

**Active Biotech
Interim report
January – June 2005**

- **All projects progressing in accordance with planned milestones**
- **Issue totaling approximately SEK 169 M completed – oversubscribed by 43 percent**
- **Exercise of option to repurchase research facility in Lund**
- **Net sales: SEK 5.8 M (30.4)**
- **Operating loss: SEK 100.5 M (loss: 97.0)**
- **Loss after tax: SEK 110.3 M (loss: 76.6)**
- **Loss per share for the period: SEK 3.27 (loss: 2.27)**

Comments by President & CEO Sven Andréasson:

“Operations and projects are progressing in accordance with the milestones we presented in conjunction with our 2004 year-end report. We have no deviations to report. In the safety study we are conducting with **laquinimod**, all treatments have been concluded according to plan. The results are currently being analyzed and will be reported at the ECTRIMS Congress at the end of September. For **ANYARA**, necessary permits have been obtained and preparations made to commence a Phase I study for combination therapy in non-small cell lung cancer in the near future. The **TASQ** Phase I study on prostate cancer patients is progressing according to plan. The Phase I study for **57-57** in healthy volunteers has been successfully concluded and a Phase I study is in progress for **RhuDex**. Our financial position has been strengthened further through our new share issue, which was oversubscribed by 43 percent. The issue provided the company with approximately SEK 169 M before issue costs. In addition, we have concluded an agreement to repurchase our research facility in Lund, which will reduce our costs and considerably strengthen our balance sheet. Our milestones for the period 2005-2006 are listed below.”

Laquinimod

- Report additional Phase II data in MS patients, including higher doses
- Start Phase III program for MS indication in Europe and the US

- ANYARA (TTS)**
- Report results of Phase I study in non-small cell lung cancer
 - Start Phase II/III study for non-small cell lung cancer
 - Report results of Phase I study for combination therapy in non-small cell lung cancer
- TASQ**
- Report results of Phase I study in prostate cancer patients
 - Start Phase II/III program in prostate cancer patients
- 57-57**
- Start Phase I study in lupus patients
 - Report results of Phase I study in lupus patients
- RhuDex®**
- Report results of Phase I study in healthy volunteers
 - Start Phase II study in RA patients

Status of the five key projects:

Clinical program for laquinimod is progressing according to plan

Laquinimod is a new immunomodulatory agent in tablet form, developed by Active Biotech and licensed to Teva Pharmaceutical Industries Ltd. in June 2004. Teva has recently submitted an IND (Investigational New Drug) application to the US Food and Drug Administration (FDA) to commence a clinical study in the US on laquinimod and its interaction with other drugs. Teva is currently conducting a supplementary Phase II multi-center study to establish the optimal dose for pivotal Phase III studies. This study is a full-scale, double-blind, placebo-controlled multi-center Phase IIb clinical study that is in progress in several European countries. The study measures the effect of laquinimod versus placebo, administered once daily in tablet form at dosages of 0.3 mg/day and 0.6 mg/day for nine months. Based on the results of these studies, the Phase III program is planned to commence in 2006 with the aim of confirming laquinimod's efficacy and safety in the treatment of relapsing MS.

In the Phase II safety study being conducted by Active Biotech at the University Hospital in Lund, all treatments have been concluded according to plan. The results are currently being analyzed and will be reported in conjunction with the ECTRIMS 21st Congress (European Committee for Treatment and Research in Multiple Sclerosis) held in Thessalonica, Greece at the end of September.

Laquinimod's mode of action is being studied in parallel with the clinical development.

During Phase II studies laquinimod has demonstrated a very advantageous safety profile, which makes it suitable for long-term treatment. Since MS patients must be on medication throughout their lifetime, an oral treatment creates a substantial advantage compared with currently existing products on the market, all of which must be injected.

Laquinimod is not immunosuppressive and has the potential to become the first disease modifying drug in tablet form for the treatment of multiple sclerosis. It is estimated that a market launch of the product will be possible in 2009.

Multiple sclerosis (MS) is a chronic, progressive disease affecting the central nervous system. It is described as an autoimmune disease since it belongs to a large group of diseases that cause the body's immune defense system to attack healthy areas of the body as if they were foreign bodies. MS can cause anything from minor symptoms for lengthy periods to severely incapacitating symptoms within a few years. Initially, MS comes in "flare-ups" with alternating periods of deterioration and stability. The disease mainly affects young people, and more women than men; the average age of onset of the disease is about 30. The total market for MS pharmaceuticals amounted to USD 4.2 billion in 2004.

ANYARA cancer project progressing according to plan

The Phase I dose-escalation study for ANYARA is progressing according to plan. Phase II/III studies are scheduled to commence during 2006. In parallel with the ongoing Phase I studies, a clinical study of the safety of ANYARA in combination with an established cytotoxic compound for treatment of non-small cell lung cancer will be conducted. The necessary permits and preparations for this study have been finalized and the study will commence shortly.

ANYARA was awarded "Fast Track" status by the US Food and Drug Administration (FDA) in 2004.

Non-small cell lung cancer is one of the most common types of cancer. It is also the form of cancer with the highest annual mortality rate (WHO). Each year, 1.2 million people are afflicted by lung cancer. Non-small cell lung cancer comprises approximately 80 percent of the number of lung cancer cases with a mortality rate of 85-90 percent. No adequate treatment methods are available. Surgery is the only form of treatment that can cure non-small cell lung cancer, although it is only effective for tumors that have not yet formed metastases. Cytotoxins such as cisplatin, carboplatin, paclitaxel, docetaxel and gemcitabine are used with limited success for treating advanced disease. The market for treatment of lung cancer is estimated to be over USD 1 billion.

Clinical studies on prostate cancer patients progressing according to plan for TASQ

In the ongoing Phase I dose-escalation study aimed at studying the safety of TASQ when the substance is administered in escalating doses to prostate cancer patients, the maximum tolerated dose (MTD) has been reached (0.5 mg/day). The patients will continue their treatment in a follow-up study intended to document the drug's long-term tolerance and safety. The study also includes continuous monitoring of a number of efficacy parameters.

The study is being conducted in the urology clinics at the Sahlgrenska University Hospital in Gothenburg and the University Hospitals in Lund and Malmö.

The objective for the company's TASQ project is to develop a pharmaceutical product that can be administered orally for the treatment of prostate cancer. Active Biotech is collaborating on this project with Professor John T. Isaacs of Johns Hopkins University in Baltimore, Maryland, in the US. Prostate cancer is one of the most common forms of cancer among men and accounts for almost one third of all cancers. Each year, more than half a million people are diagnosed with the disease,

which principally affects men in their 50s and older. Prostate cancer has varying degrees of severity. Despite a relatively good prognosis, prostate cancer is the second most common cause of death among men. The pharmaceutical market for prostate cancer is estimated to be over USD 3 billion.

Phase I study successfully completed for the 57-57 project against SLE

The first clinical study for Active Biotech's 57-57 candidate drug for the treatment of SLE (Systemic Lupus Erythematosus) has been successfully completed.

The Phase I study, which incorporated a total of 30 healthy volunteers, was performed in collaboration with the Phase I unit at Karolinska University Hospital in Stockholm. The results show that 57-57 is very well tolerated at all of the tested dosage levels in single and repeated doses and that the substance is suitable to be administered as an oral, daily treatment.

The next step in the clinical development of 57-57 will be a Phase I clinical study of how the substance is tolerated in treatment of SLE patients. This study is scheduled to commence by the end of the year.

SLE – Systemic Lupus Erythematosus – is a disease of the connective tissues that can cause inflammation and damage to the connective tissue in many different organs. The disease progresses in “flare-ups” interspersed by relatively symptom-free periods, and primarily affects women of childbearing age. Progress and symptoms of the disease vary widely, depending on the organs affected. Without treatment, SLE can be life-threatening. According to the Lupus Foundation of America (www.lupus.com), an estimated 1.5 million people in the US have some form of lupus.

Phase I studies for RhuDex® progressing as planned

At the beginning of May 2005, the company's collaboration partner Avidex Ltd. initiated Phase I clinical trials for the candidate drug RhuDex®, which is intended to be developed for the treatment of rheumatoid arthritis (RA).

RhuDex® is an orally administered substance.

After the close of the quarter, Active Biotech received a small milestone payment from Avidex in conjunction with the commencement of this clinical trial.

RhuDex® has an entirely different mode of action compared with the currently controversial Cox-2 inhibitors, such as Vioxx (rofecoxib) and Celebra (celecoxib), also used in the treatment of RA.

In April 2002, Active Biotech signed a licensing agreement with Avidex Ltd. (Oxford, UK) regarding Active Biotech's patented CD80 antagonists. The agreement grants Avidex the exclusive rights to further develop the CD80 antagonists, which include the pharmaceutical candidate RhuDex®, and to market products containing these substances. For Active Biotech, the agreement entailed an initial payment in 2002 and eligibility for milestone payments totaling up to GBP 5.8 M and royalties on future sales. The market for rheumatoid arthritis pharmaceuticals is estimated at approximately USD 14 billion.

Guaranteed preferential rights issue of approximately SEK 169 M

Based on the mandate granted by the Annual General Meeting on April 21, 2005, the Board of Active Biotech issued approval on May 17, 2005 for the implementation of a preferential rights issue of approximately SEK 169 M. The issue was completed in July and provided SEK 168.7 M before issue costs. The issue was oversubscribed by 43 percent. A total of 98.5 percent of the shares were subscribed using the support of shareholders' preferential rights. The remaining shares were distributed proportionally to shareholders who subscribed for an amount in excess of their number of preferential rights. As a result of this new share issue, the number of shares in Active Biotech increased by 5,623,426 shares to 39,363,983 shares.

The conversion rate for existing convertible debentures issued in December 2004 has been adjusted downward as a result of the implemented issue and, accordingly, amounts to SEK 38.39.

Exercise of option to repurchase the research facility in Lund

Through a "sale and lease-back" agreement dating from 1998, Active Biotech rents the property in Lund where the company's operations are conducted. When Active Biotech sold the property in 1998, it secured an option to repurchase the property at a pre-determined price.

The introduction of new accounting principles (IFRS) on January 1, 2005, entails that the operational leasing agreement must now be reported as a financial leasing agreement and, accordingly, as an asset in the consolidated balance sheet. Future leasing fees for the property are reported as current and long-term liabilities. At the beginning of 2005, the Group's shareholders' equity was therefore reduced by about SEK 58 M, since IFRS dictates that the capital gain on the divestment of the property in 1998 must be distributed over the rental period.

The property is owned by a limited partnership, in which Active Biotech is a limited partner with contributed share capital of SEK 40 M and Nordisk Renting as general partner.

Agreement has been reached with Nordisk Renting on the acquisition of its shares in the limited partnership. The effects of IFRS as outlined above are thereby reversed. Other effects of the acquisition for Active Biotech include the following:

- The property will be booked at market value, which exceeds its book value by about SEK50M
- Existing property loans in the limited partnership are assumed by Active Biotech and external financing is secured.
- The repurchase of the property does not change Active Biotech's existing financial commitments with regard to the property and is not expected to have any effect on liquidity.
- The Group's reported shareholders' equity is strengthened by approximately SEK 100 M and amounts to approximately SEK 266 M after the implemented new share issue.
- The Group's equity/assets ratio amounted to 9 percent at June 30, 2005. Adjusted for the recently implemented new share issue and repurchase of the property, the equity/assets ratio is improved to about 40 percent.
- As a result of favorable external financing compared with the current leasing rent, cost savings amount to approximately SEK 10 M (full year) with the same effect on cash flow.

Vacant floor space has been let to a number of companies with similar operations and work to secure more tenants is in progress in order to fully utilize the property and, consequently, further reduce the company's costs.

Financial information

Comments on the Group's results for the period January – June 2005

Consolidated net sales for the period amounted to SEK 5.8 M (30.4). The change between the years is explained by the fact that the sales figure for the first half of 2004 included a milestone payment of SEK 30.3 M received from Chiron Corp. in conjunction with the registration of the Dukoral travel vaccine in Europe. The sales figure for the first half of 2005 includes a milestone payment from Avidex Ltd. and proceeds from the sale of clinical material and research services.

Research and administration costs amounted to SEK 106.3 M (127.5), a 17-percent cost reduction that is attributable to lower costs for the clinical development program and the effects of the program implemented to focus operations on clinical projects.

Operating loss amounted to SEK 100.5 M (loss: 97.0). The earnings trend since the year-earlier period can be explained by lower revenues that have been balanced by significantly lower costs.

The financial net for the period amounted to an expense of SEK 8.7 M (income: 21.1). The higher financial net for the year-earlier period included SEK 14.7 M in dividend payments and SEK 12.2 M in capital gains from securities management. The financial net for the current year includes SEK 1.9 M (0.7) in interest income, SEK 1.4 M (0.6) in exchange rate differences and SEK 6.4 M (0.0) in interest expense attributable to the convertible debenture loan issued in 2004. Due to new accounting rules introduced from January 1, 2005, the financial net also includes SEK 5.7 M (7.0) relating to the company's "sale and lease-back" agreement for the property in which operations are conducted.

Active Biotech's associated earnings in the UK company Isogenica Ltd. amounted to a loss of SEK 1.0 M (loss: 0.7).

The Group's earnings after financial items amounted to a loss of SEK 110.3 M (loss: 76.6). The decline in earnings is attributable to lower income and a considerably lower financial net.

Liquidity and financial status

Cash flow from operating activities for the first half of the year was negative in an amount of SEK 114.3 M (neg: 75.6).

Investments in tangible assets amounted to SEK 0.0 M (neg: 1.7).

Cash flow from financing activities amounted to SEK 0.9 M (neg: 0.9).

The Group's long-term liabilities amounted to SEK 393.6 M (303.0), of which the convertible debenture loan accounted for SEK 98.8 M (0.0), liabilities to leasing companies for SEK 4.0 M (5.2), and SEK 290.7 M (297.8) pertained to the company's "sale and lease-back" agreement for the property that is now classified by IFRS as a financial leasing agreement.

The book value of the Group's current investments and cash equivalents was SEK 101.5 M at the end of the period, compared with SEK 214.8 M at year-end 2004. Proceeds from the successfully completed new share issue are not included in cash equivalents for the period since payment was received after the close of the reporting period. Available cash equivalents per share amounted to SEK 2.89 at the end of the period, compared with SEK 6.23 at year-end 2004.

After the implemented share issue, cash equivalents amount to SEK 266 M, corresponding to SEK 6.76 per share.

Parent company Active Biotech AB

The operations of the Parent Company, Active Biotech AB, comprise Group-wide administrative functions. Parent company net sales for the period amounted to SEK 6.3 M (32.1).

Operating expenses during the period totaled SEK 15.4 M (17.3). The financial net for the period was negative in an amount of SEK 3.9 M (positive: 27.7), with the change attributable to dividend payments and capital gains during the first quarter of the preceding year. Gross investments in fixed assets by the Parent Company during the period amounted to SEK 0.0 M (0.1).

Cash equivalents amounted to SEK 97.8 M at the end of the period, compared with SEK 212.9 M on January 1, 2005. After the implemented share issue, cash equivalents amount to SEK 262.4 M.

Share capital

Consolidated shareholders' equity amounted to SEK 47.0 M on June 30, 2005, compared with SEK 104.1 M at year-end 2004. After the implemented share issue and repurchase of the property, shareholders' equity amounts to approximately SEK 266 M.

A total of 33,740,557 shares were outstanding at the end of the period, representing an increase of 1,681 shares after conversion of convertible debentures since the end of 2004. After the new share issue implemented in July 2005, the number of shares has increase by 5,623,426 to 39,363,983 shares. In addition, the company has issued 3,747,083 convertible debentures that can be converted at a price of SEK 38.89 until June 15, 2009. After full conversion, the number of shares in Active Biotech could increase to 43,111,066 shares.

At the end of the period, the equity/assets ratio for the Group was 9.1 percent, compared with 17.7 percent at December 31, 2004. The corresponding figures for the Parent Company, Active Biotech AB, were 26.1 percent and 30.8 percent, respectively.

Organization

At the end of the period, the Group had 91 employees, a reduction by a further 13 employees since December 31, 2004. The planned job cuts as part of the program to streamline operations are now complete.

Outlook

In 2004, the company focused on clinical projects. Combined with the partnership that has been entered into with Teva, this will entail further cost reductions in 2005 compared with the preceding year.

No earnings forecast has been issued for full-year 2005 as exact dates for signing additional partnership agreements and receiving milestone payments from existing agreements cannot be specified.

Under current plans, existing cash equivalents, proceeds from the implemented new share issue and revenues from current and anticipated partnership agreements are assumed to finance operations until the end of 2009.

Active Biotech – Group

Income statement, condensed SEK M	Apr–Jun		Jan–Jun		Full year
	2005	2004	2005	2004	2004
Net sales	5.0	30.4	5.8	30.4	69.7
Administrative expenses	-8.4	-9.4	-15.4	-17.3	-30.9
Research and development costs	-49.1	-52.4	-90.9	-110.1	-224.7
Operating profit/loss	-52.4	-31.5	-100.5	-97.0	-185.9
Profit/loss from participations in associated companies	-0.4	-0.3	-1.0	-0.7	-2.1
Net financial items	-4.1	-2.7	-8.7	21.1	16.2
Profit/loss after financial items	-56.9	-34.5	-110.3	-76.6	-171.9
Tax	–	–	–	–	–
Profit/loss for the period	-56.9	-34.5	-110.3	-76.6	-171.9
Depreciation/amortization included in an amount of	5.1	5.8	10.3	11.7	22.8
Investments in tangible fixed assets	0.2	0.9	0.3	1.3	1.8
Earnings per share before dilution (SEK)	-1.69	-1.02	-3.27	-2.27	-5.09
Weighted number of common shares before dilution (000s)	33,740	33,739	33,739	33,739	33,739
Weighted number of common shares after dilution (000s)	33,740	33,739	33,739	33,739	33,739
Number of shares at close of period (000s)	33,741	33,739	33,741	33,739	33,739
Number of shares at close of period, including warrants (000s)	35,071	33,739	35,071	35,069	35,069
Balance sheet, condensed			Jun 30		Dec 31
SEK M			2005	2004	2004
Tangible fixed assets			303.1	323.6	313.1
Financial assets			43.6	46.3	43.4
Total fixed assets			346.7	369.9	356.5
Current receivables			69.7	12.0	15.6
Short-term investments and cash equivalents			101.5	149.4	214.8
Total current assets			171.1	161.4	230.4
Total assets			517.8	531.3	586.9
Shareholders' equity			47.0	151.4	104.1
Long-term liabilities			393.6	303.0	392.6
Current liabilities			77.2	76.9	90.2
Total liabilities and shareholders' equity			517.8	531.3	586.9
Changes in shareholders' equity, condensed					
Opening balance			104.1	227.5	227.5
Personnel options program			0.8	0.8	1.6
New share issue in progress			53.0	–	–
Convertible issue			0.0	–	46.9
Translation differences			-0.7	-0.3	0.1
Net profit/loss for the period			-110.3	-76.6	-171.9
Balance at close of period			47.0	151.4	104.1

Cash-flow statement, condensed SEK M	Jan–Jun		Full year
	2005	2004	2004
Profit/loss after financial items	-110.3	-76.6	-171.9
Adjustments for items not included in cash flow, etc.	11.5	8.8	15.5
Tax paid	0.0	0.0	0.0
Cash flow from operating activities before changes in working capital	-98.8	-67.8	-156.3
Changes in working capital	-15.5	-7.8	6.7
Cash flow from operating activities	-114.3	-75.6	-149.7
Net investments in fixed assets	0.0	-1.7	-1.8
Cash flow from investing activities	0.0	-1.7	-1.8
Convertible issue	–	–	140.9
Borrowings/repayment of debt	0.9	-0.9	-2.2
Cash flow from financing activities	0.9	-0.9	138.6
Cash flow for the period	-113.4	-78.2	-12.8
Cash equivalents, beginning of period	214.8	227.6	227.6
Exchange-rate differences in cash equivalents	0.1	0.1	0.0
Cash equivalents, end of period	101.5	149.4	214.8
		Jun 30	Dec 31
Key figures	2005	2004	2004
Shareholders' equity, SEK M	47.0	151.4	104.1
Shareholders' equity per share, SEK M	1.39	4.49	3.09
Available cash equivalents, SEK M	97.6	146.4	210.1
Available cash equivalents per share, SEK	2.89	4.34	6.23
Equity/assets ratio, Parent Company, %	26.1	30.9	30.8
Equity/assets ratio, Group, %	9.1	28.5	17.7
Average number of annual employees	95	173	151

Any errors in addition are due to rounding-off of figures.

Accounting and valuation principles

In accordance with the IAS regulations adopted by the EU in 2000, listed companies shall, effective 2005, apply IFRS (International Financial Reporting Standards) in their consolidated accounts. The company's interim report for the first quarter of 2005 was prepared in accordance with the IFRS standards adopted by the EU and the interpretations of the applicable IFRIC standards also adopted by the EU. This report has been prepared in accordance with IAS 34, Interim Financial Reporting.

Effective January 1, 2005, IAS 39 Financial Instruments, IFRS 4 Insurance Contracts and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are applied. These have not necessitated any adjustments of the comparative figures for 2004 in accordance with IFRS 1.

Effective January 1, 2005, the Parent Company applies RR32 Reporting for Legal Entities. In principle, RR32 entails the application of IFRS but with certain exceptions. The application of RR32 has had no material effect on the earnings or position of the Parent Company.

Pages 33 and 34 of Active Biotech's Annual Report for 2004 presented a description of the accounting principles affected by the transition to IFRS. In addition to requirements for additional supplementary disclosures in the Annual Report, for Active Biotech, the transition has resulted in changes on the following points.

1. Tangible fixed assets

The company's "sale and lease-back" agreement for the property in which operations are conducted and which was previously reported as an operational leasing agreement, is now reported, in accordance with IAS 17, as a financial leasing agreement. This means that the property is reported as an asset in the consolidated balance sheet and is depreciated according to plan at an assessed residual value. The undertaking to pay future lease fees to the lessor is reported as a current and long-term liability, with the property reported as a pledged asset. Future lease payments are reported as interest expense and amortization. The capital gain reported in 1998 when the sale and lease-back agreement was signed is distributed across the lease period.

2. Personnel options program

In December 2003, Active Biotech issued a personnel options program covering all personnel, in which employees were offered the opportunity, through new subscriptions, to acquire shares in the company. The personnel options program is reported in accordance with IFRS 2. The fair value of the options is calculated at the time of issue and is reported as a personnel expense distributed across the earned period. Transactions settled using equity instruments are reported as an increase in shareholders' equity. Consequently, a personnel options program in which options are exchanged for treasury shares is charged against earnings for the period but has no impact on total shareholders' equity.

The enclosed summaries show the effects of the introduction of IFRS on comparative figures for June 30, 2004 and December 31, 2004.

3. Effects of changed accounting principles in the transition to IAS 39

The company's short-term investments consist of Swedish interest-bearing bonds, which, in accordance with IAS 39 are reported at fair value. During the first half of 2005, the changed accounting principle resulted in only a marginal positive effect on earnings.

Active Biotech – Group

Effects of transition to IFRS for the period January 1 to June 30, 2004

Income statement, condensed

SEK M	Jan 1–Jun 30, 2004 acc. to IFRS	Effects of transition to IFRS	Jan 1–Jun 30, 2004 acc. to Sw GAAP
Net sales	30.4	–	30.4
Administrative expenses	-17.3	–	-17.3
Research and development costs	-110.1	7.8 ¹⁾	-118.0
Operating profit/loss	-97.0	7.8	-104.9
Profit/loss from participations in assoc. companies	-0.7	–	-0.7
Net financial items	21.1	-7.0 ²⁾	28.2
Profit/loss after financial items	-76.6	0.8	-77.4
Tax	–	–	–
Net profit/loss for the period	-76.6	0.8 ³⁾	-77.4
Deprec./amort. included in an amount of	11.7	4.8	6.9
Investments in tangible fixed assets	1.3		1.3
Earnings per share (SEK)	-2.27	0.02	-2.29

Comments on the effects on the income statement of the transition to IFRS:

¹⁾ The reporting of the "sale and lease-back" agreement as a financial lease has a positive effect on earnings of SEK 8.6 M and the reporting of personnel options has a negative effect on earnings of SEK 0.8 M.

²⁾ The reporting of the "sale and lease-back" agreement as a financial lease has a negative effect on earnings of SEK 7.0 M.

³⁾ In total, the reporting of the "sale and lease-back" agreement as a financial lease has a positive effect on earnings of SEK 1.6 M and the accounting of personnel options a negative effect of SEK 0.8 M.

Balance sheet, condensed

SEK M	Jan 1–Jun 30, 2004 acc. to IFRS	Effects of transition to IFRS	Jan 1–Jun 30, 2004 acc. to Sw GAAP
Tangible fixed assets	323.6	278.9	44.8
Financial assets	46.3		46.3
Total fixed assets	369.9	278.9	91.0
Current receivables	12.0		12.0
Short-term investments and cash equivalents	149.4		149.4
Total current assets	161.4	0.0	161.4
Total assets	531.3	278.9	252.4
Shareholders' equity	151.4	-60.5	211.9
Long-term liabilities	303.0	297.8	5.3
Current liabilities	76.9	41.6	35.2
Total liabilities and shareholders' equity	531.3	278.9	252.4

Change in shareholders' equity, condensed

Opening balance	227.5	-62.1	289.6
Personnel options program	0.8	0.8	–
Convertible issue	–	–	–
Translation difference	-0.3	–	-0.3
Net profit/loss for the period	-76.6	0.8	-77.4
Balance at end of period	151.4	-60.5	211.9

Comments on the effects on the balance sheet of the transition to IFRS:

The reporting of the "sale and lease-back" agreement as a financial lease entails an increase in tangible fixed assets of SEK 278.9 M, a reduction in shareholders' equity of SEK 60.5 M and an increase in long-term and current liabilities of SEK 297.8 M and SEK 41.6 M respectively. The personnel options program has a negative effect on earnings but, in total, no effect on shareholders' equity.

Active Biotech – Group

Effects of transition to IFRS for the period January 1 to December 31, 2004

Income statement, condensed

SEK M	Jan 1–Dec 31, 2004 acc. to IFRS	Effects of transition to IFRS	Jan 1–Dec 31, 2004 acc. to Sw GAAP
Net sales	69.7	–	69.7
Administrative expenses	-30.9	–	-30.9
Research and development costs	-224.7	15.0 ¹⁾	-239.7
Operating profit/loss	-185.9	15.0	-200.9
Profit/loss from participations in assoc. companies	-2.1	–	-2.1
Net financial items	16.2	-12.6 ²⁾	28.8
Profit/loss after financial items	-171.9	2.4	-174.2
Tax	–	–	–
Net profit/loss for the period	-171.9	2.4 ³⁾	-174.2
Deprec./amort. included in an amount of Investments in tangible fixed assets	22.8 0.4	9.7	13.1 0.4
Earnings per share (SEK)	-5.09	0.07	-5.16

Comments on the effects on the income statement of the transition to IFRS:

¹⁾ The reporting of the "sale and lease-back" agreement as a financial lease has a positive effect on earnings of SEK 16.5 M and the reporting of personnel options has a negative effect on earnings of SEK 1.5 M.

²⁾ The reporting of the "sale and lease-back" agreement as a financial lease has a negative effect on earnings of SEK 12.6 M.

³⁾ In total, the reporting of the "sale and lease-back" agreement as a financial lease has a positive effect on earnings of SEK 3.9 M and the accounting of personnel options a negative effect of SEK 1.5 M.

Balance sheet, condensed

SEK M	Jan 1–Dec 31, 2004 acc. to IFRS	Effects of transition to IFRS	Jan 1–Dec 31, 2004 acc. to Sw GAAP
Tangible fixed assets	313.1	274.0	39.1
Financial assets	43.4		43.4
Total fixed assets	356.5	274.0	82.5
Current receivables	15.6		15.6
Short-term investments and cash equivalents	214.8		214.8
Total current assets	230.4	0.0	230.4
Total assets	586.9	274.0	312.9
Shareholders' equity	104.1	-58.2	162.3
Long-term liabilities	392.6	294.1	98.5
Current liabilities	90.2	38.1	52.1
Total liabilities and shareholders' equity	586.9	274.0	312.9
Change in shareholders' equity, condensed			
Opening balance	227.5	-62.1	289.6
Personnel options program	1.6	1.6	–
Convertible issue	46.9	–	46.9
Translation difference	0.1	–	0.1
Net profit/loss for the period	-171.9	2.4	-174.2
Balance at end of period	104.1	-58.2	162.3

Comments on the effects on the balance sheet of the transition to IFRS:

The reporting of the "sale and lease-back" agreement as a financial lease entails an increase in tangible fixed assets of SEK 274.0 M, a reduction in shareholders' equity of SEK 58.2 M and an increase in long-term and current liabilities of SEK 294.1 M and SEK 38.1 M respectively. The personnel options program has a negative effect on earnings but, in total, no effect on shareholders' equity.

Legal disclaimer

This financial report includes statements that are forward looking and actual results may differ materially from those anticipated. In addition to the factors discussed, other factors that can affect results are developments within research programs, including clinical trials, the impact of competing research programs, the effect of economic conditions, the effectiveness of the company's intellectual patent protection and obstacles due to technological development, exchange rate and interest rate fluctuations, and political risks.

Financial calendar 2005

Interim report January – September: November 2, 2005
Year-end report 2005: February 16, 2006

Reports will be available from these dates at www.activebiotech.com.

2006 Annual General Meeting

The 2006 Annual General Meeting will be held on April 26, 2006 at Edison Park, Emdalavägen 16, Lund, Sweden. A more detailed invitation to attend the Annual General Meeting will be issued closer to the time.

Lund, August 11, 2005
Active Biotech AB

Sven Andréasson
President & CEO

This interim Report has not been reviewed by the company's auditors.

*Active Biotech AB is a biotechnology company focusing on research and development of pharmaceuticals. Active Biotech has a strong R&D portfolio with pipeline products focused on autoimmune/inflammatory diseases and cancer. Most advanced projects are **laquinimod**, an orally administered small molecule with unique immunomodulatory properties for the treatment of multiple sclerosis, as well as **ANYARA** for use in cancer immunotherapy with the primary indication non-small cell lung cancer. Further key projects in clinical development comprise the three orally administered compounds **TASQ** for prostate cancer **57-57** for SLE and **RhuDex®** for RA.*

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