



The Active Biotech Group Quarterly Report January - March 1999

**(all figures refer exclusively to biotechnology,
excluding Wilh. Sonesson)**

- **SAIK project ahead of schedule**
- **ETEC - Given top priority by SmithKline Beecham. Launch in 2001**
- **Quarterly result SEK -27 million**
- **Tax-free distribution of Wilh. Sonesson, approx. SEK 18/share in shareholders' equity**
- **The travel vaccine Dukoral + 100% in Sweden**
- **CIM - alternative to SAIK**
- **New test kit against malignant melanoma and cancer of the kidney**

INTERNAL PROJECTS

SAIK - already at phase I this year

The Group's activity is based upon knowledge of Man's immune defence system. Infectious diseases, inflammatory and auto-immune diseases, as well as cancer, represent the Group's sphere of research. In the USA alone it is calculated that over 20 million people suffer from auto-immune diseases with few satisfactory methods of treatment. SAIK is Active Biotech's collective name for different substances for controlling Man's immune defence system.

SAIK will be primarily directed at the disease known as MS, multiple sclerosis. Phase 1, clinical trials, are expected to commence as early as this year, about half a year ahead of schedule. The process of searching for a co-operation partner who is to launch and market the product globally, is underway.

SAIK - also used against psoriasis

Parallel experimental studies of the treatment of psoriasis are being conducted, as well as trials against asthma, juvenile diabetes and RA, rheumatic arthritis. The aim is to develop better medicines with fewer side-effects and oral medication instead of application by injection.

CIM - the alternative to SAIK

The cellular immune defence system is controlled by different receptors on the cells' surface. These receptors are receivers of information between the cells. An over-active immune defence system can be down-regulated through inhibiting this communication. These are the scientific grounds for the CIM project (co-stimulating immunomodulation) with the objective of developing medicines for various auto-immune diseases, e.g. RA and asthma. Biochemical testing and screening of a large number of substances are currently being conducted.

CIM represents a different form of attack against different diseases to that of SAIK, and is based upon knowledge of a molecular target, i.e. a target protein. By the year 2001 it is expected that 1-2 candidates will proceed to Phase I trials.

PROJECT IN CO-OPERATION WITH PARTNERS

SmithKline Beecham - ETEC-vaccine

Together with the co-operation partner SmithKline Beecham (SB), SBL Vaccin is conducting extensive Phase III clinical trials of the oral ETEC-vaccine against so-called tourist diarrhoea. The trials have been intensified during the period and are being conducted in Kenya and Guatemala/Mexico.

A well executed study is required for approval by the FDA. SB has given priority to the ETEC-vaccine in the Group's marketing plans with an anticipated launch in the year 2001. A new market study confirms the market potential.

The ETEC-vaccine has been developed internally by SBL Vaccin on the basis of the experience gained from the cholera vaccine Dukoral, which is registered in Sweden and Norway. Both of the vaccines contain the same rCTB component, which opens the way for a vaccine that can be administered as a drink. SBL Vaccin possesses patent protection up to the year 2013.

A previously planned study in Israel was initiated in April under the supervision of the US Army Health Branch Research Unit. The study encompasses 1600 Israeli soldiers and the aim is to investigate the ETEC-vaccine's protective effect over a sustained period of time. The study is not intended for inclusion in the first registration application.

SmithKline Beecham - cholera vaccine

The travel vaccine, Dukoral, is sold in Sweden and Norway against cholera, and is also approved for ETEC-indication. In Sweden sales increased by 100% compared with the same period last year and Dukoral is expected to sell for SEK 20 million on the Swedish market. This is estimated to correspond thus far to only approx. 10-15% of all travellers from Sweden to areas of risk for cholera and ETEC.

A new agreement with SB involves Active Biotech regaining all the international sales rights whereby it is able to sell Dukoral under its own auspices in all the markets outside of Europe, USA and Australia. Negotiations have been initiated with distributors in Asia and Latin America.

North American Vaccine - IPV polio vaccine

The new production plant for polio in Solna is undergoing final validation with an estimated annual capacity of 6 million doses. The registering of IPV in the USA has been delayed because of the American authorities' requirements regarding analysis and testing methods. The vaccine has been employed in Sweden since the Fifties, with no case of polio reported. Evaluation of different alternatives in order to commence export sales, is being made.

Pharmacia & Upjohn - TTS cancer immunotherapy

The contract research with P&U is developing better than planned, and is aimed at finding a method of identifying tumour cells in order to subsequently activate the immune defence system so that the cancer cells are destroyed (TTS stands for Tumour Targeting Superantigen). The research has previously generated two pharmaceutical candidates for clinical trials and the objective is to produce a further improved product candidate for Phase I studies next year.

At the conference on cancer in April at the American Association of Cancer Research in Philadelphia promising research results were presented in respect of non-small cell lung cancer, which often affects smokers.

The co-operated generated research income of SEK 50 million last year, with SEK 75 million this year and SEK 50 million next year.

Vaccine Solution Pty - Streptococcus vaccine

Tonsillitis currently accounts for about a third of all visits to the doctor. There is no vaccine on the market. The development and selection of pharmaceutical candidates has been intensified in order to initiate Phase I studies during the year 2000. Considerable interest in the vaccine has been evinced by potential co-operation partners.

UMDS - tooth decay

By means of a licence agreement with United Medical and Dental Schools in London, a new medicine against Streptococcal bacteria in the oral cavity, which give rise to serious tooth decay, is being developed. Phase I studies are due to commence as early as year 2000.

CDT - more new co-operation partners

The subsidiary Actinova's new technology platform, CDT (Covalent Display Technology) has great potential for libraries of peptides and other substances. A development co-operation has been initiated with McMaster University. The first licence has been successfully implemented with Invitrogen Corp., USA.

Universitetssjukhuset i Linköping [Linköping University Hospital] - cancer diagnostics

In March an agreement was concluded, which affords Active Biotech rights and patent protection in respect of so-called predictive tests in the field of cancer. The research group in Linköping has developed methods for establishing at an early stage which patients may be successfully treated for cancer of the kidney and malignant melanoma. A special "test-kit" can forecast the "right" patients, which means that the patients can obtain a prognosis for their treatment and that patients who would not have responded to the treatment can be subjected to different therapy, i.e. achieving an enhanced quality of life. At the same time it is important that the medical services do not administer expensive treatment at incorrect dosages.

DISTRIBUTION OF WILH. SONESSON AB

On 10 May the shareholders' General Meeting approved the proposal to distribute all the shares in Wilh. Sonesson. Lex Asea is applicable, which involves a tax-free distribution of approx. SEK 18 per share to the shareholders. The reconciliation day was set at 10 June with an estimated quotation of Wilh. Sonesson on the O-list on 15 June. The quotation prospectus will be distributed among the shareholders at the end of May. As at 31 March, the Group, which is to be distributed, had a shareholders' equity of approx. SEK 206 million, the Parent Company had 100% equity/assets ratio and the Group 50%, as well as liquid funds of SEK 97 million.

FINANCIAL POSITION, excluding Wilh. Sonesson

Available liquid funds in Active Biotech amounted to SEK 774 million, SEK 69 per share. The Group's equity/assets ratio was 76% and the Parent Company's equity/assets ratio was 66%.

Investments

The net investments for the period amounted to SEK 72 million.

Result and forecast for 1999

The result after net financial items for January - March, amounted to SEK -27 million, which was better than budget. All figures are exclusive of the Wilh. Sonesson Group. The forecast of SEK -115 million for 1999 remains, and takes into account an estimated sales profit in respect of the ongoing disposal of SBL Vaccin's property in Solna.

Forthcoming reports

Q2 report will be issued on 26 August

Q3 report will be issued on 25 November

Lund, 17 May 1999

Active Biotech AB

Sven Andréasson
Managing Director

Active Biotech AB, P. O. Box 724, S-220 07 Lund. Tel. +46 46-19 20 00,

Fax. +46 46-19 20 50.

E-mail: info@activebiotech.com Home page: www.activebiotech.com

Active Biotech AB is a biotechnology company which concentrates upon research and development of pharmaceuticals and vaccines. We have an extensive portfolio and considerable financial resources. Sales for the biotechnology sector of Active Biotech amounted to approx. SEK 259 million in 1998 and the number of employees was 317. A total of 185 researchers in Lund, Solna and Cambridge are developing vaccines against tourist diarrhoea, cholera, polio and streptococcal infections, as well as conducting research into medicines against, for example, MS, rheumatoid arthritis, cancer and asthma.

Consolidated Income statement January-March 1999 (SEK million)	
(Excl. Wilh. Sonesson)	
Net sales	55.7
Cost of goods sold	-28.2
Gross profit	27.5
	49.4%
Selling expenses	-4.5
Administrative expenses	-13.8
Research & Development costs	-62.8
Items affecting comparability	15.0
Other operating income and expenses	-0.9
Operating profit/loss	-39.5
	-70.9%
Net financial items	12.5
Profit/loss before tax	-27.0
Tax	-
Profit/loss for the period	-27.0
<i>Depreciation included above</i>	-9.3

Consolidated statement of changes in financial position 31-03-1999 (SEK million)	
(Excl. Wilh. Sonesson)	
Profit/loss before appropriations and tax	-27.0
Depreciation	9.3
Tax	-
Change in working capital	193.6
Cash-flow before investments	175.9
Net investment in intangible assets	-11.3
Net investments in tangible assets	-7.5
Net investments in financial assets	-53.4
Cash-flow after investments	103.7
Change in long-term liabilities	-15.6
Other	0.1
Change in liquid funds	88.2

On 10 May 1999 the Active Biotech annual general meeting decided upon a distribution of all the shares in Wilh. Sonesson AB with reconciliation day on 10 June. The above figures relate only to Active Biotech. The turnover inclusive Wilh. Sonesson amounts to SEK 120.6 and the loss for the period to SEK -26.8 million. Wilh. Sonesson's quarterly final accounts shall be included in the prospectus, which is distributed among the shareholders at the end of May.

Consolidated balance sheet 31-03-1999		(SEK million)
(Excl. Wilh. Sonesson)		
Intangible fixed assets		275.2
Tangible fixed assets		285.6
Financial assets		94.7
Total fixed assets		655.5
Inventories		59.2
Current receivables		95.7
Cash and bank balances (including short-term investments)		646.2
Total current assets		801.1
Total assets		1456.5
Shareholders' equity		1113.4
Provisions*		26.9
Long-term liabilities**		167.4
Current liabilities***		148.8
Total shareholders' equity and liabilities		1456.5

* Interest-bearing pension liabilities 31-03-1999 amount to SEK 17.8 million

** Interest-bearing long-term liabilities 31-03-199 amount to SEK 50.0 million

*** Interest-bearing current liabilities 31-03-1999 amount to SEK 1.8 million

The above figures relate only to Active Biotech. The balance sheet total inclusive Wilh. Sonesson amounts to SEK 1886.5 million and shareholders' equity to SEK 1337.0 million.

No comparative figures for the corresponding period for last year are shown, since they are directly misleading. In Active Biotech's Balance Sheet for the first quarter of 1998, parts of the Wilh. Sonesson Group were included. Active Biotech Research AB was not included then, as it was not acquired until the second quarter.

Key figures 31-03-1999	
(Excl. Wilh. Sonesson)	
Group equity/assets ratio	76.4%
Parent Company equity/assets ratio	65.6%
Average number of employees	330
Number of shares	11 246 292
Equity/share	SEK 99.0
Available liquid funds/share	SEK 68.9

The Interim Report has not been subject to special examination by the Company's Auditors.