Active Biotech
Interim Report
January – March 2003

- **SAIK-MS Phase II clinical studies are proceeding as planned**
- **Indicative survival data for the TTS cancer project**
- **First patient in United States treated with next-generation TTS product, CD3 against lung cancer**
- **Phase IIa clinical studies of TTS are proceeding as planned**
- **First-quarter loss of MSEK 60.4 (-63.9) after net financial items**

SAIK-MS

The company's key project, SAIK-MS, for the development of an orally administered drug for the treatment of MS, is proceeding according to plan:

At present, about 200 patients at about 20 different clinics in the Netherlands, the UK, Russia and Sweden are participating in the ongoing Phase II clinical study. All of the patients have now completed their treatment with SAIK-MS and have entered the follow-up phase. It is not until this follow-up phase has been conducted that the clinical trials can be completed and all results can be entered into a database and then analysed. The trial is being monitored continuously by an independent safety committee that follows up and reports on any significant side effects patterns. No such patterns have been noted to date.

As already announced, the results of the Phase II study will be available before the end of the year.

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

Background
Today, multiple sclerosis (MS) is an incurable disease that results from the body's immune system attacking the myelin sheaths surrounding the nerve fibers 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 mainly affects young people, and more women than men; the average age of onset of the disease is around 30.

Favourable results and new clinical trials for TTS project
A Phase I clinical study in the US of the optimised candidate drug TTS CD3 against non-small cell lung cancer started at the beginning of May 2003 and the first patient has now been treated. In January 2003, the company's IND (Investigational New Drug) application for the start of clinical trials was approved by the US Federal Drug Administration. The study is being conducted under the direction of Professor Roger B. Cohen of the Fox Chase Cancer Center in Philadelphia, in the US, and at Radiumhospitalet in Oslo, Norway. It is estimated that about 30 patients will participate in the Phase I study.

On April 23, 2003, the company presented the results of a survival study conducted as a follow-up of a Phase I study of the candidate drug CD2. The study showed that the survival for the majority of the treated patients was longer than one could expect from the normal progression of the disease. For further information, visit www.activebiotech.com - press&news.

The ongoing open TTS Phase IIa clinical studies of the candidate drug CD2, which were initiated around the end of 2001 in the UK, are proceeding as planned. Recruitment of patients with renal and pancreatic cancer for the study has been completed and the patients are now undergoing treatment. The results of the study are scheduled to be presented before the end of the year.

The company has received approval for the presentation a number of scientific abstracts regarding the progress of the TTS project at the 39th American Society for Clinical Oncology Annual Meeting, a major annual scientific conference that will be held around the end of May. These results will also be presented in July at the 20th International Conference - Advances and the Application of Monoclonal Antibodies in Clinical Oncology.

According to current assessments, the markets for drugs for the treatment of lung, renal and pancreatic cancer are worth approximately USD 1 billion, USD 150 million and USD 500 million, respectively.

Background
TTS stands for Tumour Targeted Superantigens. 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 that recognises cancer cells and stimulates the body's own immune system to eradicate these. Although the technology can, in principle, be used to treat many types of tumor cells, Active Biotech has chosen to focus its development efforts on the treatment of lung cancer, renal cancer and pancreatic cancer.

Dose-escalation study being prepared for TASQ prostate cancer project
A first low-dose Phase I clinical study of the candidate drug TASQ (Tumour Angiogenesis Suppression by Quinolines) has been implemented successfully and the next step in the drug's clinical development is a dose-escalation study using healthy volunteers, which is scheduled to start in the near future. The purpose of the dose-escalation study is to establish safe dosage of the TASQ substance and to further study the adsorption and metabolism of the substance in humans. This will enable an optimal design of a Phase I study of patients

suffering from prostate cancer. The primary purpose of the latter study will also be to

document the safety of the TASQ substance and to establish safe and optimal doses, but also possible clinical effects will be monitored.

The global market for prostate cancer drugs is currently estimated to be worth about USD 3.1 billion annually.

Background
The purpose of the company's TASQ project is to develop an orally active substance – meaning in tablet form – for the treatment of prostate cancer. Active Biotech is collaborating with Professor John T. Isaacs of Johns Hopkins University in Baltimore, in the US, in this project. In various disease models, this candidate drug has shown favourable anti-angiogenesis effects, which means it is able to cut off nutrition to tumour cells, and has also shown a direct antitumour effect in pre-clinical models. Moreover, recently completed studies have also shown that the TASQ substance does not inhibit those enzyme systems (so-called kinases) that are the target molecules for most of the current anti-angiogenesis compounds. This implies that the TASQ substance's active mechanism differs from that of such 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 above. Prostate cancer has varying degrees of severity. Despite a relatively good prognosis, prostate cancer is the second most common cause of death among men.

57-57 project being prepared for clinical studies
The company's ABR-215757 candidate drug for the treatment of SLE is currently being prepared for clinical studies. ABR-215757 has proven to be effective in a variety of animal 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 very few treatment options are available at present. No new drug has been registered for the treatment of this indication in the past 40 years. The Lupus Foundation of America (LFA) estimates that at least 1.4 million people in the US currently suffer from some form of lupus. Nine out of ten sufferers are women.

Background
SLE - Systemic Lupus Erythematosus – is a disease of the connective tissues that 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, primarily women of childbearing age. It progresses in "flares" interspersed by relatively symptom-free periods. The autoimmune attacks affect many different organ systems and the disease eventually leads to many patients experiencing serious secondary symptoms, such as kidney failure.

Other projects
I-3D, a drug discovery project in the immunomodulation field, was launched during the first quarter of 2003. The intention is to use structure-based drug design for the development of a drug for the treatment of autoimmune/inflammatory diseases.

Active Biotech's discovery and preclinical project portfolio also includes the IMO-A (ImmunoMOdulation project A) project, the purpose of which is the in-depth investigation of the mode of action of Quinoline compounds.

The IMO-B project – which had been conducted in partnership with Oxigene with the aim of developing the substance declopramide for the treatment of inflammatory bowel disorders – was closed following further evaluation during the period. The reason for this decision was that the substance displayed a toxicological profile that indicated that its use for chronic treatment could not be regarded as being completely free of side effects. The other project in partnership with Oxigene, INDRA (Inhibiting Disease by Reducing TNF-α Activity), whose primary target indication is inflammatory bowel diseases, has met its milestones and is proceeding as planned.

Financial information

Comments on the Group's results during Q1 2003
The Group's turnover during the first quarter of 2003 amounted to MSEK 0.0 (0.1).

Operating costs amounted to MSEK 85.3 (66.7). The cost trend reflects the progress of the clinical development program, which resulted in higher costs compared with the same period previous year for process development and the production of clinical material, as well as clinical study costs for the ongoing Phase II studies on SAIK-MS and TTS CD2, the recently started Phase I study of TTS CD3 and the Phase I studies of the TASQ and 57-57 projects scheduled to be conducted during 2003.

An operating loss of MSEK 85.3 (-66.5) was reported. The increased loss compared with the year-earlier period was due to higher clinical study costs. The first quarter of 2002 only included costs for the TTS CD2 study, while the first quarter of the current year, following the expansion of the clinical program, also includes costs for SAIK-MS and TTS Phase II studies, TTS CD1 Phase I studies and initial Phase I studies of TASQ.

Net financial items for the period amounted to income of MSEK 25.6 (2.6). The significantly improved financial net is mainly attributable to a dividend from the interest hedge fund Nectar.

The participation in the results of the associated company Isogenica Ltd, whose operations are proceeding as planned, amounted to a loss of MSEK 0.8 (0.0).

The operating loss after financial items was MSEK 60.4 (-63.9).

Liquidity and financial status
First-quarter cash flow was negative in an amount of MSEK 83.5 (-76.6). Loan amortisation totalling MSEK 26.7 has resulted in the Group becoming debt free, apart from a debt to

leasing companies – had a major impact on cash flow during the first quarter of 2003.

Investments in tangible fixed assets during the period amounted to MSEK 3.2 (0.3).

The book value of the Group's short-term investments and liquid assets was MSEK 245.6 at the end of the period, compared with MSEK 329.1 at the end of 2002.

Liquid funds amounted to SEK 21.84 per share, compared with SEK 29.27 at the end of 2002.

Shareholders' equity
Group shareholders' equity amounted to MSEK 319.2 at the end of the period, compared with MSEK 380.3 at the end of the preceding year.

At the end of the period, the Group had an equity/asset ratio of 86.1%, compared with 81.3% at the end of 2002. The corresponding figures for the parent company Active Biotech AB were 38.0% and 36.1%, respectively.

SEK 225 M rights issue
On April 10, 2003, the Annual General Meeting approved a rights issue of MSEK 225 and the Board's proposal that the par value per share be reduced to SEK 10. The company's shareholders will have preferential rights to the new shares. One existing class A share and/or class B share will entitle the holder to subscribe for two new class B shares at a price of SEK 10 per share.

The reason for the share issue is to safeguard the company's financial strength and flexibility during ongoing discussions with potential business partners and to provide the conditions for conducting a broad clinical program that facilitates future value growth.

Pharmacia AB (24.1% of the capital and 17.1% of the votes), which do not participate in the issue, has transferred the subscription rights that it received 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 exercised both its own subscription rights and those acquired from Pharmacia, meaning a total of 32.4%, for subscription. In addition, MGA Holding has guaranteed that if necessary it will, without compensation, subscribe for the number of new class B shares required to bring the total issue proceeds up to MSEK 169, which corresponds to the reduction in share capital that would result from the Board's proposed reduction in the par value per share.

Forecast
During 2003, operations will focus on completing the two ongoing Phase II clinical trials for the key SAIK-MS and TTS CD2 projects, with the results scheduled to be reported during the fourth quarter of 2003. In addition, the recently initiated Phase I studies of the candidate drug TTS CD3 and the projects expected to progress into Phase I studies during 2003 – meaning the TASQ prostate cancer project and the SLE 57-57 project – will also be prioritised.

Since the company has entered a period during which it is focusing on partnership agreements and the ongoing discussions could affect the company's financial position and results, no forecast is being issued for full-year 2003.

Accounting and evaluation principles
This interim report has been prepared in accordance with the Swedish Accounting Council's recommendations (RR20 Interim reporting). The accounting and evaluation principles used in this interim report are identical to those used in the most recent annual report.

Because of the company's structure and considerable research and development costs, it is currently not required to pay income taxes. The company's accumulated tax loss carry forwards at the end of 2002 amounted to MSEK 648.8 including the as yet unconfirmed tax assessments.

Forthcoming reporting occasions during 2003
Interim report April-June: 14 August
Interim report July-Sept: 6 November

As of above dates, the reports will be available on www.activebiotech.com.

Lund, May 15, 2003
Active Biotech AB

Sven Andréasson
President & CEO

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

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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).*

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The Active Biotech Group

Income statement MSEK	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Net sales	**0.0**	**0.2**	**3.8**
Cost of goods sold	-	0.1	0.2
Gross profit	**0.0**	**0.2**	**4.0**
Administrative expenses	-7.3	-8.3	-35.4
Research and development costs	-77.9	-57.7	-285.2
Items affecting comparability	-	-0.8	-24.6
Operating loss	**-85.3**	**-66.5**	**-341.1**
Loss from shares in associated companies	-0.8	-	-3.0
Net financial items	25.6	2.6	35.8
Loss after financial items	**-60.4**	**-63.9**	**-308.3**
Tax on profit for the period	-	-	9.4
Net loss for the period	**-60.4**	**-63.9**	**-298.9**
Depreciation included in an amount of	4.1	4.4	17.7
Investment sin fixed assets	3.2	0.3	3.6
Loss per share (SEK)	-5.37	-5.68	-26.58
Number of shares –000	11,246	11,246	11,246

Balance sheet MSEK	Mar 31, 2003	Mar 31, 2002	Dec 31, 2002
Tangible fixed assets	59.7	70.1	60.2
Financial fixed assets	47.2	51.9	47.9
Total fixed assets	**106.9**	**122.0**	**108.1**
Current receivables	18.1	21.5	30.3
Short-term investments and liquid assets	245.6	519.3	329.1
Total current assets	**263.7**	**540.9**	**359.4**
Total assets	**370.6**	**662.9**	**467.5**
Shareholders' equity*	319.2	615.1	380.3
Provisions	-	9.1	-
Long-term liabilities	6.0	-	2.7
Current liabilities	45.4	38.7	84.6
Total liabilities and shareholders' equity	**370.6**	**662.9**	**467.5**
*** Changes in shareholders' equity**			
Total at start of period	380.3	678.8	678.8
Cost of new share issue in progress	-1.0	-	-
Translation differences	0.3	0.2	0.4
Net loss for the period	-60.4	-63.9	-298.9
Total at end of period	**319.2**	**615.1**	**380.3**

Cash flow statement MSEK	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Loss after financial items	**-60.4**	**-63.9**	**-308.3**
Adjustments for items not included in cash flow, etc	5.1	5.6	23.0
Tax paid	-1.0	0.0	-0.9
Cash flow from current operations before Changes in working capital	**-56.2**	**-58.2**	**-286.2**
Changes in working capital	0.5	-17.3	-6.0
Cash flow from current operations	**-55.8**	**-75.5**	**-292.2**
Net investments in fixed assets	-0.0	-1.1	-1.2
Cash flow from investing activities	**-0.0**	**-1.1**	**-1.2**
New share issue in progress	-1.0	-	-
Loans raised/amortisation of borrowing	-26.7	-	26.7
Cash flow from financing activities	**-27.7**	**0.0**	**26.7**
Cash flow for the period	**-83.5**	**-76.6**	**-266.7**
Liquid funds, beginning of period	**329.1**	**596.1**	**596.1**
Exchange-rate differences in liquid funds	**-0.1**	**-0.1**	**-0.2**
Liquid funds, end of period	**245.6**	**519.3**	**329.1**

KEY FIGURES	Mar 31, 2003	Mar 31, 2002	Dec 31, 2002
Shareholders' equity MSEK	319.2	615.1	380.3
Shareholders' equity per share, SEK	28.38	54.69	33.81
Available liquid funds, MSEK	245.6	519.3	329.1
Available liquid funds per share, SEK	21.84	46.18	29.27
Equity/assets ratio of parent company, %	38.0%	56.3%	36.1%
Equity/assets ratio of Group, %	86.1%	92.8%	81.3%
Average number of annual employees	181	185	183