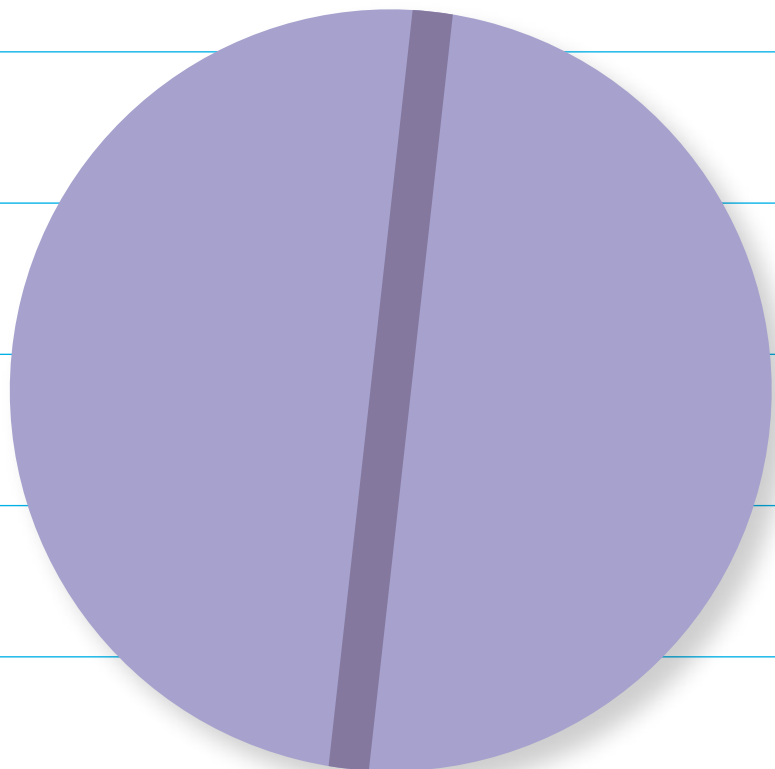
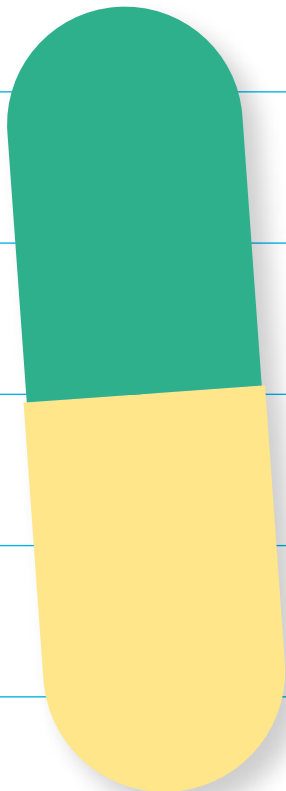


Annual Report

2010



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Financial information

Interim report (Q1)	April 28, 2011
Annual General Meeting	May 5, 2011
Interim report (Q2)	Aug 11, 2011
Interim report (Q3)	Nov 3, 2011
Year-end report for 2011	Feb 16, 2012

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 the company's 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 movements, 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 5, 2011 at 5:00 p.m. at Scandic Star Hotel Lund, Glimmervägen 5, 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 28, 2011 and (b), notify the company of their intention to participate in the Meeting not later than 4:00 p.m. on Thursday, April 28, 2011.

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 28, 2011. 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 currently has five projects in clinical phase, two of which are outlicensed. Three of the projects relate to drugs for the treatment of autoimmune diseases, such as MS, SLE, Crohn's disease, Systemic Sclerosis and RA, and two of the projects focus on drugs for the treatment of cancer, mainly renal cell cancer and prostate cancer. In addition, Active Biotech pursues a preclinical project, ISI.

■ **Laquinimod** is an orally administered compound under development for the treatment of autoimmune diseases, primarily MS. Active Biotech has signed an agreement with the Israeli pharmaceutical company Teva for the development and commercialization of laquinimod. In December 2010, positive results were presented from a Phase III study, ALLEGRO. A second global clinical Phase III study, BRAVO, is currently under way and results are expected in the third quarter of 2011. Clinical Phase II trials for the treatment of Crohn's disease and Lupus are currently being conducted by Teva.

■ With the **TASQ**-project, Active Biotech is developing an antiangiogenic compound that attacks the tumor's growth by inhibiting the formation of blood vessels in the tumor. The development of TASQ is mainly focused on the treatment of prostate cancer. In June 2010, complete results were presented from a clinical Phase II trial encompassing just over 200 patients. The primary endpoint – to show a higher fraction of patients with no disease progression following a six-month period of treatment with TASQ – was achieved. Pivotal Phase III trials commenced in March 2011.

■ **ANYARA** is a protein drug that makes the treatment of cancer tumor-specific. The development of ANYARA is primarily focused on renal cell cancer, but the compound has also demonstrated favorable results in connection with the treatment of, for example, non-small cell lung cancer. The compound is currently undergoing pivotal Phase III trials encompassing just over 500 renal cell cancer patients. The results from the study are expected to be presented in 2012.

■ **57-57** is a quinoline compound for treatment of, for example, systemic lupus erythematosus (SLE), a disease that causes inflammation and damage to the connective tissue throughout the body with serious secondary symptoms, such as renal failure. In August 2010, the company decided to also initiate development of 57-57 for treatment of systemic sclerosis/scleroderma. This rare disease is an orphan drug indication. An explorative study into this indication is scheduled to start in 2011.

■ **ISI** is a project that was initiated in 2008. The aim of the project is to utilize the company's own preclinical results that were generated around a target molecule, S100A9, for the quinoline compounds and their biological mode of action. The objective of the project is to produce new, patentable chemical compounds that interact with S100A9. The selection of a candidate drug is expected to take place in 2011/2012.

■ **RhuDex™** is a compound that is primarily intended to be used as a drug for the treatment of 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. A clinical Phase II trial has been completed and preclinical studies took place in 2009/2010 to optimize the continued clinical development program.



PROJECT	PRIMARY INDICATION	DISCOVERY PHASE	PRECLINICAL DEV.	CLINICAL PHASE I	CLINICAL PHASE II	CLINICAL PHASE III	PARTNER
Laquinimod	MS		Selection of candidate drug (CD)				Teva
	Crohn's						
	Lupus						
TASQ	Prostate cancer						
ANYARA	Renal cell cancer						
57-57	SLE						
	Systemic sclerosis						
ISI							
RhuDex™	RA						MediGene

Autoimmunity/inflammation
 Cancer
 Striped = Ongoing



A unique year

Active Biotech experienced yet another successful year, which pleases us. However, I would like to reiterate the comment that I made last year that this success is built on the very long-term efforts of our employees and the equally long-term support of our shareholders. This has enabled our projects to move closer to market and, in turn, has yielded an appreciation of the company's value. Should we then succeed in our objective to develop effective, new therapy alternatives for patients with serious diseases, there is good potential that the company's value can increase further in the future.

The year 2010 was an extremely positive year for Active Biotech's shareholders. On the final trading day in 2009, the company was valued at SEK 6.4 billion; the figure a year later was nearly SEK 11.2 billion – an increase of 73 percent.

Despite the significant increase in the company's value during the year, Active Biotech remains a loss-making company. According to the current plan, the company is expected to be in the black on a full-year basis in 2012.

During 2010, we leased out offices and sold research services that generated revenue in the approximate amount of SEK 11 million. In April 2010, we completed a private placement to funds managed by Sectoral Asset Management, strengthening our coffers by SEK 149 million. This private placement was important for Active Biotech in the sense that an external, specialized investor validated the company's research portfolio. Furthermore, we issued 529,682 shares as a result of the exercise of employee stock options under the options program approved in 2003, adding about SEK 30 million to the company. At the beginning of 2011, Active Biotech implemented another private placement, providing SEK 375 million from Swedish institutions and international specialized investors.

Since Active Biotech expects laquinimod to be launched in the second half of 2012, thus generating a steady flow of revenue, I do not see the need for any further financing under the current business plan.

Positive results for laquinimod

Our lead project laquinimod is proceeding according to plan. The major news during the year was our announcement in December that the first Phase III study (ALLEGRO) achieved its primary endpoint: to reduce the annualized relapse rate in patients treated with laquinimod. Together with our partner Teva, we could also announce that the previously documented highly favorable safety profile of laquinimod was also retained in the Phase III trial. Another positive result was that laquinimod significantly reduced disability progression, as measured by Expanded Disability Severity Scale (EDSS). We are of course looking forward to presenting the complete data from this very exciting Phase III study, and this will take place at a scientific meeting in the first half of 2011.

The second Phase III trial (BRAVO) is advancing according to plan. The final patient will have completed treatment around mid-2011 and we are therefore anticipating the results at some point in the third quarter. The positive results of the ALLEGRO study also entails a significant reduction of the risk in the BRAVO study. It is extremely unusual for two Phase III trials of such a similar design to diametrically demonstrate different results.

To market in 2012

Based on these two Phase III trials, Teva will submit registration application for laquinimod for the treatment of relapsing-remitting multiple sclerosis (RRMS). On this basis, we expect laquinimod to be available in the market in 2012. This is naturally a turning point for Active Biotech, which can thus look forward to a stable revenue flow that can finance the operation.

Teva is also pursuing other clinical trials involving laquinimod. One of these is a Phase II trial for the treatment of Crohn's disease, which is proceeding as planned. Patient enrolment also commenced in 2010 for two Phase II trials in patients with systemic lupus erythematosus (SLE) with either nephritis symptoms or arthritis symptoms (for further information, see www.clinicaltrials.gov).

All of these diseases are chronic inflammatory diseases with an underlying autoimmune component. Like Active Biotech, Teva believes that laquinimod can attack a common step in the emergence and progression of autoimmune diseases. We look forward to the forthcoming results from these clinical trials.

In February 2010, Active Biotech expanded its partnership with Teva by selling back the marketing and distributions rights held by the company in the Nordic and Baltic regions. We agreed upon a highly favorable royalty level in this territory, thus making it extremely attractive from a commercial perspective to also have Teva as a partner instead of managing sales on a proprietary basis. In this manner, Active Biotech also avoids increasing its costs to build up its own sales organization.

During the past year, Teva also published data from a clinical extension study, a continuation of the Phase II trial concluded in 2007. The data included information on patients treated with laquinimod over a period of many years and helps to strengthen the safety database that we want to build up relating to the drug intended for chronic therapy. The data indicates

that the positive effect on MS disease progression is preserved in connection with long-term therapy.

Furthermore, Teva published preclinical studies that demonstrate that laquinimod may have neuroprotective effects, which, for example, prevent demyelination of the central nervous system (CNS). Another observation of great interest is that laquinimod yielded a significant increase in brain-derived neurotrophic factor (BDNF), a protein that plays a pivotal role in the development and maintenance of the CNS.

57-57 against two diseases

Active Biotech's 57-57 project completed a Phase Ib study in SLE patients and the results from this will be published in 2011. Also in 2010, a follow-up study was conducted – a so-called explorative study – of several SLE patients in which interesting discoveries were made. The plan is to ultimately publish the results from this study at a scientific meeting or in literature.

Because Teva is now focusing part of its development of laquinimod on large groups of SLE patients, Active Biotech has decided to develop 57-57 against the indication systemic sclerosis. This is a disease that is closely related to SLE but extremely rare, and has thus received orphan drug status. This implies that the company that succeeds in developing a drug all the way to market launch will be granted market exclusivity by the regulatory authorities for ten years in Europe and seven years in the US. This exclusivity reduces sensitivity to patent expirations, which is necessary when developing treatments against rare diseases as it takes longer to recruit patients to clinical trials. It should also be noted that there is a considerable medical requirement for treatment alternatives for patients suffering from systemic sclerosis.

New clinical trials of RhuDex™

Our RhuDex project, being developed by our partner MediGene, has undergone further preclinical trials, and MediGene intends to resume clinical trials of RhuDex in 2011.

Phase III trial of ANYARA continues

The ANYARA project for the treatment of renal cancer is proceeding according to plan. In November, we announced that the results of the ongoing Phase III trial will be published in mid-2012. However, this date may be adjusted further at a later point in time.

The ongoing clinical trial has survival as the primary end-point, meaning that events and not time limit its scope. We have been forced on a number of occasions to amend our estimates of how long it will take. There are numerous reasons why a study such as this could take longer than forecast. The diagnosis and care of cancer patients is continuously improving, enabling patients to be diagnosed earlier and receive better care, thus extending their expected average survival. Before gaining access to own data, the length of the study is estimated on the basis of historical results and an estimate of the length of the study. Consequently, it is not unusual that the initial estimate must be revised.

During the year, Active Biotech has also published a number of preclinical studies of ANYARA, both in scientific literature and in conjunction with various congresses.

Favorable effect of TASQ

We also published preclinical data in a scientific article for our project for the treatment of prostate cancer, TASQ. Here we could show that TASQ's antiangiogenic effect is conveyed by one of the body's own proteins (Thrombospondin-1), which is a new mechanism.

Complete data from a Phase II trial of TASQ was presented at the major scientific ASCO conference in June 2010. We could show that the fraction of patients with disease progression during the six month period was 31 percent for patients treated with TASQ compared with a full 66 percent for placebo-treated patients. TASQ demonstrated a highly robust effect even among patients with the poorest prognosis.

In 2010, all the necessary preparations have been made to initiate a Phase III study and, at the time of writing, the first patients have commenced treatment. Active Biotech has instigated and will pursue this Phase III study on a proprietary basis. This means that we will not only add further value to the project, but also to the company as we increase our competence base to also encompass pivotal Phase III trials. Our current plans are to have secured a partner for the project prior to market launch, although a decision in this respect does not need to be made until 2013.

According to our present plans, TASQ will be available in the market at the end of 2014.

New generation of small molecules

Our preclinical project ISI has proceeded according to plan. For this project, we have developed a new generation of small molecules that bind to S100A9 and impede their interaction with the RAGE and TLR-4 receptors. Active Biotech intends to select a candidate drug in 2011 or 2012, to subsequently commence clinical trials for the treatment of an oncology indication about one year later. We will announce more detailed information concerning the selection of indication and timelines later in 2011.

A unique year

Summing up, 2010 was a unique year for Active Biotech. We have been able to record a positive result in a pivotal trial for the first time in the company's history. Many of us have followed this project from its first test on humans back in 1999 and it has been an exciting and remarkable journey.

All that remains for me is to thank all the employees for their efforts during the year, the enthusiasm they have shown for both our projects and for the company as a whole, and all the shareholders that have shown continued confidence in Active Biotech's ability to develop new, innovative drugs.

Lund, April 2011

Tomas Leanderson, President and 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, 2010 to December 31, 2010. 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, whose operations since December 23, 2010 – the date on which Active Biotech AB and Active Biotech Research AB were merged – comprise pharmaceutical development, Group-wide functions and asset management. In addition, the Group includes the wholly owned subsidiary Active Forskaren 1 KB in Lund, which owns the property in which operations are pursued.

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. In the laquinimod project, the Group is developing a drug to address the indications multiple sclerosis (MS), Crohn's disease and lupus. In the 57-57 project, the company is developing a drug to address systemic lupus erythematosus (SLE) and systemic sclerosis (SSc) and in the RhuDex project a drug to address rheumatoid arthritis (RA). The project portfolio also includes two potential drugs for treatment of the indications renal cell cancer (ANYARA) and prostate cancer (TASQ).

In addition to these five clinical projects, the company pursues one preclinical project, called ISI, 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.

In general, research operations performed very favorably in 2010.

Progress 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 oral drug 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 clinical development of laquinimod. If all the clinical and commercial milestones are achieved, Teva will pay USD 92 million to Active Biotech, USD 17 million of which has been received to date. In addition to milestone payments, Active Biotech will also receive tiered royalty payments on global sales, excluding the Nordic/Baltic regions. These will start just above 10 percent and end just below 20 percent. In February 2010, Active Biotech announced that Teva had acquired the remaining commercial rights to laquinimod in the Nordic and Baltic regions. The agreement implies that Active Biotech will receive a royalty rate that is more than double that of the highest level in the global agreement.

In September 2006, Teva successfully concluded an additional Phase II trial ahead of 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 2007, the clinical Phase III study ALLEGRO (*assessment of oral laquinimod in preventing progression of multiple sclerosis*) commenced, which is a global, pivotal, 24-month, double-blind trial. The purpose is to evaluate the efficacy, safety and tolerability of laquinimod versus placebo in the treatment of relapsing-remitting multiple sclerosis (RRMS). In December 2010, Teva announced that the study, which encompassed about 1,100 patients, achieved its clinical endpoint at the same time as a highly favorable safety profile was preserved.

Efficacy, safety and tolerability in laquinimod are also being studied in a second Phase III study in RRMS patients, BRAVO (*benefit-risk assessment of Avonex® and laquinimod*). The BRAVO trial is a 24-month, global, multi-center, randomized, placebo-controlled trial with parallel groups, in which the effects of laquinimod are compared with placebo. The study will also generate data that assesses the risk and benefits with once-daily administered laquinimod compared with Avonex®, an injectable product presently established in the market.

In June 2009, Teva announced that the BRAVO study, encompassing more than 1,200 patients, was fully enrolled. The results are expected to be reported in the third quarter of 2011.

The forecast is that laquinimod will be launched in the market in 2012.

In the latter part of 2010, further new detailed mechanical data was also presented demonstrating that laquinimod has both neuroprotective and anti-inflammatory properties. Among other results, the study showed that laquinimod treatment is associated with an increase in brain-derived neurotrophic factor (BDNF), a pivotal factor in the development and maintenance of the central nervous system.

In addition to the ongoing clinical trials in MS, Teva is also conducting Phase II trials since 2009 for laquinimod for the treatment of Crohn's disease and, since 2010, for the treatment of Lupus.

TASQ

In the TASQ (Tumor Angiogenesis Suppression by Quinolines) project, Active Biotech is developing an antiangiogenic substance that attacks the tumor's growth

through inhibition of the formation of blood vessels in the tumor. TASQ is intended to be administered in tablet form for the treatment of prostate cancer. Following the conclusion of an initial clinical Phase I trial involving healthy volunteers in February 2004, a clinical Phase I dose-escalation program with prostate cancer patients commenced in the latter part of the same year, with the purpose of studying the safety of TASQ. The study comprised a total of 32 patients with hormone-refractory prostate cancer. 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. In September 2009, the results from the Phase I trial were published in the British Journal of Cancer.

The US Food and Drug Administration's review of the IND (Investigational New Drug) application was completed in August 2007 and a Phase II proof of concept study was initiated during the latter part of the same year. This study was a 2:1 randomized, placebo-controlled, double-blind Phase II study of 1 mg/ day of TASQ versus placebo. It comprised 206 symptom-free patients in the US, Canada and Sweden with metastatic, hormone-resistant, prostate cancer. The primary endpoint of this study was to demonstrate a lower fraction of patients that display disease progression after six months of TASQ therapy compared with placebo. A secondary clinical endpoint of importance for this group of patients included time to clinical progression.

It was announced in December 2009 that this endpoint had been achieved. The complete results from the trial were presented at the 46th Annual Meeting of the American Society of Clinical Oncology (ASCO) held on June 4-8, 2010.

The fraction of patients with disease progression during the six-month period was only 31 percent for patients treated with TASQ compared with 66 percent for placebo-treated patients. The median progression-free survival was 7.6 months for the TASQ group, compared to 3.3 months for the placebo group. TASQ treatment also had a positive effect on biomarkers relevant for prostate cancer progression and was generally well tolerated.

In 2010, work commenced on the planning of the start of a clinical Phase III program. In February 2011, the company announced that a pivotal Phase III trial will commence in the first quarter of 2011 involving about 1,200 patients in more than 250 clinics in 40 countries.

ANYARA

In the ANYARA project, Active Biotech is developing an immunological targeted treatment of cancer that stimulates the immune system to eradicate tumor cells. 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 median survival of 26.2 months observed for patients with advanced renal cell cancer and treated with ANYARA is longer than expected. Results from two Phase I studies of ANYARA were published in the Journal of Clinical Oncology, where ANYARA was studied both as a single agent (monotherapy) and in combination with an established tumor therapy – docetaxel (Taxotere). The results showed that ANYARA was well tolerated both as monotherapy and in combination with docetaxel.

In July 2007, ANYARA was granted Orphan Drug Status for the treatment of renal cell cancer patients by the EMA's (European Medicines Agency) expert committee. The EMA's decision 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.

A combined Phase II/III trial for the treatment of renal cell cancer was initiated at the end of 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 advanced renal cell cancer. The primary endpoint for this study is extended overall survival and it includes just over 500 patients.

In May 2008, following the enrolment of approximately 250 patients in the trial, an interim analysis was conducted with positive results.

The ongoing, pivotal, Phase II/III trial of ANYARA is fully enrolled since June 2009. The length of the trial depends on disease progression in patients and results are expected to be presented during 2012.

både som monoterapi och i kombinationsbehandling.

57-57

In the company's 57-57 project, Active Biotech is developing a novel immunomodulatory compound.

The first clinical Phase I dose-escalation study, comprising 30 healthy volunteers, was started at the Karolinska University Hospital in Stockholm in at the end of 2004 and was successfully completed in 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 Ib 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. The study was concluded in 2008 and data from the trial confirmed the previously exhibited favorable safety profile, and demonstrates effects on markers for the SLE disease. During 2008 and 2009, follow-up data from the concluded Phase Ib trial was presented at scientific conferences. The results show that by treating patients with 57-57, it is possible to affect signaling pathways that are essential for the progression of SLE. The explorative clinical study that commenced in 2009 comprising 13 SLE patients in Sweden and Denmark was concluded in 2010 and the results will be reported in 2011. The purpose of the study was to examine the effect of 57-57 on parameters that correlate with diseases activity.

In 2010, Active Biotech decided to initiate development of 57-57 to address the indication systemic sclerosis, a rare autoimmune disease that can be designated orphan medicinal product status. In February 2011, the EMA conferred this status upon 57-57 for the indication systemic sclerosis. Preparations are under way for the launch of an explorative study in 2011.

RhuDex™

RhuDex is an orally active compound for the treatment of rheumatoid arthritis (RA) and originates from Active Biotech's patented CD80 antagonists, out-licensed in 2002 to

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

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, yielding a small milestone payment for Active Biotech. In March 2006, the company could report that MediGene 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 2007 and, in 2008, positive data from the trial was reported. Further preclinical trials were completed in 2010. MediGene intends to conclude the clinical departmental/development plan for RhuDex when the preclinical results have been analyzed. 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-projektet

Active Biotech's ISI project was initiated in 2008. Previous work has shown that quinoline compounds will inhibit the interaction between a defined target, S100A9, and at least two endogenous, pro-inflammatory receptors. An in-house library and commercially available libraries of compounds have been screened for binding to the target molecule. New, interesting, potential compounds in the two different, non-quinoline chemical classes of compounds have been identified.

The objective of the ISI project is to define new, patentable target-binding small molecule compounds that bind to the same target molecule but with superior pharmacological properties compared to the existing quinolines. The target for filing of new patents and selection of a first candidate drug is 2011/2012.

Comments on the income statement

The Group's net sales amounted to SEK 11.4 million (10.8) and comprised service and rental revenues of SEK 7.8 million (6.4) and SEK 3.6 million (4.4) in other revenues. Operating expenses amounted to SEK 240.3 million (230.3) of which research and administrative costs increased by SEK 5.3 million from SEK 212.0 million to SEK 217.3 million. The increase in expenses is attributable in full to higher costs for the clinical development program for the TASQ project, for which a Phase II trial was completed in 2010, and the initiation of planning for the start of Phase III trials. During the second half of 2010, approximately SEK 45 million was expended for activities related to the launch of Phase III trials.

Costs for the ANYARA project were significantly lower in 2010 compared with 2009 since patients in the ongoing renal cancer study with ANYARA have completed treatment and entered the evaluation phase. The lower cost outcome for the 57-57 project was due to that fact that only a small-scale explorative study was conducted in 2010 compared with a significantly higher cost outcome in 2009.

At year-end, the clinical development program comprised a total of five projects, of which laquinimod and RhuDex are fully financed by partners, while TASQ, ANYARA and 57-57 are financed by Active Biotech. In addition to the clinical development program, the company also pursues the preclinical research project ISI, the aim of which is to utilize Active Biotech's own research results that were generated around a target molecule for the quinoline compounds and their biological mode of action.

Administrative costs increased from SEK 18.3 to SEK 23.1. The rise in costs is primarily attributable to higher cost related to the employee stock option program and was a consequence of the strong increase in the company's share price during the year. The cost outcome for 2010 was impacted positively by the strong SEK, since about 41 percent of research costs comprise research services purchased abroad, mainly in the areas of clinical development and manufacturing of clinical material.

The consolidated operating loss amounted to SEK 229.0 (loss: 219.6). The deterioration in earnings is attributable to higher research costs to ensure an optimal scheduling of clinical development plan for the Phase III project TASQ.

Consolidated net financial items amounted to an expense of SEK 4.7 million (expense: 4.4). Financial income amounted to SEK 1.9 million (6.3). Financial expenses amounted to SEK 6.5 million (10.7). Financial expenses in 2009 included a gain of SEK 3.5 million due to the remeasurement of agreed interest-rate swaps to fair value. Such remeasurement does not give rise to any effects on cash flow. In 2010, the corresponding remeasurement gain amounted to SEK 0.4 million.

Consolidated loss after tax amounted to SEK 221.1 million (loss: 224.0).

Comments on the balance sheet

The Group's total assets amounted to SEK 503.1 million (498.5), of which tangible fixed assets amounted to SEK 358.5 million (319.0). The carrying amount of Land and buildings, following the revaluation of the company's property Forskaren 1, amounted to SEK 350.0 million (309.4), and equipment, tools, fixtures and fittings totaling SEK 8.5 million (9.6). At year-end, cash and cash equivalents totaled SEK 131.1 million (156.0).

Comments on the cash-flow statement

The Group's cash flow for full-year 2010 was negative SEK 24.9 million (pos: 17.3). The negative cash flow from operating activities amounted to SEK 196.3 million (neg: 224.8). Cash flow from investing activities amounted to a negative SEK 0.1 million (neg: 0.1) and the cash flow from financing activities amounted to SEK 171.5 million (242.1). Investments in tangible fixed assets amounted to SEK 1.6 million (4.0), of which SEK 1.5 million (3.9) was financed through financial leasing agreements.

Cash and cash equivalents and financial position

At year-end, cash and cash equivalents amounted to SEK 131.1 million (156.0). In 2010, a private placement was implemented to funds managed by Sectoral Assets Management Inc, a global player in the healthcare sector.

The issue provided the company with a capital infusion of SEK 149.0 million after issue expenses. In addition, the exercise of employee stock options generated about SEK 30.0 for the company. 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 249.5 million (255.5), of which SEK 241.1 million (246.7) is represented by a property loan and SEK 8.4 million (8.8) by liabilities to leasing companies. At year-end, consolidated shareholders' equity amounted to SEK 181.8 million (188.6). The Group's equity/assets ratio was 36.1 percent at year-end 2010, compared with 37.8 percent at year-end 2009.

The Active Biotech share

Share capital and ownership structure

In February 2011, following the private placement to institutions in the US and Sweden and the exercise of employees stock options, Active Biotech AB's share capital amounted to SEK 258.5 million distributed among 68,582,691 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 39.

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 41–43.

Parent Company

Following the merger with the wholly owned subsidiary Active Biotech Research AB on December 23, 2010, the operations of the Parent Company Active Biotech AB comprise the Group's research operations, Group-coordinative administrative functions and asset management. The Parent Company's net sales for the year amounted to SEK 23.2 million (3.5). Operating expenses for the year amounted to SEK 257.6 million (expense: 22.2). Investments in tangible fixed assets amounted to SEK 1.6 million for the year. At year-end, the Parent Company's cash and cash equivalents, including short-term investments, amounted to SEK 125.4 million, compared with SEK 144.2 million at the beginning of the year. Loss after tax was SEK 232.7 million (loss: 16.3 million).

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 that they aim to address.

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 2012 before any of these products are registered and approved for sale. As a result, Active Biotech will continue to recognize 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 240.3 million during the fiscal year, of which about 41 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 16 on pages 30-31.

The organization

The average number of employees in the Group amounted to 87 (90), of whom 51 (52) were women. The average age of employees was 49 (49) with an average employment period of 16.6 years (17.9). The education level of the personnel is high; 23 hold a PhD and 43 have university/college education.

During the year, the Group incurred average education costs of SEK 4,986 per employee. At year-end 2010, the number of employees was 83 (89) of whom 69 (74) in research and development. Sickness absence during the year amounted to 2.6 percent (1.6). The number of reported work injuries (including travel accidents) totaled 0 (2).

Incentive programs

An Extraordinary General Meeting on December 8, 2003 resolved to implement a free employee stock options program comprising a total of 1,000,000 shares for all employees of the Active Biotech Group. At year-end 2010, employee stock options outstanding combined with the hedging of future social-security costs comprised a total of 348,034 options, corresponding to 428,082 shares, entailing a maximum dilution for existing shareholders of 0.6 percent. The incentive program is described in greater detail under the section "The share" on page 37 and in Note 5 on pages 20-23.

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 2010 fiscal year. The proposed treatment of the company's loss 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 six 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 or in administrative functions.

During the year, seven 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 41-43. 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 5, 2011 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 proposal concerning this shall be submitted to the Annual General Meeting for approval.

A description of the guidelines applied in 2010 and the remuneration paid are described in Note 5 on pages 20–23.

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. For the President & CEO, the variable salary shall amount to not more than 50 percent of the fixed salary. 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. For senior executives encompassed by the ITP scheme, pension premiums shall correspond to that applicable under the ITP scheme. For other senior executives, pension premiums shall correspond to not more than 25 percent of fixed salary.

Severance pay, etc

Senior executives shall observe a termination period of not more than 12 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.

Deviation from previously approved guidelines

The company's current President & CEO was recruited to the position in summer 2008, and thus nearly three years has passed since his employment. In light of this, the company and President & CEO entered discussions at the beginning of 2011 concerning the President & CEO's remuneration. In these discussions, the Board of Directors found reason to grant the President & CEO entitlement to such variable salary as that stipulated under the heading Variable salary. The guidelines approved at the AGM in 2010 did not provide scope for such remuneration. The Board subsequently decided to exercise its right to deviate from the guidelines, since it considered that, in this case, extenuating circumstances prevailed justifying such a move. It is of the utmost important for the Group to retain an executive management team that has the expertise and industry know-how necessary and with a focus on value generation for the company and shareholders. The now agreed possibility of receiving variable, performance-based salary is one of the components in what the Board believes to be a reasonable overall solution concerning remuneration of the President & CEO.

Events after the balance-sheet date

● *New share issue*

On January 26, 2011, the Board of Directors decided to, with the support of the mandate granted by the 2010 AGM, implement a private placement of 2,500,000 new shares with international institutional investors and qualified investors in Sweden. The shares were subscribed at a price of SEK 150 per share, yielding issue proceeds of SEK 375 million before issue costs.

Outlook for 2010

Against the background of the highly positive development of the project portfolio, the Board of Directors has determined that available liquidity, revenues from existing and anticipated partnership agreements and liquidity from the private placement implemented by the Board in January 2011 totaling approximately SEK 375 million before issue expenses will provide sufficient financial resources to finance the company's operations under the current business plan. 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 2011.

Proposed treatment of the company's loss

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

Share premium reserve	171 652 541
Accumulated loss	-180 031 147
Loss for the year	-232 699 687
Total	-241 078 293

The Board of Directors proposes that the above loss totaling SEK 241,078,293 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 were approved for issue on April 1, 2011. The consolidated income statement, statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be subject for adoption by the Annual General Meeting on May 5, 2011.

Statement by the Board of Directors

The Board of Directors and the President & CEO affirm that the Annual Report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts were 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 1, 2011

The Board of Directors of Active Biotech AB (publ)

MATS ARNHÖG
Chairman

KLAS KÄRRE

MAGNHILD SANDBERG-WOLLHEIM

PETER SJÖSTRAND

PETER STRÖM

TOMAS NICOLIN

KARIN HALLBECK

ANETTE SUNDSTEDT

TOMAS LEANDERSON
President & CEO

We submitted our Audit Report on April 1, 2011.

KPMG AB

DAVID OLOW
Authorized Public Accountant

Consolidated income statement

JANUARY 1 – DECEMBER 31			
SEK thousands	Note	2010	2009
Net sales	2	11 356	10 772
Administrative expenses	3,4	-23 061	-18 300
Research and development expenses	3	-217 260	-212 046
Operating loss	5	-228 965	-219 574
Financial income		1 861	6 301
Financial expenses		-6 518	-10 704
Net financial expense	6	-4 657	-4 403
Loss before tax		-233 622	-223 977
Tax	7	12 557	–
Loss for the year		-221 065	-223 977
Loss for the year attributable to:			
Parent Company's shareholders		-221 065	-223 977
Non-controlling interests		–	–
Earnings per share	12		
before dilution (SEK)		-3,38	-3,81
after dilution (SEK)		-3,38	-3,81

Statement of consolidated comprehensive income

JANUARY 1 – DECEMBER 31			
SEK thousands		2010	2009
Loss for the year		-221 065	-223 977
Other comprehensive income			
Change in the revaluation reserve		46 431	-1 314
Tax attributable to other comprehensive income		-12 211	346
Other comprehensive loss for the year		34 220	-968
Comprehensive loss for the year		-186 845	-224 945
Other comprehensive loss for the year attributable to:			
Parent Company's shareholders		-186 845	-224 945
Non-controlling interests		–	–

Consolidated statement of financial position

AT DECEMBER 31			
SEK thousands	Note	2010	2009
ASSETS			
Land and buildings	9	350 000	309 434
Equipment, tools, fixtures and fittings	9	8 515	9 558
Long-term receivables		1	1
Total fixed assets		358 516	318 993
Accounts receivable		42	547
Tax receivables		3 882	3 882
Other receivables		2 687	7 562
Prepaid expenses			
and accrued income	10	6 827	11 479
Cash and cash equivalents	20	131 141	156 035
Total current assets		144 579	179 505
TOTAL ASSETS		503 095	498 498

Consolidated statement of cash flows

JANUARY 1 – DECEMBER 31			
SEK thousands	Note 20	2010	2009
Operating activities			
Loss before tax		-233 622	-223 977
Adjustments for non-cash items		9 772	9 603
Cash flow from operating activities before changes in working capital		-223 850	-214 374
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		10 033	-13 816
Increase(+)/Reduction(-) in operating liabilities		17 497	3 418
Cash flow from operating activities		-196 320	-224 772
Investing activities			
Acquisition of tangible fixed assets		-91	-72
Cash flow from investing activities		-91	-72
Financing activities			
New share issue		179 831	256 208
Issue expenses		-837	-7 200
Amortization of loan		-5 191	-5 191
Amortization of leasing liabilities		-2 286	-1 679
Cash flow from financing activities		171 517	242 138
Cash flow for the year		-24 894	17 294
Cash and cash equivalents, January 1		156 035	138 741
CASH AND CASH EQUIVALENTS AT YEAR-END		131 141	156 035

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	Translation reserve	Profit/loss brought forward incl. profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2009		193 148	2 072 188	41 698	-2 143 424	163 610
Adjustment of opening balance		—	—	-6 929	6 929	—
Adjusted opening shareholders' equity, January 1, 2009		193 148	2 072 188	34 769	-2 136 495	163 610
Comprehensive loss for the year		—	—	-968	-223 977	-224 945
Transfer to revaluation reserve		—	—	—	968	968
New share issue		48 287	200 721	—	—	249 008
Closing shareholders' equity, December 31, 2009		241 435	2 272 909	33 801	-2 359 504	188 641

Opening shareholders' equity, January 1, 2010		241 435	2 272 909	33 801	-2 359 504	188 641
Comprehensive income/loss for the year		—	—	34 220	-221 065	-186 845
Transfer to revaluation reserve		—	—	—	968	968
New share issue		7 341	171 653	—	—	178 994
Closing shareholders' equity, December 31, 2010		248 776	2 444 562	68 021	-2 579 601	181 758

Parent Company income statement

JANUARY 1 – DECEMBER 31			
SEK thousands	Note	2010	2009
Net sales	2	23 214	3 500
Administrative expenses	3,4	-24 162	-22 157
Research and development expenses	3	-233 484	—
Operating loss	5	-234 432	-18 657
<i>Profit/loss from financial items:</i>			
Interest income and similar items	6	1 739	2 327
Interest expense and similar items	6	-7	-5
Loss after financial items		-232 700	-16 335
Loss before tax		-232 700	-16 335
Tax	7	—	—
Loss for the year		-232 700	-16 335

Statement of comprehensive income, Parent Company

JANUARY 1 – DECEMBER 31			
SEK thousands		2010	2009
Loss for the year		-232 700	-16 335
Other comprehensive income		0	0
Comprehensive loss for the year		-232 700	-16 335

Cash flow statement for the Parent Company

JANUARY 1 – DECEMBER 31			
SEK thousands	Note 20	2010	2009
<i>Operating activities</i>			
Loss after financial items		-232 700	-16 335
Adjustments for non-cash items		196 417	—
Cash flow from operating activities before changes in working capital		-36 283	-16 335
<i>Cash flow from changes in working capital</i>			
Increase(-)/Reduction(+) in operating receivables		-179 609	-6 665
Increase(+)/Reduction(-) in operating liabilities		7 184	-8 474
Cash flow from operating activities		-208 708	-31 474
<i>Investing activities</i>			
Acquisition of tangible fixed assets		-315	—
Merger of subsidiaries, impact on cash and cash equivalents		11 284	—
Cash flow from investing activities		10 969	—
<i>Financing activities</i>			
New share issue		179 831	256 208
Issue expenses		-837	-7 200
Group contributions paid		—	-205 000
Cash flow from financing activities		178 994	44 008
Cash flow for the year		-18 745	12 534
Cash and cash equivalents, January 1		144 159	131 625
CASH AND CASH EQUIVALENTS AT YEAR-END		125 414	144 159

Parent Company balance sheet

AT DECEMBER 31

SEK thousands	Note	2010	2009
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Goodwill	8	161 497	–
Total intangible fixed assets		161 497	–
<i>Tangible fixed assets</i>			
Land and buildings	9	294	–
Equipment, tools, fixtures and fittings	9	737	351
Total tangible fixed assets		1 031	351
<i>Financial fixed assets</i>			
Participations in Group companies	19	40 550	202 450
Other long-term receivables		1	1
Total financial fixed assets		40 551	202 451
Total fixed assets		203 079	202 802
Current assets			
<i>Short-term receivables</i>			
Accounts receivable		42	–
Receivables from Group companies		12 435	7 813
Tax receivables		3 882	1 638
Other receivables		2 687	6 611
Prepaid expenses and accrued income	10	6 827	891
Total short-term receivables		25 873	16 953
Short-term investments	20	–	50 000
Cash and bank balances	20	125 414	94 159
Total current assets		151 287	161 112
TOTAL ASSETS		354 366	363 914

AT DECEMBER 31

SEK thousands	Note	2010	2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		248 776	241 435
Revaluation reserve		161 497	–
Statutory reserve		118 871	118 871
<i>Unrestricted equity</i>			
Share premium reserve		171 653	339 715
Loss carryforwards		-180 032	-341 915
Loss for the year		-232 700	-16 335
Total shareholders' equity	11	288 065	341 771
Short-term liabilities			
Accounts payable		27 453	176
Liabilities to Group companies		–	1 000
Other liabilities	14	2 944	7 539
Accrued expenses and deferred income	15	35 904	13 428
Total short-term liabilities		66 301	22 143
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		354 366	363 914

Pledged assets and contingent liabilities for the Parent Company

AT DECEMBER 31

SEK thousands	Note	2010	2009
Assets pledged	18	9 490	7 399
Contingent liabilities	18	241 068	246 726

Statement of changes in Parent Company's equity

TSEK	Note 11	Share capital	Bundet eget kapital Uppskrivnings-fond	Reserv-fond	Överkurs-fond	Fritt eget kapital Balanserat resultat	Årets for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2009		193 148	–	118 871	138 994	-200 547	63 632	314 098
Comprehensive loss for the year		–	–	–	–	–	-16 335	-16 335
Treatment of loss in preceding year		–	–	–	–	63 632	-63 632	–
Group contributions paid		–	–	–	–	-205 000	–	-205 000
New share issue		48 287	–	–	200 721	–	–	249 008
Closing shareholders' equity, December 31, 2009		241 435	–	118 871	339 715	-341 915	-16 335	341 771

Opening shareholders' equity, January 1, 2010	241 435	–	118 871	339 715	-341 915	-16 335	341 771
Comprehensive loss for the year	–	–	–	–	–	-232 700	-232 700
Treatment of profit/loss in preceding year	–	–	–	-339 715	323 380	16 335	–
Merger of subsidiary	–	161 497	–	–	-161 497	–	–
New share issue	7 341	–	–	171 653	–	–	178 994
Closing shareholders' equity, December 31, 2010	248 776	161 497	118 871	171 653	-180 032	-232 700	288 065

Notes to the financial statements

Note 1 • Accounting policies

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), as adopted by the European Union. In addition, the Group applied the recommendation of the Swedish Financial Accounting Standards Council RFR 1.2 Supplementary Accounting Rules for Groups.

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

The Annual Report and the consolidated accounts were approved for issue by the Board and the President on April 1, 2011. The consolidated income statement and statement of financial position and the Parent Company's income statement and balance sheet will be subject for adoption by the Annual General Meeting on May 5, 2011.

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 historical acquisition value (cost), except for the Group's property Forskaren 1, and certain financial assets and liabilities, which are measured at fair value. Financial assets and liabilities measured at fair value comprise financial assets classified as financial assets measured at fair value in profit or loss.

The preparation of financial statements in accordance with IFRS requires company management to make assessments and evaluations that affect the application of the accounting policies and the recognized amounts 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 recognized 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 recognized 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 20.

The accounting policies 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 policies were applied consistently in the reporting and consolidation of the Parent Company and subsidiaries.

Changed accounting policies

In 2010, no revisions of IFRS with application as of 2010 had any material impact on the Group's reporting. A number of new or revised IFRS come into effect in forthcoming fiscal years and have not been applied in advance when preparing these financial statements. The Group does not plan to prematurely apply new standards or amendments to standards with prospective application. The company's assessment is that published new or revised standards with prospective application will not have any material impact on the Group's reporting.

Segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate revenues and incur costs and from which independent financial information is available. In addition, an operating segment's results are followed up by the company's chief operating decision-maker to assess earnings and to be able to allocate resources to the operating segment. 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 Group's entire operation comprises a single operating 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 and business combinations

Subsidiaries

A subsidiary is a company in which 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.

Acquisitions on January 1 or later

Subsidiaries are recognized in accordance with the purchase method. The method entails that the acquisition of a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and assumed liabilities and any non-controlling interests. Transaction expenses, with the exception of transaction expenses included in the issue of equity or debt instruments, are recognized immediately in profit or loss for the year.

For business combinations in which the consideration transferred, any non-controlling interests and the fair value of previously held equity interests (for step acquisitions) exceeds the fair value of separately recognized acquired assets and assumed liabilities, the difference is recognized as goodwill. When the difference is negative, known as a bargain purchase, it is directly recognized in profit or loss for the year.

Consideration transferred in conjunction with the acquisition does not include payments pertaining to the settlement of previous business connections, which is instead recognized in profit or loss. Contingent considerations are recognized at fair value on the acquisition date. Contingent consideration classified as an equity instrument is not remeasured and its settlement takes place within equity. Other types of contingent considerations are remeasured at each reporting date with any change recognized in profit or loss for the year.

For acquisitions achieved in steps, goodwill is determined on the date on which the non-controlling interest arises. Former interests are measured at fair value and the change in value recognized in profit or loss for the year.

In conjunction with divestments resulting in the loss of a non-controlling interest but where a residual interest exists, this holding is measured at fair value and the change in value recognized in profit or loss for the year.

Acquisitions carried out prior to January 1, 2004 (IFRS transition date)

For acquisitions completed prior to January 1, 2004, goodwill, after impairment testing, is recognized at a cost that corresponds to the carrying amount in accordance with the previously applied accounting policies. The classification and the way business combinations completed prior to January 1, 2004 were treated for accounting purposes had not been reconsidered in accordance with IFRS 3 when the opening balance in the consolidated financial statements was established pursuant to IFRS on January 1, 2004. The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until the date the controlling influence ceases.

If the subsidiaries' accounting policies do not agree with the Group's accounting policies, adjustments have been made to the Group's accounting policies. Losses attributable to non-controlling interests are allocated to non-controlling interests although non-controlling interests will be recognized as a debit item under equity.

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 the 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. 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 recognized at historical cost are translated at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are recognized at fair value are translated to the functional currency at the exchange rate that prevails at the date of measurement at fair value.

Recognition of revenues

Active Biotech currently receives revenues for out-licensing of research projects, for invoiced research services and rental income.

Revenues for out-licensing of research projects comprise a licensing fee, milestone payments and royalties from the sale of the pharmaceuticals. An up-front payment is received when the partnership agreements are entered into. This payment is recognized in full at the date of entering into the agreement on condition that the company has fulfilled all commitments under the agreement. Any milestone payments are recognized as revenue if and when the parties to the agreement meet the agreed criteria and agreement has been reached with the counterparty. Any future royalty revenues are recognized as revenue in accordance with the financial content of the agreement.

Invoicing of research services are recognized as revenue in the accounting period during which the work was performed.

Invoicing of rental revenues is recognized in accordance with the terms of the rental agreement.

Operating expenses and financial revenues and expenses

Operational leasing agreements

Costs pertaining to operational leasing agreements are recognized straight-line in profit or loss over the leasing period.

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 recognized 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 and receivables, interest expense on loans, 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 recognized 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.

Exchange-rate gains and losses are netted.

Financial instruments

Financial instruments recognized in the asset side of the statement of financial position include cash and cash equivalents, accounts receivable, shares and other equity instruments, loan receivables and bond receivables. Liabilities include accounts payable and loan liabilities.

Recognition in, and derecognition from, the balance sheet

A financial asset or financial liability is recognized in the statement of financial position when the company is party to the contractual conditions of the instrument. Accounts receivable are recognized in the statement of financial position 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 are recognized when the invoice is received.

A financial asset is derecognized from the statement of financial position 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 statement of financial position when the contractual obligation is met. This also applies to parts of financial liabilities. Acquisition and divestment of financial assets are recognized on 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 cost representing the fair value of the instrument, with transaction costs added for all financial instruments, except those defined as financial assets and recognized at fair value in profit or loss, 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.

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 measured at amortized cost. Amortized cost 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 an express intention and ability to hold to maturity. Assets in this category are measured at amortized cost.

Financial assets and liabilities measured at fair value in profit or loss

This category consists of the sub-group Financial assets and liabilities held for trading and contains the Group's derivatives with positive or negative fair values and other financial instruments continuously measured at fair value with the changes in the value recognized in profit/loss for the year.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortized cost. 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.

Derivatives and hedge accounting

The Group's derivative instruments have been acquired to financially hedge the risk of interest-rate exposure experienced by the Group. To hedge the risk in highly probable forecast interest-rate flows of loans with floating interest rates, interest-rate swaps are used in which the company receives floating interest rate payments and pays fixed interest rates. Derivatives are initially measured at fair value meaning that the transaction costs are charged to earnings for the period. The Group has chosen not to apply hedge accounting, which means that current changes in the fair value of derivatives are recognized in profit/loss for the year. Interest coupons on interest swaps are recognized as interest and other value changes of interest swaps are recognized as other financial income or other financial expense.

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 cost, less a deduction for accumulated depreciation and any impairment losses. The cost 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 cost are delivery and handling costs, installation, acquisition registration, consultancy services and legal services.

The Group's property is 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 the property is based on the valuation conducted by independent external appraisers. When an asset's carrying amount increases, the appreciation is recognized directly in other comprehensive income and accumulated in a separate component in equity termed "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 profit or loss. When the carrying amount of an asset is reduced as a result of a revaluation, the reduction is recognized as an expense in profit or loss. 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 cost is transferred from the revaluation reserve to profit/loss brought forward.

Accumulated depreciation at the time of revaluation is eliminated against the asset's cost (or, where appropriate, in the revalued cost) 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 brought forward with no impact on the income statement or other comprehensive income.

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 statement of financial position 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 recognized as other operating revenues/expenses.

Leased assets

Leases are classified in the consolidated financial statements as either financial leases or operational leases. Financial leases exist when the financial risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, the lease is considered to be an operational lease.

Assets leased through financial leasing agreements are recognized as assets in the consolidated statement of financial position. The commitment to pay future leasing fees is recognized as long-term and short-term liabilities. These assets are depreciated over the contractual leasing period 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 may differ from that which has actually been paid as a leasing fee during the year.

Additional expenses

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

Pivotal in the assessments of when an additional expense is added to the cost 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 cost 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.

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 recognized 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 statement of financial position, 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 amount (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 amount. An impairment loss is charged to profit or loss. 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 amount 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 cost, 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 amount for assets included in the loans receivable and accounts receivable category, which are recognized at amortized cost, 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 amount. 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 recognized, less depreciation, where applicable, had no impairment taken place.

Impairment of investments held to maturity or loan receivables and accounts receivable that are recognized at amortized cost is reversed if a later increase of the recoverable amount 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 profit or loss 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 multi-employer defined-benefit plan. For the 2009 and 2010 fiscal years, the company did not have access to information that would make it possible to recognize this plan as a defined-benefit plan. The pension plan conforming to ITP and secured through an Alecta insurance policy is therefore recognized as a defined-contribution plan.

Severance pay

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 recognized as an expense when the related services are received.

A provision is recognized 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 recognized 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 cost 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 recognized 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 recognition. 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-settled employee options program, which was recognized as share-based remuneration in accordance with IFRS 2.

Provisions

A provision is recognized in the statement of financial position when the company has an existing legal or constructive obligation resulting from past events and it is probable that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated. When the effect of the timing of when the payment will be made is significant, provisions are calculated by discounting the anticipated future cash flows to an interest rate before tax that reflects the actual market estimate of the money's value over time and, if applicable, the risks that are associated with the liability.

Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognized in profit or loss for the year except where the underlying transaction is recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognized in other comprehensive income or 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 is also recognized 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 are not recognized in consolidated goodwill and also not for the difference that arises during initial recognition of assets and liabilities that do not constitute a business acquisition which, at the time of the transaction, do not have an impact on recognized 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.

Parent Company's accounting policies

The Parent Company 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, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board concerning listed companies were also applied. RFR 2 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 Pension Obligations Vesting Act 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 policies

Unless otherwise stated, The Parent Company's accounting policies for 2010 were modified in the same manner as indicated above for the Group.

RFR 2 Accounting for Legal Entities states that IAS 1 Presentation of Financial Statements shall also be applied to the accounts of the Parent Company, with a few exceptions. One effects of this, compared with earlier reporting, is the addition of a statement of comprehensive income after the income statement. Another effect is that contents of the statement of changes in equity is similar to the Group's, i.e. excluding revenues and expenses previously recognized directly in equity but now recognized in other comprehensive income. Furthermore, the Parent Company will prepare an extra balance sheet, per the beginning of the comparative year, in annual reports when retroactive changes have significantly affected any item in the extra balance sheet.

Differences between the Group's and the Parent Company's accounting policies

The differences between the Group's and the Parent Company's accounting policies are presented below. The accounting policies 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 recognized by the Parent Company using the cost method. This implies that transaction costs are included in the carrying amount of participations in subsidiaries. In the consolidated accounts, transaction expenses attributable to subsidiaries are recognized immediately in profit or loss when these arise.

The value of contingent considerations is based on the likelihood that considerations will be paid. Any changes of provisions/receivables are added to/reduce the cost. In the consolidated accounts, contingent considerations are recognized at fair value, with the change in value in profit/loss.

The Parent Company always recognizes dividends from subsidiaries as income in profit or loss for the year.

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 cost 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 recognized as expenses in profit or loss.

Depreciation principles

Depreciation is conducted on a straight-line basis over the estimated useful life of the asset, which corresponds to the period during which it will be used. For goodwill, the useful life is ten years.

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.

Note 2 • Distribution of Sales

	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Research services	2 610	3 379	2 610	–
Rental and service revenue	8 746	7 393	948	–
Administrative services	–	–	–	3 500
Property services	–	–	19 656	–
Total	11 356	10 772	23 214	3 500

Note 3 • Operating expenses distributed by type of cost

	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Personnel costs ¹⁾	89 604	84 314	89 604	16 373
Depreciation	9 774	9 580	347	–
Impairment	–	-296	–	–
Operating expenses	14 115	15 387	14 112	2 220
Property expenses	18 928	18 452	45 683	980
Administrative expenses	1 545	1 359	1 545	1 357
External R&D services	103 659	98 686	103 659	–
Other external services	2 696	2 864	2 696	1 227
Total	240 321	230 346	257 646	22 157

¹⁾ Personnel costs include costs of SEK 8,259 thousand (2,927) pertaining to the employee stock options program.

Note 4 • Auditors' remuneration

	Group and Parent Company	
SEK thousands	2010	2009
KPMG		
Auditing assignments	621	561
Audit activities other than auditing assignment	8	23
Tax consultancy services	198	152
Other assignments ¹⁾	56	77

¹⁾ Varav granskning av prospekt redovisat mot eget kapital 0 (77) TSEK

Auditing assignments relate to the auditing of the annual report and accounts, including the Board's and the President & CEO's administration, and other assignments that the company's auditors are required to perform (including reviews of interim reports).

Note 5 • Employee and personnel costs, and remuneration of senior executives

Costs for remuneration of employees	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Salaries and remuneration, etc.	47 337	49 288	47 337	7 595
Share-based payment ¹⁾ (see below)	8 259	2 927	8 259	2 927
Pension costs, defined-benefit plans (see below)	–	–	–	–
Pension costs, defined-contribution plans ^{2) 3)} (see below)	10 665	10 799	10 665	2 625
Social-security costs	19 657	18 252	19 657	2 880
Non-monetary remuneration	2 322	2 106	–	–
Total	88 240	83 372	85 918	16 027

¹⁾ Of which, social-security costs totaled SEK 8,259 thousand (2,927).

²⁾ Of the Parent Company's pension costs, SEK 1,994 thousand (1,434) pertains to the Board of Directors and President & CEO.

³⁾ The Group's pension costs include SEK 3.0 million (3.9) 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	2010		2009	
	No. of employees	Of whom, women	No. of employees	Of whom, women
Parent Company				
Sweden	87	51 (59%)	5	1 (20%)
Total, Parent Company	87	51 (59%)	5	1 (20%)
Subsidiaries				
Sweden	0	0 (0%)	85	51 (60%)
Group total	87	51 (59%)	90	52 (58%)

Gender distribution in management	2010	2009	Personnel, sickness absence	2010	2009
	Of whom, women		Total for Group and Parent Company	Sickness absence in percent	
Parent Company			All employees	2,6%	1,6%
Board of Directors	38%	38%	Men	1,9%	0,2%
Other senior executives	25%	0%	Women	3,1%	2,7%
Group total			Employees under 30 years of age	0,5%	1,0%
Board of Directors	38%	38%	Employees 30-49 years of age	1,9%	1,9%
Other senior executives	25%	0%	Employees over 49 years of age	3,3%	0,9%
			Absence of at least 60 days		
			as % of total sickness absence	60,2%	17,4%

Salaries and other remuneration subdivided by country and between senior executives and other employees, and social-security costs in the Parent Company

	2010			2009		
	Senior executives (ten individuals)	Other employees	Total	Senior executives (Nine individuals)	Other employees	Total
TSEK						
Salaries and other remuneration						
Sweden	7 337	40 000	47 337	6 537	1 058	7 595
(of which, bonus and similar)	—	—	—	—	—	—
Parent Company, total	7 337	40 000	47 337	6 537	1 058	7 595
(of which, bonus and similar)	—	—	—	—	—	—
Social-security costs ¹⁾	7 913	30 668	38 581	5 151	3 281	8 432
¹⁾ of which, pension costs	3 234	7 431	10 665	2 407	218	2 625

Salaries and other remuneration, pension costs for senior executives in the Group

	2010	2009
Group	Senior executives	Senior executives
SEK thousands	(Ten individuals)	(Ten individuals)
Salaries and other remuneration	7 337	7 492
(of which, bonus and similar)	—	—
Pension costs	3 234	2 706

Severance pay and loans to senior executives and other terms and conditions

No agreement exists covering severance pay or loans to Board members. 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 not more than 12 months. No severance pay will be issued and no loans exist. However, the President & CEO is entitled to extra remuneration of not more than 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.

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 2009 and 2010 fiscal years, the company did not have access to information that would make it possible to recognize this plan as a defined-benefit plan. Accordingly, pension plans conforming to ITP and secured through an Alecta insurance policy are recognized as a defined-contribution plan. The year's fees for pension insurance subscribed to in Alecta totaled SEK 3.0 million (3.9). Alecta's surplus can be allocated to the policyholders and/or the insured. At year-end 2010, Alecta's surplus at the collective funding ratio amounted to 146 percent (141). The collective funding ratio 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 remaining employee stock options would entail a dilution of approximately 0.6 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 granted 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 granted the employees the opportunity to acquire at most 340,000 shares during the period June 1, 2008 to May 31, 2011. Series 1 employee stock options expired on May 31, 2009 without any exercise having taken place. Series 2 employee stock options expired on May 31, 2010 and exercise of these took place as presented in the table below. 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 rights issues in 2007, 2008 and 2009, the exercise price was recalculated at SEK 58.40. 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 the Active Biotech Group 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.

Series 1 options have expired.

Series 2 options have expired and exercise took place in accordance with the table below. Each Series 3 option shall entitle the holder to subscribe for 1.23 shares during the period June 1, 2008 to May 31, 2011 at a recalculated exercise price of SEK 58.40.

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. Following the expiry of Series 1 and 2 options, the subsidiary shall have the right to divest at most 112,200 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
Outstanding at Dec. 31, 2006	312 450	237 575	340 000	890 025		
Forfeited 2007/Other employees	-3 375	-3 875	-9 225	-16 475		
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		
Expired 2009/President	-11 200	—	—	-11 200		
Expired 2009/Other senior executives	-22 500	—	—	-22 500		
Expired 2009/Other employees	-273 375	—	—	-273 375		
Forfeited 2009/Other employees	—	—	-3 075	-3 075		
Outstanding at Dec. 31, 2009	—	231 700	325 385	557 085		
Exercised 2010/President	—	-42 500	—	-42 500		
Exercised 2010/Other senior executives	—	-17 000	—	-17 000		
Exercised 2010/Other employees	—	-172 200	-89 551	-261 751		
Outstanding at Dec. 31, 2010	—	—	235 834	235 834		

Remaining duration

The options' remaining duration is five months.

Valuation of options

At the request of the Board, Handelsbanken Capital Markets has valued the options. The fair value of equity-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 1,614 thousand, 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 0.6 percent. The proposed options give rise to costs, partly in the form of social-security costs (UFR7), of which SEK 8,259 thousand was charged against consolidated earnings in 2010 and SEK 9,119 thousand in previous years, and partly accounting costs in accordance with IFRS 2, which did not impact consolidated earnings in 2010, but were charged in the amount of SEK 13,889 thousand to consolidated earnings in previous years.

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 2009 Annual General Meeting on May 6, 2010*

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, where applicable, depend on the individuals' fulfillment of quantitative and qualitative goals. No variable salary shall be paid to 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 period of termination notice for senior executives shall not exceed 12 months. No severance amounts will be payable. 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 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.

Previously approved remuneration

The President & CEO is entitled to extra remuneration as specified above under the heading in the Severance pay, etc. No other previously approved remuneration otherwise exists that has not fallen due for payment. However, the company's outstanding stock options may entail costs for the company (social-security costs) in accordance with that specified in the Annual Report.

Remuneration and other benefits during 2010

SEK thousands	Basic salary/ Board fee	Variable remuneration	Salary exchange	Pension costs	Share-based remuneration	Other remuneration	Total
Chairman of the Board; Mats Arnhöj 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
Board member; Tomas Nicolin ¹⁾	125	–	–	–	–	–	125
President & CEO	3 050	–	978	1 016	–	–	5 044
Other senior executives (3 individuals)	3 412	–	360	880	–	–	4 652
Total	7 337	–	1 338	1 896	–	–	10 571

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

Remuneration and other benefits during 2009

SEK thousands	Basic salary/ Board fee	Variable remuneration	Salary exchange	Pension costs	Share-based remuneration	Other remuneration	Total
Chairman of the Board; Mats Arnhöj 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
Board member; Tomas Nicolin ¹⁾	83	–	–	–	–	–	83
President & CEO	2 967	–	510	924	–	–	4 401
Other senior executives (3 individuals)	3 692	–	274	997	–	–	4 963
Total	7 492	–	784	1 921	–	–	10 197

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

Employee stock options

SEK thousands	Amount	Employee stock options Series 3		
		Value	Acquisition price	Remuneration
President & CEO, Tomas Leanderson	25 000	550	–	550
Other senior executives (3 individuals)	17 290	380	–	380
Total	42 290	930	–	930

Note 6 • Net financial items

Group		
SEK thousands	2010	2009
Accounts and loans receivable		
- Interest income from bank balances	132	496
Other interest income	11	342
Assets and liabilities measured at fair value		
- Held for trading: derivatives	96	3 904
- Held for trading: short-term investments	1 061	1 412
Investments held to maturity	107	147
Exchange-rate movements	454	-
Financial income	1 861	6 301
Financial liabilities valued at amortized cost		
- Interest expenses relating to bank loans	-5 846	-6 957
- Other interest expenses	-249	-208
Assets and liabilities measured at fair value		
- Held for trading: derivatives	-423	-3 471
Exchange-rate movements	-	-68
Financial expense	-6 518	-10 704
Net financial items	-4 657	-4 403
Of which:		
Interest income from doubtful financial assets	-	-
Interest income from instruments measured at amortized cost	239	643
Interest expense from instruments measured at amortized cost	-6 095	-7 165

Parent Company	Interest income and similar items	
SEK thousands	2010	2009
Interest income from Group companies	-	-
Interest income, bank balances	1 285	2 327
Exchange-rate differences	454	-
Total	1 739	2 327

Parent Company	Interest expense and similar items	
SEK thousands	2010	2009
Interest expenses from Group companies	-	-
Interest expenses, other	-7	-
Exchange-rate differences	-	-5
Total	-7	-5

Exchange-rate differences affecting earnings	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Exchange-rate differences affecting operating profit/loss	100	98	100	-8
Financial exchange-rate differences	454	-68	454	-5
Total	554	30	554	-13

Note 7 • Taxes

Recognized in profit and loss	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Current tax expense (-)/tax income (+)				
Tax expense/tax income for the period	-	-	-	-
Tax adjustments brought forward from earlier years	-	-	-	-

Current tax expense (-)/tax income (+)				
Deferred tax expense as a result of utilization of loss carryforwards previously capitalized	-346	-346	-	-
Deferred tax income in tax loss carryforwards capitalized during the year	12 557	-	-	-
Deferred tax income attributable to depreciation of revaluation of property	346	346	-	-
Total recognized tax expense/income	12 557	-	-	-

	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Reconciliation of effective tax				
Loss before tax	-233 622	-223 977	-232 700	-16 335
Tax on the Parent Company according to current rates 26.3%	61 443	58 906	61 200	4 296
Non-deductible expenses	-593	-316	-590	-364
Non-taxable revenues	3	90	3	89
Increase in loss carryforwards without equivalent capitalization of deferred taxes	-62 040	-59 082	-60 613	-4 021
Increase/decrease in temporary differences for which deferred tax is not recognized	1 187	402	-	-
Revaluation of deferred tax	12 557	-	-	-
Recognized effective tax	12 557	-	-	-

Tax items recognized directly in other comprehensive income	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Tax attributable to change in revaluation reserve	-12 211	346	-	-

Tax items recognized directly in equity	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Tax attributable to change in revaluation reserve	-346	-346	-	-

Recognized in the statement of financial position	Deferred tax receivable		Deferred tax liability		Net	
Deferred tax receivables and liabilities	Group		Group		Group	
SEK thousands	2010	2009	2010	2009	2010	2009
Tangible fixed assets	–	–	-24 273	12 062	-24 273	-12 062
Loss carryforwards	24 273	12 062	–	–	24 273	12 062
Tax receivables/liabilities	24 273	12 062	-24 273	-12 062	–	–
Offsetting	-24 273	-12 062	24 273	12 062	–	–
Tax receivables/liabilities, net	–	–	–	–	–	–

Change in deferred tax in temporary differences and loss carryforwards

SEK thousands	Balance at Jan 1, 2010	Adjustment of opening balance	Adjusted opening balance	Recognized in profit and loss	Recognized in other comprehensive income	Recognized in equity	Balance at Dec 31, 2010
Tangible fixed assets	-12 062	–	-12 062	346	-12 211	-346	-24 273
Loss carryforwards	12 062	–	12 062	12 211	–	–	24 273
	–	–	–	12 557	-12 211	-346	–

SEK thousands	Balance at Jan 1, 2009	Adjustment of opening balance	Adjusted opening balance	Recognized in profit and loss	Recognized in other comprehensive income	Recognized in equity	Balance at Dec 31, 2009
Tangible fixed assets	-14 881	2 473	-12 408	346	346	-346	-12 062
Loss carryforwards	14 881	-2 473	12 408	-346	–	–	12 062
	–	–	–	–	346	-346	–

Due to the Group's activities with considerable research and development costs, the company is not liable for tax. At the end of 2010, the Group's accumulated loss carryforwards amounted to SEK 2,330 million and was attributable to the Group's Swedish companies. The Parent Company's loss carryforwards amounted to SEK 2,392 million. 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 recognized.

Note 8 • Tangible fixed assets

Parent Company			Parent Company		
SEK thousands	Goodwill	Total	SEK thousands	Goodwill	Total
Cost			Depreciation and impairment losses		
Opening balance, January 1, 2009	–	–	Opening balance, January 1, 2009	–	–
Closing balance, December 31, 2009	–	–	Closing balance, December 31, 2009	–	–
Opening balance, January 1, 2010	–	–	Opening balance, January 1, 2010	–	–
Acquisitions in conjunction with merger	161 497	161 497	Acquisitions in conjunction with merger	–	–
Closing balance, December 31, 2010	161 497	161 497	Closing balance, December 31, 2010	–	–
Carrying amounts					
January 1, 2009	–	–			
December 31, 2009	–	–			
January 1, 2010	–	–			
December 31, 2010	161 497	161 497			

Note 9 • Tangible fixed assets

Group			
SEK thousands	Buildings and land	Equipment, tools, fixtures and fittings	Total
	Recognition based on revaluation method	Recognition based on purchase method	
Cost			
Opening balance, January 1, 2009	341 202	160 665	501 867
Other acquisitions	–	4 043	4 043
Divestments	–	-29 151	-29 151
Closing balance, December 31, 2009	341 202	135 557	476 759
Opening balance, January 1, 2010	341 202	135 557	476 759
Other acquisitions	–	1 551	1 551
Revaluation	53 897	–	53 897
Closing balance, December 31, 2010	395 099	137 108	532 207
Depreciation and impairment losses			
Opening balance, January 1, 2009	-24 589	-152 726	-177 315
Depreciation for the year	-7 179	-2 401	-9 580
Divestments	–	29 128	29 128
Closing balance, December 31, 2009	-31 768	-125 999	-157 767
Opening balance, January 1, 2010	-31 768	-125 999	-157 767
Depreciation for the year	-7 179	-2 594	-9 773
Revaluation	-6 152	–	-6 152
Closing balance, December 31, 2010	-45 099	-128 593	-173 692
Carrying amounts			
January 1, 2009	316 613	7 939	324 552
December 31, 2009	309 434	9 558	318 992
January 1, 2010	309 434	9 558	318 992
December 31, 2010	350 000	8 515	358 515

Tax assessment value

Group	Dec. 31, 2010	Dec. 31, 2009
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, 2010	Carrying amount after revaluations Dec. 31, 2010	Historical carrying amount Dec. 31, 2010	Carrying amount after revaluations Dec. 31, 2010
Cost	296 461	395 099	296 461	341 202
Accumulated depreciation	-38 755	-45 099	-31 573	-31 768
Carrying amount	257 706	350 000	264 888	309 434

Valuation of the Forskaren 1 property

The Group recognizes the property at market value. At December 31, 2010, the property was valued by PwC Sweden at SEK 350 million. 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 equipment 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 for 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
- Direct yield last year's net operating income, 7.5 percent
- Nominal cost of capital, total capital 9.65 percent

Financial leasing in the Group

The Group 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 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 recognized in the consolidated balance sheet under equipment, tools, fixtures and fittings. At December 31, 2010, the carrying amount of property covered by financial leasing agreements was SEK 5,597 thousand. See also Note 13, Interest-bearing liabilities.

Operational leasing in the Group

The Group has operational leasing agreements for cars, telephone switchboards and photocopying machines. Payments pertaining to these operating agreements are due as follows: Within one year SEK 860 thousand, between one and five years SEK 1,720 thousand, and after five years SEK 0.

Parent Company

SEK thousands	Buildings and land	Equipment, tools, fixtures and fittings	Total
Cost			
Opening balance, January 1, 2009	–	1 034	1 034
Divestments	–	-549	-549
Closing balance, December 31, 2009	–	485	485
Opening balance, January 1, 2010	–	485	485
Acquisition in conjunction with merger	564	137 417	137 981
Closing balance, December 31, 2010	564	137 902	138 466
Depreciation and impairment losses			
Opening balance, January 1, 2009	–	-683	-683
Depreciation for the year	–	–	–
Divestments	–	549	549
Closing balance, December 31, 2009	–	-134	-134
Opening balance, January 1, 2010	–	-134	-134
Acquisition in conjunction with merger	-242	-136 712	-136 954
Depreciation for the year	-28	-319	-347
Closing balance, December 31, 2010	-270	-137 165	-137 435
Carrying amounts			
January 1, 2009	–	351	351
December 31, 2009	–	351	351
January 1, 2010	–	351	351
December 31, 2010	294	737	1 031

Note 10 • Prepaid expenses and accrued income

	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Interest	—	198	—	147
Prepaid rent	81	79	81	27
Prepaid insurance	990	1 139	990	527
Accrued revenues	189	15	189	—
Prepaid clinical trials	4 261	8 156	4 261	—
Other prepaid expenses and accrued income	1 306	1 892	1 306	190
Total	6 827	11 479	6 827	891

Note 11 • Shareholders' equity

Consolidated shareholders equity

Specification of shareholders' equity item Reserves

Revaluation reserve

SEK thousands	2010	2009
Revaluation reserve, January 1	33 801	41 698
Adjustment of opening balance ¹⁾	—	-6 929
Revaluation of property	47 745	—
Tax effect of property revaluation	-12 557	—
Transfer to loss carryforwards	-1 314	-1 314
Revaluation reserve, December 1	346	346
Utgående omvärderingsreserv	68 021	33 801

Share capital

Ordinary shares

Thousands of shares	2010	2009
Issued at January 1	64 052	51 242
Cash issue	1 948	12 810
Issued at December 31 — paid	66 000	64 052

¹⁾The adjustment relates to a transfer between the revaluation reserve and loss carryforwards, the purpose of which was to reflect that the revaluation of the Forskaren 1 property corresponds to the revaluation reserve in equity, after consideration of deferred tax. No other adjustments were made to other assets or liabilities.

At December 31, 2010, the registered share capital comprised 65,999,920 ordinary shares with a quotient value of SEK 3.77 issued in one series. 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 recognized as contributed capital.

Reserves

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 2010 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 of its subsidiaries are 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	2010	2009	2010	2009
Earnings per share	-3,38	-3,81	-3,38	-3,81

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 2010 was based on loss for the year attributable to the Parent Company's ordinary shareholders amounting to SEK 221,065 thousand (loss: 223,977) and on a weighted average number of shares outstanding during 2010 totaling 65,465,469 (58,752,574). The two components were calculated in the following manner:

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

SEK thousands	2010	2009
Loss for the year attributable to the Parent Company's shareholders	-221 065	-223 977

Weighted average number of outstanding common shares, before dilution

Thousands of shares	2010	2009
Total number of ordinary shares at January 1	64 052	51 242
Effect of rights issue	1 413	7 511
Weighted average number of ordinary shares during the year, before dilution	65 465	58 753

Earnings per share after dilution

The calculation of earnings per share in 2010 is based on loss for the year attributable to the Parent Company's shareholders amounting to SEK 221,065 thousand (loss: 223,977) and on a weighted average number of outstanding shares during 2010 totaling 65,465,469 (58,752,574). The two components were calculated in the following manner:

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

SEK thousands	2010	2009
Loss attributable to the Parent Company's ordinary shareholders	-221 065	-223 977
Effect of share warrants	—	—
Loss attributable to the Parent Company's ordinary shareholders, after dilution	-221 065	-223 977

Weighted average number of outstanding common shares, after dilution

Thousands of shares	2010	2009
Weighted average number of common shares during the year, before dilution	65 465	58 753
Effect of share warrants	—	—
Weighted average number of ordinary shares during the year, after dilution	65 465	58 753

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 2010 and 2009 were negative, the loss per share would be lower if the employee stock option program was taken into account. For further information on the company's employee stock option program, see Note 5.

Note 13 • Interest-bearing liabilities

	Group	
SEK thousands	2010	2009
Long-term liabilities		
Bank loan	235 410	241 068
Financial leasing liabilities	6 260	6 888
Total	241 670	247 956
Current liabilities		
Short-term portion of bank loan	5 658	5 658
Short-term portion of financial leasing liabilities	2 133	1 865
Total	7 791	7 523

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	2 133	233	2 366
Between one and five years	6 260	425	6 685
Later than five years	–	–	–
	8 393	658	9 051

Amortization due within one year is recognized 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	2010	2009	2010	2009
Personnel tax at source	1 286	1 415	1 286	283
VAT	929	1 066	–	209
Derivatives held for hedging purposes	3 894	3 471	–	–
Other personnel costs	1 065	6 647	1 065	6 647
Other short-term liabilities	593	400	593	400
Total	7 767	12 999	2 944	7 539

Note 15 • Accrued expenses and deferred income

	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Accrued vacation liability, including social-security costs	7 010	7 263	7 010	1 946
Accrued employer's contributions	1 491	1 244	1 491	165
Accrued employer's contributions for employee stock options program	9 291	9 120	9 291	9 120
Other accrued personnel costs	4 813	2 428	4 813	484
Accrued Board fees, including social-security costs	1 111	1 111	1 111	1 111
Accrued auditors' fees	300	340	300	300
Accrued fees for legal services	32	200	32	200
Accrued interest	717	444	–	–
Accrued expenses, clinical trials	8 827	2 884	8 827	–
Accrued property expenses	2 725	2 426	2 725	–
Other items	304	343	304	102
Total	36 621	27 803	35 904	13 428

Note 16 • Valuation of financial assets and liabilities at fair value

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

Group 2010

SEK thousands	Accounts and loans receivable	Financial assets/ liabilities measured at fair value in profit or loss	Investments held to maturity	Financial assets held for sale	Other financial liabilities	Total carrying amount	Fair value
Other long-term receivables	1	–	–	–	–	1	1
Accounts receivable	42	–	–	–	–	42	42
Cash and cash equivalents	30 759	100 382	–	–	–	131 141	131 141
Total	30 802	100 382	–	–	–	131 184	131 184
Long-term interest-bearing liabilities	–	–	–	–	241 670	241 670	241 670
Short-term interest-bearing liabilities	–	–	–	–	7 791	7 791	7 791
Accounts payable	–	–	–	–	27 454	27 454	27 454
Other liabilities	–	3 894	–	–	717	4 611	4 611
Total	–	–	–	–	277 632	281 526	281 526

Group 2009

SEK thousands	Accounts and loans receivable	Financial assets/ liabilities measured at fair value in profit or loss	Investments held to maturity	Financial assets held for sale	Other financial liabilities	Total carrying amount	Fair value
Other long-term receivables	1	–	–	–	–	1	1
Accounts receivable	547	–	–	–	–	547	547
Cash and cash equivalents	14 623	91 412	50 000	–	–	156 035	156 036
Total	15 171	91 412	50 000	–	–	156 583	156 583
Long-term interest-bearing liabilities	–	–	–	–	247 956	247 956	247 956
Short-term interest-bearing liabilities	–	–	–	–	7 523	7 523	7 523
Accounts payable	–	–	–	–	13 325	13 325	13 325
Other liabilities	–	3 471	–	–	444	3 915	3 915
Total	–	3 471	–	–	269 251	272 719	272 719

Disclosure regarding the determination of fair value

Group 2010

	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		100 382		100 382
Short-term liability – derivatives		3 894		3 894

Group 2010

	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		91 412		91 412
Short-term liability – derivatives		3 471		3 471

Level 1: according to quoted prices on an active market for the same instrument

Level 2: based on directly or indirectly observable market inputs other than those included in Level 1

Level 3: according to inputs not based on observable market data

Parent Company 2010

SEK thousands	Accounts and loans receivable	Investments held to maturity	Financial assets held for sale	Other financial liabilities	Total carrying amount	Fair value
Long-term receivables	1	–	–	–	1	1
Short-term investments	–	–	–	–	–	–
Cash and bank balances	125 414	–	–	–	125 414	125 414
Total	125 415	–	–	–	125 415	125 415
Accounts payable	–	–	–	27 454	27 454	27 454
Total	–	–	–	27 454	27 454	27 454

Parent Company 2009

SEK thousands	Accounts and loans receivable	Investments held to maturity	Financial assets held for sale	Other financial liabilities	Total carrying amount	Fair value
Long-term receivables	1	–	–	–	1	1
Short-term investments	–	50 000	–	–	50 000	50 000
Cash and bank balances	94 159	–	–	–	94 159	94 159
Total	94 160	50 000	–	–	144 160	144 160
Accounts payable	–	–	–	176	176	176
Total	–	–	–	176	176	176

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 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 risk

Interest-rate risk 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 company's loans have a fixed-interest period of three months.

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 recognized in Note 13 and the maturity structure of liabilities is presented below.

Derivative instruments

Derivative instruments in the form of interest-rate swaps are used to control fixed interest without altering the underlying loan. The market value is recognized in financial expenses. The change in the value of interest-rate swaps is recognized in financial costs.

Group 2010

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		241 068	–	1 414	4 244	15 807	219 603
Financial leasing liabilities, SEK		8 393	181	540	1 412	6 260	–
Accounts payable, SEK		8 352	8 202	150	–	–	–
Accounts payable, EUR	2 101	18 913	17 558	1 355	–	–	–
Accounts payable, GBP	2	20	20	–	–	–	–
Accounts payable, NOK	44	51	51	–	–	–	–
Accounts payable, USD	17	118	117	1	–	–	–
Total		276 915	26 129	3 460	5 656	22 067	219 603

Group 2009

Bank loans, SEK		246 726	–	1 414	4 243	16 585	224 484
Financial leasing liabilities, SEK		8 753	158	471	1 236	6 888	–
Accounts payable, SEK		5 724	5 592	132	–	–	–
Accounts payable, EUR	535	5 534	5 534	–	–	–	–
Accounts payable, GBP	3	40	40	–	–	–	–
Accounts payable, NOK	79	98	98	–	–	–	–
Accounts payable, USD	267	1 929	1 929	–	–	–	–
Total		268 804	13 351	2 017	5 479	23 473	224 484

Interest-rate risk in relation to cash and cash equivalents

The Group's cash and cash equivalents, which totaled SEK 131,141 thousand at December 31, 2010, were invested at a floating interest rate, which fluctuated between 0 and 2 percent during 2010.

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.

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.

Currency risks

Currency risk comprises the risk that changes in exchange rates will have a negative impact on the Group's income statement, balance sheet and/or cash flow.

Exchange-rate risks exist in the form of transaction and translation risks.

The Group has a 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 240.3 million, of which approximately 41 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 2010 in the amount of SEK 0.0 million.

Credit risks also arise when investing cash and cash equivalents. Cash and cash equivalents are principally invested in short-term Swedish securities, commercial papers and fixed-income and bond funds with high liquidity in well-established banks.

Maturity analysis, accounts receivable that have matured, but are unimpaired

SEK thousands	2010		2009	
	Carrying amount, unimpaired receivable	Collateral	Carrying amount, unimpaired receivable	Collateral
Accounts receivable, not matured	42	–	547	–
Accounts receivable, matured 0 – 30 days	–	–	–	–
Accounts receivable, matured > 30 days – 90 days	–	–	–	–
Accounts receivable, matured > 90 days – 180 days	–	–	–	–
Accounts receivable, matured > 360 days	–	–	–	–
	42	–	547	–

Note 18 • edged assets, contingent liabilities and contingent assets

Pledged assets		Group		Parent Company	
SEK thousands	2010	2009	2010	2009	
<i>In the form of assets pledged for own liabilities and provisions</i>					
Property mortgage	260 000	260 000	–	–	
Assets with ownership reservation	10 092	10 444	1 699	1 691	
Total	270 092	270 444	1 699	1 691	
<i>Other collateral provided and pledged assets</i>					
Pension insurances	7 791	5 708	7 791	5 708	
Total pledged assets	277 883	276 152	9 490	7 399	
Contingent liabilities		Group		Parent Company	
SEK thousands	2010	2009	2010	2009	
Guarantees for the benefit of Group companies	–	–	241 068	246 726	
Total contingent liabilities	–	–	241 068	246 726	

Note 19 • Group companies

December 31, 2009

(SEK thousands)	Corp. Reg. No.	Registered office	No. of shares/percentage	Nominal value	Carrying amount Dec 31, 2010	Carrying amount Dec 31, 2009
Active Biotech Research	556541-8323	Lund	1 000 / 100%	100	–	161 900
Active Forskaren 1 KB	969646-4677	Lund			40 000	40 000
Actinova AB	556532-8860	Lund	1 000 / 100%	100	100	100
Active Security Trading AB	556092-7096	Lund	400 / 100%	400	450	450
Total					40 550	202 450

Change in carrying amount of shares in subsidiaries

SEK thousands	2010	2009
Cost, January 1	202 450	202 450
Merger	-161 900	–
Accumulated cost, December 31	40 550	202 450
Carrying amount, December 31	40 550	202 450

Note 20 • Note 20 Supplementary data to the cash-flow statement

	Group		Parent Company	
SEK thousands	2010	2009	2010	2009
Interest paid and dividends received				
Interest received	1 312	2 198	1 286	2 180
Interest paid	-5 727	-4 314	-7	–
Total	-4 415	-2 116	1 279	2 180
Adjustments for non-cash items				
Depreciation and impairment of assets	9 772	9 580	347	–
Disposal of fixed assets	–	23	–	–
Earnings, merged company prior to merger	–	–	196 070	–
Total	9 772	9 603	196 417	–
Transactions not involving payment				
Acquisition of assets through financial leasing	1 459	3 971		
Cash and cash equivalents				
Cash and cash equivalents consist of the following components:				
Cash and bank balances	131 141	106 035	125 414	94 159
Short-term investments	–	50 000	–	50 000
Total	131 141	156 035	125 414	144 159

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. On assignment from the company, PwC Sweden performed a valuation of the property at the end of 2010 (see Note 9). The estimated market value is based on assumptions on future revenues, expenses, vacancy levels and the value trend of similar properties. At December 31, 2010, the property's market value was estimated at SEK 350 million.

Note 22 • Events after the balance-sheet date

Nyemission

On January 26, 2011, the Board of Directors decided to, with the support of the mandate granted by the 2010 AGM, implement a private placement of 2,500,000 new shares with international institutional investors and qualified investors in Sweden. The shares were subscribed at a price of SEK 150 per share, yielding issue proceeds of SEK 375 million before issue costs.

Note 23 • Related-party transactions

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 44 and 45.

Related-party transactions

During the year, no transactions with shareholders or members of the Board took place.

For information concerning transactions with key individuals in managerial positions, see Note 5.

In 2010, the Parent Company's sales of services to Group companies totaled SEK 19,657 thousand. The Parent Company's purchases of services from subsidiaries amounted to SEK 25,119 thousand in 2010. 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 2010 fiscal year comprise the Parent Company and its subsidiaries, referred to jointly as the Group.

Note 25 • Merger

During the year, the subsidiary Active Biotech Research AB, corp. reg. no. 556541-8323, was merged with the Parent Company. The income statement and balance sheet of the Active Biotech Research AB at the date of the merger on December 23, 2010 are presented below.

SEK thousand	Dec. 23, 2010
Net sales	21 186
Operating loss	-34 573
Fixed assets	—
Current assets	161 497
Untaxed reserves	—
Provisions	—
Liabilities	195 666

Financial definitions

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

Earnings per share after tax: Recognized 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: Recognized 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 2010. The company's annual accounts are included in the printed version of this document on pages 6–34. 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 policies 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 statement and balance sheet of the Parent Company and the income statement and statement of financial position of the Group be adopted, that the loss of the Parent Company be treated in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the President & CEO be discharged from liability for the fiscal year.

Malmö, April 1, 2011
KPMG AB

David Olow
Authorized Public Accountant

Summary of financial development

SEK millions	2010	2009	2008	2007	2006
Income statement					
Net sales	11,4	10,8	53,5	12,1	66,4
Operating expenses (of which, depreciation)	-240,3 -9,8	-230,4 -9,6	-238,1 -11,5	-214,8 -18,9	-191,0 -20,0
Operating loss	-228,9	-219,6	-184,6	-202,7	-124,6
Net financial items	-4,7	-4,4	4,0	-5,0	-17,2
Loss before tax	-233,6	-224,0	-180,6	-207,7	-141,8
Tax	12,5	–	-1,0	–	2,6
Loss for the year	-221,1	-224,0	-181,6	-207,7	-139,2
Balance sheet					
Tangible fixed assets	358,5	319,0	324,6	329,7	347,7
Financial fixed assets	0,0	0,0	0,0	2,5	2,8
Other current assets	13,5	23,5	9,6	18,7	14,0
Cash and cash equivalents	131,1	156,0	138,7	138,6	97,9
Total assets	503,1	498,5	472,9	489,5	462,4
Shareholders' equity	181,8	188,6	163,6	189,6	60,4
Interest-bearing provisions and liabilities	249,5	255,5	258,4	256,1	358,7
Non interest-bearing provisions and liabilities	71,8	54,4	50,9	43,8	43,3
Total shareholders' equity and liabilities	503,1	498,5	472,9	489,5	462,4
Condensed cash-flow statement					
Cash flow from operating activities before changes in working capital	-223,9	-214,4	-175,3	-184,2	-117,2
Changes in working capital	27,6	-10,3	15,8	-2,5	17,1
Cash flow from investing activities	-0,1	-0,1	7,0	0,2	25,0
Cash flow from financing activities	171,5	242,1	152,6	227,2	-5,4
Cash flow for the year	-24,9	17,3	0,1	40,7	-80,5
Key figures					
Capital employed (SEK million)	431,3	441,1	422,0	445,7	419,1
Net indebtedness (SEK million)	118,4	99,5	119,7	117,5	259,3
Surplus value in short-term investments (SEK million)	–	–	–	–	–
Return on shareholders' equity (%)	-119	-127	-103	-166	-117
Return on capital employed (%)	-52	-49	-39	-45	-26
Equity/assets ratio (%)	36	38	35	39	13
Proportion of risk-bearing capital (%)	36	38	35	39	13
Net debt/equity ratio (multiple)	0,65	0,53	0,73	0,62	4,29
Interest-coverage ratio (multiple)	neg	neg	neg	neg	neg
Research and development expenses (SEK million)	-217,3	-212,0	-207,4	-189,7	-165,7
Average number of employees	87	90	90	89	89
Salary expenses, incl. social security costs (SEK million)	-89,6	-84,3	-88,9	-84,4	-85,2
Data per share					
Loss after tax (SEK)	-3,38	-3,81	-3,66	-4,47	-3,50
Shareholders' equity (SEK)	2,75	2,95	3,19	4,01	1,52
Net worth (SEK)	2,75	2,95	3,19	4,01	1,52
Unrestricted liquidity (SEK)	1,99	2,44	2,71	2,93	2,46
Market price of share at year-end (SEK)	169,00	100,75	31,00	58,40	77,54
Dividends (SEK)	0	0	0	0	0
Share price/shareholders' equity (%)	6 145	3 415	972	1 456	5 101
Share price/net worth (%)	6 145	3 415	972	1 456	5 101
Number of shares at end of period (thousands)	66 000	64 052	51 242	47 300	39 795
Weighted average number of ordinary shares before dilution (thousands)	65 465	58 753	49 605	46 427	39 755
Number of shares at end of period including subscription rights (thousands)	66 428	65 010	52 572	48 630	41 125

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 O-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'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 2006 – January 2011.

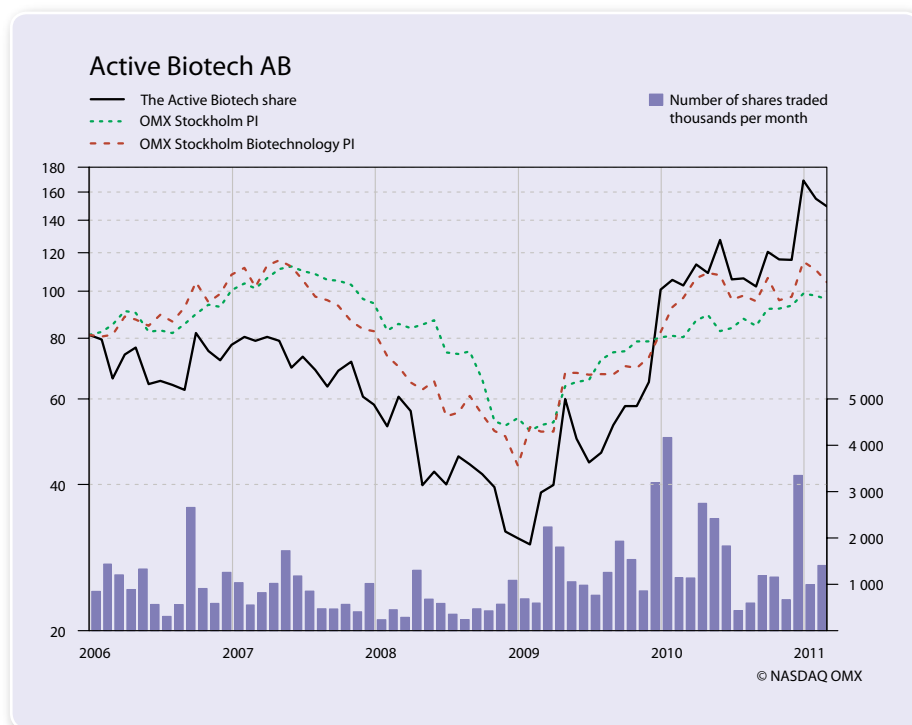
Share capital

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. At December 31, 2010, the share capital in Active Biotech amounted to approximately SEK 248,776,314 distributed among 65,999,920 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."

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 approximately 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).

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. Series 1 employee stock options expired on May 31, 2009 without any exercise having taken place. Series 2 employee stock options expired on May 31, 2010 and exercise took place as specified in the table in Note 5. Each Series 3 option entitles the holder to subscribe for 1.23 shares during the period June 1, 2008 to May 31, 2011 at a recalculated price of SEK 58.40. Exercise of Series 3 employee stock options is specified in the table in Note 5 on pages 20-23.



Price trend

On December 31, 2009, the share price was SEK 100.75, while at the same date in 2010, it was SEK 169.00. The highest price paid for the share during the year was SEK 171 (December 9, 2010).

Change in share capital

The table on the next page shows the changes in Active Biotech's share capital from 2000 to December 31, 2010.

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
- Nordea
- Redeye
- Öhman Fondkommission

Shareholders

On February 28, 2011, the number of shareholders in Active Biotech amounted to 9,057. The table on the next page shows the company's ten largest shareholders at February 28, 2011.

Shareholders

The following reflects circumstances as known to the company at February 28, 2011.

Owner	No. of shares	Holding, %
MGA Holding AB	19 224 416	28,0
Nordstjernan AB	9 839 478	14,4
Skandia Funds	2 009 177	2,9
Carlsson Fonder AB	1 678 808	2,5
Pictet&CIE	1 509 026	2,2
Brummer & Partners, Zenit Fund	1 337 209	2,0
SIX SIS AG	1 311 684	1,9
EFG Private Bank S.A	1 289 928	1,9
JP Morgan Bank	1 169 264	1,7
SHB Funds, incl. XACT	1 115 758	1,6
Total, ten largest owners	40 484 748	59,1
Total	68 582 691	100,0

Shareholder statistics, February 28, 2011

Shareholding interval	No. of shareholders	% of all shareholders	No. of shares	% of share capital	Average per shareholder
1 – 1 000	7 305	80,7	1 771 566	2,6	243
1 001 – 10 000	1 447	16,0	4 209 452	6,1	2 909
10 001 – 100 000	235	2,6	6 824 958	10,0	29 042
100 001 –	70	0,8	55 776 715	81,3	796 810
Total	9 057	100,0	68 582 691	100,0	7 572

Trend in share capital

Year	Transaction	Change in number of shares	Change in share capital, SEK	Total no. of shares		Total share capital, SEK	Quotient value, SEK
				Class A shares	Class B shares		
	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
2009	Rights issue (June)	12 810 447	48 286 964	64 052 238		241 434 833	3,77
2010	Private placement (Apr.)	1 418 000	5 344 928	65 470 238		246 779 761	3,77
2010	Employee stock options	529 682	1 996 553	65 999 920		248 776 314	3,77
2011	Private placement (Jan.)	2 500 000	9 423 357	68 499 920		258 199 670	3,77
2011	Employee stock options	82 771	311 992	68 582 691		258 511 663	3,77



Intellectual property rights

40

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 Other projects		193
Total			22
Of which, out-licensed	Laquinimod, CD80 Other		60
Total			6
Active Biotech licensee	ANYARA Other		20
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	Granted	2023
"product and method"	Europe	In progress	2025
	US	Granted	2027
	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
"application"	Europe	Granted	2020
	US	Granted	2020
	Japan	Granted	2020
"method"	Europe	Granted	2023
	US	Granted	2023
	Japan	Granted	2023

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	Granted	2023
"product and method"	Europe	In progress	2025
	US	Granted	2027
	Japan	In progress	2025

Patent protection for ANYARA

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

Corporate Governance Report 2010

Active Biotech is a Swedish public limited liability company whose shares are traded on the NASDAQ OMX Stockholm, Mid Cap. In accordance with its Articles of Association, Active Biotech shall 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. This Corporate Governance Report describes Active Biotech's corporate governance, which includes the management and administration of the company's business and internal control of the financial reporting. Corporate Governance in Active Biotech is based on applicable rules (primarily the Swedish Companies Act and accounting rules and regulations), Articles of Association, NASDAQ OMX Stockholm's rules for issuers, internal guidelines and policies and the Swedish Code of Corporate Governance.

Application of and deviations from the Code

Active Biotech applies the *Swedish Code of Corporate Governance* (the Code). Information about the code can be found at www.corporategovernanceboard.se. The company has deviated from item 2.4, first paragraph, second sentence of the Code during the year. 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 should also lead the work of the Election Committee.

Shareholders

At 31 December 2010, the number of shareholders in Active Biotech amounted to 8,637. For information concerning the shareholders and the ownership structure, See page 39 of this Annual Report.

Annual General Meeting

The Annual General Meeting (AGM) is Active Biotech's supreme decision-making body. Shareholders who wish to participate in the Meeting must be recorded in the register of shareholders on the record date for the Meeting and notify the company of their intention to participate in the Meeting not later than 4:00 p.m. on the date stipulated in the notification. At the AGM, each share carries one vote. Each shareholder entitled to vote at the meeting may vote for the full number of share held. Each share offers equal entitlement to dividends and any surplus of liquidity in the company. 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 other statutory matters are addressed. Between AGMs, the Board of Directors is the company's highest decision-making body.

Resolutions at the AGM held on May 6, 2010 included the authorization of the Board to, on one or more occasions

and not beyond the next AGM and with or without the preferential rights of shareholders, decide on the issue of new shares and/or convertibles. The authorization may not be utilized to a greater extent that would enable a total of not more than six million shares to be issued and/or added through conversion of convertibles issued with the support of the authorization. The authorization was utilized on one occasion (January 2011). For further information, see Note 22 on page 34.

Election Committee

At the AGM on May 6, 2010, it was decided that the company's Chairman, based on ownership at the end of September 2010, shall convene an Election Committee to prepare proposals for the 2011 AGM. 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 September 30, 2010 as well as the Chairman of the Board. The members of the Election Committee receive no remuneration for their work. The Election Committee shall perform the tasks incumbent on the Election Committee under the Code, including:

- 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 3, 2010. The Election Committee was convened on one occasion ahead of the 2011 AGM and all members attended this meeting.

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
Peter Thelin	Brummer & Partners	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 2010 AGM elected the current Board, which consists of six ordinary members with no deputies.

Mats Arnhög was elected Chairman of 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, and 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 44-45 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 and Board member Tomas Nicolin. Mats Arnhög is not independent of the shareholder MGA Holding AB, in which he is Chairman of the Board and owner. Furthermore, he is not independent of the shareholder Nordstjernan AB, in which he is a Board member. Tomas Nicolin is also not independent of Nordstjernan AB, in which he is a Board member.

Board member	Attendance at Board meeting	Annual remuneration, SEK	Independent/dependent	
			Company	Owners
Mats Arnhög	7 out of 7	250 000	dependent	dependent
Klas Kärre	5 out of 7	125 000	independent	independent
Tomas Nicolin	7 out of 7	125 000	independent	dependent
Magnhild Sandberg	7 out of 7	125 000	independent	independent
Peter Sjöstrand	7 out of 7	125 000	independent	independent
Peter Ström	7 out of 7	125 000	independent	independent

The work of the Board and formal work plan

The Board works in accordance with an established formal work plan describing 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 2010, seven 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 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

The company does not have separate committees for remuneration and audit matters. Instead, these matters are 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.

The above 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 NASDAQ OMX Stockholm rules for issuers and 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

The company shall have at least one and at most two auditors and at most two deputy auditors. At the AGM on May 7, 2009, KPMG AB was elected as the company's auditor for the period extending until the end of the AGM held in 2013. Authorized auditor David Olow is auditor-in-charge. Information concerning auditors' fees is presented in Note 4 on page 20. The interim report for the third quarter of 2010 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.

Auditor's statement on the Corporate Governance Report

To the Annual General Meeting of Active Biotech AB (Publ)

Corp. Reg. No. 556223-9227

The Board of Directors is responsible for the 2010 Corporate Governance Report on pages 41-43 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Malmö, April 1, 2011

KPMG AB

David Olow

Authorized Public Accountant

Styrelse och revisor



Mats Arnhög, Chairman of the Board

Born 1951, Board member since 2000, Chairman of the Board since 2003. Hon. Phd. in Economics, M.Sc. Stockholm School of Economics.

Other Board assignments: Chairman of MGA Holding AB with subsidiaries, Chairman of Situation Stockholm AB, And Föreningen Carlssons skola. Board member of Nordstjernan AB and Brofägel Support AB. Member of the Advisory Board of the Stockholm School of Economics, the non-profit organization Situation Stockholm and the Swedish Press Council.

Holding:
19,224,416 shares through MGA Holding AB



Klas Kärre

Born 1954, Board member since 2003. Professor of Molecular Immunology at the Karolinska Institute in Stockholm, Medical Degree, Karolinska Institute in Stockholm.

Other Board assignments: Board member of Karolinska Institute, The Foundation Wenner-Grenska Samfundet, The Axel Wenner-Gren Foundation for International Exchange of Scientists, The Georg and Eva Klien Foundation and a member of the Nobel Assembly at Karolinska Institute.

Holding:
16,001 shares



Tomas Nicolin

Born 1954, Board member since 2009. M.Sc. from Stockholm School of Economics and master's degree from MIT Sloan School of Management.

Other Board assignments: Board member of SE-Banken, Nordstjernan, the Nobel Foundation, the Axel and Margaret Ax:son Johnson Foundation, the Research Institute of Industrial Economics, the Advisory Board of the Stockholm School of Economics and the Center for Justice.

Holding:
30,000 shares (privately and via companies)



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: Board member of Magnhild S. Wollheim AB and European MS Foundation.

Holding:
None



Peter Sjöstrand

Born 1946, Board member since 2000. B.Sc. Stockholm School of Economics, Medical Degree, Karolinska Institute in Stockholm.

Other Board assignments: Chairman of Byggnads AB St Erik and the Oscar Hirsch's Memory Foundation. Board member of Karolinska Development AB, Peter Sjöstrand AB, Ringens Varv AB and the School of Technology and Health (Royal Institute of Technology).

Holding:
None



Peter Ström

Born 1952, Board member since 2003. M.Sc. Stockholm School of Economics.

Other Board assignments: Board member of LIDDS AB, Comtax AB, Oasmia Pharmaceutical AB and Stockholm Corporate Finance.

Holding:
24,275 shares



Anette Sundstedt

Born 1967, employee representative since 2008, employed in Active Biotech since 2001. Biologist, Doctor of Medical Science, Lund University. Has completed the Council for Negotiation and Co-operation's (PTK) training program for Board members.

Other Board assignments:
None

Holding:
445 shares and 3,075 employee stock options.



Karin Hallbeck

Born 1956, employee representative since 2008, employed in Active Biotech since 1998. Laboratory engineer. Has completed the Council for Negotiation and Co-operation's (PTK) training program for Board members.

Other Board assignments:
None

Holding:
3,207 shares and 3,075 employee stock options



Auditors

KPMG AB with David Olow as auditor-in-charge.
Born 1963
Company auditor at Active Biotech AB since 2009.
Authorized Public Accountant KPMG.



Tomas Leanderson

President and CEO
Born 1956

Holding:
52,275 shares and 25,000 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:
3,693 shares and 5,390 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:
23,510 shares, 8,050 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.



Helén Tuvevsson

Chief Scientific Officer
Born 1962

Holding:
1,400 shares and 3,850 employee stock options.

Helén Tuvevsson has been employed at Active Biotech since 1998. She has worked in the pharmaceutical industry for almost 20 years and held various positions at Pharmacia.

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.

EMA: European Medicines Agency

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

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.

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.

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.

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.

Goal

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 such diseases as 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 additional compounds into clinical development.*
Active Biotech 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 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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