

AGM April 21, 2005

Slide 9: Point 8 – CEO's address

Slide 10

Mr. Chairman, shareholders, ladies and gentlemen,

Today, Active Biotech is a company focusing on pharmaceutical development and projects in the clinical phase, that is, trials in humans.

We have successfully advanced our projects along the development and value chain.

We currently have four, and soon five, projects in clinical development – all focusing on important areas of therapy where there is a major medical need for improved and more effective treatment and where there is extensive market potential.

The next year will be a very exciting time for us. The results of ongoing trials with both of our cancer products ANYARA and TASQ will be concluded, and, at the same time, we will also receive the results of new studies involving our autoimmune/inflammatory projects, laquinimod and 57-57.

Slide 11:

Our project portfolio currently comprises projects in the fields of autoimmunity/inflammation (yellow columns) and cancer (red columns).

As you may know, laquinimod (which we previously called SAIK-MS) successfully completed a Phase II study in the autumn of 2003 and is now undergoing complementary Phase II studies prior to the commencement of Phase III.

ANYARA is the name given to the TTS product generation CD3, currently in Phase I, which we are developing towards registration, primarily for the treatment of non-small cell lung cancer.

Similarly, TASQ is currently undergoing Phase I trials in prostate-cancer patients.

57-57 for the treatment of Systemic Lupus Erythematosus is currently undergoing Phase I trials in healthy volunteers.

The substance we licensed to Avidex in 2002, CD80, is expected to commence Phase I trials during April. Avidex has named the candidate drug RhuDex.

Patent applications have been submitted for the two projects I-3D and CCR-1. These projects, which target autoimmune indications, are substances originating from Active Biotech. These substances function according to new principles although the target molecules and mode of actions are known to us.

The process of charting the mode of actions of quinoline substances has also made progress – although we have not yet attained our objective. The project is being conducted in parallel with clinical development.

During 2004, we achieved all of our project targets, while also carrying out extensive organizational changes.

SLIDE 12

In the middle of the year, we signed a comprehensive partnership agreement with Teva for the continued development and commercialization of laquinimod. I will return to our collaboration with Teva later.

The technology transfer to Teva has now been completed.

Since laquinimod demonstrated a highly favorable safety profile in the Phase II study, a complementary, open Phase II safety study in MS patients to document safety at higher doses was initiated prior to the signing of the partnership agreement. In this study, a group of patients will be followed during one year.

Around the end of the year, we reported positive Phase II data for TTS CD2 in pancreatic and renal cancer.

The Phase I study with escalating doses for ANYARA progressed according to plan, involving mainly lung-cancer patients, but also renal and pancreatic cancer patients.

We signed an agreement with Strathmann Biotec AG for the production of materials for clinical trials and volumes for future commercial needs.

In December, we obtained so-called “fast-track” status for ANYARA. Fast-track has been developed by the FDA to facilitate and speed up the development of new drugs for the treatment of serious or life-threatening diseases.

Favorable results were reported from a Phase I study of TASQ in healthy volunteers. This showed that TASQ can be administered orally at the doses we expect to be effective.

A Phase I study in prostate-cancer patients was also initiated.

For our SLE project 57-57, the Phase I program commenced according to the established schedule.

Our partner for the substance CD80, Avidex, selected a candidate drug for the commencement of clinical trials against rheumatoid arthritis, RA.

SLIDE 13

The partnership agreement with Teva was signed in June, 2004.

Teva is one of the world’s leading companies for generic pharmaceuticals and to many people this is perhaps what the company is best known for.

However, for its past and future growth and profitability, Teva’s innovative pharmaceuticals division, which focuses on neurology, is playing an increasingly important role.

Teva is one of the leading pharmaceuticals companies in the area of MS. The company's product, Copaxone, is expanding steadily, particularly in the US where Teva is the market leader in terms of new prescriptions. In 2004, sales of Copaxone amounted to approximately USD 1 billion.

The agreement grants Teva the exclusive right to develop, register, produce and commercialize laquinimod globally, with the exception of the Nordic and Baltic countries where Active Biotech retains all commercial rights.

Teva has made an initial payment of USD 5 million to Active Biotech and has undertaken to conduct and finance the continued clinical development of laquinimod. The agreement also means that Teva will make payments to us upon the achievement of various milestones. Potential payments can total as much as USD 92 million.

In addition, Teva is investing substantially in the clinical development process. In our estimation, this investment amounts to between USD 90 million and USD 100 million.

Active Biotech will also receive tiered, gradually increasing double-digit royalties on future sales of laquinimod in the market.

Continued development is being conducted in close collaboration with Teva - and we feel great confidence in their work. The project has been assigned top priority by management and other levels of the organization.

The objective for all involved is to bring the product to the market as quickly as possible and to maximize the likelihood of success through well-designed, high-quality clinical studies.

Current planning is for a market launch in 2009.

SLIDE 14

The market value of the indication areas in which we operate is considerable. The market for MS drugs amounted to USD 4.3 billion in 2004 and this is increasing by double-digit percentages annually.

There are currently four different drugs, belonging to two different types in the market. All are administered by injection.

The largest group of drugs against MS comprises the three interferon-based products: Avonex from Biogen Idec, Betaferon from Schering and Rebif from Serono. The fourth product is Teva's Copaxone, which is based on glatiramer acetate. Until November 2004, these four pharmaceuticals shared the global MS market.

In November 2004, approval was given for Tysabri, a biological product developed by Elan that was to be marketed by Biogen Idec. The product is administered via intravenous drip and treatment was, to a certain extent, conducted in combination with Avonex.

On February 28 this year, the product was unexpectedly withdrawn from the market and ongoing clinical trials were discontinued after serious side effects were discovered. To date, three patients being treated with Tysabri, in combination with Avonex or alone, have suffered PML – an uncommon but extremely severe virus infection in the brain that usually occurs as a result of a weakened immune defense. Two of these patients have died.

Investigations are under way and data from all patients who were given the products are being analyzed, in part to attempt to determine how the side effects arose and, in part, to ascertain whether or not Tysabri can be returned to the market. Most analysts view the likelihood of this happening as small.

The consequences for the stock-market capitalization of the two companies were dramatic, reflecting the expectations and value attached to Tysabri. In a single day, the combined stock-market capitalization of Biogen Idec and Elan fell by USD 17 billion.

At the same time, the FDA has initiated a review of similar products being developed for the treatment of MS and has suspended all clinical trials of products with the same target molecule as Tysabri. GSK's product was halted immediately following the withdrawal of Tysabri. The review involves all products with mode of actions identical or closely related to that of Tysabri. Laquinimod is not affected by the review.

It is too early to say what impact the FDA evaluation may have on Novartis and Sanofi-Aventis' projects.

However, the competitive situation has been drastically changed with this one event.

Laquinimod appears more attractive than ever in the new market scenario now envisaged.

By 2009, the planned launch year for laquinimod, the MS market is expected to amount to approximately USD 7 billion.

The market for the treatment of lung cancer is estimated at slightly more than USD 1 billion and for prostate-cancer drugs, the size of the market is slightly more than USD 3 billion per year.

The potential market for 57-57 is more difficult to assess, since no drug has been registered for the treatment of SLE since the 1960s, when cortisone and immune suppression were introduced.

However, in the US alone, more than 1.5 million people suffer from some form of SLE. The market potential for the SLE diagnosis may therefore be estimated cautiously at USD 6 billion.

RhuDex

The market for drugs against rheumatoid arthritis amounts to more than USD 14 billion. According to Avidex, if RhuDex reaches the market, it has the potential to achieve annual sales of more than USD 2 billion.

SLIDE 15

Planned milestones for the next 18 months:

As I mentioned initially, this period will be very exciting for us, with many new results to be presented by Active Biotech, Teva and Avidex.

We strive to be clear in our communications and to be a transparent company, which has also been facilitated over the years by our increasingly streamlined structure. We report when results are to be presented, as well as when we anticipate deviations from what we have previously announced.

Results will be presented from the additional Phase II study with higher doses of laquinimod, currently being conducted by Teva.

Phase III studies for MS in Europe and the US are expected to commence during this period.

The results of the Phase II safety study in MS patients will be presented.

Results from the ongoing Phase I study in non-small cell lung cancer will be presented.

Prior to this, we will begin an additional Phase I study for combination therapy for the same diagnosis.

We then expect to commence a Phase II/III study for non-small cell lung cancer.

We will report the results of the Phase I study on prostate cancer for TASQ and will commence the Phase II/III program for this diagnosis.

In our Lupus project, we expect to report the results of the Phase I study in healthy volunteers and to carry out and report a Phase I study in Lupus patients.

Avidex expects to be able to conduct and report on a Phase I study and to be able to commence a Phase II study on RhuDex in RA patients.

SLIDE 16

During 2002 to 2003, we invested heavily in clinical development, resulting in a cost level exceeding SEK 300 million per year.

These investments reflected our aggressive plan for the clinical program with the purpose of achieving “proof of principle” for our projects.

Our decision in 2004 to discontinue discovery research and to concentrate fully on bringing our clinical development projects to completion as quickly and safely as possible means that we will be able to reduce our cost level for 2005 by about SEK 100 million compare with 2003.

The organizational changes caused turbulence, but now we have a new, more focused company with the resources to secure the commercialization of our projects as rapidly and safely as possible.

The company's "burn rate" will remain at nearly SEK 200 million during 2005.

SLIDE 17

In 2004, the Group's operating loss amounted to SEK 200.8 million, compared with SEK 336.4 million in 2003, an improvement by SEK 135.6 million.

The initial payment from the partnership agreement with Teva and a final milestone payment from Chiron Corp. entailed sales rising from SEK 0.3 million to SEK 69.7 million.

Research and development, and administration expenses were reduced from SEK 336.8 million to SEK 270.6 million, which is attributable to lower costs for the clinical development program following the reporting of results for the extensive Phase II studies for laquinimod and TTS CD2 in 2003.

During 2004, the clinical development program has focused on the ongoing Phase I dose-escalation study for ANYARA and the commencement of Phase I trials for TASQ and 57-57.

Expenses for 2003 also included SEK 19.7 million in nonrecurring costs attributable to operations divested in 1996.

Net financial items amounted to SEK 28.8 million, compared with SEK 32.0 for the preceding year.

SLIDE 18

At the close of 2004, the Group's total assets amounted to SEK 312.9 million, compared with SEK 345.4 million for the corresponding period in 2003.

The book value of current investments and liquid funds amounted to SEK 214.8 million, compared with SEK 227.6 million at the close of the preceding year.

Effective January 1, 2005, all listed companies within the EU shall apply IFRS (International Financial Reporting Standards). The most significant changes for Active Biotech involve the sale-lease-back agreement for the property and the employee stock-options program. These effects are described in greater detail in the Annual Report.

SLIDE 19

Cash flow for the year was negative in an amount of SEK 12.8 million, compared with a negative cash flow of SEK 101.4 million in 2003. The favorable trend is attributable to improved earnings and the debenture issue implemented in December.

At the Extraordinary General Meeting held on November 8, 2004, it was decided to issue convertible debentures for approximately SEK 150 million. The issue, which was fully guaranteed by MGA Holding, was implemented with preferential rights for company shareholders.

SLIDE 20

During 2004, the Biotech Index fell by 34 percent. The performance of Active Biotech's shares was somewhat weaker with a decline of 40 percent. From the beginning of this year until now, the same index has decreased by 5 %, while our share value has increased by 6 %.

At the end of 2004, Active Biotech's market capitalization was approximately SEK 1.2 billion. The company's valuation at the close of 2003 was slightly more than SEK 2 billion.

Obviously, I am disappointed that the stock market did not appreciate the efforts made by myself and my colleagues during the year. However, I can report that we achieved all of our established project milestones while, at the same time, we carried out extensive organizational changes.

SLIDE 21

Active Biotech is a company with no continuous revenue flow as yet. Instead, it is valued on the basis of its research progress, partnerships and future revenues.

Once an even flow of revenue is achieved in the form of royalties on sales, the company's conditions will change considerably.

Until our first product is launched, the company will continue to operate at a loss.

However, initial payments and milestone payments from partners will provide revenues, although with uncertainty and on an irregular basis.

The Board of any company with no certainty in prediction of inflow of revenues has the responsibility of securing sustained financing and keeping the financial tools for this prepared.

This is important to avoid the risk that values generated by the company's projects are not reflected in the valuation of the company's shares.

This represents protection for shareholders.

The Board has a mandate from the 2004 Annual General Meeting to issue up to six million new shares, with or without preferential rights, up to the 2005 Annual General Meeting.

To maintain freedom of action and the use of various financing tools, the Board requests the renewal of this unutilized mandate to issue a maximum of six million new shares, with or without preferential rights.

This may be implemented on one or more occasions. If shares are issued with the preferential rights of existing shareholders being waived, they shall be priced as close to the market value of the company's shares as possible, deviating to the extent deemed necessary by the Board in order for the new share issue to be implemented successfully.

This matter is dealt with under point 16 on the agenda.

SLIDE 22

Thank you for your attention.

The next report will be issued on May 12.

I will now be happy to answer questions.