

**Active Biotech  
Year-end report  
January – December 2005**

- **Positive results reported for all projects in 2005**
- **Progress in the mode of action project regarding quinoline substances**
- **Phase II/III study of ANYARA for renal cancer planned**
- **Net sales: SEK 9.2 M (69.7)**
- **Operating loss: SEK 133.2 M (loss: 185.9)**
- **Loss after tax: SEK 135.4 M (loss: 171.9)**
- **Loss per share for the period: SEK 3.70 (loss: 4.96)**

**Comments by CEO Sven Andréasson:**

“The past year was a successful one for Active Biotech and one in which we reported positive results for all of our clinical phase projects. The financial result is in accordance with plan and reflects the lower cost level achieved after the implementation of the program to focus on clinical projects that was initiated in 2004.”

The milestones achieved in 2005 are summarized below, together with a presentation of the planned targets for the 2006/2007 period.

	<b>Targets achieved in 2005</b>	<b>Targets for 2006/2007</b>
<b>laquinimod</b>	<ul style="list-style-type: none"> <li>• positive Phase II data reported from safety study in MS patients (higher dose, 0.9 mg)</li> </ul>	<ul style="list-style-type: none"> <li>• submission of patent application regarding mode of action for quinoline substances</li> <li>• report on additional Phase II data for MS patients, including higher doses</li> <li>• start of Phase III program for the MS indication in Europe/US</li> </ul>

	<b>Targets achieved in 2005</b>	<b>Targets for 2006/2007</b>
<b>ANYARA</b>	<ul style="list-style-type: none"> <li>• positive interim data reported for Phase I study in non-small cell lung cancer and study extended</li> <li>• Phase I study for combination therapy in non-small cell lung cancer started</li> <li>• positive data presented involving tumor localization of the drug</li> </ul>	<ul style="list-style-type: none"> <li>• report on complete data from Phase I study in non-small cell lung cancer</li> <li>• report from Phase I study in combination therapy for non-small cell lung cancer</li> <li>• start of Phase II/III studies in renal cancer and non-small cell lung cancer</li> </ul>
<b>TASQ</b>	<ul style="list-style-type: none"> <li>• MTD (Maximum Tolerated Dose) determined for prostate cancer patients</li> <li>• The Medical Products Agency approved an extension of the study</li> </ul>	<ul style="list-style-type: none"> <li>• Phase I study in prostate cancer patients reported</li> <li>• Phase II/III program for prostate cancer patients begun</li> </ul>
<b>57-57</b>	<ul style="list-style-type: none"> <li>• positive data reported from Phase I safety study involving healthy volunteers</li> <li>• Phase I study in lupus and RA patients started</li> </ul>	<ul style="list-style-type: none"> <li>• report from Phase I study in lupus and RA patients</li> <li>• start of Phase II/III studies in lupus and RA patients</li> </ul>
<b>RhuDex</b>	<ul style="list-style-type: none"> <li>• Phase I study in healthy volunteers started</li> </ul>	<ul style="list-style-type: none"> <li>• report from Phase I study in healthy volunteers</li> <li>• start of Phase IIa study for RA patients</li> </ul>

**Clinical development of laquinimod proceeding according to plan**

Teva's additional Phase II multi-center study to establish the optimal dose for pivotal Phase III studies is progressing according to plan. This study started recruitment in the first half of 2005 and, comprises slightly more than 300 patients with relapsing MS, is a double-blind, placebo-controlled multi-center Phase IIb clinical study that is in progress in nine countries (Czech Republic, Germany, Hungary, Israel, Italy, Poland, Russia, Spain and the UK). The study measures the effect of laquinimod, administered once daily in tablet form at a dose of 0.3 mg/day and 0.6 mg/day during nine months versus placebo.

Based on the results of this Phase II study, the pivotal Phase III program will be initiated with the aim of confirming laquinimod's efficacy and safety in the treatment of relapsing MS.

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.

### **Progress in the mode of action project regarding quinoline substances**

Work on mapping laquinimod's mode of action has been successful and is now entering a new phase. The project, which has proceeded in parallel with the clinical development, aims to determine the mode of action for the entire group of quinoline substances. A patent application concerning specific drug targets is under preparation and will be submitted shortly. The results confirm that the substances have an immunomodulatory effect and will provide valuable information for the further development of laquinimod and the other "Q substances" (TASQ and 57-57).

*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.*

### **Positive interim results boost ANYARA cancer project – Phase II/III study for renal cancer planned**

Interim results from the ongoing clinical Phase I dose-escalation study of the ANYARA candidate drug, conducted at the Fox Chase Center in Philadelphia, in the US, the Radium Hospital in Oslo, in Norway and the Christie Hospital in Manchester, in the UK, were presented in December 2005.

The results presented were from the study of 30 patients with non-small cell lung cancer, renal cancer and pancreatic cancer who were treated with ANYARA. The patients tolerated the substance well and the maximum tolerated dose (MTD) for ANYARA for the entire patient group was determined to be 22 micrograms per kilogram of body weight.

The results of the study, combined with product data presented earlier, fulfill the criteria set for the development of ANYARA: the dose is 100–200 times higher than that administered with the first generation of ANYARA. The dose appears to be active in all patients and, in addition ANYARA is more advantageous to administer since it can be given through injection instead of infusion.

To further evaluate the effects of treatment with ANYARA the ongoing Phase I study has been extended to include a total of 50 patients.

In parallel to studying patient safety, additional important findings supporting the development of ANYARA were generated. These include a maintained production of the immunostimulatory cytokine Interleukin 2 (IL-2) after the second day of treatment. Such maintained production of IL-2 correlated with prolonged survival in patients treated with the first generation of ANYARA. Moreover, a selective expansion of the number of ANYARA-reactive T lymphocytes after treatment serve as a second biological marker, one that underscores ANYARA's selective immunostimulatory properties in patients with malignant disease.

Survival data for renal cancer patients treated with the first-generation (TTS CD2) of ANYARA shows that survival was substantially longer than expected. The median survival for the total number of patients (43 patients) in the study was 19.7 months. The expected median survival was 14.4 months. The group of patients that received the higher dose lived almost twice as long as expected, 26.6 months compared with 15.1 months.

Based on the positive survival data for renal cancer, a Phase II/III study on the use of ANYARA to treat renal cancer will be started during 2006. Detailed planning for this study has begun.

In addition, a Phase I clinical combination study of ANYARA and the cancer drug Taxotere® was started in November 2005. This study is designed to examine ANYARA in combination with an established cytotoxin in the treatment of non-small cell lung cancer. The Principal Investigator for the study is Professor Roger Cohen at the Fox Chase Cancer Center in Philadelphia, in the US. The study will be conducted at clinics in the US, Denmark and Russia.

*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.*

#### **Clinical trials for TASQ and prostate cancer patients are proceeding according to plan**

In the 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) was determined to be 0.5 mg/day. 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.

However, the patients may continue their treatment for a year in a follow-up study primarily 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 Uppsala, Lund and Malmö.

The Phase II/III studies are scheduled to start in 2007.

*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 in progress for the 57-57 project against SLE**

The clinical program for the 57-57 project on Systemic Lupus Erythematosus (SLE) is in progress. Treatment of patients has begun through a Phase I study that was initiated in December 2005. Patients with Rheumatoid Arthritis (RA) will also participate in the study. The clinical study will primarily document the safety and pharmacokinetic properties of 57-57. However, it will also monitor a number of biological markers to determine the effect of 57-57 on disease progression. This multi-center, dose-escalation study is being conducted at three hospitals in Sweden – the Karolinska

University Hospital in Stockholm and the University Hospitals in Uppsala and Lund. The Principal Investigator for the study is Dr. Anders Bengtsson at the University Hospital in Lund.

The first clinical study for 57-57 was successfully concluded during the summer of 2005. This Phase I study, which included a total of 30 healthy volunteers, was performed in collaboration with the Phase I unit at the 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.

Phase II/III studies for the project are scheduled to take place in 2007.

*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, which progresses in “flare-ups” interspersed by relatively symptom-free periods, 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**

Active Biotech’s development partner Avidex Ltd. is currently conducting Phase I clinical trials for the candidate drug RhuDex®, which is intended to be developed for the treatment of rheumatoid arthritis (RA). Rhudex will enter into pilot Phase IIa in patients with RA in the middle of the year.

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.

## **Events after the end of the fiscal year**

### **Sale of property in Lund**

A Letter of Intent was signed in February regarding the sale of a divided property in Lund that is expected to bring proceeds of approximately SEK 25 M.

## **Financial information**

### **Comments on the Group’s results for the full year 2005**

Consolidated net sales for the period amounted to SEK 9.2 M (69.7). The sales figure for the current year includes, among other items, an additional milestone payment from Avidex Ltd. for the RhuDex project. Net 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 related to the partnership agreement with Teva Pharmaceutical Industries Ltd.

Research and administration costs amounted to SEK 197.1 M (255.6), a 23% cost reduction attributable to the effects of the implementation of the program to concentrate operations on clinical projects. At year-end, the clinical development program comprises three Phase I projects – ANYARA, TASQ and 57-57, all of which are self-financing – and two other projects – laquinimod, in Phase II, and RhuDex, in Phase I, both of which are financed through partners.

On September 30, 2005, Active Biotech acquired – through acquisition of the remaining shares in Stockholmsledet 7 KB – the research facility for its operations. On this date, the sale and leaseback agreement on the property undertaken in 1999 was reported as a divestment, leading to a capital gain of SEK 54.7 M, which was recognized as income. The transaction did not affect cash flow.

The operating loss amounted to SEK 133.2 M (loss: 185.9). The improvement in earnings is mainly attributable to the property transaction described above, combined with considerably lower costs offsetting the decline in revenue.

The financial net for the period amounted to an expense of SEK 15.1 M (income: 16.2). The primary explanation for the change is that the comparable amount for the preceding year included SEK 26.9 M in dividends and capital gains from cash management. The financial net for the current year includes SEK 9.8 M (0.0) in interest expense pertaining to the convertible debenture loan issued in 2004.

Active Biotech's associated result in the UK company Isogenica Ltd. amounted to a loss of SEK 1.1 M (loss: 2.1).

The Group's earnings after financial items amounted to a loss of SEK 149.3 M (loss: 171.9). The loss after tax for the period amounted to SEK 135.4 M (loss: 171.9).

#### **Comments on the Group's results for October –December 2005**

Fourth-quarter sales of research services, combined with rental and service revenues, amounted to SEK 2.7 M (1.5).

Administration and research costs were reduced by 28% compared to the corresponding period of the preceding year, and amounted to SEK 43.8 M (60.8).

The operating loss decreased to SEK 41.1 M (loss: 59.3), an improvement of SEK 18.2 M that is attributable to the program to focus operations on clinical projects.

The net financial expense for the period was SEK 1.0 M (expense: 2.6). The improvement is attributable to improved borrowing terms attributable to the financing of the business property.

The consolidated earnings after financial items amounted to a loss of SEK 43.5 M (loss: 62.3).

#### **Liquidity and financial status**

The consolidated cash flow for the fourth quarter was negative in an amount of SEK 41.8 M (pos: 86.3). For full-year 2005, cash flow was negative in an amount of SEK 36.4 M (neg: 12.8) as a consequence of the year's negative earnings.

Cash flow from continuing operations was negative in an amount of SEK 197.3 M (149.7) and cash flow from investing activities was negative in an amount of SEK 15.1 M (neg: 1.8), the latter being the result of the property acquisition.

The new share issue conducted during the year and the loans raised resulted in positive cash flow from financing activities amounting to SEK 176.0 M (138.6).

The Group's current investments and cash equivalents totaled SEK 178.4 M at the end of the period, compared with SEK 214.8 M at year-end 2004. Available cash equivalents per share amounted to SEK 4.40 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 9.0 M (72.8).

Operating expenses during the period totaled SEK 27.8 M (30.8). Net financial income for the period amounted to SEK 3.6 M (100.0), with the change compared with the year-earlier period attributable to dividend payments and capital gains in the preceding year.

The loss after financial items amounted to SEK 15.2 M (profit: 142.0).

Only marginal investments in fixed assets were made during the period.

Cash equivalents and financial investments amounted at the end of the period to SEK 157.4 M, compared with SEK 212.9 M on January 1, 2005.

### **Share capital**

Consolidated shareholders' equity at the end of the period amounted to SEK 176.8 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 transaction described earlier that related to 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 39,592,224 shares were outstanding at the end of the period, representing an increase of 5,853,348 shares after 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 44.6 million shares.

At the end of the period, the equity/assets ratio for the Group was 31.1%, compared with 17.7% at December 31, 2004. The corresponding figures for the Parent Company, Active Biotech AB, were 46.3% and 30.8%, respectively.

### **Organization**

At the end of the period, the Group had 87 employees (104), a reduction of 17 employees since December 31, 2004. Sixty-four (73) of the Group's employees work in research and development.

### **Outlook**

The decision to focus operations on clinical projects combined with the partnership agreements entered into previously will entail a further income improvement 2006.

No earnings forecast has been issued for the full year 2006 as exact dates for signing additional partnership agreements and receiving milestone payments from existing agreements cannot be specified.

## Active Biotech - Group

Income statement, condensed SEK M	Oct. – Dec.		Jan. - Dec.	
	2005	2004	2005	2004
<b>Net sales</b>	<b>2.7</b>	<b>1.5</b>	<b>9.2</b>	<b>69.7</b>
Administrative expenses	-5.9	-6.6	-27.6	-30.9
Research and development costs	-37.9	-54.2	-169.5	-224.7
Other revenue	–	–	54.7	–
<b>Operating profit/loss</b>	<b>-41.1</b>	<b>-59.3</b>	<b>-133.2</b>	<b>-185.9</b>
Profit/loss from participations in associated companies	-1.5	-0.4	-1.1	-2.1
Net financial items	-1.0	-2.6	-15.1	16.2
<b>Profit/loss after financial items</b>	<b>-43.5</b>	<b>-62.3</b>	<b>-149.3</b>	<b>-171.9</b>
Tax	–	–	13.9	–
<b>Profit/loss for the period</b>	<b>-43.5</b>	<b>-62.3</b>	<b>-135.4</b>	<b>-171.9</b>
Depreciation/amortization included in an amount of	4.9	5.3	20.1	22.8
Investments in tangible fixed assets	0.2	0.5	5.9	1.8
Earnings per share before dilution (SEK)	-1.10	-1.80	-3.70	-4.96
Earnings per share after dilution (SEK)	-1.10	-1.80	-3.70	-4.96
Weighted number of common shares before dilution (000s)	39492	34665	36610	34665
Weighted number of common shares after dilution (000s)	39492	34665	36610	34665
Number of shares at close of period (000s)	39592	33739	39592	33739
Number of shares at close of period, including warrants (000s)	40 922	35 069	40 922	35 069

Balance sheet, condensed SEK M	Dec. 31	
	2005	2004
Tangible fixed assets	376.9	313.1
Financial assets	2.9	43.4
<b>Total fixed assets</b>	<b>379.8</b>	<b>356.5</b>
Current receivables	9.6	15.6
Short-term investments and cash equivalents	178.4	214.8
<b>Total current assets</b>	<b>188.1</b>	<b>230.4</b>
<b>Total assets</b>	<b>567.9</b>	<b>586.9</b>
Shareholders' equity	176.8	104.1
Long-term liabilities	354.7	392.6
Current liabilities	36.3	90.2
<b>Total liabilities and shareholders' equity</b>	<b>567.9</b>	<b>586.9</b>

Changes in shareholders' equity, condensed		
Opening balance	104.1	227.5
Personnel options program	2.4	1.6
New share issue	164.2	–
Convertible issue	6.1	46.9
Revaluation reserve	35.8	–
Translation differences	-0.5	0.1
Net profit/loss for the period	-135.4	-171.9
<b>Balance at close of period</b>	<b>176.8</b>	<b>104.1</b>

<b>Cash-flow statement, condensed</b> SEK M	<b>Jan. – Dec.</b>	
	<b>2005</b>	<b>2004</b>
<b>Profit/loss after financial items</b>	<b>-149.3</b>	<b>-171.9</b>
Adjustments for items not included in cash flow, etc.	-31.8	15.5
Tax paid	0.0	0.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-181.1</b>	<b>-156.3</b>
Changes in working capital	-16.2	6.7
<b>Cash flow from operating activities</b>	<b>-197.3</b>	<b>-149.6</b>
Net investments in fixed assets	-15.1	-1.8
<b>Cash flow from investing activities</b>	<b>-15.1</b>	<b>-1.8</b>
Convertible issue	–	140.9
New share issue	164.2	–
Borrowings/repayment of debt	11.7	-2.2
<b>Cash flow from financing activities</b>	<b>176.0</b>	<b>138.6</b>
<b>Cash flow for the period</b>	<b>-36.4</b>	<b>-12.8</b>
<b>Cash equivalents, beginning of period</b>	<b>214.8</b>	<b>227.6</b>
<b>Exchange-rate differences in cash equivalents</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash equivalents, end of period</b>	<b>178.4</b>	<b>214.8</b>

*Any errors in summation are due to rounding off.*

<b>Key figures</b>	<b>2005</b>	<b>2004</b>
Shareholders' equity, SEK M	176.8	104.1
Shareholders' equity per share, SEK	4.47	3.09
Available cash equivalents, SEK M	174.3	210.1
Available cash equivalents per share, SEK	4.40	6.23
Equity/assets ratio, Parent Company, %	46.3%	30.8%
Equity/assets ratio, Group, %	31.1%	17.7%
Average number of annual employees	92	151

### **Accounting and valuation principles**

Effective January 1, 2005, the consolidated accounts are prepared in accordance with International Financing Reporting Standards (IFRS). The company's Year-end report for 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 Year-end 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.

#### **Tangible fixed assets**

The company's sale and leaseback agreement for the property in which operations are conducted is reported, in accordance with IAS 17, as a financial leasing agreement until September 30, 2005. 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 SEK 55 M being reported.

#### **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 October 1–December 31, 2004 and January 1–December 31, 2004.**

**Active Biotech – Group**

**Effects of transition to IFRS for the period Oct. 1 to Dec. 31, 2004**

Income statement, condensed SEK M	Oct. 1-Dec. 31, 2004 acc. to IFRS	Effects of transition to IFRS	Oct. 1- Dec. 31, 2004 acc. to Sw. GAAP
<b>Net sales</b>	<b>1.5</b>	–	<b>1.5</b>
Administrative expenses	-6.6	–	-6.6
Research and development costs	-54.2	3.6 <sup>1)</sup>	-57.8
<b>Operating profit/loss</b>	<b>-59.3</b>	<b>3.6</b>	<b>-62.9</b>
Profit/loss from participations in assoc. companies	-0.4	–	-0.4
Net financial items	-2.6	-2.4 <sup>2)</sup>	-0.2
<b>Profit/loss after financial items</b>	<b>-62.3</b>	<b>1.2</b>	<b>-63.5</b>
Tax	–	–	–
<b>Net profit/loss for the period</b>	<b>-62.3</b>	<b>1.2</b> <sup>3)</sup>	<b>-63.5</b>
Deprec./amort. included in an amount of	5.3	2.4	2.9
Investments in tangible fixed assets	0.5	–	0.5
Earnings per share (SEK)	-1.80	0.03	-1.83

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 4.0 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 2.4 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 1.6 M and the accounting of personnel options a negative effect of SEK 0.4 M.

**Active Biotech – Group**

**Effects of transition to IFRS for the period Jan. 1 to Dec. 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
<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	<b>Dec. 31, 2004</b> acc. to IFRS	<b>Effects of transition to IFRS</b>	<b>Dec. 31. 2004</b> 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

Interim report, January–March 2006:	May 11
Interim report, January–June 2006:	August 10
Interim report, January–September 2006:	November 2
Year-end report, 2006:	February 15, 2007

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 on the company's premises at Scheelevägen 22 in Lund, Sweden. A more detailed invitation to attend the Annual General Meeting will be issued closer to that date.

Lund, February 16, 2006  
Active Biotech AB

Sven Andréasson  
President and CEO

This 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.*

Active Biotech AB (corp. reg. no. 556223-9227)  
Box 724, SE-220 07 Lund  
Tel: +46 46-19 20 00  
Fax: +46 46-19 20 50