

## INDEX TO FINANCIAL STATEMENTS

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## **REPORT OF INDEPENDENT AUDITORS**

The Board of Supervisory Directors and Shareholders  
Crucell N.V.

We have audited the accompanying consolidated balance sheets of Crucell N.V. as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000, and for the period from June 1, 1993 (inception) through December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crucell N.V. at December 31, 2000 and 1999 and the consolidated results of its operations and cash flows for each of the three years in the period ended December 31, 2000, and for the period from June 1, 1993 (inception) through December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Ernst & Young Accountants  
The Hague, The Netherlands  
March 2, 2001

**CRUCCELL N.V.**  
**(a development stage company)**  
**BALANCE SHEETS**  
**(amounts in euro)**

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents.....	€136,055,545	€24,527,468
Trade accounts receivable .....	372,921	488,887
Receivable from related parties and employees .....	9,447	323,029
Prepaid expenses and other current assets.....	2,515,612	643,702
<b>Total current assets</b> .....	<b>138,953,525</b>	<b>25,983,086</b>
Intangible assets, net of accumulated amortization of €5,078,209.....	45,703,882	-
Plant and equipment, net.....	5,172,810	2,472,743
Notes receivable from employees.....	681,981	-
Investment in joint venture .....	1,402,443	290,110
Investment in partnership.....	4,610,386	598,234
<b>Total assets</b> .....	<b>€ 196,525,027</b>	<b>€ 29,344,173</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable .....	€ 6,450,016	€ 1,287,800
Accrued compensation and related benefits.....	916,519	276,519
Accrued liabilities.....	884,355	1,138,241
Other current liabilities.....	898,630	899,726
<b>Total current liabilities</b> .....	<b>9,149,520</b>	<b>3,602,286</b>
Shareholders' equity:		
Ordinary shares, €0.24 and €0.05445 par value at December 31, 2000 and 1999, respectively; 89,199,990 shares authorized; 35,027,378 shares issued and outstanding at December 31, 2000 and 15,885,420 shares issued and outstanding at December 31, 1999 .....	8,406,571	865,019
Preference shares, €0.24 and €0.05445 par value at December 31, 2000 and 1999, respectively; 44,600,000 shares authorized; no shares issued and outstanding at December 31, 2000 and 3,230,799 shares issued and outstanding at December 31, 1999 .....	-	175,929
Additional paid-in capital.....	329,120,454	43,451,632
Deferred compensation.....	-	(216,620)
Deficit accumulated during the development stage .....	(150,151,518)	(18,534,073)
<b>Total shareholders' equity</b> .....	<b>187,375,507</b>	<b>25,741,887</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>€ 196,525,027</b>	<b>€ 29,344,173</b>

The accompanying notes are an integral part of these financial statements. The accompanying financial statements have been restated from Dutch guilders to euro using the official conversion rate as of January 1, 1999.

**CRUCELL N.V.**  
**(a development stage company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(amounts in euro)**

	Year ended December 31,			Period from June 1, 1993 (inception) to December 31,
	2000	1999	1998	2000
<b>REVENUES:</b>				
License .....	€6,044,645	€2,228,270	€2,055,337	€10,464,386
Government grants and contract research.....	865,235	965,603	1,023,113	5,123,082
<b>Total revenues</b> .....	<b>6,909,880</b>	<b>3,193,873</b>	<b>3,078,450</b>	<b>15,587,468</b>
<b>COSTS AND EXPENSES:</b>				
Research and development.....	7,189,334	5,327,770	3,158,079	22,586,079
Selling, general and administrative .....	8,217,280	5,042,393	3,366,813	20,198,471
Amortization of intangible assets .....	5,078,209	-	-	5,078,209
Stock option compensation.....	31,152,971	91,236	86,650	31,435,659
Acquired in-process research and development.....	84,140,909	-	-	84,140,909
<b>Total costs and expenses</b> .....	<b>135,778,704</b>	<b>10,461,399</b>	<b>6,611,542</b>	<b>163,439,328</b>
<b>LOSS FROM OPERATIONS</b> .....	<b>(128,868,824)</b>	<b>(7,267,526)</b>	<b>(3,533,092)</b>	<b>(147,851,860)</b>
Interest income .....	920,345	788,574	380,731	2,387,104
Interest expense.....	(6,219)	(12,706)	(24,504)	(100,261)
Foreign currency loss .....	(2,219,274)	-	-	(2,219,274)
Equity in losses of unconsolidated joint venture .....	(1,443,473)	(923,754)	-	(2,367,227)
<b>NET LOSS BEFORE PROVISION FOR INCOME TAXES</b> .....	<b>(131,617,445)</b>	<b>(7,415,412)</b>	<b>(3,176,865)</b>	<b>(150,151,518)</b>
Provision for income taxes .....	-	-	-	-
<b>NET LOSS</b> .....	<b>€(131,617,445)</b>	<b>€(7,415,412)</b>	<b>€(3,176,865)</b>	<b>€(150,151,518)</b>
<b>BASIC AND DILUTED NET LOSS PER SHARE:</b>				
Net loss per share – basic and diluted....	€ (5.38)	€ (0.42)	€ (0.26)	
Weighted average shares outstanding - basic and diluted.....	24,485,800	17,579,100	12,092,021	

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**CRUCELL N.V.**  
**(a development stage company)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**(amounts in euro)**

	Ordinary shares		Preference shares		Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total shareholders' equity
	Shares	Amount	Shares	Amount				
Balance at June 1, 1993 (inception) .....	-	€-	-	€-	€-	€-	€-	€
Issuance of ordinary and preference shares.....	12,425,417	676,608	3,230,799	175,929	31,106,471	-	-	31,959,008
Deferred compensation .....	-	-	-	-	480,162	(480,162)	-	-
Amortization of deferred compensation .	-	-	-	-	-	191,452	-	191,452
Net loss .....	-	-	-	-	-	-	(11,118,661)	(11,118,661)
Balance at December 31, 1998 .....	12,425,417	676,608	3,230,799	175,929	31,586,633	(288,710)	(11,118,661)	21,031,799
Issuance of ordinary shares.....	3,460,003	188,411	-	-	11,845,853	-	-	12,034,264
Deferred compensation .....	-	-	-	-	19,146	(19,146)	-	-
Amortization of deferred compensation .	-	-	-	-	-	91,236	-	91,236
Net loss .....	-	-	-	-	-	-	(7,415,412)	(7,415,412)
Balance at December 31, 1999 .....	15,885,420	865,019	3,230,799	175,929	43,451,632	(216,620)	(18,534,073)	25,741,887
Issuance of ordinary shares.....	15,911,159	866,064	-	-	261,232,030	-	-	262,098,094
Conversion of preference shares to ordinary shares .....	3,230,799	175,929	(3,230,799)	(175,929)	-	-	-	-
Deferred compensation related to issuance of options with business combination .....	-	-	-	-	15,527,291	(15,527,291)	-	-
Amortization of deferred compensation .	-	-	-	-	-	15,743,911	-	15,743,911
Compensation related to the issuance of stock options .....	-	-	-	-	15,409,060	-	-	15,409,060
Change in nominal value of ordinary shares from €0.05445 to €0.24.....	-	6,499,559	-	-	(6,499,559)	-	-	-
Net loss .....	-	-	-	-	-	-	(131,617,445)	(131,617,445)
Balance at December 31, 2000 .....	35,027,378	€8,406,571	-	€-	€29,120,454	€-	€(150,151,518)	€187,375,507

The accompanying notes are an integral part of these financial statements. The accompanying financial statements have been restated from Dutch guilders to euro using the official conversion rate as of January 1, 1999.

**Crucell N.V.**  
**(a development stage company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(amounts in euros)**

	Year ended December 31,			Period from June 1, 1993 (inception) to December 31,
	2000	1999	1998	2000
<b>Operating activities</b>				
Net loss .....	€(131,617,445)	€(7,415,412)	€(3,176,865)	€(150,151,518)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation.....	823,350	274,504	142,410	1,449,379
Amortization of deferred compensation.....	15,743,911	91,236	86,650	16,026,599
Compensation expense related to the issuance of stock options .....	15,409,060	-	-	15,409,060
Amortization of intangible assets .....	5,078,209	-	-	5,078,209
In-process research & development.....	84,140,909	-	-	84,140,909
Equity in losses of unconsolidated joint venture..	1,443,473	923,754	-	2,367,227
Issuance of ordinary shares for services .....	57,200	-	-	57,200
Change in operating assets and liabilities, net of the effects of acquisitions:				
Trade accounts receivable .....	199,603	(465,054)	(6,368)	(289,284)
Receivable from related parties and employees...	(368,399)	(169,346)	(153,683)	(691,428)
Prepaid expenses and other current assets.....	(1,641,633)	(14,430)	(289,376)	(2,285,334)
Accounts payable .....	4,680,767	171,487	591,390	5,968,567
Accrued compensation and related benefits .....	332,384	71,519	23,001	332,384
Accrued liabilities.....	(253,886)	109,127	20,947	1,160,874
Other current liabilities .....	(217,517)	489,107	216,570	682,209
Net cash used in operating activities .....	<u>(6,190,014)</u>	<u>(5,933,508)</u>	<u>(2,545,324)</u>	<u>(20,744,946)</u>
<b>Cash flow from investing activities</b>				
Investment in joint venture.....	(2,555,806)	(1,213,864)	-	(3,769,670)
Investment in partnership .....	(4,012,152)	(598,234)	-	(4,610,386)
Merger costs.....	(2,411,635)	-	-	(2,411,635)
Cash received in business combination .....	2,528,370	-	-	2,528,370
Purchase of plant and equipment .....	(3,379,604)	(2,149,475)	(447,772)	(6,478,377)
Net cash used in investing activities.....	<u>(9,830,827)</u>	<u>(3,961,573)</u>	<u>(447,772)</u>	<u>(14,741,698)</u>
<b>Cash flow from financing activities</b>				
Proceeds from the issuance of ordinary and preferred shares.....	128,002,698	12,034,264	12,618,722	171,995,970
Repayment of notes payable .....	(453,780)	(363,023)	(45,377)	(453,780)
Net cash used in financing activities .....	<u>127,548,918</u>	<u>11,671,241</u>	<u>12,573,345</u>	<u>171,542,190</u>
<b>Net increase in cash and cash equivalents</b>	111,528,077	1,776,160	9,580,249	136,055,545
Cash and cash equivalents at beginning of period..	24,527,468	22,751,308	13,171,059	-
Cash and cash equivalent at end of period .....	<u>€ 136,055,545</u>	<u>€ 24,527,468</u>	<u>€ 22,751,308</u>	<u>€ 136,055,545</u>
<b>Supplemental disclosure of non-cash investing and financing activities</b>				
Issuance of ordinary shares and stock options in connection with business combination.....	134,038,196	-	-	134,038,196

The accompanying notes are an integral part of these financial statements. The accompanying financial statements have been restated from Dutch guilders to euro using the official conversion rate as of January 1, 1999.

**CRUCELL N.V.**  
**(a development stage company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(amounts in euro, except share data)**

**Note 1. Organization and Business**

Crucell N.V. (the “Company”) combines two innovative technological platforms to provide a powerful and effective means to discover, develop and produce a variety of biopharmaceuticals for the treatment of human diseases. The Company operates in one business segment.

**Note 2. Basis of Presentation**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Effective January 1, 1999, the European Economic and Monetary Union (the “EMU”) created a single Eurocurrency (the “euro”) for its member countries, which includes The Netherlands. The accompanying financial statements are reported in euro for all periods presented. Prior year amounts were restated from Dutch guilders into euro by dividing the amounts in Dutch guilders by the exchange rate of 2.20371, fixed on January 1, 1999.

The comparative financial statements presented for periods prior to January 1, 1999 and reported in euro depict the same trends as would have been presented if the Company had continued to present financial statements in Dutch guilders. However, the financial statements for periods prior to January 1, 1999 will not be comparable to the financial statements of other companies that report in euro and that restated their prior period financial statements from a currency other than the Dutch guilder.

The accompanying consolidated financial statements included the Company’s operations since June 1, 1993, the date of inception.

**Note 3. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, IntroGene B.V, IntroGene Belgium N.V. and U-BiSys B.V. Investments in 20% to 50% owned affiliates in which the Company has the ability to exercise significant influence over the investee, but less than a controlling voting interest, are accounted for under the equity method of accounting. All significance intercompany accounts and transactions are eliminated.

**Risks and Uncertainties**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company purchases a critical component for the production of its technology, a serum-free medium, from a single supplier. While the Company believes that alternative supplies are available, a manufacturing disruption would impact the production of the Company’s products for a period of time, and the time required to locate and qualify other suppliers could cause a delay in manufacturing that may be financially disruptive to the Company.

**CRUCELL N.V.**  
**(a development stage company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(amounts in euro, except share data)**

**Note 3. Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition**

Initial fees related to the licensing of the Company's technology are recognized as revenues upon persuasive evidence of an arrangement, delivery of the associated technology, and when the Company has no continuing performance obligations under the license agreement or any other arrangement with the licensee. The initial license fees relate to the complete transfer of fully developed technology by the Company and represent the culmination of the earnings process. The license agreements provide for continuing support by the Company of its technology at standard consulting rates to the licensee. The Company's licensees have not required this support in the past, and the Company does not anticipate providing these services in the future. Annual and semi-annual license fees are recognized as revenues when the amounts become due. The aggregate of the annual or semi-annual license fees paid will reduce any royalty payments which may be due based on future product sales of the licensee, if any, under the license agreement. Additional royalties will be recognized as revenues when they become due. Generally, licensees may terminate the license upon 30 days' to 90 days' notice. The initial license fee and all annual and semi-annual fees paid under the license are non-refundable.

The Company receives certain government grants which support the Company's research effort in defined research projects. These grants generally provide for reimbursement of approved costs incurred as defined in various grants. Revenues associated with these grants are recognized when costs under each grant are incurred in accordance with the terms and conditions of the grant and the collectability of the receivable is deemed probable.

Contract research revenue is recognized upon achievement of milestones and other performance requirements, when no future performance obligations exist, and collectability of customer amounts due is probable. None of the contract research and development revenues recognized by the Company are refundable in the event that the related research is unsuccessful.

**Research and Development Expenses**

Research and development costs are expensed as incurred.

**Stock-Based Compensation**

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123. "Accounting for Stock-Based Compensation." The Company values stock options issued based upon an option pricing model and recognizes this value as an expense over the period in which the options vest.

**Income Taxes**

Deferred tax assets and liabilities are established for temporary differences between the financial and tax bases of assets and liabilities using currently enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established for deferred tax assets for which realization is not likely

**Net Loss Per Share**

Basic loss per share is computed based on the weighted-average number of ordinary and preference shares outstanding during the period. Diluted loss per share is computed based on the weighted-average number of ordinary and preference shares outstanding, including the dilutive

**CRUCELL N.V.**  
**(a development stage company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(amounts in euro, except share data)**

**Note 3. Summary of Significant Accounting Policies (Continued)**

effect of stock options, if any. Basis and diluted loss per share are the same for all periods presented because the impact of stock options outstanding is antidilutive.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less, which are convertible to a known amount of cash and bear an insignificant risk of change in value, to be cash equivalents.

**Long-Lived Assets**

Plant and equipment is recorded at cost. Depreciation is computed principally using the straight-line method over the following estimated useful lives: computer equipment, three years; and furniture and laboratory equipment, five years.

Intangible assets, related to the business combination described in Note 4, consist principally of developed technology, workforce and goodwill.

Impairment of long-lived assets is recognized when events or changes in circumstances indicate that the carrying amount of the asset, or related groups of assets, may not be recoverable and the Company's estimate of undiscounted cash flows over the assets remaining estimated useful life is less than the carrying value of the assets. Measurement of the amount of impairment may be based on appraisal, market values of similar assets or estimated discounted future cash flows resulting from the use and ultimate disposition of the asset.

**Financial Instruments**

The Company's financial instruments include primarily cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities and other current liabilities and notes payable. The carrying amounts of these assets and liabilities approximate their fair value.

**Concentration of Credit Risk**

The Company extends credit based on an evaluation of the customer's financial condition, without requiring collateral. The Company monitors its exposure related to credit losses and maintains allowances for anticipated losses.

**New Accounting Pronouncements**

In December 1999, the Securities Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company has adopted SAB 101 and such adoption did not have a significant impact on the financial position and results of operations of the Company.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is required to be adopted in years beginning after June 15, 2000. Management does not anticipate that the adoption of this new statement will have a significant effect on the net loss or financial position of the Company.

**CRUCELL N.V.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**(amounts in euro, except share data)**

**Note 4. Business Combination**

On June 30, 2000, the Company acquired all of the outstanding shares of U-BiSys B.V., a development stage biotechnology company based in the Netherlands, for aggregate consideration of €136,449,831, which included the issuance of 7,651,536 shares of the Company, valued at €132,626,624, merger costs of €2,411,635, and the issuance of options to acquire 1,005,716 ordinary shares of the Company, of which options to acquire 83,809 ordinary shares were vested and valued at €1,411,572. The options issued in connection with the business combination replaced existing options of U-BiSys B.V. The acquisition was accounted for using the purchase method of accounting and, as such, the Company's results of operations include the results of the acquired business from the date of acquisition.

The Company has recorded, based upon an independent valuation, its allocation of the purchase price in excess of the fair value of the net tangible assets acquired to intangible assets and in-process research and development totaling €50,782,091 and €84,140,909, respectively. Intangible assets consist principally of developed technology valued at €6,652,418 workforce valued at €1,486,615 and goodwill valued at €39,643,058. All intangible assets will be amortized over a period of five years on a straight-line basis.

Acquired in-process research and development has no alternative future use as defined by Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs." The Company determined that the acquired in-process research and development had no alternative future use because in the event of failure to achieve regulatory approval, should the identical technology be proposed for an alternate indication, it would be subjected to the risk of another series of clinical trials. The amount of the purchase price allocated to in-process research and development was determined using the income method by estimating the stage of development of the research and development projects at the date of acquisition, estimating cash flows resulting from the expected revenues generated from such projects, providing a risk adjustment factor of 80% to 90% based upon the probability of success as measured by the stage of completion, and discounting the net cash flows back to their present value using a discount rate of 13%. These projections are based on management's best estimates of market size and growth. To determine the estimated net cash flows of each acquired research and development project, the Company estimated the costs to complete each project. The following table summarizes the nature, timing and estimated cost to complete for each in-process research and development project as of June 30, 2000, the date of the acquisition:

<b>Description of project</b>	<b>Expected completion date</b>	<b>Estimated cost to complete</b>
Epcam.....	2004	€75,101,000
Endothelial.....	2005	€75,328,000
Lipid Tails.....	2003	€7,260,000
CD-46.....	2005	€105,277,000
CD-38.....	2004	€7,260,000
CD-22.....	2004	€7,260,000

**CRUCELL N.V.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**(amounts in euro, except share data)**

**Note 4. Business Combination (Continued)**

**Pro Forma Financial Information**

The following unaudited pro forma financial information has been prepared assuming that the acquisition of U-BiSys B.V. had taken place at the beginning of the respective periods presented. The amount of the aggregate purchase price allocated to in-process research and development has been excluded from the pro forma information, as it is a non-recurring item. The unaudited pro forma financial information is not necessarily indicative of the combined results of operations that would have occurred had the acquisition taken place at the beginning of each period, nor is it necessarily indicative of results that may occur in the future.

	<b>Pro Forma</b>	
	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Total revenues .....	€7,100,208	€3,645,244
Loss from operations .....	52,552,803	(18,535,038)
Net loss .....	55,290,644	(18,703,019)
Net loss per share – basic and diluted .....	(1.95)	(0.74)

**Note 5. Equity Investments**

**Galapagos Genomics N.V.**

In June 1999, the Company together with Tibotec Group N.V. established a 50/50 joint venture, Galapagos Genomics N.V. (“Galapagos”), registered in Mechelen, Belgium to carry out certain functional genomics research activities. This investment is accounted for using the equity method, and thus the Company’s proportional share of Galapagos’ net loss is included in the consolidated statement of operations. The joint venture is engaged in research and development activities, and does not have significant revenues, assets or liabilities.

**Archimedes Life Sciences V.O.F.**

In 1999, the Company established a 50/50 partnership, Archimedes Life Sciences V.O.F., with Pharming Technologies B.V. to manage the joint facilities in a building which both the Company and Pharming occupy. This investment is accounted for using the equity method, and thus the Company’s proportional share of Archimedes’ net loss is included in the consolidated statement of operations.

**CRUCELL N.V.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**(amounts in euro, except share data)**

**Note 6. Plant and Equipment**

Plant and equipment consist of the following:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
Furniture and laboratory equipment.....	€5,777,886	€2,861,587
Computer equipment.....	780,062	222,278
	6,557,948	3,083,965
Less accumulated depreciation.....	(1,365,642)	(611,122)
Net plant and equipment.....	€5,192,306	€2,472,743

**Note 7. Shareholders' Equity**

**Initial public offering**

In October 2000, the Company completed its initial public offering of its ordinary shares. The initial public offering generated net proceeds of €127,469,510.

**Preference shares**

Preference shares are convertible into an equal number of ordinary shares at anytime at the sole option of the holder. Approval of at least 60% of the holders of preference shares is required to implement certain changes to the Company's articles of incorporation. The preference shares have no liquidation or dividend preferences. In May 2000, all outstanding preference shares were converted to ordinary shares.

**Reorganization**

On October 10, 2000, the Company effected a reorganization pursuant to which IntroGene B.V. became a wholly-owned subsidiary of Crucell N.V. Pursuant to the reorganization, shareholders of IntroGene B.V. received one share of Crucell N.V. for each share of IntroGene B.V. held. The reorganization, which effected a combination of entities under common control, has been accounted for in a manner similar to a pooling of interest. Accordingly, the financial statements of the Company reflect the historical carrying amounts of the assets and liabilities and the historical results of operations.

In conjunction with the reorganization, the nominal value of both ordinary and preferred shares was changed from €0.05445 to €0.24.

**Stock Split**

On October 25, 2000, the Company executed a deed to effect a three-for-two stock split of its shares and stock options. All shares and options in the accompanying financial statements have been retroactively adjusted to reflect the stock split.

**Stock Option Plan**

In 1997, the Company adopted a stock option plan whereby the remuneration committee of the supervisory board may grant stock options to employees, consultants and directors. Time-based

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**Note 7. Shareholders' Equity (Continued)**

vesting provisions for stock options granted under the stock option plan are typically four to five years and permit employees to exercise options to the extent vested. Unvested options are forfeited upon employee termination. Upon exercise of options, employees may elect to not be subject to time-based vesting provisions. If employees elect not to be subject to time-based vesting provisions, the employees may exercise all options granted and become subject to profit-retribution provisions. Such provisions entitle the Company to receive a portion of the profits upon the sale of the shares to a third party, calculated as the difference between the total proceed from the sale of shares, and the aggregate exercise price. If employees elect not to be subject to time-based vesting provisions, the portion of the profits payable to the Company decreases ratably over four to five years. The relevant portion of any profits derived by the employee from the sale of shares received on exercise of options must be remitted to the Company, if an employee terminates employment prior to the end of the relevant four to five year period. No employees to date have elected not to be subject to time-based vesting provisions.

The options expire five years from the date of grant, or earlier upon termination of employment with the Company. Generally options granted under the stock option plan are granted at exercise prices at least equal to the fair value at the date of grant.

A summary of the stock option activity for the plan is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance at December 31, 1997 .....	1,378,431	€1.53
Granted.....	136,155	2.27
Exercised .....	(163,500)	0.61
Balance at December 31, 1998 .....	1,351,086	1.72
Granted.....	904,125	4.23
Exercised .....	(210,000)	1.13
Forfeited.....	(54,750)	1.73
Balance at December 31, 1999 .....	1,990,461	2.87
Granted.....	1,421,500	21.00
Exercised .....	(250,323)	2.13
Forfeited.....	(167,119)	1.68
Balance at December 31, 2000 .....	<u>2,994,519</u>	13.55

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**Note 7. Shareholders' Equity (Continued)**

The following table summarizes information about the Company's stock options outstanding at December 31, 2000:

<b>Exercise price</b>	<b>Outstanding options at December 31, 2000</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Exercisable options</b>
€1.21 – €2.27 .....	727,394	1.39	727,394
€4.23 .....	845,625	2.47	845,625
€11.00 .....	1,421,500	3.80	1,421,500
Total .....	<u>2,994,519</u>		<u>2,994,519</u>

The Company accounts for its employee stock options under the fair value method in accordance with Statement of Accounting Standards No. 123, "Accounting for Stock-Based Compensation." The fair value of options was estimated at the date of grant using the minimum value method in 1998 and 1999, and the Black-Scholes option pricing model in 2000, with the following weighted average assumptions:

	<b>Year ended December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
Risk-free interest rate .....	6.0%	4.0%	5.5%
Dividend yield .....	-	-	-
Volatility .....	89.8%	-	-
Expected life (years) .....	4	4	4

The weighted average fair value of options noted above which were granted during the years ended December 31, 2000, 1999 and 1998 was €0.84, €0.02 and €0.43, respectively.

In addition to the options outstanding noted above, in connection with the acquisition of U-BiSys BV on June 30, 2000, the Company issued options to acquire 1,005,716 ordinary shares in the Company at an exercise price of €0.49. These options expire five years from the date of grant and vest through February 2005. Options are exercisable immediately upon grant. However, in the event of voluntary or involuntary termination of employment with the Company for any reason, unvested options may be exercised by the employee at an exercise price equal to the fair market value of the Company's stock on the date of termination. Based upon the terms of the employee stock option awards, in the event of employee termination and the exercise of unvested options by the employee, the Company is required to reduce the proceeds from the employee from the exercise of options to the extent of employee taxes that result from the exercise of such options. The Company recognized deferred compensation of €15,527,291 related to the issuance of unvested options to acquire 921,907 ordinary shares of the Company, representing principally the difference between the exercise price and fair value of the Company's stock.

On September 26, 2000 the members of the Supervisory Board and shareholders approved amendments to the terms of all outstanding stock options, such that all options became immediately exercisable with no vesting requirements and not subject to any profit retribution

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**Note 7. Shareholders' Equity (Continued)**

provisions. Accordingly, the Company recognized compensation expense of €15,699,611 representing the total amount of deferred compensation. Total compensation cost recognized for all stock-based employee compensation awards was €31,152,971, €1,236 and €86,650 in 2000, 1999 and 1998 respectively.

On September 26, 2000, the members of the Supervisory Board and shareholders approved a stock option plan, which replaces the existing plan, whereby a total of 15% of the total issued and outstanding shares will be available for issuance under the plan. To the extent additional ordinary shares are issued, under the terms of the stock option plan 15% of the additional ordinary shares issued will become available for issuance under the plan. As of December 31, 2000, a total of 1,253,872 ordinary shares have been reserved for the grant of future options. Under the terms of the stock option plan, options must be granted at an exercise price not less than the average market value of an ordinary share over the three days immediately preceding the grant date. On January 2, 2001, the members of the Supervisory Board and shareholders approved amendments to the terms of the plan whereby stock options granted under the plan will be subject to time based vesting provisions of four to five years and will permit employees to exercise options to the extent vested. Upon exercise of options, employees may elect to not be subject to time-based vesting provisions. If employees elect not to be subject to time-based vesting provisions, the employees may exercise all options granted and become subject to profit-retribution provisions. Such provisions will entitle the Company to receive a portion of the profits upon the sale of the shares to a third party, calculated as the difference between the total proceeds from the sale of shares, and the aggregate exercise price. If employees elect not to be subject to time-based vesting provisions, the portion of the profits payable to the Company decreases ratably over four to five years. The relevant portion of any profits derived by the employee from the sale of shares received on exercise of options must be remitted to the Company, if an employee terminates employment prior to the end of the relevant four to five year period.

**Note 8. Commitments**

Total minimum payments under non-cancelable operating leases are as follows at December 31, 2000:

2001.....	€574,622
2002.....	523,907
2003.....	502,072
2004.....	401,561
2005.....	368,058
Thereafter .....	1,472,204

Rental expense was €645,000 , €448,000 and €281,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

The Company has future minimum payments under non-cancelable licensing agreements whereby it is obligated to pay €136,134 per year through 2005.

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**Note 9. Defined Contribution Plan**

The Company maintains a defined contribution plan in The Netherlands whereby participants may contribute up to 12% of their pre-tax base salaries, subject to certain limitations. The Company makes a matching contribution equal to 100% of an employee's pre-tax contributions, subject to a maximum amount equal to 3% of the participants compensation. The Company's contributions to the plan were €262,000, €165,040 and 86,073 for the years ended December 31, 2000, 1999, and 1998, respectively.

**Note 10. Income Taxes**

The Company has tax loss carry forwards of €28.0 million, €17.6 million and €10.6 million at December 31, 2000, 1999 and 1998, respectively. The Company has evaluated evidence impacting the realizability of its deferred tax assets, which consist principally of tax loss carry forwards. Management has considered the Company's history of net losses and concluded that it is more likely than not that the full benefits of these tax loss carry forwards will not be realized in the near term. Accordingly, the Company recorded a valuation allowance equal to 100% of the net deferred tax asset balance at December 31, 2000, 1999 and 1998.

Under current tax law, these tax loss carry forwards which were generated from the operations of IntroGene B.V., a wholly owned subsidiary of the Company, may be carried forward indefinitely, but are limited to reducing the future taxable income of IntroGene B.V. on a stand alone basis.

In addition to the above, at June 30, 2000 in connection with the acquisition of U-BiSys B.V., the Company assumed U-BiSys' tax loss carryforwards of approximately €3 million. Under current tax law, this tax loss carryforward may be carried forward indefinitely, but is limited to reducing the future taxable income of U-BiSys on a stand-alone basis. For financial reporting purposes, the tax benefit from this loss, if realized, will be used to reduce the value of the intangible assets acquired. All tax loss carry forwards generated subsequent to June 30, 2000 have been included in the tax loss carry forwards of the Company.

A potential tax law change is under consideration which, if enacted may limit the ability of the Company to realize the benefits of this tax loss carry forward.

**Note 11. Significant Customers**

For the year ended December 31, 2000, one customer accounted for 57% of revenues. For the year ended December 31, 1999, three customers each accounted for 21% of revenues. For the year ended December 31, 1998 one customer accounted for 22% of revenues and two customers each accounted for 21% of revenues. Each of the Company's significant customers in 2000, 1999 & 1998 was a separate customer. There was no customer that was significant in more than one year.

**Note 12. Net Loss and Shareholders' Equity under Accounting Principles Generally Accepted in The Netherlands**

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), which differ in certain

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**Note 12. Net Loss and Shareholders' Equity under Accounting Principles Generally Accepted in The Netherlands (continued)**

significant respects from generally accepted accounting principles in The Netherlands ("Dutch GAAP").

The tables below reconcile the net loss and shareholders' equity of the Company under U.S. GAAP to the net loss and shareholders' equity under Dutch GAAP:

	<b>Year ended December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
Net loss under U.S. GAAP .....	€(131,617,445)	€ 7,415,412)	€(3,176,865)
Acquired in-process research and development.....	84,140,909	-	-
Intangible assets .....	5,078,209	62,457	(90,756)
Stock compensation.....	31,152,971	91,236	86,650
Revenue recognition.....	(279,075)	279,075	-
Net loss under Dutch GAAP....	<u>€(11,524,431)</u>	<u>€(6,982,644)</u>	<u>€(3,180,971)</u>

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
Shareholders' equity under U.S. GAAP.....	€187,375,507	€25,741,887
Intangible assets .....	(45,703,882)	425,481
Revenue recognition.....	-	279,075
Shareholders' equity under Dutch GAAP .....	<u>€141,671,625</u>	<u>€26,446,443</u>

The following accounting principles were previously followed by the Company pursuant to Dutch GAAP:

**Acquired in-process research and development**

Acquired in-process research and development is capitalized as goodwill.

**Intangible Assets**

Intangible assets consist of the capitalization of start-up expenses and certain research and development activities. Such intangible assets are amortized over their estimated useful life.

**Stock Compensation**

No compensation expense is recognized for equity awards.

**Revenue Recognition**

Revenue is recognized upon persuasive evidence of an arrangement.