

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

- **Laquinimod safe at higher dose for MS patients**
- **Longer survival rate for renal cancer patients treated with first-generation ANYARA**
- **Confirmed ANYARA tumor localization in cancer patients**
- **Expanded TASQ clinical studies for prostate cancer patients**
- **SLE 57-57 project; ready to initiate patient studies**
- **Acquisition of research facility in Lund**
- **Net sales: SEK 6.5 M (68.2)**
- **Operating loss: SEK 92.2 M (loss: 126.6)**
- **Loss after tax: SEK 91.9 M (loss: 109.5)**
- **Loss per share for the period: SEK 2.58 (loss: 3.16)**

**Positive safety data presented for laquinimod**

Safety data from a recently concluded clinical Phase II safety study showed that laquinimod also is well tolerated at a higher dose level. Professor Magnhild Sandberg-Wollheim, the Principal Investigator for the study, presented the results of the study at the 21st ECTRIMS Congress (European Committee for Treatment and Research in Multiple Sclerosis) in Thessalonica, Greece.

The aim of the study was to investigate the safety of orally-administered laquinimod at a higher dose (0.9 mg/day) level than the dose previously shown to be effective in reducing the number of active brain lesions (0.3 mg/day) (Polman et al. Neurology 2005; 64:987-991).

Once again, laquinimod showed a favorable safety profile. The majority of observed adverse events (AEs) were mild or moderate and transient. All patients remained clinically stable or showed an improvement in their ability to move, and the majority remained relapse-free during the treatment period. For further information about the study, see the press release dated September 27, 2005 in the Press and News section of [www.activebiotech.com](http://www.activebiotech.com): *Confirmed favorable safety profile for Active Biotech's oral MS drug.*

Laquinimod is a novel, orally-administered, immunomodulatory compound developed as a disease-modifying treatment in tablet form for treatment of multiple sclerosis (MS). Active Biotech developed laquinimod and licensed it to Teva Pharmaceutical Industries Ltd in 2004.

Teva's supplementary Phase II multi-center study to establish the optimal dose for pivotal Phase III studies is progressing according to plan. This study is a full-scale, double-blind, placebo-controlled multi-center Phase IIb clinical study that is currently in progress in several European countries. The study is designed to measure 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. Following the conclusion of these studies, the Phase III program is expected to commence in 2006, with the aim to confirm laquinimod's efficacy and safety in the treatment of relapsing MS.

Work on mapping laquinimod's mode of action is being conducted in parallel with the clinical development.

The highly advantageous safety profile showed by laquinimod 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. Furthermore, laquinimod is not immunosuppressive and it has the potential to become the first orally-administered disease-modifying treatment for multiple sclerosis.

*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.*

### **New results boost ANYARA cancer project**

Data from a recent study of renal cancer patients treated with the first generation (TTS CD2) of ANYARA showed that survival of treated patients is substantially longer than for the corresponding group of patients with current treatment. Median survival for the total patients (43 patients) in the study was 19.7 months, with thirteen patients still alive today. The expected median survival was 14.4 months. Twenty-two patients were included in a high-dose group and twenty-one in a low-dose group.

The group of patients receiving the higher dose lived almost twice as long as expected, 26.6 months compared to 15.1 months. However, the low-dose group lived approximately as long as expected, 12.1 months compared with 13.0 months. For further information, see the press release dated September 29, 2005 in the Press and News section of [www.activebiotech.com](http://www.activebiotech.com): *Active Biotech presents survival data on cancer drug.*

Active Biotech's candidate drug ANYARA (second generation) is designed to enhance anti-tumor activity and lower general toxicity. Therefore, it can be administered at significantly higher doses than the first-generation product, which is key to achieving optimal efficacy.

ANYARA is targeted to tumor cells in cancer patients, as was shown for the first time with objective methodology. Using Positron Emission Tomography (PET) and radioactively labeled ANYARA, researchers were able to measure drug concentrations specifically in tumors expressing the 5T4 antigen, as well as in normal tissue in patients. This is a significant milestone in the development of a

targeted cancer therapy. These results are part of an ongoing study conducted at the Paterson Institute for Cancer Research and at Christie Hospital in Manchester, England.

Active Biotech will shortly begin a Phase I clinical combination study of ANYARA and the cancer drug Taxotere®. This study will examine ANYARA in combination with an established cytotoxin in the treatment of non-small cell lung cancer.

The ongoing Phase I dose-escalation study with ANYARA in the US, Norway and the UK, with non-small cell lung cancer as primary indication, is progressing according to plan.

*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% of the number of lung cancer cases with a mortality rate of 85-90%. 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.*

### **Permission to include additional prostate cancer patients in Phase I study for TASQ**

In the ongoing Phase I dose-escalation study aimed at studying the safety of TASQ has shown that when the substance is administered in escalating doses to prostate cancer patients, the maximum tolerated dose (MTD) was, as reported earlier, reached at 0.5 mg/day. Going forward, 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.

Permission has been obtained from the Medical Products Agency to include an additional ten patients in the study, making it possible to obtain extended clinical data earlier than planned.

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 clinical study with patients planned for the 57-57 project against SLE**

The first clinical study for 57-57, Active Biotech's candidate drug for the treatment of Systemic Lupus Erythematosus (SLE), was successfully concluded during the summer of 2005. This 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 showed 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 is a Phase I clinical study of how the substance is tolerated in the treatment of patients with SLE or rheumatoid arthritis (RA). All of the necessary permits were obtained and the study is scheduled to commence shortly.

*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](http://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**

Avidex Ltd., Active Biotech’s development partner for the candidate drug RhuDex® for the treatment of RA, is currently conducting Phase I clinical trials.

RhuDex® has an entirely different mode of action compared with the controversial Cox-2 inhibitors, such as Vioxx (rofecoxib) and Celebra (celecoxib), that are currently 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 current market for rheumatoid arthritis pharmaceuticals is estimated at approximately USD 14 billion.

### **Acquisition of research facility in Lund**

On September 30, 2005, Active Biotech signed an agreement with Nordisk Renting AB to acquire the remaining shares in the company that owns the property in Lund where Active Biotech conducts operations.

The effects of the acquisition are summarized below:

- The lease agreement with Nordisk Renting was reported as a sale and leaseback transaction. Now that this agreement is expiring, the effect of this is reported, in accordance with IAS 17, as a divestment of the lease agreement, giving rise to a capital gain of SEK 54.7 M with no effect on cash flow.
- The purchase of the shares in the company that owns the research facility is reported as an acquisition of fixed assets.
- The property has, after the acquisition, been booked at market value. The market value exceeds the book value by SEK 49.7 M before tax.
- The market valuation of the property and reversal of the financial lease increases the Group’s shareholders’ equity by a total of SEK 104.4 M before tax.
- Annual cost savings of about SEK 10 M are expected, with an equivalent effect on cash flow.
- Premises not utilized by Active Biotech were leased to companies with similar operations. Active Biotech has contacted potential tenants in order to fully utilize the property and thereby create opportunities to continue to reduce the company’s costs.

## **High score in Climate Index**

Active Biotech was awarded five stars in Folksam's ninth annual Climate Index, a survey that reviews and grades climate-related work in 270 listed companies in Sweden. The survey covers all of the companies listed on the "A-list" and the "O-List" of the Stockholm Stock Exchange, as well as ten other large Swedish companies. The index takes into account each company's emissions trend, climate-related measures and quality of emissions reporting. This gives an overall "climate score" based on a scale of 0-5.

## **Financial information**

### **Comments on the Group's results for the period January – September 2005**

Consolidated net sales for the period amounted to SEK 6.5 M (68.2). Sales in the year-earlier period included a milestone payment of SEK 30.3 M received from Chiron Corp. and SEK 37.7 M in the form of an initial payment in accordance with the partnership agreement with Teva Pharmaceutical Industries Ltd. for laquinimod. The sales figure for the current year includes a milestone payment from Avidex Ltd., proceeds from the sale of clinical material and research services, and rental and service revenue.

Research and administration costs amounted to SEK 153.3 M (194.9). The 21-percent cost reduction is attributable to the effects of management's program implemented during 2004 to concentrate operations on clinical projects. The clinical development program comprises three company-financed projects in Phase I and two projects financed through partners.

On September 30, 2005, the company acquired – through acquisition of the remaining shares in Stockholmsledet 7 KB – the research facility in which it conducts operations. On this date, the previous sale and leaseback agreement on the property was reported as a divestment in accordance with rules contained in IAS 17, giving rise to a capital gain of SEK 54.7 M, which was recognized as income. The transaction did not affect cash flow.

Operating loss amounted to SEK 92.2 M (loss: 126.6). The improvement in earnings is mainly attributable to operating revenue in conjunction with the property acquisition and combined with considerably lower costs offsetting the decline in revenue.

The financial net for the period amounted to an expense of SEK 14.1 M (income: 18.8). The primary explanation for the change is that the figure for the preceding year included SEK 26.9 M in dividends and capital gains from securities management. The financial net for the current year includes SEK 2.8 M (1.1) in net interest income; SEK 1.2 M (1.0) in exchange-rate differences; SEK 9.6 M (0.0) in interest expense pertaining to the convertible debenture loan issued in 2004; and, due to the introduction of new accounting rules from January 1, 2005, SEK 8.4 M (10.2) in interest expense relating to the company's sale and leaseback agreement for the property in which operations are conducted.

Active Biotech's associated earnings in the UK company Isogenica Ltd. amounted to a profit of SEK 0.4 M (loss: 1.7).

The Group's earnings after financial items amounted to a loss of SEK 105.8 M (loss: 109.5). The loss after tax for the period amounted to SEK 91.9 M (loss: 109.5).

### **Liquidity and financial status**

Cash flow from operating activities for the first nine months of the year amounted to negative SEK 159.2 M (neg: 95.9).

Cash flow from investing activities amounted to negative SEK 13.7 M (neg: 1.7). Investments in tangible assets accounted for SEK 5.2 M (1.3), and the acquisition of shares in the limited partnership accounted for the remaining SEK 8.5 M.

Cash flow from financing activities amounted to SEK 178.3 M (neg: 1.4), resulting from the preferential rights issue implemented during the third quarter, which contributed SEK 164.2 M after issue expenses.

At September 30, 2005, the Group's long-term liabilities amounted to SEK 378.9 M (301.1), of which the property loan accounted for SEK 260.0 M (0), debt related to the financial lease of the property SEK 0 M (296.3), the convertible debenture loan issued in 2004 accounted for SEK 101.2 M (0.0) and other long-term liabilities accounted for SEK 17.7 M (4.8).

The book value of the Group's current investments and cash equivalents at the end of the period was SEK 220.3 M, compared with SEK 214.8 M at year-end 2004. Available cash equivalents per share amounted to SEK 5.50 at the end of the period, compared with SEK 6.23 at year-end 2004.

### **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 7.2 M (70.6).

Operating expenses during the period totaled SEK 21.5 M (24.4). Net financial income for the period amounted to SEK 3.4 M (26.4). The decrease compared to the prior year period is attributable to dividend payments and capital gains in the preceding year.

The loss after financial items amounted to SEK 10.4 M (profit: 72.7).

Gross investments in fixed assets during the period amounted to SEK 0.0 M (0.0).

Cash equivalents and financial investments amounted to SEK 209.5 M at September 30, 2005, compared with SEK 212.9 M on January 1, 2005.

### **Share capital**

Consolidated shareholders' equity at the end of the period amounted to SEK 213.6 M, compared with SEK 104.1 M at year-end 2004. The new share issue implemented during the third quarter contributed SEK 164.2 M after issue expenses. The acquisition of the company's research facility and the market valuation of this property strengthened the Group's shareholders' equity by a total of SEK 104.4 M.

A total of 39,364,650 shares were outstanding at the end of the period, representing an increase of 5,625,774 from the new share issue implemented during the period and conversion of convertible debentures since the end of 2004. After full conversion of the convertible debentures issued in 2004 and redemption of outstanding warrants, the number of shares in Active Biotech could increase to a maximum of 44,598,208 shares.

At the end of the period, the equity/assets ratio for the Group was 34.0%, compared with 17.7% at December 31, 2004. The corresponding figures for the Parent Company, Active Biotech AB, were 48.5% and 30.8%, respectively.

**Organization**

At the end of the period, the Group had 89 employees (104), a reduction of 15 employees since December 31, 2004. Sixty-five of the Group's employees work within research and development.

**Outlook**

The concentration of operations on clinical projects accomplished in 2004, combined with the partnership entered into previously entails continued cost reductions during the remainder of the year 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 in combination with revenues from current and anticipated partnership agreements are assumed to finance operations until 2009.

## Active Biotech – Group

Income statement, condensed SEK M	July - Sep		Jan - Sep		Full year
	2005	2004	2005	2004	2004
<b>Net sales</b>	<b>0.6</b>	<b>37.8</b>	<b>6.5</b>	<b>68.2</b>	<b>69.7</b>
Administrative expenses	-6.3	-7.0	-21.7	-24.4	-30.9
Research and development costs	-40.3	-60.3	-131.6	-170.5	-224.7
Other revenue	54.7	–	54.7	–	–
<b>Operating profit/loss</b>	<b>8.7</b>	<b>-29.5</b>	<b>-92.2</b>	<b>-126.6</b>	<b>-185.9</b>
Profit/loss from participations in associated companies	1.4	-1.0	0.4	-1.7	-2.1
Net financial items	-5.3	-2.4	-14.1	18.8	16.2
<b>Profit/loss after financial items</b>	<b>4.9</b>	<b>-32.9</b>	<b>-105.8</b>	<b>-109.5</b>	<b>-171.9</b>
Tax	13.9	–	13.9	–	–
<b>Profit/loss for the period</b>	<b>18.8</b>	<b>-32.9</b>	<b>-91.9</b>	<b>-109.5</b>	<b>-171.9</b>
Depreciation/amortization included in an amount of	4.9	5.7	15.2	17.5	22.8
Investments in tangible fixed assets	5.4	0.0	5.7	1.3	1.8
Earnings per share before dilution (SEK)	0.48	-0.95	-2.58	-3.16	-4.96
Earnings per share after dilution (SEK)	0.48	-0.95	-2.58	-3.16	-4.96
Weighted number of common shares before dilution (000s)	39,333	34,665	35,638	34,665	34,665
Weighted number of common shares after dilution (000s)	39,333	34,665	35,638	34,665	34,665
Number of shares at close of period (000s)	39,365	33,739	39,365	33,739	33,739
Number of shares at close of period, including warrants (000s)	40,695	35,069	40,695	35,069	35,069
<b>Balance sheet, condensed</b>			<b>Sep 30</b>		<b>Dec 31</b>
SEK M			<b>2005</b>	<b>2004</b>	<b>2004</b>
Tangible fixed assets			381.6	317.9	313.1
Financial assets			18.3	45.1	43.4
<b>Total fixed assets</b>			<b>399.9</b>	<b>363.0</b>	<b>356.5</b>
Current receivables			8.5	12.3	15.6
Short-term investments and cash equivalents			220.3	128.5	214.8
<b>Total current assets</b>			<b>228.7</b>	<b>140.8</b>	<b>230.4</b>
<b>Total assets</b>			<b>628.6</b>	<b>503.7</b>	<b>586.9</b>
Shareholders' equity			213.6	119.0	104.1
Long-term liabilities			378.9	301.1	392.6
Current liabilities			36.1	83.6	90.2
<b>Total liabilities and shareholders' equity</b>			<b>628.6</b>	<b>503.7</b>	<b>586.9</b>
<b>Changes in shareholders' equity, condensed</b>					
Opening balance			104.1	227.5	227.5
Personnel options program			1.7	1.2	1.6
New share issue			164.2	–	–
Convertible issue			0.1	–	46.9
Revaluation reserve			35.8	–	–
Translation differences			-0.4	-0.1	0.1
Net profit/loss for the period			-91.9	-109.5	-171.9
<b>Balance at close of period</b>			<b>213.6</b>	<b>119.0</b>	<b>104.1</b>

<b>Cash-flow statement, condensed</b> SEK M	<b>Jan - Sep</b>		<b>Full year</b>
	<b>2005</b>	<b>2004</b>	<b>2004</b>
<b>Profit/loss after financial items</b>	<b>-105.8</b>	<b>-109.5</b>	<b>-171.9</b>
Adjustments for items not included in cash flow, etc.	-38.8	13.0	15.5
Tax paid	0.0	0.0	0.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-144.6</b>	<b>-96.5</b>	<b>-156.3</b>
Changes in working capital	-14.5	0.5	6.7
<b>Cash flow from operating activities</b>	<b>-159.2</b>	<b>-95.9</b>	<b>-149.7</b>
Net investments in fixed assets	-13.7	-1.7	-1.8
<b>Cash flow from investing activities</b>	<b>-13.7</b>	<b>-1.7</b>	<b>-1.8</b>
Convertible issue	–	–	140.9
New share issue	164.2	–	–
Borrowings/repayment of debt	14.1	-1.4	-2.2
<b>Cash flow from financing activities</b>	<b>178.3</b>	<b>-1.4</b>	<b>138.6</b>
<b>Cash flow for the period</b>	<b>5.4</b>	<b>-99.1</b>	<b>-12.8</b>
<b>Cash equivalents, beginning of period</b>	<b>214.8</b>	<b>227.6</b>	<b>227.6</b>
<b>Exchange-rate differences in cash equivalents</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash equivalents, end of period</b>	<b>220.3</b>	<b>128.5</b>	<b>214.8</b>
		<b>Sep 30</b>	<b>Dec 31</b>
<b>Key figures</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Shareholders' equity, SEK M	213.6	119.0	104.1
Shareholders' equity per share, SEK	5.43	3.53	3.09
Available cash equivalents, SEK M	216.4	125.5	210.1
Available cash equivalents per share, SEK	5.50	3.72	6.23
Equity/assets ratio, Parent Company, %	48.5	30.9	30.8
Equity/assets ratio, Group, %	34.0	23.6	17.7
Average number of annual employees	93	173	151

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

### **Accounting and valuation principles**

Effective January 1, 2005, the consolidated accounts are prepared in accordance with International Financing Reporting Standards (IFRS). The company's interim report for the period January to September 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. The interim report was prepared in accordance with IAS 34 Interim Financial Reporting and RR 31 Consolidated 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 2005, statement URA 46 "IFRS 2 and social security contributions", issued by the Financial Accounting Standards Council's Emerging Issues Task Force, is applied. Comparative figures for 2004 have not been adjusted since the amount is insignificant. The statement entails that social security contributions attributable to share-related instruments for employees as compensation for services bought shall be expensed over the periods during which the services are performed. The cost is calculated by applying the same valuation model that was used when the options were issued.

The provision that arises is revaluated at the end of each reporting period based on an estimation of the charges payable when the instruments are redeemed.

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, the transition resulted in changes for Active Biotech on the following points.

### **1. Tangible fixed assets**

The company's sale and leaseback 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 leaseback agreement was signed is distributed across the lease period.

On September 30, 2005, Active Biotech acquired the remaining shares in the company that owns the above-mentioned property where Active Biotech conducts its operations. The acquisition was reported as an acquisition of fixed assets in accordance with IAS 16. On the same date, the sale and leaseback agreement was reported as a divestment, leading to a capital gain of approximately SEK 55 M being reported.

### **2. Personnel options program**

In December 2003 and June 2005, Active Biotech issued personnel options programs 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. Since the program is settled through delivery in the form of shares, the fair value of the options, calculated on the date of issue, is reported as a personnel expense distributed across the earned period, with a corresponding increase in shareholders' equity. Provisions for social security contributions are reported on an ongoing basis in accordance with URA 46.

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

**Active Biotech – Group**  
**Effects of transition to IFRS for the period Jan 1 to Sep 30, 2004**

Income statement, condensed			
SEK M	Jan 1-Sep 30, 2004 acc. to IFRS	Effects of transition to IFRS	Jan 1- Sep 30, 2004 acc. to Sw. GAAP
<b>Net sales</b>	<b>68.2</b>	–	<b>68.2</b>
Administrative expenses	-24.4	–	-24.4
Research and development costs	-170.5	11.4 <sup>1)</sup>	-181.9
<b>Operating profit/loss</b>	<b>-126.6</b>	<b>11.4</b>	<b>-138.0</b>
Profit/loss from participations in assoc. companies	-1.7	–	-1.7
Net financial items	18.8	-10.2 <sup>2)</sup>	28.9
<b>Profit/loss after financial items</b>	<b>-109.5</b>	<b>1.2</b>	<b>-110.7</b>
Tax	–	–	–
<b>Net profit/loss for the period</b>	<b>-109.5</b>	<b>1.2</b> <sup>3)</sup>	<b>-110.7</b>
Deprec./amort. included in an amount of	17.5	7.3	10.2
Investments in tangible fixed assets	1.3	–	1.3
Earnings per share (SEK)	-3.16	0.04	-3.19

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

<sup>1)</sup> The reporting of the sale and leaseback agreement as a financial lease has a positive effect on earnings of SEK 12.6 M and the reporting of personnel options has a negative effect on earnings of SEK 1.2 M.

<sup>2)</sup> The reporting of the sale and leaseback agreement as a financial lease has a negative effect on earnings of SEK 10.2 M.

<sup>3)</sup> In total, the reporting of the sale and leaseback agreement as a financial lease has a positive effect on earnings of SEK 2.4 M and the accounting of personnel options a negative effect of SEK 1.2 M.

**Effects of transition to IFRS for the period July 1 to Sep 30, 2004**

Income statement, condensed			
SEK M	July 1-Sep 30, 2004 acc. to IFRS	Effects of transition to IFRS	July 1- Sep 30, 2004 acc. to Sw. GAAP
<b>Net sales</b>	<b>37.8</b>	–	<b>37.8</b>
Administrative expenses	-7.0	–	-7.0
Research and development costs	-60.3	3.5 <sup>1)</sup>	-63.9
<b>Operating profit/loss</b>	<b>-29.5</b>	<b>3.5</b>	<b>-33.1</b>
Profit/loss from participations in assoc. companies	-1.0	–	-1.0
Net financial items	-2.4	-3.1 <sup>2)</sup>	0.8
<b>Profit/loss after financial items</b>	<b>-32.9</b>	<b>0.4</b>	<b>-33.3</b>
Tax	–	–	–
<b>Net profit/loss for the period</b>	<b>-32.9</b>	<b>0.4</b> <sup>3)</sup>	<b>-33.3</b>
Deprec./amort. included in an amount of	5.7	2.4	3.3
Investments in tangible fixed assets	0.0	–	0.0
Earnings per share (SEK)	-0.95	0.01	-0.96

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

<sup>1)</sup> The reporting of the sale and leaseback agreement as a financial lease has a positive effect on earnings of SEK 3.9 M and the reporting of personnel options has a negative effect on earnings of SEK 0.4 M.

<sup>2)</sup> The reporting of the sale and leaseback agreement as a financial lease has a negative effect on earnings of SEK 3.1 M.

<sup>3)</sup> In total, the reporting of the sale and leaseback agreement as a financial lease has a positive effect on earnings of SEK 0.8 M and the accounting of personnel options a negative effect of SEK 0.4 M.

<b>Balance sheet, condensed</b>			
SEK M	Sep 30, 2004 acc. to IFRS	Effects of transition to IFRS	Sep 30, 2004 acc. to Sw GAAP
Tangible fixed assets	317.9	276.4	41.4
Financial assets	45.1	–	45.1
<b>Total fixed assets</b>	<b>363.0</b>	<b>276.4</b>	<b>86.5</b>
Current receivables	12.3	–	12.3
Short-term investments and cash equivalents	128.5	–	128.5
<b>Total current assets</b>	<b>140.8</b>	<b>0.0</b>	<b>140.8</b>
<b>Total assets</b>	<b>503.7</b>	<b>276.4</b>	<b>227.3</b>
Shareholders' equity	119.0	-59.7	178.7
Long-term liabilities	301.1	296.3	4.8
Current liabilities	83.6	39.8	43.8
<b>Total liabilities and shareholders' equity</b>	<b>503.7</b>	<b>276.4</b>	<b>227.3</b>
<b>Change in shareholders' equity, condensed</b>			
Opening balance	227.5	-62.1	289.6
Personnel options program	1.2	1.2	–
Translation difference	-0.1	–	-0.1
Net profit/loss for the period	-109.5	1.2	-110.7
<b>Balance at end of period</b>	<b>119.0</b>	<b>-59.7</b>	<b>178.7</b>

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

The reporting of the sale and leaseback agreement as a financial lease entails an increase in tangible fixed assets of SEK 276.4 M, a reduction in shareholders' equity of SEK 59.7 M and an increase in long-term and current liabilities of SEK 296.3 M and SEK 39.8 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 Jan 1 to Dec 31, 2004

<b>Income statement, condensed</b>			
SEK M	Jan 1-Dec 31, 2004 acc. to IFRS	Effects of transition to IFRS	Jan 1-Dec 31, 2004 acc. to Sw. GAAP
<b>Net sales</b>	<b>69.7</b>	–	<b>69.7</b>
Administrative expenses	-30.9	–	-30.9
Research and development costs	-224.7	15.0 <sup>1)</sup>	-239.7
<b>Operating profit/loss</b>	<b>-185.9</b>	<b>15.0</b>	<b>-200.9</b>
Profit/loss from participations in assoc. companies	-2.1	–	-2.1
Net financial items	16.2	-12.6 <sup>2)</sup>	28.8
<b>Profit/loss after financial items</b>	<b>-171.9</b>	<b>2.4</b>	<b>-174.2</b>
Tax	–	–	–
<b>Net profit/loss for the period</b>	<b>-171.9</b>	<b>2.4</b> <sup>3)</sup>	<b>-174.2</b>
Deprec./amort. included in an amount of	22.8	9.7	13.1
Investments in tangible fixed assets	1.8	–	1.8
Earnings per share (SEK)	-4.96	0.07	-5.03

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

<sup>1)</sup> The reporting of the sale and leaseback 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.

<sup>2)</sup> The reporting of the sale and leaseback agreement as a financial lease has a negative effect on earnings of SEK 12.6 M.

<sup>3)</sup> In total, the reporting of the sale and leaseback 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.

<b>Balance sheet, condensed</b>			
SEK M	Dec 31, 2004 acc. to IFRS	Effects of transition to IFRS	Dec 31, 2004 acc. to Sw. GAAP
Tangible fixed assets	313.1	274.0	39.1
Financial assets	43.4	–	43.4
<b>Total fixed assets</b>	<b>356.5</b>	<b>274.0</b>	<b>82.5</b>
Current receivables	15.6	–	15.6
Short-term investments and cash equivalents	214.8	–	214.8
<b>Total current assets</b>	<b>230.4</b>	<b>0.0</b>	<b>230.4</b>
<b>Total assets</b>	<b>586.9</b>	<b>274.0</b>	<b>312.9</b>
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
<b>Total liabilities and shareholders' equity</b>	<b>586.9</b>	<b>274.0</b>	<b>312.9</b>
<b>Change in shareholders' equity, condensed</b>			
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
<b>Balance at end of period</b>	<b>104.1</b>	<b>-58.2</b>	<b>162.3</b>

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

The reporting of the sale and leaseback 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

Year-end report 2005

February 16, 2006

The reports will be available from this date at [www.activebiotech.com](http://www.activebiotech.com).

## 2006 Annual General Meeting

The 2006 Annual General Meeting will be held on April 26, 2006 at Edison Park, Emdalavägen 18, Lund, Sweden. A more detailed invitation to attend the Annual General Meeting will be issued closer to the time.

Lund, November 2, 2005

Active Biotech AB

Sven Andreåsson

President & CEO

## Review report

We have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that this interim report does not comply with the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act.

Lund, November 2, 2005  
KPMG Bohlins AB

Stefan Holmström

*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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