

Date	Share capital	Statutory reserves	Balance sheet loss	Total equity capital
31.12.2001	CHF 35'125'000	CHF 35'125'000	-7'032'144	63'217'856
31.12.2002	CHF 35'125'000	CHF 35'125'000	-15'457'283	54'792'717
31.12.2003	CHF 35'125'000	CHF 35'125'000	-1'371'460	68'878'540

### 2.4 Shares

Total issued shares	Share category	Nominal value
702'500	Registered shares	CHF 50

All issued shares have identical rights and entitlements. Each share entitles the registered shareholder to one vote in the company's general assembly of shareholders.

### 2.5 Participation certificates and profit sharing certificates

The company has no participation certificates or profit sharing certificates outstanding.

### 2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability per share category:

Article 6 of the company's Articles of Association governs these provisions. The Articles of Association can be viewed in German on the company's Web site at <http://www.progressnow.ch/progressnow/statuten.htm>. The board of directors can refuse acceptance as a full shareholder should an acquirer

# Company Information - Corporate Governance

directly or indirectly acquire or hold more than 5% of the total amount of registered shares entered in the shareholders' register. There is a group clause.

## 2.6.2 Reasons for granting exceptions in the year under review:

The company has neither received a request for granting exceptions from any shareholder nor granted and/or rejected such a request.

## 2.6.3 Admissibility of nominee registrations:

A nominee registration is possible, however without voting rights.

## 2.6.4 Relaxation or cancellation of the limitations on transferability:

The relaxation or cancellation of the limitations on transferability of registered shares require a decision by the general meeting of shareholders that is carried by at least two-thirds of the votes present.

## 2.7 Outstanding convertible bonds and issued options including employee options

As of the date of this report, no convertible bonds are outstanding and no options or employee options have been issued.

## 3. Board of directors

### 3.1 Members of the board of directors

	Nationality	Position	Member of the BOD since	Elected until
<b>Executive members</b>				
Rolf Kälin	Swiss	Vice Chairman	February 2000	AGM 2004
<b>Non-executive members</b>				
Dr. Robert Straub	Swiss	Chairman	February 2000	AGM 2004
René Haeusler	Swiss	Member	March 2000	AGM 2006
Thomas Kull	Swiss	Member	March 2000	AGM 2005

Rolf Kälin is also chairman of the board of ProgressNow! *advisers* AG, Frauenfeld, the investment adviser of ProgressNow! (Overseas) Ltd, and a member of the investment committee. Moreover he is the only director and main shareholder of Kälin Management AG, Frauenfeld. In addition, Rolf Kälin is a board member of the ProgressNow! portfolio companies Axya Medical Inc., Pendragon Medical AG and ZymeQuest Inc. A brief description of the professional career of Rolf Kälin as well as information about his other board memberships, none of which lead to a dependency or conflict of interest with the company, can be found on the company's Web site at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

Dr. Robert Straub is also a board member of Precious Woods Holding AG, Zug, a ProgressNow! portfolio company listed on the SWX Swiss Exchange. A brief description of the professional career of Robert Straub as well as information about other board memberships, none of which lead to a dependency or conflict of interest with the company, can be found on the company's Web site at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

A brief description of the professional career of René Haeusler as well as information about other board memberships, none of which lead to a dependency or conflict of interest with the company, can be found on the company's Web site at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

Thomas Kull is also a board member of ProgressNow! *advisers* AG, Frauenfeld, the investment adviser of ProgressNow! (Overseas) Ltd, and a member of the investment committee. Since 1998, Thomas Kull has been an employee of Bâloise Asset Management AG, a 100% subsidiary of Bâloise Holding AG, a major shareholder of the company. He is responsible for alternative investments. A brief description of

# Company Information - Corporate Governance

the professional career of Thomas Kull as well as information about other board memberships, none of which lead to a dependency or conflict of interest with the company, can be found on the company's Web site at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

## 3.2 Other activities and functions

A brief description of the further activities and functions of each board member can be found on the Web site of the company at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

## 3.3 Cross-involvement

There are no cross-involvements.

## 3.4 Elections and terms of office

There is a staggered renewal of the board of directors. Each year at the Ordinary general meeting of shareholders one third of the board of directors stand for re-election for a term of three years. The dismissal of board members, as well as any changes to the regulations governing the election and term of office of board members, require a decision by the general meeting of shareholders that is carried by at least two-thirds of the votes present. There are no limits on the terms of office.

## 3.5 Internal organisational structure

The organisation and duties of the board of directors are defined in the Articles of Association and Rules of Organisation of the company.

Besides ensuring that all legal regulations in the relevant countries are met, the board of directors has the following duties and responsibilities:

- Executing and monitoring all ongoing business of ProgressNow! (Overseas) Ltd
- Monitoring the investment process of ProgressNow! (Overseas) Ltd
- Monitoring the activities of the administrator CITCO
- Valuing the private equity investments of ProgressNow! (Overseas) Ltd for the annual and semi-annual financial statements of ProgressNow! *invest* Group
- Investment committee: Receiving and deciding on the investment proposals of the investment adviser

The board of directors convenes whenever business requires, but at least four times a year. It is quorate if the majority of its members are present at the meeting, and it takes decisions by a majority of votes cast. In the event of a tied vote, the chairman has the casting vote. On average a board meeting lasts four hours.

The investment committee consists of the board members Rolf Kaelin and Thomas Kull, together with Andrew Moore (until 31.12.2003), who presents the investment proposals on behalf of ProgressNow! *advisers* AG. Andrew Moore is a Certified European Financial Analyst as well as a Chartered Accountant (FCA) and a member of the UK Institute of Taxation (ATII). From 1986 to 2000 he worked for the Credit Suisse Group, most recently as a director in Investment Banking and Private Banking at Credit Suisse in Zurich. He has been a partner of Kaelin Management AG since September 2000 and served as financial analyst for ProgressNow! *advisers* AG until December 2003.

The investment committee convenes whenever business requires. It decides whether the investment adviser's investment proposals are passed on to the board of directors of ProgressNow! (Overseas) Ltd with a proposal for acceptance or rejection.

## 3.6 Definition of areas of responsibility

The board of directors delegates the management of the company to a general manager unless the law, the Articles of Association or the Rules of Organisation provide otherwise. The general manager is primarily responsible for administrative tasks and is not involved in the investment process.

# Company Information - Corporate Governance

## 3.7 Information and control instruments vis-à-vis the management board

Each member of the board of directors can request information relating to all activities of the company and group companies. The board of directors are informed by the general manager at every meeting about current business development and the more important business occurrences. Extraordinary events have to be brought to the board members' attention immediately.

## 4. Management

### 4.1 Members of the management

Management consists of a general manager only, whose primary duty is to handle all administrative matters of the company in Switzerland. Apart from the receipt of reports, the responsibilities of the general manager do not basically extend to ProgressNow! (Overseas) Ltd.

The management is covered by a management agreement between the company and Kaelin Management AG, with an annual fee for services rendered of CHF 25'000. The company has no employees.

Management is performed by Bettina S. Steffen, a Certified Swiss Banker who has more than 15 years of international banking experience. Bettina Steffen is a board member of the ProgressNow! portfolio company Pendragon Medical AG. A brief description of her professional career together with details of other functions, none of which lead to a dependency or conflict of interest with the company, can be found on the company's Web site at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

Investment Controlling is carried out by Brian Bailey under the supervision of management. Brian Bailey is a Chartered Accountant (FCA) and has more than 30 years of professional experience as Auditor and Financial Controller. A brief description of his professional career together with details of other functions, none of which lead to a dependency or conflict of interest with the company, can be found on the company's Web site at <http://www.progressnow.com/progressnow/verwaltungsrat.htm>.

### 4.2 Other activities and functions

Besides her functions for the company, Bettina Steffen is active for Kaelin Management AG and ProgressNow! *advisers* AG as well as other companies in which Kaelin Management AG has a stake. She has no other activities or functions that result in dependencies or conflicts of interest.

### 4.3 Management contracts

#### 4.3.1 Investment Advisory Agreement

ProgressNow! (Overseas) Ltd is advised in respect of its investments by ProgressNow! *advisers* AG, an investment adviser domiciled in Frauenfeld. As described in sub-section 3.1, two board members of ProgressNow! *invest* AG are also board members of ProgressNow! *advisers* AG. Kaelin Management AG and Bâloise Holding AG are the main shareholders of ProgressNow! *advisers* AG.

According to the investment advisory agreement, the subsidiary pays the adviser an annual advisory fee of 2% of the audited consolidated total net asset value of the company at the beginning of the business year. Capital transactions during the year are included at their cash value as from the quarter following the transaction.

At the end of each business year, the subsidiary pays the adviser a performance fee based on the increase in the share price of the company on the SWX Swiss Exchange. The performance fee is calculated as follows:

≥ 10% increase versus prior year: 10% performance fee

≥ 15% increase versus prior year: 20% performance fee

In the case of a decrease in the share price versus prior year, a performance fee is only paid again once the historic high price is reached ("high water mark"). At the present time the high water mark is CHF 100.00 per share.

# Company Information - Corporate Governance

The investment advisory agreement can be terminated with twelve months' notice for the first time as of 30 June 2005.

## 4.3.2 Administrative Services Agreement

The administration of ProgressNow! (Overseas) Ltd is covered by an Administrative Services Agreement between ProgressNow! (Overseas) Ltd and CITCO Fund Services (Cayman Islands) Ltd. The annual administration fee is USD 20'000. The subsidiary has no employees.

The administrative services agreement can be terminated as per 30 June, with a notice period of three months.

## 5. Compensation, shareholdings and loans

### 5.1 Content and method of determining the compensation and shareholding programmes

There are no compensation or shareholding programmes for current or former members of the board of directors or the management.

### 5.2 Compensation for acting members of governing bodies

The board members of the company received no directors' remuneration in the year under review. They were compensated indirectly through their shareholdings in ProgressNow! *advisers* AG. The board members Rolf Kaelin and Thomas Kull were remunerated under their contracts with Kaelin Management AG and Bâloise Asset Management AG respectively. The board members Dr. Robert Straub and René Häusler received dividends of total CHF 10'500 in 2003 for services rendered in 2002. A possible compensation for services rendered in 2003 by way of a dividend payment in 2004 (based on the annual profit of ProgressNow! *advisers* AG for the year 2003) has not yet been finalised.

### 5.3 Compensation for former members of governing bodies

In the year under review, no compensation was paid to former members of governing bodies.

### 5.4 Share allotment in the year under review

In the year under review, no shares in the company were allotted to members of governing bodies or closely linked parties.

### 5.5 Share ownership

As per 31.12.2003, 48'762 shares are held by executive members of the board of directors, members of the management and parties closely linked to such persons.

As per 31.12.2003, 17'700 shares are held by non-executive members of the board of directors and parties closely linked to such persons.

### 5.6 Options

There are no options outstanding on company shares.

### 5.7 Additional fees and remuneration

No additional fees or remuneration were paid to members of the board of directors and management.

### 5.8 Loans granted by governing bodies

No loans were granted to members of the board of directors and management or parties closely linked to such persons.

### 5.9 Highest total compensation

The company paid no salaries or directors' remuneration in the year under review (cf. sub-section 5.2). The highest total compensation paid in 2003 in the form of a dividend from ProgressNow! *advisers* AG for the business year 2002 was CHF 5'250 gross.

# Company Information - Corporate Governance

## 6. Shareholders' participation

### 6.1 Voting-rights and representation restrictions

There are no voting-rights restrictions. All shareholders can nominate another person, who does not have to be a shareholder, to vote for him at general meetings of shareholders.

### 6.2 Statutory quorums

Statutory quorums are defined in article 12 of the company's Articles of Association. In addition to the cases mentioned in sub-sections 2.6 and 3.4 above and the cases listed in Art. 704 §1 CO, a minimum of two-thirds of the votes present is required for the conversion of registered shares into bearer shares and the abolishment of the statutory restrictions regarding decisions taken at general meetings of shareholders. The Articles of Association can be found in German on the company's Web site at <http://www.progressnow.ch/progressnow/statuten.htm>.

### 6.3 Convocation of the general meeting of shareholders

The Articles of Association contain no rules for the convocation of the general meeting of shareholders that vary from, or supplement, those required by law.

### 6.4 Agenda

The Articles of Association contain no requirements for the adding of items to the agenda of the general meeting of shareholders that vary from, or supplement, those required by law.

### 6.5 Registrations in the share register

Registrations in the share register are made until 10 working days before the date of the general meeting of shareholders.

## 7. Changes of control and defence measures

### 7.1 Duty to make an offer

The duty to make an offer is defined by the applicable legal provisions. There are no statutory rules on opting up and opting out.

### 7.2 Clauses on changes of control

There are no agreements benefiting members of the board of directors and/or the management in the case of change of control.

## 8. Auditors

PriceWaterhouseCoopers AG, Hallerstrasse 10, 3001 Bern, serve as company and group auditors.

### 8.1 Duration of the mandate and term of office of the lead auditor

Jürg Kummer and Andreas Aebersold are the lead auditors. They have audited the company since its inception in 2000. The term of office is one year.

### 8.2 Audit fees

In the year under review audit fees of CHF 31'236 were paid.

### 8.3 Additional fees

In the year under review, other fees of CHF 10'222 were paid to the auditors.

### 8.4 Supervisory and control instruments pertaining to the audit

The auditors prepare a statutory auditors' report and a report of the group auditors. Important matters that the auditors wish to bring to the attention of the board of directors are, if necessary, set out in a management letter. The board of directors review the reports at their meeting in Spring. Recommendations contained in the management letter are examined by the board of directors and implemented where appropriate.

# Company Information - Corporate Governance

## 9. Information policy

<b>Event</b>	<b>Date</b>
End of business year	31 December
General meeting of shareholders 2004	1 March 2004
Semi-annual accounts	30 June

The company publishes audited consolidated annual accounts prepared according to IFRS and unaudited semi-annual consolidated accounts prepared according to IFRS. The annual accounts are presented at the ordinary general meeting of shareholders which takes place in March / April of the following year. The annual report is sent to the shareholders registered in the share register together with the invitation to the ordinary general meeting of shareholders. The semi-annual accounts, together with the semi-annual report, are sent in August to the shareholders registered in the share register.

Annual and semi-annual reports as well as information about the company are published on the company's Web site <http://www.progressnow.com>. The Web site also features information about the investment focus of the company and the valuation criteria for private equity investments. In addition, the investor finds up-to-date information about the individual portfolio companies including links to the Web sites of the portfolio company in question, as well as the net asset value of the company which is updated on a weekly basis.

# IFRS Accounts

## ProgressNow! invest Group

Consolidated balance sheet as of December 31 (in Swiss francs)		2003	%	2002	%		
	Notes	CHF		CHF			
<b>ASSETS</b>							
Cash and cash equivalents	3	262'240	0.37	1'563'525	2.92		
Receivables	4	186'795	0.26	415'748	0.78		
Marketable securities	5	0	0.00	4'739'625	8.86		
Private equity investments	6	61'570'453	87.23	39'923'777	74.60		
Shareholders' loans and convertible notes	7	8'567'162	12.14	6'875'075	12.85		
<b>Total assets</b>		<b>70'586'650</b>	<b>100.00</b>	<b>53'517'750</b>	<b>100.00</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
Creditors and Accruals	8	1'145'125	1.62	64'615	0.12		
<b>Total liabilities</b>		<b>1'145'125</b>	<b>1.62</b>	<b>64'615</b>	<b>0.12</b>		
Share capital	9	35'125'000	49.76	35'125'000	65.63		
Additional paid in capital		35'125'000	49.76	35'125'000	65.63		
Loss carried forward:							
- net profit/loss for the year		-16'796'865	-808'475	-1.15	-9'013'341	-16'796'865	-31.39
- equity consolidation of treasury shares (movement)		14'611'901			-7'944'651		
- deferred taxes	17	1'376'489			120'286		
		0			40'841		
<b>Total shareholders' equity</b>		<b>69'441'525</b>	<b>98.38</b>	<b>53'453'135</b>	<b>99.88</b>		
<b>Total liabilities and shareholders' equity</b>		<b>70'586'650</b>	<b>100.00</b>	<b>53'517'750</b>	<b>100.00</b>		

Consolidated income statement for the business year ended December 31 (in Swiss francs)		2003	2002
	Notes	CHF	CHF
<b>Finance income/costs</b>			
Interest income	10	502'291	633'595
Realised loss from marketable securities	11	-95'814	0
Realised loss from private equity investments	12	-10'168	0
Unrealised gain from marketable securities		0	37'917
Unrealised net gain/loss from private equity	13	15'744'092	-5'379'242
Unrealised net loss from shareholders' loans and	14	-155'301	-1'551'476
Realised foreign exchange gains/losses		-1'905	-36'307
Unrealised foreign exchange gains/losses		-6'399	-51'422
Other finance costs		-63'007	-13'362
<b>Total net finance income /costs</b>		<b>15'913'789</b>	<b>-6'360'297</b>
<b>Other costs</b>			
Portfolio management costs	15	-1'095'849	-1'264'352
Other administrative costs		-195'063	-270'085
Capital tax		-10'976	-9'076
<b>Total other costs</b>		<b>-1'301'888</b>	<b>-1'543'513</b>
<b>Deferred taxes</b>	17	<b>0</b>	<b>-40'841</b>
<b>Net profit/loss</b>		<b>14'611'901</b>	<b>-7'944'651</b>
<b>Profit/Loss per outstanding share:</b>		<b>21.34</b>	<b>-11.69</b>
Weighted average number of shares outstanding:		684'619	679'453
<b>Profit/Loss per issued share:</b>		<b>20.80</b>	<b>-11.31</b>
Total issued shares:		702'500	702'500

# IFRS Accounts

## ProgressNow! invest Group

<b>Consolidated statement of cash flows for the business year ended December 31 (in Swiss francs)</b>	<b>2003 CHF</b>	<b>2002 CHF</b>
Sale of marketable securities	4'643'811	0
Purchase of private equity investments	-85'329	-11'223'493
Purchase of shareholders' loans and convertible notes	-6'953'361	-2'037'450
Repayment of shareholders' loans and convertible notes	0	415'649
Interest received	2'976	271'044
Interest and bank charges paid	-63'007	-13'362
Portfolio management and administrative expenses paid	-195'725	-1'581'985
Taxes paid	-25'218	-1'376
<b>Net cash used in operating activities</b>	<b>-2'675'853</b>	<b>-14'170'973</b>
Sale of treasury shares	1'734'918	2'017'593
Purchase of treasury shares	-358'429	-1'897'308
<b>Net cash provided by financing activities</b>	<b>1'376'489</b>	<b>120'285</b>
Foreign exchange gains/losses on cash and cash equivalents	-1'921	-34'560
<b>Net decrease in cash and cash equivalents</b>	<b>-1'301'285</b>	<b>-14'085'248</b>
<b>Cash and cash equivalents at the beginning of the business year</b>	<b>1'563'525</b>	<b>15'648'773</b>
<b>at the end of the business year</b>	<b>262'240</b>	<b>1'563'525</b>
<b>Decrease</b>	<b>-1'301'285</b>	<b>-14'085'248</b>

Non cash transactions are set out in notes 5 - 7 to the consolidated financial statements

## Consolidated statement of changes in shareholders' equity as per December 31, 2003

<b>Shareholders' equity</b>		<b>Share capital</b>	<b>Share premium</b>	<b>Retained profits / losses</b>	<b>Total shareholders' equity</b>
Balance January 1, 2002	1.1.2002	35'125'000	29'497'840	-3'386'181	61'236'659
Consolidation of treasury shares	31.12.2002		120'286		61'356'945
Deferred tax	31.12.2002		40'841		61'397'786
Net loss	31.12.2002			-7'944'651	53'453'135
Balance January 1, 2003	1.1.2003	35'125'000	29'658'967	-11'330'832	53'453'135
Consolidation of treasury shares	31.12.2003		1'376'489		54'829'624
Deferred tax	31.12.2003		0		54'829'624
Net profit	31.12.2003			14'611'901	69'441'525
<b>Balance at December 31, 2003</b>	<b>31.12.2003</b>	<b>35'125'000</b>	<b>31'035'456</b>	<b>3'281'069</b>	<b>69'441'525</b>

## Statement of treasury shares as per December 31, 2003

<b>Treasury shares</b>	<b>Number of shares</b>	<b>Price in CHF Highest</b>	<b>Price in CHF Average</b>	<b>Price in CHF Lowest</b>	<b>Historic cost CHF</b>
As per January 1, 2003	31'147		62.52		1'947'222
Purchases	8'935	56.19	40.12	32.11	358'429
Sales	-39'350	44.85	44.09	43.85	-1'734'918
Realised loss					-535'899
<b>As per December 31, 2003</b>	<b>732</b>		<b>47.59</b>		<b>34'834</b>

# IFRS Accounts

**ProgressNow! invest Group**

## Notes to the consolidated financial statements for the year 2003

### Organisation and business activity

The ProgressNow! invest Group (the Group) provides institutional and private investors access to marketable securities and private equity investments in companies that contribute to human well-being and development. The investment focus is in the healthcare, education and environment sectors including renewable energy sources.

The parent company of the Group is ProgressNow! invest AG, which is a joint stock company pursuant to Art. 620 CO and is incorporated and domiciled in Switzerland. The address of the registered office is Bahnhofplatz 65, 8500 Frauenfeld, Switzerland. Its duration is unlimited.

The company is listed on the SWX Swiss Exchange.

### Accounting policies

#### Basis of preparation

The consolidated financial statements are prepared in accordance and comply with International Financial Reporting Standards (IFRS – formerly IAS). The financial statements are prepared under the historical cost convention, with the exception of marketable securities and private equity investments which, as "available for sale securities", are valued at "fair value". The measurement currency is Swiss francs.

#### Consolidation

Subsidiaries – i.e. companies in which the Group directly or indirectly holds 50% or more of the voting rights or otherwise has power to exercise control over operations – are consolidated. Consolidation is carried out from the date on which effective control is transferred to the Group, and ends on the date of disposal. All intercompany transactions, balances and unrealised gains and losses arising from intercompany transactions have been eliminated. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Private equity investments in which the Group directly or indirectly holds 50% or more of the voting rights on the balance sheet date or otherwise has power to exercise control over operations, but that are held in connection with the business purpose of the ProgressNow! invest Group with the medium- to long-term aim of disposal, are not consolidated but are classified as "available for sale securities" and are valued in the balance sheet in accordance with the valuation guidelines of the ProgressNow! invest Group listed below.

#### Foreign currencies

Foreign currency transactions in Group companies are translated into Swiss francs at the exchange rates prevailing at the date of the transaction; assets and liabilities are translated into Swiss francs at the exchange rate in effect at the date of the financial statements. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

#### Financial instruments

In order to hedge market risks and to improve the return from marketable securities the Group may use options and various other financial instruments. The Group does not use derivative financial instruments for speculative purposes.

The valuation of these instruments depends on the purpose of their use. Hedging transactions are valued on the same basis as the underlying position. Changes in the value of the hedging instruments are not

# IFRS Accounts

recognised until the corresponding change in value of the underlying position has been recognised in the income statement. All other instruments not specifically used for hedging purposes are stated at market value.

## **Adoption of IAS 39**

On January 1, 2001 the Group adopted IAS 39, a new standard that regulates the recording, measurement and disclosure of financial instruments. Marketable securities and private equity investments are classified as "available for sale securities". All financial instruments are initially recognised at cost. "Available for sale securities" are subsequently re-measured at "fair value". Gains and losses arising from changes in "fair value" are recognised in the income statement as unrealised gains or losses.

## **Marketable securities**

Marketable securities are stated at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Gains and losses arising from the sale of marketable securities are recognised in the income statement as realised gains and losses. Changes in the value of marketable securities as per the balance sheet date are recognised in the income statement as unrealised gains or losses.

## **Private equity investments**

Private equity investments are investments in young companies at the venture stage (venture capital) and in securities that are not dealt on a recognised stock exchange. They are valued according to the valuation guidelines of the Group (adoption of IAS 39 of the IASC). In cases where, in the opinion of the board of directors, there has been a change in the value of an investment, an adjustment to the fair value is recorded as an expense or income in the income statement. No independent external valuations are conducted for private equity investments. The valuations are the sole responsibility of the board of directors.

## **Basic principles for the valuation of private equity investments**

Private equity investments shall be valued at fair value. This is defined as "the amount for which an asset could be exchanged between a willing buyer and a willing seller in an arm's length transaction". The principle of conservative valuation shall always be followed. If an adjustment to fair value is deemed necessary it should, as far as possible, be carried out on the same basis as other co-investors in the company. Downward revaluations carried out by a lead investor must be followed. Should a company become publicly traded (e.g. via an IPO) then the valuation principles of Marketable Securities shall be followed i.e. mark to market but liquidity restrictions shall be taken into account.

## **Valuation Guidelines for Direct Investments**

Participations in privately held companies shall, in principle, initially be valued at cost since this is considered to be an approximation of fair value at the date of the transaction.

However, adjustments to fair value may become necessary as a result of subsequent events and the measurement of such fair value shall be made as follows:

### ***New Financing Round / Sale of Shares:***

An increase or decrease in valuation shall be made if a new financing round takes place or a partial takeover / sale occurs. In both cases, shares in the company will have been sold at a different price to that originally paid or the most recent valuation.

In the case of a new financing round, the new price may be used for valuation purposes if

- shares are sold to non-strategic investors at arm's length
- an amount of at least 5% of issued capital is raised
- the new valuation varies by at least 10% to the current valuation.

In the case of a partial takeover, the new price may only be used if an offer, in cash, was received for all or part of the holding in the target company. The offer must have been accepted for a significant portion (>20%) of the target company by third party investors not related to the offering company.

If some form of payment, other than cash, is received (i.e. shares) then the new valuation is calculated using these valuation principles. In particular, if quoted securities are received, the new valuation shall be fixed at the market value of the securities on the first date on which they can be traded.

# IFRS Accounts

## **Material Diminution in Value:**

A downward adjustment to the valuation is made if significant market or company events have occurred since the date of investment which lead to a material diminution in value. In this case the investment is written down in multiples of 25%, based on the points system below:

### • **Financial situation:**

only one criterion to be selected (i.e. not cumulative)

10 points: the company is theoretically insolvent and has no short-term rescue plan;

4 points: cash available in, or committed to, the company is sufficient only for the next 3 months at the expected burn rate

2 points: cash available in, or committed to, the company is sufficient only for the next 6 months at the expected burn rate

2 points: failure to raise planned new funds within 6 months

### • **Achievement of milestones / change of strategy:**

up to 5 points: a change in the strategy of the company when compared to the original business plan or failure of the company to meet agreed milestones

### • **Business plan / budget comparison:**

up to 4 points: for either / or:

- lower sales than budgeted in the half-year review period

- higher losses than budgeted in the half-year review period.

### • **Market conditions:**

up to 3 points: adverse market development, in particular a significant stock market correction in the sector in which the company is active since the date of the investment.

### • **Valuation adjustment**

5 points or less: no change

6 to 7 points: decrease in valuation of 25%

8 to 9 points: decrease in valuation of 50%

10 to 11 points: decrease in valuation of 75%

12+ points: decrease in valuation of 100%

A decrease in the valuation shall not be made, even if factors exist which would otherwise justify such a reassessment, if a company has issued new shares to non-strategic investors at arm's length and a significant amount is raised (at least 5 % of issued capital) within the last three months at a price equal to, or above, the most recent valuation.

In addition, should a downward valuation have been made based on the points system described above, then the valuation is adjusted upwards to a maximum level of the previous valuation if the factors causing the devaluation are no longer valid.

## **Material increase in value:**

An upward adjustment to the valuation should be made if a significant event occurs which leads to a material increase in value. Such an event could be:

• regulatory approval

• issuance of a patent

• revenue generation

• profit generation

• positive cash flow generation

• receipt of a term sheet meeting the "new financing round" criteria

An increase in the valuation shall not be made, even if factors exist which would otherwise justify such a reassessment, if a company has issued new shares to non-strategic investors at arm's length and a significant amount is raised (at least 5 % of issued capital) within the last three months at a price equal to, or below, the most recent valuation.

# IFRS Accounts

## Valuation guidelines for options on direct investments

Options on private equity investments are valued at cost. A revaluation to the intrinsic value of the option (along the lines of a share valuation) is carried out if a new financing round or a partial take-over or sale of the company takes place. Time value and volatility are not taken into account.

## Shareholders' loans and convertible notes

Shareholders' loans are valued at cost less any necessary valuation adjustments. They are subject to periodic valuation reviews.

Convertible notes that are convertible into shares on the occasion of the next financing round are valued at cost less any necessary valuation adjustments. They are subject to periodic valuation reviews. Any conversion rights (discount and/or options) are valued separately should a valuation be possible. Valuation increases as a result of conversion rights are recognised in the income statement.

## Treasury shares

Treasury shares held at the year end are presented in the balance sheet as a deduction from equity. Gains and losses arising from treasury share transactions are not recognised in the income statement but are shown as a change in equity (application of interpretation SIC 16 of the IASC).

## Taxes

The tax expense consists of capital taxes and current and deferred income taxes. Capital taxes on the shareholders' equity of ProgressNow! *invest* AG are recognised in the income statement as an operating expense. Current income taxes are calculated on the taxable income of each Group company according to the provisions of the local tax laws. Deferred income taxes are calculated on all temporary differences arising from the different valuation bases of assets and liabilities for tax purposes and their carrying values in the consolidated financial statements. The calculation is made by using the "liability method" and based on current tax rates.

Deferred tax assets are only recognised for tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. This is reassessed each year.

## Notes to the consolidated financial statements 2003

### 1. Exchange rates

Closing rates used to translate monetary balance sheet items denominated in foreign currencies:

Currency:	2003	2002
USD	1.2368	1.3830
AUD	0.9318	0.7790

### 2. Consolidated companies as of December 31, 2003

Company	Registered office	Country	% ownership
ProgressNow! <i>invest</i> AG	Frauenfeld	Switzerland	---
ProgressNow! (Overseas) Ltd	Grand Cayman	Cayman Islands	100 %

### 3. Cash and cash equivalents

Cash and cash equivalents consist of current accounts with banks, payable on demand. These comprise USD and CHF accounts only.

### 4. Receivables

Receivables consist of the following:

	2003	2002
Federal tax administration for withholding tax deducted from interest from banks	CHF 195	CHF 2'642
Interest from shareholders' loans and convertible notes	CHF 186'600	CHF 413'106
	<b>CHF 186'795</b>	<b>CHF 415'748</b>

# IFRS Accounts

## 5. Marketable securities

Marketable securities are stated at market value. Market value is calculated by reference to stock exchange quoted prices at the close of business on the balance sheet date.

<b>Balance by investment category and currency</b>	<b>2003</b>		<b>2002</b>	
Environment in CHF	CHF	0	CHF	4'739'625

<b>Investment activity</b>	<b>2003</b>		<b>2002</b>	
	<b>Additions</b>	<b>Disposals</b>	<b>Additions</b>	<b>Disposals</b>
Environment in CHF	CHF 0	CHF -4'643'811	CHF 4'701'708 *1	CHF 0

### Reclassifications/Non cash transactions:

\*1: The shares of Precious Woods AG were listed on the SWX Swiss Exchange on 18th March 2002. The holding on that date in the value of CHF 4'701'708 was reclassified from private equity investments to marketable securities.

<b>Marketable securities</b>	<b>Balance at beginning of year</b>		<b>Balance at end of year</b>	
	<b>Number</b>	<b>CHF</b>	<b>Number</b>	<b>CHF</b>
<b>Environment</b>				
Precious Woods Holding AG	75'834	4'739'625	0	0
<b>Total marketable securities</b>		<b>4'739'625</b>		<b>0</b>

## 6. Private equity investments

Private equity investments are valued in accordance with the valuation guidelines of the ProgressNow! invest Group.

<b>Balance per investment category and currency</b>	<b>2003</b>		<b>2002</b>	
Healthcare in CHF	CHF	15'479'504	CHF	9'252'121
Healthcare in USD	CHF	36'776'373	CHF	20'365'969
Environment in USD	CHF	742'050	CHF	829'800
Energy in AUD	CHF	523'909	CHF	475'493
Education in USD	CHF	8'048'617	CHF	9'000'394

<b>Investment activity</b>	<b>2003</b>		<b>2002</b>	
	<b>Additions</b>	<b>Disposals</b>	<b>Additions</b>	<b>Disposals</b>
Healthcare in CHF	CHF 10'168	CHF 0	CHF 7'501'909 *1	CHF 0
Healthcare in USD	CHF 5'827'422 *3	CHF 0	CHF 3'337'000	CHF 0
Environment in CHF	CHF 0	CHF 0	CHF 0	CHF -4'701'708 *2
Energy in AUD	CHF 75'161	CHF 0	CHF 528'399	CHF 0
Education in USD	CHF 0	CHF 0	CHF 1'856'185	CHF 0

### Reclassifications/Non cash transactions:

\*1: Including the conversion of shareholder's loan CHF 2'000'000 (Pendragon Medical AG) into 62'722 shares in January 2002.

\*2: The shares of Precious Woods AG were listed on the SWX Swiss Exchange on 18th March 2002. The holding on that date in the value of CHF 4'701'708 was reclassified from private equity investments to marketable securities.

\*3: In July 2003 the convertible note from ZymeQuest of USD 4'118'904 (CHF 5'707'074) together with outstanding interest of USD 89'605 (CHF 120'348) was converted into 8'093'288 shares. Following the conversion 1'730'769 options were received.

# IFRS Accounts

Direct investments	Investment type	Balance at beginning of year				Balance at end of year			
		Owner-ship in %	Voting rights in %	Number	Fair value CHF	Owner-ship in %	Voting rights in %	Number	Fair value CHF
<b>Healthcare</b>									
Alphaport, Inc	Options *4	na	na	725'000	0	na	na	725'000	0
Axya Medical, Inc	Shares	5.71	6.08	1'666'667	5'532'001	6.07	6.56	1'666'667	371'025
Cadent Holdings, Inc	Shares	5.53	6.38	310'090	1'950'030	4.00	4.83	310'090	1'230'932
EndoVia Medical, Inc	Shares	18.14	21.95	4'007'766	6'762'143	17.42	21.83	4'007'766	3'023'529
Pendragon Medical AG *5	Shares	52.00	53.34	1'191'667	9'002'121	52.00	53.34	1'191'667	15'229'504
	Options *6	na	na	2	250'000	na	na	2	250'000
ZymeQuest, Inc	Shares	13.15	17.82	948'297	6'121'795	43.57	42.99	9'041'585	27'955'451
	Options *7	na	na	0	0	na	na	1'730'769	4'195'436
					<b>29'618'090</b>				<b>52'255'877</b>
<b>Environment</b>									
Plant Health Care, Inc	Shares	6.83	7.09	600'000	829'800	4.91	6.70	600'000	742'050
					<b>829'800</b>				<b>742'050</b>
<b>Energy</b>									
Energetech Australia Pty Ltd	Shares	6.35	6.47	289'706	475'493	5.24	5.31	348'179	523'909
					<b>475'493</b>				<b>523'909</b>
<b>Education</b>									
Enablearning, Inc	Shares	25.47	26.58	1'452'905	1'741'027	25.47	26.58	1'452'905	1'556'916
	Options *8	na	na	144'266	0	na	na	144'266	0
WebCT, Inc	Shares	1.75	2.18	580'000	7'259'367	1.76	2.18	580'000	6'491'701
					<b>9'000'394</b>				<b>8'048'617</b>
<b>Total direct investments</b>					<b>39'923'777</b>				<b>61'570'453</b>

## Notes:

\*4: 500'000 options give the right to purchase 500'000 ordinary shares at a price of USD 0.01 per share exercisable in the event of a private placement in which at least USD 2.5m is raised, an IPO, a reorganisation, a sale or merger of the company, or at the latest by 31.10.2006. 225'000 Options give the right to purchase 225'000 ordinary shares at a price of USD 0.01 per share exercisable in the event of a private placement in which at least USD 2.5m is raised, an IPO, a reorganisation, a sale or merger of the company, or at the latest by 31.10.2007.

\*5: Pendragon Medical AG is recorded at fair value at 31.12.2003 and not consolidated. A financing round is to be concluded in the near future as a result of which ProgressNow's ownership of Pendragon Medical AG will drop below 50%.

\*6: Options to purchase 5% of the share capital of the company outstanding at the exercise date from the two founder shareholders. The options are exercisable at any time until 3 months after the market introduction of Pendragon's first product in both US and European markets. The exercise price of the options is based on a fully diluted valuation of the company of CHF 45m.

\*7: 1'730'769 options giving the right to purchase 1'730'769 shares at a price of USD 0.54 per share, exercisable at any time until 14.12.2006.

\*8: 144'266 options giving the right to purchase 144'266 shares at a price of USD 0.30 per share, exercisable at any time until 31.01.2007

## 7. Shareholders' loans and convertible notes

Shareholders' loans and convertible notes are valued at cost less valuation adjustments:

Balance per investment category and currency		2003		2002
Healthcare in CHF	CHF	6'982'027	CHF	2'000'000
Healthcare in USD	CHF	1'585'135	CHF	4'875'075

# IFRS Accounts

Investment activity	2003			2002		
	Additions		Disposals	Additions		Disposals
Healthcare in CHF	CHF 4'982'027 *2	CHF	0	CHF 2'000'000	CHF	-2'000'000 *1
Healthcare in USD	CHF 2'572'435 *3	CHF	-5'707'074 *4	CHF 37'450	CHF	0
Energy in CHF	CHF 0	CHF	0	CHF 0	CHF	-415'649

## Reclassifications/Non cash transactions:

\*1: In January 2002 a shareholder's loan of CHF 2'000'000 to Pendragon Medical AG was converted into 62'722 shares.

\*2: Including capitalised interest of CHF 157'027 charged to Pendragon Medical AG upon extensions of shareholders' loans.

\*3: Including capitalised interest of USD 318'904 (CHF 444'074) charged to ZymeQuest, Inc upon extension of a note in April 2003.

\*4: In July 2003 the convertible note of USD 4'118'904 (CHF 5'707'074) from ZymeQuest, Inc was converted into shares.

Shareholders' loans (SL) and convertible notes (CN)	Balance at beginning of year			Balance at end of year		
	Historical cost CHF	Valuation adjustment CHF	Net value CHF	Historical cost CHF	Valuation adjustment CHF	Net value CHF
<b>Healthcare</b>						
Alphaport, Inc (CN) *5	852'800	126'725	726'075	852'800	203'506	649'294
EndoVia Medical, Inc (CN) *6	0	0	0	1'014'361	78'520	935'841
Pendragon Medical AG (SL)	2'000'000	0	2'000'000	6'982'027	0	6'982'027
ZymeQuest Inc (CN)	4'995'600	846'600	4'149'000	0	0	0
			<b>6'875'075</b>			<b>8'567'162</b>
<b>Energy</b>						
Ecopower Energy Solutions AG (SL)	1'584'351	1'584'351	0	1'584'351	1'584'351	0
			<b>0</b>			<b>0</b>
<b>Total shareholders' loans and convertible notes</b>			<b>6'875'075</b>			<b>8'567'162</b>

## Notes:

\*5: The convertible note is convertible into shares on the terms of the next financing round. The note is automatically repayable should no conversion take place by 31.10.2006.

\*6: The convertible note is convertible into shares at a discount of 30% to the terms of the next financing round. The note is automatically repayable should no conversion take place by 08.02.2004.

## 8. Creditors and accruals

Creditors and accruals consist of the following:

		2003		2002
Advisory fee	CHF	1'095'849	CHF	0
Capital taxes	CHF	10'000	CHF	24'243
Other accruals	CHF	39'276	CHF	40'372
	<b>CHF</b>	<b>1'145'125</b>	<b>CHF</b>	<b>64'615</b>

## 9. Share capital

### Issued shares

As at 31.12.2003 there were 702,500 registered shares of nominal value CHF 50 issued and fully paid.

### Outstanding shares

As at 1.1.2003 the company held 31'147 treasury shares at cost CHF 1'947'222. During the year 8'935 treasury shares were purchased on the SWX Swiss Exchange at an average price of CHF 40.12 for total CHF 358'429, and 39'350 treasury shares were sold at an average price of CHF 44.09 for total

# IFRS Accounts

CHF 1'734'918. As at 31.12.2003 the company held 732 treasury shares and therefore 701'768 shares were outstanding.

## Authorised capital

The board of directors is authorised to raise the capital of the company by a maximum of CHF 17'562'500 at any time until 11<sup>th</sup> April 2005.

## 10. Interest income

Interest income consists of the following:

	2003		2002	
Interest from banks	CHF	529	CHF	44'980
Interest from shareholders' loans and convertible notes	CHF	501'762	CHF	588'615
	<b>CHF</b>	<b>502'291</b>	<b>CHF</b>	<b>633'595</b>

## 11. Realised loss from marketable securities

	2003 realised			2002 realised		
	Gain	Loss		Gain	Loss	
Environment in CHF	CHF 0	CHF -95'814		CHF 0	CHF 0	

## 12. Realised loss from private equity investments

	2003 realised			2002 realised		
	Gain	Loss		Gain	Loss	
Healthcare in CHF	CHF 0	CHF -10'168		CHF 0	CHF 0	

## 13. Unrealised net gain/loss from private equity investments

	2003 unrealised			2002 unrealised		
	Gain	Loss		Gain	Loss	
Healthcare in CHF	CHF 6'227'383	CHF 0	CHF 0	CHF 0	CHF 0	
Healthcare in USD	CHF 20'201'669	CHF -9'618'688	CHF 0	CHF 0	CHF -3'795'922	
Environment in CHF	CHF 0	CHF 0	CHF 196'144	CHF 0	CHF 0	
Environment in USD	CHF 0	CHF -87'750	CHF 0	CHF 0	CHF -165'300	
Energy in AUD	CHF 0	CHF -26'745	CHF 0	CHF 0	CHF -52'907	
Education in USD	CHF 0	CHF -951'777	CHF 0	CHF 0	CHF -1'561'257	
	<b>CHF 26'429'052</b>	<b>CHF -10'684'960</b>	<b>CHF 196'144</b>	<b>CHF 0</b>	<b>CHF -5'575'386</b>	

## 14. Unrealised net loss from shareholders' loans and convertible notes

	2003 unrealised			2002 unrealised		
	Gain	Loss		Gain	Loss	
Healthcare in USD	CHF 0	CHF -155'301	CHF 0	CHF 0	CHF -967'125	
Energy in CHF	CHF 0	CHF 0	CHF 0	CHF 0	CHF -584'351	
	<b>CHF 0</b>	<b>CHF -155'301</b>	<b>CHF 0</b>	<b>CHF 0</b>	<b>CHF -1'551'476</b>	

# IFRS Accounts

## 15. Portfolio management expenses

In accordance with the investment advisory agreement between ProgressNow! (Overseas) Ltd. and ProgressNow! *advisers* AG, advisory and performance fees were charged by ProgressNow! *advisers* AG as follows:

		<b>2003</b>		<b>2002</b>
Advisory fee	CHF	1'095'849	CHF	1'264'352
Performance fee	CHF	0	CHF	0
	<b>CHF</b>	<b>1'095'849</b>	<b>CHF</b>	<b>1'264'352</b>

Under the investment advisory agreement, the subsidiary pays the adviser an advisory fee of 2% of the audited consolidated total net asset value of the company at the beginning of the business year. Capital transactions during the year are included at their cash value as from the quarter following the transaction.

At the end of each business year, the subsidiary pays the adviser a performance fee based on the increase in the share price of the company on the SWX Swiss Exchange. The performance fee is calculated as follows:

≥ 10% increase versus prior year: 10% performance fee

≥ 15% increase versus prior year: 20% performance fee

In the case of a decrease in share price versus prior year, a performance fee is only paid again once the historic high price is reached ("high water mark"). At the present time the high water mark is CHF 100.00 per share.

## 16. Related parties and companies

Parties are considered to be related if one party has the ability to exercise significant influence over the other party in their financial or operational decisions.

ProgressNow! (Overseas) Ltd receives investment advice from ProgressNow! *advisers* AG, an investment advisory company domiciled in Frauenfeld. Two board members of ProgressNow! *invest* AG are also board members of ProgressNow! *advisers* AG. The investment advisory agreement concluded between both companies is at normal market conditions. These are set out above under note 15 "portfolio management expenses".

In addition an executive management agreement has been entered into between ProgressNow! *invest* AG and Kaelin Management AG at normal market conditions. The annual management fee amounts to CHF 25'000. The CEO of Kaelin Management AG is also a board member of ProgressNow! *invest* AG and ProgressNow! *advisers* AG.

No members of the board of directors of ProgressNow! *invest* AG received any compensation.

There exist no other transactions with related parties or companies.

## 17. Taxes

Taxes are as follows:

		<b>2003</b>		<b>2002</b>
Current income taxes	CHF	0	CHF	0
Deferred income taxes	CHF	0	CHF	40'841

# IFRS Accounts

The tax on the Group's results before tax differs from the theoretical amount that would arise using the effective average tax rate of the Group as follows:

Profit/loss before tax	CHF	14'611'901	CHF	-7'903'810
Average tax rate		7.8 %		7.8 %
Income tax at average tax rate	CHF	1'144'711	CHF	0
Effect of:				
- release of deferred tax liability	CHF	0	CHF	0
- deferred tax asset not recognised	CHF	0	CHF	40'841
- income not subject to tax	CHF	-1'144'711	CHF	0
<b>Total deferred tax charge</b>	<b>CHF</b>	<b>0</b>	<b>CHF</b>	<b>40'841</b>

Tax losses carried forward, for which no deferred tax asset has been recognised, expire as follows:

		<b>2003</b>		<b>2002</b>
31.12.2007	CHF	0	CHF	2'493'305
31.12.2008	CHF	0	CHF	4'538'839
31.12.2009	CHF	1'371'460	CHF	8'425'139
<b>Total tax losses</b>	<b>CHF</b>	<b>1'371'460</b>	<b>CHF</b>	<b>15'457'283</b>

## 18. Net Asset Value

The net asset value of the company is calculated as follows:

		<b>2003</b>		<b>2002</b>
Total assets	CHF	70'586'650	CHF	53'517'750
Total liabilities	CHF	-1'145'125	CHF	-64'615
Treasury shares at market value	CHF	40'992	CHF	1'339'321
<b>Net asset value of the company</b>	<b>CHF</b>	<b>69'482'517</b>	<b>CHF</b>	<b>54'792'456</b>
Total issued shares		702'500		702'500
<b>Net asset value per issued share</b>	<b>CHF</b>	<b>98.91</b>	<b>CHF</b>	<b>78.00</b>

## 19. Investments and financial instruments

### Credit risks

During the normal course of business, the Group takes certain risks, in particular in the areas of private equity investments (start-up financing of young companies). Private equity investments are defined in the investment guidelines of the Group. Financial instruments are only concluded with counterparties with a first class rating.

### Liquidity risk

There is a risk that private equity investments (i.e. investments in unquoted companies) may not be realisable at favourable conditions. In addition, certain investments are illiquid and cannot be sold without the agreement of other co-investors. Furthermore it is possible that individual private equity investments will not show an increase in value for several years.

### Market risks

#### Price changes

In keeping with its objectives, part of the Group's assets are invested in marketable securities. The Group is thus subject to price fluctuations on the stock markets.

# IFRS Accounts

## *Currency*

The Group maintains its records and calculates its net asset value in Swiss francs. Investments are, however, made in other currencies, in particular in US dollars. Consequently the Group is exposed to price fluctuations on the currency markets.

## *Interest*

The interest risk is negligible because the Group is financed by shareholder's equity and intends to maintain a high investment degree. However, at the beginning of the investment process it is likely that the Group holds substantial cash positions. According to the investment guidelines of the Group, cash is only held with prime banks or invested in debt securities that are rated A or better by Standard & Poor's Ratings Group or Moody's Investors Service Inc.

## **20. Contingent liabilities**

The following contingent liabilities existed at the balance sheet date:

<b>Capital investments:</b>	<b>2003</b>		<b>2002</b>	
Energetech Australia Pty Ltd: Payments per investment agreement, dependent upon achievement of targets.	USD 0	CHF 0	USD 666'666	CHF 921'999

## **21. Post balance sheet events**

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

## **22. Significant shareholders**

<b>Name</b>	<b>% of capital 31.12.2003</b>	<b>% of capital 31.12.2002</b>
Bâloise-Holding Aeschengraben 21, CH-4002 Basel, represented by:	28.47%	28.47%
- <i>Basler Lebens-Versicherungs-Gesellschaft Aeschengraben 21, CH-4002 Basel</i>	21.35%	21.35%
- <i>Basler, Versicherungs-Gesellschaft Aeschengraben 21, CH-4002 Basel</i>	7.12%	7.12%
Beamtenversicherungskasse des Kantons Zürich Stampfenbachstr. 36, CH-8006 Zürich	7.12%	7.12%
KM (Overseas) Ltd, George Town, Cayman Island, B.W.I	5.35%	5.17%

# Report of the group auditors

## Report of the group auditors to the general meeting of ProgressNow! invest AG Frauenfeld

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes) of ProgressNow! invest Group for the year ended 31 December 2003.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the accounting provisions of the Additional Rules for the Listing of Investment Companies of the SWX Swiss Exchange. In accordance with Art. 20, paragraph 4 of the Additional Rules, we are of the opinion, that the valuation method applied by the board of directors to determine the value of the Private Equity Investments is reasonable.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Jürg Kummer                      Andreas Aebersold

Bern, 16 January 2004

# Statutory Accounts

## ProgressNow! invest AG

Balance sheet as of December 31 (in Swiss francs)		2003 CHF	2002 CHF
	Notes		
<b>ASSETS</b>			
Cash and cash equivalents		252'908	1'523'440
Receivables from third parties		195	2'642
Loan to group company		2'438'889	0
Treasury shares	1.2	40'992	1'339'321
Investment:			
- in subsidiary	1.1	66'175'556	51'971'556
<b>Total assets</b>		<b>68'908'540</b>	<b>54'836'959</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Creditors and accruals		30'000	44'242
<b>Total liabilities</b>		<b>30'000</b>	<b>44'242</b>
Share capital		35'125'000	35'125'000
Statutory reserves:			
- general reserves		35'090'166	33'177'778
- reserves for treasury shares		34'834	1'947'222
Loss carried forward:		-1'371'460	-15'457'283
- loss brought forward		-15'457'283	-7'032'144
- net profit/loss for the year		14'085'823	-8'425'139
<b>Total shareholders' equity</b>		<b>68'878'540</b>	<b>54'792'717</b>
<b>Total liabilities and shareholders' equity</b>		<b>68'908'540</b>	<b>54'836'959</b>

Income statement for the business year ended on December 31 (in Swiss francs)		2003 CHF	2002 CHF
<b>Finance income/costs</b>			
Interest income		468	9'717
Gain/loss from investments		14'204'000	-7'709'000
Gain/loss from treasury shares		78'160	-521'321
Unrealised foreign exchange gains		0	50
Other finance costs		-51'870	-4'023
<b>Total net finance income/costs</b>		<b>14'230'758</b>	<b>-8'224'577</b>
<b>Other costs</b>			
Administrative expenses		-133'959	-191'486
Capital tax		-10'976	-9'076
<b>Total other costs</b>		<b>-144'935</b>	<b>-200'562</b>
<b>Net profit/loss</b>		<b>14'085'823</b>	<b>-8'425'139</b>

# Statutory Accounts

## ProgressNow! invest AG

### Notes

#### 1. Information according to Art. 663b CO

##### 1.1 Significant investments

Company	Business activity	Ownership
ProgressNow! (Overseas) Ltd Grand Cayman Cayman Islands	Investments in companies active in the healthcare, education and environment sectors including renewable energy sources through acquisition of marketable securities and private equity investments.	100%

ProgressNow! (Overseas) Ltd was founded during the business year 2000.

##### 1.2 Treasury shares

	Number of shares	Price in CHF Highest	Price in CHF Average	Price in CHF Lowest	Historic cost CHF	Valuation adjustment CHF	Book value CHF
As per 01.01.2002	30'952		86.69		2'683'368	-702'440	1'980'928
Purchases	30'295	79.11	62.63	25.08	1'897'308	0	1'897'308
Sales	-30'100		67.03		-2'633'454	615'860	-2'017'594
Realised loss						-615'860	-615'860
Unrealised loss						94'539	94'539
As per 01.01.2003	31'147		62.52		1'947'222	-607'901	1'339'321
Purchases	8'935	56.19	40.12	32.11	358'429	0	358'429
Sales	-39'350	44.85	44.09	43.85	-2'270'817	535'899	-1'734'918
Realised gain						72'002	72'002
Unrealised gain						6'158	6'158
<b>As per 31.12.2003</b>	<b>732</b>		<b>47.59</b>		<b>34'834</b>	<b>6'158</b>	<b>40'992</b>

##### 1.3 Authorised capital increase

The general meeting on May 11, 2003 resolved the extension of the approved share capital of CHF 17'562'500. An increase in the share capital, which can now be carried out by the board of directors up to April 11, 2005, has not yet taken place.

#### 2. Other legally required information

##### 2.1 Significant shareholders

The board of directors is aware of the following shareholders who hold 5% or more of the voting rights:

Name:	Ownership 31.12.2003:	Ownership 31.12.2002:
Bâloise Holding, Aeschengraben 21, CH-4002 Basel represented by:	28.47%	28.47%
- Basler Lebens-Versicherungs-Gesellschaft, Aeschengraben 21, CH-4002 Basel	21.35%	21.35%
- Basler, Versicherungs-Gesellschaft, Aeschengraben 21, CH-4002 Basel	7.12%	7.12%
Beamtenversicherungskasse des Kantons Zürich, Stampfenbachstr. 36, CH-8006 Zürich	7.12%	7.12%
KM (Overseas) Ltd, George Town, Cayman Islands, B.W.I.	5.35%	5.17%

# Report of the statutory auditors

## **Report of the statutory auditors to the general meeting of ProgressNow! invest AG Frauenfeld**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of ProgressNow! invest AG for the year ended 31 December 2003.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Jürg Kummer    Andreas Aebersold

Bern, 16 January 2004

# Company details

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