Active Biotech
Interim Report
January – June 2003

- **SAIK-MS Phase II studies proceeding as planned with final report planned for during fourth quarter of 2003**
- **Phase IIa studies with CD2 in TTS cancer project proceeding according to plan, reports on clinical results planned for before the end of the year**
- **Clinical Phase I study of TTS CD3 proceeding according to plan**
- **Phase I dose escalation study started for the TASQ prostate-cancer project**
- **New share issue over-subscribed by 24 percent, provided a net cash injection of SEK 216 M**
- **Loss after net financial items of SEK 139.3 M (loss: 132.0)**
- **Loss per share for the period amounted to SEK 9.46 (loss: 11.74) per share**

SAIK-MS developing according to plan with report planned during fourth quarter
Phase II clinical study of candidate drug SAIK-MS, intended for the oral treatment of multiple sclerosis (MS) is proceeding according to plan. The study comprises slightly more than 200 patients at some 20 different clinics in the Netherlands, the UK, Russia and Sweden.

The trial is continually monitored by a safety committee, which include reporting on any significant side effects. To date, no divergent side-effect patterns have been reported.

The primary target of the study is defined as demonstrating that treatment using SAIK-MS decreases the occurrence of MS-related damage to the brain in patients with a disease pattern experiencing flare-ups.

In addition, a number of other clinical parameters are monitored to provide a more complete picture of how treatment with SAIK-MS affects the progress of the disease. The study will also answer the question of whether or not SAIK-MS is able to prolong the periods in which patients are free from flare-ups, and the extent to which the substance reduces the number of flare-ups during treatment. The effects of SAIK-MS on the patients' clinical symptoms are also documented. The final evaluation of the study will take into account both these results and the complete analysis of all clinical parameters.

The study contains three treatment arms, one using a placebo and two groups receiving active treatment, one being given a dose of 0.1 mg/day and the other a dose of 0.3 mg/day. The study is a double-blind, randomised study, meaning that no one is aware which patients are receiving placebo and which are receiving active treatment substance.

All patients have undergone the treatment period and are now in a follow-up phase, after which all results will be entered into a database and analysed.

The results of this Phase II study are scheduled to be presented during the fourth quarter of the current 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 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 mainly affects young people, and more women than men; the average age of onset of the disease is around 30.

Clinical development of TTS proceeding according to plan – interim data presented
The clinical Phase I study of optimised candidate drug TTS CD3 against lung cancer, begun in the US at the beginning of May 2003, is proceeding according to plan. Currently, patients with non-small cell lung cancer are being treated. The study is being conducted under the leadership of Professor Roger B. Cohen at the Fox Chase Cancer Center in Philadelphia, in the US. In total, it is planned that about 30 patients will participate in the study.

The ongoing Phase IIa clinical studies of TTS, begun in the UK at the beginning of 2002 with the candidate drug TTS CD2 are progressing according to plan. Recruitment to the study has been completed and patients diagnosed with renal or pancreatic cancer are currently being treated. The results of the study are scheduled to be presented before the end of the year.

At the ASCO (American Society for Clinical Oncology) conference at the end of May/beginning of June 2003, the Company presented preliminary data from the ongoing Phase II study. In April, results were presented from a survival study conducted as a follow-up to Phase I clinical studies of CD2. The study demonstrated that most of the patients treated survived longer than could be expected from the normal progression of the disease.

According to current estimates, the markets for drugs for the treatment of lung, renal and pancreatic cancer are valued at 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 defences to eradicate these. Although the technology can, in principle, be used to treat many types of tumour cells, Active Biotech has chosen to focus its development efforts on the treatment of lung cancer, renal cancer and pancreatic cancer.

Phase I clinical study for TASQ prostate cancer project started
A Phase I dose escalation study using healthy volunteers is currently being conducted involving the Company's candidate drug TASQ (Tumor Angiogenesis Suppression by Quinolines). The first dosage level has been passed and, to date, no serious side effects have been reported. A dose escalation study is conducted to determine safe doses of the TASQ substance and to continue documenting how the substance is metabolised by the human body. This is important in facilitating the optimal implementation of a Phase I study with prostate cancer patients.

The Phase I study involving healthy volunteers has the principal goal of documenting the safety of the TASQ substance and establishing the correct dosage. The study, which is planned to comprise some 30 patients, is being conducted in Germany.

The global market for prostate cancer drugs is currently estimated at 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 anti-tumour 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 in 2004
The 57-57 project on the development of the candidate drug ABR-215757 for the treatment of SLE is currently focusing on scaling-up production of the substance and preparing safety documentation. Phase I clinical trials are expected to commence during the first half of 2004.

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 "flare-ups" 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
Other projects within Active Biotech's discovery and pre-clinical project portfolios have achieved their interim targets and are progressing according to plan.

Financial information

Comments on the Group's results during the first six months of 2003

The Group's net sales during the first half of 2003 amounted to SEK 0.1 M (2.5).

Operating costs amounted to SEK 163.2 M (149.4). The cost trend reflects the progress of the clinical development program, which resulted in higher costs for process development, the production of clinical material and clinical studies. The program includes the ongoing Phase II studies on SAIK-MS and TTS CD2, the Phase I studies on TTS CD3 and the TASQ prostate cancer project initiated during the first half of 2003. Also included are the start-up costs for the planned Phase I study for the 57-57 project.

An operating loss of SEK 163.1 M (loss: 146.8) was reported. The increased loss compared with the year-earlier period is attributable to increased costs for the extensive clinical development program.

Net financial items for the period amounted to income of SEK 25.4 M (16.4). The 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 SEK 1.5 M (loss: 1.6).

The operating loss after financial items was SEK 139.3 M (loss: 132.0).

Liquidity and financial status

Cash flow for the first six months amounted to SEK 48.2 M (negative: 137.0). The completion of a new share issue during the second quarter resulted in net proceeds of SEK 216.2 M. At the close of the period, the Group had no external loans, except for debts to leasing companies that amounted to SEK 6.2 M.

Investments in tangible assets during the period amounted to SEK 4.3 M (0.4).

The book value of the Group's short-term investments and liquid assets was SEK 377.2 M at the end of the period, compared with SEK 329.1 M at the end of 2002.

Liquid funds amounted to SEK 11.18 per share, compared with SEK 29.27 at the end of 2002.

Shareholders' equity

Group shareholders' equity amounted to SEK 457.6 M at the end of the period, compared with SEK 380.3 M at the end of the preceding year.

At the end of the period, the Group had an equity/asset ratio of 91.5%, compared with 81.3% at the end of 2002. The corresponding figures for the parent company Active Biotech AB were 49.0% and 36.1%, respectively.

New share issue
On April 10, 2003, the Annual General Meeting approved a rights issue of SEK 225 M and the Board's proposal that the par value per share be reduced to SEK 10.

The issue was completed during the second quarter and resulted in proceeds of SEK 216.2 M following transaction costs. Exercised preferential rights for shareholders accounted for 96.7 percent of subscriptions. Including B-series shares subscribed without exercise of subscription rights, the issue was over-subscribed by approximately 24 percent. The unutilised B-series shares not subscribed through exercise of preferential rights corresponded to 3.3 percent of the total number of shares offered and were distributed in accordance with the principles outlined in the prospectus for the new share issue.

Other
On June 12, Active Biotech was informed of an arbitration procedure brought forward by PowderJect Pharmaceuticals plc. as a consequence of alleged inaccurate assumptions in the share purchase agreement regarding the sale of SBL Vaccin in July 2001. The claim amounts to a maximum of USD 20 M. Active Biotech considers the claim to be entirely groundless and will take all measures necessary to protect its interests in the arbitration procedure.

Events following the close of the period
On July 25, the European registration authority EMEA's CPMP committee announced a positive recommendation for the registration of the travel vaccine Dukoral. In 2001, PowderJect Pharmaceuticals plc. acquired SBL Vaccin AB from Active Biotech. According to the acquisition contract, milestone payment of USD 10 M is to be paid to Active Biotech upon the approved registration of Dukoral in Europe before December 31, 2003. In addition, Active Biotech shall receive royalties for future annual sales in Europe exceeding USD 40 M.

In 1996, Active Biotech divested the Peltor Holding AB subsidiary to Aero Corporation of the US. The buyer has filed a claim of an alleged breach of warranty. The claim concerns the payment of retroactive tax by Peltor Holding AB's subsidiary Peltor AB in accordance with a ruling by the Administrative Court of Appeal in February 2002. The ruling was appealed to the Supreme Administrative Court, which did not, however, grant permission for the case to be brought before the Court, thereby reaffirming the earlier ruling by the Administrative Court of Appeal. As previously announced in the prospectus for the 2003 new share issue, Active Biotech has accepted responsibility for payment of the tax due. This is estimated at SEK 19.7 M.

Forecast
The completion of 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, are of central importance to operations. Also prioritised are the recently initiated Phase I studies of the candidate drug TTS CD3 and the TASQ prostate cancer project.

The company is currently in a period during which it is focusing on partnership agreements and the completion of Phase II studies. Because ongoing discussions regarding projects and products could affect the company's financial position and results, no forecast is being issued for full-year 2003.

Accounting and valuation principles
This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations (RR20 Interim reporting). The accounting and valuation principles used in this quarterly report are identical to those used in the 2002 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 SEK 648.8 M including the as yet unconfirmed tax assessment for the 2001 financial year.

Forthcoming reporting dates during 2003
Interim report Jan-Sept: November 6

As of the above date, the report will be available on www.activebiotech.com.

Lund, August 14, 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 SEK M	April-June 2003	April-June 2002	Jan-June 2003	Jan-Jun 2002	Jan-Dec 2002
Net sales	**0.0**	**2.3**	**0.1**	**2.5**	**3.8**
Cost of goods sold	0.0	0.1	0.0	0.1	0.2
Gross profit	**0.0**	**2.3**	**0.1**	**2.6**	**4.0**
Administrative expenses	-10.1	-9.0	-17.5	-17.2	-35.4
Research and development costs	-67.8	-76.0	-145.7	-133.7	-285.2
Items affecting comparability	-	2.3	-	1.5	-24.6
Operating loss	**-77.9**	**-80.3**	**-163.1**	**-146.8**	**-341.1**
Loss from shares in associated companies	-0.8	-1.6	-1.5	-1.6	-3.0
Net financial items	-0.3	13.8	25.4	16.4	35.8
Loss after financial items	**-78.9**	**-68.1**	**-139.3**	**-132.0**	**-308.3**
Tax on profit for the period	-	-	-	-	9.4
Net loss for the period	**-78.9**	**-68.1**	**-139.3**	**-132.0**	**-298.9**
Depreciation included in an amount of	4.1	4.3	8.2	8.7	17.7
Investments in fixed assets	1.1	0.1	4.3	0.4	3.6
Loss per share (SEK)	-4.34	-6.06	-9.46	-11.74	-26.58
Average number of shares –000	18 167	11 246	14 726	11 246	11 246
Number of shares at close of period, -000	33 739	11 246	33 739	11 246	11 246

BALANCE SHEET SEK M	June 30 2003	June 30 2002	Dec 31, 2002
Tangible fixed assets	56.3	66.0	60.2
Financial fixed assets	46.4	49.6	47.9
Total fixed assets	**102.7**	**115.5**	**108.1**
Current receivables	19.9	21.7	30.3
Short-term investments and liquid assets	377.2	458.9	329.1
Total current assets	**397.1**	**480.6**	**359.4**
Total assets	**499.8**	**596.1**	**467.5**
Shareholders' equity*	457.6	547.1	380.3
Provisions	-	9.1	-
Long-term liabilities	6.2	-	2.7
Current liabilities	36.0	39.9	84.6
Total liabilities and shareholders' equity	**499.8**	**596.1**	**467.5**
*** Changes in shareholders' equity**			
Total at start of period	380.3	678.8	678.8
New share issue	216.2	-	-
Translation differences	0.4	0.3	0.4
Net loss for the period	-139.3	-132.0	-298.9
Total at end of period	**457.6**	**547.1**	**380.3**

Cash flow statement

SEK M	Jan-June 2003	Jan-June 2002	Full year 2002
Loss after financial items	**-139.3**	**-132.0**	**-308.3**
Adjustments for items not included in cash flow, etc	9.7	11.9	23.0
Tax paid	-1.9	-0.2	-0.9
Cash flow from current operations before changes in working capital	**-131.5**	**-120.3**	**-286.2**
Changes in working capital	-9.7	-15.5	-6.0
Cash flow from current operations	**-141.3**	**-135.8**	**-292.2**
Net investments in fixed assets	-0.1	-1.2	-1.2
Cash flow from investing activities	**-0.1**	**-1.2**	**-1.2**
New share issue	216.2	-	-
Loans raised/amortisation of borrowing	-26.7	-	26.7
Cash flow from financing activities	**189.5**	**0.0**	**26.7**
Cash flow for the period	**48.2**	**-137.0**	**-266.7**
Liquid funds, beginning of period	**329.1**	**596.1**	**596.1**
Exchange-rate differences in liquid funds	**-0.1**	**-0.2**	**-0.2**
Liquid funds, end of period	**377.2**	**458.9**	**329.1**

KEY FIGURES

	June 30, 2003	June 30, 2002	Dec 31, 2002
Shareholders' equity SEK M	457.6	547.1	380.3
Shareholders' equity per share, SEK	13.56	48.65	33.81
Available liquid funds, SEK M	13.56	48.65	33.81
Available liquid funds per share, SEK	11.18	40.80	29.27
Equity/assets ratio of parent company, %	49.0%	53.7%	36.1%
Equity/assets ratio of Group, %	91.5%	91.8%	81.3%
Average number of annual employees	181	185	183