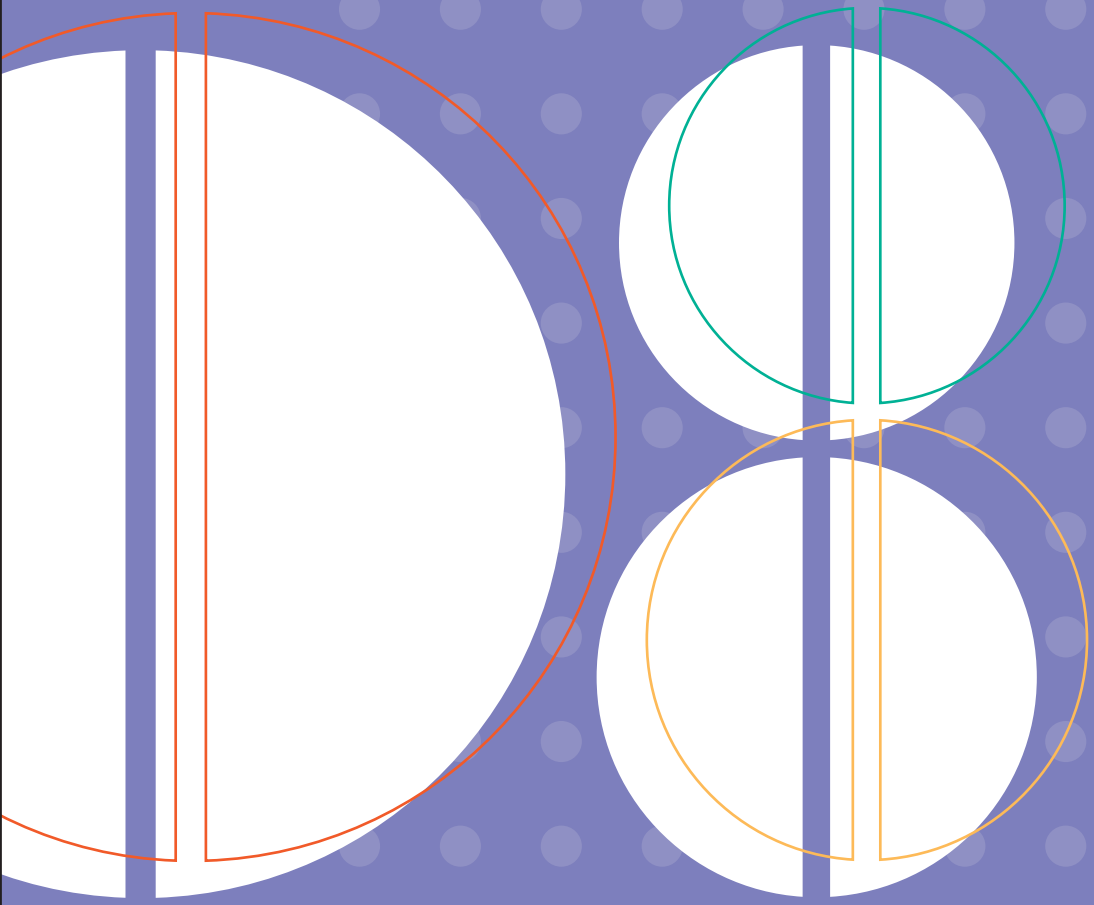
Active Biotech

Annual Report 2008



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Financial information can be requested from Active Biotech AB, PO Box 724, SE-220 07 Lund, Sweden. Telephone +46 (0)46-19 20 00, fax +46 (0)46-19 11 00. Information can also be obtained from our website www.activebiotech.com.

This Annual Report contains forward-looking information regarding Active Biotech. Although we believe that our expectations are based on reasonable assumptions, forward-looking statements could be affected by factors causing the actual outcome and trend to differ materially from the forecast. The forward-looking statements 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.

Annual General Meeting

The Annual General Meeting of Active Biotech AB (publ) is to be held on Thursday, May 7, 2009 at 5:00 p.m. at the company's premises at Scheelevägen 22 in Lund, Sweden. Shareholders who wish to participate in the Meeting must (a) be recorded in the register of shareholders maintained by Euroclear Sweden AB (formerly VPC AB) on Thursday, April 30, 2009 and (b), notify the company of their intention to participate in the Meeting not later than 4:00 p.m. on Thursday, April 30, 2009.

Shareholders who have trustee-registered shares must temporarily re-register the shares in their own name with Euroclear Sweden to be entitled to participate in the Meeting. This registration must be completed not later than Thursday, April 30, 2009. Accordingly, shareholders must inform the trustee of this request in ample time prior to this date.

Notice of participation

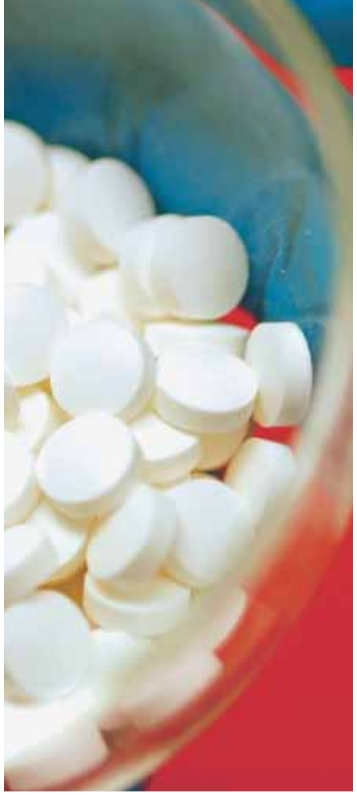
Notice of participation can be made in writing to Active Biotech AB (publ), Attn. Susanne Jönsson, PO Box 724, SE-220 07 Lund, Sweden, by fax +46 (0)46-19 20 50, by telephone to +46 (0)46-19 20 00 or by e-mail to susanne.jonsson@activebiotech.com. The notice shall include name, personal/corporate registration number, number of shares held, daytime telephone number and, if applicable, the number of advisors (two at the most) that will accompany the shareholder at the Meeting.

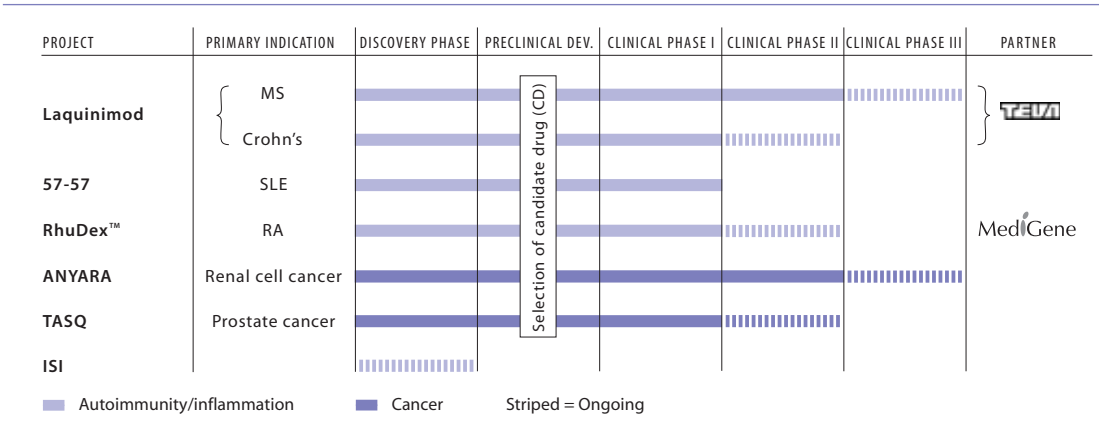
The notice of the Annual General Meeting is available in its entirety on the company's website www.activebiotech.com.

Active Biotech in brief

Active Biotech focuses on the development of pharmaceuticals within medical areas in which the immune defense is of central importance. The research portfolio comprises several projects for the development of drugs against cancer and autoimmune/inflammatory diseases. Active Biotech currently has five projects in clinical trials.

- **Laquinimod** is a compound under development for the treatment of multiple sclerosis (MS). Compared with existing treatment alternatives, laquinimod has the advantage of being orally administered. Active Biotech has signed an agreement with the Israeli company Teva Pharmaceutical Industries Ltd for the development and commercialization of laquinimod. Clinical Phase III trials are currently under way and will include 2,200 patients worldwide.
- **ANYARA** is a compound that makes the treatment of cancer tumor-specific. The development of ANYARA is primarily focused on renal cancer. The compound is currently undergoing clinical Phase III trials that will encompass 500 patients.
- With the **TASQ**-project, Active Biotech is developing an antiangiogenic compound that slows the growth of cancer cells. The development of TASQ is mainly focused on the treatment of prostate cancer. Clinical Phase II trials are currently in progress that will include a total of 200 patients.
- **57-57** is a compound for treatment of systemic lupus erythematosus (SLE), a disease that causes inflammation and damage to the connective tissue of many organs in the body with serious secondary symptoms, such as renal failure. During 2008, Phase I clinical trials were concluded.
- **RhuDex™** is a compound that is primarily intended to be used as a drug for the treatment of rheumatoid arthritis (RA). Active Biotech has entered into a licensing agreement with the German pharmaceutical company MediGene AG, which grants MediGene the exclusive right to further develop and market the product. Phase II clinical trials were concluded in 2008.
- **ISI** is a new project based on the mode of action of quinoline compounds. The aim of the project is to utilize the company's own preclinical results that were generated around target molecules for the quinoline (Q) compounds and their biological mode of action. The project aims at producing new, patentable chemical substances that interact with the target molecule of the Q compounds.





Medical advances in a harsh economic climate

The past year was a challenging time for Active Biotech's shareholders. As was the case for the Nasdaq OMX Stockholm's general index, the company's value declined by more than 40 percent. However, it should be noted that this fall in value was not a result of any setbacks involving projects or the company's operations.

Biotechnology and pharmaceutical development is a very special business and thus a very special type of investment. A drug is developed over a long period and this development is associated with substantial investment requirements. The development of a drug is also associated with high risk, since the statistical probability of success is highly limited when a project is initiated. Even following launch, the finished product is exposed to intense competition and there is always a risk of unexpected side effects.

Despite this risk scenario, the revenues generated from a successful drug can fully justify the investment required.

Long-term owners

Accordingly, the majority of our owners have a long-term outlook. During the past year, our owners have confirmed this approach and this support by contributing SEK 154 million to the company's operations through a rights issue. This capital infusion combined with a contractual non-recurring payment from our partner Teva totaling USD 5 million largely financed our business in 2008. It should also be noted that the company reported revenues of about SEK 10 million for the leasing of premises and commissioned research work. During the year, Active Biotech also divested its minority shareholding in the UK technology company Isogenica Ltd. for approximately SEK 9 million, since the company's business focus was outside Active Biotech's core interests.

Ten years – five projects in clinical phase

In the past year, Active Biotech celebrated its tenth anniversary as a company. During this period, we have developed our project portfolio so that it now includes five projects in clinical phase. This entails a certain diversification of risk in the company, since it is sufficient for one of these projects to reach market for Active Biotech to deliver a significant return on capital invested. However, such a project portfolio also means that the company will report a loss for 2009 and 2010 and will require further investments in projects.

It is the highest priority of the company and the Board of the Directors to ensure financing for these projects until such time profitability has been achieved. The focus is on optimizing the rise in shareholder value.

Good effects against MS

Our projects largely developed according to plan during the year. Our most advanced project, laquinimod, is a disease-modifying treatment for multiple sclerosis (MS). Laquinimod is orally administered and the objective of the treatment is to affect this autoimmune disease so that its progression is slowed, while minimizing the number of side effects and the impact on the immune system as a whole. Compared with other development projects for the same indication, it may be noted that laquinimod has demonstrated a highly favorable side-effect profile and does not work by generally suppressing the patient's immune defense.

In 2008, we announced that a second Phase III trial (called Bravo) of laquinimod had been initiated by our partner Teva. Already at the end of 2007, a first clinical Phase III study called Allegro was initiated in which 500 patients were treated with 0.6 mg of laquinimod. The results of their disease progression will be compared with 500 patients in the same study who were treated with placebo. In the Bravo trial, 400 patients will be treated with 0.6 mg laquinimod. The disease progression of these patients will be compared with 400 patients being treated with a currently established therapy (interferon beta) and with 400 other patients treated with placebo.

In November 2008, we were able to announce that all patients had been enrolled to the Allegro trial, which means that our partner Teva had successfully recruited over 1,000 patients in less than a year. We also expect the Bravo trial to be fully enrolled in the near future.

The continued development of laquinimod means that patients are now treated over a two-year period, after which laquinimod's impact on the MS disease can be quantified. On the basis of data acquired earlier, we expect to see a robust slowdown of the disease's progression and a highly favorable side-effect profile, which would mean that laquinimod could be regarded as an ideal product for the long-term treatment of a chronic disease such as MS.

Furthermore, our partner Teva published an article in the medical journal The Lancet during the year in which it released data from a completed Phase II study. The company showed that a daily dose of 0.6 mg laquinimod had a good effect on the MS disease and a favorable safety profile. Teva also published data at an international scientific meeting from a follow-up study in which patients were treated for an extended period with laquinimod. From this data, it was possible to see that the favorable effect of laquinimod was maintained over time without any increase in the side-effect profile.

57-57

Systemic lupus erythematosus (SLE) is an autoimmune disease that primarily affects women. The number of SLE patients in the world is estimated to be about the same as the number of MS patients. For this disease, there is a considerable medical need – no disease-modifying treatment exists and, accordingly, all treatment available is aimed at alleviating the symptoms. The compound developed by Active Biotech, 57-57, aims to establish a disease-modifying therapy against SLE.

In the past year, a Phase I trial of SLE patients was concluded with positive results. The first results from this study were presented at a scientific conference in the US during the second half of 2008. We could see that the drug has a highly favorable safety profile and also had an effect on a surrogate marker for the SLE disease. A complete Phase II/III clinical development program has been prepared in cooperation with European and US regulatory bodies. However, the company will not commence this trial on a proprietary basis, but will actively search for a partner to pursue the future clinical development of the project. During 2009 and 2010, the company will conduct a small-scale exploratory clinical study to further strengthen knowledge of important markers for the SLE disease.

ISI

Active Biotech has also worked on the publication of a molecular target structure for our quinoline compounds during the year. At the time of writing, this goal has not been achieved, but the process is well under way. We have been able to prove that when the quinolines bind to this target molecule, the interaction between the molecule and other proinflammatory molecules is inhibited.

This finding means that the drugs developed by Active Biotech bind to a unique target molecule, which gives our drugs a much clearer position in a future competitive market. We must now manage this advantage in knowledge by developing novel, optimized compounds that bind to our target molecule.

Continued significant potential against RA

The development of RhuDex™ is managed by our partner MediGene. During the year, MediGene concluded a Phase II trial and prepared a Proof of Concept Phase IIb study for the treatment of rheumatoid arthritis (RA).

Regrettably, a death occurred during the year in a Phase I trial of treatment with RhuDex in healthy volunteers. MediGene has deemed that this death was unrelated to the compound. Following consultations with the regulatory bodies concerned, MediGene decided to perform supplementary documentation of the safety of RhuDex prior to resuming the clinical development. Nevertheless, RhuDex is still considered to have significant potential to be an important treatment alternative for patents affected by RA.

ANYARA advances toward registration

In terms of Active Biotech's projects within oncology, our most advanced project is ANYARA. This is a biotechnological compound primarily intended for the treatment of renal cancer. Since 2007, a Phase II/III has been under way with the aim of registering ANYARA for the treatment of renal cell cancer patients in Europe. In this clinical trial, slightly more than 500 patients will be treated with either interferon alpha, a registered treatment for renal cancer, or interferon alpha in combination with ANYARA. Subsequently, patient survival in both treatment arms will be compared.

During the year, we announced that the interim analysis of ANYARA had been concluded with positive results, which resulted in the company deciding to continue enrolment to the study with the aim of preparing ANYARA for registration. Final survival results for ANYARA in renal cancer are expected by the end of 2010.

During the year, we published that ANYARA demonstrates favorable effects when simultaneously administered with other cancer therapies – both cytotoxic and those that affect blood supply to the tumor – in preclinical models.

Result from 2009 TASQ study

Our project for the treatment of prostate cancer, TASQ, is currently in a clinical Phase II trial, in which symptom-free patients with metastatic, hormone-resistant, prostate cancer are being treated. One third of the patients are administered a placebo control, while two thirds are given a daily dose of 1 mg of TASQ. A total of 200 patients will be included in the study and after six months of treatment, we will be able to determine how many patients have developed clinical symptoms in the control group compared with those treated with TASQ. The result from this clinical study is expected at the end of 2009.

There is a considerable medical need for new treatments for prostate cancer, particularly those that demonstrate a favorable side-effect profile. We believe that TASQ can satisfy this need.

New President in September

On September 1, 2008, I replaced Sven Andréasson as President of Active Biotech. It is with great pleasure and pride that I assume this position. Sven had been President of the company since 1999 and during his time, Active Biotech was transformed from a combined vaccine and research company to a company focused on the clinical development of innovative drugs. I worked alongside Sven during this period and would like to thank him for his commitment to the company.

2009 involves new challenges for Active Biotech in terms of our projects, business development and financial position that we look forward to facing.

Thanks to those who make this possible

In conclusion, I would like to thank all employees who, in a loyal and committed manner, inject energy into our projects on a daily basis, and our shareholders, who have confidence in us and continue to finance our projects, enabling this exciting adventure to remain a great opportunity.

Lund, March 2009
Tomas Leanderson, President & CEO

Directors' report

The Board of Directors and President & 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, 2008 to December 31, 2008. 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 in medical fields in which the immune system plays a central role. The company's research portfolio primarily includes projects for the development of drugs 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.

Active Biotech's research operations

Active Biotech's field of expertise mainly comprises the human immune system. This knowledge is used to develop drugs for the treatment of autoimmune/inflammatory diseases and cancer.

The company currently has five projects in clinical development. Three of these projects involve the development of 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 rheumatoid arthritis, RA (RhuDex™). The project portfolio also includes two potential drugs for treatment of the indications renal cancer (ANYARA) and prostate cancer (TASQ). In addition to these five clinical projects, a new project was initiated during the year based on the mode of action of quinoline compounds. The project, called ISI, is aimed at exploring the company's own preclinical results generated around a target molecule for quinoline (Q) compounds and their biological mode of action. The project aims at producing new, patentable chemical substances that interact with the target molecule of the Q compounds.

At the beginning of the year, the company terminated its cooperation with Chelsea Therapeutics International Ltd covering the development and commercialization of the preclinical project I-3D – a group of orally active immunosuppressive compounds that inhibit the enzyme dihydroorotate dehydrogenase (DHODH) for the treatment of RA.

In general, research operations developed very favorably during the year.

Development in brief for each project

Laquinimod

Laquinimod is the project that has progressed furthest in the clinical development process. It is a new, immunomodulatory, disease-modifying drug in tablet form for the treatment of MS. Following the completion of Phase I and Phase II trials by Active Biotech on a proprietary basis, an agreement was signed with Teva Pharmaceutical Industries Ltd (Teva) in June 2004 covering the development and commercialization of laquinimod.

According to the agreement, Teva performs and funds the continued clinical development of laquinimod. If all the milestones in the clinical development are achieved, Teva will pay USD 92 million to Active Biotech, USD 17 million of which has been received to date. Active Biotech will also receive tiered double-digit royalty payments on future sales.

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.

In September 2006, Teva successfully concluded an additional Phase II trial to establish the optimal dose for pivotal Phase III trials. The aim was to further evaluate the safety and efficacy of laquinimod and to establish the clinical dose for Phase III trials.

In November 2007, patient enrolment commenced to the Phase III study Allegro *(assessment of oral laquinimod in preventing progression of multiple sclerosis).* Allegro is a global, pivotal, 24/30-month, double-blind, clinical Phase III trial designed to evaluate the efficacy, safety and tolerability of laquinimod versus placebo in the treatment of relapsing-remitting multiple sclerosis (RRMS). The study covers approximately 1,000 patients. On November 18, 2008, one year after the start of the trial, Teva and Active Biotech announced that it was fully enrolled.

Efficacy, safety and tolerability in laquinimod is also being studied in a second Phase III study focused on RRMS, Bravo *(benefit-risk assessment of Avonex® and laquinimod).* Patient enrolment commenced during the second quarter of 2008. The Bravo trial is a global, multi-center, randomized, placebo-controlled trial with parallel groups, in which the effects of laquinimod is compared with placebo. The study will also generate data that assesses the risk and benefits with once-daily administered laquinimod compared with an injectable product presently established in the market (Avonex®). When fully enrolled, the study will encompass approximately 1,200 patients who will be monitored for 24 months.

In September 2008, data was presented from the extension study following Phase IIb, which demonstrated a significant reduction in the mean number of gadolinium-enhancing (GdE) lesions in patients who switched from placebo to laquinimod and patients who continued with their initial laquinimod dose. The results further reinforce confidence in laquinimod's potential to affect multiple sclerosis disease development. In late 2008, Teva announced that it had initiated a Phase II program for laquinimod in Crohn's disease.

ANYARA
ANYARA is a TTS (Tumor Targeted Superantigens) compound that makes the treatment of cancer tumor-specific. Following the optimization of the first-generation candidate drug, the ANYARA project now comprises a candidate drug that is designed to provide an improved anti-tumor effect and lower toxicity, which can therefore be administered at significantly higher doses.

In 2006, three clinical Phase I studies of ANYARA for the treatment of advanced non-small cell lung cancer (NSCLC), renal cell carcinoma (RCC) and pancreatic cancer (PC) were successfully concluded. The concluded clinical program comprised a Phase I dose-escalation study with 39 patients performed in the US, Norway and the UK, and a Phase I combination study with ANYARA and the chemotherapeutic drug Taxotere® for the treatment of lung cancer with 13 patients performed at clinics in the US, Denmark and Russia. Furthermore, a PET (Positron Emission Tomography study) study was performed in the UK. Taken together, the results mean that ANYARA, as a therapeutic principle, has now demonstrated pharmacological proof of concept, meaning that the treatment has shown effects in patients. In addition, the results from the Phase I program prove that ANYARA can be administered in a safe and convenient manner.

Since 2006, Active Biotech has chosen to focus the continued clinical development on the indication renal cell cancer. A combined Phase II/III trial for the treatment of renal cell cancer was initiated prior to year-end 2006 at about 50 clinics in Europe. The trial is a randomized study of ANYARA in combination with interferon-alpha, compared with only interferon-alpha, in patients with renal cell cancer. The primary endpoint for this study is extended survival and it will include approximately 500 patients. Expected survival with conventional treatments for these patients is 10-15 months and the length of the study will depend on the patients' disease progression. In May 2008, following the enrolment of approximately 250 patients in the trial, an interim analysis was conducted with positive results. Patient enrolment to the ongoing, pivotal Phase III trial of ANYARA is proceeding according to plan.

In July 2007, ANYARA was granted Orphan Drug Status for the treatment of renal cell cancer patients by the EMEA's (European Medicines Agency) expert committee. The EMEA's decision to grant Orphan Drug Status was an important step in the development of ANYARA and provides a variety of incentives, including market exclusivity for up to ten years following registration approval.

In December 2008, results from experimental models of cancer in which the effect of ANYARA was studied in combination with other established tumor therapies were presented at the IBC's 6th Annual Antibody Therapeutics Conference. The results show that ANYARA, combined with such other established tumor therapies as Taxotere, Avastin and Sutent, had superior anti-tumor activity compared with single-agent therapy.

TASQ
In the TASQ (Tumor Angiogenesis Suppression by Quinolines) project, Active Biotech is developing an anti-angiogenic substance that can be administered orally for the treatment of prostate cancer. An initial clinical Phase I trial involving healthy volunteers was concluded in February 2004. The study showed that the TASQ candidate drug could be administered daily at dosage levels expected to have an effect on the treatment of prostate cancer.

In November 2004, the clinical Phase I dose-escalation program with prostate cancer patients commenced, with the purpose of studying the safety of TASQ. The study comprised a total of 32 patients with hormone-refractory prostate cancer. Daily treatment with 0.5 mg TASQ reduced the rate of increase of the patients' PSA values. TASQ was well tolerated by all patients with only mild and transient side effects. Patients continued treatment in a follow-up study that aimed to document long-term tolerance and safety.

At the UBS Global Life Sciences conference held in New York in September 2008, the follow-up efficacy data from the Phase Ib studies of TASQ was presented. Patients treated with TASQ developed few new bone metastases and displayed a reduced rate of PSA (prostate specific antigen) increase.

The US Food and Drug Administration's review of the IND (Investigational New Drug) application was completed in August 2007. A Phase II proof of concept study was initiated during the latter part of the year. This is a randomized, placebo-controlled, double-blind Phase II study of 1 mg/day of TASQ versus placebo in 200 patients. The study comprises symptom-free patients with metastatic, hormone-resistant, prostate cancer. The primary endpoint of the study is to measure the proportion of patients that do not display disease progression after six months of TASQ therapy compared with placebo. Secondary clinical endpoints of importance for this group of patients include time to clinical progression and initiation of treatment with cytostatics. The study is being performed as a multi-center study in the US, Canada and Sweden and clinical results are expected during the second half of 2009.

57-57
In the company's 57-57 project, Active Biotech is developing an immunomodulatory compound for the treatment of systemic lupus erythematosus (SLE), a disease that causes inflammation and damage to the connective tissue of many organs in the body with serious secondary symptoms, such as renal failure.

The first clinical Phase I dose-escalation study, comprising 30 healthy volunteers, was started at the Karolinska University Hospital in Stockholm in November 2004 and was successfully completed in July 2005. The results showed that 57-57 is very well tolerated at all of the tested dosage levels in single and multiple doses and that the compound is suitable to be administered as an oral, daily treatment.

The clinical development program continued with a Phase I trial of SLE patients, which commenced in December 2005. The study primarily documented safety and pharmacokinetic properties, but also monitored a number of biological markers to determine the effect of 57-57 on disease progression. This was a multi-center trial conducted at three hospitals in Sweden – the Karolinska University Hospital in Stockholm, Uppsala University Hospital, and Lund University Hospital, as well as clinics in Russia. Clinical Phase I trials were concluded in 2008.

Data from the trial confirms the previously exhibited favorable safety profile, and demonstrates effects on markers for the SLE disease.

At the American College of Rheumatology's Annual Scientific Meeting in October 2008, new data from the Phase I trial of 57-57 were presented. The new results show that by treating patients with 57-57, it is possible to affect signaling pathways that are essential for the progression of SLE.

RhuDex™

RhuDex is a novel, orally active compound for the treatment of rheumatoid arthritis (RA), originating from Active Biotech's patented CD80 antagonists, out-licensed in 2002 to MediGene AG's (MediGene) subsidiary Avidex Ltd. Following successful preclinical development work, a candidate drug was selected in 2004 under the name of RhuDex, an orally administered small molecule primarily intended for the treatment of RA.

Phase I studies of RhuDex commenced during the spring of 2005, which entailed a small milestone payment to Active Biotech and in March 2006, the company could report that RhuDex had successfully concluded two Phase I studies in which safety, tolerability and pharmacokinetic properties had been studied in healthy volunteers. A Phase IIa dose-escalation study in 35 RA patients was initiated in early 2007 and in June 2008, it was announced that the clinical trial had achieved its endpoint. In July 2008, MediGene announced that a Phase I trial (of a new formulation) in healthy volunteers had been discontinued as a result of a death in the study. It is the opinion of the company that the death is not related to the compound. Further preclinical trials will be conducted in 2009 prior to continuing with the clinical development.

MediGene is responsible for the development and carries the related costs of the clinical program.

If the project continues to market launch, milestone revenues could total GBP 5.8 million. In addition, Active Biotech will receive royalties on future sales.

ISI project

Over the past number of years, Active Biotech has conducted studies to reveal the mode of action and target molecules behind the pharmacological effects of the Q compounds that are under clinical development. Such a program is also the first step in the development of new, patentable compounds involving the same target molecule. During the year, this activity continued and, among other developments, antibodies interacting with the target molecule as well as binding to the same part of the molecule as the Q compounds, were produced. This result means that the application for patent protection of the target molecule can be strengthened. The results will be published in scientific journals.

Comments on the income statement

The Group's net sales amounted to SEK 53.5 million (12.1) and comprised a milestone payment of SEK 41.2 million (0.0) from Teva, service and rental revenues of SEK 10.6 million (8.8) and SEK 1.7 million (3.3) of a research grant from Vinnova. Research and administrative costs amounted to SEK 238.1 million (214.7), corresponding to an 11-percent increase in costs. Research and development costs increased by SEK 17.7 million from SEK 189.7 million to SEK 207.4 million. The increase in costs is attributable to intensified clinical research activities and more extensive trials in later clinical phases, particularly the ongoing Phase II/III study for the ANYARA project, and the ongoing Phase II study for the TASQ project. Administrative expenses rose from SEK 25.0 million to SEK 30.7 million as a result of contractual costs related to the change of CEO during the year.

At year-end, the clinical development program comprised a total of five projects, of which laquinimod and RhuDex are financed by partners and the three other projects ANYARA, TASQ and 57-57 are financed by Active Biotech.

The I-3D project that had been conducted in cooperation with Chelsea Therapeutics International Ltd was discontinued during the year as a result of Active Biotech's decision to focus operations on the company's immunomodulatory compounds.

The consolidated operating loss amounted to SEK 184.6 million (loss: 202.7). The improvement in earnings is attributable to increased revenues resulting from a milestone payment from Teva during the latter part of the year. The increased revenues offset the increased costs for the clinical program.

Consolidated net financial items amounted to SEK 4.0 million (expense: 5.0). The improvement in net financial items was mainly due to the capital gain totaling SEK 7.4 million recognized in connection with the divestment of the minority shareholding in the UK research company Isogenica Ltd. Interest income amounted to SEK 6.1 million (6.8) and interest expenses totaled SEK 10.2 million (11.8), of which the early redemption of the convertible debenture in 2007 accounted for SEK 2.4 million, the property loan for SEK 9.9 million (9.0) and other interest expenses for SEK 0.3 million (0.4). Exchange-rate differences in net financial items amounted to SEK 0.7 million (0.0).

The Group's loss after tax amounted to SEK 181.6 million (loss: 207.7)

Comments on the balance sheet

The Group's total assets amounted to SEK 472.9 million (489.5), of which tangible fixed assets amounted to SEK 324.6 million (329.7) and comprised the property in which the company conducts operations, amounting to SEK 316.6 million (324.0), and equipment, tools, and fixtures and fittings totaling SEK 8.0 million (5.7). Financial fixed assets declined by SEK 2.5 million to SEK 0.0 million (2.8) as a result of the divestment of the 13.1 percent shareholding in Isogenica Ltd. during the year. At year-end, cash and cash equivalents totaled SEK 138.7 million (138.6).

Comments on the cash-flow statement

The Group's positive cash flow for full-year 2008 amounted to SEK 0.1 million (40.7). The negative cash flow from operating activities amounted to SEK 159.5 million (neg: 186.7). Cash flow from investing activities amounted to SEK 7.0 million (0.2) and the cash flow from financing activities amounted to SEK 152.6 million (227.2). Investments in tangible fixed assets amounted to SEK 2.9 million (0.9), of which SEK 2.9 million (0.8) was financed through financial leasing agreements.

Cash and cash equivalents and financial status

At year-end, cash and cash equivalents amounted to SEK 138.7 million (138.6). During 2007 and 2008, two rights issues were implemented, providing the company with capital infusions of SEK 234.4 million and SEK 154.9 million, respectively.

The Board of Active Biotech has established a policy for the investment of the Group's cash and cash equivalents, which stipulates that these be invested at low credit risk, primarily in short-term Swedish securities, commercial papers and fixed-income and bond funds with high liquidity.

Interest-bearing liabilities amounted to SEK 258.4 million (256.1), of which SEK 251.9 million (252.2) is represented by a property loan and SEK 6.5 million (3.9) by liabilities to leasing companies. At year-end, consolidated shareholders' equity amounted to SEK 163.6 million (189.6). The Group's equity/assets ratio was 34.6 percent at year-end 2008, compared with 38.7 percent at year-end 2007.

The Active Biotech share

Share capital and ownership structure

In January 2009, Active Biotech AB's share capital amounted to SEK 193.1 million, distributed among 51,241,791 shares. The company has one class of share. All shares carry equal rights to participation in the company's assets and dividends. For further information regarding shareholders, see page 41.

Corporate governance

Active Biotech AB's Articles of Association stipulate that the election of the Board shall always take place at the Annual General Meeting. Apart from this, the Articles of Association do not contain any stipulations governing how Board members are appointed or dismissed, or regarding changes to the Articles of Association. A shareholder can vote for the full number of shares he or she holds or represents at General Meetings of Active Biotech. Shares that have been issued are freely transferable without restrictions pursuant to legislation or Active Biotech's Articles of Association. The company is not aware of any agreements among shareholders that can entail restrictions on the entitlement to transfer shares in the company. For a more detailed description of how Active Biotech manages corporate governance issues, refer to the Corporate Governance Report on pages 43–45.

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 46.4 million (6.8). Operating expenses for the year amounted to SEK 33.2 million (expense: 30.7). Net financial income for the period amounted to SEK 50.5 million (expense: 4.1), with the difference between the years attributable to a share in profits from subsidiaries and the divestment of the minority shareholding in the UK company Isogenica Ltd. Only marginal investments were made during the period. At year-end, the Parent Company's cash and cash equivalents amounted to SEK 131.6 million, compared with SEK 122.9 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 in the major indication areas addressed by the company. Active Biotech specializes in the development of pharmaceuticals. 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 entered Phase III trials in 2007, which means it could take until 2011 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 report a profit.

Risks in operations

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

Official 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 prove adequate.

Financial risks

The Group has a currency exposure since operations are conducted in Sweden and research services are purchased internationally. Earnings are exposed to exchange-rate fluctuations with regard to the procurement of clinical trial services, research services and production of clinical materials. Operating costs amounted to SEK 238.1 million during the fiscal year, of which about 34 percent corresponded to costs in foreign currencies. The proportion of costs in foreign currencies, principally in USD and EUR, may fluctuate as projects enter later phases of clinical 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 impact the income statement. The company's credit risks are marginal, since its operations are only subject to low invoicing levels by virtue of the fact that it currently engages primarily in research and development. For further information on financial risks, see Note 17.

The organization

At year-end, the number of employees in the Group amounted to 90 (89), of whom 51 (52) were women. The average age of employees was 48 (48) with an average employment period of 16.8 years (16.3). The education level of the personnel is high; 26 hold a PhD and 48 have a university/college education. During the year, the Group had average education costs of SEK 10,340 per employee. The number of employees in research and development was 74 (72).

Sickness absence during the year amounted to 1.0 percent (1.4). The number of reported work injuries (including travel accidents) totaled 3 (1).

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, combined with the hedging of future social-security costs, comprises a total of 1,330,000 options, entailing a maximum dilution for existing shareholders of 2.5 percent. The incentive program is described in greater detail under the section "The share" on page 39 and in Note 5.

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.

Proposed appropriation of earnings

The Board of Directors and the President & CEO propose that no dividend be paid for the 2008 financial year.
The proposed appropriation of the company's earnings is detailed on page 12.

Report on the work of the Board

The Board decides on the Group's overall strategy, the Group's organization and management in accordance with the Swedish Companies Act. At year-end, the Board comprised five members elected by the Annual General Meeting, two employee representatives and two deputy employee representatives. Other white-collar employees in the company participate in Board meetings in a reporting capacity in administrative functions.

During the year, 11 meetings were held at which minutes were taken. The President & CEO continuously informed the Chairman of the Board and the other Board members of developments in the company. Important issues addressed by the Board included:

- Development of research projects
- Business development projects
- Strategic focus
- Information concerning financial statements
- Budgets and forecasts for the operation
- Partnership strategy and partnership discussions

The work of the Board and how Active Biotech is governed is described in detail in the "Corporate Governance Report" section on pages 43-45. With regard to the Group's and Parent Company's results and financial position, reference is made to the subsequent income statements and balance sheets with the accompanying notes to the financial statements.

The Board's proposed guidelines for remuneration of senior executives

The Board proposes that the Annual General Meeting to be held on May 7, 2009 decides on the following guidelines for remuneration of senior executives. These guidelines essentially conform to those that have been applied to date within the company. Senior executives are defined as the President & CEO and other members of Group management. The guidelines shall apply to employment contracts entered into subsequent to the Board's decision on guidelines and in those instances amendments are made in existing terms and conditions following the Board's decision.
Active Biotech shall offer total remuneration on market terms, facilitating the recruitment and retention of competent senior executives. Remuneration to senior executives may comprise fixed salary, any variable salary, pensions and other benefits. If the Board also determines that new share-based incentives should be introduced (e.g. employee options), a motion concerning this shall be submitted to the Annual General Meeting for approval.

A description of the guidelines applied in 2008 and the remuneration paid are described in Note 5 on pages 21–24.

Fixed salary

The fixed salary shall take into consideration the individuals' area of responsibility and experience. This shall be reviewed on an annual basis.

Variable salary
When necessary, the variable salary shall depend on the individuals' fulfillment of quantitative and qualitative goals. No variable salary shall be paid to the President & CEO. For other senior executives, the variable salary shall amount to not more than 25 percent of fixed salary, whereby the highest level should be based on such factors as the position held by the specific individual.

Pension
Pension benefits shall comprise defined-contribution schemes. The pension premium shall correspond to not less than that applicable for the ITP plan and not more than 25 percent of fixed salary.

Severance pay, etc
The company and the President & CEO shall observe a mutual termination period of 12 months. The company and other senior executives shall observe a mutual termination period of six months. No severance pay will be issued. However, the President & CEO shall be entitled to extra remuneration corresponding to four annual salaries in the event of an ownership change that entails that the company in its entirety is acquired or taken over by another party.

Other benefits
Senior executives may be awarded other customary benefits, such as a company car, company healthcare, etc.

Drafting and approval
The President & CEO's remuneration shall be drafted and approved by the Board of Directors. Other senior executive's remuneration shall be drafted by the President & CEO, who shall submit a proposal to the Board for approval. The Board of Directors is entitled to deviate from the above principles if it deems that there are particular grounds for doing so in individual cases.

Earlier adopted remuneration packages
The President & CEO is entitled to extra remuneration such as that referred to above under the heading Severance pay, etc. In other respects, there are no earlier adopted remuneration packages that have not fallen due for payment. However, the company's outstanding employee stock options may entail costs for the company (social-security costs) in accordance with the information presented in the Annual Report.

Deviations from earlier adopted guidelines
When a new President & CEO was employed in summer 2008, he was granted entitlement to the extra remuneration referred to above under the heading Severance pay, etc. There was no scope for such remuneration in the guidelines adopted by the Annual General Meeting in 2008. Accordingly, the Board resolved to utilize the opportunity to deviate from the guidelines, since it believed that specific circumstances existed that justified this course of action. When the former President & CEO provided notification that he would be stepping down from his position, the need to ensure that the company one again had a chief executive with the necessary expertise and industry knowledge became urgent. The extra remuneration awarded and the restriction imposed on the President & CEO's pension conditions, combined with the elimination of variable salary, comprised the components of what the Board of Directors regarded as a reasonable overall solution. For reasons of completeness, it should also be noted that the agreement reached with the former President & CEO in conjunction with him leaving his position comprises the payment of an amount corresponding to 15 months' severance pay in addition to an amount equivalent to the social-security contributions that would have been paid had he resided in Sweden. In the opinion of the Board, this settlement also represents a reasonable overall solution.

Events after the balance-sheet date

- In February 2009, Active Biotech and Teva announced that laquinimod has received a "Fast Track" designation from the FDA. Fast Track status can facilitate the development and accelerate the registration process, which may mean that laquinimod will be available in the market at the end of 2011.
- In February 2009, Active Biotech also announced that it had decided not to initiate a Phase II/III clinical development program for 57-57 on a proprietary basis. A development program has been prepared in cooperation with European and US regulatory bodies. The company will actively seek a partner for the continued implementation of the project during 2009.
- In February 2009, it was announced that an independent international expert group had evaluated the safety profile of the TASQ project. The group has recommended that the trial continue in accordance with the established protocol.
- The Board of Directors proposes that the Annual General Meeting on May 7, 2009 resolve to approve a guaranteed rights issue in a maximum amount of SEK 256 million to strengthen the company's financial position and drive development of the company's clinical portfolio. It is proposed that the issue shall entitle existing shareholders with preferential rights to subscribe for one new share for each four shares held at an issue price of SEK 20 per share.

The principal owners, MGA Holding AB (30.0 percent) and Nordstjernan AB (15.3 percent), have undertaken to subscribe for the full amount of shares corresponding to their preferential rights. In addition, MGA Holding AB and Nordstjernan AB have undertaken, in the event the issue is not fully subscribed, to subscribe for any additional shares not taken up with the support of preferential rights. Accordingly, the issue is guaranteed in its entirety.

Outlook for 2009

Against the background of the continued positive development of the project portfolio, the Board of Directors has determined that available liquidity, revenues from existing partnership agreements and liquidity from the rights issue proposed by the Board totaling a maximum of SEK 256 million will provide sufficient financial resources to finance the company's operations during 2009.

Since the timing for the signing of additional partnership agreements and the receipt of milestone payments from existing agreements is uncertain, no earnings forecast is being issued for fiscal year 2009.

Proposed appropriation of earnings

The following amount stated in SEK is at the disposal of the Annual General Meeting

Share premium reserve	138 993 043
Accumulated loss	-200 546 280
Net profit for the year	63 632 222
Total	2 078 985

The Board of Directors proposes that the above profit totaling SEK 2,078,985 at the disposal of the Annual General Meeting be carried forward to a new account.

Approval and adoption

The Annual Report and the consolidated financial statements have been approved for issue on April 3, 2009. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject for adoption by the Annual General Meeting on May 7, 2009.

Statement by the Board of Directors

The Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards referred to in regulation (EC) No. 1606/2002 of the European Parliament and the Council dated July 19, 2002 governing the application of international accounting standards. The annual accounts and the consolidated accounts provide a true and fair view of the Group's and Parent Company's financial position and results of operations. The Directors' Report for the Group and the Parent Company provides a true and fair view of the Group's and the Parent Company's operations, position and results, and describes significant risks and uncertainty factors that the Parent Company and Group companies face.

Lund, April 3, 2009
The Board of Directors of Active Biotech AB (publ)

MATS ARNHÖG
Chairman

KLAS KÄRRE

MAGNHILD SANDBERG-WOLLHEIM

PETER SJÖSTRAND

PETER STRÖM

KARIN HALLBECK

ANETTE SUNDSTEDT

TOMAS LEANDERSON
President & CEO

We submitted our Audit Report on April 3, 2009.

KPMG AB

STEFAN HOLMSTRÖM
Authorized Public Accountant

Active Biotech AB is obligated to publish the information contained in this Annual Report in accordance with the Swedish Securities Market Act. This Annual Report was provided to the media for publication on April 6, 2009, at 8:30 a.m.

Consolidated income statement

JANUARY 1 – DECEMBER 31

SEK thousands	Note	2008	2007
Net sales	2	**53 456**	12 077
Administrative expenses	3, 4	**-30 658**	-25 019
Research and development expenses	3	**-207 399**	-189 747
Operating loss	5	**-184 601**	-202 689
Financial income		**14 218**	6 803
Financial expenses		**-10 241**	-11 832
Net financial income/expense	6	**3 977**	-5 029
Loss before tax		**-180 624**	-207 718
Tax	7	**-962**	–
Net loss for the year		**-181 586**	-207 718
Attributable to:			
Parent Company's shareholders		**-181 586**	-207 718
Minority interests		**–**	–
Earnings per share	12		
before dilution (SEK)		**-3,66**	-4,47
after dilution (SEK)		**-3,66**	-4,47

Consolidated cash-flow statement

JANUARY 1 – DECEMBER 31

SEK thousands	Note 20	2008	2007
Operating activities			
Loss before tax		**-180 624**	-207 718
Adjustments for items not included in the cash flow		**5 351**	23 548
Cash flow from operating activities before changes in working capital		**-175 273**	-184 170
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		**8 683**	-5 440
Increase(+)/Reduction(-) in operating liabilities		**7 127**	2 906
Cash flow from operating activities		**-159 463**	-186 704
Investing activities			
Acquisition of tangible fixed assets		**-2 855**	-91
Reduction in financial fixed assets		**9 816**	276
Cash flow from investing activities		**6 961**	185
Financing activities			
New share issue		**157 668**	240 000
Issue expenses		**- 3 816**	-5 584
Early redemption of convertible loan		**–**	-1 975
Borrowings		**3500**	–
Amortization of loan		**-3 784**	-3 900
Amortization of leasing liabilities		**-938**	-1 297
Cash flow from financing activities		**152 630**	227 244
Cash flow for the year		**128**	40 725
Cash and cash equivalents, January 1		**138 613**	97 886
Exchange-rate differences in cash and cash equivalents		**–**	2
CASH AND CASH EQUIVALENTS AT YEAR-END		**138 741**	138 613

Consolidated balance sheet

AT DECEMBER 31

SEK thousands	Note	2008	2007
ASSETS			
Land and buildings	8	**316 613**	324 025
Equipment, tools, fixtures and fittings	8	**7 939**	5 675
Other long-term securities	9	**–**	2 453
Long-term receivables		**1**	–
Total fixed asset		**324 553**	332 153
Accounts receivable		**1 671**	1 586
Tax receivables		**3 882**	3 897
Other receivables		**1 120**	3 621
Pre-paid costs and accrued revenues	10	**2 981**	9 674
Cash and cash equivalents	20	**138 741**	138 613
Total current assets		**148 395**	157 391
TOTAL ASSETS		**472 948**	489 544

AT DECEMBER 31

SEK thousands	Note	2008	2007
SHAREHOLDERS' EQUITY			
Share capital		**193 148**	178 290
Other capital contributed		**2 072 188**	1 933 194
Reserves		**41 698**	42 326
Loss carryforwards including loss for the year		**-2 143 424**	-1 964 240
Total shareholders' equity	11	**163 610**	189 570
LIABILITIES			
Liabilities to credit institutions	13	**246 726**	248 417
Long-term interest-bearing liabilities	13	**5 000**	2 215
Total long-term liabilities		**251 726**	250 632
Short-term interest-bearing liabilities	13	**6 652**	5 508
Accounts payable		**16 213**	10 432
Tax liabilities		**460**	16
Other liabilities	14	**2 797**	1 804
Accrued costs and pre-paid revenues	15	**31 490**	31 582
Total short-term liabilities		**57 612**	49 342
TOTAL LIABILITIES		**309 338**	299 974
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**472 948**	489 544

For information pertaining to pledged assets and contingent liabilities, see Note 18.

Statement of changes in consolidated equity

SEK thousands	Note 11	Share capital	Other capital contributions	Reserves	Profit/loss brought forward incl. profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2007		150 003	1 628 429	43 448	-1 761 522	60 358
Change in translation reserve for the year		–	–	-173	–	-173
Change in revaluation reserve for the year		–	–	-949	949	–
Total changes in net worth reported directly against shareholders' equity, excl. transactions with company owners		–	–	-1 122	949	-173
Loss for the year		–	–	–	-207 718	-207 718
Total changes in net worth excl. transactions with company owners		–	–	-1 122	-206 769	-207 891
New share issue		15 077	219 339	–	–	234 416
Conversion		13 210	85 426	–	–	98 636
Share-based remuneration regulated by own capital instrument, IFRS 2		–	–	–	4 051	4 051
Closing shareholders' equity, December 31, 2007		178 290	1 933 194	42 326	-1 964 240	189 570
Opening shareholders' equity, January 1, 2008		178 290	1 933 194	42 326	-1 964 240	189 570
Change in translation reserve for the year		–	–	-639	–	-639
Change in revaluation reserve for the year		–	–	11	949	960
Total changes in net worth reported directly against shareholders' equity, excl. transactions with company owners		–	–	-628	949	321
Loss for the year		–	–	–	-181 586	-181 586
Total changes in net worth excl. transactions with company owners		–	–	-628	-180 637	-181 265
New share issue		14 858	138 994	–	–	153 852
Share-based payment regulated by own capital instruments, IFRS 2		–	–	–	1 453	1 453
Closing shareholders' equity, December 31, 2008		193 148	2 072 188	41 698	-2 143 424	163 610

Parent Company income statement

JANUARY 1 – DECEMBER 31

SEK thousands	Note	2008	2007
Net sales	2	**46 354**	6 833
Administrative expenses	3, 4	**-33 225**	-30 734
Operating profit/loss	5	**13 129**	-23 901
Profit/loss from financial items:			
Profit/loss from participations in Group companies	6	**37 635**	-8 003
Profit from other securities and receivables that are fixed assets	6	**7 363**	–
Interest income and similar items	6	**5 508**	6 332
Interest expense and similar items	6	**-3**	-2 384
Profit/loss after financial items		**63 632**	-27 956
Profit/loss before tax		**63 632**	-27 956
Tax	7	**–**	–
Profit/loss for the year		**63 632**	-27 956

Cash-flow statement for the Parent Company

JANUARY 1 – DECEMBER 31

SEK thousands	Note 20	2008	2007
Operating activities			
Profit/loss after financial items		**63 632**	-27 956
Adjustments for items not included in the cash flow		**-43 541**	4 054
Cash flow from operating activities before changes in working capital		**20 091**	-23 902
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		**8 625**	6 274
Increase(+)/Reduction(-) in operating liabilities		**-3 616**	-399
Cash flow from operating activities		**25 100**	-18 027
Investing activities			
Reduction in financial fixed assets		**9 816**	276
Cash flow from investing activities		**9 816**	276
Financing activities			
New share issue		**157 667**	240 000
Issue expenses		**-3 815**	-5 584
Early redemption of convertible loan		**–**	-1 975
Group contributions paid		**-180 000**	-180 000
Cash flow from financing activities		**-26 148**	52 441
Cash flow for the year		**8 768**	34 690
Cash and cash equivalents, January 1		**122 857**	88 167
CASH AND CASH EQUIVALENTS AT YEAR-END		**131 625**	122 857

Parent Company balance sheet

AT DECEMBER 31 SEK thousands	Note	2008	2007
ASSETS			
Fixed assets			
Equipment, tools, fixtures and fittings	8	**351**	355
Financial fixed assets			
Participations in Group companies	19	**202 450**	229 400
Other long-term securities	9	**–**	2 453
Other long-term receivables		**1**	–
Total financial fixed assets		**202 451**	231 853
Total fixed assets		**202 802**	232 208
Current assets			
Short-term receivables			
Receivables from Group companies		**7 813**	63 553
Tax receivables		**1 638**	1 638
Other receivables		**95**	199
Pre-paid costs and accrued revenues	10	**742**	1 372
Total short-term receivables		**10 288**	66 762
Short-term investments	20	**–**	99 479
Cash and bank balances	20	**131 625**	23 378
Total current assets		**141 913**	189 619
TOTAL ASSETS		**344 715**	421 827

AT DECEMBER 31 SEK thousands	Note	2008	2007
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		**193 148**	178 290
Statutory reserve		**118 871**	359 458
Unrestricted equity			
Share premium reserve		**138 994**	308 562
Loss carryforwards		**-200 547**	-521 193
Profit/loss for the year		**63 632**	-27 956
Total shareholders' equity	11	**314 098**	297 161
Short-term liabilities			
Accounts payable		**640**	771
Liabilities to Group companies		**16 000**	112 433
Other liabilities	14	**790**	687
Accrued costs and prepaid revenues	15	**13 187**	10 775
Total short-term liabilities		**30 617**	124 666
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**344 715**	421 827

Pledged assets and contingent liabilities for the Parent Company

AT DECEMBER 31 SEK thousands	Note	2008	2007
Assets pledged	18	**6 644**	1 270
Contingent liabilities	18	**251 917**	252 200

Statement of changes in Parent Company's equity

		Restricted equity		Unrestricted equity			
SEK thousands	Note 11	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2007		150 003	359 458	3 797	-394 347	49 318	168 229
Group contributions paid		–	–	–	-180 215	–	-180 215
Treatment of profit/loss in preceding year		–	–	–	49 318	-49 318	–
Total changes in net worth reported directly against shareholders' equity, excl. transactions with company owners		–	–	–	-130 897	-49 318	-180 215
Profit/loss for the year		–	–	–	–	-27 956	-27 956
Total changes in net worth excl. transactions with company owners		–	–	–	-130 897	-77 274	-208 171
New share issue		15 077	–	219 339	–	–	234 416
Conversion		13 210	–	85 426	–	–	98 636
Share-based remuneration regulated by own capital instrument, IFRS 2		–	–	–	4 051	–	4 051
Closing shareholders' equity. December 31. 2007		178 290	359 458	308 562	-521 193	-27 956	297 161
Opening shareholders' equity, January 1, 2008		178 290	359 458	308 562	-521 193	-27 956	297 161
Group contributions paid		–	–	–	-202 000	–	-202 000
Treatment of profit/loss in preceding year		–	-240 587	-308 562	521 193	27 956	–
Total changes in net worth reported directly against shareholders' equity, excl. transactions with company owners		–	-240 587	-308 562	319 193	27 956	-202 000
Profit/loss for the year		–	–	–	–	63 632	63 632
Total changes in net worth excl. transactions with company owners		–	-240 587	-308 562	319 193	91 588	-138 368
New share issue		14 858	–	138 994	–	–	153 852
Share-based payment regulated by own capital instruments, IFRS 2		–	–	–	1 453	–	1 453
Closing shareholders' equity. December 31. 2008		193 148	118 871	138 994	-200 547	63 632	314 098

Notes to the financial statements

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 adopted by the European Union. In addition, the Group applied the recommendation of the Swedish Financial Accounting Standards Council RR 30:05 Supplementary Accounting Regulations for Groups.

The Parent Company applies the same accounting principles as the Group, except in the instances specified below in the section "Accounting principles of the Parent Company."

The annual accounts and the consolidated accounts were approved for issue by the Board on April 3, 2009. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject for adoption by the Annual General Meeting on May 7, 2009.

Conditions for preparing 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, SEK. All amounts, unless otherwise stated, are rounded off to the nearest thousand. Assets and liabilities are recognized at the historical acquisition value (cost), except for the Group's property Forskaren 1, and certain financial assets and liabilities, which are fair-valued. Financial assets and liabilities measured at fair value comprise financial assets classified as financial assets fair-valued via profit and loss.

The preparation of financial reports in accordance with IFRS requires company 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 actual outcome may deviate from these evaluations and assessments. The evaluations 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 in future periods.

Assessments made by company 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 21.

The accounting principles for the Group detailed below were applied consistently in all periods presented in the consolidated financial statements, unless otherwise specified below. The Group's accounting principles were applied consistently in the reporting and consolidation of the Parent Company and subsidiaries.

Changed accounting principles

The following amendments to standards and new interpretations applied from 2008.

Amendment to IAS 39 Financial instruments, Recognition and Measurement; IFRS 7 Financial instruments, Disclosures; IFRIC 11 IFRS 2 – Group and Treasury Share Transactions; IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

These amendments to standards and new interpretations did not have any effect on Active Biotech's accounting records in 2008 or earlier periods and are not expected to have a significant impact in the future.

New IFRS and interpretations that have not yet taken effect

The amendment to IFRS 2 Share-based payments clarifies vesting conditions and how conditions that do not comprise vesting conditions should be recognized. The amendment does not entail any adjustment to Active Biotech's financial reporting. IFRS 8 defines an operating segment and the information that shall be disclosed regarding these. The new standard specifies how segments shall be identified, but will not affect Active Biotech, since it is a single-segment company. A revised IAS 1 that affects the names of statements and their presentation forms will be introduced in 2009. It has been deemed that the amendment to IAS 23 Borrowing costs, which entails a change to the rules governing the capitalization of borrowing costs, will not have a significant impact on Active Biotech's financial reporting.

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 operation 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 purchase method. The method entails that the acquisition of a subsidiary is regarded as a transaction whereby 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 transfer 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 recognized in profit and loss. The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until the date the controlling 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 recognized in profit and loss. Non-monetary assets and liabilities that are reported at the historical acquisition value are translated at the exchange rate prevailing at the date 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.

Recognition 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 recognized on the contract date. Any milestone 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 recognized 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 certain.

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

Financial leasing agreements
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 expenses
Financial income and expenses 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 discounts estimated future receipts and payments during a financial instrument's anticipated duration to the financial asset's or liability's reported net value. The interest component in financial leasing payments is recognized in profit and loss 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.

Exchange-rate gains and losses are reported net.

Dividend income is recognized when the right to receive payments has been secured. The Group and Parent Company do not capitalize interest in the acquisition value of assets.

Financial instruments
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.

Recognition in, and removed from, the balance sheet
A financial asset or financial liability is recognized in the balance sheet when the company is party to the contractual conditions of the instrument. Trade receivables are recognized in the balance sheet when the invoice has been sent. Liabilities are recognized 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 recognized 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 recognized at the transaction date, which is the date the company commits to the acquisition or divestment of the asset.

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.

Classification and valuation
Financial instruments are initially recognized 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 recognized at fair value excluding transaction expenses. Accordingly, the recognition of financial instruments depends on how they have been classified, which is specified below.

Financial assets valued at fair value via the income statement
This category consists of two sub-groups: Financial assets held for trading and other financial assets classified in this category by the company (in accordance with the Fair Value Option). Financial instruments in this category are continuously measured at fair value with changes in value reported in the income statement. The first sub-group comprises derivatives with positive fair values, with the exception of derivatives that are an identified and effective hedging instrument. Depending on the purpose of the holding, financial instruments constitute either financial fixed assets if the duration is longer than one year, or short-term investments, if the duration is shorter than one year. Financial investments comprising shares or interest-bearing securities held for trading are classified in this category.

Loan and accounts receivables
Loan and accounts receivables are financial assets, which do not comprise derivatives, with fixed or determinable payments that are not quoted in an active market. 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. Assets with a short duration are not discounted. This category comprises accounts receivable, long-term receivables and other receivables. Accounts receivable are recognized at the amount that is expected to be received, that is, after the deduction of doubtful receivables, which are determined individually. Impairment of accounts receivable is recognized in operating expenses. Other receivables are classified as long-term receivables if the duration is longer than one year, and if it is shorter, as other receivables. Any impairment of long-term receivables is recognized as a financial item.

Investments held to maturity
Investments held to maturity comprise financial assets that encompass interest-bearing securities with fixed or determinable payments and fixed maturities that the company has a positive intention and ability to hold to maturity. Assets in this category are measured at amortized acquisition value.

Financial assets available for sale
The category financial assets available for sale includes financial assets that have not been classified in any other category or financial assets that the company initially chose to classify in this category. Holdings of shares and participations not reported as subsidiaries, associated companies or joint ventures are reported under this heading. Assets in this category are valued at fair value on a continuous basis with value fluctuations recorded against shareholders' equity, however, not those attributable to impairment losses (see the accounting principle on the next page) or interest on receivable instruments and dividend income as well as exchange-rate differences on monetary items, which are recognized in the income statement. In connection with divestment of the asset, the accumulated gain/loss, which was previously recognized in shareholders' equity, is recorded in the income statement.

Other financial liabilities
Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortized acquisition value. Accounts payable have a short expected duration and are valued without discounting to the nominal amount. Long-term liabilities have an expected duration of more than one year, while short-term liabilities have a duration of less than one year.

Tangible fixed assets

Assets owned

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 recognized using the acquisition method are recognized 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 recognized 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 carrying amount 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 carrying amount increases as a result of a revaluation, the increase is recognized directly against shareholders' equity in the "Revaluation reserve." If the increase entails a reversal of the previously recognized value impairment with regard to the same asset, the reduction is recognized as a reduced expense in the income statement. When the carrying amount of an asset is reduced as a result of a revaluation, the reduction is recognized as an expense. If there is a balance in the revaluation reserve attributable to the asset, the reduction is firstly recognized directly against the revaluation reserve. The difference between depreciation based on the revalued 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 revalued (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 carrying amount of a tangible fixed asset is derecognized 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 carrying amount, less deductions for direct sales expenses. Profit or loss is recorded as other operating revenues/expenses.

Leased assets

Leases are classified in the consolidated financial statements as either financial leases or operational leases. Financial leases occur when the financial risks and benefits associated with ownership are essentially transferred to the lessee. They are otherwise considered operational leases.

Assets leased through financial leasing agreements are recognized as assets in the consolidated balance sheet. The commitment to pay future leasing fees is reported as long-term and short-term liabilities. These assets are subject to straight-line depreciation while leasing fees are recognized 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 carrying amounts of replacement components, or parts of components, are disposed of and expensed in connection with the replacement. Repairs are expensed on an ongoing basis. Borrowing costs are not capitalized.

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.

Estimated useful life of:

– 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 expensed 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 recognized 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 recognized in profit and loss 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 trademark 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 amounts of Group assets are tested at each balance-sheet date to establish whether there are any impairment indicators.

Impairment testing of tangible and intangible assets and participations in subsidiaries and associated companies
If there is an indication that an impairment requirement exists, the asset's recoverable value (see below) is calculated in accordance with IAS 36. If it is not possible to establish fundamentally independent cash flows attributable to a specific asset, when testing for impairment, the assets shall be grouped at the lowest level whereby it is possible to identify fundamentally independent cash flows — a so-called cash-generating unit.

An impairment loss is recognized when an asset's or cash-generating unit's (group of units) carrying amount exceeds the recoverable value. An impairment loss is charged to the income statement. Impairment loss in assets attributable to a cash-generating unit (group of units) is first allocated to goodwill. Thereafter, a proportional impairment is conducted of other assets included in the cash-generating unit (group of units).

The recoverable value is the highest of fair value less selling costs and value in use. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk related to the specific asset.

Impairment testing of financial assets
At each reporting occasion, the company assesses if there is objective evidence that an impairment requirement exists for a financial asset or group of financial assets. Objective evidence comprises observable events that have taken place that have had a negative impact on the prospect of recovering the acquisition value, and a significant or extensive reduction of the fair value of an investment in a financial investment classified as a financial asset available for sale.

The recoverable value for assets included in the loans receivable and accounts receivable category, which are recorded at amortized acquisition value, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognized. Assets with a short duration are not discounted. Impairment losses are charged to the income statement.

Reversal of impairment
An impairment loss is reversed if there is both an indication that the impairment requirement no longer exists and if there has been a change in the assumptions that formed the basis for the calculation of the recoverable value. However, impairment of goodwill is never reversed. Reversal of impairment is only conducted to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been reported, less depreciation, where applicable, had no impairment taken place.

Impairment losses of investments held to maturity or loan receivables and accounts receivable that are recognized at amortized acquisition value are reversed if a later increase of the recoverable value can be attributed to an event that occurred after the impairment was conducted.

Employee remuneration
Post-retirement benefits
Both defined-benefit and defined-contribution pension plans exist within the Group. For defined-benefit plans, remuneration 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 company's obligations relating to fees for defined-contribution pension plans are expensed in the income statement as they are accrued due to the employee performing services for the company over a period.

All defined-benefit pension plans are secured through insurance with Alecta, which is a defined-benefit plan that covers a number of employers. For the 2007 and 2008 financial years, 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 remuneration
An expense for remuneration in connection with termination of employment of personnel is recognized only if the company is unquestionably obligated, without any realistic possibility of withdrawal, by a formal detailed plan to eliminate a position in advance of when that position would normally expire. When remuneration is paid as an offer to encourage voluntary termination of employment, a cost for this is recognized if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Current employee remuneration
Current remuneration to employees is calculated without discounting and is recorded as an expense when the related services are received.

A provision is recorded for the anticipated cost for bonus payments when the Group has an applicable legal or informal obligation to make such payments, as a result of services received from employees, and the obligation can be reliably estimated.

Share-based payments
At an Extraordinary General Meeting on December 8, 2003, an employee stock options program was implemented, with allocations in 2003, 2005 and 2006, through which all Active Biotech Group employees were offered the opportunity to acquire shares in the company. Employee stock options are allocated without payment. The stock options program was reported in accordance with IFRS 2 and UFR 7.

A stock options program permits the employees to acquire shares in the company. The fair value of allotted options is recognized 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.

Social-security costs attributable to share-based instruments for employees as remuneration for purchased services are expensed over the periods in which the services were performed. Provisions for social-security 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.

Recognition of earnings per share
The calculation of earnings per share is based on profit/loss for the year in the Group attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take into account the effects of dilutive potential ordinary shares, which during the reported periods, were derived from options issued to employees. Dilution only occurs when the exercise rate is lower than the trading price, and grows in pace with the increase of the difference between the exercise rate and the trading price. The exercise rate is adjusted by adding the value of future services connected to the equity-regulated employee options program, which was reported as share-based remuneration in accordance with IFRS 2.

Provisions
A provision is recognized 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 moneys 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 recognized in profit and loss except where the underlying transaction is recognized directly against shareholders' equity, whereby the associated tax effect is recognized 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 belongs 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 shares in subsidiaries and participations in 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 amount 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 recognized at the same date as when the dividend was recognized as a liability.

Contingent liabilities
A contingent liability is recognized when a possible commitment exists arising 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 Reporting Board RFR 2.1, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board concerning listed companies were also applied. RFR 2.1 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 the greatest possible extent, within the framework of the Annual Accounts Act, the law on safeguarding of pension commitments and with consideration given to the relationship between accounting and taxation. The recommendation stipulates what exceptions and additions shall be made to IFRS.

Changed accounting principles
The financial reports of the Parent Company were prepared using the same accounting principle as those applied in 2007.

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.

Classification and presentation forms
The presentation of the Parent Company's income statement and balance sheet is in line with arrangement specified in the Annual Accounts Act. The difference in relation to IAS 1 Presentation of financial statement, which is applied in the preparation of the consolidated financial statements, is primarily the recognition of financial income and expenses shareholders' equity and the occurrence of provisions as a separate heading in the balance sheet.

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

Anticipated dividends
Anticipated dividends from subsidiaries are recognized 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.

Financial guarantee contracts
The Parent Company's financial guarantee contracts mainly comprise guarantees for the benefit of subsidiaries. Financial guarantees mean that the company has an obligation to compensate the holder of a promissory instrument for losses that it incurs because a specific debtor fails to pay by the due date in accordance with the terms and conditions of the agreement. For recognition of financial guarantee contracts, the Parent Company applies one of the regulations permitted by the Swedish Financial Reporting Board that entails a relaxation compared with IAS 39 as regards financial guarantee contracts issued for the benefit of subsidiaries. The Parent Company records financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which it is probable that payment will be required to settle the obligation.

Tangible fixed assets
Owned assets
Tangible fixed assets in the Parent Company are recognized 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 recognized 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 recognized 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
The company reports Group contributions and shareholders' contributions in accordance with the statement by the Swedish Financial Reporting Board. Shareholders' contributions are recognized 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 recognized in accordance with their financial impact. This means that Group contributions paid to reduce the total tax of the Group, are recognized directly against profit brought forward less deductions for its tax effect.

Group contributions that are comparable to a dividend are recognized 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 recognized directly against profit brought forward.

Group contributions that are comparable to shareholders' contributions are recognized by the recipient directly against profit brought forward, taking into account the tax effects. The contributor recognizes 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	**2008**	2007	**2008**	2007
Licensing revenues	**41 187**	–	**41 187**	–
Research services	**4 235**	3 164	**–**	–
Rental and service revenue	**6 367**	5 555	**–**	–
Administrative services	**–**	–	**3 500**	3 500
Government grant, Vinnova	**1 667**	3 333	**1 667**	3 333
Other	**–**	25	**–**	–
Total	**53 456**	12 077	**46 354**	6 833

Note 3 Operating expenses distributed by type of cost

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Personnel costs [1]	**90 568**	87 798	**24 527**	21 657
Depreciation	**11 462**	18 926	**4**	4
Impairment	**440**	745	**–**	–
Operating expenses	**17 191**	16 066	**3 427**	3 860
Property expenses	**15 348**	13 631	**1 044**	1 018
Administrative expenses	**1 793**	1 887	**1 793**	1 887
External R&D services	**97 602**	72 097	**–**	–
Other external services	**3 653**	3 616	**2 430**	2 308
Total	**238 057**	214 766	**33 225**	30 734

[1] Personnel costs include costs of SEK 1,656 thousand (4,867) pertaining to the employee stock options program.

Note 4 Auditors' remuneration

	Group and Parent Company	
SEK thousands	**2008**	2007
KPMG, auditing assignments [1]	**758**	684
KPMG, other assignments	**222**	67

[1] Review of prospectus recognized in shareholders' equity: SEK 109 thousand (158).

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 Employee and personnel costs, and remuneration of senior executives

Costs for remuneration of employees	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Salaries and remuneration, etc.	**52 340**	48 460	**12 466**	9 853
Share-based payment [1] (see below)	**1 656**	4 867	**1 656**	4 867
Pension costs, defined-benefit plans (see below)	**–**	–	**–**	–
Pension costs, defined-contribution plans [2] [3] (see below)	**12 697**	10 095	**6 045**	2 378
Social-security costs	**18 855**	18 905	**3 887**	4 082
Non-monetary remuneration	**2 186**	2 048		
Total	**87 734**	84 375	**24 054**	21 180

[1] Of which, social-security costs totaled SEK 202 thousand (816).

[2] Of the Parent Company's pension costs, SEK 4,572 thousand (1,094) pertains to the Board of Directors and President & CEO.

[3] The Group's pension costs include SEK 3.1 million (4.3) pertaining to the ITP plan financed in Alecta. See the section "Remuneration of employees after the termination of employment" for further information.

Average number of employees	2008		2007	
	No. of employees	Of whom, women	No. of employees	Of whom, women
Parent Company				
Sweden	**6**	**1 (17%)**	6	1 (17%)
Total, Parent Company	**6**	**1 (17%)**	6	1 (17%)
Subsidiaries				
Sweden	**84**	**50 (60%)**	83	51 (61%)
Group total	**90**	**51 (57%)**	89	52 (58%)

Gender distribution in management	2008	2007
	Of whom, women	
Parent Company		
Board of Directors	**43%**	25%
Other senior executives	**0%**	0%
Group total		
Board of Directors	**43%**	25%
Other senior executives	**0%**	0%

Personnel, sickness absence	2008	2007
Group total	Sickness absence in percent	
All employees	**1,0%**	1,4%
Men	**0,1%**	0,3%
Women	**1,7%**	2,2%
Employees under 30 years of age	**0,0%**	0,5%
Employees 30-49 years of age	**1,2%**	1,7%
Employees over 49 years of age	**0,8%**	0,9%
Absence of at least 60 days as % of total sickness absence	**14,1%**	0,0%

Sickness absence in the Parent Company is not reported, since the number of employees is less than ten.

Salaries and other remuneration subdivided by country and between senior executives and other employees, and social-security costs in the Parent Company	2008			2007		
SEK thousands	Senior executives (Nine individuals)	Other employees	Total	Senior executives (Nine individuals)	Other employees	Total
Salaries and other remuneration						
Sweden	**11 382**	**1 084**	**12 466**	8 850	1 003	9 853
(of which, bonus and similar)	**–**	**–**	**–**	–	–	–
Parent Company, total	**11 382**	**1 084**	**12 466**	8 850	1 003	9 853
(of which, bonus and similar)	**–**	**–**	**–**	–	–	–
Social-security costs [1]	**8 983**	**949**	**9 932**	5 526	934	6 460
[1] of which, pension costs	**5 837**	**208**	**6 045**	2 190	188	2 378

Salaries and other remuneration, pension costs for senior executives in the Group	2008	2007
Group	Senior executives	Senior executives
SEK thousands	(Ten individuals)	(Ten individuals)
Salaries and other remuneration	**12 224**	8 850
(of which, bonus and similar)	**–**	–
Pension costs	**5 980**	2 190

Severance pay and salaries to senior executives and other terms and conditions
The company and the President are subject to a mutual period of termination notice of 12 months. No severance pay will be issued and no loans exist. The company and other senior executives shall be subject to a mutual period of termination notice of six months. No severance pay will be issued and no loans exist. If the company, within a three-year period from the date on which the President & CEO assumed his position, is acquired or taken over in its entirety and the President & CEO is still employed, a cash payment corresponding to four annual salaries shall be paid. If the above does not occur within a three-year period, the parties shall, in good faith, negotiate and agree upon the customary performance-related variable remuneration for that time.

Post-retirement benefits
Defined-benefit plans
Retirement pension and family pension obligations for salaried workers in Sweden are secured through insurance with Alecta, which is a multi-employer, defined-benefit plan. For the 2007 and 2008 fiscal years, the company did not have access to information that would make it possible to report this plan as a defined-benefit plan. Accordingly, pension plans conforming to ITP and secured through an Alecta insurance policy are reported as a defined-contribution plan. The year's fees for pension insurance subscribed to in Alecta totaled SEK 3.1 million (4.3). Alecta's surplus can be allocated to the policyholders and/or the insured. At year-end 2008, Alecta's surplus at the collective consolidation rate amounted to 112 percent (152). The collective consolidation rate comprises the market value of Alecta's assets as a percentage 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 company. Payment to these plans is conducted on an ongoing basis and in accordance with the regulations for each plan.

Share-based payments
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 not more than 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 not more than 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. Full exercise of the employee stock options will entail a dilution of approximately 2.5 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 were issued in June 2006 and 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 was originally set at SEK 90.70, but as a consequence of the implementation of the convertible issue in 2004 and the new share issues implemented in 2005, 2007 and 2008, the exercise price has been recalculated at SEK 84.50 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 issues in 2005, 2007 and 2008, the exercise price has been recalculated at SEK 43.80. The exercise price for Series 3 employee stock options was originally set at SEK 68.80, but as a consequence of the implementation of the new share issue in 2007 and 2008 the exercise price has been recalculated at SEK 66.90.

The employee stock options are allotted free of charge. The options shall not be considered securities and are not transferable 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. The estates of option holders have the right to exercise the options on condition that the holder remained in the employment 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, 1,438,900 Series 2 options and 452,200 Series 3 options for subscription for new shares were issued to a wholly owned subsidiary of Active Biotech AB (publ), waiving the rights of existing shareholders. The debentures were issued at a price corresponding to their nominal value without interest and matured for payment on March 31, 2004.

Each Series 1 option entitles the holder to subscribe for 1.07 shares during the period June 1, 2006 to May 31, 2009 at a recalculated exercise price of SEK 84.50.

Each Series 2 option entitles the holder to subscribe for 1.07 shares share during the period June 1, 2007 to May 31, 2010 at a recalculated exercise price of SEK 43.80.

Each Series 3 option shall entitle the holder to subscribe for 1.07 shares during the period June 1, 2008 to May 31, 2011 at a recalculated exercise price of SEK 66.90.

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.

After having subscribed for debentures with options, the subsidiary has detached the options and held them in order to meet the commitments under 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.

Date of allocation/personnel category	Series 1	Series 2	Series 3	Total	Conditions of entitlement	Duration
Allocation, Dec. 2003/President	11 200	–	–	11 200	Remains in service	3 years
Allocation, Dec. 2003/Other senior executives	22 500	–	–	22 500	Remains in service	3 years
Allocation, Dec. 2003/Other employees	296 125	–	–	296 125	Remains in service	3 years
Outstanding at Dec. 31, 2003	329 825	–	–	329 825		
Forfeited 2004/other employees	-10 375	–	–	-10 375		
Outstanding at Dec. 31, 2004	319 450	–	–	319 450		
Allocation, June 2005/President	–	11 200	–	11 200	Remains in service	3 years
Allocation, June 2005/Other senior executives	–	60 500	–	60 500	Remains in service	3 years
Allocation, June 2005/Other employees	–	167 375	–	167 375	Remains in service	3 years
Forfeited 2005/other employees	-7 000	-1 500	–	-8 500		
Outstanding at Dec. 31, 2005	312 450	237 575	–	550 025		
Allocation, June 2006/President	–	–	11 200	11 200	Remains in service	3 years
Allocation, June 2006/Other senior executives	–	–	41 100	41 100	Remains in service	3 years
Allocation, June 2006/Other employees	–	–	287 700	287 700	Remains in service	3 years
Forfeited 2006/other employees	–	-500	–	-500		
Outstanding at Dec. 31, 2006	312 450	237 075	340 000	889 525		
Forfeited 2007/other employees	-3 375	-3 375	-9 225	-15 975		
Outstanding at Dec. 31, 2007	309 075	233 700	330 775	873 550		
Forfeited 2008/other employees	-2 000	-2 000	-2 315	-6 315		
Outstanding at Dec. 31, 2008	307 075	231 700	328 460	867 235		
Exercisable at Dec. 31, 2008	307 075	231 700	328 460	867 235		

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 data was used:

	Series 1	Series 2	Series 3
Share price (SEK)	60,45	39,05	57,30
Exercise price (SEK)	90,70	46,90	68,80
Anticipated volatility (%)	45	42	45
Duration (years)	5,42	5,00	5,00
Risk-free interest (%)	4,34	2,76	3,64
Forecast dividend	–	–	–

The calculation results in a fair value of SEK 21.10 for Series 1 options, SEK 13.50 for Series 2 options and SEK 22.00 for Series 3 options. The volatility assumption is based on forecasts and the historical volatility of the Active Biotech share.

Dilution effect and costs for the program
Full exercise of the proposed options would increase the share capital by at most SEK 5,013,226, 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 2.5 percent. The proposed options give rise to costs, partly in the form of social security costs (UFR7), of which SEK 202 thousand 816) was charged against consolidated earnings in 2008, and partly accounting costs in accordance with IFRS 2, of which SEK 1,453 thousand (4.051) was charged against consolidated earnings in 2008.

The reasons for the proposal
The reasons for the options program, which involves the waiving of the preferential rights of existing shareholders, are as follows: A share-based incentive program contributes to the 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.

Remuneration of senior executives
Guidelines adopted at the 2008 Annual General Meeting
Active Biotech shall offer total remuneration on market terms, facilitating the recruitment and retention of competent senior executives. Remuneration of senior executives shall comprise fixed salary, any variable salary, pensions and other benefits. If the Board also determines that new share-based incentives should be introduced (e.g. employee options), a motion concerning this shall be submitted to the Annual General Meeting for approval.

Fixed salary
The fixed salary shall take into consideration the individuals' area of responsibility and experience. This shall be reviewed on an annual basis.
Variable salary
The variable salary shall depend on the individuals' fulfillment of quantitative and qualitative goals.
Pension
Pension benefits shall comprise defined-contribution schemes. The retirement age shall be between 60 and 65. The pension premium for the President & CEO shall correspond to 30 percent of fixed salary. For other senior executives, the pension premium shall correspond to not less than that applicable for the ITP plan and not more than 25 percent of fixed salary.
Severance pay
The company and the President & CEO shall observe a mutual period of termination notice of 12 months. The company and other senior executives shall observe a mutual period of termination notice of six months. No severance amounts will be payable.
Other benefits
Senior management may be awarded otherwise customary benefits, such as a company car, company healthcare, etc.
Preparation and approval
The President & CEO's remuneration shall be prepared and approved by the Board. Other senior executive's remuneration shall be prepared by the President & CEO, who shall submit a proposal to the Board for approval. The Board is entitled to deviate from the above principles if it deems that there are particular grounds for doing so in individual cases.

Remuneration and other benefits during 2008

SEK thousands	Basic salary/ Board fee	Variable remuneration	Other benefits	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board; Mats Arnhög [1)]	250	–	–	–	–	–	–	250
Board member; Magnhild Sandberg-Wollheim [1)]	125	–	–	–	–	–	–	125
Board member; Klas Kärre [1)]	125	–	–	–	–	–	–	125
Board member; Peter Sjöstrand [1)]	125	–	–	–	–	–	–	125
Board member; Peter Ström [1)]	125	–	–	–	–	–	–	125
President & CEO Sven Andréasson, Jan 1-Aug 31	2 287	–	6	–	583	–	–	2 876
President & CEO Sven Andréasson, final remuneration	2 900	–	–	1 000	2 434	–	–	6 334
President & CEO Tomas Leanderson, Sept 1-Dec 31	1 062	–	30	79	283	–	–	1 454
Tomas Leanderson, Jan 1-Aug 31	1 634	–	61	170	448	–	–	2 313
Other senior executives (3 individuals)	3 591	–	236	133	850	–	–	4 810
Total	**12 224**	**–**	**333**	**1 382**	**4 598**	**–**	**–**	**18 537**

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

Remuneration and other benefits during 2007

SEK thousands	Basic salary/ Board fee	Variable remuneration	Other benefits	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board; Mats Arnhög [1)]	250	–	–	–	–	–	–	250
Board member; Magnhild Sandberg-Wollheim [1)]	125	–	–	–	–	–	–	125
Board member; Klas Kärre [1)]	125	–	–	–	–	–	–	125
Board member; Peter Sjöstrand [1)]	125	–	–	–	–	–	–	125
Board member; Peter Ström [1)]	125	–	–	–	–	–	–	125
President & CEO	3 427	–	6	–	978	–	–	4 411
Other senior executives (3 individuals)	4 673	–	249	–	1 212	–	–	6 134
Total	**8 850**	**–**	**255**	**–**	**2 190**	**–**	**–**	**11 295**

[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				Employee stock options Series 3			
	Amount	Value	Acquisition price	Remuneration	Amount	Value	Acquisition price	Remuneration	Amount	Value	Acquisition price	Remuneration
President & CEO until Aug 31, Sven Andréasson	11 200	236	–	236	11 200	151	–	151	11 200	246	–	246
President & CEO from Sept 1, Tomas Leanderson	7 500	158	–	158	42 500	574	–	574	25 000	550	–	550
Other senior executives (3 individuals)	19 000	401	–	401	23 000	311	–	311	21 490	473	–	473
Total	**37 700**	**795**	**–**	**795**	**76 700**	**1 036**	**–**	**1 036**	**57 690**	**1 269**	**–**	**1 269**

Note 6 Net financial items

	Group	
SEK thousands	**2008**	2007
Interest income	**6 108**	6 762
Capital gain on sale of financial fixed asset	**7 363**	–
Exchange-rate fluctuations	**747**	41
Financial income	**14 218**	6 803
Interest expenses	**-10 241**	-9 448
Interest expenses for convertible debentures	**–**	-2 384
Exchange-rate fluctuations	**–**	–
Financial expenses	**-10 241**	-11 832
Net financial items	**3 977**	-5 029

Parent Company	Earnings from participations in Group companies	
SEK thousands	**2008**	2007
Liquidation of subsidiary	**37 635**	–
Impairment losses	**–**	-8 003
Total	**37 635**	-8 003

Parent Company	Earnings from other securities and receivables that comprise fixed assets	
TSEK	**2008**	2007
Capital gain on sale of shares in Isogenica Ltd	**7 363**	–
Total	**7 363**	–

Parent Company	Interest income and similar items	
SEK thousands	**2008**	2007
Interest income from Group companies	**–**	–
Interest income, bank balances	**5 508**	6 329
Exchange-rate differences	**–**	3
Total	**5 508**	6 332

Parent Company	Interest expense and similar items	
SEK thousands	**2008**	2007
Interest expenses from Group companies	**–**	–
Interest expenses relating to convertible debenture	**–**	-2 384
Exchange-rate differences	**-3**	–
Total	**-3**	-2 384

Exchange-rate differences affecting earnings	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Exchange-rate differences affecting operating profit/loss	**-100**	180	**-20**	-3
Financial exchange-rate differences	**747**	41	**-3**	3
Total	**647**	221	**-23**	–

Note 7 Taxes

Recognized in profit and loss	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Current tax expense (-)/tax income (+)				
Tax expense/tax income for the period	**–**	–	**–**	–
Tax adjustments brought forward from earlier years	**–**	–	**–**	–
	–	–	**–**	–
Deferred tax expense (-)/ tax income (+)				
Deferred tax expense as a result of utilization of loss carryforwards previously capitalized	**-368**	-368	**–**	–
Deferred tax expense as a result of change in tax rate	**-962**	–	**–**	–
Deferred tax income attributable to depreciation of revaluation of property	**368**	368	**–**	–
Total reported tax expense/income	**-962**	–	**–**	–

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Reconciliation of effective tax				
Profit/loss before tax	**-180 624**	-207 718	**63 632**	-27 956
Tax on the Parent Company according to current rates (28%)	**50 575**	58 161	**-17 817**	7 828
Non-deductible expenses	**-1 918**	-2 481	**-1 715**	-4 476
Non-taxable revenues	**2 075**	17	**12 606**	7
Increase in loss carryforwards without equivalent capitalization of deferred taxes	**-50 732**	-55 697	**–**	-3 359
Effect of changed tax rate	**-962**	–	**–**	–
Utilization of loss carryforwards previously not capitalized	**–**	–	**6 926**	–
Reported effective tax	**-962**	–	**–**	–

Tax items recognized directly in shareholders' equity	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Deferred tax attributable to change in tax rate	**962**	–	**–**	–

Recognized in the balance sheet Deferred tax receivables and liabilities	Deferred tax receivable Group		Deferred tax liability Group		Net Group	
SEK thousands	**2008**	2007	**2008**	2007	**2008**	2007
Tangible fixed assets	**–**	–	**-14 881**	-16 212	**-14 881**	-16 212
Loss carryforwards	**14 881**	16 212	**–**	–	**14 881**	16 212
Tax receivables/liabilities	**14 881**	16 212	**-14 881**	-16 212	**–**	–
Offsetting	**-14 881**	-16 212	**14 881**	16 212	**–**	–
Tax receivables/liabilities, net	**–**	–	**–**	–	**–**	–

Change in deferred tax in temporary differences and loss carryforwards

SEK thousands	Balance at Jan 1, 2008	Recognized in profit and loss	Recognized in shareholders' equity	Balance at Dec 31, 2008
Tangible fixed assets	-16 212	369	962	-14 881
Loss carryforwards	16 212	-1 331	–	14 881
	–	-962	962	–

Due to the Group's activities with considerable research and development costs, the company is not liable for tax. At the end of 2008, the Group's accumulated loss carryforwards amounted to SEK 1,873 million and were 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 carryforwards corresponding to the deferred tax liability was reported.

Note 8 Tangible fixed assets

Group

SEK thousands	**Buildings and land** Recognition based on revaluation method	**Equipment, tools, fixtures and fittings** Recognition based on purchase method	**Total**
Acquisition value			
Opening balance, January 1, 2007	341 202	153 819	495 021
Other acquisitions	–	923	923
Divestments	–	-391	-391
Closing balance, December 31, 2007	341 202	154 351	495 553
Opening balance, January 1, 2008	341 202	154 351	495 553
Other acquisitions	–	6 314	6 314
Divestments	–	–	–
Closing balance, December 31, 2008	341 202	160 665	501 867
Depreciation and impairment losses			
Opening balance, January 1, 2007	-9 718	-137 600	-147 318
Depreciation for the year	-7 459	-11 467	-18 926
Divestments	–	391	391
Closing balance, December 31, 2007	-17 177	-148 676	-165 853
Opening balance, January 1, 2008	-17 177	-148 676	-165 853
Depreciation for the year	-7 412	-4 050	-11 462
Divestments	–	–	–
Closing balance, December 31, 2008	-24 589	-152 726	-177 315
Carrying amounts			
January 1, 2007	331 484	16 219	347 703
December 31, 2007	324 025	5 675	329 700
January 1, 2008	324 025	5 675	329 700
December 31, 2008	316 613	7 939	324 552

Tax assessment value		
Group	Dec. 31, 2008	Dec. 31, 2007
Tax assessment value, buildings (Forskaren 1, Municipality of Lund)	74 000	74 000
Tax assessment value, land (Forskaren 1, Municipality of Lund)	8 191	8 191

Buildings and land recognition based on the revaluation method	Historical carrying amount Dec. 31, 2008	Carrying amount after revaluations Dec. 31, 2008	Historical carrying amount Dec. 31, 2007	Carrying amount after revaluations Dec. 31, 2007
Acquisition value	280 316	341 202	280 316	341 202
Accumulated depreciation	-20 582	-24 589	-14 292	17 177
Carrying amount	259 734	316 613	266 024	324 025

Revaluation method
The Group applies the revaluation method with regard to the Group's owner-occupied property. At the time of the acquisition, the property was revalued using the revaluation method based on an appraisal conducted by PricewaterhouseCoopers. In conjunction with the divestment of land in April 2006, a new valuation was conducted. 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 of 2.0 percent for the calculation period
– Rental increases for rented premises in accordance with agreed rental terms
– Rental increases for internal premises, 100 percent of CPI
– Annual increase of operation/maintenance, 100 percent of CPI
– Nominal cost of capital, total capital 9.65 percent
– Direct yield last year's net operating income, 7.5 percent

The conditions on the local property market have not changed in a decisive manner. At the end of 2008, a new property valuation was conducted by PricewaterhouseCoopers. The market value of the property is within a value interval that does not significantly differ from the market value established in 2006, SEK 345 million.

Financial leasing in the Group
Since 2002, the company leases machines and other technical facilities under various financial leasing agreements in which the main terms of the agreement are as follows: rental period 36-60 months, final residual value 3-10 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, 2007, the carrying amount of property covered by financial leasing agreements was SEK 3,949 thousand. See also note 13, 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 SEK 570 thousand between one and five years SEK 1,140 million and after five years SEK 0.

Parent Company

SEK thousands	Equipment, tools, fixtures and fittings	Total
Acquisition value		
Opening balance, January 1, 2007	1 034	1 034
Other acquisitions	–	–
Divestments	–	–
Closing balance, December 31, 2007	1 034	1 034
Opening balance, January 1, 2008	1 034	1 034
Other acquisitions	–	–
Divestments	–	–
Closing balance, December 31, 2008	1 034	1 034
Depreciation and impairment losses		
Opening balance, January 1, 2007	-675	-675
Depreciation for the year	-4	-4
Divestments	–	–
Closing balance, December 31, 2007	-679	-679
Opening balance, January 1, 2008	-679	-679
Depreciation for the year	-4	-4
Divestments	–	–
Closing balance, December 31, 2008	-683	-683
Carrying amounts		
January 1, 2007	359	359
December 31, 2007	355	355
January 1, 2008	355	355
December 31, 2008	351	351

Note 9 Other long-term securities

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
At the beginning of the year	**2 453**	1 380	**2 453**	1 380
Divestment	**-2 453**	–	**-2 453**	–
Acquisitions	**–**	1 073	**–**	1 073
Carrying amount at year-end	**–**	2 453	**–**	2 453

Isogenica Ltd was divested during 2008.

Note 10 Prepaid expenses and accrued revenues

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Interest	**–**	367	**–**	–
Prepaid rent	**51**	75	**–**	27
Prepaid insurance	**1 046**	755	**486**	385
Accrued revenues	**52**	675	**–**	586
Prepaid clinical trials	**111**	5 320	**–**	–
Other prepaid expenses and accrued revenues	**1 721**	2 482	**256**	374
Total	**2 981**	9 674	**742**	1 372

Note 11 Shareholders' equity

Consolidated shareholders equity
Specification of shareholders' equity item Reserves
Translation reserve

SEK thousands	**2008**	2007
Opening translation reserve	**639**	812
Less exchange-rate differences attributable to divested/wound-up operations	**-639**	-173
Change in translation reserve for the year	**–**	–
Closing translation reserve	**–**	639

Revaluation reserve

SEK thousands	**2008**	2007
Opening revaluation reserve	**41 687**	42 636
Effect of changed tax rate	**960**	–
Transfer to loss carryforwards	**-949**	-949
Closing revaluation reserve	**41 698**	41 687

Total reserves

SEK thousands	**2008**	2007
Opening reserves	**42 326**	43 448
Change in reserves for the year:		
Translation reserve	**-639**	-173
Revaluation reserve	**11**	-949
Closing reserves	**41 698**	42 326

Share capital	Ordinaryshares	
Thousands of shares	**2008**	2007
Issued at January 1	**47 300**	39 795
Cash issue	**3 942**	4 000
Conversion	**–**	3 505
Issued at December 31 – paid	**51 242**	47 300

At December 31, 2008, the registered share capital comprised 51,241,791 ordinary shares with a quotient value of SEK 3.77. Holders of ordinary shares are entitled to dividends determined successively 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 December 8, 2003, it was decided 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 combined maximum of 1,000,000 shares in the company. Due to the commitments entailed by the employee stock options program, it was also decided 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' equity contributed by the owners in addition to share capital. This includes the share premium reserves transferred to the statutory reserve at December 31, 2005. Effective January 1, 2006 and onward, allocations 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 includes accumulated earnings/losses 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 2008 fiscal year.

Capital management
In accordance with the Board's policy, the Group's financial objective is to maintain a solid capital structure and financial stability, thereby retaining the confidence of investors and credit providers in the market, and to function as a platform for the continued development of the business operation. Capital is defined as total equity. With reference to the focus of the operation, no specific target for debt/equity has been defined. Neither the Parent Company nor any if its subsidiaries is subject to any external capital requirements.

Parent Company's shareholders' equity
Restricted funds
Restricted funds may not be reduced through the distribution of profits.

Statutory reserve
The purpose of the statutory reserve is to retain a portion of net profit that is not used to cover losses brought forward. Amounts that were allocated to the share premium reserve before January 1, 2006 have been transferred and are now included in the statutory reserve.

Unrestricted equity
In addition to profit/loss for the year, the following funds comprise unrestricted equity, meaning the amount that is available for distribution to shareholders.

Share premium reserve
When shares are issued at a premium, that is, payment is required for the shares in excess of their quotient value, an amount corresponding to the proceeds received in excess of the shares' quotient value shall be transferred to the share premium reserve. Amounts allocated to the share premium reserve from January 1, 2006 are included in unrestricted equity.

Profit/loss brought forward
Profit/loss brought forward comprises the preceding year's profit/loss brought forward, less any dividends paid during the year.

Note 12 Earnings per share

	Before dilution		After dilution	
SEK	**2008**	2007	**2008**	2007
Earnings per share	**-3,66**	-4,47	**-3,66**	-4,47

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 2008 was based on loss for the year attributable to the Parent Company's ordinary shareholders amounting to SEK 181,586 thousand (loss: 207,718) and on a weighted average number of shares outstanding during 2008 totaling 49,604,811 (46,426,946). The two components were calculated in the following manner:

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

SEK thousands	**2008**	2007
Loss for the year attributable to the Parent Company's shareholders	**-181 586**	-207 718

Weighted average number of outstanding common shares, before dilution

Thousands of shares	**2008**	2007
Total number of ordinary shares at January 1	**47 300**	39 795
Effect of new share issue	**2 305**	3 661
Effect of conversions	**–**	2 971
Weighted average number of ordinary shares during the year, before dilution	**49 605**	46 427

Earnings per share after dilution
The calculation of earnings per share in 2008 is based on loss for the year attributable to the Parent Company's shareholders amounting to SEK 181,586 thousand (loss: 207,718) and on a weighted average number of outstanding shares during 2008 totaling 49,604,811 (46,426,946). The two components were calculated in the following manner:

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

SEK thousands	**2008**	2007
Loss attributable to the Parent Company's shareholders	**-181 586**	-207 718
Effect of share warrants	**–**	–
Loss attributable to the Parent Company's shareholders, after dilution	**-181 586**	-207 718

Weighted average number of outstanding common shares, after dilution

Thousands of shares	**2008**	2007
Weighted average number of common shares during the year, before dilution	**49 605**	46 427
Effect of share warrants	**–**	–
Weighted average number of ordinary shares during the year, after dilution	**49 605**	46 427

Instruments that could potentially cause a dilution effect and changes after the balance-sheet date
The company's employee stock option program is deemed to have a dilution effect only if it results in lower earnings per share than before dilution. Since earnings for 2007 and 2008 were negative, the loss per share would be lower if the employee stock option program was taken into account. Furthermore, the exercise price for all share classes is higher than the share price. For further information on the company's employee stock option program, see Note 5.

Note 13 Interest-bearing liabilities

	Group	
SEK thousands	**2008**	2007
Long-term liabilities		
Bank loan	**246 726**	248 417
Financial leasing liabilities	**5 000**	2 215
Total	**251 726**	250 632
Current liabilities		
Short-term portion of bank loan	**5 191**	3 783
Short-term portion of financial leasing liabilities	**1 461**	1 725
Total	**6 652**	5 508

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	1 461	329	1 790
Between one and five years	5 000	811	5 811
Later than five years	–	–	–
	6 461	**1 140**	**7 601**

Amortization due within one year is reported as a short-term liability. Interest on financial leasing agreements is linked to the floating market interest rates. For further information concerning interest and maturity structures, see note 17.

Note 14 Other short-term liabilities

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Personnel tax at source	**1 461**	1 323	**290**	208
VAT	**836**	–	**–**	–
Other short-term liabilities	**500**	481	**500**	479
Total	**2 797**	1 804	**790**	687

Note 15 Accrued expenses and prepaid revenues

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Accrued vacation liability, including social-security costs	**7 171**	6 916	**1 888**	2 143
Accrued employer's contributions	**1 288**	1 270	**193**	256
Accrued employer's contributions for employee stock options program	**6 192**	5 990	**6 192**	5 990
Accrued severance pay	**2 848**	–	**2 848**	–
Other accrued personnel costs	**2 171**	2 400	**557**	579
Accrued Board fees, including social-security costs	**993**	993	**993**	993
Accrued auditors' fees	**340**	340	**300**	300
Accrued fees for legal services	**504**	551	**104**	105
Accrued interest	**1 498**	1 535	**–**	–
Accrued expenses, clinical trials	**5 243**	9278	**–**	–
Accrued property expenses	**2 402**	1 820	**–**	–
Other items	**840**	489	**112**	409
Total	**31 490**	31 582	**13 187**	10 775

Note 16 Valuation of financial assets and liabilities to fair value

The fair values and carrying amounts are recognized in the balance sheet below:

Group 2008

SEK thousands	Accounts and loans receivable	Derivatives used in hedge accounting	Investments held to maturity	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Other long-term securities	–	–	–	1	–	1	1
Accounts receivable	1 671	–	–	–	–	1 671	1671
Cash and cash equivalents	138 741	–	–	–	–	138 741	138 741
Total	**140 412**	**–**	**–**	**1**	**–**	**140 413**	**140 413**
Long-term interest-bearing liabilities	–	–	–	–	251 726	251 726	251 726
Short-term interest-bearing liabilities	–	–	–	–	6 652	6 652	6 652
Accounts payable	–	–	–	–	16 213	16 213	16 213
Other liabilities	–	–	–	–	1 498	1 498	1 498
Total	**–**	**–**	**–**	**–**	**276 089**	**276 089**	**276 089**

Group 2007

SEK thousands	Accounts and loans receivable	Derivatives used in hedge accounting	Investments held to maturity	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Other long-term securities	–	–	–	2 453	–	2 453	2 453
Accounts receivable	1 586	–	–	–	–	1 586	1 586
Interest-rate swaps	–	367	–	–	–	367	367
Cash and cash equivalents	39 134	–	99 479	–	–	138 613	138 613
Total	40 720	367	99 479	2 453	–	143 019	143 019
Long-term interest-bearing liabilities	–	–	–	–	250 632	250 632	250 632
Short-term interest-bearing liabilities	–	–	–	–	5 508	5 508	5 508
Accounts payable	–	–	–	–	10 432	10 432	10 432
Other liabilities	–	–	–	–	1 535	1 535	1 535
Total	–	–	–	–	268 107	268 107	268 107

Parent Company 2008

SEK thousands	Accounts and loans receivable	Investments held to maturity	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Long-term receivables	–	–	1	–	1	1
Cash and bank balances	131 625	–	–	–	131 625	131 625
Total	**131 625**	**–**	**1**	**–**	**131 626**	**131 626**
Accounts payable	–	–	–	640	640	640
Total	**–**	**–**	**–**	**640**	**640**	**640**

Parent Company 2007

SEK thousands	Accounts and loans receivable	Investments held to maturity	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Long-term receivables	–	–	2 453	–	2 453	2 453
Short-term investments	–	99 479	–	–	99 479	99 479
Cash and bank balances	23 378	–	–	–	23 378	23 378
Total	23 378	99 479	2 453	–	125 310	125 310
Accounts payable	–	–	–	771	771	771
Total	–	–	–	771	771	771

The following text summarizes the methods and assumptions primarily used to establish the fair value of the financial instruments entered in the table above.

Securities
For listed securities, the determination of fair value is based on the listed price of the asset on the balance-sheet date, excluding transaction expenses at the time of acquisition. Potential transaction expenses in connection with the divestment of an asset are also disregarded.

Derivative instruments
The fair value of interest-rate swaps is based on the valuation of the intermediary credit institution, the fairness of which is tested by discounting estimated future cash flows in accordance with the terms and maturities of the contract and based on the market interest rate for similar instruments on the balance-sheet date.

Interest-bearing liabilities
The calculation of fair value of financial liabilities that do not constitute derivative instruments is based on future cash flows of principal and interest discounted to the prevailing market interest rate on the balance-sheet date.

Financial leasing liabilities
Fair value is based on the present value of future cash flows discounted to the market interest rate for similar leasing agreements.

Accounts receivable and accounts payable
For accounts receivable and accounts payable with a remaining economic life of less than six months, the carrying amount is deemed to reflect the fair value.

Note 17 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 exchange rates, interest rates, 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 financing activities. Responsibility for the Group's financial transactions and risks is managed centrally by the Parent Company's finance department. The overriding 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, in view of the operational risks associated with the business, stipulates a conservative, low-risk investment policy. The Group's cash and cash equivalents shall be invested in liquid assets with low credit risk, primarily in short-term Swedish securities, commercial papers and fixed-income and bond funds with high liquidity.

Interest-rate risks relating to borrowings
The interest-rate risk relates to the risk that Active Biotech's exposure to fluctuations in market interest rates can have a negative impact on net earnings. The fixed-interest term on the Group's financial assets and liabilities is the most significant factor that influences the interest-rate risk. Active Biotech's view is that a short fixed-interest term is, in terms of risk, consistent with the company's operative position. However, 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, bank loans for financing of property holdings and financial leasing commitments. Outstanding interest- bearing liabilities are reported in Note 13 and the maturity structure of liabilities is presented below.

Group 2008

SEK thousands	Nominal amount, original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1 – 5 years	5 years and longer
Bank loans, SEK		251 917	–	1 298	3 894	15 576	231 149
Financial leasing liabilities, SEK		6 461	125	359	977	5 000	–
Accounts payable, SEK		5 971	5 792	179	–	–	–
Accounts payable, EUR	628	6 867	6 867	–	–	–	–
Accounts payable, GBP	36	401	401	–	–	–	–
Accounts payable, NOK	11	12	12	–	–	–	–
Accounts payable, USD	382	2 962	2 962	–	–	–	–
Total		**274 591**	**16 159**	**1 836**	**4 871**	**20 576**	**231 149**

Group 2007

Bank loans, SEK		252 200	–	946	2 837	11 349	237 068
Financial leasing liabilities, SEK		3 940	144	288	1 293	2 215	–
Accounts payable, SEK		7 139	6 185	954	–	–	–
Accounts payable, EUR	56	530	530	–	–	–	–
Accounts payable, GBP	13	170	170	–	–	–	–
Accounts payable, NOK	136	162	162	–	–	–	–
Accounts payable, USD	376	2 431	1 651	780	–	–	–
Total		**266 572**	**8 842**	**2 968**	**4 130**	**13 564**	**237 068**

Financing risk
Financing risk relates to the risk that financing of Active Biotech's capital requirements and refinancing of loans outstanding may be made more difficult or more expensive. Since Active Biotech has loans that mature on different dates, the financing risk can be reduced. The liabilities comprise a long-term property loan and a smaller number of financial 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 liquid funds.

Interest-rate risks in relation to cash and cash equivalents
The Group's cash and cash equivalents, which totaled SEK 138,741 thousand at December 31, 2008, were invested at a floating interest rate, which during 2008, fluctuated between 2 and 5 percent.

Liquidity risk
Liquidity risk relates to the risk that the Group will encounter difficulties in fulfilling its commitments that are associated with financial liabilities. For short-term purposes, the Group has a rolling 12-month liquidity plan that is updated on a continuous basis. For medium-term planning, future revenue and cash flows are forecast continuously based on the projects' anticipated development phase. The long-term liquidity forecast is presented on a regular basis to the Board.

Market risk
Market risk pertains to the risk that the value of a financial instrument may fluctuate because of changes in market prices. At December 31, 2008, the Group had no investments in share-based instruments.

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. Exchangerate risks exist in the form of transaction and translation risks.

The Group has 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 238.1 million, of which approximately 34 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. Credit losses or impairment of possible credit losses were charged against earnings for 2008 in the amount of SEK 0.4 million.

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

Maturity analysis, accounts receivable that have matured, but are unimpaired	**2008**		2007	
SEK thousands	Carrying amount, unimpaired receivable	Collateral	Carrying amount, unimpaired receivable	Collateral
Accounts receivable, not matured	**1 349**		–1 310	–
Accounts receivable, matured 0 – 30 days	**104**		– –	–
Accounts receivable, matured > 30 days – 90 days	**–**		– 276	–
Accounts receivable, matured > 90 days – 180 days	**–**		– –	–
Accounts receivable, matured > 360 days	**218**		– –	–
	1 671		–1 586	–

Derivatives
Through a combination of loans with short fixed-interest terms and the utilization of interest-rate derivatives, a considerable degree of flexibility can be attained and the fixed-interest term can be adapted so that the goals for the financing operation can be achieved. During the year, Active Biotech entered into a yield curve swap totaling SEK 230 million to offset increasing interest expenses on underlying loans. Active Biotech receives a guaranteed positive cash flow of 134 interest points during the first year. Following this period, the same cash flow is received on condition that there is a positive difference in the interest rates between the ten-year swap and the two-year swap. The transaction had an original duration of five years, but was prematurely settled in early 2009.

Note 18 Pledged assets, contingent liabilities and contingent assets

Pledged assets	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
In the form of assets pledged for own liabilities and provisions				
Property mortgage	**260 000**	260 000	**–**	**–**
Assets with ownership reservation	**8 143**	5 210	**1 682**	1 270
Total	**268 143**	265 210	**1 682**	1 270
Other collateral provide and pledged assets				
Pension insurances	**4 962**	–	**4 962**	–
Total pledged assets	**273 105**	265 210	**6 644**	1 270

Contingent liabilities	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Guarantees for the benefit of Group companies	**–**	**–**	**251 917**	252 200
Total contingent liabilities	**–**	**–**	**251 917**	252 200

Note 19 Group companies

Holdings in subsidiaries

December 31, 2008 (SEK thousands)	Corp. Reg. No.	Registered office	No. of shares/percentage	Nominal value	Carrying amount
Active Biotech Research AB	556541-8323	Lund	1 000 / 100%	100	161 900
Active Forskaren 1 KB	969646-4677	Lund			40 000
Actinova AB	556532-8860	Lund	1 000 / 100%	100	100
Active Security Trading AB	556092-7096	Lund	400 / 100%	400	450
Total					**202 450**

Change in carrying amount of shares in subsidiaries		
SEK thousands	**2008**	2007
Opening acquisition value	**229 400**	229 400
Winding up	**-26 950**	–
Closing accumulated acquisition value	**202 450**	229 400
Closing carrying amount	**202 450**	229 400

Note 20 Supplementary data to the cash-flow statement

	Group		Parent Company	
SEK thousands	**2008**	2007	**2008**	2007
Interest paid and dividends received				
Interest received	**6 475**	6 415	**5 508**	6 349
Interest paid	**-10 278**	-11 777	**–**	-2 676
Total	**-3 803**	-5 362	**5 508**	3 673
Adjustments for non-cash items				
Depreciation/amortization and impairment of assets	**11 901**	19 671	**4**	4
Capital gain on sale of fixed assets	**-7 363**	–	**-7 363**	–
Winding up of subsidiary	**–**	–	**-37 635**	–
Costs for employee stock options program	**1 453**	4 050	**1 453**	4 050
Unrealized exchange-rate differences	**-640**	-173	**–**	–
Total	**5 351**	23 548	**-43 541**	4 054
Transactions not involving payment				
Acquisition of assets through financial leasing	**3 458**	832		
Cash and cash equivalents				
Cash and cash equivalents consist of the following components:				
Cash and bank balances	**138 741**	39 134	**131 625**	23 378
Short-term investments	**–**	99 479	**–**	99 479
Total	**138 741**	138 613	**131 625**	122 857

Note 21 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 amounts in forthcoming fiscal years is primarily the valuation of the Forskaren 1 property where the company's operations are conducted. In 2006, on assignment from the company, PricewaterhouseCoopers performed a valuation of the property (see Note 8) prior to the company's sale of land. The estimated market value is based on assumptions on future revenues, expenses, vacancy levels and the value trend of similar properties. The conditions in the local property market have not changed decisively and the market value of the property is deemed to be within the value interval, which does not deviate significantly from the market value established in 2006, SEK 345 million.

Note 22 Events after the balance-sheet date

In February 2009, Active Biotech and Teva announced that laquinimod has received a "Fast Track" designation from the FDA. Fast Track status can facilitate the development and accelerate the registration process, which could mean that laquinimod will be available in the market at the end of 2011. In February 2009, Active Biotech also announced that it had decided not to initiate a Phase II/III clinical development program for 57-57 on a proprietary basis. A development program has been prepared in cooperation with European and US regulatory bodies. The company will actively seek a partner for the continued implementation of the project during 2009. In February 2009, it was announced that an independent international expert group had evaluated the safety profile of the TASQ project. The group has recommended that the trial continue in accordance with the established protocol. The Board of Directors proposes that the Annual General Meeting on May 7, 2009 resolve to approve a guaranteed rights issue in a maximum amount of SEK 256 million to strengthen the company's financial position and drive development of the company's clinical portfolio. It is proposed that the issue shall entitle existing shareholders with preferential rights to subscribe for one new share for each four shares held at an issue price of SEK 20 per share.

The principal owners, MGA Holding AB (30.0 percent) and Nordstjernan AB (15.3 percent), have undertaken to subscribe for the full amount of shares corresponding to their preferential rights. In addition, MGA Holding AB and Nordstjernan AB have undertaken, in the event the issue is not fully subscribed, to subscribe for any additional shares not taken up with the support of preferential rights. Accordingly, the issue is guaranteed in its entirety.

Note 23 Transactions with closely related parties

Close relationships

With regard to the Group's and Parent Company's subsidiaries, see Note 19.
The composition of the Board and information relating to senior executives is presented on pages 46 and 47.

Related-party transactions

During the year, no transactions with shareholders or members of the Board took place, with the exception of payment to Nordstjernan AB relating to the guarantee provision for the new share issue in 2008. For information concerning transactions with key individuals in managerial positions, see Note 5.

In 2008, the Parent Company's sales of services to Group companies totaled SEK 3,500 thousand. The Parent Company's purchases of services from subsidiaries amounted to SEK 1,115 thousand in 2008.

The Parent Company's receivables and liabilities relative to the subsidiaries as per December 31 are presented in the Parent Company's balance sheet.

Note 24 Information relating to the Parent Company

Active Biotech AB is a Swedish-registered limited liability company with its registered office in Lund, Sweden. The Parent Company's shares are listed on NASDAQ OMX Nordic Exchange Stockholm. The address to the head office is Scheelevägen 22, Lund, Sweden. The consolidated financial statements for the 2008 fiscal year comprise the Parent Company and its subsidiaries, referred to jointly as the Group.

Financial definitions

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

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

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

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

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

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

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

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

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

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

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

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

Audit report

To the Annual General Meeting of shareholders
of Active Biotech AB
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 2008. The company's annual accounts are included in the printed version of this document on pages 6-36. The Board of Directors and the President 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 Annual 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 fiscal year.

Lund, April 3, 2009
KPMG AB

Stefan Holmström
Authorized Public Accountant

Summary of financial development

SEK millions	2008	2007	2006	2005	2004
Income statement					
Net sales	**53,5**	12,1	66,4	9,2	69,7
Operating expenses	**-238,1**	-214,8	-191,0	-142,4	-255,6
(of which, depreciation)	**-11,5**	-18,9	-20,0	-20,1	-22,8
Operating loss	**-184,6**	-202,7	-124,6	-133,2	-185,9
Participations in the earnings of associated companies	**–**	–	–	-1,1	-2,1
Net financial items	**4,0**	-5,0	-17,2	-15,0	16,1
Loss before tax	**-180,6**	-207,7	-141,8	-149,3	-171,9
Tax	**-1,0**	–	2,6	13,9	–
Loss for the year	**-181,6**	-207,7	-139,2	-135,4	-171,9
Balance sheet					
Tangible fixed assets	**324,6**	329,7	347,7	376,9	313,1
Financial fixed assets	**0,0**	2,5	2,8	2,9	43,4
Other current assets	**9,6**	18,7	14,0	9,7	15,6
Cash and cash equivalents	**138,7**	138,6	97,9	178,4	214,8
Total assets	**472,9**	489,5	462,4	567,9	586,9
Shareholders' equity	**163,6**	189,6	60,4	176,8	104,1
Interest-bearing provisions and liabilities	**258,4**	256,1	358,7	360,5	401,1
Non interest-bearing provisions and liabilities	**50,9**	43,8	43,3	30,6	81,7
Total shareholders' equity and liabilities	**472,9**	489,5	462,4	567,9	586,9
Condensed cash-flow statement					
Cash flow from operating activities before changes in working capital	**-175,3**	-184,2	-117,2	-181,1	-142,7
Changes in working capital	**15,8**	-2,5	17,1	-11,4	-1,2
Cash flow from investing activities	**7,0**	0,2	25,0	-15,1	-1,8
Cash flow from financing activities	**152,6**	227,2	-5,4	171,2	132,9
Cash flow for the year	**0,1**	40,7	-80,5	-36,4	-12,8
Key figures					
Capital employed (SEK million)	**422,0**	445,7	419,1	537,3	505,2
Net indebtedness (SEK million)	**119,7**	117,5	259,3	180,6	146,3
Surplus value in short-term investments (SEK million)	**–**	–	–	–	–
Return on shareholders' equity (%)	**-103**	-166	-117	-96	-87
Return on capital employed (%)	**-39**	-45	-26	-25	-39
Equity/assets ratio (%)	**35**	39	13	31	18
Proportion of risk-bearing capital (%)	**35**	39	13	31	18
Net debt/equity ratio (multiple)	**0,73**	0,62	4,29	1,02	1,41
Interest-coverage ratio (multiple)	**neg**	neg	neg	neg	neg
Research and development expenses (SEK million)	**-207,4**	-189,7	-165,7	-169,5	-224,7
Average number of employees	**90**	89	89	92	151
Salary expenses, incl. social security expenses (SEK million)	**87,8**	84,4	85,2	84,1	120,5
Data per share					
Profit/loss after tax (SEK)	**-3,66**	-4,47	-3,50	-3,70	-4,96
Shareholders' equity (SEK)	**3,19**	4,01	1,52	4,47	3,09
Net worth (SEK)	**3,19**	4,01	1,52	4,47	3,09
Unrestricted liquidity (SEK)	**2,71**	2,93	2,46	4,51	6,24
Market price of share at year-end (SEK)	**31,00**	58,40	77,54	81,27	36,28
Dividends (SEK)	**0**	0	0	0	0
Share price/shareholders' equity (%)	**972**	1 456	5 101	1 818	1 174
Share price/net worth (%)	**972**	1 456	5 101	1 818	1 174
Number of shares at end of period (thousands)	**51 242**	47 300	39 795	39 592	33 739
Weighted average number of ordinary shares before dilution (thousands) [1]	**49 605**	46 427	39 755	36 610	34 665
Number of shares at end of period including subscription rights (thousands)	**52 572**	48 630	41 125	40 922	35 069

[1] Earlier periods were recalculated with respect to bonus issue components.

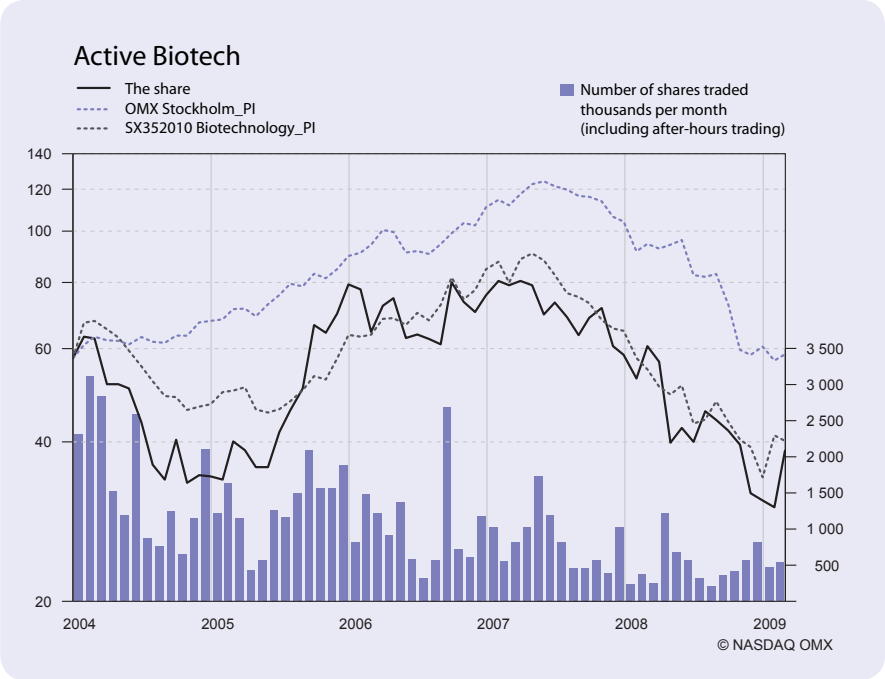
The Share

General information about the Active Biotech share
Shares in Active Biotech AB are listed on Nasdaq OMX Nordic Exchange Stockholm (Mid Cap). The share was originally listed on December 1, 1986, on what was then known as the 0-list of the Stockholm Stock Exchange. The company was converted into a dedicated biotechnology company in 1997. The latest price information is available on NASDAQ OMX Nordic Exchange Stockholm's website under the symbol ACTI. The shares are traded in lots of 200. The Active Biotech share is included in NASDAQ OMX Nordic Exchange Stockholm's Pharmaceuticals, Biotech & Life Science index. The diagram in this section shows the price trend for the Active Biotech share for the period January 2004 – January 2009.

Share capital
The company's share capital is quoted in SEK and distributed among the shares issued by the company with a quotient value that is also quoted in SEK. In January 2009, the share capital in Active Biotech amounted to approximately SEK 193,147,869 distributed among 51,241,791 shares. Accordingly, the share's quotient value is SEK 3.77. In addition, the share capital and number of shares may increase through the exercise of options in a manner that is described under the heading "Employee stock options." In the event that these options are exercised, the number of shares in Active Biotech will increase to a maximum of approximately 52.6 million shares.

Employee stock options
An Extraordinary General Meeting of shareholders on December 8, 2003 decided on the introduction of an employee stock option program, according to which all employees in the Active Biotech Group are issued with employee stock options at no charge in accordance with a separate plan. The program covers a maximum of 1,000,000 stock options in total, with each option carrying entitlement to purchase one share. To secure the undertakings pursuant to the employee stock option program, it was decided to issue to a wholly owned subsidiary of Active Biotech a debenture in a nominal value of SEK 1,330 attached to a maximum of 1,330,000 warrants for subscription of shares on conditions corresponding to those applying to the employee stock options (see below). Upon full exercise of the outstanding warrants, the share capital will increase by SEK 5,013,226 and the number of shares by 1,330,000, corresponding to a dilution effect of approximately 2.5 percent of the total number of votes and capital in the company.

The options were allotted on three occasions: Series 1 encompassing 329,825 options was allotted in December 2003, Series 2 encompassing 239,075 options was allotted in June 2005 and Series 3 encompassing 340,000 was allotted in June 2006. Each Series 1 option entitles the holder to subscribe for 1.07 shares during the period June 1, 2006 to May 31, 2009 at a recalculated price of SEK 84.50. Each Series 2 option entitles the holder to subscribe for 1.07 shares during the period June 1, 2007 to May 31, 2010 at a recalculated price of SEK 43.80. Each Series 3 option entitles the holder to subscribe for 1.07 shares during the period June 1, 2008 to May 31, 2011 at a recalculated price of SEK 66.90. From June 1, 2006 until December 31, 2008, no Series 1, 2 or 3 options were exercised.



Price trend

On December 31, 2007, the share price was SEK 58.40, while at the same date in 2008, it was SEK 31.00. The highest price paid for the share during the year was SEK 61.14 (March 7, 2008)

Change in share capital

The table on the next page shows the changes in Active Biotech's share capital from 2000 to December 31, 2008.

Dividend policy

In view of Active Biotech's financial position and negative earnings, the Board of Directors does not intend to propose that any dividends be paid for the next few years. The company's financial assets will be principally used to finance existing and new research programs.

Swedish analysts covering Active Biotech

- ABG Sundal Collier
- Carnegie
- Enskilda Securities
- Handelsbanken
- Kaupthing Bank
- Redeye

Shareholders

On January 30, 2009, the number of shareholders in Active Biotech amounted to 8,913. The table on the next page shows the company's ten largest shareholders at January 30, 2009.

Shareholders

The following reflects circumstances as known to the company at January 30, 2009.

Owner	No. of shares	Holding, %
MGA Holding AB	15 379 533	30,0
Nordstjernan AB	7 828 261	15,3
Catella funds/asset man.	2 754 769	5,4
Brummer & Partners	2 556 666	5,0
JP Morgan Bank	1 179 061	2,3
Danske Bank International	650 000	1,3
Futuris	615 273	1,2
R.Sand/Förv. AB Sandhög	610 526	1,2
Pictet & CIE	595 843	1,2
SIX SIS AG	590 236	1,2
Total, ten largest owners	**32 760 168**	**63,9**
Other	18 481 623	36,1
Total	51 241 791	100,0

Shareholder statistics, January 30, 2009

Shareholding interval	No. of shareholders	% of all shareholders	No. of shares	% of share capital	Average per shareholder
1–1 000	7 325	82,2	1 786 677	3,5	244
1 001–10 000	1 364	15,3	3 799 084	7,4	2 785
10 001–100 000	181	2,0	4 831 285	9,4	26 692
100 001–	43	0,5	40 824 745	79,7	949 413
Total	8 913	100,0	51 241 791	100,0	5 749

Trend in share capital

Year	Transaction	Change in number of shares	Change in share capital, SEK	Total no. of shares Class A shares	Total no. of shares Class B shares	Total share capital, SEK	Quotient value, SEK
	Opening balance			1 963 745	9 282 547	281 157 300	25,00
2000	Reclassification A as B	0	0	1 287 531	9 958 761	281 157 300	25,00
2001	Reclassification A as B	0	0	1 169 691	10 076 601	281 157 300	25,00
2002	Reclassification A as B	0	0	1 145 024	10 101 268	281 157 300	25,00
2003	Reduction of share capital (June)	0	-168 694 380	1 145 024	10 101 268	112 462 920	10,00
2003	Rights issue (June)	22 492 584	224 925 840	1 145 024	32 593 852	337 388 760	10,00
2003	Reclassification A as B	0	0	1 128 174	32 610 702	337 388 760	10,00
2003	Reorganization as a single share class (Dec.)	0	0	33 738 876		337 388 760	10,00
2005	Conversion (Jan.-May)	1 681	16 810	33 740 557		337 405 570	10,00
2005	Rights issue (June/July)	5 623 426	56 234 260	39 363 983		393 639 830	10,00
2005	Conversion (Aug./Sept.)	228 241	2 282 410	39 592 224		395 922 240	10,00
2006	Conversion (Jan.-/May)	160 644	1 606 440	39 752 868		397 528 680	10,00
2006	Reduction of share capital (May)	0	-247 686 499	39 752 868		149 842 181	3,77
2006	Conversion (June-Dec.)	42 553	160 397	39 795 421		150 002 578	3,77
2007	Conversion (Jan.)	204 579	771 128	40 000 000		150 773 706	3,77
2007	Rights issue (Feb.)	4 000 000	15 077 371	44 000 000		165 851 077	3,77
2007	Conversion (Mar.)	3 300 115	12 439 264	47 300 115		178 290 341	3,77
2008	Rights issue (June)	3 941 676	14 857 527	51 241 791		193 147 869	3,77

Intellectual property rights

A key aspect of Active Biotech's strategy is to protect its knowledge through strong patents. The patent protection covers inventions of chemical compounds, biotechnological structures, target organs, methods and processes related to the company's operation in key markets.

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

Number of patent families		
Active Biotech holder of patent or patent application	Laquinimod, TASQ, 57-57, ANYARA, CD80/RhuDex™ and ISI	16
	Other projects	8
Total		***27***
Of which, out-licensed	Laquinimod, CD80	6
	Other	0
Total		***6***
Active Biotech licensee	ANYARA	2
	Other	0
Total		***2***

Patent protection for laquinimod
(out-licensed to Teva)

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	Granted	2019
"method"	Europe	Granted	2023
	US	Granted	2023
	Japan	In progress	2023
"product and method"	Europe	In progress	2025
	US	In progress	2026
	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	Granted	2019
"method"	Europe	Granted	2023
	US	Granted	2023
	Japan	In progress	2025

Patent protection for TASQ

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

Patent protection for ANYARA

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	2015
	Japan	Granted	2015
"product"	Europe	Granted	2017
	US	Granted	2016
	Japan	Granted	2017
"product and method"	Europe	Granted	2018
	US	In progress	2017
"product"	Europe	In progress	2022
	US	Granted	2021
	Japan	In progress	2022
"method"	Europe	In progress	2024
	US	In progress	2024

Patent protection for CD80/RhuDex™
(out-licensed to MediGene)

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

Corporate Governance Report 2008

Active Biotech AB (publ) 556223-9227 shall, in accordance with its Articles of Association, engage in research, development, production, marketing and sales of medical, chemical and biotechnology products, conduct administrative services for the Group, own and manage properties, and undertake any other operations compatible therewith. On December 31, 2008, the company had approximately 9,000 shareholders, the majority of whom held fewer than 500 shares. Each share entitles the holder to one vote. This corporate governance report, together with the Board's description of internal control and risk management relating to financial reporting, was not reviewed by the company's auditors.

Application of and deviations from the Code

Active Biotech applies the *Swedish Code of Corporate Governance.* The company has deviated from item 2.4, first paragraph, second sentence of the Code. The Election Committee has appointed the Chairman of the Board to be the Chairman of the Election Committee. The reason given by the Election Committee for this deviation is that it has deemed that it is natural that the person who is indirectly the largest owner of Active Biotech's should also lead the work of the Election Committee. The company also deviated from item 2.5, first paragraph, first sentence of the Code insofar as the composition of the Election Committee, due to time constraints, was not announced a minimum of six month prior to the Annual General Meeting. During the transition period when the company worked with the implementation of the new Code, which took effect on July 1, 2008, all the necessary information pursuant to the Code was not available on the company's website. The implementation has now been completed.

Annual General Meeting

The Annual General Meeting (AGM) is Active Biotech's supreme decision-making body. At the AGM, 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 & CEO to head the management of the company.

Election Committee

The 2008 Annual General Meeting assigned the Chairman of the Board the task of convening an Election Committee, in consultation with the company's major shareholders, for the 2009 Annual General Meeting. According to the decision, the Election Committee shall comprise representatives of each of the three largest shareholders in the company based on the ownership structure at October 31, as well as the Chairman of the Board. The members of the Election Committee receive no remuneration for their work.
The tasks of the Election Committee include:

- Evaluation of the Board's composition and work.
- Drafting of proposals to the AGM regarding election of Board members, Chairman of the Board and the Chairman of the Meeting.
- Drafting of proposals to the AGM concerning fees to Board members.

The composition of the Election Committee was announced on November 28, 2008. The Election Committee was convened on one occasion ahead of the 2009 AGM.

Members	Represents	Board member or not
Mats Arnhög	Chairman of the Board	Chairman
Johnny Sommarlund	MGA Holding AB	Not a member
Tomas Billing	Nordstjernan AB	Not a member
Ulf Strömsten	Catella funds	Not a member

Board of Directors

In accordance with Active Biotech's Articles of Association, the Board shall comprise between three and nine members with at most nine deputies. Each year, two employee representatives and two deputies are appointed prior to the AGM through decisions made by the trade-union organizations at the company. The 2008 AGM elected the current Board, which consists of six ordinary members with no deputies. Mats Arnhög was elected Chairman of the Board. Sven Andréasson, the President & CEO at the time, stepped down from his post on September 1, 2008, and simultaneously left his position on the Board.

The AGM decided that remuneration of the Board's ordinary members shall be paid in the amount of SEK 125,000 per member and year, while remuneration of the Chairman of the Board shall be paid in the amount of SEK 250,000 per year. For a more detailed presentation of the Board members, see page 46 of this Annual Report.

Of the current Board members elected by the AGM, all are independent in relation to the company's owners, the company and executive management, with the exception of the Chairman of the Board Mats Arnhög. Mats Arnhög is not independent in relation to the shareholder MGA Holding AB, in which he is Chairman of the Board and owner. Furthermore, he is not independent in relation to the shareholder Nordstjernan, in which he is a Board member.

Board member	Attendance at Board meetings	Annual remuneration, SEK	Independent/dependent Company	Owners
Mats Arnhög	11 out of 11	250 000	dependent	dependent
Sven Andréasson	9 out of 11*	125 000	dependent	independent
Klas Kärre	10 out of 11	125 000	independent	independent
Magnhild Sandberg	9 out of 11	125 000	independent	independent
Peter Sjöstrand	10 out of 11	125 000	independent	independent
Peter Ström	11 out of 11	125 000	independent	independent

* Sven Andréasson left his position on the Board on September 1, 2008.

The work of the Board and formal work plan

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 meetings 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 & CEO.

The Board shall principally devote itself to general 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 & CEO 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), budget, business plans and key agreements.

In 2008, 11 meetings were held at which minutes were taken. Important issues addressed by the Board included development of research projects, business development projects, partner strategy, financial statements and budget and financing matters. Minutes were recorded by the Board's secretary, a role that was filled by the company's CFO Hans Kolam during the year. The Chairman of the Board ensures that an annual assessment of the Board's work is conducted that provides the Board members with the opportunity to present their views on work procedures, Board material, their own efforts and the efforts of other Board members and the scope of the task. The assessment is that the Board's collective expertise is favorably compatible with the company's strategic visions and goals. The Board is functions well and all members make a constructive contribution to the strategic discussions and the governance of the company. The dialog conducted between the Board and management was also deemed to be productive.

Remuneration and Audit Committee

At the AGM 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. Salaries, remuneration, terms and conditions of employment and so forth, for the Board, President & CEO and company management are detailed in Note 5.

Organization and internal control

In accordance with the Companies Act and the Code, the Board of Directors is responsible for the company's internal control. Active Biotech's work on internal control is designed to provide a reasonable assurance that the company's goals are achieved in terms of an appropriate and efficient operation, reliable financial reporting and compliance with applicable legislation and regulations. Active Biotech's business is primarily operated at one site and is therefore deemed to be of limited complexity.

In turn, this means that the organization is uncomplicated and it is easy to gain an overview of its structure. The internal control as regards financial reporting is based on how the operation is managed and how the organization is built up.

Authorizations and responsibilities are documented, such as the division of work between the Board and the President, and instructions for attestation rights and accounting and reporting instructions. This also helps to minimize the risk for irregularities and inappropriate benefiting of another party at the expense of the company. The risks identified by Active Biotech regarding the financial reporting are presented on a monthly/quarterly basis by the finance function to the President & CEO, who in turn reports to the Board. Active Biotech has no internal audit function.

The Board has determined that no special circumstances or other conditions exist that motivate the introduction of such a function.

Financial reporting

In accordance with Active Biotech's Investor Relations policy, which has been approved by the Board, the company regularly presents information on its financial position. The information presented comprises quarterly interim reports, year-end reports and annual reports, as well as press releases

in conjunction with important events. The company management meets analysts, investors and the media on a regular basis throughout the year. All information distributed via press releases is also available on the company's website, in addition to other information that is deemed to be valuable.

The Board of Active Biotech ensures the quality of financial reporting by ensuring that the company has an appropriate organization combined with procedures and instructions for its work on financial reporting.

Each month, the Board is presented with a report regarding such aspects as the company's earnings and financial position, including comments relating to its development. The Board reviews interim reports and annual reports prior to publication.

Auditors

At least one and at most two auditors and at most two deputy auditors are appointed by the AGM for a period of normally four years. At the AGM in 2005, the KPMG Bohlins AB firm of auditors was elected with authorized auditor Stefan Holmström as auditor-in-charge for the period until 2009. Information concerning auditors' fees is presented in Note 4 on page 21. The interim report for the third quarter of 2008 was the subject of review by the auditors.

Policies

Information policy

With the aim of determining principles for the company's communication, the Board has established an information policy. This summarizes overriding goals and responsibilities for the external publication of Active Biotech's information. The goal when providing information to the stock market is to achieve a correct valuation of the company's share that reflects the company's underlying values, growth and earnings capacity in as stable a manner as possible. An unconditional requirement is that the information to the stock market complies with NASDAQ OMX Stockholm's issuer rules and regulations and applicable legislation and ordinances. The required competence shall exist in the company's Board, management and among those responsible for operations, and the company shall have an organization that ensures the rapid and correct dissemination of stock market information.

Environmental policy

Within Active Biotech, environmental and safety work is important and the company has therefore established an environmental policy. Responsibility is decentralized in the various departments in the Group so that each manager and employee is responsible for fulfilling objectives relating to both the internal and external environment, as well as safety. This applies to all areas from proprietary research to contract manufacturing of candidate drugs and production. In addition, Active Biotech attaches great importance to ensuring that external partners have their own environmental and safety requirements that conform to the company's values.

Responsible treatment of laboratory animals

Despite a rapid advance in non-animal based models for medical research, no alternative can yet entirely replace the complex system represented by a living organism. Accordingly, the responsible treatment of laboratory animals in scientific research is ethically justified. Active Biotech endeavors to replace, reduce and refine the use of laboratory animals to the greatest possible degree. When no alternative exists, testing shall be properly planned and shall take ethical requirements into consideration in the implementation phase. Pain, suffering and stress shall be minimized – and preferably eliminated.

All who work with laboratory animals are trained and skilled in the area. Animals are treated with care and the greatest possible degree of consideration is given to their health and well-being in a careful balance between ethical and scientific requirements. Furthermore, animal keeping and management is conducted in a manner that maximizes well-being and prevents the spread of infection. All work involving animals complies with the applicable strict local procedures and national and international legislation. Legislation and other ethical considerations with respect to the care and well-being of laboratory animals are carefully monitored and continuously reviewed to harmonize laboratory animal operations in the company.

Board of Directors and Auditors


Mats Arnhög


Magnhild Sandberg-Wollheim


Peter Ström


Anette Sundstedt


Klas Kärre


Peter Sjöstrand


Karin Hallbeck


Stefan Holmström (Auditor)

Mats Arnhög
Chairman of the Board
Born 1951, Board Member since 2000.
MSc Stockholm School of Economics,
owner of MGA Holding.
Other Board assignments:
Chairman of MGA Holding AB with subsidiaries. Chairman of Situation Stockholm AB, Sturehof AB and Föreningen Carlssons skola. Board member of Nordstjernan AB, Brofågel Support AB, The Swedish Press Council and the Advisory Board of the Stockholm School of Economics.
Holding: 15 379 533 shares through companies

Klas Kärre
Born 1954, Board member since 2003.
Professor of Molecular Immunology at the Karolinska Institute in Stockholm.
Other Board assignments:
Accuro Immunology AB, Karolinska Institute, The Foundation Wenner-Grenska Samfundet, The Axel Wenner-Gren Foundation for International Exchange of Scientists and a member of the Nobel Assembly at Karolinska Institute.
Holding: 6 513 shares

Magnhild Sandberg-Wollheim
Born 1937, Board member since 2007.
Associate Professor of Neurology and Consultant at the neurological clinic at Lund University Hospital.
Other Board assignments:
European MS Foundation.
Holding: 0

Peter Sjöstrand
Born 1946, Board member since 2000.
BSc Stockholm School of Economics, Medical doctor, formerly Executive Vice President Astra AB.
Other Board assignments:
Chairman of Meda AB (publ), Gambro AB, Oscar Hirsch Memory Foundation. Board member of Aleris AB, Karolinska Development AB, School of Technology and Health (Royal Institute of Technology).
Holding: 0

Peter Ström
Born 1952, Board member since 2003.
MSc Stockholm School of Economics, formerly Vice President, IMS Health, Northern and Central Europe, the Middle East and Africa.
Other Board assignments:
Chairman of LIDDS AB and Board member of Comtax AB and Oasmia AB.
Holding: 19 420 *shares*

Karin Hallbeck
Born 1956, employed in Active Biotech since 1998, Board member since 2008.
Laboratory engineer
Holding: 1 213 shares and 5 825 employee stock options

Anette Sundstedt
Born 1967, employed in Active Biotech since 2001, Board member since 2008.
Biologist, Doctor of Medical Science, Lund University.
Holding: 6 075 employee stock options

Auditors
KPMG AB with **Stefan Holmström** as auditor-in-charge.
Born 1949
Company auditor at Active Biotech AB since 2001.
Authorized Public Accountant KPMG.

Management group

Tomas Leanderson
President and CEO
Born 1956
Holding: 75 000 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. Tomas Leanderson has held the position of Professor of Immunology at Lund University since 1990.

Göran Forsberg
Vice President Investor Relations and Business Development
Born 1963
Holding: 1 235 shares, 14 390 employee stock options

Göran Forsberg has been employed at Active Biotech since 1998.
He has worked in the pharmaceuticals industry for 20 years and held various positions at KabiGen, Pharmacia and the University of Adelaide in Australia.

Hans Kolam
Chief Financial Officer
Born 1951
Holding: 9 952 shares, 24 550 employee stock options

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.

Lars M Nilsson
Vice President Regulatory & Quality Affairs
Born 1943
Holding: 1 526 shares, 24 550 employee stock options

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

Glossary

Angiogenesis: The formation of new blood vessels.

Autoimmunity: When the body's immune system reacts against structures in the body itself. Autoimmune diseases arise when the immune system combats the body itself, despite it being otherwise healthy.

Candidate Drug (CD): A specific substance selected during the preclinical phase. The candidate drug is the compound that will continue on to clinical testing in humans.

Clinical studies: Studies of the effects of a drug on human beings.

FDA: Food and Drug Administration, the US pharmaceuticals authority.

Flare-up: Sudden outbreak or new episode of chronic disease.

IND: Investigational New Drug. The application, submitted to the pharmaceutical authority, for permission to commence pharmaceutical studies in humans.

Inflammation: The body's response to localized damage.

MediGene: MediGene AG, Active Biotech's partner for RhuDex™.

MS: Multiple sclerosis, a chronic autoimmune disease.

NCE: New Chemical Entity - a new chemical molecule from the first stage in pharmaceutical development.

Patent: Exclusive rights to a discovery or invention.

Pharmacokinetics: Study of how drugs change in the body from absorption to excretion; studies how and when the drug is distributed to the target organ and how it is absorbed there.

Pharmacology: The study of pharmaceuticals.

Phase I studies: The first studies on humans are carried out on a small group, normally 20-80 healthy volunteers. The purpose of these studies is mainly to show that the compound is safe for humans.

Phase II studies: Phase II studies test the compound on patients suffering from the disease that the potential drug is designed to treat. Tests are normally conducted on 100-300 patients. The primary aim of a Phase II study is to show that the compound has the intended medical effect and determine an optimal dosage.

Phase III studies: In Phase III, the compound is tested on a large number of patients, often between 1,000 and 3,000 patients. The primary aim of Phase III studies is to show that a new drug is at least as good as, or better than, previously approved treatments for the specific disease.

Placebo: A substance with no effect, a "sugar pill". Used for comparative purposes, for example when studying the effect of a new drug.

Preclinical: The part of drug development that takes place prior to the drug being tested on human beings.

Proof of Concept: When a candidate drug has a proven biological effect in humans.

PSA: Prostate-Specific Antigen, a biomarker used to diagnose prostate cancer.

RA: Rheumatoid arthritis.

SLE: Systemic lupus erythematosus. A life-threatening autoimmune disease.

TASQ: Tumor Angiogenesis Suppression by Quinolines. Active Biotech's prostate cancer project.

Teva: Teva Pharmaceutical Industries Ltd. Active Biotech's partner for laquinimod.

T-lymphocyte: A type of white blood cell. The cause of transplant rejection, influences the formation of antibodies and the body's best defense against, for example, viruses and parasitic infections.

Toxicology: The study of poisons or toxins and toxicity.

Tumor cell: A cell that divides uncontrollably.

Business concept

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

Goals

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

Business strategy

The key components of the company's business strategy are to:

- Progress the clinical development of the company's compounds that have advanced furthest.
  The company is driving the development of its two projects, ANYARA against renal cell cancer and TASQ against prostate cancer, on a proprietary basis.
- *Achieve the greatest possible growth in value in each project and seek cooperation with strong partners for each project at the appropriate stage.*
  Active Biotech has secured development and commercialization partners for two of its five projects; Teva for laquinimod, currently in Phase III trials for the treatment of MS, and MediGene for RhuDex, currently in Phase II trials for the treatment of RA. Active Biotech plans to selectively choose partners for the remaining projects at the optimal point in time for each project.
- *Advance further compounds from the quinoline platform into clinical development.*
  Active Biotech's quinoline platform has considerable potential to generate attractive candidate products for further development within the company's areas of focus.

In addition to:

- generating revenue through research cooperation, out-licensing, product sales and royalties.
- limiting costs through the utilization of partnerships, outsourcing and external expertise.
- maintaining market rights for future sales in selected European markets.
- aiming to achieve growth organically and through acquisitions and alliances.
- securing and strengthening expertise by being an attractive employer offering a creative atmosphere with opportunities for individual development.
- creating 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.
- protecting its expertise through strong patents and an active patent strategy.
- creating financial sustainability through well-established partnerships and strong and active owners.

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