

**Active Biotech AB
Interim Report
January – June 2001**

- **Active Biotech focus on pharmaceutical development**
- **Completed divestment of SBL Vaccin – capital gain for the Group of SEK 190 million (Parent Company, SEK 150). Cash injection of just over half a billion SEK**
- **Phase I successes for SAIK-MS and TTS cancer projects**
- **New patent applications for TTS and immunomodulatory substances**
- **The operating loss -SEK 185.4 million (-SEK 125.6 m), prev. year adjusted to new accounting principles was –SEK 158.5 million**

Implementation of strategic changes opens up new opportunities

In May 2001, Active Biotech decided to concentrate on and increase its research and development initiatives at Active Biotech Research in Lund.

The focus on developing pharmaceuticals and research in the fields of cancer and autoimmune diseases is intensifying. The main projects, SAIK-MS and TTS, are now proceeding to Phase II clinical trials.

A key part of the implementation of the new strategy involved the sale in July of the subsidiary SBL Vaccin to PowderJect Pharmaceuticals Plc. for a maximum purchase sum of USD 70 million, with possible future royalties on the Dukoral and ETEC vaccines against tourist diarrhoea. A total of USD 50 million of this purchase sum has been paid in cash. The remaining sum of USD 20 million is conditional on approval from authorities in Europe and the USA. The deal will be reported in the income statement for Q3 2001.

Active Biotech's financial position was greatly strengthened by the sale of SBL Vaccin, which has enabled the company to focus its energies on its research activities in Lund. The company's strengthened finances also allow it to choose suitable times and structures for various partnership agreements, thus maximising value appreciation within the various projects.

The capital and liquidity injection generated by the sale of SBL Vaccin also means that the company is not considering a new share issue.

The operations in Lund have been organised into three platforms to clarify the company's strategy and goals, and facilitate collaboration with external partners. Of these three platforms, two - the Q and B platforms - focus on the development of low molecular weight chemicals ("small molecules"), while the other, TTS, focuses on biotechnical products ("biologicals"). The Q and B platforms include unique substances with immunomodulatory properties for developing pharmaceuticals to treat cancer and inflammatory/autoimmune diseases. The TTS platform develops products for use in treating cancer, primarily lung and renal cancer.

Successes with the Q platform

The project which have progressed furthest within this platform is SAIK-MS. The goal of this project is to generate a unique pharmaceutical that can be administered in tablet form to treat multiple sclerosis.

In April 2001, the company announced that successful Phase I clinical trials had been completed and that the clinical goal had been attained in a satisfactory manner. The results were successful and in line with expectations. The goal of the study was to determine the highest dose that can safely be administered to MS patients.

Preparations are under way for a Phase II study under our own auspices, which is due to start at the beginning of 2002. The study is designed to demonstrate the effects of the drug. The company has high hopes for the success of the Phase II study based on its previous experience of a closely related product. The company intends to establish a collaboration with a strong international partner before commencing Phase III studies. Active Biotech's new strategy enables it to sign partnership agreements once the project has reached maximum value, a process to which successful clinical development makes a key contribution.

A co-operation is also under way within the Q platform with Dr. John T Isaacs at the Johns Hopkins University in Baltimore, USA. This co-operation began in April 2001 on a project designed to develop a pharmaceutical for treating prostate cancer. The project is proceeding according to schedule. The Johns Hopkins University is using experimental models of prostate cancer to evaluate the effect of a series of substances developed by Active Biotech. The purpose of this evaluation is to enable the selection of a product candidate within 6 months.

Results of Phase I studies strengthen TTS

Active Biotech's TTS (Tumor Targeted Superantigens) cancer product for use in the treatment of non small-cell lung cancer, for example, has convincingly undergone two Phase I clinical tests in the USA and Europe. These were reported at the beginning of June. Both tests achieved their objectives and clearly demonstrated similar promising results. One month after treatment, 46% of the patients reported a stabilisation of their disease, i.e. their tumor load was no longer increasing. In some patients, this tumor stabilisation lasted 6 months or more without renewed treatment. This is particularly noteworthy in view of the very poor prognosis of these patients, who were not expected to improve with any other form of available treatment. The development work on the product is now proceeding to a Phase II effect study, which will commence during the autumn in co-operation with the Karolinska Hospital in Stockholm and Christie Hospital in Manchester.

Active Biotech will also be initiating discussions with Pharmacia concerning co-operation on the continued clinical development and launch of TTS, in accordance with the option agreement previously reached between the companies.

Development of the B platform

The considerable chemical expertise accumulated at Active Biotech has proved a highly successful basis for establishing and developing B platform projects, which focus on small molecules. The platform's main project aims to develop pharmaceutical candidates for use in treating inflammatory bowel disease (IBD) and rheumatoid arthritis (RA). All B platform projects are developing according to plan. Collaboration discussions are under way within the platform's framework.

New co-operation

In line with Active Biotech's partnership strategy, an option agreement has been signed with Avidex Ltd., Oxon, UK, whereby Avidex will evaluate a series of CD80 inhibitors (substances that influence the body's immune system) developed by Active Biotech. The agreement gives Avidex the option of acquiring exclusive licensing rights to continue developing the product. If this option is exercised, Active Biotech will receive remuneration for certain sub-goals, such as successful pre-clinical studies and the initiation of clinical trials etc., as stipulated in the agreement, and royalties based on future sales.

New patent applications

A patent application ("A Novel Engineered Superantigen for Human Therapy") for the TTS cancer project was submitted to the Patent and Registration Office in Sweden on 28 June 2001 concerning the product area and area of use. The product involved in the application is a TTS product with sophisticated properties that allow the substance to be administered more easily in effective doses. This patent application was also submitted on 6 July 2001 to the US Patent and Trademark Office.

In addition, a patent application ("Novel Immunomodulating Compounds") was submitted at the beginning of July, both in Sweden and the US. It relates to new substances with the ability to inhibit the interaction between proteins CD80 and CD28 (significant to inflammatory diseases, amongst others). These substances form the basis of Active Biotech's co-operation with Avidex Ltd., UK, as described above.

New head of Regulatory Affairs/Quality Assurance

Lars Nilsson joined the company in June 2001 as head of Regulatory Affairs/QA. He comes to us from Pharmacia, where he was head of Regulatory Affairs in the Consumer Healthcare business area. He possesses longstanding experience of fields such as oncology, and his previous assignments have also given him experience with both the SAIK and the TTS projects.

Financial information

Net sales

Sales of Dukoral in the Nordic market increased 17 per cent as a result of the continued positive trend in Sweden and Norway, where sales climbed 18 and 39 per cent respectively.

SEK million	Jan. –June			% of sales	
	2001	2000	Change %	2001	2000
Vaccine sales					
Vaccines manufactured in-house					
Dukoral	18.0	15.3	17%		
SBL Cholera Vaccine	0.3	9.7	Neg		
Other products	4.0	6.2	-35%		
Total	22.3	31.2	-29%	22%	31%
Agency products	3.4	23.5	Neg	3%	23%
Distribution orders	74.5	46.8	59%	75%	46%
Total vaccine sales	100.2	101.5	-1%	100.0%	100.0%
Income from contract research	0.0	20.0			
Other income	1.9	2.6			
Total net sales	102.1	124.1	-18%		

The work on registering the SBL Cholera Vaccine in markets outside the EU/USA is being performed by Aventis Pasteur and is proceeding according to plan. During the corresponding period last year, individual orders were invoiced to Mozambique and Madagascar for a total of SEK 9.7 million.

Agency operations. The decline in turnover during the first half is attributable to the change of collaboration partner at the end of 2001. Sales of Aventis Pasteur MSD's travel vaccine programme began on 1 April and total SEK 3.3 million.

Distribution orders are displaying healthy growth, with sales climbing 59 per cent to SEK 74.5 million. This increase is mainly attributable to volume growth for existing and new distribution orders.

Group financial results

The accounting principles used in reporting research expenses within the Group were harmonised at the beginning of this year, which means that all expenses relating to the diarrhoea vaccine projects are also booked on an ongoing basis as costs as they arise. During the corresponding period last year, the expenses for these projects were capitalised.

The operating loss before financial items came to – SEK 185.4 million (- SEK 125.6 m). Adjusted to take account of the change in the accounting principles, adjusted to new loss for the corresponding period the previous year came to – SEK 158.5 million. The change in the financial result is mainly due to falling income from contract research relating to the TTS cancer project (SEK 20 m for the previous year) when Active Biotech acquired the rights to the project from Pharmacia. It is also due to higher research expenses as the prioritised projects proceed to new phases as planned.

Despite the drop in sales resulting from Aventis Pasteur's take-over of the international marketing of the SBL Cholera Vaccine and the termination of the GlaxoSmithKline agency on 31 December 2000, both the gross profit and the gross profit margin on vaccine sales have improved compared with the same period the previous year.

The operating costs, excluding the cost of goods sold, increased 5 per cent to SEK 211 million (SEK 168 m). Adjusted to take account of the change in the accounting principles, the operating costs were SEK 201 million. The increased operating costs are attributable to a continued positive trend for the prioritised research projects, i.e. SAIK-MS, TTS and ETEC. This has, as expected, led to higher costs as SAIK-MS and TTS proceed to Phase II clinical trials while the ETEC project proceeds to Phase III over this period as planned.

There was a decline in the Group's net financial items, which decreased from SEK 67.1 million in 2000 to SEK 9.8 million this year. This reflects profits realised in the Zenit hedge fund during the first half of last year.

The operating loss after net financial items totalled – SEK 175.6 million (- SEK 58.5 m). Adjusted to take account of the change in the accounting principles, the operating loss the previous year was – SEK 91.4 million.

Financial status

The Group's debt/equity ratio totalled 66.7 per cent on 30 June 2001 (74.3% on 31 December 2000). The company had external loans of SEK 34.1 million at the end of the accounting period.

Cash flow for the period amounted to – SEK 195 million (- SEK 68 m). This deviation is due to the decline in the financial result and increased investments in production facilities to meet the planned sales growth. It is also due to an increase in working capital, to a large extent an inventory build up to cope with the production stoppages involved in capacity-enhancing investments.

The Group's liquid assets amounted to SEK 213 million at the end of the reporting period (SEK 408 million on 31 December 2000). In addition, credit lines totalling SEK 30 million have been granted but not utilised.

The Group's shareholders' equity amounted to SEK 470 million at the end of the reporting period (SEK 646 m on 31 December 2000).

Upcoming financial reports in 2001

The interim report for the first nine months will be published on 6 November. The report will be available from this date at www.activebiotech.com under the heading News.

Accounting and valuation principles

This interim report has been drawn up according to the same principles as those used in the latest annual report, as well as the recommendations of the Swedish Financial Accounting Standards Council.

The estimated capital gains on the sale of the vaccine operations do not include additional purchase values.

Due to the company's structure, with its substantial research and development expenses, the company is not liable for tax. The company's accumulated tax loss carry forward, including the tax bill for 2000 that has not yet been determined, come to SEK 246 million.

Events occurring since the end of the reporting period

On 6 July, Active Biotech sold its vaccine operations to PowderJect Pharmaceuticals Plc., UK, for USD 70 million, as well as royalties on future sales of Dukoral in Europe and on global ETEC sales. A total of USD 50 million (SEK 547 million) has been received as initial payment, while the remaining USD 20 million are conditional on approval by registration authorities in Europe (Dukoral) and the USA (ETEC).

The Group's capital gains amounted to SEK 190 million (SEK 150 million for the Parent Company).

The effect of the sale on the Group's key ratios immediately following the completion of the transaction was as follows:

Available liquidity, SEK 760 million
The Group's debt/equity ratio, 97%
Equity per share, SEK 75

The attachment presents selected items from the Group's balance sheet and income statement, excluding the vaccine operations.

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Active Biotech AB (publ)

Sven Andréasson
President & CEO

This interim report has not been reviewed by the company's auditors.

For more information, please contact:

Sven Andréasson, President & CEO, tel.: +46 46 19 20 49,
sven.andreasson@activebiotech.com

Hans Kolam, CFO, tel.: +46 46 19 20 44, hans.kolam@activebiotech.com
Cecilia Hofvander, Manager Corporate Communication,
cecilia.hofvander@activebiotech.com

Active Biotech is a biotechnology company focusing on research in and development of pharmaceuticals. The company has a strong research portfolio focusing primarily on autoimmune/inflammatory diseases and cancer. Our main projects involve unique substances with immunomodulatory properties (SAIK) for use in treating diseases such as multiple sclerosis, as well as a new method for treating cancer (TTS).

Active Biotech AB
Box 724, S-220 07 Lund, Sweden
Tel +46 46-19 20 00
Fax +46 46 19 20 50
E-mail info@activebiotech.com

The Active Biotech Group

Income Statement

SEK million	Jan-June 2001	Jan-June 2000	Last 12 months July00-June01	Full Year 2000
Net sales	102.1	124.1	258.5	280.4
Cost of goods sold	-76.6	-81.5	-175.0	-179.9
Gross income	25.5	42.6	83.5	100.6
Sales & marketing costs	-12.7	-13.5	-27.3	-28.1
Administration costs	-21.2	-39.0	-46.6	-64.4
Research and development costs*	-177.0	-118.2	-330.5	-271.8
Other income/expenses	-0.0	2.7	21.3	24.5
	-185.4	-125.3	-299.6	-239.2
Items affecting comparability	0.0	-0.3	-269.9	-270.2
Operating profit/loss	-185.4	-125.6	-569.6	-509.4
Net financial situation	9.8	67.1	33.1	90.0
Profit /loss after financial items	-175.6	-58.5	-536.4	-419.4
Tax on profit/loss for the year	-0.1	0.0	0.1	0.1
Profit/loss for the year	-175.6	-58.5	-536.4	-419.3
Depreciation included in the amount of	18.0	18.1	38.2	38.3
* R&D expenses incl. historically capitalised expenses	-177.0	-151.1	-350.7	-324.8
* Proforma operating loss	-185.4	-158.5	-483.3	-456.4

Balance sheet

SEK million	June 31, 2001	June 31, 2000	Dec 31, 2000
Intangible fixed assets	45.4	339.8	47.1
Tangible fixed assets	206.6	196.2	197.4
Financial fixed assets	53.8	48.9	53.3
Total fixed assets	305.7	584.8	297.9
Inventories	92.0	79.4	63.4
Current receivables	94.3	147.6	99.6
Short-term investments & liquid funds	212.8	477.5	408.0
Total current assets	399.0	704.5	571.0
Total assets	704.7	1 289.4	868.9
Equity*	470.2	1 006.9	646.0
Allocations	35.8	32.5	35.8
Long-term liabilities	91.3	90.9	57.3
Current liabilities	107.5	159.1	129.8
Total equity and liabilities	704.7	1 289.4	868.9
*Change in shareholders equity			
Amount at the start of the period	646.0	1 064.3	1 064.3
Shareholders' dividends	0.0	0.0	0.0
Translation differences	-0.2	1.1	1.0
Profit/loss for the period	-175.6	-58.5	-419.3
Amount at the end of the period	470.2	1 006.9	646.0

The Active Biotech Group

CASH FLOW STATEMENT

SEK million	Jan-June 2001	Jan-June 2000	Full Year 2000
Profit/loss after financial items	-175.6	-58.5	-419.4
Adjustments for items not included in cash flow etc.	16.9	19.5	314.2
Tax paid	0.0	-2.0	-0.5
Cash flow from ongoing operations before change in working capital	-158.7	-41.0	-105.7
Changes in working capital	-45.2	19.5	65.5
Cash flow from ongoing operations	-203.9	-21.5	-40.2
Net investment in fixed assets	-25.6	-14.2	-46.9
Cash flow from investment activity	-25.6	-14.2	-46.9
Loans raised/loan amortisation	34.1	-31.9	-50.0
Cash flow from financing activity	34.1	-31.9	-50.0
Cash flow for the period	-195.4	-67.6	-137.2
Liquid funds, opening balance	408.0	545.1	545.1
Liquid funds, closing balance	212.6	477.5	408.0

KEY FIGURES	June 30,2001	June 30,2000	Full Year 2000
Equity per share, SEK	41.8	89.5	57.4
Available liquidity, SEK million	243	508	680
Parent company debt/equity ratio, %	54.0	65.0	64.5
Group debt/equity ratio, %	66.7	78.1	74.3
Investments in tangible assets	25.9	10.6	32.6
Average number of employees	337	341	337
Earnings per share, SEK	-15.62	-5.20	-37.28
Number of shares (000)	11 246	11 246	11 246

Active Biotech Group - proforma excluding SBL Vaccin

Operating profit/loss	Proforma	Proforma	Proforma	Proforma
SEK million	Jan-June	Jan-June	Latest 12m	Full Year
	2001	2000	July00-June01	2000
Net sales	2,3	23,2	24,3	45,2
Cost of goods sold	0,0	-0,1	0,2	0,1
Gross profit	2,3	23,1	24,4	45,2
Sales costs	0,0	-0,1	0,1	0,0
Administration costs	-16,0	-33,3	-37,6	-54,9
Research and development costs	-113,7	-107,5	-226,1	-219,9
Other income/expenses	0,0	0,0	5,8	5,8
	-127,4	-117,8	-233,4	-223,7
Items affecting comparability	0,0	-0,3	0,3	0,0
Operating profit/loss	-127,4	-118,1	-233,1	-223,7

Important balance sheet items

SEK million	Proforma	Proforma	Dec 31,
	June 30,	June 30,	2000
	2001	2000	
Assets			
Intangible fixed assets	0,4	6,6	0,4
Tangible fixed assets	78,2	89,5	82,5
Financial fixed assets	53,8	41,3	53,3
Inventories	0,0	1,4	0,0
Current receivables	21,5	134,7	63,7
Liabilities			
Allocations	9,1	9,1	9,1
Long-term liabilities	0,0	0,0	0,0
Current liabilities	38,9	62,2	46,5

KEY FIGURES

Available liquidity, SEK million	760
Group debt/equity ratio, %	97
Equity per share, SEK	75
Number of employees	185