

**Active Biotech
Interim Report
July-September 2002**

- **Active Biotech acquires all commercial rights to the company's research projects from Pharmacia**
- **Largely increased freedom to operate and flexibility for Active Biotech**
- **Recruitment completed for the SAIK-MS Phase II study**
- **Renal and pancreatic cancer patients now receiving treatment in open TTS Phase II cancer studies**
- **Application submitted for start of clinical Phase I study for TASQ prostate cancer project**
- **Result after financial items of -SEK 83.7 million (SEK 279.8 m) (adjusted for capital gains, the previous year's result was -SEK 61.9 million)**

Important change for Active Biotech

In 1998, Active Biotech acquired Pharmacia's research operations in Lund. The acquisition included the existing research facility, staff, all research projects and the related patent portfolio. In exchange, Pharmacia received shares in Active Biotech corresponding to a 24.1% ownership stake, as well as commercial rights relating to the research projects.

Those commercial rights (royalties, options etc.) that Pharmacia has had in Active Biotech's key projects, should have had a substantially negative impact on Active Biotech's profitability from partner agreements and would also have complicated both partner choice and future financing of the company. These rights, related to SAIK-MS could for example, under certain circumstances, have amounted to approximately one third of the royalties paid to Active Biotech from a potential partner. Considering this, the Board and the management of Active Biotech have prioritised dissolve these agreements, which now have been accepted by Pharmacia. A discussion with Pharmacia has been ongoing for a longer period of time and an agreement has now been achieved.

The agreement will result in a payment from Active Biotech to Pharmacia amounting to 4.5 MUSD, whereof 1.5 MUSD conditional on signing a partner agreement related to one of the company's key project; SAIK-MS.

Through this transaction Active Biotech's freedom to operate is greatly enhanced and it also increases the company's opportunities to commercialise the research projects. Active Biotech will thus obtain improved opportunities to sign financially more favourable partnership agreements related to the research projects.

As a consequence of this settlement, Pharmacia now focus its position in Active Biotech to be pure financial.

"This change is very important for Active Biotech. It greatly enhances our freedom in current and future business negotiations related to our key projects. Future revenue from partners in the form of milestone payments and royalties on sales will now be accounted for in full to the company. The objective with the acquisition is that Active Biotech now will be free to choose partners as well as the structure of future commercial agreements" says Sven Andréasson, President & CEO of Active Biotech.

Recruitment of MS patients to Phase II now completed

The company's lead project, SAIK-MS, has continued according to plan.

Recruitment to the Phase II study has now been completed and a larger number of patients than originally planned have been included. A number of patients have completed their treatment and have now entered the final follow-up period.

In its recent pre-clinical studies, Active Biotech has demonstrated that SAIK-MS is 100 times more effective than its predecessor, Linomide, with regard to the treatment of MS-like disease in animals. The studies also demonstrated that SAIK-MS has the same efficacy in animals without the beta-interferon gene. This means that SAIK-MS can slow down the progress of the disease even in the absence of beta-interferon. This indicates that SAIK-MS may have a broader field of application than the treatment opportunities currently on the market.

Within the Phase II study, patients are now receiving treatment at some 20 different clinics in the Netherlands, the UK, Russia and Sweden. All patients are expected to have completed their treatment by the end of the first half of 2003. The study is being managed by Professor Chris Polman of the VU Medical Centre in Amsterdam in the Netherlands.

The total market for MS drugs was worth USD 2.4 billion in 2001 (UBS Warburg, Pharmaceuticals & Biotechnology, April 2001). In 2005, this market is expected to be worth USD 3.8 billion.

Background

At present, multiple sclerosis (MS) is an incurable disease that causes the body's own immune system to attack the myelin sheaths that surround the nerve fibres in the brain and elsewhere. This disrupts or breaks off nerve transmission, preventing sensory input from reaching the brain for processing, and halting communication between the brain and the muscles of the body. MS may lead to a variety of symptoms, ranging from minor disability lasting for long periods to severely incapacitating symptoms within a few short years. Initially, MS often progresses in flares that alternate with disease-free intervals. The disease mainly affects young people and the average age at which it manifests itself is around 30. MS is more common among women than men and is what is known as a chronic autoimmune disease.

The clinical development programme for the TTS cancer project is progressing

In the TTS Phase II clinical study, treatment and recruitment of patients is proceeding according to plan and patients with both renal and pancreatic cancer are currently receiving treatment.

A clinical Phase IIa study was initiated in December 2001 and renal cancer patients in the UK began treatment with the company's TTS substance. In February 2002, permission was received to expand the study to include pancreatic cancer patients as well. A total of around 60 patients are due to be included in the studies conducted in collaboration with the Christie Hospital in Manchester in the UK. The Principal Investigator is Professor Robert Hawkins, and Dr Poulam Patel at St James's University Hospital in Leeds is also involved in the study.

The current clinical studies of TTS are so-called open Phase IIa studies and are due to continue for a total of around 12-18 months.

Discussions ("pre-IND meetings") with the FDA concerning the next generation of TTS products have been completed and a formal application to launch a clinical Phase I study (IND) will be submitted shortly.

According to the company's estimates, the markets for drugs used to treat lung, renal and pancreatic cancer are currently worth USD 3.7 billion, USD 600 million and USD 500 million respectively.

Background

TTS stands for "Tumour Targeted Superantigens". The collective term "superantigens" refers to several different substances that include some of the most powerful known stimulators of the human immune system's T-cells, which are the body's strongest weapon in the arsenal it uses to kill unwanted cells. By aiming the superantigen at tumour cells via a tumour-specific antibody, Active Biotech has created a unique product that will recognise cancer cells and stimulate the body's own immune system to attack and kill them. In principle, TTS technology can be used to treat several different types of cancer, although Active Biotech has chosen to focus its development work on the treatment of lung cancer, renal cancer and pancreatic cancer.

Application submitted for the prostate cancer project (TASQ)

The clinical protocol for the start of clinical Phase I trial for TASQ (Tumour Angiogenesis Suppression by Quinolines) has been completed and an application has been compiled and submitted to the Medical Products Agency and the Research Ethics Committee in Sweden. The company has also completed a more in-depth safety evaluation ahead of this application.

The first Phase I study will focus on the candidate drug's metabolism in humans with a view to facilitating a so-called dose escalation study on healthy volunteers that is due to commence in the spring of 2003. Once the relevant doses have been established, another Phase I study will be performed with cancer patients suffering from prostate cancer.

The company's TASQ project focuses on developing an orally active substance, i.e. a substance used in tablet form to treat prostate cancer. Active Biotech is collaborating on this project with Professor John T. Isaacs at the Johns Hopkins University in Baltimore in the US.

The candidate drug has demonstrated positive so-called anti-angiogenic effect in different disease models, which means that it is able to cut off the nutritional supply to the tumour cells. It has also shown a direct anti-tumour effect in pre-clinical models. Recently completed studies have also shown that the TASQ substance does not inhibit the enzyme systems known as kinases that are targeted by most of today's anti-angiogenic substances. This means that the active mechanism of the TASQ substance differs from these already existing. According to the company's estimates, the market for drugs used to treat prostate cancer is currently worth around USD 2.5 billion.

Background

Prostate cancer is the most common form of cancer among men and accounts for almost one third of all cancer. The disease mainly affects men over 50 and its severity may vary considerably. Although the prognosis is relatively good, prostate cancer is still the cancer that causes most deaths among men. The relative 10-year survival rate is around 50 per cent.

The SLE project is preparing for clinical trials in 2003

The company's candidate drug (ABR-215757) for use in treating SLE is currently in preparations for clinical trials in 2003. ABR-215757 has demonstrated its efficacy in various disease models for SLE, among others, and has also shown to have a favourable toxicological profile.

SLE (Systemic Lupus Erythematosus) is a life-threatening, degenerative autoimmune disease for which treatment options are currently very limited. No new drug has been approved for this indication for 40 years. The Lupus Foundation of America (LFA) estimates that at least 1.4 million US inhabitants suffer from some form of lupus. Nine out of ten patients are women.

Background

SLE - Systemic Lupus Erythematosus – is a connective tissue disease that causes inflammation and damage in connective tissue throughout the body. The disease follows a highly variable course, and symptoms depend on the organs affected. The disease affects approximately 1 in 20,000 individuals, mainly women of childbearing age. It progresses in flares interspersed with relatively symptom-free intervals. The autoimmune attacks affect many different organ systems and the disease therefore leads in time to serious secondary symptoms in many patients, including kidney failure.

Other projects

Other projects included in Active Biotech's discovery and pre-clinical project portfolio are proceeding according to plan. These include IMO-A (ImmunoMOdulation project A), which aims to determine the active mechanism behind substances included in the Q-platform, as well as INDRA (INHibiting Disease by Reducing TNF-Activity), which focuses on inflammatory bowel diseases.

Financial information

The Group's financial results, cash flow and financial status for the period July-September 2002.

In view of the sale of the vaccine operations on 4 July 2001, comments on the company's financial performance are only relevant on the basis of pro forma adjusted financial results for the corresponding period in the previous year.

The Group's income in the third quarter of this year totalled SEK 0.3 million (SEK 0.0 m).

Operating costs excluding the cost of goods sold amounted to SEK 84.2 million (SEK 65.8 m) for the period. The outcome with regard to costs for the third quarter reflects the progress of the projects' clinical development programme. SAIK-MS and TTS have now entered Phase II trials, while the TASQ and SLE projects are preparing to start Phase I trials in 2003. The increase in costs compared with the corresponding period of the previous year is mainly related to the SAIK-MS project, which has now reached a more advanced clinical phase, and to the pre-clinical costs involved in the TASQ project.

The operating loss amounted to -SEK 83.9 million (SEK 275.9 m). The previous year's loss, adjusted for capital gains on the sale of the vaccine operations, totalled -SEK 65.8 million.

Net financial items for the period amounted to SEK 0.6 million (SEK 3.8 m). The change is related to the periodisation of capital gains made on asset management.

The loss after financial items amounted to -SEK 83.7 million (SEK 279.8 m). The previous year's figure, adjusted for capital gains, was -SEK 61.9 million.

The cash flow for the third quarter was -SEK 75.8 million (SEK 433.3 m). The figure for the corresponding quarter of the previous year included the purchase sum for the sale of the vaccine operations, a total of SEK 547 million, which explains the change. The sale of the vaccine operations has led to a drastic reduction in the need for investments in tangible fixed assets, which therefore totalled SEK 0.0 million (SEK 14.0 m), pro forma adjusted to SEK 0.5 million. The Group had no external loans at the end of the period.

Financial status

The book value of the Group's current investments and liquid assets at the end of the period was SEK 383.1 million, compared with SEK 596.1 million at the end of the previous year.

Available liquidity per share totalled SEK 34.07, compared with SEK 53.00 at the end of 2001.

Shareholders' equity

The Group's shareholders' equity at the end of the period totalled SEK 464.0 million, compared with SEK 678.8 million at the end of the previous year.

The Group's equity/assets ratio at the end of the period amounted to 90.2%, compared with 90.8% at the end of 2001. The corresponding figures for the parent company Active Biotech AB were 50.5% and 55.6% respectively.

Other events

As published by PowderJect Pharmaceuticals on November 12, 2002 concerning the registration application for Dukoral (that was submitted in March 2002), the plan for is to submit the requested answers to the European registration authority (EMEA) in January 2003. Final approval is expected approximately 3 months later. According to the agreement signed when SBL Vaccin was sold to Powderject Pharmaceuticals in July 2001, Active Biotech is entitled to payments of USD 10 million upon registration of Dukoral during 2003, and milestone payments on future sales up to a level of USD 20 million.

Forecast

The company's operations during the period under review have focused on the launch and implementation of clinical Phase II trials for the key projects, SAIK-MS and TTS. The clinical costs during the fourth quarter will remain at around the same level as those of the two previous quarters.

The fourth quarter result will be charged by the costs related to the acquisition from Pharmacia of the commercial rights to the research projects.

Since the company is currently focusing on partnership agreements and ongoing discussions might affect the company's financial position and results, no forecast is being made for 2002 as a whole.

Accounting and valuation principles

This interim report adheres to the recommendations of the Swedish Financial Accounting Standards Council (RR20, Interim Reports), and complies with the same principles used in the latest annual report.

Due to its structure, which involves major costs for research and development, the company is not in a position to pay tax. The company's accumulated deficit deductions at the end of 2001 totalled SEK 344.2 million, including taxation for the 2001 financial year, which has still not been finalised.*

Financial calendar

The preliminary year-end report for 2002 will be published on the following date:

Q4, 1 October –31 December and full-year 13 February 2003

The report will be available on this date at www.activebiotech.com under the heading News.

Annual General Meeting

The AGM will be held on 10 April 2003 at Edison Park, Emdalavägen 18, in Lund. A formal invitation specifying the details will be issued closer to this date.

Lund 13 November 2002
Active Biotech AB (Publ)

Sven Andréasson
President & CEO

The company's auditors have not reviewed this interim report.

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Active Biotech is a biotechnology company focusing on research in and development of pharmaceuticals. Active Biotech has a strong R&D portfolio and pipeline products with focus primarily on autoimmune/inflammatory diseases and cancer. Most advanced projects (clinical trials phase II) include orally administered small molecules with unique immunomodulatory properties that can be used to treat autoimmune and inflammatory diseases (SAIK), as well as a novel concept for use in cancer immunotherapy (TTS).

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Active Biotech Group

Income statement

SEK million	July-Sep.		Jan.-Sep.		Last 12 months June 01-June 02	Full-year 2001
	2002	2001	2002	2001		
Net sales	0.3	0.0	2.7	102.1	2.8	102.3
Cost of goods sold	0.1	0.1	0.2	-76.6	0.2	-76.5
Gross income	0.3	0.1	2.9	25.6	3.0	25.8
Sales and marketing costs	0.0	0.0		-12.7	0.0	-12.7
Administration costs	-8.4	-10.8	-25.6	-32.1	-35.7	-42.1
Research and development costs	-75.8	-54.9	-209.5	-232.0	-272.1	-294.6
Other income/expenses	0.0	-0.1	1.5	-0.1	0.3	-1.3
Items affecting comparability	0.0	-	0.0		0.3	0.3
Capital gains on the sale of subsidiaries	0.0	341.7	0.0	341.7	0.0	341.7
Operating profit/loss	-83.9	275.9	-230.7	90.5	-304.2	17.1
Profit/loss from participation in associated companies	-0.4	-	-2.0	0.0	-	-1.0
Net financial items	0.6	3.8	17.0	13.6	22.0	18.7
Profit/loss after financial items	-83.7	279.8	-215.7	104.2	-285.1	34.8
Tax on the profit/loss for the year	0.7	0.1	0.7	0.0	-1.1	-1.8
Profit/loss for the year	-83.1	279.8	-215.0	104.2	-286.2	33.0
Depreciation included in the amount of	4.2	8.9	12.9	22.6	4.2	26.8
Investments in tangible fixed assets	0.0	14.0	0.4	26.5	3.7	30.2
Earnings per share (SEK)	-7.4	24.88	-19.12	9.3	-25.45	2.94
Number of shares, thousands	11 246	11 246	11 246	11 246	11 246	11 246

Income statement (excluding SBL Vaccin)

SEK million	July-Sep.		Jan.-Sep.		Last 12 months June 01-June 02	Full-year 2001
	2002	2001	2002	2001		
Net sales	0.3	0.0	2.7	2.3	2.8	2.5
Cost of goods sold	0.1	0.1	0.2	0.2	0.2	0.2
Gross income	0.3	0.1	2.9	2.5	3.0	2.7
Sales and marketing costs	-	-	-	-	-	-
Administration costs	-8.4	-10.8	-25.6	-26.9	-35.7	-37.0
Research and development costs	-75.8	-54.9	-209.5	-168.7	-272.1	-231.3
Other income/expenses	0.0	-0.1	1.5	0.3	0.3	-0.9
Items affecting comparability	-	-	-	-	0.3	0.3
Capital gains on the sale of subsidiaries	-	341.7	-	341.7	341.7	341.7
Operating profit/loss	-83.9	275.9	-230.7	149.0	-304.2	75.5
Profit/loss from participation in associated companies	-0.4		-2.0			-1.0
Net financial items	0.6	3.8	17.0	14.3	22.0	19.4
Profit/loss after financial items	-83.7	279.8	-215.7	163.3	-285.1	93.9
Tax on profit/loss for the year	0.7	0.1	0.7	0.0	-1.1	-1.8
Profit/loss for the year	-83.1	279.8	-215.0	163.3	-286.2	92.1
Depreciation included in the amount of	4.2	4.6	12.9	13.6	4.2	17.8
Investments in tangible fixed assets	0.0	0.5	0.4	5.6	4.0	9.6
Earnings per share (SEK)	-7.4	24.9	-19.12	14.5	-25.45	8.19
Number of shares, thousands	11 246	11 246	11 246	11 246	11 246	11 246

Balance sheet	30 Sep.	30 Sep.	31 Dec.
SEK million	2002	2001	2001
Intangible fixed assets	-	0.4	-
Tangible fixed assets	61.8	74.3	74.3
Financial fixed assets	49.2	53.6	52.0
Total fixed assets	111.0	128.3	126.3
Inventories	-	-	-
Current receivables	20.0	26.6	25.4
Current investments & liquid assets	383.1	646.0	596.1
Total current assets	403.2	672.6	621.5
Total assets	514.1	800.9	747.8
Shareholders' equity*	464.0	749.9	678.8
Allocations	9.1	9.1	9.1
Long-term liabilities	-	-	-
Current liabilities	41.1	42.0	59.9
Total shareholders' equity and liabilities	514.1	800.9	747.8
<i>*Change in shareholders' equity</i>			
Amount at the start of the period	678.8	646.0	646.0
Shareholders' dividends	-	-	-
Translation differences	0.2	-0.3	-0.3
Profit/loss for the period	215.0	104.2	33.0
Amount at the end of the period	464.0	749.9	678.8

Cash flow statement	July-Sep.		Jan.-Sep.		Full-year
SEK million	2002	2001	2002	2001	2001
Profit/loss after financial items	-83.7	279.8	-215.7	104.2	34.8
Adjustments for items not included in the cash flow, etc.	5.8	-337.2	16.2	-320.3	-315.2
Tax paid	-0.2	-0.2	-0.4	-0.2	-1.5
Cash flow from ongoing operations before changes in working capital	-78.1	-57.6	-199.9	-216.3	-281.9
Changes in working capital	2.3	-46.8	-11.7	-92.0	-72.7
Cash flow from ongoing operations	-75.8	-104.4	-211.6	-308.3	-354.6
Net investments in fixed assets	0.0	537.7	-1.2	512.1	508.6
Cash flow from investment activities	0.0	537.7	-1.2	512.1	508.6
Loans raised/repayment of loans	-	0.0	-	34.0	34.0
Cash flow from financing activities	0.0	0.0	0.0	34.0	34.0
Cash flow for the period	-75.8	433.3	-212.8	237.8	188.0
Liquid assets at year-start	458.9	212.8	596.1	408.0	408.0
Exchange rate difference in liquid assets	0.0	-0.1	-0.1	0.2	0.1
Liquid assets at the end of the period	383.1	646.0	383.1	646.0	596.1

KEY FIGURES	30 Sep.	30 Sep.	Full-year
	2002	2001	2001
Shareholders' equity, SEK million	464.0	749.9	678.8
Equity per share, SEK	41.25	66.68	60.36
Available liquidity, SEK million	383.1	646.0	596.1
Available liquidity per share	34.07	57.44	53.00
Parent company equity/assets ratio, %	50.5%	61.3%	55.6%
Group equity/assets ratio, %	90.2%	93.6%	90.8%

Income statement – pro forma 2001 – 1999

(The Active Biotech Group excluding SBL Vaccin)

SEK million	1999		2000			
	Full-year	Q1	Q2	Q3	Q4	Full-year
Net sales	81.1	11.3	11.9	10.7	11.2	45.2
Cost of goods sold	-2.0	-2	.0	.1	.1	.1
Gross income	79.1	11.1	12.0	10.9	11.3	45.2
Sales and marketing costs	-3.4	-1	.0	.1	-	-
Administration costs	-59.1	-13.2	-20.4	-10.5	-10.8	-54.9
Research and development costs	-232.1	-49.9	-57.5	-46.4	-66.0	-219.9
Other income/expenses	.1	-	-	-1.4	7.2	5.8
	-215.3	-52.1	-66.0	-47.4	-58.2	-223.7
Items affecting comparability	15.0	-	-	-	-	-
Capital gains on the sale of subsidiaries		-	-	-	-	-
Operating profit/loss	-200.3	-52.1	-66.0	-47.4	-58.2	-223.7
Profit/loss from participation in associated companies		-	-	-	-	-
Net financial items	57.7	77.3	-8.6	14.7	8.2	91.6
Profit/loss after financial items	-142.6	25.2	-74.6	-32.7	-50.0	-132.1
Tax on profit/loss for the year		-	-	-	.1	.1
Profit/loss for the year	-142.6	25.2	-74.6	-32.7	-49.9	-132.0
		2001				
SEK million		Q1	Q2	Q3	Q4	Full-year
Net sales		1.4	.9	.0	.1	2.5
Cost of goods sold		.1	.1	.1	.1	.2
Gross income		1.5	1.0	.1	.2	2.7
Sales and marketing costs		-	-	-	-	-
Administration costs		-7.8	-8.2	-10.8	-10.1	-37.0
Research and development costs		-59.3	-54.4	-54.9	-62.6	-231.3
Other income/expenses		.0	.4	-1	-1.2	-.9
		-65.7	-61.3	-65.8	-73.7	-266.4
Items affecting comparability		-	-	-	.3	.3
Capital gains on the sale of subsidiaries		-	-	341.7	-	341.7
Operating profit/loss		-65.7	-61.3	275.9	-73.5	75.5
Profit/loss from participation in associated companies		-	-	-	-1.0	-1.0
Net financial items		1.1	9.3	3.8	5.1	19.4
Profit/loss after financial items		-64.5	-52.0	279.8	-69.4	93.9
Tax on profit/loss for the year		-	-1	.1	-1.8	-1.8
Profit/loss for the year		-64.5	-52.0	279.8	-71.2	92.1