

**Annual Report 2007**  
**Affibody Holding AB (publ)**

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## ADMINISTRATION REPORT

The board of directors and the chief executive officer hereby submit the annual report and the consolidated accounts for the fiscal year 1 January to 31 December 2007 for Affibody Holding AB. Numbers within parentheses concern the corresponding period last year. Amounts are expressed in thousands of Swedish Kronor (SEK '000) unless otherwise indicated.

### Operations

Affibody is a Swedish biotech company focused on improving the treatment of cancer through a combination of molecular imaging and individualized targeted treatments.

Affibody imaging and therapeutic products are based on the Company's proprietary Affibody® molecules. These small and robust high affinity protein molecules can be designed to bind specifically to a large number of target proteins that play an important role in the diagnosis or treatment of cancer. Affibody® molecules are easily produced and are stable in a wide range of conditions.

Affibody® molecules are well suited for molecular imaging and as the same Affibody® molecule could be charged with a cytotoxic payload, it can potentially also be used for targeted therapy.

In addition to its pipeline of molecular imaging and targeted therapeutic products, Affibody is developing Affibody® molecules for various biotechnology applications in a number of commercial collaborations.

Affibody was founded in 1998 by researchers from the Royal Institute of Technology and the Karolinska Institute and is based in Bromma outside Stockholm, Sweden. Current owners include HealthCap including funds, Investor Growth Capital and SV Life Sciences including funds.

### Significant events during the fiscal year 2007

#### Pipeline Progress

##### *Molecular Imaging*

During the early part of 2007, Affibody took the decision to change the lead candidate in its HER2 imaging program to a second-generation Affibody® molecule, ABY-025. This and all subsequent Affibody® molecules will be developed based on the Company's second-generation technology. This new technology has significant benefits in terms of the length of patent protection and flexibility with regard to scale-up and commercial production when compared to first-generation Affibody® molecules. For example, this change has reduced previous uncertainties regarding the timelines for scaling-up production for clinical development. The experience gained from the work that the Company has carried out on its first-generation molecules has been important in leading to the improvements in future generations of Affibody® molecules. The discoveries made by the Company have also formed the basis of a new important patent application regarding its second-generation Affibody® molecule scaffold.

In October, the Company started its first ever clinical study with a HER2 imaging agent for the diagnosis of breast cancer. This exploratory clinical study, which was being conducted at the Uppsala Academic Hospital, was stopped owing to technical issues. This exploratory study, which not was intended to be part of the clinical development package, was conducted with a view to generating additional information and experience with Affibody® Molecules in cancer imaging while the preparatory work needed to begin the German Phase I regulatory study with ABY-025 was being completed.

ABY-025 is Affibody's most advanced second-generation Affibody® molecule, and is being prepared to enter the clinic for HER2 imaging in 2008. In the second half of 2007, as part of the pre-clinical work needed prior to moving ABY-025 into the clinic, the Company completed successfully a dose-ranging toxicology study on the molecule, demonstrating that it was safe at

much higher doses than are likely to be used in clinical studies. The Company has selected a CRO (clinical research organization) to oversee the study, which will take place in Cologne, Germany.

Affibody has also been working on the transfer of the technology relating to the recombinant production of this second-generation Affibody® molecule to its CMO (contract manufacturing organization). This transfer is now complete and the Company expects to have GMP (Good Manufacturing Practice) material and the necessary supporting documentation in place for the planned clinical study for this second-generation Affibody® molecule for HER2 imaging in 2008.

#### *Targeted Therapeutics*

A toxicology study aimed to support a micro-dosing study on the administration of radioactively labelled Affibody® molecules into the brain as a potential treatment for disseminated brain metastases was completed. This study showed that there were no toxicology issues with either high doses or repeated doses of the Affibody® molecule concerned. Affibody is currently repeating this toxicology study using its second-generation Affibody® molecule, ABY025. A clinical trial application for this HER2-targeting Affibody® molecule for therapeutic use is expected to be filed during the first half of 2008.

#### **Intellectual Property**

Affibody pursues a pro-active strategy to ensure the appropriate protection of its intellectual property. During 2007, Affibody filed five new patent applications. Two of these patent applications covered two of the Company's key technologies, namely a second-generation Affibody® molecule scaffold and an improved albumin-binding (ABD) technology. In the case of the second-generation scaffold, this has a number of advantages including much improved flexibility, speed and consistency in terms of production. This new patent application, when granted, will extend the protection of the Affibody® molecule scaffold through to 2028.

The new, improved albumin-binding technology covered by the second new patent application has two key benefits: it improves the extended circulation time of the molecule in the body, as well as reduces any potential immune response that is mounted against any molecules that are bound to albumin. These properties mean that Affibody's ABD technology could be of great value for improving the therapeutic properties of a broad range of biotherapeutics being developed by other pharmaceutical and biotechnology companies.

As of December 31, 2007, the Company had a portfolio of 17 patent families. Affibody has obtained 55 granted patents in important markets from six of these patent families. A number of the Company's patent applications are under review.

#### **Fund Raising**

The third area where Affibody made important progress in 2007 was to raise the funds needed to continue the development of its exciting pipeline of molecular imaging and targeted therapeutic products. In March, through a private placement of newly issued shares with new and existing investors, Affibody raised SEK 200 million. At the same time, loans and other financial liabilities due to shareholders, which in total amounted to SEK 93 million, were offset against newly issued shares. In total 7,408,965 shares were issued at SEK 27 per share.

#### **Strengthening the Organization**

During 2007, Affibody strengthened both its executive management team and its Board of Directors. These changes have resulted in a team with the skills and experience needed to take Affibody forward as it starts the clinical development of its pipeline of molecular imaging and targeted therapeutic products.

#### *Executive Management*

On July 15, Erik Walldén joined Affibody as the Company's new CEO. Erik has considerable experience in the life sciences sector having previously been the CEO of two listed Swedish companies, Biacore AB and Pyrosequencing AB. He was joined in August by Johan Stuart, the Company's new CFO. Johan has previously been CFO of a number of listed companies, including

XCounter AB, for which he played an important role in this company's listing on the AIM market of the London Stock Exchange in 2006.

Dr. Ulf Boberg, who had been the CEO of Affibody since June 2006, has assumed a new position as Senior Vice President, Clinical Development and Business Development.

#### *Board of Directors*

In the first half of 2007 Affibody recruited a number of highly experienced pharmaceutical and biotech professionals to its Board, including Mr. Håkan Åström, who is the Company's new Chairman. Mr. Åström is a board member of Biovitrum (Chairman), Karolinska Institutet, Ferrosan AS (Chairman), Orexo AB (Chairman), SANOS AS (Chairman) and TopoTarget AS (Chairman). He was formerly CEO of Kabi Pharmacia AB and Senior Vice President of Pharmacia Corporation.

Other new board members are Dr. Ursula Ney, Dr. C. Gillies O'Bryan-Tear and Dr. Peter Buhl Jensen.

Dr. Ursula Ney is Chief Operating Officer and Executive Director of Antisoma plc, a position she has held since 2004. Prior to this she was Chief Executive Officer of Charterhouse Therapeutics Ltd and before that she spent 14 years at Celltech as Director of Development and served on the Board.

Dr. Gillies O'Bryan-Tear is a consultant and was previously VP Global Clinical R&D at GlaxoSmithKline Biologicals. He has a broad international R&D experience from several senior roles within the global pharmaceutical industry. Dr. O'Bryan-Tear is a UK-trained physician and holds an MBA.

Dr. Peter Buhl Jensen is CEO and co-founder of TopoTarget AS. He has significant management experience in cancer research and translational drug development. He is a specialist in internal medicine and has a Ph.D. in pre-clinical cancer therapeutics evaluation.

#### *Employees*

As of December 31, 2007, Affibody had 54 employees. Of these, 46 were engaged in research and development while eight were involved in business development activities and administration. Average number of employees in 2007 was 49.

## **Financial results for the group**

### **Revenue**

Affibody reported revenue for the full year 2007 of SEK 27.0 (16.7) million. The majority of this income was related to royalties and research payments from commercial partners. The increase in revenue is mainly related to a strong growth in royalties on sales of MabSelect SuRe™ a product launched by GE Healthcare Bio-Sciences AB in December 2004. This product was the result of collaboration with Affibody for the development of affinity ligands for large-scale bioseparation. Revenues for 2007 also include a one time license fee related to an undisclosed partner.

### **Operating Expenses and Operating Loss**

The operating loss for 2007 was SEK -81.6 (-94.2) million. Total operating expenses, including depreciation for the period, were SEK 108.6 (110.9) million. Depreciation amounted to SEK 3.4 (4.2) million of which SEK 1.7 (2.9) million was related to financial leasing.

### **Financial Items**

Net financial items were SEK -4.5 (-14.4) million. The improvement was a consequence of the equity financing in the beginning of the year.

### **Net Profit/Loss**

Net loss for the year was SEK -86.1 (-85.2) million. The number in 2006 was positively affected by a positive tax item of SEK 23.4 million.

### **Cash Flow and Financial Position**

Cash flow from current operations for the year was SEK –68.8 (-41.8) million. The number in 2006 was positively affected by a positive tax item of SEK 23.4 million.

Cash flow for the year was SEK 30.5 (11.7) million. In 2007, SEK 103.3 (47.0) million from financing activities was provided to the Company.

As of December 31, 2007 cash and cash equivalents amounted to SEK 78.8 (48.2) million. During the reporting period, loans from shareholders including accrued interest and fees, totaling SEK 93.3 million, were offset against newly issued shares.

### **Investments**

Investments, mainly in laboratory equipment and IT equipment, amounted to SEK 4.2 (2.3) million.

### **Tax**

No corporate income tax was reported during the period (23.4).

### **Shareholders' Equity**

Total equity in the Group as of December 31, 2007 was SEK 69.4 (-53.3) million.

## **Financial results for the Parent company**

The shareholders of Affibody made an intra-group transfer of the operations and set up Affibody Holding AB as the parent company in late 2006. The Company was incorporated November 3, 2006.

Affibody Holding AB did not report any revenue for the period. Net loss for the period was SEK -66.9 (-0.2) million and comprised mainly of result from participation in group companies, administrative costs in relation to management, financing activities and finance costs related to the loans from shareholders. Cash and cash equivalents totaled SEK 65.5 (12.1) million as of December 31.

The share capital amounted to SEK 7.5 million. As of December 31, 2007 there were 29,988,672 shares outstanding.

## **Risk factors**

### **Uncertainties related to preclinical and clinical trials**

The process of obtaining regulatory clearance for marketing a drug is complex and comprises various phases, including approval of preclinical studies and clinical trials to establish safety and efficacy. There can be no assurance that the clinical trials of products under development will demonstrate the safety and efficacy profile required to obtain regulatory approvals or that product candidates will result in the development of marketable products that may be commercialized by the company. Furthermore, if regulatory approval for a product candidate is obtained, such approval may be subject to limitations on the indicated uses for which such candidate may be marketed, thus limiting the potential revenues the company may derive from the product.

### **Commercial success of the products**

There are no assurances that the clinical trials involving the company's product candidates will commence or be completed as forecasted, or that they will be conducted successfully. Failure to commence or complete, or delays in, any of the company's future clinical trials could have a material adverse effect on the company's business, financial condition and results of operations. Even if the company's product candidates obtain regulatory approval, they may not achieve market acceptance of any significance. There can be no assurance that the company gains market acceptance for its products.

**Uncertainties relating to industrial partners**

The company's strategy for the development, manufacturing and commercialization of its products includes entering into various collaborations with industrial partners. There can be no assurance that the company will be able to identify suitable strategic partners or to negotiate such arrangements in the future on acceptable terms. Even if such collaborative agreements were to be made, no assurance can be given that they will be successful.

**Dependence on in-licensed technologies**

The company is currently dependent on in-licensed technologies to identify binders to target proteins of interest. Additional licenses will or may be required for Affibody's development of products. There can be no assurance that such licenses will be available for Affibody at acceptable terms, or at all.

**Product liability**

The testing and commercial use of pharmaceutical products entails significant exposure to product liability claims. There can be no assurance that the company will be able to maintain or increase its current insurance coverage in the future on acceptable terms or that the claims against the company will not exceed the amount of such coverage or that potential claims will not arise which are not covered by the company's existing insurance.

**Protection of intellectual property rights**

The company's success will depend in part on its ability to obtain and maintain patents covering its technology and products under development and to protect its trade secrets. The company's issued patents may not afford the company sufficient protection for its technology and products under development or third parties may develop similar technology or processes that circumvent the company's patents. Moreover, the company's issued patents may be held to be invalid if challenged. Also, the company's current and future patent applications may not result in the issue of patents. If the company does not obtain and maintain appropriate patent protection, the company may face increased competition.

**Intellectual property rights infringement**

The company may unknowingly infringe the intellectual property rights of third parties and may be found to be liable for that infringement, which could result in significant liability for the company. Any infringement could force the company to either seek a license to such a patent or alter its products or processes so that they no longer infringe on such an intellectual property right. A required license may not be available on terms acceptable to the company, or at all. Similarly, it may be costly or impractical for the company to change its processes or product candidate to avoid infringing the rights of others. If the company were to fail to obtain a required license or was unable to design around a patent, the company might be unable to sell some of its products.

**Uncertainty in access to additional capital funding**

If adequate funds are unavailable, the company may be required to (i) delay, reduce the scope of, or eliminate one or more of the company's research or development programs; (ii) license rights to technologies, product candidates or products on terms that are less favorable to the company than might otherwise be available; or (iii) obtain funds through arrangements that may require the company to relinquish rights to product candidates or products that the company would otherwise seek to develop or commercialize itself. Unavailability or limitations to additional funds on favorable terms would require the company to conduct its operations contrary to its current plans.

**Principles for remuneration to management**

The management consists of the Chief Executive Officer and President, the Chief Financial Officer, the Senior Vice President Clinical Development and Business Development, the Chief Scientific Officer and the Senior Vice President Research and Development

The agreements with the members of the management shall enable Affibody to maintain a sufficient quality of the management team. The agreements with the members of the management shall provide for provisions regarding compensation and termination as well as

standard employment terms such as vacation and pension rights. The employment agreements with the members of the management may also include non-competition undertakings for a period of up to 12 months after the termination of the employment

Members of the management team may in addition to a monthly salary also be entitled to annual cash bonus, where the conditions are to be set by Affibody's remuneration committee annually.

The employment of the members of the management may to be terminated by the employer upon six to twelve months's notice and by the employee upon six months notice.

The Chief Executive Officer and President is entitled to severance pay equivalent to 12 times the monthly base salary and 18 times the monthly base salary in connection with a change of control of the Company.

Affibody has introduced share based incentive programs consisting of warrants and employee stock options designed to create a joint interest to build value in Affibody and promote long-term interests by motivating and rewarding certain employees, directors and advisors of Affibody.

Except as described above, the members of the management of Affibody are not entitled to any remuneration or benefits upon termination of employment.

## **Committees of the Board of Directors**

### *Remuneration committee*

The Company has a remuneration committee consisting of Håkan Åström (chairman), Björn Odlander and Karl Swartling. The remuneration committee is responsible for the administration of matters related to Affibody's compensation system and remuneration policies.

### *Audit committee*

Affibody has an audit committee consisting of Håkan Åström (chairman), Ursula Ney and Karl Swartling. The audit committee is responsible for the administration of matters related to Affibody's internal and external financial reporting and auditing.

## **The share**

On 31 December 2007, the registered share capital amounted to SEK 7,497,168 split on 29,988,672 shares. On December 31, 10,407 warrants were exercised into the same numbers of shares after which the number of shares amounts to 29,999,079 as per 13 January 2008.

Affibody has only one class of shares. A shareholders' agreement, which will cease to exist in case of e.g. a listing of the company's shares, regulates some of the shareholders' preferential rights vis-à-vis each other in case of e.g. liquidation and dividends.

On 31 December 2007 the companys largest shareholders were HealthCap (incl related funds) 34.3%, Investor Investments Europe Ltd 19.8% and SV Life Sciences (incl related funds) 10.3%.

## **Significant events post end of fiscal year 2007**

Affibody's existing financing is not sufficient for the company's requirements after the end of 2008. Affibody is therefore pursuing discussions and negotiations regarding various forms of financing which are intended to secure the continued development of the company's unique products for molecular imaging and individualized targeted treatments. The Board of Directors' assessment is that these activities, during the second half of 2008, shall generate financing sufficient for Affibody's financial requirements at least until the second half of 2009.

## Future outlook

Affibody has made considerable progress during 2007, in particular, concerning the company's second-generation Affibody molecules and the development towards the commencement of the first clinical study with the lead cancer imaging product ABY-025 during the second half of 2008. During the year the company has also achieved other important corporate milestones including: filing new patent applications to cover key technologies, which aim to extend considerably its IP in this area; raising additional equity finance; and adding significant experience to both management and board. The progress that the company has made during 2007 makes the company well positioned to successfully bringing its unique molecular imaging and targeted therapeutic products to market for the benefit of cancer patients around the world.

## Proposed appropriation of profits

At the disposal of the Annual General Meeting are the following earnings:

Non-restricted reserves	348 868 000
<u>Loss for the year</u>	<u>-66 945 972</u>
Total	291 922 028

The board of directors proposes that the accumulated profit is brought forward.

## FIVE-YEAR OVERVIEW

### *Five-year consolidated financial statements in summary*

<b>KSEK</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Income statements</b>	Sw GAAP	IFRS	IFRS	IFRS	IFRS
Net sales	7 936	10 883	13 011	16 713	27 016
Operating expenses	-87 754	-83 146	-82 572	-110 939	-108 608
Loss after financial items	-75 274	-70 439	-68 659	-108 610	-86 059
<b>Balance sheets</b>					
Cash and cash equivalents	152 859	13 132	36 487	48 216	78 777
Total assets	184 544	109 581	65 150	69 097	107 321
Equity	151 690	82 699	15 244	-53 315	69 377
<b>Cash flow statements</b>					
Cash flow from current operations	-58 334	-72 006	-60 696	-41 796	-68 806
<b>Key ratios</b>					
Equity ratio, %	82%	75%	23%	-77%	65%
Average no of employees	62	60	57	47	49
Of which engaged in R&D	53	51	45	41	46
Loss per average no. of shares SEK	-3,26	-3,05	-2,97	-3,69	-3,01
Equity per share, year end, SEK	6,57	3,58	0,66	-2,36	2,31
Average no of shares ('000)	23 079	23 079	23 079	23 074	28 548
Number of shares year end ('000)	23 079	23 079	23 079	22 580	29 989
Number of fully diluted shares, year end ('000)	27 174	28 174	26 019	26 019	34 041

#### *Cash flow from current operations*

Cash from current operations including changes in working capital

#### *Equity ratio*

Equity in relation to the balance sheet total

#### *Loss per share*

Net loss in relation to the average number of shares

#### *Equity per share*

Shareholders' equity at year-end in relation to outstanding shares at year-end

#### *Average number of shares*

Weighted average number of shares outstanding during the year

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated income statement

KSEK	Note	January - December	
		2007	2006
Revenue	7	27 016	16 713
		<b>27 016</b>	<b>16 713</b>
<b>Operating expenses</b>	9-13		
Marketing and sales expenses		-3 396	-2 573
Administrative expenses		-28 450	-31 910
Research and development expenses		-76 762	-76 456
<b>Total operating expenses</b>		<b>-108 608</b>	<b>-110 939</b>
<b>Operating profit / loss</b>		<b>-81 591</b>	<b>-94 226</b>
<b>Net financial items</b>	28		
Finance revenue		3 166	116
Finance costs		-7 634	-14 500
		-4 467	-14 384
<b>Profit / loss after financial items</b>		<b>-86 059</b>	<b>-108 610</b>
Income tax	19	-	23 379
<b>Net loss</b>		<b>-86 059</b>	<b>-85 231</b>
<b>Earnings per share (EPS)</b>			
Average no. of shares outstanding before and after dilution ('000)*		28 548	23 074
Corresponding EPS, (SEK)		-3,01	-3,69

\* Warrants are non-dilutive since any exercise of warrants would improve earnings per share

## Consolidated balance sheet

KSEK	Note	As at December 31	
		2007	2006
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	18	10 601	11 291
Financial assets	20	14	14
<b>Total non-current assets</b>		<b>10 616</b>	<b>11 306</b>
<i>Current assets</i>			
Trade and other receivables	14	14 358	6 977
Prepaid expenses	21	3 569	2 598
Cash and cash equivalents		78 777	48 216
<b>Total current assets</b>		<b>96 705</b>	<b>57 791</b>
<b>Total assets</b>		<b>107 321</b>	<b>69 097</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	16	7 497	100
None registered share capital		3	-
Other contributed capital		576 819	375 469
Accumulated loss		-514 942	-428 884
<b>Total equity</b>		<b>69 377</b>	<b>-53 315</b>
<i>Non-current liabilities</i>			
Provisions	22	15 617	12 687
Financial leasing	13	1 168	2 074
<i>Current liabilities</i>			
Financial leasing	13	1 071	3 620
Loan from shareholders	8	-	72 000
Trade and other payables	15	11 834	11 011
Accrued expenses	23	8 254	21 020
<b>Total liabilities</b>		<b>37 944</b>	<b>122 412</b>
<b>Total equity and liabilities</b>		<b>107 321</b>	<b>69 097</b>
Pledged assets	24	8 810	23 761
Contingent liabilities	25	23 394	23 394

## Consolidated statement of changes in equity

KSEK	Note	Restricted equity		None restricted equity		Total
		Share capital	None registered share capital	Other contributed capital	Accumulated loss	
<b>Opening balance 1 January 2006</b>		<b>4 616</b>		<b>354 279</b>	<b>-343 651</b>	<b>15 245</b>
Effect of change in group structure		-4 516	-	4 516	-	-
Profit / loss for the period Jan-Dec 2006		-	-	-	-85 231	-85 231
Employee Stock Option Programs	17	-	-	16 674	-	16 674
<b>Closing balance 31 December 2006</b>		<b>100</b>	<b>-</b>	<b>375 469</b>	<b>-428 884</b>	<b>-53 315</b>
Profit / loss for the period Jan-Dec 2007		-	-	-	-86 059	-86 059
New share issue (Mar 2007)		33	-	200 009	-	200 042
Bonus issue (Oct 2007)		7 364	-	-7 364	-	-
New share issue (Dec 2007) in connection with exercise of warrants		-	3	208	-	211
Employee Stock Option Programs	17	-	-	11 865	-	11 865
Transaction costs share issue		-	-	-3 369	-	-3 369
<b>Closing balance 31 December 2007</b>		<b>7 497</b>	<b>3</b>	<b>576 819</b>	<b>-514 942</b>	<b>69 377</b>

## Consolidated cash flow statement

KSEK	Note	January - December	
		2007	2006
<b>Current operations</b>			
Profit / loss after financial items		-86 059	-108 610
<b>Adjustments for non-cash flow items</b>			
Depreciation	26	1 683	1 347
Other non-cash flow items		14 602	26 666
<b>Cash flow from current operations before income tax</b>		<b>-69 774</b>	<b>-80 597</b>
Income tax received	19	-	23 379
<b>Cash flow from current operations before changes in working capital</b>		<b>-69 774</b>	<b>-57 218</b>
<b>Cash flow from working capital changes</b>			
Change in trade, other receivables and current assets		-8 437	-3 034
Change in trade, other payables and other current liabilities		9 405	18 456
<b>Cash flow from current operations</b>		<b>-68 806</b>	<b>-41 796</b>
<b>Investment activities</b>			
Investments in property, plant and equipment		-4 195	-2 362
Sale of property, plant and equipment		20	-
Disposal of short-term investments		-	8 888
<b>Cash flow from investment activities</b>		<b>-4 175</b>	<b>6 526</b>
<b>Financing activities</b>			
New share issue		106 700	-
Loan from shareholders		-	47 000
Exercise of warrants		210	-
Transaction costs share issue		-3 369	-
<b>Cash flow from financing activities</b>		<b>103 542</b>	<b>47 000</b>
<b>Cash flow for the year</b>		<b>30 561</b>	<b>11 730</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>48 216</b>	<b>36 486</b>
<b>Cash and cash equivalents at end of period</b>		<b>78 777</b>	<b>48 216</b>

## PARENT COMPANY'S FINANCIAL STATEMENTS

### Parent company's income statement

KSEK	Note	January - December	
		2007	2006
Revenue		-	-
<b>Operating expenses</b>	9-13		
Marketing and sales expenses		-	-
Administrative expenses		-11 909	-19
Research and development expenses		-	-
<b>Total operating expenses</b>		<b>-11 909</b>	<b>-19</b>
<b>Operating profit / loss</b>		<b>-11 909</b>	<b>-19</b>
<b>Net financial items</b>	28		
Other interest income and similar profit/loss items		2 329	2
Other interest expense and similar profit/loss items		-7 226	-165
Result from participation in group companies		-50 140	-
		-55 037	-163
<b>Profit / loss after financial items</b>		<b>-66 946</b>	<b>-182</b>
Income tax	19	-	-
<b>Net loss</b>		<b>-66 946</b>	<b>-182</b>

## Parent company's balance sheet

KSEK	Note	As at December 31	
		2007	2006
<b>Assets</b>			
<i>Non-current assets</i>			
Financial assets	27	220 100	220 100
<b>Total non-current assets</b>		<b>220 100</b>	<b>220 100</b>
<i>Current assets</i>			
Accounts receivable		-	2 595
Receivables from group companies	14	6 122	10 758
Other receivables	14	694	-
Cash and cash equivalents		65 451	12 149
<b>Total current assets</b>		<b>72 268</b>	<b>25 502</b>
<b>Total assets</b>		<b>292 368</b>	<b>245 602</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	16	7 497	100
None registered share capital		3	-
Share premium reserve		189 484	-
Profit/loss brought forward		159 384	159 566
Accumulated loss		-66 946	-182
<b>Total equity</b>		<b>289 422</b>	<b>159 484</b>
<i>Current liabilities</i>			
Loan from shareholders	8	-	72 000
Trade and other payables	15	569	-
Accrued expenses	24	2 377	14 118
<b>Total liabilities</b>		<b>2 946</b>	<b>86 118</b>
<b>Total equity and liabilities</b>		<b>292 368</b>	<b>245 602</b>
Pledged assets	24	50	11 483
Contingent liabilities	25	23 394	23 394

## Parent company's statement of changes in equity

KSEK	Restricted equity		None restricted equity			Total
	Share capital	None registered share capital	Share premium reserve	Profit/loss brought forward	Accumulated loss	
Incorporation	100	-	-	-	-	100
Loss for the year 2006	-	-	-	-	-182	-182
Shareholders' contribution	-	-	-	159 566	-	159 566
<b>Closing balance 31 Dec 2006</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>159 566</b>	<b>-182</b>	<b>159 484</b>
Loss for the period Jan - Dec 2007	-	-	-	-	-66 946	-66 946
Accounting of loss 2006	-	-	-	-182	182	-
New share issue (Mar 2007)	33	-	200 009	-	-	200 042
Bonus issue (Oct 2007)	7 364	-	-7 364	-	-	-
New share issue (Dec 2007) in connection with exercise of warrants	-	3	208	-	-	211
Issue expenses	-	-	-3 369	-	-	-3 369
<b>Closing balance 31 Dec 2007</b>	<b>7 497</b>	<b>3</b>	<b>189 484</b>	<b>159 384</b>	<b>-66 946</b>	<b>289 422</b>

## Parent company's cash flow statement

KSEK	Note	January - December	
		2007	2006
<b>Current operations</b>			
Profit / loss after financial items		-66 946	-182
<b>Cash flow from current operations before changes in working capital</b>		<b>-66 946</b>	<b>-182</b>
<i>Adjustments for non-cash flow items</i>			
Other non-cash flow items	27	50 140	-
<b>Cash flow from current operations before income tax</b>		<b>-16 806</b>	<b>-</b>
<i>Cash flow from working capital changes</i>			
Change in trade, other receivables and current assets		-22 261	-13 353
Change in trade, other payables and other current liabilities		-11 172	-
<b>Cash flow from current operations</b>		<b>-50 239</b>	<b>-13 535</b>
<i>Investment activities</i>			
Investments in subsidiaries		-	-133 982
<b>Cash flow from investment activities</b>		<b>-</b>	<b>-133 982</b>
<i>Financing activities</i>			
New share issue		106 700	-
Transaction costs share issue		-3 369	-
Shareholders' contribution		-	159 566
Exercise of warrants		210	-
Incorporation		-	100
<b>Cash flow from financing activities</b>		<b>103 542</b>	<b>159 666</b>
<b>Cash flow for the year</b>		<b>53 302</b>	<b>12 149</b>
Cash and cash equivalents at beginning of period		12 149	-
Cash and cash equivalents at end of period		65 451	12 149

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – Corporate information

Affibody Holding AB (corporate registration no. 556714-5601) is a public limited liability company incorporated and domiciled in Bromma, Stockholm in Sweden. The principal activities of the group are described in the Administration Report.

“Affibody” and “Company” refer to Affibody Holding AB or Affibody AB, the former parent company of the Affibody group, together with its subsidiaries, before or after the reorganization, depending on the context.

The annual report and the consolidated financial statements for the fiscal year 1 January to 31 December 2007 for Affibody Holding AB, were authorised for issue in accordance with a resolution of the Board of Directors on June 12, 2008.

### Note 2 – Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. The financial statements are presented in thousands of Swedish Kronor (SEK '000) except when otherwise indicated.

#### Statement of compliance

The consolidated financial statements of Affibody Holding group have been prepared in accordance with International Financial Reporting Standards (IFRS) and statements concerning interpretation published by the International Financial Reporting Interpretations Committee (IFRIC). As the parent company is a company within the EU, only IFRS approved by the EU are applied. The consolidated financial statements are also prepared in accordance with Swedish law through the application of the Swedish Accounting Standards Council’s recommendation RR 30, Supplementary Accounting Regulations for groups.

The annual statements of the parent company are prepared in accordance with Swedish law, and in compliance with the Swedish Financial Accounting Standards Council’s Recommendation RFR 2.1. This means that although the IFRS valuation and information rules apply, the arrangement of the statements differ as the parent company’s financial statements are prepared in compliance with the Swedish Annual Accounts Act.

#### Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year that have affected the accounting and the disclosures.

##### *IFRS 7 Financial Instruments - Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

##### *Amendment to IAS 1 Presentation of Financial Statements*

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

#### Future changes in accounting policies

New and revised standards and interpretations adopted by IASB/IFRIC with effective date after the balance sheet date are only expected to affect the presentation and disclosure of financial statement of the group. The following standard is expected to be applicable:

### *Revised IAS 1 Presentation of Financial Statements*

The standard has been revised to improve the information from the financial statements. This revised standard is effective from January 1 2009.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Affibody Holding AB and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group transactions, income and expenses, profits and losses and balance sheet items resulting from intra-group transactions are eliminated in full in the consolidated financial statements.

A subsidiary is a company over which the parent company has a controlling influence, generally as a consequence of a holding of shares that, directly or indirectly, provides the parent company with the control over more than 50 per cent of the voting power. A subsidiary is included in the consolidated financial statements as of the date of the acquisition, being the day on which the parent company acquires a controlling influence, and is included in the financial statements until the date on which the controlling influence ceases.

### **Note 3 – Significant accounting judgements, estimates and assumptions**

#### **Judgements**

In the process of applying the group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognized and the presentation of the financial statements:

#### **Change in group structure**

During 2006, the group was been re-organised without any change of control of the business from the ultimate shareholders' perspective. The re-organisation implies that all assets and liabilities related to the business in the former parent company Affibody AB were transferred to its dormant subsidiary Affibody Biotechnology AB. The remainder of Affibody AB (mainly equity and tax losses carried forward) was then sold to a third party. In conjunction with these transactions 100% of the shares in Affibody Biotechnology AB and 100% of the shares in Affibody Incentive AB were transferred to the new parent company Affibody Holding AB, founded for this purpose in November 2006 and Affibody Biotechnology AB changed its name to Affibody AB.

As the group re-structuring has occurred without any change of control of the business, the consolidated financial statements are prepared in a way implying that the historical consolidated financial statements for the group remains valid going forward.

As at 31 December 2007 the Affibody Holding group consists of the parent company, Affibody Holding AB, and the wholly owned subsidiaries Affibody AB (previously Affibody Biotechnology AB) and Affibody Incentive AB.

#### **Estimates and assumptions**

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting numbers and statements resulting from the estimates and judgements made may sometimes not equal the related actual results.

## **Note 4 – Significant accounting policies**

### **Foreign currency translation**

The consolidated financial statements are presented in Swedish Kronor (SEK), which is the functional currency of the operations. Transactions in foreign currencies are initially recorded at the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling on the balance sheet day. Any differences in the rate of exchange arising from the translation are recognised in the income statement. Non-monetary assets and liabilities that are valued at cost are recognised at historical rates of exchange, i.e. at the rates of exchange on the respective transaction dates. Items measured at fair value are translated at the rate of exchange on the valuation date.

### **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes, in addition to the purchase price, expenses directly related to the asset to bring it into use. The difference between cost and estimated residual value is depreciated on a straight-line basis over the useful life of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may no longer be recoverable.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

### **Borrowing costs**

Borrowing costs, including arrangement fees, are recognised as an expense in the income statement in the period to which they relate.

### **Business combinations and goodwill**

Business combinations whereby the group obtains control of another company are accounted for using the acquisition accounting method. According to this method the acquisition is considered to be a transaction by which the group indirectly acquires the assets of the subsidiary and assumes its liabilities and other obligations. The fair value of the assets and liabilities are determined in connection with the acquisition and constitutes, thereafter, the group's acquisition cost. The difference between the cost of the shares, including any transaction costs, and the fair value of the net assets is recognised as goodwill. Goodwill is recognised as an asset in the balance sheet. Where the difference is negative, it is credited to the income statement immediately. The shareholders' equity in the subsidiaries is entirely eliminated upon acquisition. The group's equity is based on the equity in the parent company and the equity in the subsidiaries earned after the acquisition.

Goodwill acquired in a business combination is initially measured at cost; being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognised in the income statement.

## **Intangible assets**

Acquired intangible assets are recognised as assets in the balance sheet. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred, with the exception of capitalised development costs (see below). The useful lives of all intangible assets of the group have been assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense is recognised in the income statement in the expense category consistent with the function of the intangible asset.

### *Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete; and the ability to measure reliably the expenditure during the development. To date the group has expensed all research and development costs as incurred, as the recognition criteria for capitalisation have not been met.

## **Impairment of assets**

At each reporting date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## **Investments and other financial assets**

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The classification of a financial asset is determined at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired.

## **Trade and other receivables**

Trade receivables, which generally have 30-90 days terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the group will not be able to collect the debts.

### **Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at banks and short-term deposits. The operational cash flow is based on the indirect method.

### **Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are carried at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised.

### **Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a consequence of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of the future payment is material, the value of the provision is determined through a calculation of the present value of the expected future cash flows based on a discount factor that reflects the risk of the liability.

### **Pensions and other post-employment benefits**

The pension plan in Affibody is a collectively safeguarded defined benefit plan prescribed by an applicable collective bargaining agreement. In addition, Affibody applies a defined contribution pension plan for certain employees. The defined contribution pension plan implies that fixed premium payments are made to an unaffiliated entity and thereafter no legal or constructive obligation exists to pay further contributions. When an employee has rendered service during a period, the premium contribution payable in exchange for that service is recognized as a liability after deduction for any contribution already paid as an expense.

The pension commitments under the defined benefit plan are secured through insurances in the insurance company Alecta. According to a statement from Redovisningsrådets Akutgrupp, URA 42, this is a defined benefit plan that comprises several employers. Affibody pays pension premiums to Alecta which administers the pension plan and calculates the premiums due by Affibody. The premium per employee varies in relation to, inter alia, age, income and years of service left before retirement. The monthly pension premiums are normally between 5-20% of the employee's monthly salary. For 2007 Affibody did not have necessary information at hand for accounting this plan as a defined benefit plan. The pension plan according to ITP, secured through insurances in Alecta, is therefore accounted for as a defined contribution plan. As per July 1, 2007, the ITP pension plan is a defined contribution plan with respect to employees born after 1978. The premiums amount to 4.5% on annual salary levels up to approximately SEK 344,000 and 30% on higher salary levels.

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment with current employees according to a detailed formal plan without possibilities of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

### **Share-based payment**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The valuation is made using the traditional Black & Scholes method. The cost is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period

represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon the price of the shares.

Any dilutive effect of outstanding Employee Stock Options is reflected in the number of fully diluted shares.

In accordance with the transitional provisions for a first time adopter, the Standard has been applied to all Employee Stock Option Programs granted after 7 November 2002 but not fully vested as of 1 January 2004.

### **Lease agreements**

Financial leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Product sales*

Revenue, exclusive of value added tax and selective taxes, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally at the time of delivery.

#### *Research and development collaboration services*

*Research payments* received are allocated over the period to which they refer. If no such reference exists, revenue from research and development collaborations is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract, or, depending on the nature of the agreement, by reference to project related costs incurred to date as a percentage of total estimated project related costs for each contract.

*Milestone payments* are accounted for when the related milestones have been achieved.

*Signing fees* and certain other upfront payments received are accounted for when the requirements for receiving them have been fulfilled.

*Royalty payments* are accounted for when they are reported by the partner.

#### *Technology licenses*

Revenue from technology license maintenance fees are allocated over the duration of the license period. Signing fees and certain other upfront payments received are accounted for when the requirements for receiving them have been fulfilled.

#### *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income is recognised as financial items and not included in operating profit/loss.

#### *Government grants*

Government grants are recognised as revenue in the income statement over the period necessary to match the grant to the cost that it is intended to compensate.

### **Taxes**

#### *Income Tax*

Income tax comprises current and deferred taxes. Income tax is recognised in the income statement in respect of items recognised in the income statement. Income tax is recognised directly in equity when the tax is related to items recognised directly in equity.

Deferred tax is calculated as the difference between, on the one hand, the tax base of assets and liabilities and, on the other hand, their carrying amounts (temporary differences). Deferred tax is calculated based on the tax rates estimated to apply to settlement of the tax. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised only where it is likely that the deductible temporary difference can be used, hence reducing future tax expense.

#### *Value Added Tax (VAT)*

Revenues, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### **Note 5 – Financial risk management**

The group's overall risk management program seeks to minimise any potential adverse effects of the unpredictability of financial markets on the group's financial performance. The goal is to minimise the financial risks associated with the group's operations and maximise the return on liquid funds within the framework of the policy.

Risk management is carried out by the group's accounting department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

The key financial risks are foreign exchange risk, liquidity risk, credit risk and interest risk. These risks are not considered to be significant and to date Affibody has not applied any form of financial hedging instruments.

#### **Foreign exchange risk**

Foreign exchange risk arises when commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group operates internationally and is exposed to foreign exchange risk primarily with respect to the EUR and USD. A reasonable change in exchange rate USD and EUR against SEK does not have any major effect on the result. Since the foreign exchange risk exposure currently is considered to be limited, no hedging arrangements have been entered into.

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Liquidity risk is minimised by liquidity planning and investment in financial instruments that can be redeemed at short notice.

## Credit risk

Only investments in interest bearing securities with low credit risk and high liquidity are permitted. Affibody works with established and creditworthy counterparties, and monitors receivables on a constant basis to keep a low exposure to bad debts.

## Interest risk

Interest risk relates to the group's exposure to movements in interest rates in relation to bank balances, corporate and bank certificates and borrowings. As the group's interest-bearing assets are mainly in the form of bank deposits, the group's income and operating cash flows are substantially independent of changes in market interest rates. To reduce the effect of the fluctuation in market interest rates, the excess liquidity is invested with different maturities so that the investments mature on a regular basis over the subsequent twelve-month period. The group's financial liabilities are limited to financial leasing liabilities with floating interest terms, see note 20.

## Note 6 – Segment reporting

Affibody's business focuses on three areas: molecular imaging, targeted therapeutics and collaborations. Based on its proprietary technology platform, Affibody is developing a pipeline of oncology products covering the entire value chain from research reagents to molecular imaging agents and targeted therapeutics. A key component of all these products is the Affibody® molecules, small robust proteins which can be designed to bind to any target protein. The same Affibody® molecules can often be developed and commercialised for applications within all three of these product areas. Also, Affibody can often find commercial applications for Affibody® molecules developed within one product area in one or both of the other product areas. Risks and costs of projects are often shared between the products and application areas.

The group's risks and opportunities are mainly affected by the progress of the different projects themselves and for the reasons stated above the group consider that there is only one business segment. The group's revenues originate from different geographic areas, however the group's risks and opportunities in these geographic areas are similar. All of the group's operations are conducted in Sweden. Thus, no segment reporting has been established, which is apparent in the consolidated income statement, balance sheet, cash-flow statement and the notes associated with these.

## Note 7 – Distribution of revenues

*Distributions of the group's revenue by type of revenue*

KSEK	2007	2006
Product sales	3 049	1 283
Services	7 776	11 528
Licenses	4 420	522
Royalty	11 771	2 502
Governments grants	-	799
Currency adjustments	-	79
<b>Sum</b>	<b>27 016</b>	<b>16 713</b>

The increase in revenue in 2007 was mainly related to a strong growth in royalties on sales of MabSelect SuRe™ a product launched by GE Healthcare Bio-Sciences AB in December 2004. This product was the result of collaboration with Affibody for the development of affinity ligands for large-scale bioseparation. Revenues for 2007 also include a one time license fee related to an undisclosed partner.

In 2005 and 2006 Affibody participated in a project financed by the EU. The project's goal was to develop Affibody® molecules for plasma depletion. In September 2006 Affibody finished the project after completing the relevant deliverables. In 2007 no government grants were recorded (2006 KSEK 799).

## Note 8 – Related party transactions

### *Transactions between the company and its shareholders*

The shareholder Per-Åke Nygren received payment for consultant services during 2007 amounting to KSEK 67. The shareholder Stefan Ståhl received payment for consultant services during 2007 amounting to KSEK 62. The shareholder Karin Nord is employed by the company and received remuneration including salary, bonus and share based payments. See also note 10. Håkan Åström, chairman of the board, received in 2007 under a consultancy agreement with Affibody KSEK 282.

### *Borrowing agreements with shareholders*

As of 31 December 2006, Affibody was rendered bridge loans for a total amount under the three bridge loan facilities of SEK 72 million. Accrued interest and fees totalled SEK 14.1 million.

On February 19, 2007, the board of directors of Affibody Holding resolved upon an issue of 3,457,113 new shares against payment of SEK 27 per share by way of set off of the claims under the bridge loan agreements, including fees and interest, which per the date of the new issue amounted to in total approximately SEK 93.3 million. The shares issued were subscribed for by the creditors and paid for by way of set off. Consequently, there are no claims outstanding under any of the bridge loan agreements or the promissory notes.

## Note 9 – Employees

The group	2007		2006	
	Number of employees	Of which men	Number of employees	Of which men
<i>Average number of employees</i>				
Tot no. of employees	49	21	47	25
Executive management	6	5	4	2
Board of directors	6	5	5	4

At the end of the year there were 54 employees in the group of which two were on leave, i.e. 52 employees on duty. The parent company had two employees at 31 December 2007 .

<i>Absence due to illness, %</i>	2007	2006
All employees		
- Total absence	2,5%	3,4%
- of which absence exceeding three weeks	0,0%	0,0%
Men	2,3%	1,5%
Women	2,6%	5,1%
29 year and younger	0,0%	0,3%
30-49 year	3,0%	4,1%
Older than 50 years	<i>Not disclosed as less than 10 persons.</i>	

<i>Salaries, other remuneration and social security expenses</i>	<b>2007</b>	<b>2006</b>
<b>The group</b>		
Salaries and other remuneration	26 119	24 272
Social security expenses	13 476	12 781
Share-based payments	11 341	16 674
Social security expenses on share-based expenses	2 930	10 123
	<b>53 865</b>	<b>63 850</b>

Included in social security expenses are pension costs of KSEK 4 030 ( 3 831 )

<i>Salaries, other remuneration and social security expenses</i>	<b>2007</b>	<b>2006</b>
<b>Parent company</b>		
Salaries and other remuneration	3 221	-
Social security expenses	1 830	-
Share-based payments	-	-
Social security expenses on share-based expenses	-	-
	<b>5 051</b>	<b>-</b>

Included in social security expenses are pension costs of KSEK 594 (-)

*Distribution of salary and other remuneration between the board and CEO and other employees*

<b>The group</b>	<b>2007</b>	<b>2006</b>
Board and CEO	3 873	2 227
Other employees	22 246	22 045
	<b>26 119</b>	<b>24 272</b>

*Distribution of salary and other remuneration between the board and CEO and other employees*

<b>Parent company</b>	<b>2007</b>	<b>2006</b>
Board and CEO	2 377	-
Other employees	844	-
	<b>3 221</b>	<b>-</b>

Bonuses for 2007 were KSEK 345 (326) for the board and CEO, and KSEK 144 (852) for other employees.

### **Pensions**

The group has fulfilled all pension obligations to the employees according to Swedish law. The pension plans in the group are accounted for as defined contribution plans. The amounts stated above are fixed payments made to a separate entity. No legal or constructive obligation exists to pay further contributions.

### **Share-based payment**

Information regarding share-based payment is found in notes 10, 17 and 23.

## **Note 10 – Compensation to the board, CEO and executive management**

The chairman of the board and board members receive remuneration as set by the shareholder's meeting. For 2007, remuneration to the board members is according to specification. No additional remuneration is paid for committee work. The board, based on terms proposed by the board's compensation committee, determines compensation to the CEO and other members of the executive management. Compensation elements are salary, bonuses, other benefits and share-based compensation. The executive management team consist of five persons including the CEO. The distribution between salary and bonuses is based on each employee's responsibility and authority.

## Notice period of the CEO and executive management

The employment of the members of the management may be terminated by the Company subject to 12 months' notice and by the employee subject to six months notice.

If the employment of the chief executive officer and president is terminated a mutual six months' notice period is agreed. In addition to this, should the employment be terminated by the Company, he is entitled to severance pay equivalent to 12 times the monthly base salary he had at the expiry of the employment. If the Company wishes to terminate the employment in connection with a change of control of the Company, the chief executive officer and president is entitled to severance pay equivalent to 18 times the monthly base salary he had on expiry of the employment.

### Compensations and other benefits during the year

KSEK	Salary/ Board fees	Bonus	Other benefits	Pensions	Sharebased payments	Total
CEO Erik Walldén *	1 158	344	-	474	1 243	3 219
CEO Ulf Boberg **	727	144	-	231	848	1 950
<i>Executive management</i>	3 982	-	-	1 315	3 416	8 713
<i>Board of directors</i>						
Håkan Åhström, Chairman of the board (from Apr 07)	279	-	282	-	866	1 145
Ursula Ney (from Apr 07)	139	-	-	-	83	222
Karl Swartling	75	-	-	-	-	75
Mathias Uhlén	75	-	-	-	-	75
Björn Odlander	75	-	-	-	-	75
Gillies O'Bryan Tear (from Jun 07)	93	-	-	-	83	176
Peter Buhl Jensen (from Jun 07)	93	-	-	-	83	176
Kate Bingham (until Mar 07)	19	-	-	-	-	19
Carl-Johan Dalsgaard (until Mar 07)	19	-	-	-	-	19
<b>Total</b>	<b>6 734</b>	<b>488</b>	<b>282</b>	<b>2 020</b>	<b>6 624</b>	<b>16 147</b>

\* Erik Waldén CEO during the period July 1 to December 31, 2007

\*\* Ulf Boberg CEO during the period January 1 to June 30

	Shares	Warrants and ESOP's	Total Stock Equivalents
<b>The board</b>			
Mathias Uhlén	1 453 904		1 453 904
<b>Executive management</b>			
Lars Abrahmsén		150 000	150 000
Ulf Boberg		450 000	450 000
Erika Johnson (until Aug 07)		50 000	50 000
Karin Nord	250 000	100 250	350 250
Johan Stuart (from sept 07)		125 000	125 000
Erik Walldén (from Jul 07)		333 333	333 333
<b>Total</b>	<b>1 703 904</b>	<b>1 208 583</b>	<b>2 912 487</b>

\*Amounts include allocated but not yet fully vested stock options.

## Note 11 – Auditors’ remuneration

The group, KSEK	2007	2006
<b>Ernst &amp; Young</b>		
- Audit services	270	302
- Other Consulting	1 111	698
<b>Total</b>	<b>1 381</b>	<b>1 000</b>
Parent Company, KSEK	2007	2006
<b>Ernst &amp; Young</b>		
- Audit services	270	-
- Other Consulting	914	-
<b>Total</b>	<b>1 184</b>	<b>-</b>

## Note 12 – Depreciation and amortization

Depreciation and amortisation of tangible and intangible assets is included in the income statement under administration and research and development expenses respectively as follows:

KSEK	2007	2006
<b>Administration</b>	<b>133</b>	<b>138</b>
-Of which tangible assets	133	138
-Of which intangible assets	-	-
<b>Research &amp; Development</b>	<b>3 251</b>	<b>4 071</b>
-Of which tangible assets	3 251	4 071
-Of which intangible assets	-	-
<b>Total depreciation</b>	<b>3 384</b>	<b>4 209</b>

Depreciation is calculated using the straight-line method to allocate cost less residual value over the estimated useful life of each item. The estimated useful life of the group’s computers and IT equipment is generally three years, while other office equipment and laboratory equipment in general have a useful life of five years. Leasehold improvements consist of expenses for planning and refurbishing the office and laboratory premises, and are depreciated over the term of the lease of the premises, which is ten years from April 2002.

## Note 13 – Financial commitments

The group has financed equipment purchases through leasing. Laboratory equipment is leased over five years with a right to purchase the equipment at the end of this period for a predefined value. Office and IT equipment is leased over three years with an option to purchase the equipment at a predefined value at the end of this period. As per 31 December 2007, laboratory and office/IT equipment with a total acquisition value of KSEK 15,165 (15,903) and KSEK 365 (365) respectively had been purchased using this leasing facility. This corresponds to annual leasing fees of KSEK 2,125 (3,573). These investments have been classified within the consolidated accounts as financial leases.

### *Financial commitments regarding lease of equipment*

KSEK	Fixed assets
Amounts due in	
2008	962
2009-2010	536
2011 eller senare	-

### *Distribution of maturities on remaining debt on leased assets as if these had instead been financed with bank borrowings*

KSEK	
Fees due in	
2008	1 070
2009-2010	1 168
2011 or later	-

*Financial commitments regarding lease of premises*

KSEK	
Fees due in	
2008	6 859
2009-2011	20 578
2012 or later	6 859

## Note 14 – Trade and other receivables

The group, KSEK	2007	2006
Accounts receivables	6 832	2 920
Accrued income	4 105	843
Other receivables	3 421	3 215
<b>Total</b>	<b>14 358</b>	<b>6 978</b>

Trade receivables are generally on 30-90 day's terms.

Parent company, KSEK	2007	2006
Accounts receivables	-	2 595
Receivables on group companies	6 122	10 758
Other receivables	694	-
<b>Total</b>	<b>6 816</b>	<b>13 353</b>

## Note 15 – Trade and other payables

The group, KSEK	2007	2006
Accounts payables	5 777	5 654
Employee withholding taxes	898	-
Social security costs	760	-
Deferred income	3 768	5 263
Other payables	630	95
<b>Total</b>	<b>11 834</b>	<b>11 012</b>

Parent company, KSEK	2007	2006
Accounts payables	569	-
<b>Total</b>	<b>569</b>	<b>-</b>

Accounts payable are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have on average payment terms of two months.

## Note 16 – Share capital

On December 31, 2007, the registered share capital amounted to SEK 7,497,168 split on 29,988,672 shares. On December 31, 10,407 warrants were exercised into the same numbers of shares after which the number of shares amounts to 29,999,079 as per 13 January 2008.

Affibody has only one class of shares. The shares carry one vote each and are entitled to equal part of the company's distributable earnings. A shareholders' agreement, which will cease to exist in case of e.g. a listing of the company's shares, regulates the shareholders' preferential rights vis-à-vis each other in case of e.g. liquidation and dividends.

### *Administered capital*

Affibody's total capital is made up of equity and borrowed capital. Affibody's purpose is to generate return for its shareholders by increasing the equity value. Other than the existing shareholders' agreement, which regulates the shareholders' preferential rights vis-à-vis each other in case of e.g. liquidation and dividends, no external requirements regarding capital exist in addition to the Swedish Companies Act. As the company is in an early expansion phase and not

yet generating a positive cash-flow, the Board of Directors' judgement is that no dividend presently should be distributed

## Note 17 – Warrants, employee stock options, share-based payment plans

### Warrants

At year-end 2007 there were 4,041,892 warrants outstanding. Each warrant entitles subscription for one new common share. Terms and conditions for the different programs are described in the table below.

Type	Warrant	Warrant	Warrant	Warrant	TOTAL
Security	2001/2008	2002/2009	2002/2014	2007/2014	
Current no	101 376	211 000	2 929 516	800 000	4 041 892
Exercise price	52,00	52,00	1,00	1,00	
Maturity	31-dec-08	1-feb-09	31-dec-14	31-dec-14	

### Warrant Programs

#### Warrants 2001/2008

101,376 warrants entitling to subscribe for 101,376 new shares in Affibody Holding have been issued to employees and advisors of Affibody. The exercise price is SEK 52.00 per share and the warrants are exercisable until December 31, 2008.

#### Warrants 2002/2009

211,000 warrants entitling to subscribe for 211,000 new shares in Affibody Holding have been issued to employees and advisors of Affibody. The exercise price is SEK 52.00 per share and the warrants are exercisable until February 1, 2009.

#### Warrants 2002/2014

2,929,516 warrants entitling to subscribe for 2,929,516 new shares in Affibody Holding have been issued to a wholly-owned subsidiary of Affibody Holding for the purposes of securing delivery of shares under the employee stock option programs and as a hedge against social security expenses and other costs related to the programs. The exercise price is SEK 1.00 per share and the warrants are exercisable until December 31, 2014.

#### Warrants 2007/2014

800,000 warrants entitling to subscribe for 800,000 new shares in Affibody Holding have been issued to a wholly-owned subsidiary of Affibody Holding for the purposes of securing delivery of shares under the employee stock option programs and as a hedge against social security expenses and other costs related to the programs. The exercise price is SEK 1.00 per share and the warrants are exercisable until December 31, 2014.

### Employee stock options

At year-end 2007 there were 2,804,791 employee stock options outstanding. Each option entitles subscription for one new common share. Terms and conditions for the different programs are described in the table below.

Type	ESOP	ESOP	ESOP	ESOP	ESOP	ESOP	ESOP	ESOP	TOTAL
Security	2003:1	2004:1	2004:2	2004:3	2006:1	2007:1	2007:2	2007:3	
Current no	296 529	158 837	125 739	375 666	999 687	220 000	120 000	508 333	2 804 791
Exercise price	1,00	1,00	1,00	1,00	1,00	1,00	27,00	1,00	
Maturity	31-maj-13	12-maj-14	12-maj-14	12-maj-14	30-jun-13	31-jul-14	31-jul-14	31-jul-14	

#### Warrants

Balance 20061231	2 012 291
Forfeited in 2007	-55 833
Grant in 2007	848 333
<b>Balance 20071231</b>	<b>2 804 791</b>

### **Employee Stock Option Programs**

All employee stock options under the employee stock option programs have been allocated to employees, directors and former employees free of charge and each employee stock option carries the right to acquire one share in Affibody Holding. The exercise price for the employee stock options is SEK 1.00 except for Employee Stock Option Program 2007:2 where the exercise price is SEK 27.00 per share.

During the term of the program, the holder has the right to request exercise of vested employee stock options at any time, 180 days after the first day when Affibody Holding's shares are traded on a Swedish or foreign stock exchange or authorized market place where Affibody Holding's shares are listed or registered, or at another occasion or other occasions resolved by Affibody Holding.

In order to secure delivery of shares under the employee stock option programs and as a hedge against social security expenses and other costs related to the programs to be borne by Affibody upon exercise of the employee stock options Affibody Holding has issued 3,729,516 warrants entitling to subscribe for 3,729,516 new shares in Affibody Holding to a wholly-owned subsidiary, of which 909,313 warrants entitling to subscribe for 909,313 new shares are intended for hedging purposes.

#### *Employee Stock Option Program 2003:1*

As per December 31, 2007, in the aggregate 296,529 employee stock options were outstanding under the Employee Stock Option Program 2003:1, entitling to subscribe for 296,529 new shares in Affibody Holding. All employee stock options under the Employee Stock Option Program 2003:1 are fully vested. The employee stock options under the Employee Stock Option Program 2003:1 expire on May 31, 2013.

#### *Employee Stock Option Program 2004:1*

As per December 31, 2007, in the aggregate 158,837 employee stock options were outstanding under the Employee Stock Option Program 2004:1, entitling to subscribe for 158,837 new shares in Affibody Holding. All employee stock options under Employee Stock Option Program 2004:1 are fully vested.. The employee stock options under the Employee Stock Option Program 2004:1 expire on May 12, 2014.

#### *Employee Stock Option Program 2004:2*

As per December 31, 2007, in the aggregate 125,739 employee stock options were outstanding under the Employee Stock Option Program 2004:2, entitling to subscribe for 125,739 new shares in Affibody Holding. All employee stock options under Employee Stock Option Program 2004:2 are fully vested. The employee stock options under the Employee Stock Option Program 2004:2 expire on May 12, 2014.

#### *Employee Stock Option Program 2004:3*

As per December 31, 2007, in the aggregate 375,666 employee stock options were outstanding under the Employee Stock Option Program 2004:3, entitling to subscribe for 375,666 new shares in Affibody Holding, of which 162,333 are fully vested. The remaining 213,333 employee stock options will vest in two equal installments on May 12, 2008 and 2009, provided that the holders remain employed by Affibody until such date. The employee stock options under the Employee Stock Option Program 2004:3 expire on May 12, 2014.

#### *Employee Stock Option Program 2006:1*

As per December 31, 2007, in the aggregate 999,687 employee stock options were outstanding under the Employee Stock Option Program 2006:1, entitling to subscribe for 999,687 new shares in Affibody Holding, of which 866,354 are fully vested. The remaining 133,333 employee stock options will vest in two equal installments on June 14, 2008 and 2009, provided that the holders remain employed by Affibody until such date. The employee stock options under the Employee Stock Option Program 2006:1 expire on June 30, 2013.

#### *Employee Stock Option Program 2007:1*

As per December 31, 2007, in the aggregate 220,000 employee stock options were outstanding under the Employee Stock Option Program 2007:1, entitling to subscribe for 220,000 new shares

in Affibody Holding, of which no employee stock options are vested. The employee stock options will vest in four equal installments on June 28, 2008, 2009, 2010 and 2011, provided that the holder remains director of the board of directors of Affibody until such date. The employee stock options under the Employee Stock Option Program 2007:1 expire on July 31, 2014.

*Employee Stock Option Program 2007:2*

As per December 31, 2007, in the aggregate 120,000 employee stock options were outstanding under the Employee Stock Option Program 2007:2, entitling to subscribe for 120,000 new shares in Affibody Holding, of which no employee stock options are vested. The employee stock options will vest in four equal installments on June 28, 2008, 2009, 2010 and 2011, provided that the holders remain directors of the board of directors of Affibody until such date. The employee stock options under the Employee Stock Option Program 2007:2 expire on July 31, 2014.

*Employee Stock Option Program 2007:3*

As per December 31, 2007, in the aggregate 508,333 employee stock options were outstanding under the Employee Stock Option Program 2007:3, entitling to subscribe for 508,333 new shares in Affibody Holding, of which no employee stock options are vested. The employee stock options will vest in four installments on July 31, 2008, 2009, 2010 and 2011, provided that the holders remain employed by Affibody until such date. The employee stock options under the Employee Stock Option Program 2007:3 expire on July 31, 2014.

**Fair value of share-based payment plans**

The fair value of granted employee stock options is determined using the Black & Scholes valuation model. The fair value of the employee stock options at each grant date and significant inputs into the model are calculated based on the share price from the private placements that took place in 2001 and 2007, SEK 26 and 27 respectively, a volatility of 40% and a risk free interest rate of 5%.

The total expenses charged to the income statement for each of the periods arising from share-based payment transactions is summarised in the table below.

KSEK	2007	2006
Social security cost for the period	2 930	10 123
Social security position at end of period	15 617	12 687
Fair value cost for the period	11 865	16 674



## Note 19 – Income tax

The group		
KSEK	2007	2006
Current income tax charge	-	-
Income from previously unrecorded tax losses carried forward*	-	23 379
Deferred taxes relating to other temporary differences	-	-
<b>Tax on the result for the year</b>	-	<b>23 379</b>

KSEK	2007	2006
Loss before tax	-86 059	-108 610
Tax calculated at the applicable tax rate, 28%	24 096	30 411
Tax effects related to result before change in group structure	-	-22 208
Tax effects of non deductible costs	-85	-7 503
Effect of loss carry forward for which deferred income has not been accounted for	-24 012	-700
Income received from previously unrecognized tax losses carried forward	-	23 379
<b>Reported tax on the profit for the year</b>	-	<b>23 379</b>

Parent company		
KSEK	2007	2006
Current income tax charge	-	-
Income from previously unrecorded tax losses carried forward*	-	-
Deferred taxes relating to other temporary differences	-	-
Tax on the result for the year	-	-
<b>Tax on the result for the year</b>	-	-

KSEK	2007	2006
Loss before tax	-66 946	-
Tax calculated at the applicable tax rate, 28%	18 745	-
Tax effects of non deductible costs	-14 111	-
Effect of loss carry forward for which deferred income has not been accounted for	-4 634	-
<b>Reported tax on the profit for the year</b>	-	-

\* Affibody's accumulated losses carried forward are estimated to SEK 19 million as at 31 December 2007

## Note 20 – Financial assets

Fair value and book value is presented in the table below:

The group					
Category	Cash and receivables	Financial assets available for sale	Financial liabilities at cost	Book value	Fair value
Financial fixed assets		14*		14	14
Trade and other receivables	10 937			10 937	10 937
Cash and cash equivalents	78 777			78 777	78 777
<b>Total assets</b>				<b>89 728</b>	<b>89 728</b>
Financial leasing liabilities			2 239	2 239	2 239
Trade and other payables			5 777	5 777	5 777
Accrued expenses			2 453	2 453	2 453
<b>Total liabilities</b>				<b>10 469</b>	<b>10 469</b>

The group					
Category	Cash and receivables	Financial assets available for sale	Financial liabilities at cost	Book value	Fair value
Financial fixed assets		14*		14	14
Trade and other receivables	3 763			3 763	3 763
Cash and cash equivalents	48 216			48 216	48 216
<b>Total assets</b>				<b>51 993</b>	<b>51 993</b>
Financial leasing liabilities			5 694	5 694	5 694
Loan from shareholder			72 000	72 000	72 000
Trade and other payables			5 654	5 654	5 654
Accrued expenses			2 773	2 773	2 773
<b>Total liabilities</b>				<b>86 121</b>	<b>86 121</b>

\*Financial assets comprises acquired shares in Got-a-Gene Holding AB which were valued at cost, KSEK 14, since no estimate of fair value is available. This is a minority shareholding.

### Age analysis of overdue receivables

not written down	2007	2006
< 30 days	792	210
30-90 days	26	564
91-180 days	-	17
> 180 days	35	13
<b>Total</b>	<b>853</b>	<b>804</b>

### Change in doubtful receivables

Provision for doubtful receivables	2006	2007
Opening balance	-	-
Provision for assumed losses	-	-
Realized losses	-	-
Recovered losses	-	-
Other	-	-
<b>Closing balance for the year</b>	<b>-</b>	<b>-</b>

Further information regarding financial risk management and sensitivity, see note 5

## Note 21 – Prepaid expenses

The group, KSEK	2007	2006
Prepaid rent	1 715	1 658
Other items	1 854	940
<b>Total</b>	<b>3 569</b>	<b>2 598</b>

## Note 22 – Provisions

Affibody had as at 31 December 2007 made provisions of KSEK 15,617 (12,687) regarding accrued social security expenses relating to employee stock options. Provisions may be used for social security charges relating to the ESOPs, at the time of exercise of the employee stock options. For further information see note 17.

<i>Provisions</i>		
The group, KSEK	2007	2006
<b>At 1 January</b>	12 687	2 564
Provision for the year employee stock options	2 930	10 123
<b>At 31 December</b>	<b>15 617</b>	<b>12 687</b>

## Note 23 – Accrued expenses

The group, KSEK	2007	2006
Personnel expenses	5 481	4 066
Accrued expenses on borrowings from shareholders	-	14 118
Other items	2 773	2 836
<b>Total</b>	<b>8 254</b>	<b>21 020</b>

Parent company, KSEK	2007	2006
Personnel expenses	2 377	-
Accrued expenses on borrowings from shareholders	-	14 118
<b>Total</b>	<b>2 377</b>	<b>14 118</b>

## Note 24 – Pledged assets

Affibody has pledged SEK 6 million as collateral for a bank guarantee issued by Handelsbanken for the benefit of the landlord Fastighets AB Balder under the property lease agreement. In addition, Affibody has pledged SEK 2,8 million as collateral for the leasing facility provided and further 0,05 million in favour of VPC.

KSEK	2007	2006
Handelsbanken (group)	6 000	6 000
Danske Finans (group)	2 760	6 278
Handelsbanken (parent company)	50	-
Escrow account (parent company)	-	11 483
<b>Total</b>	<b>8 810</b>	<b>23 761</b>

## Note 25 – Other contingent liabilities

According to a representations and warranties agreement which Affibody entered into with the third party as part of the sale of the previous parent company Affibody AB in November 2006 (transaction described in note 3), Affibody has a contingent liability of KSEK 23,394 as of 31 December 2007.

## Note 26 – Specification of items in consolidated cash flow statements

KSEK	2007	2006
<i>Interest</i>		
Interest received	3 300	20
Interest paid	-155	-182
<i>Adjustments for non-cash items</i>		
Depreciation of property, plant and equipment	1 683	1 347
Provisions allocated to social security costs employee stock options	2 930	10 123
Fair value employee stock options	11 844	16 674
Financial leasing	-172	194
Other items	-	-325
<b>Total</b>	<b>16 285</b>	<b>28 013</b>

## Note 27 – Information about group companies

KSEK	2007	2006
Accumulated acquisition value at the beginning of the year	220 100	-
Acquisition during the year	-	220 100
Shareholders contribution	50 140	-
<b>Accumulated acquisition value at the end of the year</b>	<b>270 240</b>	<b>220 100</b>
Accumulated write-down at the beginning of the year	-	-
Write-down during the year	-50 140	-
<b>Accumulated book value at the end of the year</b>	<b>220 100</b>	<b>220 100</b>

<i>Group companies</i>	% capital	% votes	Total no. of shares	Book value KSEK
Affibody Incentive AB	100%	100%	1 000	100
Affibody AB	100%	100%	1 000	220 000
<b>Total</b>				<b>220 100</b>

Details about group companies	Corporate registration no.	Location
Affibody Incentive AB	556610-5978	Bromma, Stockholm
Affibody AB	556665-6913	Bromma, Stockholm

## Note 28 – Net financial items

The group, KSEK	2007	2006
<b>Financial revenue</b>		
Interest income	3 308	675
Income from disposal financial fixed assets	-	26
Net foreign exchange differences	-142	-585
<b>Total</b>	<b>3 166</b>	<b>116</b>
<b>Finance cost</b>		
Interest on borrowings from shareholders	-7 224	-9 418
Committment fee on borrowings from shareholders	-	-4 700
Other financial costs	-409	-382
<b>Total</b>	<b>-7 633</b>	<b>-14 500</b>
<b>Net financial items</b>	<b>-4 467</b>	<b>-14 384</b>
Parent company	2 007	2 006
<b>Other interest income and similar profit/loss items</b>		
Other interest income and similar profit/loss items	2 329	2
<b>Total</b>	<b>2 329</b>	<b>2</b>
<b>Other financial costs and similar profit/loss items</b>		
Interest on borrowings from shareholders	-7 224	-165
Other financial costs and similar profit/loss items	-2	-
Result from participation in group companies	-50 140	-
<b>Total</b>	<b>-57 367</b>	<b>-165</b>
<b>Net financial items</b>	<b>-55 037</b>	<b>-163</b>

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company, and that the management reports of the Group and the Company give a fair review of the development of the operations, financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies faces.

Bromma June 12, 2008

Håkan Åström  
Chairman of the Board

Gillies O’Bryan-Tear  
Director

Peter Buhl Jensen  
Director

Björn Odlander  
Director

Tove Eriksson  
Director

Karl Swartling  
Director

Ursula Ney  
Director

Mathias Uhlén  
Director

Erik Walldén  
Chief Executive Officer (CEO)

Our audit report was issued on June 12, 2008  
and deviates from the standard formulation.

**Ernst & Young AB**

**Lars Träff**  
**Authorized Public Accountant**

# Audit Report

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## To the annual meeting of the shareholders of Affibody Holding AB

Corporate identity number 5566714-5601

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We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Affibody Holding AB for the financial year 2007. The board of directors and the managing director 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 IFRSs 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 reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director 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 managing director. We also examined whether any board member or the managing director 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 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 the international financial reporting standards IFRSs 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 meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

*Without affecting our statements above we want to point out the information in the administration report in the section "Significant events post end of fiscal year 2007" regarding the company's need for future financing.*

Stockholm June 12, 2008

Ernst & Young AB

Lars Träff  
Authorized Public Accountant



[www.affibody.com](http://www.affibody.com)