

## **Annual General Meeting, May 7, 2008**

### *Item 8 – Address by the President & CEO*

Mr. Chairman,  
Valued Shareholders,  
Ladies and Gentlemen,

In 2007, Active Biotech consolidated its position as a company with a balanced and well-developed project portfolio.

Projects continued to demonstrate progress during the year – all five projects in clinical phase proceeded according to plan.

#### SLIDE 10

The market values of the indication areas with which we work are considerable.

Multiple Sclerosis mainly affects young people, and more women than men. The average age of onset of the disease is about 30. It is estimated that more than 2 million people throughout the world suffer from the disease. MS is a progressive, demyelinating disease of the central nervous system that affects the brain, spinal cord and optic nerves. For those affected by MS, the disease often entails an impact on social life and the general quality of life.

In 2007, the market for MS drugs amounted to approximately USD 7 billion and is increasing by double-digit percentage figures each year. Forecasts of the future market size vary somewhat, but they indicate growth of about 60 percent in the next five-year period.

SLE is a disease of the connective tissues that can cause inflammation and damage to the connective tissue in many different organs. The disease, which progresses in “flare-ups” interspersed by relatively symptom-free periods, primarily affects women of childbearing age. Progress and symptoms of the disease vary widely, depending on the organs affected and it can therefore be difficult to diagnose. Without treatment, SLE can be life-threatening. More than 1 million people in the US and Europe are affected by some form of SLE. We can therefore say that the market potential for the SLE indication can conservatively be estimated to be at least USD 6 billion.

RA (rheumatoid arthritis) is a chronic inflammatory disease, the cause of which remains unknown. The disease affects the body’s joints and causes inflammations. The inflammation damages joints, tendons and even articular cartilage and surrounding skeletal areas, which means that the patient can ultimately be affected by a physically debilitating handicap. More than 2 million people in the US suffer from RA and the disease is more common among women. In 2007, the market for drugs for the treatment of RA was estimated at USD 5.7 billion.

Renal cancer affects nearly 40,000 people in the US each year and about 200,000 worldwide. The usual age of onset of the disease is between 50 and 70, and it affects more men than women. Half of patients are affected by metastases. When the disease has metastasized, average survival is one year. The survival rate of patients diagnosed with renal cancer is only 5-10 percent after five years.

The market for renal cancer therapy is estimated at about USD 1 billion.

Prostate cancer has highly varying degrees of severity. Despite a relatively good prognosis, prostate cancer is the cancer form that is the second most common cause of death among men. In 2007, it is estimated that 220,000 cases were diagnosed in the US alone. The disease is highly uncommon before the age of 50. In its early stages, prostate cancer is hormone-dependent and its growth is stimulated by the male hormone testosterone. Patients with advanced prostate cancer are often affected by metastases in skeletal tissue. These tumors grow regardless of hormone levels. The global pharmaceutical market for prostate cancer amounts to USD 3.6 billion a year.

#### SLIDE 11

In September 2006, our partner Teva successfully concluded an additional Phase II study of laquinimod to establish the optimal dose for Phase III studies.

Data from the study demonstrated that an oral 0.6 mg dose of laquinimod given daily significantly reduced MRI disease activity by 55% expressed as the median value compared with placebo. Safety and side-effect data confirmed the favorable safety profile observed in earlier clinical Phase II studies.

#### SLIDE 12

Essentially, all patients that were included in the Phase II study continued to an extension study lasting a further nine months. Following this, there was a further extension of the study in which all patients received laquinimod 0.6 mg. This final part is an open label study, meaning that it is no longer blind and both patient and doctor are aware that the compound being administered is laquinimod and in what dose.

Through these expanded studies, which will run in parallel with the Phase III program, a database is built up that provides us with more information about the clinical parameters (flare-ups or relapses, disease progression and so forth) and documents long-term safety. The patients that participate in full will be treated and monitored over many years.

To date, nearly 500 have been treated with the product in Phase I-II studies.

All of this generated data further strengthens the fact that laquinimod has a unique mode of action that is “first-in-class.”

It also gives laquinimod a distinctly attractive profile, both in terms of efficacy and safety, compared with competing oral compounds under development, which are all immunosuppressive.

We are monitoring the development of all competing projects with regard to efficacy and will have a special focus on side effects of prolonged therapy in so far as this is reported.

#### SLIDE 13

In the summer of 2007, the Food and Drug Administration (FDA) in the US and the European Medicines Agency (EMA) issued approval for the start of Phase III trials.

This was an important milestone and a critical step for laquinimod’s development and a means that both regulatory authorities have reviewed all the documentation and historical data

and determined that safety and efficacy corresponds to requirements for progression to Phase III.

The global Phase III program will run for two years at 175 MS centers in the US, Europe and Israel and encompass approximately 2,200 MS patients subdivided into two studies. This will, to the best of my knowledge, be the largest Phase III program conducted by a Swedish company outside the Astra/Pharmacia sphere.

In November 2007, in conjunction with Teva, we announced the start of enrolment to the first study, and enrolment to the second study has now also commenced.

The first study, ALLEGRO (Assessment of Oral Laquinimod in Preventing Progression of Multiple Sclerosis), is a global, pivotal, double-blind, placebo-controlled study designed to evaluate the efficacy, safety and tolerability in the treatment of relapsing-remitting multiple sclerosis. The study will enroll approximately 1,000 patients. The study is scheduled to continue for two years with the possibility of an extension.

The second pivotal Phase III study, BRAVO (Benefit-Risk Assessment of Avonex® and laquinimod), is also pivotal. This is a placebo-controlled study that will compare the effects of laquinimod with placebo. The study will also generate data that assesses the risk-benefit advantages with once-daily administered laquinimod compared with an injectable product presently established in the market – Avonex®. This study will also extend over a period of two years and will encompass approximately 1,200 patients in the same category, that is, patients with relapsing-remitting MS.

Information regarding these studies will be continuously reported on Teva's website and on the official "clinicaltrials.gov" of the NIH (National Institutes of Health) in the US.

#### SLIDE 14

The agreement with Teva provides it the right to develop laquinimod for all indications. Recently, Teva announced it has decided to also initiate clinical trials for lupus nephritis, a form of Lupus that attacks the kidneys, and Crohn's disease.

Following the report in 2006 on the positive results obtained from the Phase II study, Teva made a milestone payment of SEK 51.2 million – which means that we have received payments of approximately SEK 90 million from Teva related to laquinimod to date.

Teva will make further payments to us on fulfillment of various milestones. The total of all potential payments amounts to USD 92 million.

Teva performs and carries the costs of all development of laquinimod and invests heavily in the clinical development in an amount that, in our estimation, amounts to USD 200-300 million.

We will also receive tiered, double-digit royalty payments on future sales of the laquinimod in the market. Royalties apply for all indications, not just MS.

The financial gains are enormous and we estimate that the product has the potential to sell for more than USD 1 billion annually in total.

The challenge is to rapidly enroll patients to the two Phase III studies and no one is better suited to this task than our partner Teva. Teva has a presence in nearly all MS centers

throughout the world and has shown itself to be unmatched in the past with respect to designing and implementing successful clinical studies.

#### SLIDE 15

ANYARA is an immunological cancer treatment, whereby the body's own T-lymphocytes are activated and used to kill cancer cells.

When we developed ANYARA, we optimized the first-generation candidate drug (TTS CD2) and have designed a product with enhanced anti-tumor effect with lower toxicity that can be administered in considerably higher doses.

During 2006, we successfully concluded three clinical Phase I studies of ANYARA for the treatment of non-small cell lung cancer, renal cell cancer and pancreatic cancer.

Results from the Phase I program demonstrated that ANYARA can be administered in a safe and easy manner.

Positive survival data for renal cell cancer patients treated with first generation ANYARA was published. Survival was twice as long as expected.

Since 2006, Active Biotech has chosen to focus clinical development on the indication renal cancer and we launched a major Phase II/III-study of ANYARA during the year with extensive documentation as support.

The study is a randomized, controlled clinical Phase II/III study of ANYARA combined with interferon-alpha in patients with advanced renal cell cancer.

The study is being performed at approximately 50 clinics in Europe.

The primary endpoint is survival and the study will include approximately 500 patients. Expected survival with conventional treatments for these patients is 10-15 months and the length of the study will depend on the patients' disease progression.

Enrolment is progressing according to plan and we are now busy with the preparations for an interim analysis, which will take place when about 200 patients have been included in the study.

If the results from this analysis are positive, the study will continue with the same protocol, which will then be pivotal.

In July 2007, ANYARA was granted Orphan Drug Status for treating renal cell cancer patients by the EMEA's expert committee. This 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.

#### SLIDE 16

In the TASQ project, we are developing an antiangiogenic substance that can be administered orally for the chronic treatment of prostate cancer, meaning in tablet form.

Following studies on healthy volunteers in 2004 in Sweden, an initial clinical Phase I dose-escalation study commenced comprising prostate cancer patients with so-called hormone-

refractory prostate cancer. This is an advanced stage of prostate cancer where the tumor cells no longer respond to hormone treatment.

In 2006, we presented interim results from this Phase I study covering 24 patients with prostate cancer. The interim assessment showed that daily treatment with 0.5 mg TASQ led to a reduced rate of increase of the PSA marker for all evaluated patients. In nine out of ten patients, the rate of increase was halved.

The results also demonstrated that TASQ treatment was well tolerated by the patients with only mild and transient side effects.

The main aim of the study was to evaluate the safety of TASQ in escalating doses, but as in the majority of cancer studies, we examine the treatment effects as early as possible.

Following this initial analysis, a larger number of patients were treated with a higher dose and all patients are monitored over an extended period. The trend remains positive.

Consequently, we have decided to move forward with the clinical development and in the August 2007, the FDA accepted our IND application and we could therefore commence a Phase II proof of concept study in the US and Sweden. Canada will also be included in the near future.

This is a randomized, placebo-controlled, double-blind study of 1 mg/day of TASQ versus placebo in 200 patients.

The study comprises symptom-free patients with metastatic, hormone-resistant prostate cancer.

The primary endpoint of the study is to measure the proportion of patients that do not display disease progression after six months of TASQ therapy compared with placebo. A number of secondary clinical endpoints will also be studied.

#### SLIDE 17

Market awareness of the disease Systematic Lupus Erythematosus, SLE, has increased considerably in recent years.

The Phase I study of SLE patients has taken longer than we originally planned since it was possible to increase the treatment doses over the course of the study to a level that was higher than we initially anticipated. However, we will be able to make up for this delay in future development.

The primary endpoint of this study is mainly to document how the compound is tolerated by patients and its pharmacokinetic properties, but it will also monitor a number of effect parameters and biological markers.

We now expect to launch the clinical Phase II/III program at about year-end 2008 and we are currently in consultation with the pharmaceutical regulatory authorities regarding the design of this program.

The scientific observations we have compiled from the project with regard to the mode of action of quinoline compounds makes 57-57 even more interesting than before and has significantly increased the project's value.

Several major pharmaceutical companies have identified SLE as an area with considerable requirements. To date, no company has succeeded in delivering positive results. Most recently, Teva and Genentech were forced to acknowledge that their clinical SLE trials had not yielded positive results.

#### SLIDE 18

RhuDex® is a “first-in-class” so-called CD 80-antagonist, and is also a product that is orally administered.

It is primarily intended for the treatment of RA. Following a positive result from concluded Phase I studies in healthy volunteers, a dose-escalation study in patients with RA was successfully performed. A clinical Phase IIa study commenced at the beginning of 2007 and a report on this is expected shortly. Later in the program, the launch of a complementary controlled Phase II study with more than 200 patients is planned to commence during the first six months of 2008.

The project is fully funded by the German biotechnology company MediGene and is one of their projects with the highest priority. If it is successful, milestone revenues for Active Biotech may amount to GBP 5.8 M in addition to royalties on future sales.

#### SLIDE 19

We have decided not to pursue the I-3D preclinical project, which we have conducted in cooperation with our partner Chelsea Therapeutics. We will instead follow a strategy that further focuses on our unique quinoline-based therapeutic platform of immunomodulatory compounds.

The project dealing with mode of action of quinoline compounds continued to demonstrate success.

Many immunoregulatory compounds only regulate the immune defense in a quantitative manner and are immunosuppressive, that is, they suppress and “shut down” the immune defense.

Quinolines are immunomodulatory, and instead, affect the immune defense qualitatively. Consequently, it is of considerable interest to elucidate the mode of action of quinoline compounds and describe how they differ from other compounds in clinical development.

The results significantly strengthen documentation and the value of the clinical quinoline project, that is, laquinimod, 57-57 and TASQ.

They also form a base that can be used to develop entirely new drugs for the treatment of autoimmune diseases.

Having now defined a target molecule for the quinoline compound family, the logical next step is to focus on the development of new, patentable candidate drugs that bind to this molecule.

These will then be developed to treat disease indicators for which quinolines have demonstrated favorable treatment effects in experimental models or patients.

The results mean that the applications for patent protection of the target molecule can be strengthened, which is a priority at present. Publishing of our scientific results will subsequently take place in scientific journals, with the aim of doing so during 2008.

#### SLIDE 20

The milestones for 2008 stand firm.

- \* Phase III program for relapsing MS to continue with laquinimod in Europe/US/Israel
- \* Interim analysis of Phase II/III study in renal cancer patients for ANYARA to be performed

#### SLIDE 21

- \* Phase II program in prostate cancer patients for TASQ to continue
- \* Phase II/III studies in lupus patients for 57-57 to commence during the year
- \* Phase IIb studies in RA patients for RhuDex® to be initiated by our partner MediGene
- \* Preclinical projects: Focus on immunomodulatory compounds

#### SLIDE 22

As I did last year, I would like to show a slide that summarizes how Active Biotech's projects have been financed to date before I move forward to the financial outcome.

For the projects that have their origin in Pharmacia, mainly comprising the quinolines (laquinimod, TASQ and 57-57) and ANYARA, the historical costs borne by Pharmacia prior to Active Biotech's formation amounted to approximately SEK 1.8 billion.

Over the years, we have sold off assets (properties and operations) for SEK 1.6 billion.

The first new share issue, which was conducted in conjunction with the acquisition of the Lund Research Center in 1998, yielded slightly less than SEK 500 million.

During the period following 1998 until the year 2006, we conducted four issues, which yielded further capital infusions totaling slightly more than SEK 750 million.

Accordingly, up to year-end 2007, we have financed research projects through issues totaling approximately SEK 1.3 billion. Additional contributions were obtained through divestments totaling about SEK 1.6 billion, and added to this are the historical expenses borne by Pharmacia amounting to SEK 1.8 billion.

According to this simple calculation, the investment in the projects totals SEK 4.7 billion to date. Investments made by our partners Teva and MediGene in the clinical development of laquinimod and RhuDex® should also be added to this figure.

#### SLIDE 23

Consolidated operating loss in 2007 amounted to SEK 202.7 million, compared with a loss of SEK 124.6 million in the preceding year.

Sales in 2007 amounted to SEK 12.1 million, compared with SEK 66.4 million in 2006.

Revenues for 2007 totaled SEK 12.1 million and comprised SEK 8.8 million in service and rental revenue, in addition to a SEK 3.3 million of a research grant from Vinnova.

In 2006, revenues contained SEK 51.2 from Teva. We also had a payment from Chelsea Therapeutics totaling SEK 7.2 million and service and rental revenues.

The operation's research and administration expenses totaled SEK 214.7 million, an increase from SEK 190.9 million compared with the preceding year. The increase in expenses is attributable to intensified clinical research activities, primarily the ongoing ANYARA Phase II/III study and the Phase II study for TASQ.

Net financial expense for the period totaled SEK 5.0 million, compared with SEK 17.3 million in 2006. The improvement in net financial expense is mainly attributable to increased interest income and lower interest expenses as a result of the early redemption of the convertible loan, which was issued in 2004, during the second quarter of 2007.

#### SLIDE 24

At year-end 2007, the Group's total assets amounted to SEK 489.5 million compared with SEK 462.4 million in the year-earlier period.

Fixed assets totaled SEK 332.2 million and principally comprised the property and associated equipment, tools and fixtures and fittings, accounting for SEK 329.7 million.

Cash and cash equivalents amounted to SEK 138.6 million compared with SEK 97.9 million at year-end 2006.

Total liabilities at year-end amounted to SEK 300.0 million, of which the property loan amounted to SEK 252.2 million.

#### SLIDE 25

The Group's positive cash flow for the year amounted to SEK 40.7 million compared with a negative SEK 80.5 million in the preceding year. The development is attributable to the new share issue implemented in 2007, which provided a capital injection of SEK 234.4 million.

#### SLIDE 26

The SIX biotechnology index, in which the Active Biotech share is included, declined in 2007 by slightly more than 30 percent. During the same period, the Active Biotech share fell by approximately 25 percent, from SEK 78.00 at the beginning of the year, to SEK 58.75 at December 31, 2007.

At year-end 2007, Active Biotech's market capitalization was approximately SEK 2.8 billion, compared with SEK 3.1 billion at year-end 2006.

#### SLIDE 27

To strengthen the company's financial position and drive development of the company's clinical portfolio, the Board of Active Biotech has resolved to today propose a new share issue for approximately SEK 160 million with preferential rights for shareholders.

It is proposed that the issue shall entitle existing shareholders with preferential rights to subscribe for one new share for each twelve shares held at an issue price of SEK 40 per share.

MGA Holding AB, with 30 percent of the shares and votes, and Nordstjernan AB, with slightly less than 15 percent of the shares and votes, have committed to subscribe for the full amount of shares corresponding to their preferential rights. In addition, Nordstjernan AB has undertaken, if the issue is not fully subscribed, to subscribe for any additional shares that are not subscribed for with preferential rights in return for a customary guarantee commission. Accordingly, the issue is guaranteed in its entirety.

The prospectus will be published prior to the commencement of the subscription period.

Following the implementation of the rights issue, the number of shares in Active Biotech will amount to about 51.2 million.

This matter is addressed under item 18 of the agenda.

#### SLIDE 28

As yet, Active Biotech is a company that does not generate a continuous flow of revenues, but is instead valued on research successes, partnership agreements and future revenues.

Active Biotech's situation will change dramatically the day the company generates a constant flow of revenues in the form of royalties on sales.

Until the launch of our first product, the operation will continue to generate a loss.

Initial payments and milestone payments from new and existing partners will yield revenues, but with uncertainty and irregularity.

It is the responsibility of the Board of any company that does not have a regular flow of revenues to secure sustained funding and to have all the financial tools at hand to achieve this.

It is important to ensure that the values that have been generated in the company's projects are reflected in the share's value.

This protects shareholders.

To ensure freedom of action and control over various financial instruments, the Board requests a mandate, for the period extending until the 2009 Annual General Meeting, with or without preferential rights for shareholders, to issue a maximum of 5 million new shares.

This may take place on one or more occasions.

This matter is addressed under item 19 of the agenda.

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Looking ahead, we have another exciting and hopefully successful year.

All five projects are now taking further important steps on the path to finally developed drugs.

To this, we can add the new preclinical program with a focus on the immunomodulatory compounds, the development of which is based on quinolines.

With scientific advances, we draw near to new commercial successes.

I would like to thank you all for your attention.

The next financial report will be published on August 6.

I will now be happy to answer any questions.