



$x \rightarrow 0$   
 $x \times 10 = 0$

0 0 0 0 0

100-90

4	Affibody Corporate Profile
5	Achievements during 2004
7	Five-Year Overview
8	CEO's Statement
10	Business Strategy
11	Human Resources
12	Intellectual Property Rights
14	Technology
16	Biotherapy – Business Environment
18	Biotherapy – Business Strategy
20	Biotherapy – Applications
22	Biotechnology – Business Environment
23	Biotechnology – Business Strategy
24	Biotechnology – Applications
26	Board of Directors
27	Executive Management
28	Share Capital
29	Ownership
30	Administration Report
33	Income Statements
34	Balance Sheets
36	Changes in Shareholders' Equity
37	Cash Flow Statements
38	Accounting Principles
40	Notes to the Financial Statements
46	Audit Report
47	Glossary

# Affibody Corporate Profile

Affibody was founded in 1998 as a Biotechnology company. Since then our research has progressed rapidly, and today the company consists of two divisions focusing on Biotherapy and Biotechnology respectively.

The ultimate goal of our Biotherapy effort is to improve health by commercializing the potential of Affibody® molecules directed towards disease related proteins. Our niche in the Biotechnology division is to sell affinity ligands for proteomics and bioseparation applications to researchers within the biotechnological and pharmaceutical industry, as well as to academic research institutes. Affibody's first Biotechnology product, MabSelect SuRe™ was launched in December 2004 by our partner GE Healthcare (previously Amersham Biosciences).

Affibody's Board and management team is constantly investigating possibilities for strategic collaborations as well as promising commercial measures such as spin-out or spin-in agreements.

We have very well qualified employees, and an experienced management team that continuously explores Affibody's potential to expand to novel fields, and to identify new applications where the Affibody® molecule may become the affinity ligand of choice.

All of our research and development is based on the Affibody® molecule, a small affinity ligand. Due to its versatility and robustness it should be useful for a wide variety of biological studies, and displays properties that make it an excellent choice for a variety of applications within Biotherapy and Biotechnology.



# Achievements during 2004

## Strategy

- Affibody's strategy is continuing to evolve as the potential applications of our technology are evaluated.
- Research confirming the potential therapeutic value of the Affibody® technology is accelerating the evolution of a Biotherapy product-focused division of the company.
- While Biotherapy is a field for Affibody's potential in the long term, Affibody continues to recognize the market need for affinity ligands in life sciences research and has consolidated its other business areas into a single Biotechnology division.

## Research and Development

### Biotherapy

- 2004 saw very exciting progress in the development of Affibody® molecule-based drugs as potential treatments for certain cancers. The company's lead program is targeting HER2-dependent breast cancer, with additional programs initiated in 2004 targeting cancer.
- Research has also expanded into the use of therapeutic Affibody® molecules to target other indications such as inflammation and Alzheimer's disease.
- The HER2 project is accelerating the development of cancer-targeting Affibody® molecules to be used as medical imaging agents for *in vivo* diagnostic applications. This has allowed us to define a line of potential products.
- Therapeutic apheresis is another therapeutic area where Affibody® ligands are continuing to show promise.

### Biotechnology

- The life science and drug discovery research sectors continue to need affinity ligands that have exquisite target specificity combined with excellent stability and production cost-effectiveness. Affibody believes its products can become the preferred choice in these markets providing an ongoing revenue stream through collaborative projects. During the first quarter of 2005, Affibody's affinity ligands will be made available to the market via a web-based sales channel.

## Business Development

- Affibody has spent significant time on business development activities during 2004, which have successfully led to several new collaborations:
- In the Biotherapy area, Affibody has signed its first collaborative deal with Astra Tech AB to develop devices for apheresis for the removal of undesired proteins from patients' blood.
- In the Biotechnology area, Affibody is working with Finnzymes Oy to develop and supply affinity ligands targeting DNA polymerase for use with its HotStart PCR kits, and with Mabtech AB to develop diagnostic kits.
- In addition, Affibody® molecules have been supplied to Dynal Biotech of Norway and Asahi Kasei of Japan.
- Affibody's existing collaboration in the Biotechnology area with GE Healthcare (Amersham Biosciences) continues with a redefined focus.
- The product, MabSelect SuRe™, resulting from Affibody's first collaboration with Amersham, which concluded in 2003, was launched by GE Healthcare in December 2004, resulting in commencement of royalties.

## Other

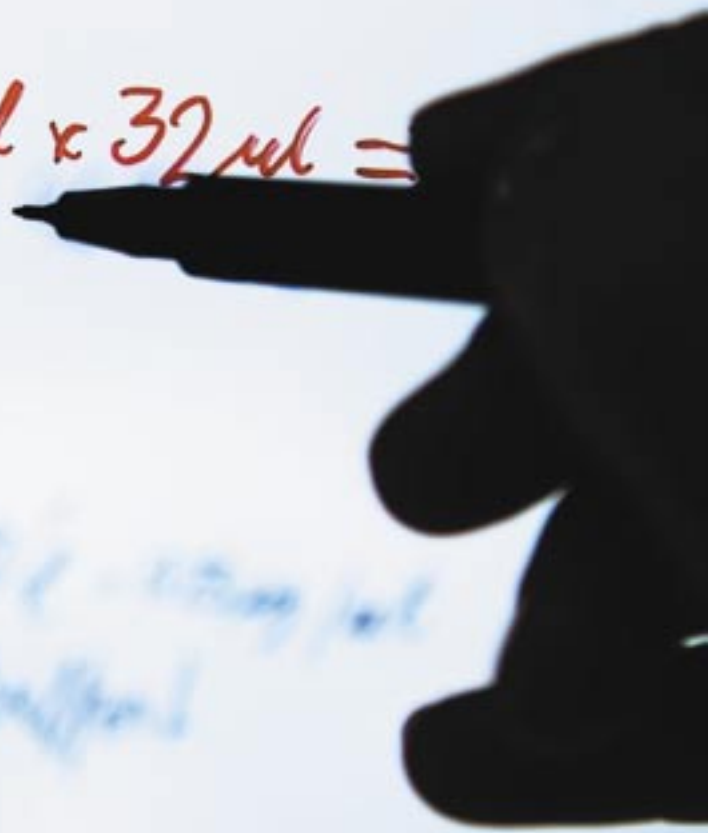
- The appointment of Dr Lars Abrahmsén as Chief Scientific Officer in January, along with other important additions to the R&D team has had an immediate positive effect as the strengthened team adds a focused commercial edge to both its development areas.
- During 2004, the company has continued to reinforce its intellectual property position. Affibody has filed four new patent applications and had five new patents granted. Affibody's patent portfolio now comprises 17 patent families, with 23 granted or approved applications, and more than 60 pending applications, protecting its Affibody® technologies.



1.56 mg/ml

$$x = 50 \cdot 10^{-3} \cdot 1000 \mu\text{l} \times 32 \mu\text{l} =$$

1.5 mg/mL      A<sub>280</sub> =



# Five-Year Overview

KSEK	THE GROUP				PARENT COMPANY				
	2001	2002	2003	2004	2000	2001	2002	2003	2004
<b>Income statements</b>									
Net sales	4 727	23 510	7 936	10 883	1 113	4 652	23 510	7 951	10 883
Total operating expenses	-52 545	-89 191	-87 754	-81 482	-8 338	-40 538	-72 431	-103 027	-82 200
Loss after financial items	-45 846	-74 235	-75 274	-68 775	-7 474	-44 234	-60 975	-89 696	-68 679
<b>Balance sheets</b>									
Cash and short-term investments	137 982	212 588	152 859	81 338	36 409	137 765	212 225	152 616	81 092
Total assets	183 711	258 268	184 544	109 581	40 163	183 947	273 937	173 816	98 954
Total equity	152 197	226 814	151 690	83 063	36 275	153 808	241 857	152 162	83 631
<b>Cash flow statements</b>									
Cash flow from operating activities	-30 789	-59 695	-58 334	-72 006	-5 403	-35 620	-35 644	-70 821	-72 010
<b>Key ratios</b>									
Equity ratio, %	83	88	82	76	90	84	88	88	85
Average no. of employees	20	60	62	60	4	16	52	62	60
- of which engaged in R&D	20	51	53	51	4	14	43	53	51
Loss per average no. of shares, SEK	-3.57	-3.83	-3.26	-2.98	-1.09	-3.45	-3.14	-3.89	-2.98
Equity per share, year end, SEK	8.79	9.83	6.57	3.60	182.74	8.89	10.48	6.59	3.62
Average number of shares, '000	12 839	19 397	23 079	23 079	6 878	12 839	19 397	23 079	23 079
Average number of shares, fully diluted, '000	15 503	22 945	26 926	27 677	7 890	15 303	22 945	26 926	27 677
Number of shares, year-end, '000	17 310	23 079	23 079	23 079	199	17 310	23 079	23 079	23 079
Number of shares year-end, fully diluted, '000	20 235	26 674	27 174	28 174	2 452	20 235	26 674	27 174	28 174

<b>Cash flow from operating activities</b>	Cash from operating activities including changes in working capital.
<b>Equity ratio</b>	Equity in relation to total assets.
<b>Loss per share</b>	Net loss in relation to number of shares.
<b>Equity per share</b>	Shareholders' equity in relation to outstanding shares at year end.
<b>Average number of shares</b>	Weighted average number of shares outstanding during the year.
<b>Average number of shares, fully diluted</b>	Weighted average number of shares, including issued warrants, outstanding during the year.
<b>Number of shares, year-end</b>	Number of shares outstanding at the end of the year.
<b>Number of shares year-end, fully diluted</b>	Number of shares, including issued warrants, outstanding at the end of the year.

# CEO's Statement

Affibody saw a number of positive research and business developments during 2004, which together have reinforced our confidence in the commercial potential of Affibody® technologies. We continue to make encouraging progress towards developing Affibody® molecules for therapeutic applications and medical imaging and have made a significant shift in resources into this area. Meanwhile, we still recognize that Affibody® technologies can fill a valuable need in drug discovery research and other biotechnology applications and have signed several important deals in this area during the year.

Our management team has made significant progress during 2004 to convey the advantages of Affibody® molecules over other ligands such as antibodies, and also to highlight the power and versatility of Affibody's technology in its potential application areas. As to be expected from a small but fast-growing and innovative company, our strategy is continually being refined as we learn more about the opportunities for our technologies. During the past few years, it has become evident that Affibody® molecules have great potential for value creation in the Biotherapy area and we have responded to this by accelerating the increase of resources into this area.

We have also consolidated our efforts into a corporate structure with two clear business divisions, Biotherapy and Biotechnology. The Biotherapy division will focus on programs within selected disease areas, targeting specific disease-associated proteins for therapeutic purposes, and the Biotechnology division will focus on the highly efficient selection, production and supply of Affibody® affinity ligands for use in separomics (bioseparation) and proteomics (including drug discovery, biomarker discovery and research diagnostics).

The development of Affibody® molecules for Biotherapy applications clearly represents a significant commercial opportunity for the company and forms the basis of our strategy for long-term revenues.

Our confidence to do this is based on the exciting progress we have made in the development of Affibody® molecules as potential treatments for certain cancers. Oncology is the company's primary therapeutic area and one where monoclonal antibodies are being successfully employed to treat a range of cancers. We believe that the advantageous characteristics of Affibody® molecules over antibodies in these areas hold the potential to generate significant value for shareholders.

The company's lead program is targeting HER2-dependent breast cancer and we are currently developing preclinical drug candidates with a view to entering clinical trials within the next 18-24 months. This represents a significant market, as breast cancer is now the most common form of cancer in women affecting approximately one million women worldwide every year. 2003 world wide sales of Genentech's monoclonal antibody Herceptin to treat HER2-dependent breast cancer reached US\$ 424 million and this is set to increase significantly in 2004 (source: Genentech).

In addition, therapeutic Affibody® molecules are being evaluated for other cancers against which a targeted therapeutic approach has been validated through the use of monoclonal antibodies.

In parallel with this, and in common with many antibody development strategies, we are developing cancer-targeting Affibody® molecules for diagnostic purposes. Medical imaging represents a US\$ 4 billion market and provides a powerful means of determining exact tumor location and extent of spread and metastasis.

Another development we saw during 2004 was the creation of Affibody® molecule constructs that can evade the immune system. We are still optimizing and evaluating these molecules in other preclinical models but the potential for these Affibody® molecules for treating chronic conditions, such as inflammation (targeting TNF- $\alpha$ ) and Alzheimer's disease (targeting amyloid beta peptide) is substantial.

Both of these important disease-associated proteins are targets for Affibody® molecules in development for therapeutic apheresis applications, which again highlights the versatility of the technology. We are currently engaged in a long-term collaboration with Astra Tech to develop Affibody® molecules that target and remove inflammatory

proteins from the circulation, and further discussions are ongoing with other strategic partners that develop such devices.

While Biotherapy is a focus for Affibody's potential on long term, we continue to recognize that there is shortage for highly specific, robust and cost-effective affinity ligands in life sciences and drug discovery research. This is a large and diverse market where we see opportunities for our Affibody® molecules to become the preferred choice, particularly in areas of separomics and proteomics.

We have established collaborations in the Biotechnology area to develop Affibody® molecules for a range of applications including large-scale bioseparation (GE Healthcare, formerly Amersham Biosciences), DNA research (Finnzymes) and quantitative diagnostics (Mabtech). This business group is already generating revenues through royalty and milestone payments and is building a product-focused ligand supply operation based both on Affibody® molecules specific to novel targets and those based on existing Affibody® molecules.

We believe that the progress made by the Biotechnology group and the clear market need for affinity ligands with the advantageous characteristics of Affibody® molecules, will create a solid, profitable stand-alone business.

The positive progress we have seen during 2004 has come from having a clear vision of where we want to be and how to get there, combined with excellent people and supportive backers. In particular, our research and development team has been strengthened by the appointment of Dr Lars Abrahmsén, as Chief Scientific Officer. This and other successful recruitments during the year have made an immediate positive impact and added invaluable experience and a strong commercial edge to our R&D programs.

All this gives us encouragement that we are positioned to maximize the value of our Affibody® technology across



the broad range of applications and therapeutic areas where it can be used.

Finally, I would like to thank everyone at Affibody, our academic partners, Board of Directors and scientific advisors for their valuable contribution they have made in getting the company where it is during the past 12 months.

*Torben Jørgensen*  
Chief Executive Officer  
March, 2005

# Business Strategy

Affibody has a clear vision to become a Biotherapy company and a preferred partner in the discovery and development of high value Biotechnology products based on its proprietary Affibody<sup>®</sup> molecules.

To achieve this goal, Affibody has devised a strategy based on proven models adopted by established companies developing functionally similar antibodies for drug discovery and development applications. As such, Affibody intends to focus on partnering specific programs at appropriate stages in development with leading biotechnology or pharmaceutical companies in order to maximize returns to Affibody over the short, medium and long term, while limiting technological and financial risk.

Affibody's strategy is continually being reviewed and refined as the commercial potential of its Affibody<sup>®</sup> molecules is being uncovered.

In order to focus resources appropriately, and to create maximum value from its technologies, Affibody has created two business divisions, Biotherapy and Biotechnology. The Biotherapy division will focus on projects within selected disease areas and the Biotechnology division will be built around ligand production and supply.

## **Biotherapy**

The development of Affibody<sup>®</sup> molecules for therapeutic applications represents a large and significant opportunity for the company.

Affibody continues to make progress in this area and increased confidence in its potential has been followed by a significant shift in resource allocation into Biotherapy, which is expected to continue in the future.

The Biotherapy division will focus on three key application areas:

- *Biopharmaceuticals*
- *Therapeutic apheresis* and
- *Medical imaging*

In all areas, Affibody will seek partners for its programs, and will also evaluate possibilities for spin-offs of certain application areas.

At present, we have a long-term collaboration in the area of therapeutic apheresis with Astra Tech to develop Affibody<sup>®</sup> molecules that target and remove inflammatory proteins from the circulation.

## **Biotechnology**

Affibody continues to recognize the market need for affinity ligands in life sciences and drug discovery research, and to focus its effort in this area Affibody has established a Biotechnology division. This division will focus on highly efficient selection, production and supply of Affibody<sup>®</sup> affinity ligands for use in application areas such as proteomics, drug discovery, biomarker discovery, research diagnostics and bioseparation. As part of this effort, Affibody will develop its own products and establish its own sales channel for Affibody<sup>®</sup> ligands.

Our current partners within this area are GE Healthcare, Finnzymes, Mabtech and Agilent Technologies. We have also supplied Affibody<sup>®</sup> ligands to Asahi Kasei (Japan) and Dynal Biotech (Norway).

# Human Resources

Affibody has an experienced management team and handpicked co-workers dedicated to the challenging and exciting task of developing Affibody® molecules for biotechnological and biotherapeutic applications.

During the year, the management team has been strengthened with the recruitment of Lars Abrahmsén as CSO in January 2004. In December 2004, the company had 62 employees, 51 of which were engaged in research and development.

49 per cent of Affibody's employees are men, and 51 women. The education level is high, with 41 per cent holding a Ph.D. in life science fields, and 50 per cent holding other academic degrees.

## Scientific Advisory Board and Scientific Network

To support Affibody's research team in strategic matters Affibody has a Scientific Advisory Board. During 2004 the Scientific Advisory Board was strengthened with an international addition: Professor Tak Wah Mak from the University of Toronto. Thus the current members of Affibody Scientific Advisory Board are:

- Mathias Uhlén, Professor of Biotechnology, Royal Institute of Technology, founder,
- Per-Åke Nygren, Professor of Biotechnology, Royal Institute of Technology, founder,
- Hans Wigzell, Professor of Micro- and Tumor Biology, Karolinska Institutet, co-founder,
- Håkan Mellstedt, Professor of Tumor Immunology, Karolinska Institutet,
- Tak Wah Mak, Professor of Cellular and Molecular Biology, University of Toronto, Canada.

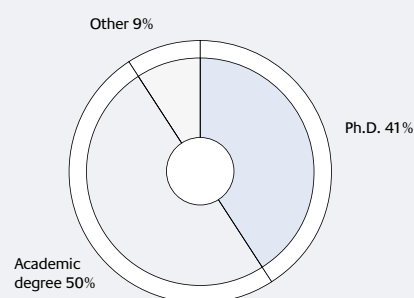
In addition to the Scientific Advisory Board, Affibody has a network of very experienced academic collaborators who enhance Affibody's scientific expertise. The academic partners are:

- Uppsala University, Institute of Oncology headed by Professor Jörgen Carlsson,
- Karolinska Institutet, Institute of Neurotechnology, headed by Professor Bengt Winblad,
- Royal Institute of Technology, various research programs headed by Professors Per-Åke Nygren (founder), Stefan Ståhl (founder) and Sophia Hober (founder).

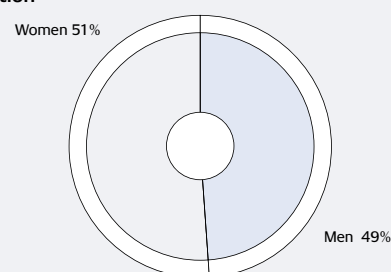
## New Divisional Organization

Affibody has great potential within two research fields; Biotherapy and Biotechnology. In order to clarify and reflect this, Affibody's operation has been re-organized to form two divisions; Biotherapy and Biotechnology. The new organization was launched during the fourth quarter of 2004, and will be fully operational as of January 2005.

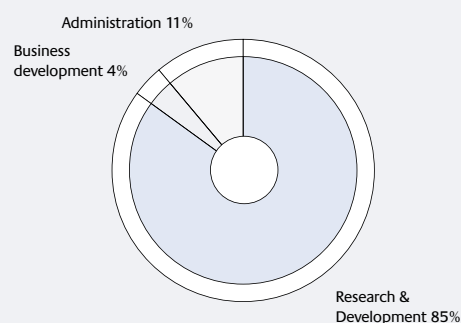
## Education



## Gender Distribution



## Function



# Intellectual Property Rights

Affibody's intellectual property work focuses on three areas; patent rights, freedom to operate and In-licensing.

Invention	Representative Publication	US	EPC	Japan	Expiry Year
Affibody <sup>®</sup> Molecules	WO95/19374	3G	G	P	2015
Bacterial Selection	WO92/20805	G	G	G	2012
Half-Life Extension	WO91/01743	G	G	G	2010
Ig-binding Protein	US 5 143 844	G	G	G	2006/2009/2010
Stabilization of Affinity Ligands	WO00/23580	1G+1P	P	P	2019
Self-Assembly Networks	WO00/69888	P	P	P	2020
<i>In Vitro</i> Selection	WO01/05808	P	P	P	2020
FRET Detection	WO02/056024	P	P	P	2022
Stabilized Ig-Binding Protein	WO03/080655	P	P	P	2023
Sandwich Assay	WO03/093821	P	P	P	2023
Insulin Binder	WO05/000883	P	P	P	2024
HER-2 Binder	WO05/003156	P	P	P	2024*
PCA II Detection	Not Published	P	P	P	2024
Amyloid Beta Binder	Not Published	P	P	P	2025*
Albumin Deimmunization	Not Published	P	P	P	2025
CB1 Receptor Modulation	Not Published	P	P	P	2024*
CD4 Binder	Not Published	P	P	P	2025*

G = Granted, P = Pending

\* If used as therapeutic, the invention may be made subject of extended protection (< 5 yrs) after regulatory approval.

## Affibody Patent Rights

Affibody pursues a proactive strategy for protection of intellectual property rights (IPR). Our patent portfolio currently encompasses 17 patent families, with 23 granted or approved applications and more than 60 pending applications. During 2004, Affibody has filed four new patent applications and had five new patents granted. Three patent applications have been withdrawn during 2004. These are mainly applications in the bioinformatics business area which was discontinued at the end of 2003. Affibody<sup>®</sup> patents do not overlap with aptamer, monoclonal and domain antibody patents.

The original Affibody<sup>®</sup> patent application, which aims to protect the proprietary Affibody<sup>®</sup> molecule in general, was filed in 1994. Specific patent applications for each new Affibody<sup>®</sup> molecule that is selected against

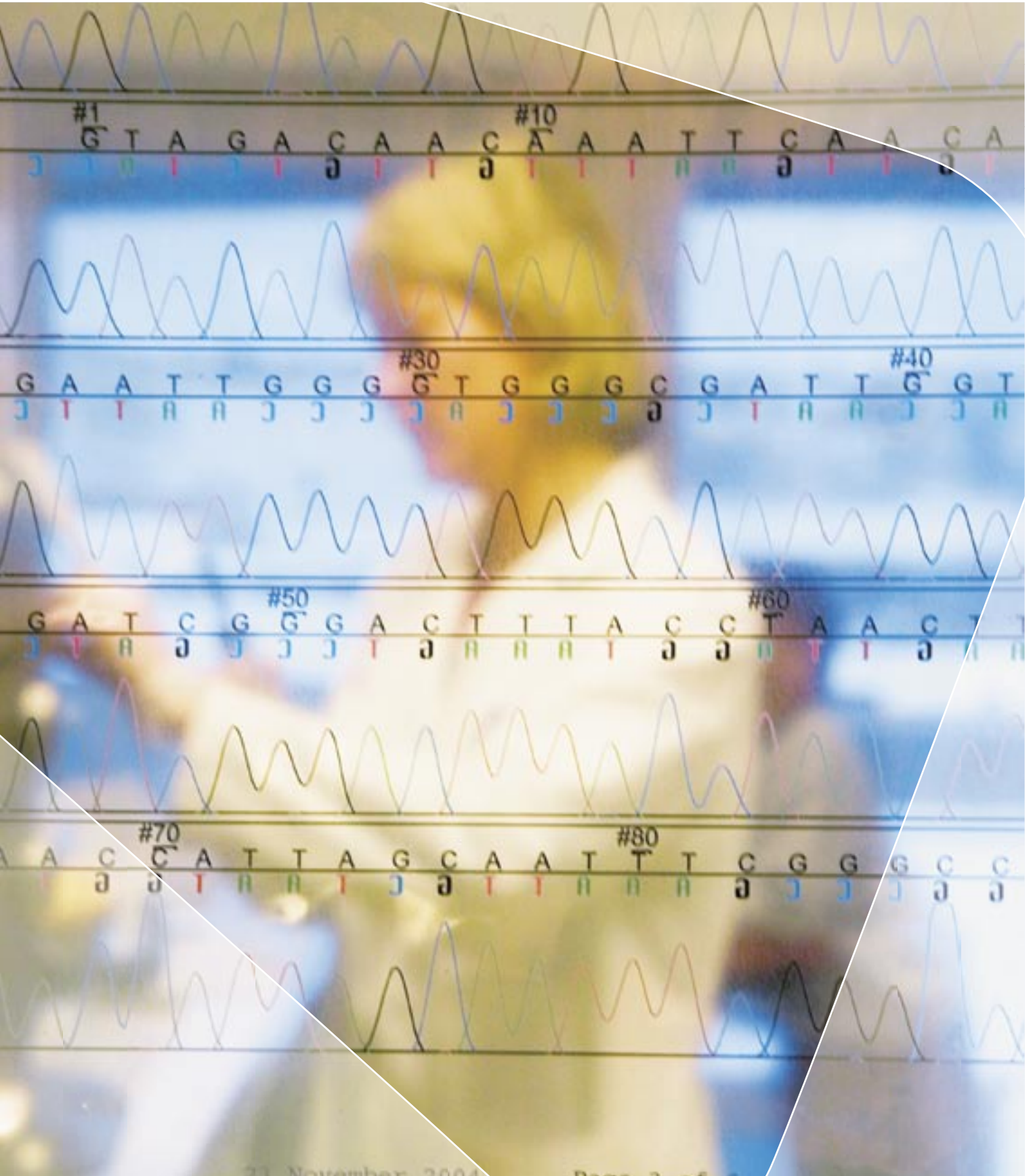
specific targets are being filed on a continuous basis, and will thus protect Affibody's proprietary rights in specific applications.

## Freedom to Operate

In addition to continuous expansion of our patent portfolio, our IPR strategy also includes monitoring our competitor's IPR activities, as well as evaluation of the IPR status and the freedom-to-operate of new projects.

## In-licensing

For business opportunities in which in-licensing of technologies is of interest, a detailed due diligence analysis of the IPR is performed. The aim of this is to provide certainty that the patents in question are valid, enforceable and of sufficiently broad protective scope.



# Technology

The foundation for Affibody's business are the proprietary Affibody<sup>®</sup> molecules, small and robust affinity ligands with the advantage of easy and flexible modulation.

Affibody's aim is that the Affibody<sup>®</sup> molecules will replace and surpass monoclonal antibodies in a wide range of applications. The commercial value of the company's molecule is manifold with fast and cost-efficient production, versatility in that the molecule can be coupled to other biological or chemical entities, and superior physical properties compared to antibodies.

## Advantages of the Affibody<sup>®</sup> molecule

Affibody<sup>®</sup> molecules are selected based on their specificity to bind to a particular target protein of interest. The molecule is small compared to other biological affinity molecules, with a weight of only 6 kDa and a size of 58 amino acid residues. However, in spite of its small size, the binding site of an Affibody<sup>®</sup> molecule is of similar size to that of the much larger antibodies. Small size is an advantage for many therapeutic applications, and the large binding site relative to non-relevant surface area ensures high affinity and specificity for the target molecule.

The robustness of Affibody's affinity ligands is well documented. The function of the molecule is retained when exposed to extreme pH-levels, harsh temperature levels, protein degrading enzymes and long-time storage and sterilization procedures. Thus, Affibody<sup>®</sup> molecules are stable enough to meet the criteria required for therapeutic molecules, and to be utilized for biotechnological purposes.

The versatility of Affibody<sup>®</sup> molecules is important for biotechnological as well as biotherapeutic use. Our affinity ligands can readily be labeled with reporter molecules

such as dyes for cell- and tissue staining or toxins or radioactive agents for therapeutic or diagnostic applications. In addition, the molecule itself can be altered through production of multimeric affinity molecules, i.e. identical or non-identical Affibody<sup>®</sup> molecules that are fused to form affinity ligands with multiple binding sites, and Affibody<sup>®</sup> fusion proteins can be produced in a straightforward manner.

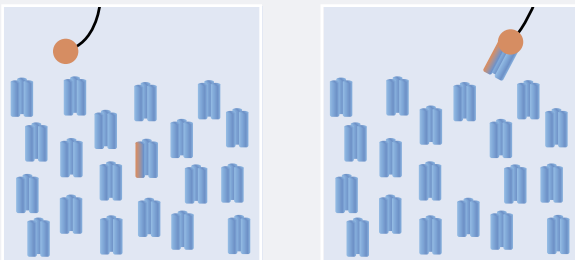
## Properties of the Affibody<sup>®</sup> molecule

The backbone of an Affibody<sup>®</sup> molecule is one of the IgG-binding domains of Protein A, a bacterial protein from *Staphylococcus aureus*. The binding site of the parent Protein A domain has been randomized to form pools of billions of Affibody<sup>®</sup> molecules, all with different binding sites.

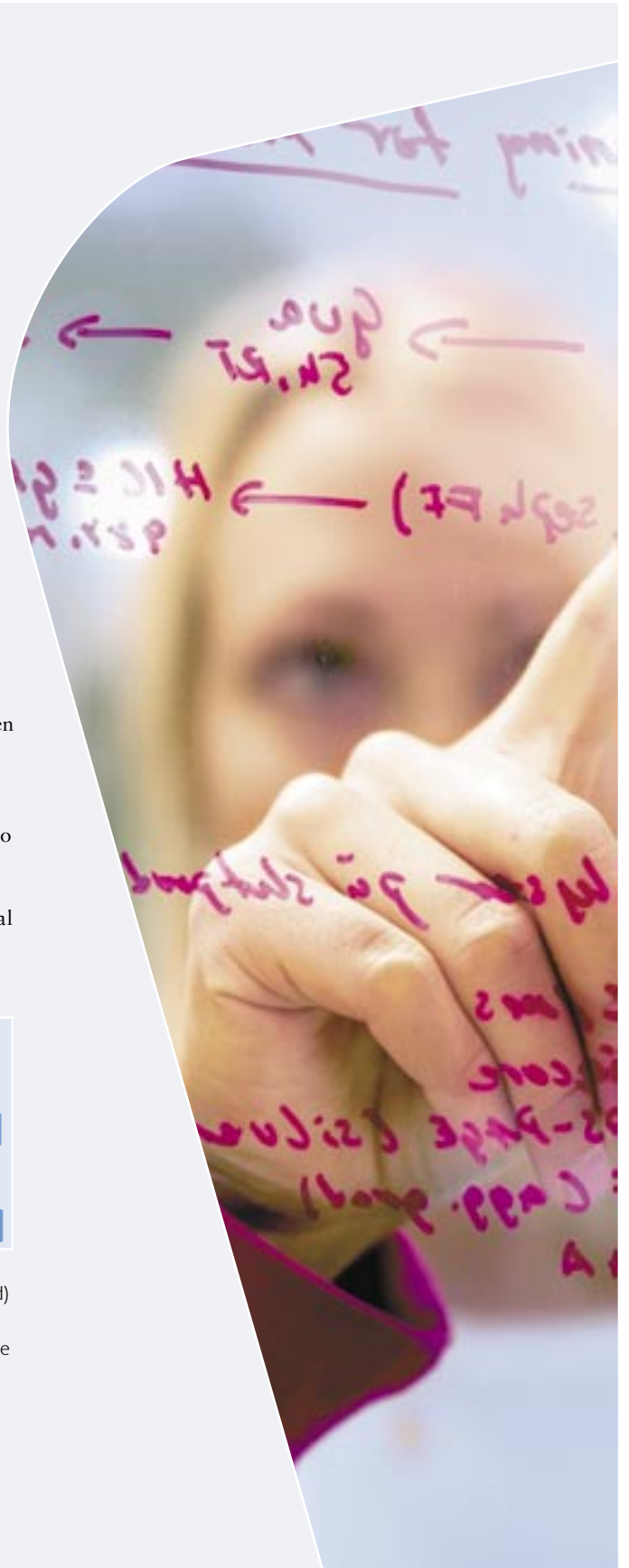
Affibody<sup>®</sup> molecules with specificity and affinity for a given target protein of biotherapeutic or biotechnological relevance are selected from a pool of Affibody<sup>®</sup> molecules. In this way, a ligand with excellent binding capacity can be isolated for every target protein.

Since the Affibody<sup>®</sup> molecule originates from a bacterial protein it has been highly prioritized to investigate the potential immunogenicity of the molecule. Studies have shown that no pre-formed antibodies against Affibody<sup>®</sup> molecules could be detected in human serum samples. It has also been shown that serum from animal models actively immunized with Affibody<sup>®</sup> molecules contain only intermediary amounts of antibodies against Affibody<sup>®</sup> molecules and that high doses of Affibody<sup>®</sup> molecules are well tolerated.

This taken into account, potential immunogenicity of Affibody® molecules does not seem to be an issue for using the affinity ligand for therapeutic applications. Even so, during 2004, Affibody has developed a proprietary method to evade an immune-response directed against Affibody® molecules. Using this technology, Affibody® molecules are now being considered for therapeutic use to treat chronic conditions that need repeated administration of Affibody® molecules. Furthermore, the risk for autoimmune responses is insignificant due to the bacterial origin of the parent Affibody® molecule.



Affibody® molecules that bind selectively to a target protein (red) are selected from pools of Affibody® molecules. All Affibody® molecules in the pool have the same scaffold but variable surface properties, and thus different binding capacities. Hence, an Affibody® molecule that bind to any given target protein can be selected.



# Biotherapy – Business Environment

Biotherapeutics are biological molecules, such as proteins, used as pharmaceutical drugs (biopharmaceuticals) or in other clinical applications or devices.

Since the first biopharmaceutical product was introduced to the market in 1982 – recombinant human insulin, developed by Genentech – the market for biopharmaceuticals has grown significantly. A report (Research and Markets, January 2003) estimates that the approximately 120 biopharmaceutical products so far launched contribute US\$ 41 billion of global revenue, with 12 leading products accounting for US\$ 21 billion of sales.

Many industry commentators believe the future growth of this market will be driven by the success of monoclonal antibody (MAb) based therapeutics and diagnostics, which are predicted to contribute US\$ 15-20 billion by 2010. Currently, 19 MAb-based therapeutics are approved and many more are in clinical trials as both diagnostics and treatments for a range of diseases including autoimmune diseases, metabolic disease, inflammation, infection and various types of cancer.

But, there are disadvantages with MAbs: they are difficult and costly to manufacture, and their large molecular size can limit their ability to reach the intended target and thus reduce their efficacy.

Affibody believes that its Affibody® molecules are very well positioned to compete with MAbs in many applications. Affibody® molecules combine the benefits of MAbs, such as high target specificity, with better biodistribution (they are 25 times smaller than MAbs), low non-specific binding, improved stability in a range of environments, and ease of production (they can be made by chemical synthesis as well as by bacterial production methods).

Already the company has demonstrated proof-of-principle for Affibody® molecules in *in vivo* diagnostics (medical imaging, a US\$ 4 billion market) and as a potential therapeutic in its primary therapeutic focus area of cancer. The company is also generating exciting data indicating that Affibody® molecules could potentially be used to develop treatments for chronic indications, such as Alzheimer's disease.

The robustness of Affibody® molecules and their ability to retain high target specificity, also after different sterilization procedures, has opened another large and diverse market opportunity to Affibody: therapeutic

apheresis. This is a therapeutic process whereby harmful substances, such as inflammatory mediators or toxins, are removed from the patient's circulation, usually during transfusion or dialysis.

The potential for improved therapy with Affibody® molecules versus alternative scaffolds is becoming clear as data from our pre-clinical studies progresses. This in turn should lead to market opportunities and potential to create a valuable Biotherapy business.



# Biotherapy – Business Strategy

The physical characteristics of Affibody® ligands, including specific target recognition, ease of production, high stability in a wide range of conditions, and the therapeutic and biotechnological potential make them very attractive alternatives to traditional affinity ligands.

The development of Affibody® molecules for therapeutic applications represents a large and significant commercial opportunity for the company.

The functional similarities between Affibody® molecules and monoclonal antibodies suggest that they may frequently be used in the same way. This forms the basis of the company's strategy for developing therapeutic Affibody® products, which is to enter into partnerships at the appropriate time with leading biotechnology and pharmaceutical companies. This approach is designed to maximize returns while limiting risk, by allowing it to access its partner's scientific and commercial expertise.

Data generated from preclinical studies examining the full range of opportunities for which Affibody® affinity ligands can be applied, continue to reinforce our confidence in the therapeutic potential of this technology. These exciting results have led the company to significantly increase the resources available to developing therapeutic applications of Affibody® molecules, thereby accelerating the transition of the company into a product-focused group.

The long-term vision for the Biotherapy division is that Affibody shall be a preferred partner in the discovery and development of high value affinity ligands in three areas:

- **Biopharmaceuticals:** Affibody® molecules as pharmaceuticals, i.e. either affinity ligands with an intrinsic therapeutic function or with an effector molecule coupled to the Affibody® molecule.
- **Therapeutic apheresis:** Affibody® molecules used as purifying ligands in extracorporeal medical devices.
- **Medical imaging:** Affibody® molecules as reporter ligands for use in *in vivo* diagnostic applications, where the affinity molecule is coupled to a tracer, such as a radioactive agent.

## Biopharmaceuticals

To reduce risk of unvalidated targets, the initial focus is on targets validated by therapeutic antibodies, and the primary field is oncology. This area was chosen as it has a high curative and commercial potential and that treatment is of relative short duration thereby eliminating the potential complications associated with chronic therapies. Within the field of oncology, monoclonal antibodies have been shown to be able to be utilized for treatment of a range of cancers. It is the company's belief that the advantageous characteristics of Affibody® molecules over antibodies in these areas offer great potential to generate significant value to shareholders.

2004 saw very exciting progress in the development of Affibody® molecules as potential treatment for certain cancers. The company's lead program is targeting HER2-dependent breast cancer, and additional programs targeting other cancer indications were initiated during 2004.

We are also developing Affibody®-based technology to evade the immune system, and the company is evaluating the potential for treatment of chronic conditions, such as Alzheimer's disease and inflammatory diseases.

Recent results have made it clear that Affibody® molecules could be developed for additional indications and the company is actively searching for agreements with external partners.

### **Therapeutic Apheresis**

Therapeutic apheresis is another area where Affibody® ligands continue to show promise.

Our strategy in this area is to use our proprietary Affibody® molecules as affinity ligands in therapeutic apheresis systems by entering strategic collaborations with corporations that develop such devices. For example, we have a long-term collaboration with Astra Tech to develop Affibody® molecules that target and remove inflammatory proteins from the circulation. Affibody has also generated Affibody® molecules that bind to the amyloid beta peptide (Aβ), which is involved in progression of Alzheimer's disease and is actively seeking a partner in this area.

### **Medical Imaging**

While the Biopharmaceutical application of Affibody® molecules represents a long-term opportunity, a medium-term opportunity has been identified with the use of Affibody® molecules for medical imaging. During 2004, we have seen very promising results with excellent tumor contrast and a tumor to blood ratio of more than 100:1.

The research progress in the medical imaging area has opened an opportunity to capitalize on this area. During 2005 Affibody will seek an industrial Joint-Venture partner to co-develop products in the medical imaging area.

“We became interested in Affibody® molecules due to the robustness of the molecule that makes it an interesting candidate in a medical device application. We have for some time been reviewing possible affinity ligands for our use and found that Affibody might enable us to develop a competitive product. Our collaboration has in a short time generated Affibody® molecules which will be further evaluated.”

*Magnus Jacobsson*  
Chief Scientific Officer  
Astra Tech AB

# Biotherapy – Applications

Affibody® molecules are explored for therapeutic applications in the fields of biopharmaceuticals, therapeutic apheresis and medical imaging.

## Biopharmaceuticals

The aim is to create value by developing Affibody® molecules that have a therapeutic effect *per se* or in combination with effector molecules.

The kinetics of Affibody® molecules in a patient's blood circulation can be modulated and this greatly enhances the therapeutic potential of our affinity ligands. Affibody® molecules that bind with specificity to target molecules expressed on solid tumors as well as blood cancer have been identified, and proof-of-concept has been shown in an *in vivo* model.

Even though the immunological response to Affibody® molecules is very low, chronic indications were initially not considered. However, the recent development of Affibody's proprietary technology to evade immunologic response to Affibody® treatment has led to evaluation of our affinity ligands for treatment of chronic conditions, such as inflammatory diseases. Affibody® molecules with specific binding capacity to the inflammatory protein TNF- $\alpha$  have been developed and will be tested for therapeutic function in disease models.

## Therapeutic Apheresis

Affibody's goal within the therapeutic apheresis field is to use our proprietary Affibody® molecules as affinity ligands in therapeutic apheresis systems. The strategy is to enter collaborations with corporations that develop such devices.

The company has entered into a long-term collaboration with Astra Tech, with the focus of developing Affibody® molecules which target inflammatory proteins. The objective is to use these affinity ligands for depletion of undesired proteins from blood or other body fluids, to enable re-circulation of larger quantities to the patient.

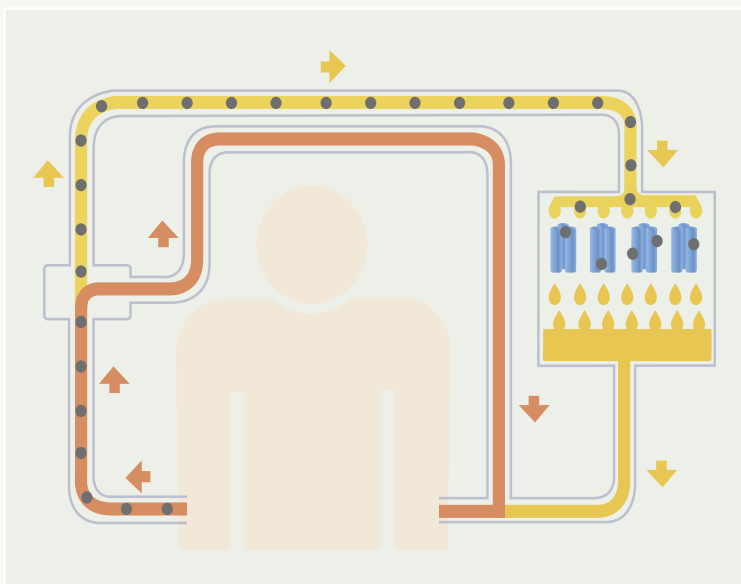
Affibody has also generated Affibody® molecules which bind to the amyloid beta peptide (A $\beta$ ), which is involved in progression of Alzheimer's disease. Using this Affibody® molecule in a device for therapeutic apheresis to reduce the amount of circulating amyloid beta protein could be a new method for treatment of this neurodegenerative disease.

## Medical Imaging

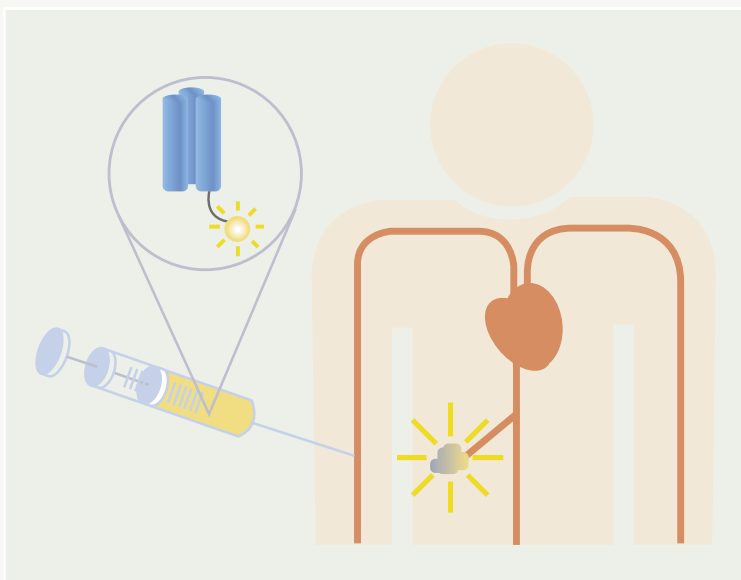
Affibody® molecules with desired binding properties for tumor markers may be used as diagnostic tools for non-invasive early detection of tumors, and to monitor disease by detecting tumor progression or regression in response to cancer therapy. When coupled to radioactive tracers, Affibody® molecules targeting solid tumor target molecules can be used for medical imaging to visualize tumors and metastases. The Affibody® molecule is coupled to a radioactive agent and allowed to circulate in the blood of a cancer patient. Thereafter, a radio-image revealing the sites of the original tumor as well as the location of possible metastases is developed.

The properties of Affibody® molecules are very well suited for use in medical imaging. The affinity ligands are small and have fast blood kinetics which leads to images within hours after treatment. Furthermore; they are selected to have high affinity and specificity to the target protein, which leads to superior image contrast and shorter clinical protocols.

Affibody® molecules have shown unparalleled tumor to blood ratios of more than 100:1 in *in vivo* experiments. This shows great potential for Affibody® molecules as medical imaging agents. Affibody will focus on oncology indications in which ligands targeting general oncology and tissue markers will be developed.



Therapeutic apheresis involves removal of whole blood from a patient. Red blood cells are recirculated into the patient, while blood plasma is passed through an instrument containing a filter with Affibody<sup>®</sup> molecules (to the right in the illustration) designed to bind to specific components in the blood. This way, such components can be depleted from the blood. The portion containing these blood components is withdrawn, and the remaining components of the blood are retransfused into the patient. In this manner, blood can be purified from undesired components.



Affibody<sup>®</sup> molecules can be designed to have excellent tumor targeting properties. Affibody<sup>®</sup> molecules with specific binding capacity to tumor markers can be labeled with radioactive agents and injected into a cancer patient. The Affibody<sup>®</sup> molecule will find its way to the tumor and to possible metastases through the blood circulation. Thereafter, an image of the site and spread of tumor and metastases can be developed. Medical imaging is of tremendous importance to monitor progression or regression of cancer.

# Biotechnology – Business Environment

Affinity ligands, such as Affibody® molecules, have many applications in life sciences research and the drug development process and therefore represent a significant market opportunity to the company. Two key areas where affinity-based approaches are currently used, and where Affibody has a large potential opportunity, are Separomics and Proteomics.

## **Separomics**

The Separomics area includes sample preparation; laboratory- and process-scale affinity purification of biopharmaceuticals; removal of impurities; enrichment and depletion of serum proteins; and cell separation. Affibody will mainly focus on sample preparation and laboratory-scale affinity purification.

The Proteomics research will drive the need for more efficient and cost effective sample preparation and protein purification methods. Affibody believes that its technologies have significant advantages over existing affinity-based approaches owing to their exquisite target specificity, robustness, and the fact that they are relatively inexpensive to produce.

In the Proteomics area there is a large need for new tools in the area of sample preparation before protein analysis. Some products exist today for depletion or enrichment of a limited number of serum proteins and there is a need for new products that lead to an increase of the number of serum proteins that can be removed or enriched. Affibody is part of an EU research program with the aim to develop such new tools for Proteomic analysis.

## **Proteomics**

The market for affinity ligands in the Proteomics area – the large-scale study of proteins' structure, localization, function, and how they interact in normal and disease conditions – is expected to reach US\$ 500 million in 2005. Polyclonal and monoclonal antibodies currently dominate the market.

We believe our Affibody® molecules are ideally suited for use as affinity ligands not only in Proteomics research, but also in drug discovery, biomarker discovery and research diagnostics. For example, in diagnostic applications, Affibody® molecules may be used either as capture or detection agents – or both. In the most advanced example, which is under development in collaboration with Mabtech, the Affibody® ligand is used for capturing

the analyte. The possibility for specific labeling shown with Affibody® molecules suggests that they could be superior to monoclonal antibodies for detection in terms of pricing, homogeneity and reproducibility.

Based on the unique properties of Affibody® molecules and their broad range of potential applications in the Biotechnology area, Affibody's aim is to become the preferred supplier of affinity ligands to this important market.

# Biotechnology – Business Strategy

A significant amount of data has been generated in support of the Biotechnology business. Based on the unique combination of properties of Affibody® molecules and their broad range of potential applications in this area, Affibody's aim is to become the preferred supplier of affinity ligands to this important market.

Affibody's Biotechnology division will focus on highly efficient selection, production and supply of Affibody® affinity ligands for use in various application areas, such as Separomics (bioseparation) and Proteomics (including drug discovery, biomarker discovery and research diagnostics).

The rationale behind the development of this new division is that the research market for affinity reagents is increasing, and Affibody has a number of Affibody® molecules that potentially could be developed into products for various research applications. Direct sales of Affibody® products will increase the opportunity for short-term revenues for the company, and is one way for Affibody to capture the value of Affibody® technology in the increasing market.

The company's strategy is based both on entering into collaborations for the development of Affibody® molecules specific to novel targets and selling Affibody® molecules "off the shelf" via the internet and other established routes. This business area has lower risk than the Biotherapy area and is expected to deliver returns to Affibody in the near and medium term.

The goal for Affibody's Biotechnology division is to establish direct sales of Affibody® biotechnology products and to have the first products available in February 2005. Thereafter, additional products will continuously be added to the product catalogue.



# Biotechnology – Applications

Affibody<sup>®</sup> molecules will be available to customers for off the shelf sales or within research collaborations. A web based sales channel will be established early in 2005.

## Products

Affibody<sup>®</sup> molecules can advantageously be used for a variety of applications in which monoclonal antibodies traditionally have been used. Affibody believes that products based on Affibody<sup>®</sup> molecules can be beneficial for application areas such as bioseparation, proteomics, drug discovery, biomarker discovery and research diagnostics.

The products to be marketed initially are Affibody<sup>®</sup> molecules that target the human serum protein albumin (HSA), immunoglobulin G (IgG), immunoglobulin E (IgE), tumor necrosis factor  $\alpha$  (TNF $\alpha$ ) and an Affibody<sup>®</sup> molecule targeting the breast cancer marker protein HER2 (human epidermal growth factor receptor 2).

The Affibody<sup>®</sup> molecules will be available as free protein or for certain affinity ligands, as a refined product by addition of tags, dyes etc. to the affinity ligand, or by coupling the affinity ligand to matrices for affinity purification of proteins. Refinement of our products for sale creates increased value to the company.

## Methods

In terms of efficiency, robustness and production costs, Affibody<sup>®</sup> molecules offer advantages for applications such as protein localization studies, involving methods like immunofluorescence performed on cells in culture or tissue sections and Western blots.

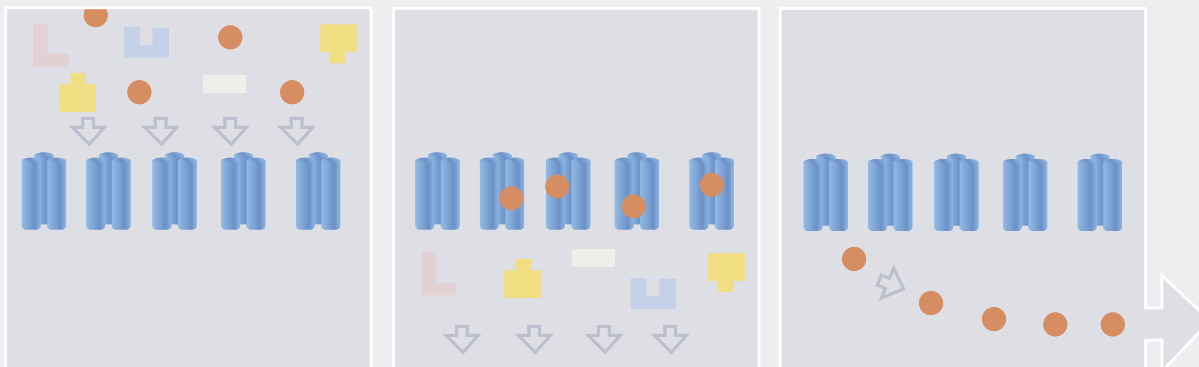
Affibody<sup>®</sup> molecules are very well suited as capture agents and can be used in protein arrays, ELISA etc.

In addition, Affibody<sup>®</sup>-based protein separation is an economical and yield-efficient strategy for protein separation using affinity chromatography.

## Collaborations

We have established four collaborations in the Biotechnology area, with:

– GE Healthcare (Amersham Biosciences) – two agreements for the development of affinity ligands for large-scale bioseparation has resulted in a product launched in December 2004 and ongoing research funding until 2006.



Affibody<sup>®</sup> molecules can be used for effective protein separation. Since Affibody<sup>®</sup> molecules are designed to bind a particular protein (red), that protein can be removed from a mixture of proteins. As the protein mixture is passed through a matrix containing

Affibody<sup>®</sup> molecules, the protein of interest will be captured and all other proteins in the mixture will pass through. The captured protein can be analyzed separately after all other proteins have passed the matrix.

- Finnzymes – an agreement was signed in March 2004 to develop and supply Affibody® ligands for use in its HotStart PCR kits.
- Mabtech – an agreement was signed in April 2004 to co-develop diagnostic kits for the quantification of disease-related proteins, for the research/diagnostics market. The first products from this collaboration are expected to reach the market in 2005/2006.
- Agilent Technologies – Affibody is currently collaborating with Agilent Technologies regarding potential future uses of Affibody technology with Agilent products.

“The collaboration with Affibody has proved to be very rewarding for us. We are in the leading edge of developing PCR technology and thus need continuous enhancement of our products. Affibody® molecules have proved to provide us with a means to stay at that leading edge.”

*Tuomas Tenkanen*  
Director R&D  
Finnzymes Oy

# Board of Directors

## 1. Håkan Mogren, D.Sc.

Born 1944, Chairman of the Board since 2002. Mr. Mogren is Deputy Chairman of AstraZeneca Plc and Gambro AB. Member of the Board of Directors of Investor AB, Rémy/Cointreau, The Group Danone, Norsk Hydro and the Swedish-American Foundation. Director of the Marianne and Marcus Wallenberg Foundation. Member of the Royal Swedish Academy of Engineering Sciences.

Shares: 0. Warrants: 50 000.

## 2. Kate Bingham, M.A., MBA

Born 1965, Member of the Board since 2001. Ms. Bingham is General Partner of SV Life Sciences. Currently a Board member of Dynogen Inc, MedNova Ltd, Metris Ltd, Trine Pharmaceuticals Inc, and the UK Bio Industry Association Ltd.

Shares: 0. Warrants: 0.

## 3. Peder Fredrikson, B.Sc.

Born 1952, Member of the Board since 2000. Mr. Fredrikson is founding partner of HealthCap. Currently a Board member of Apoxis S.A., BioStratum Inc and Trigen Ltd.

Shares: 0. Warrants: 0.

## 4. Hans Johansson, M.Sc.

Born 1954, Member of the Board since 2001. Mr. Johansson is CEO of Sidec. Currently a Board member of Uppsala Innovation Center AB.

Shares: 0. Warrants: 0.

## 5. Staffan Josephson, Ph.D.

Born 1949, Member of the Board since 2000. Dr. Josephson is Senior Adviser of Investor Growth Capital Europe & Investor and Secretary-General of the Swedish Heart and Lung foundation. Currently a Board member of HemoCue AB, Metcon Medicin AB and NeuroNova AB.

Shares: 0. Warrants: 0.

## 6. Per-Åke Nygren, Ph.D.

Born 1961, Member of the Board since 1998. Dr. Nygren is co-founder of Affibody AB and Professor of Molecular Biotechnology at the Royal Institute of Technology in Stockholm.

Shares: 1 300 000. Warrants: 0.

## 7. Björn Odlander, M.D., Ph.D.

Born 1958, Member of the Board since 2000. Dr. Odlander is President of Odlander, Fredrikson & Co AB and founding partner of HealthCap. Currently a Board member of Biolipox AB, Biotage AB, Jerini AG, LTB, AB and NeuroNova AB.

Shares: 0. Warrants: 0.

## 8. Mathias Uhlén, Ph.D.

Born 1954, Member of the Board since 1998. Dr. Uhlén is co-founder of Affibody AB, and Professor of Biotechnology at the Royal Institute of Technology in Stockholm. Chairman of KTH Holding AB and Magnetic Bio-solutions AB. Currently a Board member of Dynal Biotech, GE Healthcare, Skanditek AB, Biotage AB and SweTree Genomics AB.

Shares: 1 453 904. Warrants: 62 418.

## Employee representatives of the Board

### 9. Tim Wood, Ph.D.

Born 1967, Employee representative of the Board since 2004. Dr. Wood is Regulatory Affairs and Quality Assurance Manager at Affibody AB.

Shares: 0. Warrants: 5 917. Stock options: 7 000 (whereof 6 333 vested).

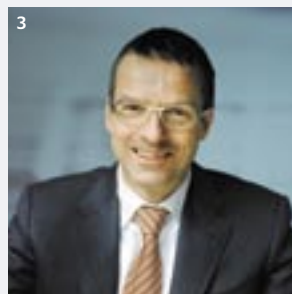
### 10. Tove Eriksson, Ph.D.

Born 1971, Employee representative of the Board since 2004. Dr. Eriksson is Group Manager at Affibody AB.

Shares: 0. Warrants: 1 000. Stock options: 3 250 (whereof 3 000 vested).



# Executive Management



## 1. Torben Jørgensen

Born 1952, Chief Executive Officer since 2001. Torben Jørgensen has 18 years executive management experience as CEO, CFO and Board member of several life science companies. Most recently he was appointed CEO of the Swedish publicly listed biotechnology company Karo Bio AB. Before that he was CFO, and then, for nine years, CEO of Dako AS, a Danish antibody and diagnostics company. Mr. Jørgensen earned his business degree from the Business School of Copenhagen.

Shares: 0. Warrants: 285 000. Stock options: 95 000 (whereof 56 666 vested).

## 2. Lars Abrahmsén

Born 1957, Chief Scientific Officer since 2004. Dr. Abrahmsén has a research background in protein engineering and 14 years of experience from drug development of small molecular and protein pharmaceuticals. Most recently, he was appointed Senior Project Team Leader at Biovitrum, a position which included responsibility from high throughput screening to *in vivo* pharmacology. Dr. Abrahmsén earned his Ph.D. from the Royal Institute of Technology in Stockholm.

Shares: 0. Warrants: 0. Stock options: 70 000 (whereof 53 333 vested).

## 3. Lars Bäckman

Born 1961, Senior Vice President of Corporate Development since 2001. Mr. Bäckman has ten years experience as lawyer at Hamilton & Co, specialized in Mergers and Acquisitions, Corporate Finance and Contract Law, with focus on the biotechnology industry. Prior to joining Affibody, Mr. Bäckman was responsible for Corporate Finance and Venture Management at the business consultancy firm Googol Group AB. Mr. Bäckman earned his LL.M. from the University of Stockholm.

Shares: 0. Warrants: 75 000. Stock options: 60 000 (whereof 33 333 vested).

## 4. Birger Jansson

Born 1961, Director of Research since 2003. Dr. Jansson worked most recently for GlaxoSmithKline in Verona, where he was appointed Laboratory Head of Molecular Profiling in the Molecular Medicine Department. Dr. Jansson has 14 years of experience from the biotechnology and pharmaceutical arena and earned his Ph.D. from the Royal Institute of Technology in Stockholm.

Shares: 0. Warrants: 0. Stock options: 60 000 (whereof 36 666 vested).

## 5. Eola Ånggård Runsten

Born 1965, Chief Financial Officer from 2001 to February 2005 when she will leave her position. Ms. Ånggård Runsten has 14 years experience in financial advisory services in the areas of Mergers and Acquisitions, Public Equity offerings and Private Placements. Ms. Ånggård Runsten earned her business degree from the Stockholm School of Economics.

Shares: 0. Warrants: 62 500. Stock options: 26 667.

## 6. Mårten Österlund

Born 1957, Senior Vice President of Business Development since 2001. Dr. Österlund has 14 years of business development experience; most recently from the publicly listed biotechnology company Karo Bio AB, before that he was at the Pasteur Institute in Paris. Dr. Österlund earned his Ph.D. from the University of Uppsala.

Shares: 0. Warrants: 62 500. Stock options: 60 000 (whereof 33 333 vested).

## Rebecca Källskog (Not pictured)

Born 1969, Human Resources Officer from 2002 to September 2004, when she resigned.

Shares: 0. Warrants: 12 500. Stock options: 15 000.

## Karin Nord (Not pictured)

Born 1969, Director of Biotechnology since 2005. Dr. Nord is one of the founders of Affibody and one of the first employees in 2000. At the end of 2004 Dr. Nord was appointed Head of the Biotechnology division. Dr. Nord is part of the Executive Management team as of January 2005.

Shares: 250 000. Warrants: 12 500. Stock options: 12 000 (whereof 11 333 vested).

# Share Capital

## Share Capital

The registered share capital amounts to SEK 4 615 878.80 and consists of 23 079 394 shares each with a nominal amount of SEK 0.20. Affibody has issued five different classes of shares; common shares and preference shares of class P1, P2, P3 and P4. The preference shares carry varying preferential rights in case of liquidation and dividends.

Common shares and preference shares carry one vote per share.

TRANSACTION	NOMINAL AMOUNT, SEK	CHANGE IN SHARE CAPITAL	A	P1	P2	P3	P4	NUMBER OF SHARES	WARRANTS
1998 Incorporation	1	100 000	100 000					100 000	
1999 Share Issue	1	7 000	7 000					7 000	
2000 Share & warrant issue	1	11 900		11 900				11 900	22 000
Share & warrant issue	1	79 604			79 604			79 604	15 075
Warrants								0	8 000
2001 Share split 5:1			428 000	47 600	318 416			794 016	180 300
Bonus issue 9:1		1 786 536	4 815 000	535 500	3 582 180			8 932 680	2 028 375
Non-cash issue	0.2	323 146	1 247 733			367 999		1 615 732	366 889
Share issue	0.2	1 153 846					5 769 231	5 769 231	
Warrants								0	304 000
2002 Warrants								0	670 000
Share issue	0.2	1 153 846					5 769 231	5 769 231	
2003 Warrants								0	500 000
2004 Warrants								0	1 000 000
<b>Total 31 Dec. 2004</b>		<b>4 615 879</b>	<b>6 597 733</b>	<b>595 000</b>	<b>3 980 200</b>	<b>367 999</b>	<b>11 538 462</b>	<b>23 079 394</b>	<b>5 094 639</b>

## Warrants

The number of outstanding warrants is summarized in the table below.

	WARRANTS SERIES 1	WARRANTS SERIES 2	WARRANTS SERIES 3:01	WARRANTS SERIES 3:02	WARRANTS SERIES 4	WARRANTS SERIES 5	TOTAL NO. OF WARRANTS	TOTAL %
Strike price	15.15	20.20	52.00	52.00	1.00	1.00		
Exercise period until	Mar & Aug-05	Dec-07	Dec-08	Feb-09	May-13	May-14		
Founders	176 544	15 135		87 500			279 179	5.5%
HealthCap	1 600 147	10 407					1 610 554	31.6%
Investor Investments Novare Ltd	375 000						375 000	7.4%
SV Life Sciences							0	0.0%
International Biotechnology Trust*							0	0.0%
Employees		100 000	154 000	582 500			836 500	16.4%
Others	3 832	339 574	150 000		500 000	1 000 000	1 993 406	39.1%
<b>Total</b>	<b>2 155 523</b>	<b>465 116</b>	<b>304 000</b>	<b>670 000</b>	<b>500 000</b>	<b>1 000 000</b>	<b>5 094 639</b>	<b>100%</b>

\* Advised by SV Life Sciences.

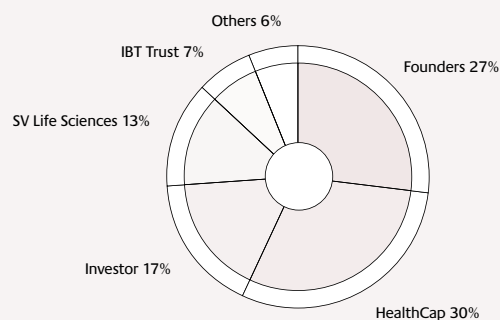
# Ownership

Affibody is a privately held company. The key shareholders and their share holdings as of December 31, 2004 are shown in the table and pie chart below.

	A	P1	P2	P3	P4	TOTAL NO. OF SHARES	TOTAL %
Founders	6 145 240					6 145 240	26.6%
HealthCap	281 973	595 000	2 000 000	367 999	3 846 154	7 091 126	30.7%
Investor Investments Novare Ltd			1 980 200		1 923 076	3 903 276	16.9%
SV Life Sciences					3 076 924	3 076 924	13.3%
International Biotechnology Trust*					1 538 462	1 538 462	6.7%
Others	170 520				1 153 846	1 324 366	5.8%
<b>Total</b>	<b>6 597 733</b>	<b>595 000</b>	<b>3 980 200</b>	<b>367 999</b>	<b>11 538 462</b>	<b>23 079 394</b>	<b>100%</b>

\* Advised by SV Life Sciences.

**Ownership distribution**



# Administration Report

The Board of Directors and the Chief Executive Officer of Affibody AB (publ) hereby submit the following annual report for the financial year 2004.

## Operations

Affibody is a Swedish biotherapy and biotechnology company. In the short to mid term we aim to commercialize the Affibody® molecules in various biotechnological applications such as *in vitro* diagnostics, protein arrays and biomolecule separation and thereby create a profitable biotechnology division. The long-term goal is to develop therapeutic agents based on our novel class of affinity ligands - Affibody® molecules. These are developed as biopharmaceuticals, for medical imaging and for therapeutic apheresis in the Biotherapy division.

The key component of Affibody's technology is the Affibody® molecule, a small robust protein that can be designed to bind to any target protein. Affibody® molecules mimic the function of monoclonal antibodies. In addition Affibody has developed complementary proprietary technologies, which enhance the Affibody® molecule in a wide range of applications.

## Significant Events during and after the Financial Year

### – External Projects

#### *Biotherapy – Astra Tech*

In September, Affibody signed a collaboration agreement with Astra Tech in the field of medical apheresis. Within this collaboration, Affibody will develop Affibody® molecules that target inflammatory proteins. These affinity ligands will be used in Astra Tech's filter devices for purification of patients' blood during surgery.

This collaboration started in February when the parties reached a principal agreement. Affibody has developed a number of Affibody® molecules, which target the first two inflammatory protein targets specified under the collaboration.

#### *Biotechnology – Agilent Technologies*

In December 2004, Affibody and Agilent entered into a three year collaboration regarding potential future uses of Affibody technology with Agilent products. Agilent has paid an up-front license fee and guarantees continued purchase of Affibody® ligands during three years.

#### *Biotechnology – Finnzymes*

The collaboration with Finnzymes was initiated in March 2004. The scope of the collaboration is to develop Affibody® molecules for use in Finnzyme's HotStart PCR kits, to inhibit enzymatic activity at low temperatures. During the year, Affibody has succeeded in developing Affibody® molecules that

inhibit the enzyme. This constitutes a scientific achievement since it demonstrates for the first time that Affibody® molecules can be used to inhibit enzymatic activity.

#### *Biotechnology – Mabtech*

The collaboration with Mabtech was initiated in March 2004. The aim of the collaboration is to develop research/diagnostic kits for the research market. Affibody will develop Affibody® molecules for detection of biologically relevant proteins and Mabtech will develop the diagnostic kits. Mabtech has generated results that prove that Affibody® molecules are well suited for Mabtech's assay format.

#### *Biotechnology – GE Healthcare (Amersham Biosciences)*

Within the business area Biotechnology, Affibody has had two research collaborations with GE Healthcare:

**Separomics I** – Under the first collaboration, which was successfully concluded in April 2003, Affibody has developed alkali-stabilized ligands for bioprocess scale affinity chromatography, that is industrial scale purification of pharmaceutical proteins. During December 2004, GE Healthcare launched MabSelect SuRe™, their product based on this collaboration. Affibody will be entitled to royalties on the future sales of this product.

**Separomics II** – The second agreement with GE Healthcare was initiated in March 2002 and runs for four years. Under the collaboration, Affibody will develop Affibody® molecules to increase efficiency of large-scale purification of pharmaceutical proteins. Affibody has successfully selected a number of specific affinity ligands. In March 2004 this collaboration was renegotiated due to changed market conditions. Going forward Affibody will use designated resources to support GE Healthcare with improvements of the joint product MabSelect SuRe™.

In addition to the previously mentioned partners Affibody has supplied Affibody molecules to Asahi Kasei of Japan and Dynal Biotech of Norway during the past year.

## Internal Projects

### *Biotherapy – Biopharmaceuticals Pipeline*

Affibody has established a pre-clinical biopharmaceutical pipeline. The applications are cancer, Alzheimer's disease and inflammation.

Affibody® molecules targeting the breast cancer target HER2 and the Alzheimer's disease target amyloid beta peptide (Aβ) are currently undergoing preclinical testing. The Affibody® molecule targeting Aβ has been shown to be virtually non-immunogenic in normal mice and rats which yields support for the application of Affibody® molecules for other indications which require chronic treatment.

#### *Biotherapy – Medical Imaging*

Medical Imaging involves using Affibody® molecules to identify cancer tumors and to monitor progression of treatment.

Affibody's Biotherapy project closest to clinical trials is the HER2 project. Highly specific Affibody® molecules labeled with radioactive compounds are currently being evaluated *in vivo*, and have been shown to have excellent tumor targeting properties with a tumor to blood ratio of more than 100:1. Useful images can be created within an hour, which is a breakthrough.

The promising research data in this field will be further evaluated during 2005.

#### *Biotherapy – Therapeutic Apheresis*

Affibody's approach in the area of Therapeutic Apheresis is to use immobilized Affibody® molecules in a medical device to purify patients' blood from disease-related proteins.

In addition to the collaboration with Astra Tech, Affibody pursues an internal project with Alzheimer's disease as a proof-of-concept application. Alzheimer's disease is a neurodegenerative disease that currently lacks efficient treatment. Affibody's approach in this field is to develop ligands for therapeutic apheresis and thereby remove circulating amyloid beta (Aβ) from the patient. This in turn should reduce the build up of amyloid beta plack in the brain and thereby affect the progression of Alzheimer's disease. This could in the future result in a novel treatment for Alzheimer's disease.

Affibody is seeking a potential collaboration partner in this field.

#### *Biotechnology – New Division*

Affibody continues to recognize the market need for affinity ligands in life sciences and drug discovery research. To focus its effort in Biotechnology Affibody will establish a Biotechnology division within the company as of January 1, 2005. This division will focus on the highly efficient selection, production and supply of Affibody affinity ligands for use in various application areas such as bio-separation, proteomics, drug discovery, bio-marker discovery and research diagnostics. As a part of this effort Affibody will develop its own products and establish its own sales channel for Affibody ligands.

#### *New Agreements 2005*

Around the turn of the year 2004/2005 two new research collaborations have been formalized. Affibody has been granted funds from VINNOVA together with two academic institutions

to conduct research regarding affinity ligands for tumor targeting. In addition, Affibody has, together with 17 other European consortium members, been granted funds from the EU to conduct research in the area of genomic epidemiology. Affibody will contribute with research regarding affinity ligands for purification of serum samples to improve efficiency in detailed proteomic studies.

#### **Future Outlook**

The operations in the Biotherapy and Biotechnology divisions will continue according to plan. The Medical Imaging business will seek external funding during 2005 with focus on finding industrial partners.

The Biotechnology division is closest to commercialization and the goal is that the business can be run on a break-even basis within the next few years.

The Biotherapy division has potential in the long term to develop new biopharmaceuticals for large disease areas. However, this requires long development times and is associated with considerable risk although there is a potential for a healthy increase in value and profitability in the long term.

Affibody AB has financial means to continue operations through the whole of 2005 and will work to secure continued financing from current and new owners during the year.

#### **Financial Results for the Group during the Year**

Group net sales increased to KSEK 10 883 (7 936) during 2004. The collaborations with GE Healthcare and the new collaboration with Astra Tech account for the major part of the net sales.

Total operating expenses for the full year 2004 decreased to KSEK 81 482 (87 754) as a result of decreased expenses for goodwill amortization KSEK 0 (9 179). Other depreciation amounted to KSEK 9 339 (9 182).

The operating loss decreased and amounted to KSEK 70 599 (79 818) for 2004. The operating loss excluding goodwill amortization was KSEK 70 599 (70 639).

Net interest income for the year decreased to KSEK 2 694 compared to last years (5 406) since Affibody has less liquid assets that generate interest. The financial net also decreased to KSEK 1 824 (4 544).

Cash flow from operating activities was lower for 2004, KSEK -72 006, than for 2003 (-58 334) mainly due to an increase in working capital compared to previous year-end.

Investments in fixed assets during 2004 amounted to KSEK 54 (468). Most investments are financed with leasing and are therefore not shown under Investment Activities in the Cash Flow Statement.

Net cash flow for the full year 2004, after investing and financing activities, amounted to KSEK -71 521 (-58 634).

Cash and short-term investments amounted to KSEK 81 338 (152 859) at the end on December 2004.

### Financial Results for the Parent Company

The Parent Company shows the same net sales as the Group for 2004, that is KSEK 10 883 to be compared with last years net sales of KSEK 7 951.

The loss for the Parent Company was KSEK 68 679 (89 696). In 2003, the loss in Affibody AB was affected by the fact that all the goodwill associated with the acquisition of the operations in the subsidiary Visual Bioinformatics AB was written of, in total KSEK 23 843.

Investments in fixed asset in the Parent Company during 2004 were KSEK 54 (468).

### Shareholders Equity

As no new shares were issued during the year, the share capital remained unchanged amounting to SEK 4 615 878.80, distributed on 23 079 394 shares, each with a nominal value of SEK 0.20.

During 2004, 1 000 000 warrants were issued by Affibody AB to Affibody Incentive AB as a basis for future agreements regarding stock options to employees. A total of 216 500 stock options were allocated to employees in Affibody at the end of 2004. The remaining warrants are held as a hedge for future social security expenses that arise when the options are exercised. By the end of the period, warrants corresponding to 5 094 639 shares were outstanding, of which Affibody AB and Affibody Incentive AB own 1 507 102.

Total shareholder's equity for the Group at the end of 2004 amounted to 83 063 (151 690) following accounting of the loss for the year.

### Organization and Personnel

During the year, the research management team has been strengthened. In January, Lars Abrahmsén joined Affibody as Chief Scientific Officer. Other selective recruitments to the research organization have been made during the year, which consisted of around 51 full-time employees on average. Business development and administration have had an average of two and seven persons respectively in their teams.

At the end of the year Affibody had 69 persons employed of whom six were on leave of absence or on parental leave.

At the end of 2004 Affibody decided to further focus the business by creating two divisions: Biotherapy and Biotechnology. This organisational change is fully operational as per January 2005.

### Board of Directors

Affibody's Board has eight directors and two alternates whom the Annual General Shareholder's meeting has elected. At the beginning of 2004 two employee representatives, and one alternate, were designated to participate in the Board. Thus, Affibody's Board now consists of ten members and three alternates. Six board meetings were held during 2004.

Affibody has a Compensation Committee consisting of three Board members. The Compensation Committee recommends and prepares board decisions regarding remuneration to the CEO and executive management as well as the terms and conditions for the company's incentive programs. During 2004, issues in the Compensation Committee have concerned allotment of stock option scheme for all employees as well as salary and bonuses for the CEO and executive management.

Affibody also has an Audit Committee with three members from the Board. The Audit Committee prepares the board's review of the Group accounts, accounting principles and financial position. The Audit Committee also acts as the Board's speaking partner to the auditors and discuss the direction of the audit as well as the auditors remuneration. The Audit Committee has convened twice during the year and the auditors have participated in parts of these meetings.

### Proposed Allocation of Losses

#### *The Group*

The Group lacks distributable equity and thus no dividend is proposed. The Group's accumulated loss amounts to SEK 69 226 136.

#### *The Parent Company*

The accumulated loss in Affibody AB from previous year amounts to SEK 0 after losses from previous years have been covered by the share premium reserve. The loss for 2004 amounts to SEK 68 679 290.

The Board and CEO propose that the year's loss of SEK 68 679 290 should be covered by the share premium reserve.

# Income Statements

KSEK	NOTE	THE GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Net sales	1,2	10 883	7 936	10 883	7 951
		10 883	7 936	10 883	7 951
<b>Operating expenses</b>	3-9				
Marketing and sales expenses		-2 950	-3 256	-2 950	-3 256
Administrative expenses		-15 290	-15 643	-15 307	-15 650
Research and development expenses		-63 242	-68 855	-63 943	-84 121
<b>Total operating expenses</b>		<b>-81 482</b>	<b>-87 754</b>	<b>-82 200</b>	<b>-103 027</b>
<b>Operating loss</b>		<b>-70 599</b>	<b>-79 818</b>	<b>-71 317</b>	<b>-95 076</b>
<b>Result from financial investments</b>					
Result from other securities		-	32	-	14
Interest income		2 694	5 406	2 690	5 398
Interest expense		-870	-894	-52	-32
		1 824	4 544	2 638	5 380
<b>Loss after financial items</b>		<b>-68 775</b>	<b>-75 274</b>	<b>-68 679</b>	<b>-89 696</b>
Corporate income tax	10	-	-	-	-
<b>Loss for the year</b>		<b>-68 775</b>	<b>-75 274</b>	<b>-68 679</b>	<b>-89 696</b>
<b>Loss/Earnings per share (EPS)</b>					
Average no. of shares outstanding, '000		23 079	23 079	23 079	23 079
Corresponding EPS, SEK		-2.98	-3.26	-2.98	-3.89
Average no. of shares fully diluted, '000		27 677	26 926	27 677	26 926
Corresponding EPS*, SEK		-2.98	-3.26	-2.98	-3.89
Proposed dividend per share		0	0	0	0

\* Warrants do not dilute EPS since exercise of warrants would improve EPS.

# Balance Sheets

ASSETS, KSEK	NOTE	THE GROUP		PARENT COMPANY	
		2004-12-31	2003-12-31	2004-12-31	2003-12-31
<b>Fixed assets</b>					
<b>Intangible assets</b>	8				
Patents and license rights		2 714	6 636	2 714	6 636
Goodwill		-	-	-	-
		<b>2 714</b>	<b>6 636</b>	<b>2 714</b>	<b>6 636</b>
<b>Tangible assets</b>	9				
Leasehold improvements		4 770	5 408	4 770	5 408
Office and IT-equipment		1 062	2 231	211	408
Laboratory equipment		11 179	11 878	1 380	2 951
		<b>17 011</b>	<b>19 517</b>	<b>6 361</b>	<b>8 767</b>
<b>Financial assets</b>					
Participation in group companies	11	-	-	100	100
Participation in other companies		14	14	14	14
		<b>14</b>	<b>14</b>	<b>114</b>	<b>114</b>
<b>Total fixed assets</b>		<b>19 739</b>	<b>26 166</b>	<b>9 189</b>	<b>15 517</b>
<b>Current assets</b>					
<b>Current receivables</b>					
Accounts receivable – trade		205	421	205	421
Receivables from group companies		-	-	169	164
Other receivables		2 546	1 663	2 546	1 663
Prepaid expenses and accrued income	12	5 753	3 435	5 753	3 435
		<b>8 504</b>	<b>5 519</b>	<b>8 673</b>	<b>5 683</b>
<b>Short-term investments</b>					
Other short-term investments	13	68 206	135 694	68 206	135 694
		<b>68 206</b>	<b>135 694</b>	<b>68 206</b>	<b>135 694</b>
<b>Cash and bank balances</b>		<b>13 132</b>	<b>17 165</b>	<b>12 886</b>	<b>16 922</b>
<b>Total current assets</b>		<b>89 842</b>	<b>158 378</b>	<b>89 765</b>	<b>158 299</b>
<b>Total assets</b>		<b>109 581</b>	<b>184 544</b>	<b>98 954</b>	<b>173 816</b>

EQUITY AND LIABILITIES, KSEK	NOTE	THE GROUP		PARENT COMPANY	
		2004-12-31	2003-12-31	2004-12-31	2003-12-31
<b>Equity</b>	16				
<b>Restricted equity</b>					
Share capital		4 616	4 616	4 616	4 616
Share premium reserve		147 672	237 220	147 694	237 242
		<b>152 288</b>	<b>241 836</b>	<b>152 310</b>	<b>241 858</b>
<b>Non-restricted equity</b>					
Accumulated deficit		-451	-14 872	0	0
Loss for the year		-68 775	-75 274	-68 679	-89 696
		<b>-69 226</b>	<b>-90 146</b>	<b>-68 679</b>	<b>-89 696</b>
<b>Total equity</b>		<b>83 063</b>	<b>151 690</b>	<b>83 631</b>	<b>152 162</b>
<b>Provisions</b>	14	<b>1 600</b>	<b>1 167</b>	<b>1 600</b>	<b>1 167</b>
<b>Long-term liabilities</b>					
Financial leasing	15	11 196	11 201	-	-
<b>Current liabilities</b>					
Accounts payable – trade		3 041	5 007	3 041	5 007
Other liabilities		1 800	1 971	1 801	1 972
Accrued expenses and deferred income	17	8 881	13 508	8 881	13 508
<b>Total current liabilities</b>		<b>13 722</b>	<b>20 486</b>	<b>13 724</b>	<b>20 487</b>
<b>Total equity and liabilities</b>		<b>109 581</b>	<b>184 544</b>	<b>98 954</b>	<b>173 816</b>
<b>Pledged assets</b>	18	<b>16 649</b>	<b>16 749</b>	<b>16 649</b>	<b>16 749</b>
<b>Contingent liabilities</b>		<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

# Changes in Shareholders' Equity

THE GROUP KSEK	SHARE CAPITAL	RESTRICTED RESERVES	ACCUMULATED DEFICIT	LOSS FOR THE YEAR	TOTAL
<b>Initial value 2003</b>	<b>4 616</b>	<b>349 768</b>	<b>-53 335</b>	<b>-74 235</b>	<b>226 814</b>
Loss brought forward			-74 235	74 235	0
Accounting of accumulated deficit		-112 698	112 698		0
Warrant sale		150			150
Loss for the year				-75 274	-75 274
<b>End of year 2003</b>	<b>4 616</b>	<b>237 220</b>	<b>-14 872</b>	<b>-75 274</b>	<b>151 690</b>
Loss brought forward			-75 274	75 274	0
Accounting of accumulated deficit		-89 696	89 696		0
Repaid VAT on issue expenses		148			148
Loss for the year				-68 775	-68 775
<b>End of year 2004</b>	<b>4 616</b>	<b>147 672</b>	<b>-450</b>	<b>-68 775</b>	<b>83 063</b>
Proposed dividend				0	0

PARENT COMPANY KSEK	SHARE CAPITAL	RESTRICTED RESERVES	ACCUMULATED DEFICIT	LOSS FOR THE YEAR	TOTAL
<b>Initial value 2003</b>	<b>4 616</b>	<b>349 940</b>	<b>-51 723</b>	<b>-60 975</b>	<b>241 857</b>
Loss brought forward			-60 975	60 975	0
Accounting of accumulated deficit		-112 698	112 698		0
Loss for the year				-89 696	-89 696
<b>End of year 2003</b>	<b>4 616</b>	<b>237 242</b>	<b>0</b>	<b>-89 696</b>	<b>152 162</b>
Loss brought forward			-89 696	89 696	0
Accounting of accumulated deficit		-89 696	89 696		0
Repaid VAT on issue expenses		148			148
Loss for the year				-68 679	-68 679
<b>End of year 2004</b>	<b>4 616</b>	<b>147 694</b>	<b>0</b>	<b>-68 679</b>	<b>83 631</b>
Proposed dividend				0	0

# Cash Flow Statements

KSEK	NOTE	THE GROUP		PARENT COMPANY	
	19	2004	2003	2004	2003
<b>Operating activities</b>					
Loss for the year		-68 775	-75 274	-68 679	-89 696
<b>Adjustments for non-cash flow items</b>					
Depreciation		5 958	15 418	5 958	30 082
Result from the retirement of fixed assets		-	164	-	183
Write-down of other securities		-	-14	-	-14
Other non-cash flow items		562	2 505	466	2 290
<b>Cash from operating activities before changes in working capital</b>		<b>-62 255</b>	<b>-57 201</b>	<b>-62 255</b>	<b>-57 155</b>
<b>Cash flow from working capital changes</b>					
Change in receivables		216	-421	216	-421
Change in other current assets		-3 201	-1 782	-3 206	-1 653
Change in accounts payable		-1 966	344	-1 966	344
Change in other operating liabilities		-4 800	726	-4 798	-11 936
<b>Cash flow from operating activities</b>		<b>-72 006</b>	<b>-58 334</b>	<b>-72 010</b>	<b>-70 821</b>
<b>Investing activities</b>					
Liquidation of subsidiary		-	-	-	12 776
Investments in tangible fixed assets		-54	-468	-54	-468
Sale of tangible fixed assets		391	18	391	-
Investments in financial fixed assets		-	-14	-	-14
Sale of financial fixed assets		-	14	-	14
<b>Cash flow from investing activities</b>		<b>337</b>	<b>-450</b>	<b>337</b>	<b>12 308</b>
<b>Financing activities</b>					
Repaid VAT on issue expenses		148	-	148	-
Warrant premiums		-	150	-	-
<b>Cash flow from financing activities</b>		<b>148</b>	<b>150</b>	<b>148</b>	<b>0</b>
<b>Cash flow for the year</b>		<b>-71 521</b>	<b>-58 634</b>	<b>-71 524</b>	<b>-58 513</b>
Cash and short-term investments* at beginning of year		152 859	212 588	152 616	212 225
Value adjustment short-term investments		-	-1 096	-	-1 096
Cash and short-term investments at end of year		81 338	152 859	81 092	152 616

\* Short-term investments that can be realised in three months or less.

# Accounting Principles

The accounting and valuation principles applied are consistent with provisions of the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council (the Council).

During the year, one new accounting standard from the Council has been implemented. This has not affected the financial accounts.

Since Affibody is not public and does not intend to go public within the near future Affibody has decided to postpone an implementation of IFRS. The Company intends to maintain the current accounting standards according to the Council.

Amounts in brackets indicate comparative figures for the corresponding period last year. Amounts are expressed in thousands of Swedish Kronor (KSEK) unless otherwise indicated.

## Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the purchase accounting method in accordance with the accounting standard RR 1:00 issued by the Council. Thus, in addition to the Parent Company's equity, only the earnings/loss from the subsidiaries' operations after the date of acquisition are included in the Group's equity. The difference between the Group's acquisition cost for the shares in the subsidiaries and the fair value of identifiable assets and liabilities at the time of acquisition is reported as goodwill and is depreciated over its estimated useful life.

The consolidated financial statements include all subsidiaries. A subsidiary is a company in which the Parent Company directly or indirectly owns shares representing more than half of the votes.

## Change in Group structure

Affibody AB (publ) is the parent company of the Affibody Group, which during the year has had only one wholly owned subsidiary, Affibody Incentive AB. During 2003 the Group also had another wholly owned subsidiary, Visual Bioinformatics AB. However, Visual Bioinformatics had no operations during 2003 and at the end of 2003 a voluntary liquidation of Visual Bioinformatics AB was concluded.

## Accounting of Income

Research fees are accounted for during the period to which they refer. Material signing fees are proportionally allocated over the duration of the contract. Milestone payments are accounted for when they have been achieved. Sales of technology licenses are accounted for during the period when the sale is confirmed.

Royalty payments (or other forms of revenue sharing) are accounted for when they are invoiced. Sale of software licenses are allocated over the duration of the license.

## Research and Development Costs

In accordance with the Council's RR 15 the Company has to date expensed all research and development costs as they are incurred since these are still of "research" rather than "development" character. During 2004 the Group expensed 63 242 (68 855) of research and development costs, whereof 2 290 (1 599) regarding patenting expenses.

## Employee Compensation

The Company mainly has ITP-based plans in Alecta. These constitute a benefit based plan that includes several employers and is accounted for in accordance with RR 29. Presently, there is not sufficient information to record this as a benefit based plan. To the degree that there is a surplus or deficit at Alecta this will affect the future pension fees. Other pension schemes are fee-based.

Additional information regarding employee compensation can be found in notes 3, 4, 14 and 16.

## Financial Risks

Affibody has a Finance Policy which has been passed by the Board and which serves to control the financial risks of the business. The goal is to minimize the financial risks associated with the Company's operations and maximise the return on liquid funds within the framework of the Policy. The key financial risks are currency, credit and liquidity risk. These risks have been limited and to date Affibody has not applied any form of financial hedging instruments.

## Assets and Liabilities

Assets and liabilities are stated at cost and nominal value respectively, unless otherwise indicated. Receivables are stated at the amounts that are expected to be received, based on an individual assessment.

## Leased Assets

In accordance with the Council's standard RR 6:99 all operating assets that have been financed with leasing have been

recalculated as debt-financed assets in the group income statement and balance sheets for 2002–2004. Prior to that there were no leased assets.

In note 9, depreciation on leased assets is specified. In note 7, the financial commitment relating to leased assets is shown. Note 15 shows the due date of the debt relating to leased assets. Furthermore, note 18 specifies the collateral pledged for the benefit of the lessor.

#### **Receivables and Payables in Foreign Currency**

Receivables and payables are translated at the closing day exchange rate.

#### **Fixed Assets**

Tangible and non-tangible fixed assets are depreciated systematically over the estimated useful life based on the assets cost as per the following:

Patents and licenses	3 years
Goodwill	3 years (not applicable 2004)
Leasehold improvements	10 years
Office and IT-equipment	3–5 years
Laboratory equipment	5 years

The license to InforSense’s informatics platform, which was acquired when the collaboration with InforSense was initiated, was initially depreciated over the duration of the agreement, five years. During 2003 the value of this asset has been re-evaluated and depreciation has been adjusted to reflect a useful life of three years.

An impairment test of goodwill is performed annually and in the closing of 2003 years accounts a substantial write-down has been made. There is now no remaining goodwill in the Group or the Parent Company.

Leasehold improvements consist of expenses for planning and rebuilding the office and laboratory premises for which Affibody has a ten-year lease. Investments are depreciated over ten years from the start of the lease in April 2002. New investments are depreciated within this ten-year period.

According to the Councils RR 17 an impairment test is made of the value of the fixed assets every year to determine a potential need for write-downs.

#### **Short-term Investments**

Short-term investments are valued at the lowest of cost of market value.

#### **Cash Flow Statement**

The cash flow statement was prepared in accordance with the indirect method and according to the Council’s standard RR 7 regarding cash flow statements. Thus the cash flow statement only shows real cash flows and investments financed via leasing are not shown here.

# Notes to the Financial Statements

## Note 1. Distribution of Net Sales

Net sales for the Group/Parent Company is distributed as follows:

KSEK	2004		2003	
	The Group	Parent Company	The Group	Parent Company
Product sales	229	229	-	-
Services (incl. Milestone)	10 503	10 503	6 965	6 965
Licenses (incl. signing)	425	425	1 312	1 312
Royalty	-	-	22	22
Revenue adjustments	-274	-274	-364	-349
<b>Total</b>	<b>10 883</b>	<b>10 883</b>	<b>7 936</b>	<b>7 951</b>

## Note 2. Purchases and Sales between Group Companies

The Parent Company has during 2004 invoiced Affibody Incentive for a management fee of 3 (15).

## Note 3. Personnel

### Average number of employees

	2004		2003	
	Number of employees	Number of men	Number of employees	Number of men
The Group	60	29	62	28
Parent Company	60	29	62	28
Executive management	7	5	7	5
Board of Directors	10	8	8	7

At the end of 2004 there were 69 employees in the group of which six were on leave, i.e. 63 persons were on duty at the end of the year.

### Absence due to illness

	2004	2003
All employees:		
Total absence	2.4%	2.1%
Of which absence exceeding three weeks	12.3%	67.1%
Women	3.7%	3.0%
Men	1.0%	0.9%
29 years and younger	1.1%	1.8%
30-49 years	2.4%	1.4%
Older than 50 years	Fewer than ten persons. Not disclosed.	

## Salaries, remuneration and social security expenses

KSEK	2004		2003	
	Salaries and other remuneration	Social security expenses (of which pension*)	Salaries and other remuneration	Social security expenses (of which pension*)
The Group	29 046	15 938 (4 832)	28 260	16 339 (4 813)
Parent Company	29 046	15 938 (4 832)	28 260	16 339 (4 813)

\* All pension schemes have been deemed to be fee-based. Thus the amount stated above is the Company's total expense for fee-based plans.

## Distribution of total remuneration between employees and board

KSEK	2004		2003	
	Board and CEO (of which bonus)	Other employees (of which bonus)	Board and CEO (of which bonus)	Other employees (of which bonus)
Sweden	2 626 (312)	26 421 (50)	2 410 (0)	25 849 (409)

KSEK	2004		2003	
	Board and CEO (of which bonus)	Other employees (of which bonus)	Board and CEO (of which bonus)	Other employees (of which bonus)
Sweden	2 626 (312)	26 421 (50)	2 410 (0)	25 849 (409)

## Share-based compensation

Information regarding share-based compensation according to the Council's RR 29 can be found below in note 4 "Compensation to board, CEO and executive management", and in note 14 "Provisions" as well as note 16 "Equity".

#### Note 4. Compensation to Board, CEO and Executive Management

##### Principles

The Chairman of the Board and Board members receive remuneration as set by the Shareholders Meeting. 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 executive management. Compensation elements are salary, bonuses, other benefits and

share-based compensation. The executive management team consists of six persons as well as the CEO.

The distribution between salary and bonuses is based on the persons' responsibility and authority. For the CEO the bonus may not exceed 30 per cent of the annual salary. Pensions and compensation based on securities as well as other benefits are part of the total compensation package.

##### Compensation and benefits during the year

KSEK	Salary/Board fees	Bonus	Other benefits	Pensions	Other remuneration	Total
Chairman of the Board	200	0	0	0	0	200
Board member Per-Åke Nygren	75	0	0	0	120	195
CEO	1 592	312	106	500	0	2 510
Executive management (six persons)	4 622	50	35	1 218	0	5 925
<b>Total</b>	<b>6 489</b>	<b>362</b>	<b>141</b>	<b>1 718</b>	<b>120</b>	<b>8 830</b>

##### Terminal payments and notice periods for the CEO and executive management

If dismissed by the Company under normal circumstances the CEO is entitled to compensation equivalent to 12-months salary, which is 1 560. If the CEO is dismissed as a result of the sale of the Company he is entitled to the equivalent of 18-months salary, which totals 2 340. In case of resignation, the CEO shall

receive the equivalent of 12-months salary, which is 1 560.

The other members of the executive management have normal notice periods of three to six months depending on age and position.

##### Board members' and management's share holdings and warrants

	A shares	W1	W2	W3 2001	W3 2002	SO 2003	SO 2004	Total stock equivalents
Strike price, SEK		15.15	20.20	52.00	52.00	1.0	1.0	
Exercise period until		Aug-05	Dec-07	Dec-08	Feb-09	May-13	Dec-14	
<b>Board</b>								
Per-Åke Nygren	1 300 000							0
Mathias Uhlén	1 453 904	28 745	2 464					31 209
Håkan Mogren					50 000			50 000
<b>Management</b>								
Torben Jørgensen*					285 000	55 000	40 000	380 000
Lars Bäckman*				50 000	25 000	40 000	20 000	135 000
Rebecca Källskog					12 500	15 000		27 500
Birger Jansson*						40 000	20 000	60 000
Lars Abrahmsén*						50 000	20 000	70 000
Eola Ånggård Runsten				50 000	12 500	26 667		89 167
Mårten Österlund*				50 000	12 500	40 000	20 000	122 500
<b>Total</b>	<b>2 753 904</b>	<b>28 745</b>	<b>2 464</b>	<b>150 000</b>	<b>397 500</b>	<b>266 667</b>	<b>120 000</b>	<b>965 376</b>

\* The amounts include allocated but vested stock options. Allocated options in the 2003 stock option programme have partially been earned. Stock options allocated in the 2004 stock option scheme are fully vested and contingent upon continued employment in the Company. Since Rebecca Källskog and Eola Ånggård Runsten have resigned during 2004 only unconditional stock options have been included in the table above.

Per-Åke Nygren and Mathias Uhlén are the only persons in the Board and management group who also own shares in Affibody AB. As per December 31, 2004, Per-Åke Nygren held 1 300 000 shares and Mathias Uhlén held 1 453 904 shares in the Company.

##### Transactions with related parties

The sale of Proteinweaver to HPRP is regarded as a transaction with a related party since Professor Mathias Uhlén is a Board member of Affibody and also is Program Director of HPRP and thus has a considerable influence in both organisations. However, he has not participated in the Board resolution regarding the transaction and has not signed the license agreement. The price in the license sale has been market based.

Consultant services purchases from the Board member Per-Åke Nygren are disclosed in the table above. The pricing of these services has been on market terms and is in line with other consultant services purchased by Affibody.

#### Note 5. Auditors Fees

KSEK	2004		2003	
	The Group	Parent Company	The Group	Parent Company
Ernst & Young				
Audit Services	285	285	388	380
Other Services	250	250	126	126
<b>Total Auditor's fees</b>	<b>535</b>	<b>535</b>	<b>514</b>	<b>506</b>

#### Note 6. Depreciation

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

KSEK	2004		2003	
	The Group	Parent Company	The Group	Parent Company
Administration	307	135	390	192
Of which tangible assets	307	135	390	192
Of which intangible assets	-	-	-	-
Research & Development	9 032	5 823	17 971	29 890
Of which Goodwill	-	-	9 179	23 843
Of which tangible assets	5 110	1 901	4 806	2 061
Of which intangible assets	3 922	3 922	3 986	3 986
<b>Total depreciation</b>	<b>9 339</b>	<b>5 958</b>	<b>18 361</b>	<b>30 082</b>

#### Note 7. Financial Commitments

The Group/Parent Company has a leasing facility for the purpose of financing new equipment purchases. The leasing facility has a cap of SEK 20 million for laboratory equipment and SEK 5 million for office equipment. Laboratory equipment is leased over five years. Office and IT equipment is leased over three years. As per December 31, 2004, laboratory and office/IT equipment for 15 153 and 3 416 respectively had been purchased via this leasing facility. This corresponds to annual leasing fees of 3 861. These investments have been recalculated as financial leases in the Group accounts. Further investments will be made during 2005.

The Group/Parent Company has financial commitments regarding lease of equipment as shown below:

KSEK	Fixed assets
Fees due in	
2005	3 861
2006-2008	5 961
2009 or later	311

The Group/Parent Company has financial commitments regarding lease of premises as shown below:

KSEK	Buildings and office space
Fees due in	
2005	6 313
2006-2008	18 939
2009 or later	18 939

#### Note 8. Intangible Assets

The Group/Parent Company Patents and Licenses	2004	2003
KSEK		
Beginning acquisition value	11 766	11 766
Purchases	-	-
<b>Accumulated acquisition value end of year</b>	<b>11 766</b>	<b>11 766</b>
Beginning depreciation	-5 130	-1 144
Depreciation for the year	-3 922	-3 986
<b>Year end accumulated depreciation</b>	<b>-9 052</b>	<b>-5 130</b>
<b>Year end residual value</b>	<b>2 714</b>	<b>6 636</b>

The Group Goodwill	2004	2003
KSEK		
Beginning acquisition value	18 358	18 358
Purchases	-	-
<b>Accumulated acquisition value end of year</b>	<b>18 358</b>	<b>18 358</b>
Beginning depreciation	-18 358	-9 179
Depreciation for the year	-	-6 119
Write-down	-	-3 060
<b>Year end accumulated depreciation</b>	<b>-18 358</b>	<b>-18 358</b>
<b>Year end residual value</b>	<b>0</b>	<b>0</b>

The Goodwill of 18 358 that arose in conjunction with the acquisition of Visual Bioinformatics AB was fully written off in 2003 when the bioinformatics effort was discontinued.

Parent Company Goodwill	2004	2003
KSEK		
Beginning acquisition value	23 843	23 843
Purchases	-	-
<b>Accumulated acquisition value end of year</b>	<b>23 843</b>	<b>23 843</b>
Beginning depreciation	-23 843	-
Depreciation for the year	-	-7 948
Write-down	-	-15 895
<b>Year end accumulated depreciation</b>	<b>-23 843</b>	<b>-23 843</b>
<b>Year end residual value</b>	<b>0</b>	<b>0</b>

The Goodwill in the Parent Company of 23 843 arose in conjunction with the acquisition of Visual Bioinformatics AB operations. Due to the revaluation of the bioinformatics business at the end of 2003 the goodwill was fully written-off at the end of 2003.

#### Note 9. Tangible Assets

The Group/Parent Company Leashold improvements	2004	2003
KSEK		
Beginning acquisition value	6 447	5 979
Purchases	15	468
<b>Accumulated acquisition value end of year</b>	<b>6 462</b>	<b>6 447</b>
Beginning depreciation	-1 039	-424
Depreciation for the year	-653	-615
<b>Year end accumulated depreciation</b>	<b>-1 693</b>	<b>-1 039</b>
<b>Year end residual value</b>	<b>4 770</b>	<b>5 408</b>

Leasehold improvements refer to expenses incurred in conjunction with the reconstruction of new premises. These investments will be depreciated over the period remaining of the duration of the lease contract.

The Group		
Office and IT equipment		
KSEK	2004	2003
Beginning acquisition value	4 521	4 466
Acquired acquisition value	17	-
Sales/retirements	-	-330
Investments financed with leasing	93	385
<b>Accumulated acquisition value end of year</b>	<b>4 631</b>	<b>4 521</b>
Beginning depreciation	-2 290	-1 130
Beginning depreciation on sold assets	-	167
Depreciation for the year	-214	-335
Depreciation for the year on leased assets	-1 065	-992
<b>Year end accumulated depreciation</b>	<b>-3 569</b>	<b>-2 290</b>
<b>Year end residual value</b>	<b>1 062</b>	<b>2 231</b>
Whereof leased assets	851	1 823

Parent Company		
Office and IT equipment		
KSEK	2004	2003
Beginning acquisition value	1 198	1 528
Purchases	17	-
Sales/retired	-	-330
<b>Accumulated acquisition value end of year</b>	<b>1 215</b>	<b>1 198</b>
Beginning depreciation	-790	-622
Beginning depreciation on sold/retired assets	-	167
Depreciation for the year	-214	-335
<b>Year end accumulated depreciation</b>	<b>-1 004</b>	<b>-790</b>
<b>Year end residual value</b>	<b>211</b>	<b>408</b>

The Group		
Laboratory equipment		
KSEK	2004	2003
Beginning acquisition value	18 630	17 241
Acquired acquisition value	-	-
Purchases	22	-
Investments financed with leasing	3 189	1 480
Sales/retirements	-980	-90
<b>Accumulated acquisition value end of year</b>	<b>20 861</b>	<b>18 630</b>
Beginning depreciation	-6 753	-3 569
Depreciation for the year	-1 169	-1 302
Depreciation for the year on leased assets	-2 316	-1 952
Depreciation for the year on sold/retired assets	556	70
<b>Year end accumulated depreciation</b>	<b>-9 682</b>	<b>-6 753</b>
<b>Year end residual value</b>	<b>11 179</b>	<b>11 878</b>
Whereof leased assets	9 799	8 926

Parent Company		
Laboratory equipment		
KSEK	2004	2003
Beginning acquisition value	6 666	6 756
Purchases	22	-
Sales	-980	-90
<b>Accumulated acquisition value end of year</b>	<b>5 708</b>	<b>6 666</b>
Beginning depreciation	-3 714	-2 482
Depreciation for the year	-1 169	-1 302
Depreciation for the year on sold/retired assets	555	69
<b>Year end accumulated depreciation</b>	<b>-4 328</b>	<b>-3 715</b>
<b>Year end residual value</b>	<b>1 380</b>	<b>2 951</b>

#### Note 10. Taxes

Affibody has an accumulated tax credit of 234 226. To date the Company has not capitalized any future tax claims since they are not likely to be used in the near future.

#### Note 11. Financial Assets

##### Shares and participation in Group Companies

KSEK	2004	2003
Beginning book value	10 520	27 592
Companies liquidated	-	-17 072
<b>Accumulated acquisition value end of year</b>	<b>10 520</b>	<b>10 520</b>
Beginning depreciation	-10 420	-14 688
Depreciation for the year	-	-
Companies liquidated	-	4 268
<b>Year end accumulated depreciation</b>	<b>-10 420</b>	<b>-10 420</b>
<b>Year end residual value</b>	<b>100</b>	<b>100</b>

At the end of 2002 Affibody AB acquired the operations of the subsidiary Visual Bioinformatics AB. At this time the book value of the shares in Visual Bioinformatics was written down to a value corresponding to the remaining book equity in the subsidiary. At the end of 2003 a voluntary liquidation of Visual Bioinformatics was concluded and in conjunction with this the remaining assets and liabilities in the subsidiary were transferred to the Parent Company.

##### Group Companies

	% capital	% votes	Total shares	Book value, KSEK
Affibody Incentive AB	100%	100%	1 000	100
<b>Total</b>				<b>100</b>

##### Details about Group companies

	Corporate registration no.	Location
Affibody Incentive AB	556610-5978	Bromma, Stockholm

#### Note 12. Prepaid Expenses and Accrued Income

The Group		
KSEK	2004	2003
Prepaid rent	1 663	1 656
Other items	4 090	1 779
<b>Total</b>	<b>5 753</b>	<b>3 435</b>

Parent Company		
KSEK	2004	2003
Prepaid rent	1 663	1 656
Other items	4 090	1 779
<b>Total</b>	<b>5 753</b>	<b>3 435</b>

### Note 13. Short-term Investments

In accordance with the Group Finance Policy short-term investments consist of investments in a Fund with holdings of only short-term government notes, i.e. with a maturity of less than 12 months. Thus the credit risk and interest rate risk is low. These funds can be converted to cash at two days notice.

### Note 14. Provisions

The Group/Parent Company has during 2004 made provisions of 1 600 (1 167) regarding accrued social security expenses relating to employee stock options. See additional details in note 16 regarding 2003 and 2004 years stock option schemes.

### Note 16. Equity and Warrants

The Group's registered share capital amounts to SEK 4 615 878.80 distributed on 23 079 394 shares, each with a nominal amount of SEK 0.20. There are 6 597 733 A shares and 16 481 661 preference shares. Preference shares have been issued in four series, P1, P2, P3 and P4. Preference shares have preferential rights in case of liquidation and dividends.

Warrant series	W1 2000	W2 2000	W3 2001	W3 2002	W4 2003	W5 2004
Corresponding no. of shares	2 155 523	465 116	304 000	670 000	500 000	1 000 000
Exercise price, SEK	15.15	20.20	52.00	52.00	1.00	1.00
Exercise period until	March and Aug-05	Dec-07	Dec-08	Feb-09	May-13	Dec-14

#### W4 2003 – employee stock option scheme

At the Annual General Shareholders meeting in May 2003 an employee stock option scheme was launched. In total, 202 000 stock options were allocated with an exercise price of SEK 1 and an exercise period until May 2013. The stock options were vested and will be released with one third per year over a three-year period starting from May 8, 2003. In the case of a future exercise of the stock options a benefit arises for the employee on the difference between the share price and the exercise price. At this point in time the Parent Company has an obligation to pay social security fees on this benefit. The Parent Company makes continuous provisions for this potential future liability. As per December 31, 2004, the number of stock options in this program had been reduced to 200 019 as a result of resignations.

An additional 115 000 stock options were allocated to executive management at the end of 2003. These were not vested (See further information in note 4).

### Note 15. Financial Leasing

This item relates to the remaining debt on leased assets if these instead had been financed with bank loans. The distribution of the maturity of the debt is shown below.

Year	Debt due, KSEK
2005	3 336
2006–2008	7 045
2009–	815

The Company has issued five series of warrants totaling 5 094 639 new common shares. 1 507 102 of these remain in the Group mainly as a hedge for the Group's commitment relating to employee stock option schemes.

#### W5 2004 – employee stock option scheme

At the Annual General Shareholders meeting in May 2004, 1 000 000 warrants were issued for the benefit of future stock option schemes. In December 2004, the Board decided to allocate a total of 216 500 stock options to employees in Affibody. The terms are similar to those of the 2003 years' programme with vesting over a three-year period. This stock option scheme is accounted for in the same way as 2003 years' scheme with annual provisions for a potential future social security obligation of the Company.

**Note 17. Accrued Expenses and Deferred Income**

The Group		
KSEK	2004	2003
Personnel expenses	5 467	4 933
Deferred income	2 499	3 871
Other items	915	4 704
<b>Total</b>	<b>8 881</b>	<b>13 508</b>

Parent Company		
KSEK	2004	2003
Personnel expenses	5 467	4 933
Deferred income	2 499	3 871
Other items	915	4 704
<b>Total</b>	<b>8 881</b>	<b>13 508</b>

**Note 18. Pledged Assets**

Affibody AB has pledged 6 000 as collateral for a bank guarantee issued by Handelsbanken for the benefit of the landlord under the lease agreement. In addition, Affibody AB initially pledged 8 000 as collateral for the leasing facility provided by Nordania Finans. Now that investments are being made under the leasing facility the main collateral is provided by the assets owned by Nordania and leased to Affibody AB. The book value of these assets is 10 649 at the end of 2004.

KSEK	2004	2003
Landlord	6 000	6 000
Nordania Finans	10 649	10 749
<b>Total</b>	<b>16 649</b>	<b>16 749</b>

**Note 19. Cash Flow Analysis**

The Group's unused credits amounted to 0 (0).

Interest expenses according to the Income Statement have been paid during the year and amount to 52 (34).

Bromma, March 16, 2005

**Håkan Mogren**  
Chairman of the Board

Kate Bingham

Tove Eriksson

Peder Fredrikson

Hans Johansson

Staffan Josephson

Per-Åke Nygren

Björn Odlander

Mathias Uhlén

Tim Wood

**Torben Jørgensen**  
Chief Executive Officer

Our Audit Report was submitted March 21, 2005.

**Lars Träff**  
Authorized Public  
Accountant

**Mona Paulsson**  
Authorized Public  
Accountant

# Audit Report

To the general meeting of the shareholders of Affibody AB  
Corporate identity number 556560-8220

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 AB for the year 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts are the consolidated accounts are the responsibility of the board of directors and the managing director. 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 and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of the 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.

Stockholm, March 21, 2005

**Lars Träff**  
Authorized Public Accountant

**Mona Paulsson**  
Authorized Public Accountant

# Glossary

**Affibody® molecule** – Small robust ligands based on the IgG-binding domain of Protein A from the bacterium *Staphylococcus aureus*. Affibody® molecules are assembled by combinatorial protein engineering into libraries containing billions of Affibody® variants.

**Affinity** – The strength of attraction between an Affibody® molecule, or other affinity ligand, and its corresponding antigen. The interaction is reversible.

**Affinity chromatography** – Chromatography where the absorbent matrix has a unique chemical affinity for a particular component in the passing solution.

**Alzheimer's disease** – A progressive, irreversible neurodegenerative disease which affects the brain. Currently lacking cure.

**Amyloid Beta (Aβ)** – A peptide which is involved in the development and progression of Alzheimer's disease.

**Antibody** – An immunoglobulin molecule produced by B lymphoid cells. Antibody response is evoked in humans or other animals when foreign substances are introduced in the circulation. This process is an essential part of the immune system.

**Apheresis** – A procedure in which blood is drawn and separated into its components by dialysis; some are retained and the rest is returned to the donor by transfusion.

**Chromatography** – Separation of substances (e.g. proteins) in a mixture by differential movement through a two-phase system. The mixture is run through a column of adsorbent material. The substances (proteins) least adsorbed will pass through the column faster than substances (proteins) that are more strongly adsorbed.

**ELISA** – Enzyme-linked immunosorbent assay. A technique for detecting and measuring the concentration of Affibody® molecules, antibodies or antigens in a solution.

**Extracorporeal** – Outside of the body.

**In vitro** – Carried out in a test tube or similar vessel.

**In vivo** – Carried out in a living organism.

**IP** – Intellectual property.

**IPR** – Intellectual property rights.

**Lymphoma** – Cancer that arises in the cells of the lymphatic system.

**Metastasis** – The spread of cancer from one part of the body to another. Tumors formed from cells that have spread contain cells that are like those in the original (primary) tumor.

**Monoclonal antibody** – Antibody produced by a clone of genetically homogeneous population of fused hybrid cells.

**PCR** – Polymerase Chain Reaction. A method for amplifying a DNA base sequence using heat stable polymerase and two primers.

**Proteomics** – The branch of genetics that studies the full set of proteins encoded by a genome.

**Separomics** – Lab- and process-scale affinity-based protein purification.

**Serum** – Blood plasma without coagulation factors.

**Serum depletion** – Removal of unwanted highly abundant serum proteins to increase sensitivity in the detection and analysis of the remaining proteins that are present in far lower concentration.

**Western Blot (WB)** – A technique to detect one protein in a mixture of proteins and giving information about the size of the protein.

### Direct sales of Affibody® molecules

As of 2005, Affibody AB's proprietary affinity ligands – Affibody® molecules are available for direct sale to customers within industrial or academic research organizations. The main distribution channel will be the e-commerce portal [www.affibody.com/shop](http://www.affibody.com/shop).

