Active Biotech
Quarterly Report Oct-Dec
Full Year 2002

- **SAIK-MS phase II clinical studies are proceeding according to schedule**
- **TTS Phase IIa clinical studies are proceeding according to schedule**
- **FDA approval for the start of new clinical trials program for the TTS cancer project**
- **Clinical studies started on the TASQ prostate cancer project**
- **Fourth quarter profit/loss after net financial items before items affecting comparability SEK -68.0 (-69.7) million**
- **Annual profit/loss after net financial items SEK -308.3 (34.8) million - ongoing operations adjusted for items affecting comparability SEK -283.7 (-248.1) million**
- **Board decision on a SEK 225 million rights issue subject to the approval of the Annual General Meeting and a resolution to reduce the nominal share value, whereof MGA Holding AB guarantees issue proceeds of at least SEK 169 million**

SAIK-MS

One of the company's key projects, SAIK-MS, for the development of an orally administered medicine for the treatment of MS is going ahead according to schedule.

At present, about 200 patients from various clinics in the Netherlands, England, Russia and Sweden are participating in a phase II clinical study. Just over half of the treatment weeks included in the study have now been completed. As already announced, the final results of this Phase II study will be available before the end of the year. The study is being carried out with Principal Investigator Professor Chris Polman at the VU Medical Centre, Amsterdam, The Netherlands.

In 2001, the total market for MS medicines amounted to USD 2.4 billion (Blomquist&Associates; Multiple Sclerosis, June 10, 2002). By 2005, this market is expected to amount to USD 3.8 billion.

Background
Today, multiple sclerosis (MS) is an incurable disease where the body's immune system attacks the myelin sheaths surrounding the nerve fibres in the brain and elsewhere, thus disrupting or completely blocking their passage and preventing sensory inputs from continuing to reach the brain. The brain is no longer able to communicate with the body's muscles. MS can lead to anything from minor symptoms for lengthy periods to severely incapacitating symptoms within a couple of years. Initially, MS comes in "flares" with alternating periods of deterioration and improvement. The disease above all affects young people, and more women than men; the average age of onset of the disease is around 30.

FDA approval for the start of new TTS clinical trials program
In January the company's IND(Investigational New Drug) application was approved for the start of a new clinical trials program in the USA for the next generation TTS-products, CD3. About 30 patients with non-small cell lung cancer are scheduled to participate in the Phase I study. The Principal Investigator for this study is Professor Roger B. Cohen at the Fox Chase Cancer Center in Philadelphia, USA.

The ongoing open TTS Phase IIa clinical studies which were initiated towards the end of 2001/beginning of 2002 in England with the candidate drug CD2 are going ahead according to schedule. At present, patients with renal and pancreatic cancer are both being treated with CD2. A total of 60 patients are scheduled to participate in the studies, which are scheduled to be completed within the year.

The markets for medicines for the treatment of lung, renal and pancreatic cancer are currently assessed as being worth in the region of USD 1 billion, USD 150 million and USD 500 million, respectively.

Background
TTS stands for "Tumour Targeted Superantigens". The term "superantigen" is a collective term used to refer to a number of compounds that are among the most powerful stimulators of the human immune system's T-cells, the body's tool for killing undesirable cells. By targeting superantigens against tumour cells using a tumour-specific antibody, Active Biotech has created a unique product which recognises cancer cells and stimulates the body's own immune defences to eradicate these. The technology can in principle be used to treat many types of tumour cells, but Active Biotech has chosen to focus development efforts on the treatment of lung cancer, renal cancer and pancreatic cancer.

The TASQ prostate cancer project has initiated clinical studies
A first Phase I clinical study of the candidate drug TASQ (Tumour Angiogenesis Suppression by Quinolines) has been successfully implemented in collaboration with Lund University Hospital.

The study using healthy volunteers is studying the TASQ's pharmacokinetic properties in human beings, i.e. the manner in which the substance is absorbed and secreted. This type of study provides data on the properties of the drug, including how it is to be administered to the patient. The results of the study have shown that TASQ possesses properties well suited to oral administration.

The next step in clinical development is a dose escalation study using healthy volunteers scheduled to start during the spring of 2003. After this, a Phase I study on prostate cancer patients is being planned, where not only the safety of the substance will be studied but also its efficacy in the treatment of tumour disorders.

The global market for prostate cancer drugs is currently assessed as being in the region of USD 3.1 billion annually.

Background
The purpose of the company's TASQ project is to develop an orally active compound, i.e. in tablet form, for the treatment of prostate cancer. Active Biotech is collaborating with Professor John T. Isaacs of Johns Hopkins University in Baltimore, USA, on this project. In various disease models this candidate drug has shown good so-called anti-angiogenesis effects, i.e. it is able to cut off nutrition to tumour cells, and has even showed a direct anti-tumour effect in pre-clinical models. Moreover, recently completed studies have also shown that the TASQ compound does not inhibit those enzyme systems (so-called kinases) which are the target molecules for the majority of the present anti-angiogenesis compounds. This implies that the TASQ compound's mechanism of action is different from that of these drugs.

Prostate cancer is the most common form of cancer among men and accounts for almost one third of all cancers. The disease principally affects men in their fifties and over. Prostate cancer may have varying degrees of severity. Despite a relatively good prognosis, prostate cancer is the next most usual cause of death among men.

The SLE project is being prepared for clinical studies in 2003
The company's candidate drug (ABR-215757) for the treatment of SLE is being prepared for clinical studies during 2003. ABR-215757 has shown itself to be effective in a variety of disease models for the treatment of SLE and other diseases, and has displayed a favourable toxicological profile.

SLE (Systemic Lupus Erythematosus) is a life-threatening, degenerative autoimmune disease, for which today there are very few treatment alternatives. No new drug has been registered for the treatment of this indication in the last 40 years. The Lupus Foundation of America (LFA) estimates that at least 1.4 million people in the USA currently suffer from some form or other of lupus. Nine out of ten sufferers are women.

Background
SLE - Systemic Lupus Erythematosus – is a disease of the connective tissues which can cause inflammation and damage to the connective tissue in any organ in the body. Progress and symptoms of the disease vary widely, depending on the organs affected. The disease affects about 1 in every 20,000 people, and above all affects women of childbearing age. It progresses in "flares" interspersed by relatively symptom-free periods. The autoimmune attack affects many different organ systems and in time the disease leads to many patients experiencing serious secondary symptoms such as kidney failure.

Other projects
Other projects within the framework of Active Biotech's discovery and preclinical project portfolio include the IMO-A (ImmunoMOdulation project A), the object of which is the in-depth investigation of the mechanism of action of quinoline compounds. The INDRA (Inhibiting Disease by Reducing TNF-a Activity) project, whose primary target indication is inflammatory bowel diseases, is going ahead on schedule. During the first quarter of 2003 a new drug discovery project within immune modulation (I-3D) has been initiated

Financial information

Comments on the group's fourth quarter 2002 profit/loss

In view of the sale of vaccine operations 4 July 2001, comments on financial progress will only be made compared to pro-forma adjusted results from the corresponding period of the previous year which might be relevant.

The group's earnings during the fourth quarter of the current year amounted to SEK 1.1 (0.1) million. Operating costs not including the cost of goods sold amounted to SEK 86.9 (73.9) million. Costs during the fourth quarter reflect developments in the clinical development program for the project. The increase in costs compared to the same period of the previous year stems from process development costs, costs for the production of clinical material and clinical study costs for the ongoing Phase II studies on SAIK-MS and TTS, and the two preclinical projects, TASQ and SLE (which are now in the preparatory phase prior to the start of Phase I studies during 2003).

Operating loss amounted to SEK –110.4 (-73.5) million. Results for the current quarter include the buy-back of commercial rights to the SAIK-MS and TTS projects from Pharmacia. The purchase value amounted to SEK 26.5 million (3 MUSD). As earlier communicated, Pharmacia has right to 1.5 MUSD upon signing of the SAIK-MS partner agreement.

Operating loss before items affecting comparability amounted to SEK -85.8 (-73.8) million.

Net financial items for the period amounted to SEK 18.8 (5.1) million. The significantly improved net financial item is mainly related to the gains realised in asset management where parts of the contents of the interest hedge fund Nectar, the entire contents of the share hedge fund Eikos and parts of the share portfolio were realised. The profit/loss participation in the associated company Isogenica Ltd amounted to SEK –1.0 (-1.0) million. The company is progressing according to schedule.

Operating loss after financial items amounted to SEK –92.6 (-69.4) million, adjusted to items affecting comparability the loss amounted to SEK -68.0 (-69.7) million.

Comments on the group's 2002 annual profit/loss
The group's annual income amounted to SEK 3.8 (102.3), pro-forma adjusted income amounted to SEK 2.5 million. The previous year's income included sales from the sold vaccine business. Operating costs not including the cost of goods sold amounted to SEK 320.5 (350.7) million, pro-forma adjusted SEK 269.1 million. The increase in costs on existing operations amounted to SEK 51.4 million, which stems in its entirety from increased external costs for process and product development, the cost of clinical materials, the cost of clinical studies and other external research services related to the development of the product portfolio. Infrastructure costs remained unchanged from the previous year.

Operating profit/loss before items affecting comparability amounted to SEK –316.5 (324.9) million, pro-forma adjusted to SEK –266.4 million. Items affecting comparability for the current year amounted to SEK 24.6 million in expenses, compared to income of SEK 342.0 million for the previous year.

Operating profit/loss amounted to SEK -341.1 (17.1) million, pro-forma adjusted to SEK 75.5 million.

Net financial items for the period amounted to SEK 35.8 (18.7) million. The significantly improved net financial item above all relates to the gains realised in asset management.

Active Biotech's share of profits/losses in the associated company Isogenica Ltd amounted to SEK –3.0 (-1.0) million. The increased costs reflect the progressive build-up of the operations.

The company's profit/loss after financial items amounted to SEK -308.3 (34.8) million, pro-forma adjusted to SEK 93.9 million. Adjusted for items affecting comparability, loss after net financial items amounted to SEK –283.7 million (-307.2) million, pro-forma adjusted to SEK –248.1 million.

Liquidity and financial status
Fourth quarter cash flow amounted to SEK –54.0 (-49.8) million and SEK –266.8 (188.0) million for the full-year 2002.

At the end of the period the group had net bank borrowings amounting to SEK 26.7 million (excluding debts to leasing companies). The credit facility has been used to finance the buy-back of commercial rights to SAIK-MS and TTS from Pharmacia.

The book value of the group's short-term investments and current liquid assets amounted to SEK 329.1 million at the end of the period, as against SEK 596.1 million at the end of the previous year.

Cash available per share amounted to SEK 29.27, as against SEK 53.00 at the end of 2001.

Shareholders' equity
Group shareholders' equity amounted to SEK 380.3 million at the end of the period, as against SEK 678.8 million at the end of the previous year.

At the end of the period the group had an equity/asset ratio of 81.3%, compared to 90.8% at the end of 2001. The corresponding figure for the parent company Active Biotech AB was 36.1% and 55.6%, respectively.

SEK 225 million rights issue
The board has decided on a rights issue of SEK 225 million subject to the approval by the Annual General Meeting (AGM) and provided the AGM also decides on the board's proposed reduction in the per share nominal value to SEK 10. Preferential rights to subscribe in the new issue will be given to the company's shareholders. One existing class A share and/or class B share will entitle the holder to subscribe to two new class B shares at a price of SEK 10 per share.

Pharmacia AB (24.1% of the capital and 17.1% of the votes), which does not intend to participate in the issue, has agreed to transfer its subscription rights to MGA Holding AB to ensure that the new issue can be successfully implemented.

MGA Holding (8.3% of the capital and 32.8% of the votes) has undertaken to exercise both its own subscription rights and those transferred from Pharmacia, i.e. corresponding to a total of 32.4% for subscription. In addition, MGA Holding has guaranteed that, if necessary, it will, without compensation, subscribe to the number of new class B shares necessary to bring the total issue proceeds up to SEK 169 million, which is equivalent to the reduction in share capital which would result from the board's proposed reduction of the per share nominal value.

Catella Kapitalförvaltning AB, Futuris and Servisen and associated companies have declared that they intend to exercise subscription rights amounting to a total of 11.1% of the new share issue.

For further information and a time schedule, please see the separate press release.

Other events
As published on 12 November 2002, PowderJect Pharmaceuticals intended to submit, to the European registration authority (EMEA) in January 2003, its final answer in respect of the registration application which was submitted in March 2002. Once the final answer has been submitted, it is assessed that it will take three months before final approval can be received. According to the agreement signed when SBL Vaccin was sold to PowderJect Pharmaceuticals in July 2001, Active Biotech is entitled to the payment of USD 10 million upon registration of Dukoral during 2003, and to royalties from future sales of up to USD 20 million.

Forecast
During the period, operations have concentrated on the start-up and running of Phase II Clinical trials for the key SAIK-MS and TTS projects, with reporting of results scheduled for 2003. In addition, two new candidate drugs were selected during 2002, one for the TASQ prostate cancer project and one for the SLE 57-57 project. These projects are expected to progress into Phase I clinical studies during 2003.

The company is currently focusing on partnership agreements and ongoing discussions might affect the company's financial position and results. No forecast is currently communicated for 2003.

The Board of Directors proposes that no dividends be paid for the 2002 financial year.

Accounting and evaluation principles
This financial quarterly report and accounts has been prepared in accordance with the Swedish Accounting Council's recommendations (RR20 Interim reporting). The same accounting and evaluation principles were used in the quarterly report as in the most recent annual financial report.

Because of the company's structure and considerable research and development costs, the company is not in a position to pay tax. The company's accumulated deficit deduction at the end of 2001 was SEK 344.2 million including the as yet unconfirmed assessment for the 2001 financial year.

Forthcoming reporting events during 2003
The Annual Report is available on the website from the middle of March.

Quarterly report Jan-Mar: 15 May
Quarterly report April-June: 14 August
Quarterly report July-Sept: 6 November

The reports are published on www.activebiotech.com.

Annual General Meeting
The Annual General Meeting will be held on 10 April 2003 at Edison Park, Emdalavägen 18, Lund. A more detailed invitation will be sent closer to this date.

Lund, 13 February, 2003
Active Biotech AB

Sven Andréasson
President & CEO

This quarterly report has not been audited by the company's accountants.

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***Active Biotech AB** 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 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).*

The A c t i v e B i o t e c h Group
Income Statement

	Oct-Dec		Jan-Dec	
SEKm	**2002**	**2001**	**2002**	**2001**
Net sales	**1.1**	**0.1**	**3.8**	**102.3**
Cost of goods sold	0.1	0.0	0.2	-76.5
Gross profit	**1.2**	**0.2**	**4.0**	**25.8**
Sales expenses	-	-	-	-12.7
Administrative expenses	-9.7	-10.1	-35.3	-42.1
Research and development costs	-75.7	-62.6	-285.2	-294.6
Other income/costs	-1.5	-1.2	-	-1.3
Items affecting comparability	-24.6	0.3	-24.6	0.3
Capital gain from sale of subsidiaries				341.7
Operating profit/loss	**-110.4**	**-73.5**	**-341.1**	**17.1**
Profit/loss from shares in associated companies	-1.0	-1.0	-3.0	-1.0
Net financial items	18.8	5.1	35.8	18.7
Operating profit / loss after financial items	**-92.6**	**-69.4**	**-308.3**	**34.8**
Tax on profit for the year	8.7	-1.8	9.4	-1.8
Profit/loss for the year	**-83.9**	**-71.2**	**-298.9**	**33.0**
Depreciation	4.7	4.2	17.6	26.8
Investment in fixed assets	3.2	3.7	3.5	30.2
Return/share	-7.5	-6.3	-26.6	2.9
Number of shares -000	11246	11246	11246	11246

Income statement (not including SBL Vaccin)

	Oct-Dec		Jan-Dec	
SEKm	**2002**	**2001**	**2002**	**2001**
Net sales	1.1	0.1	3.8	2.5
Cost of goods sold	0.1	0.1	0.2	0.2
Gross profit	1.2	0.2	4.0	2.7
Sales expenses	-	-	-	-
Administrative expenses	-9.7	-10.1	-35.3	-37.0
Research and development costs	-75.7	-62.6	-285.2	-231.3
Other income/costs	-1.5	-1.2	-	-0.9
Items affecting comparability	-24.6	0.3	-24.6	0.3
Capital gain from sale of subsidiaries	-	-	-	341.7
Operating profit/loss	-110.4	-73.5	-341.1	75.5
Profit/loss from shares in associated companies	-1.0	-1.0	-3.0	-1.0
Net financial items	18.8	5.1	35.8	19.4
Operating profit / loss after financial items	-92.6	-69.4	-308.3	93.9
Tax on profit for the year	8.7	-1.8	9.4	-1.8
Profit/loss for the year	-83.9	-71.2	-298.9	92.1
Depreciation	4.7	4.2	17.6	17.8
Investment in fixed assets	3.2	4.0	3.6	9.6
Return/share	-7.5	-6.3	-26.6	8.2
Number of shares -000	11246	11246	11246	11246

Balance Sheet

SEKm	2002	2001	2000
Intangible fixed assets	-	-	47.1
Tangible fixed assets	60.2	74.3	197.4
Fixed asset investments	47.9	52.0	53.3
Total fixed assets	**108.1**	**126.3**	**297.9**
Inventories	-	-	63.4
Short-term receivables	30.3	25.4	99.6
Short-term investments and current liquid assets	329.1	596.1	408.0
Total current assets	**359.4**	**621.5**	**571.0**
Total assets	**467.5**	**747.8**	**868.9**
Shareholders' equity*	380.3	678.8	646.0
Provisions	-	9.1	35.8
Long-term liabilities	2.7	-	57.3
Current liabilities	84.5	59.9	129.8
Total liabilities and shareholders' equity	**467.5**	**747.8**	**868.9**
***Changes in shareholders' equity**			
Total at start of period	678.8	646.0	1064.3
Shareholders' dividends	-	-	-
Translation differences	0.4	-0.2	1.0
Profit/loss for the period	-298.9	33.0	-419.3
Total at end of period	**380.3**	**678.8**	**646.0**

The A c t i v e B i o t e c h Group

Cash flow analysis

SEKm	Oct-Dec 2002	Oct-Dec 2001	Jan-Dec 2002	Jan-Dec 2001
Operating profit / loss after financial items	**-92.6**	**-69.4**	**-308.3**	**34.8**
Adjustments for items not included in the cash flow, etc.	7.3	5.1	23.5	-315.2
Tax paid	0.2	-1.3	-0.2	-1.5
Cash flow from current operations before change in working capital	**-85.1**	**-65.6**	**-285.0**	**-281.9**
Change in working capital	7.6	19.3	-4.1	-72.7
Cash flow from ongoing operations	**-77.5**	**-46.3**	**-289.1**	**-354.6**
Net investment in fixed assets	-3.2	-3.5	-4.4	508.6
Cash flow from investment activities	**-3.2**	**-3.5**	**-4.4**	**508.6**
Loans raised/amortisation of loan debts	26.7	0.0	26.7	34.0
Cash flow from financing activities	**26.7**	**0.0**	**26.7**	**34.0**
Cash flow for the period	**-54.0**	**-49.8**	**-266.8**	**188.0**
Liquid funds at the beginning of the period	**383.2**	**646.0**	**596.1**	**408.0**
Exchange rate differences in liquid funds	**-0.1**	**-0.1**	**-0.2**	**0.1**
Liquid funds at the end of the period	**329.1**	**596.1**	**329.1**	**596.1**

KEY FIGURES

	2002	2001
Shareholders' equity SEKm	380.3	678.8
Shareholders' equity per share SEK	33.81	60.36
Cash available SEKm	329.1	596.1
Cash available/share SEK	29.27	53.00
Equity/assets ratio, parent company, %	36.1%	55.6%
Equity/assets ratio, Group, %	81.3%	90.8%
Average number of employees (ongoing business)	183	186

Income Statement - pro forma 2001-1999

(Active Biotech Group excluding SBL Vaccin)

	1999	2000				
SEKm	**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**	-0.2	-	0.1	0.1	**0.1**
Gross profit	**79.1**	11.1	12.0	10.9	11.3	**45.2**
Sales expenses	**-3.4**	-0.1	-	0.1	-	-
Administrative expenses	**-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/costs	**0.1**	-	-	-1.4	7.2	**5.8**
	-215.3	-52.1	-66.0	-47.4	-58.2	**-223.7**
Items affecting comparability	**15.0**	-	-	-	-	-
Capital gain from sale of subsidiaries	**-**	-	-	-	-	-
Operating profit/loss	**-200.3**	-52.1	-66.0	-47.4	-58.2	**-223.7**
Profit/loss from shares in associated companies	**-**	-	-	-	-	-
Net financial items	**57.7**	77.3	-8.6	14.7	8.2	**91.6**
Operating profit / loss after financial items	**-142.6**	25.2	-74.6	-32.7	-50.0	**-132.1**
Tax on profit for the year	**-**	-	-	-	0.1	**0.1**
Profit/loss for the year	**-142.6**	25.2	-74.6	-32.7	-49.9	**-132.0**

	2001				
SEKm	Q1	Q2	Q3	Q4	**Full-year**
Net sales	**1.4**	**0.9**	**-**	**0.1**	**2.5**
Cost of goods sold	0.1	0.1	0.1	0.1	**0.2**
Gross profit	**1.5**	**1.0**	**0.1**	**0.2**	**2.7**
Sales expenses	-	-	-	-	-
Administrative expenses	-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/costs	-	0.4	-0.1	-1.2	**-0.9**
	-65.7	-61.3	-65.8	-73.7	**-266.4**
Items affecting comparability	-	-	-	0.3	**0.3**
Capital gain from sale of subsidiaries	-	-	341.7	-	**341.7**
Operating profit/loss	**-65.7**	**-61.3**	**275.9**	**-73.5**	**75.5**
Profit/loss from shares in associated companies	-	-	-	-1.0	**-1.0**
Net financial items	1.1	9.3	3.8	5.1	**19.4**
Operating profit / loss after financial items	**-64.5**	**-52.0**	**279.8**	**-69.4**	**93.9**
Tax on profit for the year	-	-0.1	0.1	-1.8	**-1.8**
Profit/loss for the year	**-64.5**	**-52.0**	**279.8**	**-71.2**	**92.1**