Active Biotech

Annual Report 2005

Active Biotech develops innovative drugs that regulate the body's own immune defense. We focus on diseases in need of new and more efficient forms of treatment. We have progressed furthest with our candidate drugs for the treatment of MS and cancer.

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Financial information

Annual General Meeting	April 26, 2006
Interim report (Q1)	May 11, 2006
Interim report (Q2)	Aug 10, 2006
Interim report (Q3)	Nov 2, 2006
Year-end report for 2006	Feb 15, 2007
Annual report	March 2007

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Information can also be obtained from our website www.activebiotech.com

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This is Active Biotech

- *develops innovative pharmaceuticals that regulate the body's own immune defense*
- *focuses on treatments for autoimmune/ inflammatory diseases and cancer*
- *employs 90 people with a strategic focus on clinical projects*
- *has a patent portfolio that comprises 23 strategic patent families in key projects*
- *had a total market capitalization of SEK 3,237 million in December 2005*

This report contains forward-looking information regarding Active Biotech. Although we believe that our expectations are based on reasonable assumptions, forward-looking assumptions could be affected by factors causing the actual outcome and trend to differ materially from that forecast. The forward-looking comments comprise various risks and uncertainties. There are significant factors that could cause the actual outcome to differ from that implied by these forward-looking statements, some of which are beyond our control. These include the risk that patent rights might expire or be lost, exchange-rate fluctuations, the risk that research and development operations do not result in commercially successful new products, competition effects, tax risks, effects resulting from the failure of a third party to deliver products or services, difficulties in obtaining and maintaining official approval for products, and environmental-responsibility risks.

A year of success

The 2005 fiscal year was successful. During the year, we achieved all of the planned milestones for all of the five projects that are currently in clinical development.

We currently have five projects in clinical development. All progressed according to plan and achieved all of the milestones set during the year. Both the operation and the projects developed in accordance with the milestones that were presented in the 2004 year-end report. We have no deviations to report. In addition, we have a number of important clinical results ahead of us, which will be reported during 2006 and 2007.

Financing

Just before year-end 2004, a new share issue of convertible debentures yielded approximately SEK 140 million and the preferential rights issue of shares implemented in the summer yielded a further SEK 164 million.

The reorganization conducted in 2004 and the focus of operations on projects in clinical development has lowered our cost level by slightly more than SEK 100 million (compared with full-year 2003) to the planned level of about SEK 200 million on an annual basis.

In 2006, we anticipate that the partnership agreement with our partner Teva, which involves the development of laquinimod for the treatment of MS, will generate additional income.

Initial payments and milestone payments from existing and anticipated partnership agreements will generate irregular revenues connected to the progression of the projects. Until future royalties are realized, the operation will continue to report a loss. The market capitalization of the company will continue to be based mainly on research successes, partnership agreements and expectations pertaining to future revenues.

In September, we utilized our option to repurchase the research facility in Lund. Now that the facility is back in our ownership, an annual cost saving of about SEK 10 million is expected – a saving that will increase by sub renting premises not utilized by our company. In addition, the transaction resulted in a strengthening of shareholders' equity.

Milestones and interim milestones achieved

In 2005, all planned milestones were achieved and in the next column, I have compiled a list of what's ahead of us in 2006/2007.

Laquinimod

- Submission of patent application regarding mode of action for quinoline substances
- Report on additional Phase II data for MS patients, including higher doses
- Start of Phase III program for the MS indication in Europe/US

ANYARA (TTS)

- Report on complete data from Phase I study in non-small cell lung cancer
- Report from Phase I study in combination therapy for non-small cell lung cancer
- Start of Phase II/III studies in renal cancer and non-small cell lung cancer

TASQ

- Phase I study in prostate cancer patients to be reported
- Phase II/III program for prostate cancer patients to begin

57-57

- Report from Phase I study in lupus and RA patients
- Start of Phase II/III studies in lupus patients

RhuDex

- Start of Phase I/II study for RA patients

Laquinimod progressing toward Phase III

During the year, a safety study of laquinimod was completed and presented at ECTRIMS, an annual international conference for MS physicians. The study demonstrated that laquinimod is well tolerated at higher doses than the dose previously shown to be effective in reducing the number of active brain lesions. The additional Phase II multi-center study, which is conducted by Teva with the aim of selecting the optimal dose for phase III, is currently in progress.

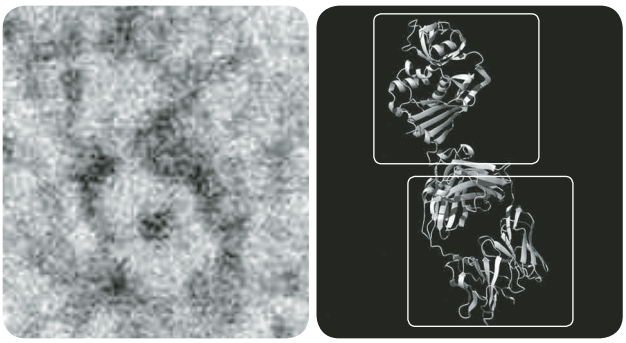
At the beginning of 2006, we reported on the successes in the project, which aims to map the mode of action of the

Q-substances (laquinimod, TASQ and 57-57), and on our submission of patent applications during the spring. The results confirm laquinimod's immunomodulatory effect. When the planned Phase III study commences, Teva's milestone payments to Active Biotech will begin.

Promising future for ANYARA

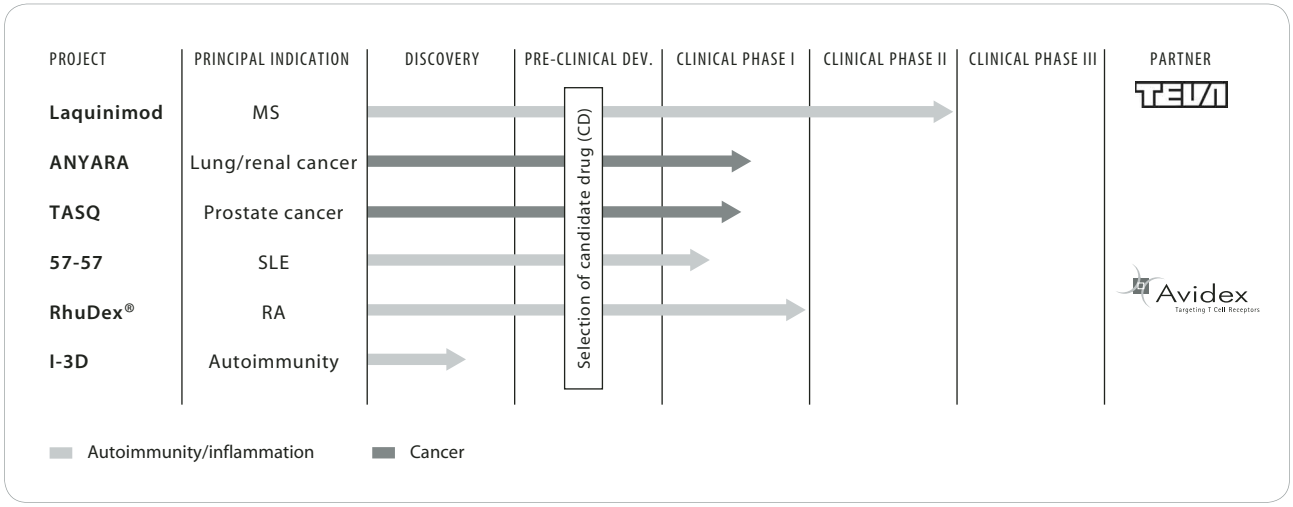
The planned reports for the company's cancer project ANYARA were received during the year. For ANYARA, the interim results for the Phase I dose-escalation study showed that the safety profile is better than anticipated. ANYARA can be administered in a dose that is 100-times higher than with the first generation. For the first generation, we published survival data for renal-cancer patients. A comparison of actual survival with projected survival showed that patients treated with a high dose lived more than twice as long compared with the projected length. Two years after the Phase II study of first-generation ANYARA, 13 of the 34 patients treated are still alive. We plan to commence a specific phase II/III study for renal cancer in the near future.

Several parameters support the development of ANYARA. The new generation can be administered by injection instead of infusions. Indications of the effect were also given by the sustained production of the immunostimulatory cytokine Interleukin-2 after the second day of treatment. This was previously shown to be correlated with prolonged survival of patients. We have also demonstrated a selective expansion in the number of ANYARA-reactive T-lymphocytes. This biological marker underscores ANYARA's selective immunostimulatory properties in patients with malignant disease. With the help of Positron Emission Tomography (PET), we were also able to demonstrate that ANYARA is specifically targeted to tumors that express the target molecule 5T4. This confirms the success of the concept of targeted treatment forms. To further evaluate ANYARA's effect, the Phase I study currently in progress has been expanded to include a total of 50 patients.



The picture to the left shows an ANYARA molecule photographed through an electron microscope. The picture on the right shows a theoretical molecule model. At the top, the section of the fusion protein comprising the modified superantigen can be seen, and at the bottom, the section containing the antibody. The antibody directs the molecule to the tumor and the superantigen stimulates the body's immune defense to kill the tumor cells.

The new patients are administered doses at a therapeutic level and efficacy data will be reported separately after the passing of a sufficiently long follow-up time. An additional Phase I study was initiated at the end of the year. It pertains



to the combination of ANYARA and the established cytotoxin Taxotere®.

Expanded Phase I studies for TASQ
In December 2004, the TASQ project launched a Phase I dose-escalation study.

In 2005, the maximum tolerated dose was defined and the patients are currently continuing their treatment in a follow-up study to further document 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.

Phase I studies with patients for 57-57 against SLE
In the 57-57 project on systematic lupus erythematosus (SLE), the first Phase I study including healthy volunteers was concluded and a report was compiled. 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 is the Phase I study in patients with SLE or rheumatoid arthritis (RA), which was initiated at year-end. In addition to the documentation of the safety and pharmacokinetic properties of 57-57, the study will also monitor a number of biological markers to determine the effect of 57-57 on disease progression.

RhuDex® in clinical phase
During the year, the Phase I study of the candidate drug RhuDex® was conducted and in March 2006, these studies were successfully concluded. RhuDex® is a CD80 antagonist, which was out-licensed to Avidex Ltd (Oxford, UK) in 2002. Avidex conducts development of the product and in return, Active Biotech receives milestone payments and royalty on future sales, on condition that the product is successfully developed.

Active as a partner
A number of companies follow Active Biotech's development of the clinical projects and discussions are conducted with potential partners on a continuous basis. The timing for the signing of possible partnership agreements is connected to the progress of the development program and the achievement of clinical data.

We can look forward to yet another exciting period, with several important clinical results to present, relating to our main projects. We expect to present Phase II data for laquinimod and to give a complete report with clinical data from ongoing studies for ANYARA.

Lund, March 2006
Sven Andréasson

Business concept
Active Biotech's business concept is to utilize specialist knowledge of the immune defense and cancer to develop pharmaceuticals in areas where the medical need is extensive.

Goals
Active Biotech's objective is to generate value for shareholders through the successful development of pharmaceutical products.

Strategies
Active Biotech's business strategy is to

- achieve the greatest possible growth in value in each project and seek cooperation with strong partners for each project at the appropriate stage
- focus efforts on projects that are currently in, or close to entering, the clinical phase
- generate revenue through research cooperation, out-licensing, product sales and royalties
- limit costs through the utilization of partnerships, out-sourcing and external expertise
- maintain market rights for future sales in selected European markets
- aim to achieve growth organically and through acquisitions and alliances
- secure and strengthen expertise by being an attractive employer offering a creative atmosphere with opportunities for individual development
- create an organization that, in addition to specialist medical expertise, is able to conduct research projects professionally from candidate drugs through to registration and market launch
- protect its expertise through strong patents and an active patent strategy
- create financial sustainability through well-established partnerships and strong and active owners

The Directors' report

The Board of Directors and the President and CEO of Active Biotech AB (publ), Swedish corporate registration number 556223-9227 hereby submit their Annual Report and consolidated financial statements for the fiscal year January 1, 2005 to December 31, 2005. Active Biotech conducts operations as a limited liability company and has its registered office in Lund, Sweden.

Operations

Active Biotech is a company that focuses on pharmaceutical research and development within medical fields where the immune system plays a central role. The company's research portfolio includes the development of pharmaceuticals for the treatment of autoimmune/inflammatory diseases and cancer.

The Group

The Group's legal structure is built around the Parent Company Active Biotech AB, which comprises Group-wide functions and asset management, as well as the wholly-owned subsidiary Active Biotech Research AB, which conducts pharmaceutical research in Lund, and Active Forskaren 1 KB in Lund, which owns the property in which Active Biotech conducts operations.

The Group also owns 24.3 percent of shares in the associated company, Isogenica Ltd of the UK, which was founded in 2001 to develop molecular biology technologies.

Research and development

Active Biotech's field of expertise mainly comprises the human immune system. This knowledge is used to develop pharmaceuticals for the treatment of autoimmune/inflammatory diseases and cancer. The company currently has five projects in clinical development. Three of these projects involve potential drugs intended for the treatment of autoimmune/inflammatory diseases. The projects address the indications multiple sclerosis, MS (laquinimod), systemic lupus erythematosus, SLE (57-57) and RhuDex® against rheumatoid arthritis, RA, which has been out-licensed to Avidex Ltd. The project portfolio also includes two potential drugs for treatment of the indications non-small cell lung cancer (ANYARA) and prostate cancer (TASQ). In addition to these five projects, the company conducts project activities with possible applications against autoimmune/inflammatory diseases, for which patent applications were submitted.

Research operations developed in a highly favorable manner during the year, with positive results for all ongoing projects.

The project that has progressed furthest in the clinical development process is a new, immunomodulatory, orally available disease-modifying drug in tablet form for the treatment of MS. In September 2003, Active Biotech completed a Phase II study with favorable results. In June 2004, an agreement was signed with Teva Pharmaceutical Industries Ltd. (Teva) regarding the further development and commercialization of laquinimod. The agreement grants Teva the exclusive rights to develop, register, produce and commercialize laquinimod globally, with the exception of the Nordic and Baltic countries, where Active Biotech retains all commercial rights.

Teva is currently conducting an additional Phase II multicenter study to establish the optimal dose for pivotal Phase III studies. The Phase II study is a full-scale, double-blind, placebo-controlled multi-center Phase IIb clinical study that is performed in nine European countries. The study measures the effect of laquinimod, administered once daily in tablet form at dose levels of 0.3 mg or 0.6 mg during nine months, versus placebo.

In parallel with Teva's additional Phase II study, Active Biotech conducted a safety study at the University Hospital in Lund. The results of the study were presented in September, which confirmed laquinimod's favorable safety profile. The majority of observed adverse events were mild or moderate and transient. All patients remained clinically stable or showed an improvement in their ability to move, and the majority (77 percent) remained relapse-free during the treatment period. The aim of the study was to investigate the safety of orally administered laquinimod at a higher dose (0.9 mg/day) than the dose previously shown to be effective in reducing the number of active brain lesions (0.3 mg/day).

In addition to laquinimod, the company has four other projects in clinical development.

ANYARA is an immunological cancer treatment, whereby the body's own T- lymphocytes are activated and used to kill cancer cells. Following the optimization of the first-generation candidate drug, the ANYARA project now primarily involves a candidate drug that is designed for an improved anti-tumor effect and generally lower toxicity, which can therefore be administered at significantly higher doses. The ANYARA project focuses on the treatment of non-small cell lung cancer, but patients with renal and pancreatic cancer are also included in the studies. The ongoing Phase I dose-escalation study is being carried out at Fox Chase Cancer Center in Philadelphia, in the US, at the Radiumhospitalet Hospital in Oslo, Norway, and at Christie Hospital in Manchester, in the UK. Positive interim results from the study were presented in December 2005. The maximum tolerated dose was defined over 100 times higher than with the first generation of ANYARA. This dose level appears to be active in all patients and to have a safety profile that is better than expected with manageable and limited side effects. To further evaluate the efficacy data, the ongoing Phase I study has been extended by 30 patients to include a total of 50 patients.

In September 2005, two-year survival data was presented

for renal patients treated with first generation ANYARA (in the multi-center, open-label Phase II study, which was presented in December 2003). Survival was substantially longer than expected. Median survival for all the patients in the study was 19.7 months, compared with the expected median survival of 14.4 months. Patients in the high dose group lived for 26.6 months, compared with the expected 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 is planned to commence during 2006.

During the year, a Positron Emission Tomography (PET) study was conducted at the Paterson Institute for Cancer Research and Christie Hospital in Manchester, in the UK. The study confirmed that the candidate drug ANYARA is specifically targeted to tumors in cancer patients, which is especially significant in the development of targeting cancer treatment forms.

During the latter part of the year, in parallel with the ongoing Phase I dose-escalation study, Active Biotech also commenced a clinical Phase I combination study of ANYARA and the established cancer (chemotherapy) drug Taxotere® for the treatment of non-small cell lung cancer. Preclinical experiments have shown that ANYARA in combination with cytotoxins can provide synergistic effects. The study is a dose-escalation study, in which increasing doses of ANYARA are administered in combination with a fixed dose of Taxotere®. The study is being conducted at clinics in the US, Denmark and Russia and is expected to be concluded during 2006.

In the TASQ (Tumor Angiogenesis Suppression by Quinolines) project, Active Biotech is developing an anti-angiogenic substance for the oral treatment of prostate cancer. An initial clinical Phase I study involving healthy volunteers was concluded in February 2004. The study showed that the TASQ candidate drug can be administered on a daily basis at dosage levels expected to have an effect in the treatment of prostate cancer. In November 2004, a clinical Phase I dose-escalation study in prostate cancer patients commenced, with the purpose of studying the safety of TASQ when the substance is administered in escalating doses. The maximum tolerated dose was reached at 0.5 mg/day. During 2006, the patients will continue their treatment in a follow-up study intended to document the drug's long-term tolerance and safety. The study is being conducted at the urology clinics of the Sahlgrenska University Hospital in Gothenburg and the University Hospitals in Uppsala, Lund and Malmö. Permission has been obtained from the Swedish Medical Products Agency to include an additional ten patients in the study, making it possible to obtain extended safety and efficacy data earlier than planned.

In the company's fourth project, 57-57, Active Biotech develops a substance for the treatment of SLE. The first clinical Phase I dose-escalation study was started at the Karolinska Hospital in Stockholm in November 2004 and was successfully completed during 2005. The objective of the study was to assess the safety of the candidate drug 57-57 in increasing doses in parallel groups of healthy volunteers. 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 clinical development program continued according to plan when a Phase I study with SLE and RA patients commenced in December 2005. The aim of the study is to examine how the compound is tolerated by patients with SLE or RA.

In April 2002, Active Biotech signed a licensing agreement with Avidex Ltd. of the UK regarding Active Biotech's patented CD80 antagonists. The agreement grants Avidex the exclusive rights to develop and market CD80 antagonists. Avidex has been successful in its preclinical development process and during 2004, a candidate drug named RhuDex® was selected, which is an orally administered small molecule principally intended for treatment of RA. Phase I studies of RhuDex® commenced during the spring of 2005, which entailed a small milestone payment to Active Biotech. If the project continues to market launch, milestone revenues may amount to as much as GBP 5.8 million. In addition, Active Biotech will receive royalties on future sales.

In addition to the above-mentioned clinical projects, a number of interesting projects are currently on hold. These include a promising immunology project, I-3D. Here, efforts during the past year have focused on building up strong patent protection.

The company's operations are focused on the clinical development of the above-mentioned prioritized projects with the intention of developing these to the Proof of Principle stage, meaning that the candidate drug has demonstrated biological activity in humans.

New share issue

On May 17, 2005, with the authorization of the Annual General Meeting on April 21, 2005, the Board of Active Biotech decided to implement a preferential rights issue for approximately SEK 169 million. The new share issue was concluded in July and yielded SEK 164.2 million after issue expenses. The issue was oversubscribed by 43 percent. 98.5 percent of the shares were subscribed using the support of preferential rights and the remaining shares were proportionally distributed among the shareholders who subscribed in excess of their preferential rights allocation. Through the new share issue, the number of shares in Active Biotech increased by 5,623,426 shares.

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 limited partnership company Stockholmsledet 7 KB (now renamed Active Forskaren 1 KB) that owns the property in Lund where Active Biotech conducts operations.

The effects of the acquisition are summarized below:
- The expiry of the previous sale and leaseback agreement gave rise to a capital gain of SEK 54.7 million with no effect on cash flow
- The property has, after the acquisition, been booked at market value. The market value exceeds the acquisition value by SEK 49.7 million
- The Group's shareholders' equity was strengthened by SEK 104.4 million, before tax
- Annual cost savings of about SEK 10 million are expected
- Additional cost savings are possible through the sub rent of premises not utilized in Active Biotech's own operations

Comments on the Income Statement
The Group's net sales amounted to SEK 9.2 million (69.7). The year's sales included a small additional milestone payment for the RhuDex® project from Avidex Ltd. Sales in 2004 included a milestone payment of SEK 30.3 million from Chiron Corp. in conjunction with the travel vaccine Dukoral receiving registration approval in Europe as well as an initial payment of SEK 37.7 million from the partnership agreement entered into with Teva with regard to laquinimod.

Administrative expenses decreased by SEK 3.3 million to SEK 27.6 million, compared with SEK 30.9 million in 2004. Research and development costs decreased by SEK 55.2 million from SEK 224.7 to SEK 169.5 million. The decrease is principally attributable to the effects of implementation of the focus on clinical projects and the reduction in employee numbers this decision entailed. The clinical development program comprises five projects in total, of which laquinimod and RhuDex® are financed by external partners. The costs for the clinical development program for the ANYARA, TASQ and 57-57 projects, all of which are in Phase I, are charged against Active Biotech's earnings. As a consequence of Active Biotech's focus on clinical projects, partnership agreements entered into and the progress of the clinical projects, costs for purchased research services have decreased by SEK 11.2 million.

At the end of the third quarter, Active Biotech acquired the remaining shares in Stockholmsledet 7 KB, the owner of the property in Lund where Active Biotech conducts operations.

The sale and leaseback agreement relating to the property, signed in 1999, was reported on the same date as a divestment and accounted for as a capital gain of SEK 54.7 M. The transaction entailed no effect on cash flow.

The consolidated operating loss decreased by SEK 52.7 million to SEK 133.2 million (loss: 185.9). The improvement is principally attributable to the capital gain in connection with the previously mentioned property transaction, combined with significantly reduced costs, which compensated the reduction in revenues.

Consolidated net financial items amounted to a loss of SEK 16.1 million (profit: 14.0). The change between the years is mainly attributable to the inclusion in the outcome for 2004 of SEK 26.9 million in dividends and capital gains due to the sale of the Group's securities holdings in the interest-hedge fund Nectar, interest expenses of SEK 9.8 million attributable to the convertible debenture issued in December 2004 and lower interest expenses totaling SEK 4.2 million attributable to the company's sale and leaseback agreement for the property where Active Biotech conducts operations.

Participations in the earnings of the associated company Isogenica Ltd in the UK amounted to a loss of SEK 1.1 million (loss: 2.1).

The Group's loss after tax amounted to SEK 135.4 million (loss: 171.9).

Comments on the balance sheet
The Group's total assets amounted to SEK 567.9 million (586.9). The change is primarily attributable to the negative cash flow for the year and the related reduction in cash and cash equivalents, the acquisition of the property and the valuation of the property at market value.
Tangible fixed assets amounted to SEK 376.9 million (313.1) and mainly consisted of the property in which the company conducts operations, amounting to SEK 348.6 million (274.5), and equipment, tools, and fixtures and fittings totaling SEK 28.3 million (38.6).

Financial fixed assets amounted to SEK 2.9 million (43.4). The decrease compared with the preceding year is principally explained by Active Biotech's acquisition of the remaining shares in the limited partnership company Stockholmsledet 7 KB, which was reported at SEK 40.0 million in the 2004 year-end report. The limited partnership company owns the property from which Active Biotech conducts operations and was consolidated into the Active Biotech Group on September 30.

At year-end, cash and cash equivalents totaled SEK 178.4 million (214.8).

Comments on the cash-flow statement
The Group's negative cash flow for full-year 2005 amounted to SEK 36.4 million (neg: 12.8).

Cash flow from current operations during 2005 was negative in the amount of SEK 192.5 million (neg: 143.9). Cash flow from investing activities was negative in the amount of SEK 15.1 million (neg: 1.8) and cash flow from financing activities was positive in the amount of SEK 171.2 million (132.9).

Investments in tangible assets amounted to SEK 5.9 million (1.8), of which SEK 0.7 million (1.8) was financed through financial leasing agreements.

Liquid funds and financial status

At year-end, cash and cash equivalents amounted to SEK 178.4 million (214.8). This change represents SEK 36.4 million in negative cash flow during the period, which is attributable to the negative result for 2005 and a negative change in operating capital, which was largely compensated by the capital infusion of the preferential rights issue implemented during the year.

The Board of Active Biotech has established a policy for the investment of the Group's cash and cash equivalents, which allows investments at low risk in Swedish and foreign shares, interest-bearing securities denominated in Swedish kronor and interest and equity funds. The proportion of shares, including equity funds, may not exceed 40 percent of the total portfolio and the proportion of equity hedge funds may not exceed 50 percent of the total share portfolio. The investment policy limits interest-bearing investments to securities issued by the Swedish government, Swedish mortgage institutions and Swedish banks. Interest-bearing liabilities amounted to SEK 360.5 million (401.1), of which SEK 94.9 million (94.0) resulted from the issue of convertible bonds in December 2004, SEK 260.0 (0) from a property loan and SEK 5.6 million (307.1) from liabilities to leasing companies.

At year-end, consolidated shareholders' equity amounted to SEK 176.8 million (104.1). The strengthening of shareholders' equity was attributable to the implementation of the preferential rights issue, which contributed SEK 164.2 million, and the market valuation of the acquired property, which strengthened shareholders' equity by SEK 35.8 million. The Group's equity/assets ratio improved from 17.7 percent at year-end 2004 to 31.1 percent at year-end 2005.

Parent Company

The operations of the Parent Company Active Biotech AB comprise Group-coordinative administrative functions. The Parent Company's net sales for the year amounted to SEK 9.0 million (72.8), which included sales of clinical material, a smaller milestone payment from Avidex Ltd and various other revenues. The reduction in sales between the two years is mainly attributable to one-time items included in the earnings for 2004, which were SEK 30.3 million related to the milestone payment from Chiron Corp. and SEK 37.7 million related to the initial payment from Teva.

Operating expenses for the year amounted to SEK 33.4 million (32.4).

Net financial items for the period amounted to SEK 3.6 million (100.0), with the difference between the years attributable to the expense in 2005 for the convertible debenture issued in December 2004 amounting to SEK 9.8 million, lower dividends received from subsidiaries totaling SEK 63.0 million, as well as the reduction in net interest items and similar revenue items totaling SEK 25.6 million. Impairment of participations in the associated company Isogenica Ltd. amounted to SEK 0.9 million (2.2).

Only marginal investments were made during the period. The Parent Company's cash and cash equivalents and short-term investments at year-end amounted to SEK 157.4 million, compared with SEK 212.9 million at the beginning of the year.

Risk factors

A research company such as Active Biotech is characterized by a high operational and financial risk, since the projects in which the company is involved are at the clinical phase, and there are a number of factors that have an impact on the likelihood of commercial success. The earlier in the development chain the project is, the higher the risk, while the risk decreases and the likelihood of reaching the market increases as each project completes the various specified development phases.

The risk level of projects must be weighed against the potential that the projects will result in the development of a drug within the major indication areas addressed by the company.

Active Biotech specializes in the development of a number of pharmaceutical projects. However, none of the company's products have yet been approved for sale, and operations to date have therefore been loss-making. The Active Biotech projects that have advanced the furthest in terms of development into a finished drug have concluded clinical Phase II, which means it can take until 2009 before any of these products are registered and approved for sale. As a result, Active Biotech will continue to report operating losses for several years to come, and there is a risk that the company may never be profitable.

Operational risk

Although preclinical and clinical studies conducted for Active Biotech's candidate drugs to date have produced positive outcomes, there are no guarantees that the con-

tinued requisite clinical studies will produce results that are sufficiently positive to secure approval. Neither are there any guarantees that the company will find necessary partners or that these partnerships will achieve the planned outcome. If approval is obtained, there is no guarantee that the approved product will achieve sales success. Competing products with better properties can be launched onto the market or the company may prove incapable of marketing its product, either by itself or via partners. While Active Biotech is constantly working to improve patent protection for its substances, methods and applications, there is no guarantee that the patents will in fact provide the necessary protection or that competitors will not somehow circumvent the patents or in some other manner use the research findings or other intellectual rights that the company has built up.

Both the extent and timing of the Group's future capital requirements will depend on a number of factors, such as possibilities to enter into partnership agreements and the degree of success for development projects. There is no guarantee that the company will manage to secure necessary financing in the future or will have sufficient funds to repay outstanding convertible debentures if these have not been converted into shares prior to June 15, 2009.

Authority requirements

Active Biotech currently holds all the permits required to conduct its operations. Operations are naturally conducted in accordance with applicable legislation, and also meet high environmental and ethical standards. However, there is no guarantee that new requirements introduced by authorities will not make it more difficult to conduct operations. Neither is there any guarantee that the currently applicable permits will be renewed on the same terms or that the company's insurance cover, which is deemed adequate today, will remain adequate.

Financial risks

The Group has a relatively limited currency exposure since operations are mainly conducted in Sweden. Earnings are exposed to exchange-rate fluctuations with regard to the procurement of clinical trials, research services and clinical materials. Operating costs amounted to SEK 197.1 million during the fiscal year, of which about 18 percent corresponded to costs in foreign currencies.

The proportion of costs in foreign currencies, principally in USD and EUR, may fluctuate as projects enter the later phases of development with more clinical studies potentially being conducted abroad. Since the Group does not make use of forward contracts or options to hedge foreign-exchange risk, exchange-rate effects may affect the income statement. The company's credit risks are marginal, since the company's operations are only subject to low invoicing levels by virtue of the fact that it engages primarily in research and development. For further information on financial risks, see note 20.

The organization

The average number of employees in the Group amounted to 92 (151), of which 50 were women (91). The number of employees at December 31, 2004 was 87 (104), representing a decline of 17.

The average age of employees was 46 (43) with an average employment period of 15.6 years (15.7). The education level of the personnel is high; 23 hold a PhD and 52 have a university/college education. During the year, the Group had average training costs of SEK 10,172 per employee. The number of employees in research and development amounted to 64. For further information, see note 6.

In 2005, absence due to illness amounted to 1.1 percent (2.2). The number of reported work injuries (including travel accidents) totaled 1 (6).

Incentive programs

An Extraordinary General Meeting on December 8, 2003 resolved to implement a free employee stock options program comprising a total of 1.0 million shares for all employees of the Active Biotech Group. The options program, in combination with the hedging of future social-security costs, comprises a total of 1,330,000 options, entailing a maximum dilution for existing share-holders of 3.3 percent. The incentive program is described in greater detail under the section "The share" on page 46 and in note 6.

Environmental information

Active Biotech conducts its operations in accordance with the permits issued by the authorities for the company. The company has, for example, a permit from the Swedish Radiation Protection Institute for the handling of radioactive materials, and from the Swedish Board of Agriculture and the Swedish Work Environment Authority regarding genetically modified organisms. In accordance with the Swedish Environmental Code, the company has registered its operations with the County Administrative Board. Inspections by the Swedish Work Environment Authority, the Lund Municipal Environmental Administration and the Swedish Radiation Protection Institute all achieved satisfactory results. Active Biotech has a well-developed program for the sorting of waste at source and for the destruction of environmentally hazardous waste, and works actively to minimize energy consumption and the use of environmentally hazardous substances.

Active Biotech is not involved in any environmental disputes.

Outlook

The company's now fully implemented focus on clinical projects combined with the already signed partnership agreements and the anticipated continued development of the clinical project portfolio will result in further improvements in earnings in 2006. Since the timing for the signing of additional partnership agreements and the receipt of milestone payments from agreements already entered into is uncertain, no earnings forecast is being issued for fiscal year 2006.

Accounting principles

From January 1, 2005, the consolidated financial accounts are prepared in accordance with the International Financial Reporting Standards (IFRS), which are approved by the European Commission for application within the European Community. Effective from the same date, the accounts of the Parent Company are prepared in accordance with recommendation RR32, Reporting of Legal Entities, of the Swedish Financial Accounting Standards Council. To achieve comparability with regard to the development and status of the Group and the Parent Company, recalculation was conducted for the comparative year.

Events after the balance sheet date

In February 2006, the company signed a letter of intent with regard to the sale of a divided property in Lund with an estimated revenue amounting to SEK 25 M.

In February, the company made an announcement on the progress made with the mapping of the MS drug laquinimod's mode of action and that the patent application relating to specific drug targets was in the final stages of preparation before submission. In March 2006, it was announced that the drug candidate RhuDex® had successfully completed Phase I studies.

Proposed appropriation of earnings

The Board of Directors and President propose that no dividend be paid for the 2005 fiscal year. The proposal for the appropriation of earnings is presented on page 44. In addition, the Board of Directors proposes a reduction of the share capital of SEK 247.7 million

Report on the work of the Board

The Board decides on the overall strategy of the Group, its organization and administration pursuant to the Swedish Companies Act.

At the end of the year, the Board consisted of six members elected by the Annual General Meeting, two employee representatives and two deputies. Other company officials take part in Board meetings in a reporting or administrative capacity as required.

Ten Board meetings at which minutes were kept were held during the year. The President has kept both the Chairman of the Board and the other Board members informed about developments within the company on an ongoing basis. Important issues addressed by the Board include the following:

- Progress of the research projects
- Business-development projects
- Partnership strategy and discussions with prospective partners
- Active Biotech's strategic focus
- Information about the financial accounts
- Budget and forecasts for operations

The work of the Board and how Active Biotech is managed is described in detail in the Corporate Governance section on page 49.

For information concerning the Group's and Parent Company's earnings and status, refer to the following income statements and balance sheets with accompanying notes to the financial statements.

Definitions

Proportion of risk-bearing capital Shareholders' equity plus minority interests and deferred tax liabilities as a percentage of the balance-sheet total.

Unrestricted liquidity per share Cash and cash equivalents and short-term investments, divided by the number of shares at year-end.

Shareholders' equity per share Reported consolidated shareholders' equity, divided by the number of shares at year-end.

Net indebtedness Net interest-bearing liabilities, that is, interest-bearing liabilities and provisions less cash and cash equivalents, short-term investments and other interest-bearing long-term holdings of securities.

Net debt/equity ratio Net interest-bearing liabilities divided by shareholders' equity, including minority interests.

Earnings per share after tax Reported consolidated earnings, divided by the average number of shares.

Return on shareholders' equity Profit/loss for the year as a percentage of average shareholders' equity.

Return on capital employed Operating profit/loss after net financial items plus financial expenses, as a percentage of average capital employed.

Interest coverage ratio Operating profit/loss after financial items plus financial expenses, divided by financial expenses.

Equity/assets ratio Shareholders' equity plus minority interests, as a percentage of total assets.

Net worth per share Shareholders' equity and surplus values in short-term investments, divided by the number of shares at year-end.

Capital employed Total assets less non-interest bearing provisions and liabilities.

Surplus value in short-term investments The difference between the market value of short-term investments and the book value. Due to the Group's tax situation, no deduction was made for deferred tax.

Summary of financial development

SEK millions	2005	2004	2003	2002	[1] 2001
Income statement					
Net sales	**9.2**	69.7	0.3	3.8	2.5
Operating expenses	**-142.4**	-255.6	-336.8	-345.0	-268.7
(of which depreciation)	**-20.1**	-22.8	-15.5	-17.6	-17.8
Operating profit/loss	**-133.2**	-185.9	-336.4	-341.1	-266.2
Participations in the earnings of associated companies	**-1.1**	-2.1	-2.5	-3.0	-1.0
Net financial items	**-15.0**	16.1	32.0	35.8	19.4
Profit/loss before tax	**-149.3**	-171.9	-307.0	-308.3	-247.8
Tax	**13.9**	–	-0.6	9.4	-1.8
Profit/loss for the year	**-135.4**	-171.9	-307.6	-298.9	-249.6
Balance sheet					
Tangible fixed assets	**376.9**	313.1	50.3	60.2	74.3
Financial fixed assets	**2.9**	43.4	45.1	47.9	52.0
Other current assets	**9.7**	15.6	22.5	30.3	25.3
Cash and cash equivalents	**178.4**	214.8	227.6	329.1	596.1
Total assets	**567.9**	586.9	345.4	467.5	747.7
Shareholders' equity	**176.8**	104.1	289.6	380.3	678.8
Interest-bearing provisions and liabilities	**360.5**	401.1	6.7	29.4	–
Non-interest-bearing provisions and liabilities	**30.6**	81.7	49.1	57.8	68.9
Total shareholders' equity and liabilities	**567.9**	586.9	345.4	467.5	747.7
Condensed cash-flow statements					
Cash flow from operating activities before changes in working capital	**-181.1**	-142.7	-288.1	-285.7	-281.9
Changes in working capital	**-11.4**	-1.2	-0.7	-6.0	-72.7
Cash flow from investing activities	**-15.1**	-1.8	-1.1	-1.2	508.6
Cash flow from financing activities	**171.2**	132.9	188.5	26.2	34.0
Cash flow for the year	**-36.4**	-12.8	-101.4	-266.7	188.0
Key ratios					
Capital employed (SEK million)	**537.3**	505.2	296.3	409.6	678.8
Net indebtedness (SEK million)	**180.6**	146.3	-260.9	-339.7	-636.1
Surplus value in short-term investments (SEK million)	**–**	–	29.1	36.4	22.9
Return on shareholders' equity (%)	**-96**	-87	-92	-56	-29
Return on capital employed (%)	**-25**	-39	-86	-56	-29
Equity/assets ratio (%)	**31**	18	84	81	91
Proportion of risk-bearing capital (%)	**31**	18	84	81	91
Net debt/equity ratio (multiple)	**1.02**	1.41	-0.90	-0.89	-0.94
Interest coverage ratio (multiple)	**neg**	neg	neg	neg	neg
Research and development expenses (SEK million)	**-169.5**	-224.7	-284.2	-285.2	-231.3
Average number of employees	**92**	151	179	183	186
Salary expenses, incl. social security expenses (SEK million)	**84.1**	120.5	115.4	112.4	108.1
Data per share					
Profit/loss after tax (SEK)	**-3.70**	-4.96	-11.49	-22.76	-19.00
Shareholders' equity (SEK)	**4.47**	3.09	8.58	33.81	60.36
Net worth (SEK)	**4.47**	3.09	9.45	37.05	62.39
Unrestricted liquidity (SEK)	**4.51**	6.24	6.66	29.27	53.00
Market price of share at year-end (SEK)	**81.75**	35.48	59.30	17.05	73.66
Dividends (SEK)	**0**	0	0	0	0
Share price/shareholders' equity (%)	**1,829**	1,148	691	50	122
Share price/net worth (%)	**1,829**	1,148	628	46	118
Number of shares at end of period (thousands)	**39,592**	33,739	33,739	11,246	11,246
Weighted average number of ordinary shares before dilution (thousands)[2]	**36,610**	34,665	26,778	13,134	13,134
Number of shares at end of period including subscription rights (thousands)	**40,922**	35,069	35,069	12,125	12,125

[1] In order to achieve better comparability, pro forma accounts for 2001 were prepared, excluding the subsidiary SBL Vaccin AB, which was divested during 2001.

[2] Recalculations for earlier periods were conducted with regard to bonus issue elements.

For years prior to 2004, no recalculation for IFRS was conducted.

Consolidated income statement

JANUARY 1 – DECEMBER 31

SEK thousands	note	2005	2004
Net sales	2	9,152	69,724
Administrative expenses	3, 4	-27,610	-30,919
Research and development expenses	3	-169,462	-224,688
Other operating income	5	54,679	–
Operating profit/loss	6	**-133,241**	-185,883
Financial income		5,039	30,462
Financial expenses		-20,090	-14,283
Participations in the earnings of associated companies		-1,051	-2,148
Net financial income/expense	7	**-16,102**	14,031
Profit/loss before tax		**-149,343**	-171,852
Tax	8	13,928	–
Net profit/loss for the year		**-135,415**	-171,852
Pertaining to:			
Parent Company's shareholders		-135,415	-171,852
Minority interests		–	–
Earnings per share	16		
Before dilution (SEK)		-3.70	-4.96
After dilution (SEK)		-3.70	-4.96

Consolidated balance sheet

AT DECEMBER 31 SEK thousands	note	**2005**	2004
ASSETS			
Land and buildings	9	348,149	274,022
Land improvements	9	435	463
Equipment, tools, fixtures and fittings	9	28,315	38,597
Participations in associated companies	10	1,380	2,262
Other long-term securities	12	–	40,000
Long-term receivables	11	1,518	1,184
Total fixed assets		**379,797**	356,528
Accounts receivable		1,537	1,377
Tax receivables		2,287	1,741
Other receivables		2,426	3,926
Pre-paid costs and accrued revenues	13	3,391	8,550
Cash and cash equivalents	14	178,426	214,788
Total current assets		**188,067**	230,382
TOTAL ASSETS		**567,864**	586,910
SHAREHOLDERS' EQUITY			
Share capital		395,922	337,389
Other capital contributed		1,376,946	1,265,174
Reserves		36,530	1,178
Loss brought forward including loss for the year		-1,632,584	-1,499,603
Total shareholders' equity	15	**176,814**	104,138
LIABILITIES			
Convertible debentures	17	94,933	93,987
Liabilities to credit institutions	17	256,100	-
Other long-term liabilities	17	3,705	298,608
Total long-term liabilities		**354,738**	392,595
Short-term interest-bearing liabilities	17	5,761	8,466
Accounts payable		7,337	15,427
Tax liabilities		51	3,222
Other liabilities	18	2,193	3,803
Accrued costs and pre-paid revenues	19	20,970	59,259
Total short-term liabilities		**36,312**	90,177
TOTAL LIABILITIES		**391,050**	482,772
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**567,864**	586,910

For information pertaining to pledged assets and contingent liabilities, see note 21.

Statement of changes in consolidated equity

SEK thousands note 15	Share capital	Other capital contributions	Reserves	Profit/loss brought forward incl. profit/loss for the year	Total shareholders' capital
Opening shareholders' equity, January 1, 2004	337,389	1,218,306	1,096	-1,329,301	227,490
Change in translation reserve for the year	–	–	82	–	82
Employee stock option program	–	–	–	1,550	1,550
Total changes in net worth reported directly against shareholders' equity, excl. transactions with company owners	–	–	82	1,550	1,632
Profit/loss for the year	–	–	–	-171,852	-171,852
Total changes in net worth excl. transactions with company owners	–	–	82	-170,302	-170,220
Convertible issue	–	46,868	–	–	46,868
Closing shareholders' equity, December 31, 2004	337,389	1,265,174	1,178	-1,499,603	104,138
Opening shareholders' equity, January 1, 2005	337,389	1,265,174	1,178	-1,499,603	104,138
Changes in translation reserve for the year	–	–	-464	–	-464
Changes in revaluation reserve for the year	–	–	35,816	–	35,816
Employee stock option program	–	–	–	2,434	2,434
Total changes in net worth reported directly against shareholders' capital, excl. transactions with company owners	–	–	35,352	2,434	37,786
Profit/loss for the year	–	–	–	-135,415	-135,415
Total changes in net worth excl. transactions with company owners	–	–	35,352	-132,981	-97,629
New share issue	56,234	107,997	–	–	164,231
Conversion	2,299	3,775	–	–	6,074
Closing shareholders' equity, December 31, 2005	395,922	1,376,946	36,530	-1,632,584	176,814

Cash-flow statement

JANUARY 1 – DECEMBER 31 SEK thousands	note 23	**2005**	2004
Operating activities			
Profit/loss before tax		-149,343	-171,852
Adjustments for items not included in the cash flow		-31,787	29,118
Cash flow from current operations before changes in working capital		**-181,130**	-142,734
Cash flow from changes in working capital			
Increase(-)/reduction(+) in current receivables		8,849	5,304
Increase(-)/reduction(+) in current liabilities		-20,229	-6,517
Cash flow from operating activities		**-192,510**	-143,947
Investing activities			
Acquisition of subsidiary		-8,500	–
Acquisition of tangible fixed assets		-5,226	-68
Acquisition of financial fixed assets		-1,333	-1,703
Cash flow from investing activities		**-15,059**	-1,771
Financing activities			
New share issue		168,703	–
Issue expenses		-4,472	–
Issue of convertible loan		–	140,855
Borrowings		12,663	–
Amortization of leasing liabilities		-5,736	-7,920
Cash flow from financing operations		**171,158**	**132,935**
Cash flow for the year		**-36,411**	-12,783
Cash and cash equivalents, January 1		**214,788**	227,565
Exchange-rate differences in cash and cash equivalents		**49**	6
CASH AND CASH EQUIVALENTS AT YEAR-END		**178,426**	214,788

Income statement for the Parent Company

JANUARY 1 – DECEMBER 31

SEK thousands	note	2005	2004
Net sales	2	8,972	72,800
Administrative expenses	3, 4	-33,351	-32,367
Operating profit/loss	6	**-24,379**	40,433
Profit/loss from financial items			
Profit from shares in subsidiaries	7	10,135	72,410
Loss from participations in associated companies	7	-882	-2,208
Interest revenue and similar items	7	4,182	30,215
Interest expense and similar items	7	-9,838	-409
Profit/loss after financial items		**3,597**	100,008
Profit/loss before tax		**-20,782**	140,441
Tax	8	–	–
Net profit/loss for the year		**-20,782**	140,441

Balance sheet for the Parent Company

AT DECEMBER 31 SEK thousands	note	**2005**	2004
ASSETS			
Fixed assets			
Equipment, tools, fixtures and fittings	9	366	486
Financial fixed assets			
Shares in Group companies	22	228,950	539,631
Participations in associated companies	10	1,380	2,262
Other long-term securities	12	–	40,000
Other long-term receivables	11	1,518	185
Total financial fixed assets		**231,848**	582,078
Total fixed assets		**232,214**	582,564
Current assets			
Short-term receivables			
Accounts receivable		–	1,318
Receivables from Group companies		177,368	168,357
Other receivables		290	1,478
Pre-paid costs and accrued revenues	13	1,625	1,558
Total short-term receivables		**179,283**	172,711
Short-term investments		–	4,174
Cash and bank balances	14	157,422	208,724
Total current assets		**336,705**	385,609
TOTAL ASSETS		**568,919**	968,173

AT DECEMBER 31

SEK thousands	note	2005	2004
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		395,922	337,389
Statutory reserve		111,772	46,868
Unrestricted equity			
Loss brought forward		-226,904	-226,553
Loss for the year		-20,782	140,441
Total shareholders' equity	15	**260,008**	298,145
Long-term liabilities			
Convertible debentures	17	94,933	93,987
Total long-term liabilities		**94,933**	93,987
Short-term liabilities			
Accounts payable, trade		713	4,125
Liabilities to Group companies		201,571	562,670
Tax liabilities		35	3,222
Other current liabilities	18	950	923
Accrued costs and prepaid revenues	19	10,709	5,101
Total short-term liabilities		**213,978**	576,041
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**568,919**	968,173

Pledged assets and contingent liabilities for the Parent Company

AT DECEMBER 31

SEK thousands	note	2005	2004
Assets pledged	21	–	–
Contingent liabilities	21	8,579	47,854

Statement of changes in Parent Company equity

		Restricted equity			Unrestricted equity		
SEK thousands	note 15	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	Total shareholders' capital
Opening shareholders' equity, January 1, 2004		337,389	184,926	–	-299,808	-20,276	202,231
Group contributions paid		–	–	–	-102,390	–	-102,390
Group contributions received		–	–	–	9,445	–	9,445
Employee stock option program		–	–	–	1,550	–	1,550
Treatment of profit/loss in preceding year		–	-184,926	–	164,650	20,276	–
Total changes in net worth reported directly against shareholders' equity excl. transactions with company owners		–	-184,926	–	73,255	20,276	-91,395
Profit/loss for the year		–	–	–	–	140,441	140,441
Total changes in net worth excl. transactions with company owners		–	-184,926	–	73,255	160,717	49,046
Convertible issue		–	46,868	–	–	–	46,868
Closing shareholders' equity, December 31, 2004		337,389	46,868	–	-226,553	140,441	298,145
Opening shareholders' equity, January 1, 2005		337,389	46,868	–	-226,553	140,441	298,145
Group contributions paid		–	–	–	-190,094	–	-190,094
Employee stock option program		–	–	–	2,434	–	2,434
Treatment of profit/loss in preceding year		–	-46,868	–	187,309	-140,441	–
Total changes in net worth reported directly against shareholders' equity, excl. transactions with company owners		–	-46,868	–	-351	-140,441	-187,660
Profit/loss for the year		–	–	–	–	-20,782	-20,782
Total changes in net worth excl. transactions with company owners		–	-46,868	–	-351	-161,223	-208,442
New share issue		56,234	–	107,997	–	–	164,231
Conversion		2,299	–	3,775	–	–	6,074
Transfer of share premium reserve to statutory reserve		–	111,772	-111,772	–	–	–
Closing shareholders' equity, December 31, 2005		395,922	111,772	–	-226,904	-20,782	260,008

Cash-flow statement for the Parent Company

JANUARY 1 – DECEMBER 31 SEK thousands	note 23	**2005**	2004
Operating activities			
Profit/loss after financial items		-20,782	140,441
Adjustments for items not included in the cash flow		2,746	-66,050
Cash flow from current operations before changes in working capital		**-18,036**	74,391
Cash flow from changes in working capital			
Increase(-)/reduction(+) in current receivables		-5,882	-30,549
Increase(+)/reduction(-) in current liabilities		-4,456	34,720
Cash flow from operating activities		**-28,374**	78,562
Investment activities			
Shareholders' contributions paid		–	-161,800
Acquisition of tangible fixed assets		–	-22
Acquisition of financial fixed assets		-1,333	-1,703
Cash flow from investing activities		**-1,333**	-163,525
Financing activities			
New share issue		168,703	–
Issue expenses		-4,472	–
Issue of convertible loan		–	140,855
Group contributions paid		-190,000	-60,000
Cash flow from financing operations		**-25,769**	80,855
Cash flow for the year		**-55,476**	-4,108
Cash and cash equivalents, January 1		**212,898**	217,006
CASH AND CASH EQUIVALENTS AT YEAR-END		**157,422**	212,898

Notes to the financial reports

Note 1 Accounting principles Conformity with standards and legislation

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application within the European Union. This year's annual report and consolidated financial statements contain the first complete financial reports prepared in accordance with IFRS. In addition, the Group applied the recommendation of the Swedish Financial Accounting Standards Council RR 30 – Supplementary Accounting Regulations for Groups. In conjunction with the transition from previously applied accounting principles to reporting in accordance with IFRS, the Group applied IFRS 1, which is the standard that describes how the transition to IFRS shall be reported.

The Parent Company applies the same accounting principles as the Group, except for the cases specified below in the section "Accounting principles of the Parent Company." Those deviations that arise between the accounting principles of the Parent Company and Group are caused by limitations in the possibilities of applying IFRS in the Parent Company due to the Annual Accounts Act and the Act on Safeguarding of Pension Commitments, and in certain cases, because of tax reasons.

In note 24, a summary is presented detailing how the transition to IFRS has affected the Group's financial result and status as well as the reported cash flow.

Assumptions during preparation of the Parent Company's and Group's financial statements

The Parent Company's functional currency is Swedish kronor, which is also the reporting currency for the Parent Company and the Group. Accordingly, the financial statements are presented in Swedish kronor. All amounts, unless otherwise stated, are rounded off to the nearest thousand. Assets and liabilities are reported at the historical acquisition value, except for the Group's property Forskaren 1, which is fair-valued, as well as certain financial assets and liabilities. Financial assets and liabilities fair-valued comprise financial assets classified as financial assets fair valued via the income statement.

The preparation of financial reports in accordance with IFRS requires management to make assessments and evaluations that affect the application of the accounting principles and the reported value of assets, liabilities, revenues and expenses. The assessments and assumptions are based on historic experience and a number of other factors which, under the prevailing circumstances, are deemed reasonable. The results of these assessments and assumptions are used to estimate the reported values of assets and liabilities, which are otherwise not clearly apparent from other sources. The actual outcome may deviate from these evaluations and assessments.

The assessments and assumptions are reviewed regularly. Changes to the assessments are reported in the period in which the change is made if it is the only period affected by the change, but if it also affects future periods, it is reported in the period the change is made and the future periods.

Assessments made by management when applying IFRS that may considerably influence the financial statements together with estimates made that may entail significant adjustments to financial statements in forthcoming years are described in more detail in note 25.

Changed accounting principles

For the Group, the transition to accounting in accordance with IFRS was reported in accordance with IFRS 1 and is described in note 24.

In accordance with the optional exception in IFRS 1, IAS 39 was not applied to 2004 comparison figures, but forward-looking from January 1, 2005. The income statement was not affected by the introduction of IAS 39 during 2005.

New International Financial Reporting Standards and interpretations that may be applied during forthcoming periods

The following standards, revised standards and interpretations have been issued, but they had not taken effect or been applied in advance at December 31, 2005.

- Amendments to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures, approved by the European Union, to be applied from January 1, 2006.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement.
- Cash Flow Hedge Accounting of Forecast Intragroup Transactions, approved by the European Union, to be applied from January 1, 2006.
- The Fair Value Option, approved by the European Union, to be applied from January 1, 2006.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts – Financial Guarantee Contracts, approved by the European Union, to be applied from January 1, 2006.
- IFRS 7 Financial Instruments: Disclosures, approved by the European Union, to be applied from January 1, 2007.
- IFRIC 4 Determining whether an Arrangement Contains a Lease, approved by the European Union, to be applied from January 1, 2006.

Based on the decisions that have been made to date, it is anticipated that the new standards, as well as changes to the standards and new interpretations, will not affect the Group's financial statements. However, the revision of IAS 19 and the new standard IFRS 7 may affect the information that must be provided in financial statements.

Segment reporting

In terms of accounting, a segment is an identifiable element of the Group, which either supplies products or services (business sectors), or goods or services within a specified financial area (geographic region) and is exposed to risks and opportunities that differ from other segments. Since operations within the Active Biotech Group are organized as a cohesive unit, with similar risks and opportunities for the products and services produced, the company reports its operations jointly as a single type of operations forming its primary segment and its geographic distribution as its secondary segment. All operations are conducted in Sweden.

Classification, etc.

Fixed assets and long-term liabilities in the Parent Company and Group primarily consist of amounts that are expected to be recovered or paid more than 12 months after the balance-sheet date. Current assets and liabilities in the Parent Company and Group primarily consist of amounts that are expected to be recovered or paid within 12 months from the balance-sheet date.

Consolidation principles

Subsidiaries

A subsidiary is a company in which the Parent Company Active Biotech AB has a controlling influence. Controlling influence entails a direct or indirect right to formulate a company's financial and operative strategies with the aim of obtaining financial benefits. When determining if a controlling influence exists, consideration is given to potential shares that carry voting rights, which can be utilized or converted without delay.

Subsidiaries are reported in accordance with the acquisition method. The method entails that the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. With regard to the Group, the acquisition value is established through an acquisition analysis in connection with the acquisition. In the analysis, the acquisition value is established for the shares or operations, both the fair value on the acquisition date of acquired identifiable assets as well as assumed liabilities and contingent liabilities. The acquisition value for the subsidiary's shares and operations comprises the fair values on the acquisition date for assets, accrued or assumed liabilities and equity instruments issued as payment for the acquired net assets, as well as transaction expenses that are directly attributable to the acquisition. If, in a business acquisition, the acquisition cost exceeds the net value of acquired assets and assumed liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is reported in the income statement. The subsidiaries' financial statements are included in the consolidated financial statements from date of acquisition until the date the controlling influence ceases.

Associated companies

Associated companies are those companies in which the Group exercises a significant influence, but not a controlling influence, over operational and financial control, usually through a participating interest of between 20 and 50 percent of the number of votes. Participations in associated companies are reported using the equity method from the time of acquisition of the significant influence. The equity method entails that the value

of holdings in associated companies reported in the consolidated financial statements corresponds to the Group's share in the associated company's equity, as well as consolidated goodwill and any remaining consolidated surplus or deficit value. In the consolidated income statement, "Profit/loss from participations in associated companies" includes the Group's share of net earnings in associated companies after tax and minority interests, adjusted for any amortization, impairment losses or reversals of acquired surplus or deficit values. Dividends received from associated companies reduce the carrying amount of the investment.

When the Group's share of reported losses in the associated company exceeds the reported value of shares in the Group, the share's value is reduced to zero. Settlement of losses is also reported against long-term financial transactions with no security, which in its financial implication, comprises a part of the owning company's net investment in associated companies. Ongoing losses are not reported unless the Group has provided guarantees to cover losses that arise in associated companies. The equity method is applied until the time the significant influence ceases.

Transactions to be eliminated at consolidation
Intra-Group receivables and liabilities, revenues and expenses and unrealized gains or losses that arise from transactions between Group companies are eliminated in their entirety when preparing consolidated financial statements.

Foreign currency
Transactions in foreign currency
Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environment in which the company conducts operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences that arise in translation are reported in the income statement. Non-monetary assets and liabilities that are reported at the historical acquisition value are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities that are reported at fair value are translated to the functional currency at the exchange rate that prevails at the date of valuation at fair value. Exchange-rate fluctuations are reported in the same way as other value fluctuations pertaining to assets or liabilities.

Financial statements of foreign operations
Assets and liabilities in foreign operations, including goodwill and other consolidated surplus or deficit value, are translated from the foreign operation's functional currency to the Group's reporting currency, Swedish kronor, at the exchange rate prevailing on the balance-sheet date. Revenues and expenses in a foreign operation are translated to Swedish kronor at an average exchange rate that represents an approximation of the exchange rates prevailing at the time of each transaction. Translation differences that arise in currency translations of foreign operations are reported directly against shareholders' equity as a translation reserve.

Net investments in foreign operations
Translation differences that arise in connection with the translation of net investments in foreign operations and related hedge effects of net investments are reported directly in the translation reserve in shareholder's equity. When a foreign operation is divested, accumulated translation differences related to it are, after the deduction of any hedging, reported in the consolidated income statement.

Accumulated translation differences for foreign operations attributable to dates earlier than January 1, 2004, the date for transition to IFRS, are recognized as a separate component (translation reserve) in shareholders' equity.

Reporting of revenues
Active Biotech currently receives revenues for out-licensing of research projects, for invoiced research services and rental income. In the out-licensing of research projects, non-recurring revenues in connection with contracts are reported on the contract date. Any partial payments are recognized as revenue as and when Active Biotech meets the agreed criteria and agreement has been reached with the counterparty. Possible future royalty revenues are recognized in accordance with the financial content of the agreements. Invoicing of research services are reported as revenue in the accounting period during which the work was performed. Dividends are recognized as revenue when the right to receive payment is considered secure.

Operating expenses and financial revenues and expenses
Payments pertaining to operational leasing agreements
Payments pertaining to operational leasing agreements are reported straight-line over the leasing period. Benefits received in connection with the signing of an agreement are reported as part of the total leasing expense in the income statement.

Payments pertaining to financial leases
Minimum lease payments are divided between interest expenses and amortization of the outstanding liability. The interest expense is divided over the leasing period so that each accounting period is charged with an amount that corresponds to a fixed interest rate for the reported liability in each period. Variable fees are expensed in the periods in which they arise.

Financial income and costs
Financial income and costs include interest income on bank deposits, receivables and interest-bearing securities, interest expense on loans, income from dividends, exchange-rate differences and unrealized and realized profits on financial investments.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the interest that makes the current value of all future receipts and payments during the fixed-interest term equal to the carrying amount of the receivable or liability. The interest component in financial leasing payments is reported in the income statement through the application of the effective interest method. Interest income includes the allocated amounts of transaction expenses and any discounts, premiums and other differences between the original value of the receivable and the amount received at maturity.

Interest expenses include an allocated amount of issue expenses and similar direct transaction expenses required to raise a loan.

Dividend income is reported when the right to receive payments has been secured.

The Group and Parent Company do not capitalize interest in the asset's acquisition value.

Financial instruments
As of January 1, 2005, the Group values and reports financial instruments in accordance with IAS 39 with no retroactive translation of the comparative year. Financial instruments recorded in the asset side of the balance sheet include cash and cash equivalents, trade receivables, shares and other equity instruments, loan receivables and bond receivables. Liabilities and equity include accounts payable (trade), issued debt and equity instruments as well as loan liabilities.

Financial instruments are initially recorded at acquisition value representing the fair value of the instrument, with transaction costs added for all financial instruments, except those defined as financial assets and recorded at fair value in the income statement, which are recorded at fair value excluding transaction expenses. Accordingly, the reporting of financial instruments depends on how they have been classified, which is specified below.

A financial asset or financial liability is reported in the balance sheet when the company is party to the contractual conditions of the instrument. Trade receivables are reported in the balance sheet when the invoice has been sent. Liabilities are reported when the other contracting party has fulfilled its obligations and payment is due, although the invoice has not yet been received. Accounts payable (trade) are reported when the invoice is received.

A financial asset is derecognized from the balance sheet when the contractual rights are realized, mature or the company loses control over them. The same applies to parts of financial assets. A financial liability is derecognized from the balance sheet when the contractual obligation is met or otherwise ended. This also applies to parts of financial liabilities.

Acquisition and divestment of financial assets are reported at the transaction date, which is the date the company commits to the acquisition or divestment of the asset.

At each reporting occasion, the company evaluates if there are objective indications that impairment losses need to be recognized for a financial asset or group of financial assets.

IAS 39 classifies financial instruments in categories. The classification is based on the reason for acquiring the financial instrument. Corporate management determines the classification at the original date of acquisition. The following are, or were, deemed to be appropriate:

Financial assets valued at fair value via the income statement
This category consist of two sub-groups: Financial assets held for trading and other financial assets classified in this category by the company at initial recognition. A financial asset is classified as held for trading if it is acquired mainly for the purpose of selling in the short term. Derivatives that are independent, such as embedded derivatives, are classified as held for trading unless they are designated as hedges. Assets in this category are continuously revalued at fair value with changes in value reported in the income statement.

Loans and receivables
"Loans and receivables" are financial assets, which do not comprise derivates, with fixed or determinable payments that are not quoted in an active market. Receivables arise when companies provide money, goods and services directly to the credit recipient without the intention of conducting business in claims. This category also includes acquired receivables. Assets in this category are valued at amortized acquisition value. Amortized acquisition value is based on the effective interest calculated at the date of acquisition.

Other financial liabilities
Financial liabilities not held for trade are valued at amortized acquisition value. Amortized acquisition value is based on the effective interest calculated at the date the liability was incurred. This entails that the surplus or deficit values and direct issue expenses are allocated over the liabilities duration.

Cash and cash equivalents
Cash and cash equivalents comprise liquid funds and immediately accessible balances in banks and corresponding institutes as well as short-term liquid investments that have a maturity of three months or less from the acquisition date, which are exposed to only an insignificant risk of fluctuation in value.

Financial investments
Financial investments are either financial assets or short-term investments, depending on the purpose for which they were acquired. If the duration or the expected holding period is longer than one year, they are considered financial assets, and if less than one year, they are considered short-term investments.

Financial investments include shares that belong to the category of fair-valued financial assets in the income statement.

Interest-bearing securities are classified as fair-valued financial assets in the income statement.

When stated at fair value in the income statement, the change in value is reported in net financial items.

Long-term receivables and other receivables
Long-term receivables and other receivables are receivables that occur when companies provide money without the intention of conducting business in claims. Receivables expected to be held for longer than one year are considered long-term receivables and those due in less than one year, as other receivables. These receivables belong to the "Loans and receivables" category.

Accounts receivable
Accounts receivable are classified in the category "Loans and receivables." Accounts receivable are reported at the amount that is expected to be received after the deduction of uncertain receivables, which are determined individually. Since accounts receivable have a short expected duration, the value is reported without discounting. Impairment of accounts receivable is recognized in operating expenses.

Liabilities
Liabilities are classified as other financial liabilities, which mean that they are initially reported at the amount received after deduction of transaction costs. After the date of acquisition, the loan is stated at amortized acquisition value in accordance with the effective interest method. Long-term liabilities have an expected duration of more than one year, while current liabilities have a duration of less than one year.

Issued convertible debentures
Convertible debentures can be converted to shares by the counterparty utilizing the option to convert the claim to shares. It is reported as a composite financial instrument divided into a liability portion and an equity portion. The fair value of the liability is calculated by discounting the future cash flow by the current market rate for a similar liability, without conversion rights, at the date of issue. The value of the equity instrument is calculated as the difference between the proceeds of the issue when the convertible debenture was issued and the fair value of the financial liability at the date of issue. Transaction expenses in conjunction with the issue of a composite financial instrument shall be distributed proportionally over the liability portion and the equity portion against how the issue proceeds are distributed. Interest expenses are reported in the income statement and are calculated using the effective interest method.

Accounts payable
Accounts payable are classified in the category other financial liabilities. Accounts payable have a short expected duration and are valued without discounting the nominal amount.

Tangible fixed assets
Assets owned
Tangible fixed assets are reported as assets in the balance sheet if it is probable that the company will receive future financial benefits and the acquisition value for the asset can be calculated in a reliable manner.

The Group values tangible fixed assets using the acquisition method with the exception of the company's property, which is valued using the revaluation method. Tangible fixed assets that are reported using the acquisition method are reported in the consolidated accounts at acquisition value, less a deduction for accumulated depreciation and any impairment losses. The acquisition value includes the purchase price and expenses directly attributable to the asset to bring the asset to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the acquisition value are delivery and handling costs, installation, acquisition registration, consultancy services and legal services.

The Group's properties are reported at fair value less deductions for accumulated depreciation and adjustments due to revaluation. Revaluation is conducted with the regularity that is required to ensure that the reported value shall not significantly deviate from what is established as the fair value on the balance-sheet date. The fair value of properties is based on valuations conducted by independent external appraisers. When an asset's reported value increases as a result of a revaluation, the increase is reported directly against shareholders' equity in the "revaluation reserve." If the increase entails a reversal of the previously reported value impairment with regard to the same asset, the reduction is reported as a reduced expense in the income statement. When the reported value of an asset is reduced as a result of a revaluation, the reduction is reported as an expense. If there is a balance in the revaluation reserve attributable to the asset, the reduction is firstly reported directly against the revaluation reserve. The difference between depreciation based on the revaluated value and depreciation using the original acquisition value is transferred from the revaluation reserve to profit/loss brought forward.

Accumulated depreciation at the time of revaluation is eliminated against the asset's acquisition value (or, where appropriate, in the revaluated acquisition value) after which the remaining net amount is adjusted to achieve conformity with the amount to which the asset was re-valued (the asset's fair value).

When an asset is divested, the revaluation reserve is transferred to profit/loss carried forward with no impact on the income statement.

Tangible fixed assets comprising components with varying useful lifetimes are treated as separate components of tangible fixed assets.

The reported value for a tangible fixed asset is excluded from the balance sheet when it is disposed of, divested, or when no future financial benefits are expected from the disposal/divestment of the asset. Profit or loss arising from divestment or disposal comprises the difference between the sale price and the asset's reported value, less deductions for direct sales expenses. Profit or loss is recorded as other operating revenues/expenses.

Leased assets
IAS 17 is applied to leased assets. Leases are classified in the consolidated financial statements as either finance leases or operating leases. Finance leases occur when the financial risks and benefits associated with ownership are essentially transferred to the lessee. They are otherwise considered operating leases.

Assets leased through financial leasing agreements have been reported as assets in the consolidated balance sheet. The commitment to pay future leasing fees was reported as long-term and current liabilities. These assets are subject to straight-line depreciation while leasing fees are reported as interest and amortization of liabilities.

Leasing fees for operational leases are expensed straight-line over the term of the lease based on the value in use, which can differ from that which has actually been paid as a leasing fee during the year.

Additional expenses
Additional expenses are added to the acquisition value only if it is probable that the company will recover the future economic benefits associated with the assets and the acquisition value can be calculated in a reliable manner. All other additional expenses are reported as expenses in the period in which they arise.

Pivotal in the assessments of when an additional expense is added to the acquisition value is whether the expense refers to the replacement of identifiable components or parts thereof, which is when such expenses are capitalized. Expenses are also added to the acquisition value when new components are created. Any undepreciated reported values of replacement components, or parts of components, are disposed of and expensed in connection with the replacement. Repairs are expensed on an ongoing basis.

Depreciation principals
Depreciation is calculated using the straight-line method over the estimated useful life of the assets. The Group applies component depreciation, which means that the estimated useful life of the components is the basis for depreciation.

Buildings, operating properties	35 – 100 years
Equipment, tools, fixtures and fittings	3 – 10 years

The operating properties comprise a number of components, whose useful life varies. The main category is land and buildings. No depreciation is reported for the component land, since its useful life has been determined as unlimited. However, a building comprises a number of components whose useful life varies.

The useful life of these components has been estimated to vary between 35 and 100 years.

The following main categories of components have been identified and form the basis for the depreciation of buildings

Framework	100 years
Non-structural elements, interior walls, etc.	50 years
Glass roof	40 years
Fire seal	40 years
Installations; heating, electricity, plumbing, ventilation, etc.	50 years
Elevators	35 years

Assessment of an asset's residual value and useful life is conducted annually.

Intangible assets
Research and development
Expenses for research with the purpose of acquiring new scientific or technical knowledge are reported as costs when they arise.

Expenses for developments, in which the research result or other knowledge is applied to produce new or improved products or processes, is reported as an asset in the balance sheet, if the product or process is technically and commercially useful and the company has adequate resources to pursue development and thereafter use and sell the intangible asset. Other expenses for development are reported in the income statement as a cost as they arise.

Since the period in which the company's research and development projects are expected to be registered is some way off in the future, there is considerable uncertainty as to when any financial benefits will accrue to the company. Development expenses are capitalized only on the condition that it is technically and financially possible to complete the asset, that the intention is, and the conditions exist, for the asset to be used in operations or sold and that it can be valued in a reliable manner. Expenses pertaining to patents, technology and brand rights and other similar assets are not capitalized, but are offset against earnings on an ongoing basis.

No assets of this character were acquired.

Impairment
Carrying values of Group assets are tested at each balance-sheet date to establish whether there are any impairment indicators. Where such indicators are evident, the asset's recovery value is calculated.

Calculation of recoverable amount
The recoverable amount of loan receivables and accounts receivable, which are reported at amortized acquisition value, is calculated at the present value of future cash flows discounted by the effective interest that prevailed when the asset was initially reported. Assets with a short duration are not discounted.

The recoverable amount of other assets is the higher of value in use and an asset's fair value less sales expenses. To calculate the value in use, future cash flows are discounted using a discount rate that assumes risk-free interest and risks relating to the specific asset. The recovery amount of non cash-generating assets that are essentially independent of other assets is calculated for the cash-generating unit to which the assets belongs.

Employee remuneration
Compensation to employees after conclusion of employment
Both defined-benefit and defined-contribution pension plans exist within the Group. For defined-benefit plans, compensation to current and former employees is based on their salary at the time of retirement as well as the number of years of service. The Group assumes responsibility for ensuring that promised remuneration is paid.

For defined-contribution plans, the company pays pension premiums to separate legal entities and has no legal commitment or informal obligation to pay further premiums (if these should lack the assets necessary to provide the promised benefits). The Group's earnings are offset by costs as these benefits are earned.

Defined-benefit pension plans are secured through insurance with Alecta, which is a defined-benefit plan that covers a number of employers. For the 2005 financial year, the company did not have access to information that would make it possible to report this plan as a defined-benefit plan. The pension plan conforming to ITP and secured through an Alecta insurance policy is therefore accounted for as a defined-contribution plan.

Severance compensation
Severance compensation is compensation paid to employees resulting from a company decision to prematurely eliminate a position. It is reported once the company demonstrates that it has eliminated a position in advance of when that position would normally expire.

Share-related compensation
At an Extraordinary General Meeting on December 8, 2003, an employee options program was implemented, with allocations in 2003, 2005 and 2006, through which all Active Biotech Group employees are offered the opportunity to acquire shares in the company. Employee options are allocated without payment. The options program was reported in accordance with IFRS 2 and URA 46.

An options program allows the employees the opportunity to acquire shares in the company. The fair value of allotted options is reported as a personnel expense with a corresponding increase in the shareholders' equity. The fair value is calculated at the time of the allocation and is distributed across the period of service. The fair value of the allocated options is calculated using the Black & Scholes model, taking into account the terms and conditions that applied at the time of allotment. The amount that is reported as an expense is adjusted to reflect the actual number of earned options, but not when forfeiture is because the share price has not reached the level for the options to be realized.

Social security costs attributable to share-based instruments for employees are expensed across the periods in which they were earned. Provisions for social costs are based on the fair value of the options at the time of reporting. The fair value is calculated with the same valuation model used when the options were allocated.

Provisions
A provision is reported in the balance sheet when the company has an existing legal or constructive obligation resulting from past events and it is probable that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated. When the effect of the timing of when the payment will be made is significant,

provisions are calculated by discounting the anticipated future cash flows to an interest rate before tax that reflects the actual market estimate of the money's value over time and, if applicable, the risks that are associated with the liability.

Taxes
Income taxes comprise current tax and deferred tax. Income taxes are reported in the income statement except where the underlying transaction is reported directly against shareholders' equity, whereby the associated tax effect is reported in shareholders' equity.

Current tax is tax that is to be paid or recovered in relation to the current year, applying tax rates determined or announced at the balance-sheet date. Adjustment to current tax relating to previous periods also belong here.

Deferred tax is calculated using the balance-sheet method based on the temporary differences between the carrying amount and the value for tax purposes of assets and liabilities. The following temporary differences are not recognized: temporary differences that arise during initial reporting of goodwill, initial reporting of assets and liabilities that do not constitute a business acquisition and at the time of the transaction, do not have an impact on reported or taxable earnings. Furthermore, temporary differences are not recognized that are attributable to participations in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Estimates of deferred tax are based on how carrying amounts of assets and liabilities are expected to be realized or settled. Deferred tax is calculated applying tax rates and legislation determined or announced at the balance-sheet date.

Deferred tax receivables pertaining to deductible temporary differences and loss carryforwards are recognized to the extent that it is probable that they will be utilized. The carrying value of deferred tax receivables is reduced when it is no longer judged probable that they will be utilized.

Any additional income tax arising from dividends is reported at the same date as when the dividend was reported as a liability.

Contingent liabilities
A contingent liability is reported when a possible commitment exists stemming from events that have occurred, the validity of which can only be confirmed by the occurrence or absence of one or more future events, or where there is a commitment not recognized as a liability or provision due to the low probability that an outflow of resources will be required.

Parent Company's accounting principles
The Parent Company has prepared its annual financial statements in accordance with the Annual Accounts Act (1995:1554) and the recommendations of the Swedish Financial Accounting Standards Council RR32, Accounting for Legal Entities. RR 32 entails that in the annual accounts for a legal entity, the Parent Company shall apply all of the IFRS regulations and statements approved by the European Union, to as great an extent as possible, within the framework of the Annual Accounts Act and with consideration given to the relationship between accounting and taxation. The recommendation stipulates what exceptions and additions shall be made from IFRS.

Changed accounting principles
The Parent Company's changed accounting principles were reported in accordance with the regulations in IAS 8, but with consideration given to the specific transition regulations stipulated in RR32. The effects are presented in note 24.

In accordance with the transition regulations in RR32, the company has chosen not to apply Chapter 4, section 14 a-e of the Annual Accounts Act, which allows certain financial instruments to be carried at fair value. The rules in Chapter 4, section 14 a-e of the Annual Accounts Act will be applied as of January 1, 2006. This will involve a change in accounting principles, but it has been judged that it will not affect the Parent Company's results and status.

Differences between the Group's and the Parent Company's accounting principles
The differences between the Group's and the Parent Company's accounting principles are presented below. The accounting principles presented below for the Parent company were applied consistently in all periods presented in the Parent Company's financial statements.

Subsidiaries, associated companies and joint ventures
Participations in subsidiaries, associated companies and joint ventures are reported by the Parent Company using the acquisition value method. Only received dividends are reported as revenue, on the condition that these are derived from earnings earned after the acquisition. Dividends that exceed these profits are considered as a repayment of the investment and reduce the participation's reported value.

Anticipated dividend
Anticipated dividends from subsidiaries are reported when the Parent Company alone has the right to determine the size of the dividend and the Parent Company has determined the size of the dividend prior to the Parent Company publishing its financial statements.

In accordance with the proposal for an amendment to RR32, the Parent Company can apply a different principle than the Group with regard to dividend revenue, which allows the Parent Company to anticipate dividends from subsidiaries.

Financial instrument
The Parent Company does not apply the valuation principles stipulated in IAS 39, but what otherwise has been written with regard to financial instruments also applies to the Parent Company. In the Parent Company, fixed assets are valued at acquisition value less any impairment losses and financial current assets are valued at the lower of acquisition value or market value.

Tangible fixed assets
Owned assets
Tangible fixed assets in the Parent Company are reported at acquisition value less deductions for accumulated depreciation and any impairment losses in the same manner as for the Group, but with the addition of any write-ups.

Leased assets
In the Parent Company, all leasing agreements are reported in accordance with the regulations for operational leasing.

Intangible fixed assets
Research and development
In the Parent Company, all expenses for development are reported as expenses in the income statement.

Taxes
Untaxed reserves include deferred tax liabilities when reported in the Parent Company. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and shareholders' equity.

Group contributions and shareholders' contributions for legal entities
When applying URA 7 Group contributions and shareholders' contributions:

Group contributions and shareholders' contributions are reported in accordance with the statement by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholders' contributions are reported directly against shareholders' equity for the recipient and are capitalized in shares and participations at the contributor to the extent that impairment is not required.

Group contributions are reported in accordance with their financial impact. This means that Group contributions paid to reduce the total tax of the Group, are reported directly against profit brought forward less deductions for its tax effect.

Group contributions that are comparable to a dividend are reported as a dividend. This means that Group contributions received and the tax effects are reported across the income statement. Group contributions paid and the tax effects are reported directly against profit brought forward.

Group contributions that are comparable to shareholders' contributions are reported by the recipient directly against profit brought forward, taking into account the tax effects. The contributor reports the Group contribution and its tax effect as an investment in participations in Group companies to the extent that impairment is not required.

Note 2 Distribution of Sales

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Licensing revenues	**4,528**	69,300	**4,528**	69,300
Research services	**1,463**	424	**–**	–
Rental and service revenue	**1,703**	–	**–**	–
Administrative services	**–**	–	**3,500**	3,500
Other	**1,458**	–	**944**	–
Total	**9,152**	69,724	**8,972**	72,800

Note 3 Operating expenses distributed by type of cost

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Personnel costs [1]	**85,918**	122,471	**22,154**	18,954
Depreciation	**20,082**	22,760	**120**	16
Impairment	**–**	2,598	**–**	2,586
Operating expenses	**12,964**	18,210	**4,146**	4,525
Property expenses	**15,505**	15,940	**311**	133
Costs of administration	**3,076**	2,529	**3,077**	2,527
External R&D services	**55,384**	66,268	**–**	–
Other external services	**4,143**	4,831	**3,543**	3,626
Total	**197,072**	255,607	**33,351**	32,367

[1] Personnel costs include costs pertaining to the employee stock options program of TSEK 5,565 (1,550).

Note 4 Auditors' remuneration

	Group and Parent Company	
SEK thousands	**2005**	2004
KPMG, auditing assignments [1]	**759**	991
KPMG, other assignments	**264**	117
PWC, other assignments	**85**	–

[1] Review of prospectus reported against shareholders' equity, TSEK 175 (766).

Auditing assignments pertain to the auditing of the annual report and accounts, including the Board's and the President & CEO's administration, other assignments that the company's auditors are required to perform and advice or other support brought about by observations from auditing or conducting similar tasks. Everything else pertains to other assignments.

Note 5 Other operating incomes

Reversal of previously appropriated profit for sale and leaseback transaction, which has now been concluded.

Note 6 Employee and personnel costs

Costs for remuneration to employees

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Salaries and remuneration, etc.	**47,228**	76,442	**9,690**	10,351
Share-related remuneration [1] (see below)	**5,565**	1,550	**5,565**	1,550
Pension costs, defined-benefit plans (see below)	**–**	–	**–**	–
Pension costs, defined-contribution plans [2] [3]	**13,567**	15,274	**3,163**	3,220
Social security costs	**15,783**	25,361	**3,191**	3,404
Non-monetary remuneration	**1,945**	1,913		
	84,088	120,540	**21,609**	18,525

[1] Of which, social security costs totaled TSEK 3,131 (0)

[2] Of the Parent Company's pension costs, TSEK 1,085 (1,078) pertains to the Board of Directors and President & CEO

[3] The Group's pension costs include SEK 5.4 million (6.4) pertaining to the ITP plan financed in Alecta. See the section "Remuneration to employees after the termination of employment" for further information.

Average number of employees	2005		2004	
	No. of employees	Of which, women	No. of employees	Of which, women
Parent Company				
Sweden	**6**	**1 (17 %)**	6	1 (17 %)
Total, Parent Company	**6**	**1 (17 %)**	6	1 (17 %)
Subsidiaries				
Sweden	**86**	**49 (57 %)**	145	90 (62 %)
Group total	**92**	**50 (54 %)**	151	91 (60 %)

Gender distribution in management	2005	2004
	Of which, women %	
Parent Company		
Board of Directors	**25 %**	25 %
Other senior management	**0 %**	0 %
Group total		
Board of Directors	**25 %**	25 %
Other senior management	**0 %**	0 %

Salaries and other remuneration split by country and between Board members, etc. and other employees	2005		2004	
SEK thousands	Board and President	Other employees	Board and President	Other employees
Parent Company				
Sweden	**4,319**	**5,371**	4,302	6,049
(of which, bonus and similar)	**–**	**–**	–	–
Parent Company, total	**4,319**	**5,371**	4,302	6,049
Subsidiary				
Sweden	**–**	**37,538**	–	66,091
(of which, bonus and similar)	**–**	**–**	–	–
Group total	**4,319**	**42,909**	4,302	72,140
(of which, bonus and similar)	**–**	**–**	–	–

Severance pay and salaries to senior management

No agreement exists pertaining to severance pay or loans to Board members.

The company and the President have a mutual termination period of 12 months. No severance pay will be issued and no loans exist. The company and other senior management have a mutual termination period of six months. No severance pay will be issued and no loans exist.

Personnel, absence due to sickness	2005 Jan 1-Dec 31	2004 Jan 1-Dec 31
Group total	Sick leave in percent	
All employees	**1.1 %**	2.2 %
Men	**0.6 %**	1.0 %
Women	**1.4 %**	3.0 %
Employees under 30 years of age	**0.5 %**	1.2 %
Employees 30-49 years of age	**1.2 %**	1.6 %
Employees over 49 years of age	**0.8 %**	3.7 %
Absence of at least 60 days		
As % of total absence due to illness	**19.0 %**	58.6 %

Remuneration to employees after the termination of employment

Defined-benefit plans

Retirement pension and family pension obligations for white-collar workers in Sweden are secured through insurance with Alecta, which is a multi-employer, defined-benefit plan. For the 2005 financial year, the company did not have access to information that would make it possible to report this plan as a defined-benefit plan. Pension plans conforming to ITP and secured through an Alecta insurance policy are therefore reported as a defined-contribution plan. The year's fees for pension insurance subscribed to in Alecta totaled SEK 5.4 million (6.4). Alecta's surplus can be allocated to the policyholders and/or the insured. At year-end 2005, Alecta's surplus at the collective consolidation level amounted to 128.5 percent (128.0 percent). The collective consolidation level comprises the market value of Alecta's assets as a percent of insurance obligations based on Alecta's actuarial calculations, which do not conform to IAS 19.

Defined-contribution plans

In Sweden, the Group has defined-contribution plans for the employees that are fully paid by the companies. Payment to these plans is conducted on an ongoing basis and in accordance with the regulations for each plan.

Share-related remuneration
The Extraordinary General Meeting of December 8, 2003 resolved to introduce an employee stock options program, according to which, employees of the Active Biotech Group will be offered the opportunity to jointly acquire at most 1,000,000 shares in the company. It was also decided in connection with the commitments entailed by the employee stock options program to issue a total of at most 1,330,000 options for subscription for new shares to a wholly-owned subsidiary on the same conditions as those applicable to the employee stock options program. The full exercise of the employee stock options will entail a dilution of approximately 3.3 percent of the share capital.

The principal conditions for the employee stock options are as follows:
Series 1 employee stock options were issued in December 2003 and grant employees the opportunity to acquire at most 330,000 shares during the period June 1, 2006 to May 31, 2009. Series 2 employee stock options were issued in June 2005 and grant the employees the opportunity to acquire at most 330,000 shares during the period June 1, 2007 to May 31, 2010. Series 3 employee stock options will be issued in June 2006 and will grant the employees the opportunity to acquire at most 340,000 shares during the period June 1, 2008 to May 31, 2011.

The exercise price for the Series 1 employee stock options has been set at SEK 90.70. However, as a consequence of the implementation of the convertible issue in 2004 and the new share issue implemented in 2005, the exercise price has been recalculated at SEK 86.90 in accordance with the conditions of the options. The exercise price for Series 2 was originally set at SEK 46.90, but as a consequence of the implementation of the new share issue in 2005, the exercise price has been recalculated at SEK 45.00. The exercise price for Series 3 employee stock options will be set at 120 percent of the average share price during the final five trading days of May 2006.

The employee stock options will be allotted free of charge. The options shall not be considered securities and it will not be possible to transfer them to a third party. The exercise of the options primarily requires that the holder is employed by the Active Biotech Group at the time of exercise. The Board may, pending a special decision, permit holders to exercise their options even after their employment has terminated. Holders' estates have the right to exercise the options on the condition that the holder remained in the employ of Active Biotech at the time of his/her death or was granted right of exercise through a special decision by the Board.

Issue of debentures linked to options to subscribe for new shares and disposition of options
Connected to the commitments entailed by the employee stock options program described above, debentures have been issued linked to options to subscribe for new shares on the following principal conditions:

Debentures of a nominal amount not exceeding SEK 1,330 associated with at most 438,900 Series 1 options, 438,900 Series 2 options and 452,200 Series 3 options for subscription for new shares shall be issued to a wholly-owned subsidiary of Active Biotech AB (publ), waiving the rights of existing shareholders. Debentures are to be issued at a price corresponding to their nominal value and shall apply without interest and mature for payment on March 31, 2004.

Each Series 1 option entitles the holder to subscribe for one share during the period June 1, 2006 to May 31, 2009 at a recalculated exercise price of SEK 86.90.

Each Series 2 option entitles the holder to subscribe for one share during the period June 1, 2007 to May 31, 2010 at a recalculated exercise price of SEK 45.00.

Each Series 3 option shall entitle the holder to subscribe for one share during the period June 1, 2008 to May 31, 2011 at a subscription price corresponding to 120 percent of the average stock-market price for shares in Active Biotech AB (publ) during the final five trading days of May 2006.

In the event that the Articles of Association permit the issue of different classes of shares at the time at which the subscription price and the exercise of the options are determined, the subscription price and the shares purchased using the options shall be Class B shares.

Having subscribed for debentures with options, the subsidiary shall detach the options and hold them in order to meet their commitments in accordance with the employee stock options program described above. The subsidiary shall have the right to divest at most 330,000 options with the purpose of financing possible social security charges, etc., in connection with the implementation of the employee stock options program.

Terms and conditions for allocation are presented below.

Date of allocation/personnel category	Number of options	Conditions of entitlement	Duration
Allocation, Dec. 2003/President	11,200	Remains in service	3 years
Allocation, Dec. 2003/Senior management	22,500	Remains in service	3 years
Allocation, Dec. 2003/Other employees	296,125	Remains in service	3 years
Outstanding at Dec. 31, 2003	329,825		
Forfeited 2004/other employees	-10,375		
Outstanding at Dec. 31, 2004	319,450		
Allocation, June 2005/President	11,200	Remains in service	3 years
Allocation, June 2005/Senior management	60,500	Remains in service	3 years
Allocation, June 2005/Other employees	167,375	Remains in service	3 years
Forfeited 2005/Other employees	-8,500		
Outstanding at Dec. 31, 2005	550,025		

Valuation of options
At the request of the Board, Handelsbanken Capital Markets has valued the options. The fair value of cash-settled options at the time of allotment was calculated using the Black & Scholes model. In the model, the following input was used

	Series 1	Series 2
Share price (SEK)	60.45	39.05
Exercise price (SEK)	90.70	46.90
Anticipated volatility (%)	45	42
Duration (years)	5.42	5.00
Risk-free interest (%)	4.34	2.76

The calculation results in a fair value amounting to SEK 21.10 for series 1 options and SEK 13.50 for Series 2 options.

Dilution effect and costs for the program
Full exercise of the proposed options would increase the share capital by at most SEK 13,300,000, with reservation for the increase that could be caused by the recalculation of the number of shares to which each option provides purchase rights, which may occur as a consequence of share issues, etc. The dilution effect on full exercise of the options corresponds to about 3.3 percent. The proposed options cause costs, partly in the form of social security costs (URA 46), of which SEK 3,131,000 (0) was charged against consolidated earnings in 2005, and partly accounting costs in accordance with IFRS 2, of which SEK 2,434,000 (1,550,550) was charged against consolidated earnings in 2005.

The reasons for the proposal
The reasons for the options program, which involves the waiving of the rights of existing shareholders are as follows: A share-related incentives program contributes to employees' continued focus on the growth of value in the company's projects and creates the conditions whereby all employees are able to share in the future growth in the value of the company, generated through the employees' efforts.

Senior management remuneration

Principles

The Board receives remuneration as decided by the Annual General Meeting. Remuneration to the President and other senior management comprises base salary, other benefits and pensions in accordance with the table below. The Board decides on remuneration to the President. The Board and the President decide jointly on remuneration to other senior management.

Remuneration and other benefits during the year

SEK thousands	Base salary/ Board fee	Variable remuneration	Other benefits	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board [1]	250	–	–	–	–	–	250
Other Board members (4 individuals)[1]	500	–	–	–	–	–	500
President	3,548	–	6	1,085	151	–	4,790
Other senior management (3 individuals)	4,346	–	243	1,875	817	–	7,281

[1] Apart from Board fees, no additional remuneration was paid to Board members.

Employee stock options

SEK thousands	Employee stock options Series 1				Employee stock options Series 2			
	Amount	Value	Acquisition price	Remuneration	Amount	Value	Acquisition price	Remuneration
President	11,200	236	–	236	11,200	151	–	151
Other senior management (3 individuals)	22,500	475	–	475	60,500	817	–	817
Total	33,700	711	–	711	71,700	968	–	968

Note 7 Net financial items

	Group	
SEK thousands	**2005**	2004
Interest income	**3,760**	3,583
Dividends	**–**	14,672
Capital gains relating to sale of securities	**–**	12,187
Exchange-rate fluctuations	**1,279**	20
Financial revenue	**5,039**	30,462
Interest expenses	**-10,234**	-13,249
Interest expenses for convertible debentures	**-9,836**	–
Exchange-rate fluctuations	**-20**	-1,034
Financial expenses	**-20,090**	-14,283
Participations in the earnings of associated companies	**-1,051**	-2,148
Net financial items	**-16,102**	14,031

Nominal interest for convertible debenture amounted to TSEK 2,815 (0).

Parent company	Earnings from participations in Group companies		Earnings from participations in associated companies	
SEK thousands	**2005**	2004	**2005**	2004
Dividends	**10,135**	72,410	**–**	–
Impairment losses	**–**	–	**-882**	-2,208
	10,135	72,410	**-882**	-2,208

Parent Company	Interest income and similar items	
SEK thousands	**2005**	2004
Interest income from Group companies	**–**	–
Dividends from short-term investments	**–**	14,672
Interest income, other	**3,532**	3,356
Capital gain relating to sale of securities	**–**	12,187
Translation differences	**650**	–
	4,182	30,215

Parent Company	Interest expenses and similar items	
SEK thousands	**2005**	2004
Interest expenses from Group companies	**–**	–
Interest expenses, other	**-2**	-190
Interest expenses relating to convertible debenture	**-9,836**	–
Translation differences	**–**	-219
	-9,838	-409

Translation differences affecting earnings	Group		Parent company	
SEK thousands	**2005**	2004	**2005**	2004
Translation differences affecting earnings	**-194**	61	**-52**	34
Financial translation differences	**1,259**	-1,014	**650**	-219
	1,065	-953	**598**	-185

Note 8 Taxes

Reported in the income statement	Group		Parent company	
SEK thousands	**2005**	2004	**2005**	2004
Current tax expenses(-)/tax income(+)				
Tax expenses/tax income for the period	**–**	–	**–**	–
Tax adjustments brought forward from earlier years	**–**	–	–	–
	0	0	**0**	0
Deferred tax expenses(-)/ tax income(+)				
Deferred tax income capitalized during the year				
Tax value in loss carry-forward	**13,928**	–	–	–
Total reported tax expense/income	**13,928**	0	**0**	0

	Group		Parent company	
SEK thousands	**2005**	2004	**2005**	2004
Reconciliation of effective tax				
Profit/loss before tax	**-149,343**	-171,852	**-20,782**	140,441
Tax on the Parent Company according to current rates	**41,816**	48,118	**5,819**	-39,323
Effect of other tax rates for foreign subsidiaries	**2**	8	**–**	–
Non-deductible expenses	**-3,697**	-1,568	**-3,658**	-1,306
Non-taxable revenues	**5**	98	**2,648**	20,372
Increase in loss carry-forward without equivalent capitalization of deferred taxes	**-24,198**	-46,656	**-4,809**	–
Utilization of loss carry-forward previously not capitalized	**–**	–	**–**	20,257
Reported effective tax	**13,928**	0	**0**	0

Tax items reported directly against shareholders equity	Group		Parent company	
SEK thousands	**2005**	2004	**2005**	2004
Deferred tax attributable to revaluation of tangible fixed assets	**-13,928**	–	**–**	–

Reported in the balance sheet Deferred tax receivables and liabilities	Deferred tax receivable Group		Deferred tax liability Group		Net Group	
SEK thousands	**2005**	2004	**2005**	2004	**2005**	2004
Tangible fixed assets	**–**	–	**-13,928**	–	**-13,928**	–
Loss carry-forward	**13,928**	–	**–**	–	**13,928**	–
Tax receivables/liabilities	**13,928**	0	**-13,928**	0	**0**	0
Offsetting	**-13,928**	–	**13,928**	–	**0**	–
Tax receivables/liabilities, net	**0**	0	**0**	0	**0**	0

Due to the Group's activities with considerable research and development costs, the company is not liable for tax. At the end of 2005, the Group's accumulated loss carryforwards amounted to SEK 1,360 million and are attributable to the Group's Swedish companies. Since the time at which the Parent Company and the Swedish subsidiaries may be expected to generate revenues cannot yet be specified, only the portion of the taxable effects of the loss carry-forward corresponding to the deferred tax liability was reported.

Note 9 Tangible fixed assets

Group

SEK thousands	**Buildings and land** Under financial leasing agreements. Reported using acquisition method	**Buildings and land** Reported using revaluation method	**Equipment, tools fixtures and fittings** Reported using the acquisition method	**Total**
Acquisition values				
Opening balance, January 1, 2004	322,378	564	155,091	478,033
Other acquisitions	–	–	1,846	1,846
Divestments	–	–	-365	-365
Closing balance, December 31, 2004	322,378	564	156,572	479,514
Opening balance, January 1, 2005	322,378	564	156,572	479,514
Acquired by the company	–	295,047	–	295,047
Other acquisitions	–	5,209	667	5,876
Revaluation effect against revaluation reserve	–	49,744	–	49,744
Divestments	-322,378	–	-3,760	-326,138
Closing balance, December 31, 2005	–	350,564	153,479	504,043
Depreciation and impairment losses				
Opening balance, January 1, 2004	-38,685	-73	-105,279	-144,037
Depreciation for the year	-9,671	-28	-13,061	-22,760
Divestments	–	–	365	365
Closing balance, December 31, 2004	-48,356	-101	-117,975	-166,432
Opening balance, January 1, 2005	-48,356	-101	-117,975	-166,432
Depreciation for the year	-7,254	-1,879	-10,949	-20,082
Divestments	55,610	–	3,760	59,370
Closing balance, December 31, 2005	0	-1,980	-125,164	-127,144
Reported amounts				
January 1, 2004	283,693	491	49,812	333,996
December 31, 2004	274,022	463	38,597	313,082
January 1, 2005	274,022	463	38,597	313,082
December 31, 2005	–	348,584	28,315	376,899

Tax assessment value		
Group	Dec 31, 2005	Dec 31, 2004
Tax assessment value, buildings (Forskaren 1, Municipality of Lund)	32,400	32,400
Tax assessment value, land (Forskaren 1, Municipality of Lund)	6,500	6,500

Buildings and land reported using the revaluation method	Before revaluation December 31, 2005	After revaluation December 31, 2005
Acquisition value	300,820	350,564
Accumulated depreciation	-1,699	-1,980
Reported amount	299,121	348,584

Revaluation method

The Group applies the revaluation method with regard to the Group's property in which it conducts operations. The property was previously utilized through a financial leasing agreement, but was acquired on September 30, 2005. At the time of the acquisition, the property was revalued using the revaluation method based on an appraisal conducted by PricewaterhouseCoopers. The value assessment assumes that Active Biotech utilizes approximately 80 percent of the premises for its own operations. The value of the laboratory equipment and other special premises was not considered in the valuation. The value assessment was conducted using a market simulation via yield-based market value assessment and via the local market price method.

Conditions and assumptions during valuation
- Inflation assumption 1.0% in 2005 and 2.0% for the remainder of the calculation period
- Rental increases for rented premises in accordance with agreed rental terms
- Rental increases for internal premises, 100% of CPI
- Annual increase of operation/maintenance, 100% of CPI
- Nominal cost of capital, total capital 10.1%
- Direct yield last year's net operating income, 8.0%

The property's market value, based on the above assumptions, was assessed to be SEK 350 million

Financial leasing in the Group
Since 2002, the company leases machines and other technical facilities under various leasing agreements in which the main terms of the agreement are as follows: rental period 36-60 months, final residual value 3 percent of the acquisition cost and an interest rate linked to a floating market rate. The Group has also signed agreements on the financial leasing of cars. Property leased through the above-mentioned agreements is entered in the consolidated balance sheet under equipment, tools, fixtures and fittings. At December 31, 2005, the book value of property covered by financial leasing agreements amounted to TSEK 3,848. See also Note 17, Long-term interest-bearing liabilities.

Operational leasing in the Group
The Group has operational leasing agreements for telephone switchboards and photocopying machines. Payments pertaining to these operating agreements are due as follows: Within one year TSEK 800, between one and five years TSEK 1,200 and after 5 years SEK 0.

Parent Company

SEK thousands	Equipment, tools, fixtures and fittings	Total
Acquisition value		
Opening balance, January 1, 2004	1,012	1,012
Other acquisitions	22	22
Divestments	–	–
Closing balance, December 31, 2004	1,034	1,034
Opening balance, January 1, 2005	1,034	1,034
Other acquisitions	–	–
Divestments	–	–
Closing balance, December 31, 2005	1,034	1,034
Depreciation and impairments losses		
Opening balance, January 1, 2004	-532	-532
Depreciation for the year	-16	-16
Divestments	–	–
Closing balance, December 31, 2004	-548	-548
Opening balance, January 1, 2005	-548	-548
Depreciation for the year	-120	-120
Divestments	–	–
Closing balance, December 31, 2005	-668	-668
Reported amounts		
January 1, 2004	480	480
December 31, 2004	486	486
January 1, 2005	486	486
December 31, 2005	366	366

Note 10 Participations in associated companies

	Group		Parent company	
SEK thousands	**2005**	2004	**2005**	2004
Accumulated acquisition value				
Reported value at the beginning of the year	**2,262**	2,767	**11,380**	9,677
New share issue	**–**	1,703	**–**	1,703
Share of earnings in associated companies for the year	**-1,052**	-2,148	**–**	–
Translation difference for the year	**170**	-60	**–**	–
	1,380	2,262	**11,380**	11,380
Accumulated impairment losses				
At the beginning of the year	**–**	–	**-9,118**	-6,910
Impairment losses for the year	**–**	–	**-882**	-2,208
	–	–	**-10,000**	-9,118
Reported value at the year-end	**1,380**	2,262	**1,380**	2,262

In the Parent Company, participations were impaired to correspond with the share of the associated company's shareholders' equity.

Specification of Parent Company's participation in associated companies

SEK thousands	Corp. Reg. No.	Registered office	Number of shares	Proportion	Nominal value	Book value
Isogenica Ltd., December 31, 2005	3571781	Cambridge	1,749,690	24.3%	723,137 GBP	1,380
Isogenica Ltd., December 31, 2004	3571781	Cambridge	1,749,690	24.3%	723,137 GBP	2,262

Below is a specification of the consolidated worth with regard to the owned share of revenues, earnings, assets, liabilities and shareholders' equity.

2005

SEK thousands	Land	Revenues	Earnings	Assets	Liabilities	Shareholders' equity	Owned share in %
Isogenica Ltd	England	824	-3,631	9,788	4,110	5,678	24.3

2004

SEK thousands	Land	Revenues	Earnings	Assets	Liabilities	Shareholders' equity	Owned share in %
Isogenica Ltd	England	191	-9,086	9,387	78	9,309	24.3

Note 11 Long-term receivables

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Receivables from associated company	**1,373**	–	**1,373**	–
Akademiska Föreningens Fastighetsbolag	**–**	1,000	**–**	–
Other long-term receivables	**145**	184	**145**	185
	1,518	**1,184**	**1,518**	**185**

Note 12 Other long-term securities

	Group and Parent Company	
SEK thousands	2005	2004
Accumulated acquisition value		
At the beginning of the year	**40,000**	40,000
Reclassification to holdings in subsidiaries	**-40,000**	–
	–	40,000

Note 13 Pre-paid expenses and accrued revenues

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Interest	**29**	1,005	**29**	1,005
Pre-paid rent	**47**	4,500	**–**	15
Pre-paid insurance	**754**	542	**318**	362
Other pre-paid expenses	**2,561**	2,503	**1,278**	176
	3,391	8,550	**1,625**	1,558

Note 14 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term investments amounting to TSEK 0 (4,174), which can be considered cash and cash equivalents.

Note 15 Shareholders' equity

Group

Specification of shareholders' equity item Reserves

Translation reserve

SEK thousands	2005	2004
Opening translation reserve	**1,178**	1,096
Translation reserve for the year	**-464**	82
Closing translation reserve	**714**	1,178

Revaluation reserve

SEK thousands	2005	2004
Opening revaluation reserve	**–**	–
Revaluation differences for the year	**35,816**	–
Closing revaluation reserve	**35,816**	–

Total reserves

SEK thousands	2005	2004
Opening reserves	**1,178**	1,096
Change in reserves for the year:		
Translation reserve	**-464**	82
Revaluation reserve	**35,816**	–
Closing reserves	**36,530**	1,178

Share capital	Ordinary shares	
Thousands of shares	**2005**	2004
Issued at January 1	**33,739**	33,739
Cash issue	**5,623**	–
Conversion	**230**	–
Issued at December 31 – paid	**39,592**	33,739

At December 31, 2005, the registered share capital comprised 39,592,224 ordinary shares with a quoted value of SEK 10.00. The new share issue implemented during the year yielded TSEK 164,231 less deductions for transaction expenses of TSEK 4,472. Holders of ordinary shares are entitled to dividends determined later and the shareholding entitles the holder to voting rights at the Annual General Meeting of one vote per share.

At the Extraordinary General Meeting on November 8, 2004, it was decided to issue 3,748,764 convertible debentures, each with a nominal value of SEK 40. Holders of convertible debentures are entitled through June 15, 2009 to convert their convertible debentures into shares. The original conversion rate was SEK 40, but it has been recalculated following the new share issue in 2005 to SEK 38.39. In 2005, conversion to shares has given rise to 229,922 new shares. Upon full conversion and considering the recalculated conversion rate, the number of shares in Active Biotech will increase by a maximum of 3,675,975 new shares.

At the Extraordinary General Meeting on December 8, 2003 it was resolved to introduce an employee stock options program, according to which, all employees of the Active Biotech Group will be offered the opportunity to acquire a maximum of 1,000,000 shares in the company. It was also decided in connection with the commitments entailed by the employee stock options program to issue a total of a maximum of 1,330,000 options for subscription for new shares to a wholly-owned subsidiary on the same conditions as those applicable to the employee stock options.

Other capital contributions

Refers to shareholders' capital contributed by the owners in addition to share capital. This includes, among other items, share premium reserves transferred to the statutory reserve at December 31, 2005. Effective January 1, 2006 and onward, provisions to the statutory reserve will also be reported as contributed capital.

Reserves

Translation reserve

The translation reserve includes all exchange-rate differences that arise when translating financial statements from foreign operations that have prepared their financial statements in a currency other than that used in the consolidated financial statements. The Parent Company and Group present their financial statements in Swedish kronor.

Revaluation reserve

The revaluation reserve includes value changes attributable to tangible and intangible fixed assets.

Profit/loss brought forward including profit/loss for the year
Profit/loss brought forward including profit/loss for the year included accumulated earnings in the Parent Company and its subsidiaries and associated companies. Earlier provisions to statutory reserves, excluding transferred share premium reserves, are included in this equity item.

Dividend
The Board of Directors proposes that no dividend be paid for the 2005 fiscal year.

Note 16 Earnings per share

Total earnings per share for remaining and discontinued operations

	Before dilution		After dilution	
SEK	**2005**	2004	**2005**	2004
Earnings per share	**-3.70**	-4.96	**-3.70**	-4.96

Calculation of the numerator and the denominator used in the above calculation of earnings per share is specified below.

Earnings per share before dilution
The calculation of earnings per share in 2005 is based on loss for the year attributable to the Parent Company's shareholders amounting to TSEK 135,415 (loss: 171,852) and on a weighted average number of outstanding shares during 2005 totaling 36,609,639 (34,665,008). The two components were calculated in the following way:

Loss attributable to the Parent Company's shareholders, before dilution

SEK thousands	**2005**	2004
Loss for the year attributable to the Parent Company's shareholders	**-135,415**	-171,852

Weighted average number of outstanding ordinary shares, before dilution

Thousands of shares	**2005**	2004
Total number of ordinary shares at January 1	**33,739**	33,739
Effect of new share issue in July 2005	**2,837**	926
Effect of conversion in 2005	**34**	–
Weighted average number of ordinary shares during the year, before dilution	**36,610**	34,665

Earnings per share after dilution
The calculation of earnings per share in 2005 is based on loss for the year attributable to the Parent Company's shareholders amounting to TSEK 125,579 (loss: 171,852) and on a weighted average number of outstanding shares during 2005 totaling 40,285,614 (34,665,008). The two components were calculated in the following way:

Loss attributable to the Parent Company's shareholders, after dilution

SEK thousands	**2005**	2004
Loss attributable to the Parent Company's shareholders	**-135,415**	-171,852
Effect of interest on convertible debentures (after tax)	**9,836**	–
Effect of share warrants	**–**	–
Loss attributable to the Parent Company's shareholders, after dilution	**-125,579**	-171,852

Weighted average number of outstanding ordinary shares, after dilution

Thousands of shares	**2005**	2004
Weighted average number of ordinary shares during the year, before dilution	**36,610**	34,665
Effect of convertible debentures	**3,676**	–
Effect of share warrants	**–**	–
Weighted average number of ordinary shares during the year, after dilution	**40,286**	34,665

Instruments that can potentially cause a dilution effect and changes after the balance-sheet date
The company's employee stock option program of Series 1 shares resulted in no dilution effect, since the exercise rate exceeded the average rate of ordinary shares.
The exercise rate of the employee stock option program of Series 2 shares, with adjustments for the implementation of new share issues, was less than the average rate of ordinary shares. However, in consideration of remaining unallocated expenses over the earning period, there was no dilution effect.

Note 17 Interest-bearing liabilities

	Group	
SEK thousands	**2005**	2004
Long-term liabilities		
Bank loan	**256,100**	–
Convertible debentures	**94,933**	93,987
Financial leasing liabilities	**3,705**	298,608
	354,738	392,595
Short-term liabilities		
Short-term portion of bank loan	**3,900**	–
Short-term portion of financial leasing liabilities	**1,861**	8,466
	5,761	8,466

Convertible debentures

	Group and Parent Company	
SEK thousands	**2005**	2004
Received after issue of 3,748,764 convertible debentures in 2004	**149,951**	149,951
Transaction expenses	**-9,096**	-9,096
Net proceeds	**140,855**	140,855
Amount classified as shareholders' equity	**-46,868**	-46,868
Conversions	**-6,075**	–
Capitalized interest	**7,021**	–
Reported liability, December 31	**94,933**	93,987

At the Extraordinary General Meeting on November 8, 2004, it was decided to issue 3,748,764 convertible debentures, each with a nominal value of SEK 40. Holders of convertible debentures are entitled through June 15, 2009 to convert their convertible debentures into shares. The conversion rate was recalculated to SEK 38.39 following the implementation of the new share issue in 2005. In 2005, debentures were converted to 229,922 shares. Upon full conversion, the number of shares in Active Biotech will increase by a maximum of 3,675,975 shares. The convertible debenture, which at December 31, 2005 amounted to TSEK 141,121, bears a nominal fixed interest of 2 percent. The reported liability is based on a discounting interest of 12 percent.

On condition that no conversion takes place, the debenture loan will mature as follows:

SEK thousands	Amortization	Interest	Total payment
Within one year	–	2,815	2,815
Between one and five years	141,121	7,038	148,159
Later than five years	–	–	–
	141,121	**9,853**	**150,974**

Financial leasing

The portion of long-term interest-bearing liabilities that pertains to financial leasing in the Group comprises future leasing fees attributable to agreements under financial leasing. The obligations pertaining to financial leasing mature as follows:

SEK thousands	Amortization	Interest	Total payment
Within one year	1,861	380	2,241
Between one and five years	3,705	489	4,194
Later than five years	–	–	–
	5,566	**869**	**6,435**

Amortization that matures within one year is reported as a short-term liability. Interest on financial leasing agreements is linked to the floating market interest rates.

Note 18 Other short-term liabilities

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Personnel tax at source	**1,479**	3,136	**283**	256
Other short-term liabilities	**714**	667	**667**	667
	2,193	3,803	**950**	923

Note 19 Accrued expenses and pre-paid revenues

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Accrued vacation liability including social security costs	**7,007**	8,964	**2,432**	2,291
Accrued employer's contributions	**1,285**	2,403	**265**	272
Accrued employer's contributions for employee stock options program	**3,131**	–	**3,131**	–
Reserved expenses for laid off personnel	**–**	5,671	**–**	–
Other accrued personnel costs	**2,468**	2,754	**548**	563
Pre-paid revenue for sale and leaseback agreement pertaining to the Forskaren 1 property	**–**	31,600	**–**	–
Accrued interest	**708**	–	**–**	–
Other items	**6,371**	7,867	**4,333**	1,975
	20,970	59,259	**10,709**	5,101

Note 20 Financial risks and financial policies

Through its operations, the Group is exposed to various forms of financial risk. Financial risk denotes fluctuations in the company's earnings and cash flow resulting from changes in market prices of financial assets, exchange rates, interest levels, refinancing and credit risks.

The Group's financial policy for the management of financial risk has been formulated by the Board and acts as a framework of guidelines and regulations in the form of risk mandates and limits for financial operations. Responsibility for the Group's financial transactions is managed centrally by the Parent Company's finance department. The general objective for the finance function is to provide cost-efficient financing and to minimize negative effects on the Group's earnings from market fluctuations.

The Board of Active Biotech has established a policy for the investment of the Group's cash and cash equivalents, which allows cash and cash equivalents to be invested at low risk in Swedish and foreign shares, interest-bearing securities denominated in Swedish kronor and interest and equity funds. The proportion of shares, including equity funds, may not exceed 40 percent of the total portfolio and the proportion of equity hedge funds may not exceed 50 percent of the total share portfolio. Interest-bearing investments are limited to securities issued by the Swedish government, Swedish mortgage institutions and Swedish banks.

Market risks

Market risks pertain to the risk that the value of a financial instrument may fluctuate because of changes in market prices. As of December 31, the Group had no investments in share-related instruments.

Refinancing risks

Refinancing risks refer to risk that Active Biotech may not be able to meet its obligations because loans are recalled and difficulties arise in securing new loans. Active Biotech has loans that mature at different dates. The liabilities comprise a long-term property loan, a convertible debenture that matures in 2009 and a smaller number of leasing liabilities. The company has no short-term loan financing in the form of overdraft facilities. Active Biotech secures short-term access to funds by having good access to cash and cash equivalents.

Interest-rate risks

Interest terms on the Group's financial assets and liabilities are short, since Active Biotech's view is that short interest terms are consistent with the company's operative position with regard to risk. The Group's financing expenses are affected by fluctuations in market interest rates. The Board can choose to extend the period of fixed interest with the aim of limiting the effect of any rise in interest rates.

The Group's financing sources mainly comprise shareholders' equity, convertible debentures, bank loans for financing of property holdings and financial leasing commitments. Outstanding interest-bearing liabilities are reported in note 17 and the average interest expense and maturity structure can be seen below.

Financing's maturity structure

	Total	-1 year	2-5 years	5 years and longer
Convertible debentures, fixed interest, nominal 2%, effective 12%	141,121	–	141,121	–
Bank loan, floating interest rate, at December 31, 2005, 2.07%	260,000	3,900	13,000	243,100
Leasing liabilities, floating interest rate, at December 31, 2005, 3-5%	5,566	1,861	3,705	–

The Group's cash and cash equivalents, which totaled TSEK 178,426 at December 31, 2005, were invested with a floating interest rate of 1.3 percent.

Currency risks

Currency risk comprises the risk that changes in exchange rates will have a negative impact on the Group's income statement, balance sheet and/or cash flow. Exchange-rate risks exist in the form of transaction and translation risks.

The Group has a relatively limited currency exposure, since operations are primarily conducted within Sweden. Earnings are exposed to fluctuations in exchange rates in the procurement of clinical trials, research services and clinical materials. Operating costs for the fiscal year amounted to SEK 197.1 million, of which approximately 18 percent consisted of costs in foreign currencies.

The proportion of costs in foreign currencies, primarily USD and EUR, may fluctuate as projects advance to later stages of development, potentially necessitating an increased number of clinical trials abroad.

Credit risks

The Group is exposed to the risk of not receiving payment from customers. The Group's credit risks are marginal, since operations have a low invoicing level, due to the fact that the business activities currently comprise mainly research and development. No credit losses or impairment losses for possible credit losses were charged against earnings for 2005.

Credit risks also arise when investing cash and cash equivalents. Cash and cash equivalents are principally invested through well-established banks.

Derivatives

In 2005, the Group did not use futures, options or other derivatives for hedging of financial risks or for other reasons.

Fair value

The fair value of listed financial assets corresponds to the assets' listed purchase rate on the balance-sheet date. The fair value of unlisted financial assets and liabilities is established by using valuation techniques such as recently conducted transactions, the price of similar instruments and discounted cash flow.

	Group				Parent Company			
	2005		2004		2005		2004	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Long-term receivables	1,518	1,518	1,184	1,184	1,518	1,518	185	185
Accounts receivable	1,537	1,537	1,377	1,377	–	–	1,318	1,318
Other receivables	2,426	2,426	3,926	3,926	290	290	1,478	1,478
Interest receivables	29	29	1,005	1,005	29	29	1,005	1,005
Receivables from subsidiaries	–	–	–	–	177,368	177,368	168,357	168,357
Short-term investments	–	–	4,174	4,179	–	–	4,174	4,179
Cash and cash equivalents	178,426	178,426	210,614	210,614	157,422	157,422	208,724	208,724
	183,936	183,936	222,280	222,285	336,627	336,627	385,241	385,246
Financial liabilities								
Convertible debentures *)	94,933	94,933	93,987	93,987	94,933	94,933	93,987	93,987
Liabilities to credit institutes	256,100	256,100	–	–	–	–	–	–
Other long-term liabilities	3,705	3,705	298,608	298,608	–	–	–	–
Short-term interest-bearing liabilities	5,761	5,761	8,466	8,466	–	–	–	–
Accounts payable	7,337	7,337	15,427	15,427	713	713	4,125	4,125
Liabilities to Group companies	–	–	–	–	201,571	201,571	562,670	562,670
Other liabilities	2,193	2,193	3,803	3,803	950	950	923	923
Accrued liabilities	20,970	20,970	27,659	27,659	7,578	7,578	5,101	5,101
	390,999	390,999	447,950	447,950	305,745	305,745	666,806	666,806

*) Fair value was established using valuation techniques.

Impairment of financial assets

No impairment losses for financial assets were recognized in 2004 or 2005.

Note 21 Pledged assets, contingent liabilities and contingent assets

Pledged assets	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
In the form of assets pledged for own liabilities and provisions				
Property mortgage	**260,000**	–	**–**	–
Assets with ownership reservation	**5,566**	280,514	**–**	–
Total pledged assets	**265,566**	280,514	**–**	–

Contingent liabilities	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Guarantees for the benefit of Group companies	**–**	–	**8,579**	7,854
Guarantee commitments	**–**	40,000	**–**	40,000
Total contingent liabilities	**–**	40,000	**8,579**	47,854

Note 22 Group companies

Holdings in subsidiaries

December 31, 2005 (SEK thousands)	Corp. Reg. No.	Registered office	No. of shares/percentage	Nominal value	Book value
Active Biotech Research AB	556541-8323	Lund	1,000/100 %	100	161,900
Active Forskaren 1 KB	969646-4677	Lund			40,000
Actinova Ltd		Cambridge	4,500,000/100 %	450,000 GBP	–
Actinova AB	556532-8860	Lund	1,000/100 %	100	100
Movera Holding AB	556157-8385	Lund	500/100 %	100	26,950
Transport AB Movera	556256-9441	Lund	45,667,000/100 %	45,667	
Active Security Trading AB	556092-7096	Lund	400/100 %	400	
Active i Malmö AB	556254-0947	Lund	1,000/100 %	100	
					228,950

Change in book value of shares in subsidiaries

SEK thousands	**2005**	2004
Opening acquisition value	**539,631**	377,831
Acquisitions	100	–
Reclassifications	**40,000**	–
Liquidation	**-350,781**	–
Shareholders' contribution	**–**	161,800
Closing accumulated acquisition value	**228,950**	539,631
Opening impairment	**–**	–
Impairment for the year	**–**	–
Closing accumulated impairment	**–**	–
Closing book value	**228,950**	539,631

Note 23 Supplementary data to the cash-flow statement

	Group		Parent Company	
SEK thousands	**2005**	2004	**2005**	2004
Interest paid and dividends received				
Dividends received	**–**	14,672	**–**	14,672
Interest received	**3,760**	4,002	**3,532**	3,774
Interest paid	**-12,342**	-13,249	**-2,817**	-190
Total	**-8,582**	5,425	**715**	18,256
Adjustments for non-cash items				
Depreciation/amortization and impairment of assets	**20,082**	25,346	**1,002**	4,810
Deduction for participations in earnings of associated companies	**1,051**	2,148	**–**	–
Anticipated dividends from subsidiaries	**–**	–	**-690**	-72,410
Capital loss attributable to fixed assets	**-54,679**	–	**–**	–
Costs for employee stock options program	**2,434**	1,550	**2,434**	1,550
Unrealized exchange-rate differences	**-675**	74	**–**	–
Total	**-31,787**	29,118	**2,746**	66,050
Transactions not involving payment				
Acquisition of assets through financial leasing	**651**	1,777		
Acquisition of subsidiaries				
Acquired assets and liabilities:				
Tangible fixed assets	**295,047**	–		
Financial assets	**-40,000**	–		
Operating receivables	**1,347**	–		
Total assets	**256,394**	–		
Loans	**247,237**	–		
Operating liabilities	**657**	–		
Total minority shareholdings, liabilities and provisions	**247,894**	–		
Purchase price	**8,500**	–		
Paid purchase price	**8,500**	–		
Effect on cash and cash equivalents	**8,500**	–		
Cash and cash equivalents				
Cash and cash equivalents consist of the following components:				
Cash and bank balances	**178,426**	210,614	**157,422**	208,724
Current investments	**–**	4,174	**–**	4,174
Total	**178,426**	214,788	**157,422**	212,898

The above items have been classified as cash and cash equivalents based on the fact that:
– They are subject to insignificant risk of value fluctuations
– They are easily converted to cash
– They have a maturity of a maximum of three months from acquisition date

Note 24 Explanation of transition to IFRS

Group

This consolidated financial report is the first to be prepared by applying IFRS, as described in Note 1.

The accounting principles described in Note 1 were applied when preparing the Group's financial statements for the financial year 2005 and the comparative year 2004, and for the Group's opening balance sheet on January 1, 2004, with the exception of IAS 32 and IAS 39, which are to be applied only in 2005 in accordance with IFRS.

When preparing the Group's opening balance sheet, amounts reported in accordance with previously applied accounting principles have been adjusted to IFRS. Explanations of how the transition from previous accounting principles to IFRS has affected the Group's financial position, financial results and cash flow can be found in the following tables and descriptions. See Note 1 for more information on the application of IAS 32 and IAS 39 from January 1, 2005.

Reconciliation of shareholders' equity		January 1, 2004			December 31, 2004		
SEK thousands	note	Previous principles	Effect of transition to IFRS	According to IFRS	Previous principles	Effect of transition to IFRS	According to IFRS
Assets							
Lands and buildings	a)	–	283,693	283,693	–	274,022	274,022
Land improvements		491	–	491	463	–	463
Equipment, tools, fixtures and fittings		49,812	–	49,812	38,597	–	38,597
Participations in associated companies		2,767	–	2,767	2,262	–	2,262
Other securities held as fixed assets		40,000	–	40,000	40,000	–	40,000
Long-term receivables		2,310	–	2,310	1,184	–	1,184
Total fixed assets		95,380	283,693	379,073	82,506	274,022	356,528
Accounts receivable – trade		2,595	–	2,595	1,377	–	1,377
Income tax recoverable		1,897	–	1,897	1,741	–	1,741
Other receivables		8,063	–	8,063	3,926	–	3,926
Prepaid expenses and accrued income		9,900	–	9,900	8,550	–	8,550
Current investments		182,272	-182,272	–	4,174	-4,174	–
Cash and cash equivalents		45,293	182,272	227,565	210,614	4,174	214,788
Total current assets		250,020	0	250,020	230,382	0	230,382
Total assets		345,400	283,693	629,093	312,888	274,022	586,910
Shareholders' equity							
Share capital		337,389	–	337,389	337,389	–	337,389
Other capital contributions		–	1,218,306	1,218,306	–	1,265,174	1,265,174
Reserves		186,367	-185,271	1,096	48,383	-47,205	1,178
Profit/loss brought forward, including net profit/loss for the year		-234,178	-1,095,123	-1,329,301	-223,472	-1,276,131	-1,499,603
Total shareholders' equity	a), b)	289,578	-62,088	227,490	162,300	-58 162	104,138
Liabilities							
Long-term interest-bearing liabilities	a)	4,930	300,584	305,514	98,472	294,123	392,595
Total long-term liabilities		4,930	300,584	305,514	98,472	294,123	392,595
Current interest-bearing liabilities		1,739	5,697	7,436	2,007	6,459	8,466
Accounts payable – trade		25,029	–	25,029	15,427	–	15,427
Tax liabilities		3,256	–	3,256	3,222	–	3,222
Other liabilities		2,988	–	2,988	3,803	–	3,803
Accrued expenses and deferred income	a)	17,880	39,500	57,380	27,657	31,602	59,259
Total current liabilities		50,892	45,197	96,089	52,116	38,061	90,177
Total liabilities		55,822	345,781	401,603	150,588	332,184	482,772
Total shareholders' equity and liabilities		345,400	283,693	629,093	312,888	274,022	586,910

Notes to reconciliation of shareholders' equity

a) Tangible fixed assets

The company's sale and leaseback agreements for the property in which the operations are conducted is reported in accordance with IAS 17 as a financial lease 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 down to its estimated residual value. The commitment to the lessor to pay future leasing fees is reported as a current and long-term liability, with the property reported as a pledged asset. The future lease payments are reported as interest expenses and amortization. The capital gain reported in 1998 when the sale and leaseback agreement was entered into is allocated over the lease term. As per December 31, 2004, the reporting of the sale and leaseback agreement as a financial lease entails an increase in tangible fixed assets in the amount of TSEK 274,022, a reduction in shareholders' equity of TSEK 58,162 and an increase in current and long-term liabilities of TSEK 294,123 and TSEK 38,061, respectively.

Active Biotech acquired the remaining participations in the company that owns the above-mentioned property, where Active Biotech conductions its operations, on September 30, 2005. The acquisition was reported as an acquisition of fixed assets in accordance with IAS 16. The sale and leaseback agreement was reported on the same date as a divestment at which point a capital gain of approximately SEK 55 million was reported.

b) Employee stock options program

Active Biotech issued an employee stock options program in December 2003 and June 2005 covering all employees, in which employees were given the opportunity to subscribe for newly-issued shares. The employee stock options program is reported in accordance with IFRS 2. Since the program is regulated by delivery in the form of shares, the fair value of the options, calculated when the shares are issued, is reported as a personnel expense distributed over the vesting period with the corresponding increase in shareholders' equity. Provisions for social security contributions are reported on an ongoing basis in accordance with URA 46 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. The employee stock options program has a negative effect on earnings although it does not have any effect on total shareholders' equity.

Reconciliation of income statement for 2004

SEK thousands	According to Swedish GAAP	Effect of transition to IFRS	According to IFRS
Net sales	69,724	–	69,724
Administrative expenses	-30,919	–	-30,919
Research and development expenses[1)]	-239,657	14,969	-224,688
Operating profit/loss	-200,852	14,969	-185,883
Financial income	30,462	–	30,462
Financial expenses[2)]	-1,690	-12,593	-14,283
Participations in the earnings of associated companies	-2,148	–	-2,148
Net financial income/expense	26,624	-12,593	14,031
Profit/loss before taxes	-174,228	2,376	-171,852
Taxes	–	–	–
Net profit/loss for the year[3)]	-174,228	2,376	-171,852
Earnings per share			
Before dilution (SEK)	-5.03	0.07	-4.96
After dilution (SEK)	-5.03	0.07	-4.96

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

1) The reporting of the sale and leaseback agreement as a financial lease entails a positive effect on earnings of TSEK 16,519 and the reporting of employee stock options entails a negative effect on earnings of TSEK 1,550.

2) The reporting of the sale and leaseback agreement as a financial lease entails a negative effect on earnings of TSEK 12,593.

3) In total, the reporting of the sale and leaseback agreement as a financial lease entails a positive effect on earnings of TSEK 3,926 and the reporting of employee stock options entails a negative effect on earnings of TSEK 1,550.

Parent Company

The company's employee stock options program is reported in accordance with IFRS 2 and affected the Parent Company's restated income statement and balance sheet in 2004 as follows: The employee stock options program charged earnings with TSEK 1,550, reported on the "Administrative expenses" line. "Profit/loss brought forward" was increased by the corresponding amount. The new accounting principle did not, therefore, have any effect on total shareholders' equity in 2004.

Note 25 Important estimates and assessments

Carrying amounts are based partly on assessments and estimates. The area in which estimates and assessments could imply adjustments to carrying values in forthcoming financial years is primarily the valuation of the Forskaren 1 property where the company's operations are conducted. On assignment from the company, PricewaterhouseCoopers performed a valuation of the property (see Note 9) prior to the company's acquisition of the property on September 30, 2005. The estimated market value is based on assumptions on future revenues, expenses, vacancy levels and the value trend of similar properties.

Note 26 Events after the balance-sheet date

In February 2006, the company signed a letter of intent with regard to the sale of a divided property in Lund with an estimated revenue amounting to SEK 25 M. At the end of February, the company made an announcement on the progress made with the mapping of the MS drug laquinimod's mode of action and that the patent application relating to specific drug targets was in the final stages of preparation before submission. In March 2006, it was announced that the candidate drug RhuDex® had successfully completed Phase I studies.

Note 27 Transactions with closely related parties

Close relationships

With regard to the Group's and Parent Company's associated companies and subsidiaries, see notes 22 and 10.
The composition of the Board and information relating to Senior Executives is to be found on pages 50 and 51.

Transactions with closely related parties

During the year, no transactions with shareholders or Members of the Board have taken place with the exception of the new share issue, the conversion to shares of convertible debentures and the issue guarantee submitted by Nordstjernan AB in conjunction with the preferential share issue of 5,623,426 shares conducted during the year. Nordstjernan AB holds 10.5 percent of the share capital in Active Biotech.
For information concerning transactions with key individuals in managerial positions, see note 6.
In 2005, the Parent Company's sales of services to the Group companies totaled TSEK 3,500. The Parent Company's purchases of services from subsidiaries amounted to TSEK 215 in 2005. The Parent Company's receivables and liabilities relative to the subsidiaries as per December 31, are presented in the Parent Company's balance sheet. The Group's and Parent Company's receivable relative to associated companies is presented in note 11 and refers to a loan between the Parent Company and associated company. No other transactions with associated companies took place during the year.

Proposed appropriation of earnings

The Board of Directors and the President propose that the balanced loss in the Parent Company of SEK 247,686,499 be dealt with as follows:

Balanced loss	247,686,499
Carried forward	247,686,499

The Annual accounts and the consolidated accounts, as presented above, were approved for issue by the Board on March 20, 2006.
The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet are subject for adoption by the Annual General Meeting on April 26, 2006.

Lund, March 20, 2006
The Board of Directors of Active Biotech AB (publ)

MATS ARNHÖG
Chairman

SVEN ANDRÉASSON
President & CEO

MARIA BORELIUS

KLAS KÄRRE

PETER SJÖSTRAND

PETER STRÖM

HANS WÄNNMAN

INGELA FRITZSON

We submitted our Audit Report on March 21, 2006.

KPMG Bohlins AB

STEFAN HOLMSTRÖM
Authorized Public Accountant

Audit Report

To the general meeting of the shareholders of
Active Biotech AB (publ)
Corporate Registration Number 556223-9227

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President & CEO of Active Biotech AB for 2005. The Board of Directors and the President & CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards, IFRS, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high, but not absolute, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President & CEO and significant estimates made by the Board of Directors and the President & CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts.
As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President & CEO. We also examined whether any Board member or the President & CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the loss of the Parent Company be treated in accordance with the proposal in the administration's report and that the members of the Board of Directors and the President & CEO be discharged from liability for the financial year.

Lund, March 21, 2006
KPMG Bohlins AB

Stefan Holmström
Authorized Public Accountant

The share

Shares in Active Biotech AB are listed on the O-List of the Stockholm Stock Exchange under the designation Acti. Active Biotech was converted into a pure biotechnology company in 1997.

The latest price information is available on Active Biotech's website www.activebiotech.com, and also in the Reuter system under the symbol ACTI.ST and in the Bloomberg system under ACTI SS.

The Active Biotech share is included in the Stockholm Stock Exchange's main OMXS index, the healthcare index OMX Stockholm Health Care, SIX General Index, SIX Biotech, Affärsvärlden's AFV General Index and AFV Biotech. The shares are traded in lots of 200.

Share capital

The share capital amounted to SEK 395,922,240 on December 31, 2005 and the number of ordinary shares is 39,592,224. Each share has a par value of SEK 10 and entitles the holder to one vote and a corresponding participation in the company's assets and earnings.

New share issue

A new share issue of 5,623,426 new shares with preferential rights for the company's shareholders was executed during the period June 17 to July 1, 2005. Each six (6) existing shares entitled the holder to subscribe for one (1) new share. The issue contributed SEK 168.7 million before issue expenses. The share issue was oversubscribed by 43 percent. A total of 98.5 percent of the shares were subscribed on the basis of preferential rights for shareholders.

Convertible debenture loan 2004/2009

During the period November 19 to December 9, 2004, a new issue of convertible debentures was executed, with preferential rights for the company's shareholders. A total of 3,748,764 convertible debentures were issued. The debentures carry 2-percent interest annually from January 1, 2005.

The interest is paid in arrears from December 31, 2005, and subsequently falls due for payment on December 31 each year and when the loan expires on June 30, 2009, provided that conversion has not taken place prior to this date. Holders of convertible debentures are entitled, until June 15, 2009, to call for conversion of the debentures into shares, which is executed monthly. Due to the new share issue implemented in June-July 2005, the conversion rate for the convertible debenture loans has been adjusted downward and amounts to SEK 38.39.

Where conversion has not taken place, the convertible debentures must be repaid at the nominal amount on June 30, 2009. If the average price of the Active Biotech share after January 1, 2007 exceeds the conversion rate by 30 percent – that is, amounts to at least SEK 52 during a consecutive period of 30 trading days – the company has the right to repay the loan prematurely.

Employee stock options

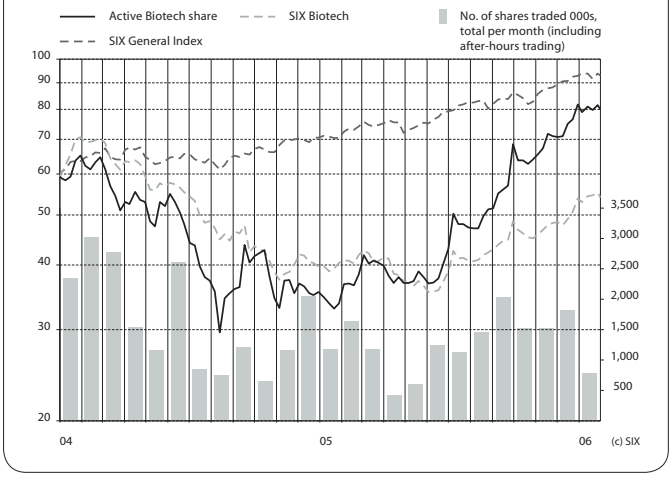
In December 2003, Active Biotech introduced an employee stock options program, which can result in a total of 1 million shares being issued without consideration. The program covers all employees. The options program, together with hedging of future social security expenses, covers a total of 1,330,000 options, entailing a maximum dilution of 3.3 percent for existing shareholders. The options are allotted on three occasions: Series 1 encompassing 330,000 shares was allotted in December 2003, Series 2 encompassing 330,000 shares was allotted in June 2005 and Series 3 with 340,000 shares will be allotted in June 2006. Series 1 options entitle the holder to the new subscription for shares during the period from June 1, 2006 until May 31, 2009 at a recalculated exercise price of SEK 86.90 per share. Series 2 options entitle the holder to the new subscription for shares during the period from June 1, 2007 until May 31, 2010 at a recalculated exercise price of SEK 45.00 per share. The exercise price for Series 3 has been set at 120 percent of the share price during the last five trading days in May 2006.

Price trend

In 2005, the Active Biotech share rose by 130 percent, from SEK 35.48 on December 31, 2004 to SEK 81.75 on December 30, 2005. The highest price paid for the share during the year was SEK 81.75 (December 30) and the lowest was SEK 33.90 (January 21). The SIX General Index amounted to 31.6 percent during the year. At the same time, the SIX Biotech, which includes the Active Biotech share, increased by 35.4 percent. At year-end 2005, the share was at SEK 81.75, corresponding to a total market capitalization for Active Biotech of SEK 3,236,664,312.

Changes in ownership

At year-end 2005, the number of shareholders was 10,638 (12,387). The principal owner MGA Holding AB and other institutional owners accounted for a total of 60.2 percent (52.8) of the shareholdings. The free float, which excludes the company's two largest shareholders, amounted to an equivalent of 60.7 percent (63.1) of outstanding shares. In December, one of the principal owners, Nordstjernan, announced its intention to increase its shareholdings in Active Biotech. Nordstjernan's total holdings amount to 4,473,901 shares after the assumed full conversion.



Price trend, January 2004 to January 2006

Dividend and dividend policy

In view of the company's continued capital-intensive development work, the Board of Directors does not intend to propose that any dividends be paid for the next few years.

Swedish analysts covering Active Biotech

- ABG Sundal Collier
- Alfred Berg ABN AMRO
- Carnegie
- Enskilda Securities
- Handelsbanken
- Kaupthing Bank
- Redeye

Shareholders

The following reflects circumstances as known to the company at January 31, 2006:

Owner	No. of shares	Holding, %
MGA Holding AB	11,382,032	28.7
Nordstjernan AB	4,159,667	10.5
Catella funds	2,439,300	6.1
Merrill Lynch Pierce Fenner & Smith	2,315,620	5.8
Robur funds	1,536,573	3.9
Brummer & Partners	1,000,000	2.5
Nordea Bank S A	890,403	2.2
Ronni Sand and companies	630,000	1.6
Borgelin and companies	565,949	1.4
Futuris	515,900	1.3
Total, 10 largest	**25,435,444**	**64.0**
Others	14,156,780	36.0
Total	**39,592,224**	**100.0**

Active Biotech share

SEK	**2005**	2004
Profit/loss after full tax	-3.70	-4.96
Adjusted equity	4.47	3.09
Share price at year-end	81.75	35.48

Shareholder statistics, January 31, 2006

Shareholding interval	No. of shareholders	% of all shareholders	No. of shares	% of share capital	Average per shareholder
1–1,000	8,687	83.7	2,276,599	5.7	262
1,001–10,000	1,510	14.5	3,989,507	10.1	2,642
10,001–100,000	152	1.5	4,072,728	10.3	26,794
100,001–	34	0.3	29,253,390	73.9	860,394
Total	10,384	100.0		100.0	3,873

Change in share capital since 1996

Year	Event	No. of shares	Nominal amount	Change in share capital, SEK M	Total share capital, SEK M
	December 31, 1996	5,525,986	25		138.1
1997	Conversion	40,000	25	1.0	139.1
1998	Non-cash issue	2,000,000	25	50.0	189.1
1998	New share issue	3,291,496	25	82.3	271.4
1998	Conversion	388,810	25	9.7	281.2
2003	Reduction in nominal value of the share		10	-168.7	112.5
2003	New share issue	22,492,584	10	224.9	337.4
2005	New share issue	5,623,426	10	56.2	393.6
2005	Conversion	229,922	10	2.3	395.9
	December 31, 2005	39,592,224	10		395.9

Intellectual property rights

An important part of Active Biotech's strategy is to protect its knowledge with strong patents. Patent protection includes inventions of chemical substances, biotechnical structures, target organs, methods and processes related to the company's operations in important markets.

Active Biotech has built up its position in the patent area through strategically defined patent families, primarily in the areas of autoimmunity/inflammation and cancer. Patent and patent applications primarily refer to the commercially important markets such as Europe, the US and Japan.

As a natural consequence of the earlier changed strategic focus, the patent portfolio has been adjusted downward for previous projects where as the positions for the main projects have been moved forward by a number of granted patents.

NO. OF PATENT FAMILIES

Active Biotech holder of patent or patent application	Laquinimod, TASQ, 57-57, ANYARA and CD80/RhuDex®	16
	Other projects	7
Total		23
Of which on license	Laquinimod and CD80/RhuDex®	6
	Other	0
Total		6
Active Biotech Licensee	TTS	2
	Other	0
Total		2

PATENT PROTECTION FOR LAQUINIMOD

(on license to Teva)

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	In progress	2019
"method"	Sweden	In progress	2023
	US	Granted	2023
"product and method"	Europe	In progress	2025
	US	In progress	2025
	Japan	In progress	2025

PATENT PROTECTION FOR 57-57

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	In progress	2019
"method"	Sweden	In progress	2023
	US	Granted	2023

PATENT PROTECTION FOR TASQ

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	In progress	2019
"application"	Europe	In progress	2020
	US	Granted	2020
	Japan	In progress	2020

PATENT PROTECTION FOR ANYARA (TTS)

Patent family Type of protection	Priority area	Status	Year of expiry
"application"	Europe	Granted	2010
	Japan	Granted	2010
"product"	Europe	Granted	2011
	US	Granted	2016
	Japan	Granted	2011
"product"	Europe	Granted	2015
	US	In progress	2018
	Japan	In progress	2015
"product"	Europe	Granted	2017
	US	Granted	2016
	Japan	In progress	2017
"product and method"	Europe	In progress	2018
	US	In progress	2018
	Japan	In progress	2018
"product"	Europe	In progress	2022
	US	In progress	2022
	Japan	In progress	2022
"method"	Sweden	In progress	2024
	US	In progress	2024

PATENT PROTECTION FOR CD80/RhuDex®

(on license to Avidex)

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	In progress	2022
	US	In progress	2022
	Japan	In progress	2022
"product"	Europe	In progress	2023
	US	In progress	2023
	Japan	In progress	2023
"product"	Europe	In progress	2023
	US	In progress	2023
	Japan	In progress	2023

Corporate governance

The Annual General Meeting is Active Biotech's highest decision-making body. At the Annual General Meeting, which is held not more than six months after the close of the fiscal year, the annual accounts for the preceding year are approved, the Board of Directors is elected, auditors are elected when necessary and statutory matters are addressed. Between General Meetings, the Board of Directors is the company's highest decision-making body.

The Board appoints a President to head the management of the company. In accordance with Active Biotech's Articles of Association, the Board shall comprise between three and nine members with at most nine deputies. The President is a member of the Board. Each year, two employee representatives and two deputies are appointed prior to the Annual General Meeting through decisions made by the trade-union organizations at the company.

The work of the Board

The Board works in accordance with an established formal work plan, which describes the minimum number of Board meetings to be held each year, routines for the preparation of the agenda and minutes of the meeting as well as the distribution of material. One section of the formal work plan regulates the division of duties in the Board and describes the responsibilities of the Board, the Chairman and the President. The Board shall principally devote itself to overall and long-term issues as well as to issues of a material nature or of otherwise substantial importance.

The Chairman directs the work of the Board and represents the Board both externally and internally. The formal work plan also identifies the Board members who, in accordance with specific decisions, have been appointed as the management's contacts in the event of a crisis.

At each scheduled Board meeting, the President and senior management shall report on operations. The report shall comprise information on project development, plans and progress in research activities, financial reporting with forecasts as well as business development. The Board decides on issues in which the Swedish Companies Act and the Articles of Association require the Board's decision as well as on such issues as policy matters, strategy, business decisions (such as research plans) and key agreements.

The Annual General Meeting for the 2004 financial year was held on April 21, 2005, at which time the Meeting appointed six members of the Board, the remaining two members were appointed by the employees through the two union organizations SIF (the Swedish Union of Clerical and Technical Employees in Industry) and CF (the Swedish Association of Graduate Engineers). Of the members elected by the Annual General Meeting, all except the Chairman of the Board, Mats Arnhög, and the President & CEO of the company, Sven Andréasson, are independent in relation to both the owners of the company and the company itself.

During 2005, ten meetings were held, for which minutes were kept, which is the same number of meetings held in 2004. Key issues dealt with by the Board included the development of the research projects, business-development projects, partnership strategy and information pertaining to the annual accounts and budget and financing matters.

Nominations Committee

The process of nominating Board members entails the three largest shareholders each appointing a representative by December 31 of each year. Under the direction of the Chairman of the Board, this group formulates a proposal for the composition of the Board, which is presented to the Annual General Meeting for decision. On January 16, 2006, it was announced that the three largest owners in the company had appointed their representatives in the Nominations Committee. MGA Holding AB is represented by Johnny Sommarlund, Nordstjernan AB is represented by Tomas Billing and the Catella funds are represented by Ulf Strömsten. The Nominations Committee is headed by the Chairman of the Board, Mats Arnhög. The Nominations Committee will present its proposal for the composition of the Board to the Annual General Meeting on April 26, 2006.

Remuneration and Audit Committee

At the Annual General Meeting on April 21, 2004, it was decided that the company shall not have separate committees for remuneration and audit matters and that these matters shall instead be dealt with by the Board in its entirety.

Auditors

At least one and at most two auditors and at most two deputy auditors are appointed by the Annual General Meeting for a period of four years. The auditors and deputy auditors appointed shall be authorized auditors or a registered firm of auditors.

At the Annual General Meeting in 2005, the KPMG Bohlins AB firm of auditors was elected with authorized auditor Stefan Holmström primarily responsible for the period until 2009.

President and management group

The President of Active Biotech AB leads the day-to-day operations of the company and is responsible for ensuring that the Board receives information and the data it needs on which to base its decisions. The management group comprises the individuals appointed by the President & CEO as responsible for business or staff functions. During 2005, the management group consisted of three people in addition to the President.

Board of Directors and auditors









Sven Andréasson
Born 1952, Board member since 1999
MSc Stockholm School of Economics,
President & CEO Active Biotech AB
Holding: 30,486 shares, 175,000 call options,
22,400 employee stock options
Other Board assignments: TiGenix B.V., Leuven, Belgium

Mats Arnhög
Born 1951, Board Member since 2000
MSc Stockholm School of Economics, owner of MGA Holding AB,
Chairman of the Board
Holding: 11,382,032 shares through companies and
SEK 83,032,200 in convertible debentures through companies
Other Board assignments: Chairman, MGA Holding,
North Trade Stockholm AB and Föreningen Carlssons Skola
Board member of Nordstjernan AB and Situation Stockholm AB

Maria Borelius
Born 1960, Board member since 2000
BSc in Biology, MSc in Scientific Journalism
Scientific journalist, entrepreneur and Swedish Parliamentary
candidate (Moderate Party)
Holding: 5,533 shares, SEK 8,880 in convertible debentures
Other Board assignments: SWECO AB (publ), Telelogic AB (publ)
and Södra Cell AB

Klas Kärre
Born 1954, Board member since 2003
Professor of Molecular immunology at the Karolinska Institute
in Stockholm
Holding: 5,466 shares, SEK 17,760 in convertible debentures
Other Board assignments: Accuro Immunology AB, Karolinska
Institute (until June 2005), Kalmar University

Peter Sjöstrand
Born 1946, Board member since 2000
BSc Economics, MD, former Executive Vice President, Astra AB
Holding: 0
Other Board assignments: Chairman, Meda AB (publ), Chairman,
Innate Pharmaceuticals AB (publ)

Peter Ström
Born 1952, Board member since 2003
MSc Stockholm School of Economics, Vice President IMS Health
Holding: 15,033 shares, SEK 40,000 in convertible debentures
Other Board assignments: Comax AB

Employee representatives
Hans Wännman
Born 1959, employed since 1980, Board member since 1999
Chemical Engineer, R&D Laboratories Pharmacy
Holding: 5,500 employee stock options

Ingela Fritzson
Born 1964, employed since 1987, Board member since 2004
Engineer Chemical Engineering, R&D Laboratories Pharmacy
Holding: 100 shares, 2,750 employee stock options

Auditors
KPMG Bohlins AB with **Stefan Holmström** as principle auditor
Born 1949, company auditor at Active Biotech AB since 2001
Authorized Public Accountant KPMG

Management group

Sven Andréasson
President & CEO
Born 1952
Holding: 30,846 shares, 175,000 call options,
22,400 employee stock options

Sven Andréasson has been President & CEO and a Board Member of Active Biotech since 1999. He has longstanding experience in the international pharmaceutical industry, including time spent as President and Vice President of mainly Swedish, French and German companies within the Pharmacia Corporation.

Hans Kolam
Chief Financial Officer
Born 1951
Holding: 5,833 shares, 16,500 employee stock options,
SEK 22,200 in convertible debentures

Hans Kolam has worked for Active Biotech since 2000. He has more than 20 years of experience in the pharmaceuticals industry, having held different positions in Pharmacia's financial organization, most recently as Vice President of Finance, Europe.

Tomas Leanderson
Chief Scientific Officer
Born 1956
Holding: 50,000 employee stock options

Tomas Leanderson has been employed at Active Biotech since 1999. He has held a number of academic research positions both in Sweden and internationally. In 1990, Tomas Leanderson was appointed Professor of Immunology at Lund University.

Lars M Nilsson
VP Regulatory & Quality Affairs
Born 1943
Holding: 1,166 shares, 16,500 employee stock options,
SEK 4,440 in convertible debentures

Lars M Nilsson has been employed at Active Biotech since 2001. He has a veterinary degree and has longstanding experience in the international pharmaceutical industry. His most recent position was as head of registration and quality assurance at Pharmacia Consumer Health Care.

Active Biotech

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