

**Active Biotech AB
Interim Report
July–September 2001**

- **International expertise to lead SAIK-MS effect studies (Phase II)**
- **Permission to start TTS Phase II trials in the UK expected shortly (renal cancer)**
- **Progress in the cooperation with the Johns Hopkins University in the US on prostate cancer - substance shows a significant anti-tumour effect in experimental models**
- **Capital gains on the sale of SBL Vaccin amounted to SEK 342 million**
- **Profit after financial items for the period reached SEK 279.8 million (SEK -32.7 m)**

International expertise to lead SAIK-MS effect studies

Active Biotech is currently developing a unique pharmaceutical, SAIK-MS, for use in the treatment of multiple sclerosis (MS). The mechanism that makes SAIK-MS effective is assumed to be new, and this is expected to lead to improved treatment results compared with pharmaceuticals currently on the market. The product also has the major advantage of being available in tablet form, unlike current treatment which takes the form of injections.

As reported on 25 October 2001 (www.activebiotech.com-News), Professor Chris Polman of the VU Medical Center in Amsterdam, the Netherlands, will be the Principal Investigator in charge of the upcoming Phase II study of SAIK-MS. Chris Polman is a Professor of Neurology at Amsterdam's Free University. He is also Clinical and Scientific Director of the Multiple Sclerosis Center at the VU Medical Center. Professor Polman is one of Europe's leading specialists on MS.

The goal of the study is to demonstrate the effect of SAIK-MS in treating multiple sclerosis. The primary method used in measuring this effect will involve the use of Magnetic Resonance Imaging (MRI) to determine the effect of the treatment on the degree of inflammation in the brain. Functional improvements will also be monitored via clinical examinations. The treatment of patients involved in this clinical trial is due to begin in Q1 2002, and the study is expected to last 18 months.

MS is a chronic disease that leads to severe invalidity and is caused by an autoimmune reaction, whereby the body's own immune system attacks the insulation layer surrounding the nerve fibres in the central nervous system, thus disrupting nerve signals. The course of the disease tends to be protracted, and patients suffer periods of deterioration interspersed with more stable periods.

The first orally administered MS drug to reach the market will have tremendous potential in terms of gaining a substantial share of the MS market. Over a million patients currently suffer from MS, and this figure is expected to see a 30% increase in the next four years. The MS market as a whole is currently worth USD 2.3 billion (Source: UBS Warburg Pharmaceuticals & Biotechnology, April 2001).

The TTS project is on schedule

Within the TTS (Tumour Targeted Superantigens) project, Active Biotech is developing pharmaceuticals that tackle cancer in a new way. The product stimulates the patient's own immune system so it attacks the tumour. What makes Active Biotech's product unique is its ability to activate the body's T lymphocytes so that they attack and kill cancer cells locally in the tumour.

Phase I clinical trials have been performed and have produced convincing results, as was reported in June 2001. The study included patients with advanced non-small cell lung cancer, and the primary goal was to study the safety of the product. The study also demonstrated that the product had an anti-tumour effect, even though it was not optimised for the measurement of such an effect.

The project is proceeding as planned and permission to start Phase II trials for the renal cancer indication is expected soon from UK authorities. The treatment of patients is scheduled to begin before the end of the year. Phase II trials involving pancreatic cancer and lung cancer are scheduled to begin during the first half of 2002. A new pharmaceutical candidate is also planned to enter Phase I trials in 2002.

Non small-cell lung cancer (NSCLC) is one of the most common forms of malignant cancer and also has one of the highest mortality rates in the western world. Around half a million people a year currently develop the disease, for which there are at present no sufficiently effective treatment methods. NSCLC is currently treated primarily with the help of chemotherapy and surgery. Renal cell cancer (RCC) affects some 80,000 people a year, which means there is a tremendous need for effective medical treatment since there is currently no satisfactory treatment of this disease.

The NSCLC and RCC market currently estimates to USD 3.7 billion and USD 0.6 billion respectively.

Progress in the prostate-cancer project

Active Biotech is cooperating with the Johns Hopkins University in Baltimore in the US to develop a pharmaceutical for use in the treatment of prostate cancer. This work progresses fast and is reporting promising results. Six substances have been tested thus far and all of them have a significant anti-angiogenic effect, which means they block the supply of nutrition to the tumour. So far, one of the substances has also been tested in an experimental model of prostate cancer and has demonstrated a positive anti-tumour effect.

We believe that by the beginning of 2002, we will be in a position to select a pharmaceutical candidate to proceed to clinical trials.

There is currently no effective treatment for prostate cancer in its advanced stages. In the early stages, when the disease is hormone dependent, treatment usually involves orchiectomy or chemical castration. When the disease progresses and is no longer hormone dependent, there are currently no effective treatment methods available.

The B platform

Active Biotech's B platform includes projects involving the development of pharmaceuticals for use in treating inflammatory bowel diseases and rheumatoid arthritis, among others. The cytokine TNF alpha (a protein produced by macrophages and T cells) has shown itself to have an effect on the course of these diseases. Injections of antibodies targeting this cytokine are currently used in their treatment with positive effects. This treatment form, however, entails restrictions on the patient because of the injections, and also leads to unwanted side effects in the form of increased sensitivity to infections. Active Biotech plans to develop new drugs that have the ability to lower the levels of TNF alpha and have the major advantage of being administered in tablet form. Active Biotech's substances also use a different mechanism that avoids the negative impact on the immune system of patients receiving treatment.

Crohn's disease and Ulcerative colitis are inflammatory bowel diseases that affect young people. Patients generally develop the disease between the ages of 15 and 35; in other words, these individuals are young and otherwise healthy people of working age. Crohn's disease generally affects the ileum terminale, or terminal section of the small intestine, but may, unlike Ulcerative colitis, also occur anywhere in the gastrointestinal tract as a whole. Ulcerative colitis, on the other hand, is a chronic inflammation of the large intestine. A total of around half a million people in Europe suffer from one or the other of these bowel diseases (ref. www.gastrolab.net).

The sale of SBL Vaccin

Active Biotech sold its subsidiary SBL Vaccin AB on 3 July 2001 to the UK vaccine company PowderJect Pharmaceuticals Plc.

The purchase sum amounted to a maximum of USD 70 million of which

- USD 50 million was received when the agreement was signed;
- a supplementary purchase sum of USD 5-10 million will be received when Dukoral is registered in Europe; and,
- a supplementary purchase sum of USD 5-10 million will be received when the ETEC vaccine is registered in the US.

In addition, Active Biotech will receive royalties on future sales of Dukoral and ETEC

- totalling a maximum of USD 20 million on annual sales of Dukoral exceeding USD 40 million; and,
- totalling a maximum of USD 20 million on annual sales of the ETEC vaccine exceeding USD 60 million.

The sale of SBL Vaccin has had a major impact on the Group's financial accounts. This means that comparisons with the period January-September 2000 lack relevance.

Comments on the Group's financial performance are therefore made primarily on the basis of the third quarter only, although a pro forma adjusted income statement is attached as supplementary information

Financial information

The Group's financial results, cash flow and financial status for the period July-September 2001

Bearing in mind the new focus of the operations, comments on the company's financial performance are only made on the basis of comparisons with the pro forma adjusted financial results for the corresponding period of the previous year.

The profit after net financial items improved from a deficit of SEK -32.7 million in Q3 last year to a surplus of SEK 279.8 million, which can be attributed in its entirety to the capital gains on the sale of SBL Vaccin.

The operating profit for Q3, including capital gains on the sale of SBL Vaccin, came to SEK 275.9 million, while a loss of SEK -47.4 million was reported for the corresponding period of the previous year. Excluding capital gains, the operating loss for Q3 came to SEK -65.8 million.

The Group reported no income in Q3, compared with a figure of SEK 10.7 million for the corresponding period of the previous year. A total of SEK 10.0 million of this amount was related to income from contract research. The change this year can be explained by Active Biotech's acquisition from Pharmacia of the rights to the TTS project. This has led, among other things, to the termination of all income from contract research from Pharmacia as of the end of 2000.

The Group's operating costs for Q3 totalled SEK 65.8 million, compared with SEK 58.3 million for the corresponding period of the previous year. The increase in costs results from the clinical progress in the SAIK-MS and TTS projects, which have proceeded as planned. This has led to an increase in external clinical-trial costs.

The final calculation of the capital gains on the sale of SBL Vaccin AB came to a total of SEK 342 million, thus exceeding the preliminary assessment (SEK 190 million) published previously. The calculation of the capital gains does not include future nonrecurring payments when Dukoral is registered in Europe and when ETEC is registered in the US. Nor does it include future royalty income on the sale of these products. The capital gain is offset by the accumulated loss carry forward and is therefore not taxable.

The Group's cash flow in Q3 came to SEK 433.3 million, compared with SEK -0.8 million for the corresponding period of the previous year. The first part of the purchase sum for SBL Vaccin totalled SEK 540.6 million. During the period under review, receivables and liabilities relating to the phase-out of the vaccine operations have been settled. This means that currently the Group has no external loans. Investments in tangible fixed assets totalled to SEK 0.5 million for the period.

Net financial items for the period came to SEK 3.8 million, compared with SEK 14.7 million for the corresponding period of the previous year, of which SEK 11.0 million related to capital gains on the sale of shares in Lifco AB.

Financial status

As a result of the sale of SBL Vaccin, the Group's current investments and liquid assets totalled to SEK 646.0 million at the end of the period, compared with SEK 476.7 million for the corresponding period of the previous year, and SEK 408.0 million in December 2000.

Liquidity per share came to SEK 57.44, compared with SEK 36.28 at the end of 2000.

Shareholders' equity

The Group's shareholders' equity totalled to SEK 749.9 million at the end of the period, compared with SEK 646.0 million at the end of the previous year. This increase can be attributed to the positive result in Q3.

The Group's equity/assets ratio at the end of the period came to 93.6 %, which is a major improvement compared with the figure of 74.3% at the end of 2000. The equivalent figures for the Parent Company, Active Biotech AB, were 60.9 % at the end of the period and 59.5% at the end of 2000.

Forecast for the current year

Operations in Q4 will focus on ensuring the start of Phase II studies under our own auspices for the SAIK-MS and TTS projects. Other projects in the company's research portfolio are expected to proceed according to plan. No potential nonrecurring income involving partnership agreements has been included in the forecast for 2001.

The full-year profit, including SBL Vaccin, for the January-June period is expected to show a surplus of around SEK 30 million.

Upcoming financial information

Active Biotech's preliminary year-end results will be published on 14 February 2002. The report will be available as of this date at www.activebiotech.com under the heading News.

Accounting and valuation principles

This Interim Report has been drawn up using the same principles as those used in the latest Annual Report and pursuant to the recommendations of the Swedish Financial Accounting Standards Council.

As a result of the company's structure and its substantial research and development costs, the company is not in a position to pay tax. The company's accumulated loss carryforward, including a tax assessment for 2000 that has not yet been processed, comes to SEK 246 million.

Lund 6 November 2001
Active Biotech AB (publ)

Sven Andréasson
President and CEO

The company's auditors have not reviewed this Interim Report.

For more information, please contact:

Sven Andréasson, President & CEO, tel.: +46 46 19 20 49,
sven.andreasson@activebiotech.com

Hans Kolam, CFO, tel.: +46 46 19 20 44, hans.kolam@activebiotech.com

Cecilia Hofvander, Manager Corporate Communication, tel.: +46 46 19 11 22,
cecilia.hofvander@activebiotech.com

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. Key projects include orally administered small molecules with unique immunomodulatory properties that can be used to treat autoimmune and inflammatory diseases, as well as a novel concept for use in cancer immunotherapy.

Active Biotech AB
Box 724,
SE-220 07 Lund
Sweden
Tel: +46 46 19 20 00
Fax: +46 46 19 20 50
info@activebiotech.com



www.activebiotech.com

Active Biotech Group

Income Statement (including SBL Vaccin for the period Jan.–June 2001)

SEK million	July–Sept.		Jan.–Sept.		Full year	Last
	2001	2000	2001	2000	2000	12 mos.
Net sales	0.0	66.1	102.1	190.2	280.4	192.4
Cost of goods sold	0.1	-43.0	-76.6	-124.4	-179.9	-132.0
Gross income	0.1	23.1	25.6	65.8	100.6	60.4
Sales and marketing costs	0.0	-5.8	-12.7	-19.3	-28.1	-21.5
Administrations costs	-10.8	-12.9	-32.1	-51.8	-64.4	-44.6
Research and development costs	-54.9	-75.1	-232.0	-193.3	-271.8	-310.4
Other income/expenses	-0.1	19.1	-0.1	21.9	24.5	2.5
	-65.8	-51.5	-251.2	-176.8	-239.2	-313.6
Items affecting comparability	0.0	-3.0	0.0	-3.3	-270.2	-267.0
Capital gains on the sale of subsidiaries	341.7	0.0	341.7	0.0	0.0	341.7
Operating profit/loss	275.9	-54.4	90.5	-180.1	-509.4	-238.8
Net financial items	3.8	14.6	13.6	81.7	90.0	22.0
Profit/loss after financial items	279.8	-39.8	104.2	-98.4	-419.4	-216.8
Tax on profit for the period	0.1	0.0	0.0	0.0	0.1	0.1
Profit/loss for the period	279.8	-39.8	104.2	-98.4	-419.3	-216.7
Depreciation included in the amount of	4.6	9.5	22.6	27.6	38.3	33.4
Investments in tangible fixed assets	0.5	7.6	26.5	22.7	32.6	36.4
Earnings per share	24.88	-3.54	9.26	-8.75	-37.28	-19.27
No. of shares (000s)	11 246	11 246	11 246	11 246	11 246	11 246

Income Statement (excluding SBL Vaccin)

SEK million	July–Sept.		Jan.–Sept.		Full year	Last
	2001	2000	2001	2000	2000	12 mos.
Net sales	0.0	10.7	2.3	33.9	45.2	13.6
Cost of goods sold	0.1	0.1	0.2	0.0	0.1	0.2
Gross income	0.1	10.9	2.5	33.9	45.2	13.8
Sales and marketing costs	0.0	0.1	0.0	0.0	0.0	0.0
Administrations costs	-10.8	-10.5	-26.9	-44.1	-54.9	-37.6
Research and development costs	-54.9	-46.4	-168.7	-153.9	-219.9	-234.6
Other income/expenses	-0.1	-1.4	0.3	-1.4	5.8	7.6
	-65.8	-47.4	-192.7	-165.5	-223.7	-250.9
Capital gain on the sale of subsidiaries	341.7	0.0	341.7	0.0	0.0	341.7
Operating profit/loss	275.9	-47.4	149.0	-165.5	-223.7	90.8
Net financial items	3.8	14.7	14.3	83.4	91.6	22.5
Profit/loss after financial items	279.8	-32.7	163.3	-82.1	-132.1	113.3
Tax on profit for the period	0.1	0.0	0.0	0.0	0.1	0.1
Profit/loss for the period	279.8	-32.7	163.3	-82.1	-132.0	113.4
Depreciation included in the amount of	4.6	4.7	13.6	15.8	20.2	18.1
Investments in tangible fixed assets	0.5	1.9	5.6	6.5	7.0	6.1
Earnings per share	24.88	-2.90	14.52	-7.30	-11.74	10.08
No. of shares (000s)	11 246	11 246	11 246	11 246	11 246	11 246

Active Biotech Group Balance Sheet

	Sept. 30 2001	Sept. 30 2000	Dec. 30 2000
SEK million			
Intangible fixed assets	0.4	335.9	47.1
Tangible fixed assets	74.3	196.4	197.4
Financial fixed assets	53.6	51.9	53.3
Total fixed assets	128.3	584.2	297.9
Inventories	0.0	74.6	63.4
Current receivables	26.6	79.9	99.6
Current investments & liquid assets	646.0	476.7	408.0
Total current assets	672.6	631.1	571.0
Total assets	800.9	1 215.3	868.9
Shareholders' equity*	749.9	966.3	646.0
Allocations	9.1	32.5	35.8
Long-term liabilities	0.0	90.8	57.3
Current liabilities	42.0	125.7	129.8
Total equity and liabilities	800.9	1 215.3	868.9
<i>*Change in equity</i>			
Amount at the start of the period	646.0	1 064.3	1 064.3
Shareholders' dividends	0.0	0.0	0.0
Translation differences	-0.3	0.4	1.0
Profit/loss for the period	104.2	-98.4	-419.3
Amount at the end of the period	749.9	966.3	646.0

Active Biotech Group Cash Flow Statement

	July-Sept.		Jan.– Sept.		Full year 2000
SEK million	2001	2000	2001	2000	2000
Profit/loss after financial items	279.8	-39.9	104.2	-98.4	-419.4
Adjustments for items not included in cash flow, etc.	-337.2	9.8	-320.3	29.3	314.2
Tax paid	-0.2	-0.3	-0.2	-2.3	-0.5
Cash flow from the ongoing operations Before changes in working capital	-57.6	-30.3	-216.3	-71.3	-105.7
Changes in working capital	-46.8	44.7	-92.0	64.2	65.5
Cash flow from the ongoing operations	-104.4	14.3	-308.3	-7.2	-40.2
Net investment in fixed assets	537.7	-6.8	512.1	-21.0	-46.9
Cash flow from the investment activities	537.7	-6.8	512.1	-21.0	-46.9
Loans raised/amortization of loans	0.0	-8.4	34.0	-40.3	-50.0
Cash flow from the financing activities	0.0	-8.4	34.0	-40.3	-50.0
Cash flow for the period	433.3	-0.8	237.8	-68.4	-137.2
Liquid assets at the start of the year	212.6	477.5	408.0	545.1	545.1
Exchange-rate difference in liquid assets	0.2	0.0	0.2	0.0	0.0
Liquid assets at the end of the period	646.0	476.7	646.0	476.7	408.0

KEY FIGURES	Jan.– Sept. 2001	Jan.– Sept. 2000	Full year 2000
Equity per share, SEK	66.7	85.9	57.4
Available liquidity, SEK million	646	507	438
Parent Company equity/assets ratio, %	60.9	63.8	59.5
Group equity/assets ratio, %	93.6	79.5	74.3
Average no. of employees (Jan.–Sept. 2001 exc. SBL Vaccin)	187	339	337

Active Biotech Group Income Statement (pro forma) 1999–2001

SEK million	Full year 1999	Jan.– Mar. 2000	Apr.– June 2000	July– Sept. 2000	Oct.– Dec 2000	Full year 2000	Jan.– Mar. 2001	Apr.– June 2001	July– Sept. 2001
Net sales	81.1	11.3	11.9	10.7	11.2	45.2	1.4	0.9	0.0
Cost of goods sold	-2.0	-0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Gross income	79.1	11.1	12.0	10.9	11.3	45.2	1.5	1.0	0.1
Sales and marketing costs	-3.4	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Administration costs	-59.1	-13.2	-20.4	-10.5	-10.8	-54.9	-7.8	-8.2	-10.8
Research and development costs	-232.1	-49.9	-57.5	-46.4	-66.0	-219.9	-59.3	-54.4	-54.9
Other income/expenses	0.1	0.0	0.0	-1.4	7.2	5.8	0.0	0.4	-0.1
	-215.3	-52.1	-66.0	-47.4	-58.2	-223.7	-65.7	-61.3	-65.8
Items affecting comparability	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital gain on the sale of subsidiaries	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	341.7
Operating profit/loss	-200.3	-52.1	-66.0	-47.4	-58.2	-223.7	-65.7	-61.3	275.9
Net financial items	57.7	77.3	-8.6	14.7	8.2	91.6	1.1	9.3	3.8
Profit/loss after financial items	-142.6	25.2	-74.6	-32.7	-50.0	-132.1	-64.5	-52.0	279.8
Tax on profit/loss for the period	0.0	0.0	0.0	0.0	0.1	0.1	0.0	-0.1	0.1
Profit/loss for the period	-142.6	25.2	-74.6	-32.7	-49.9	-132.0	-64.5	-52.0	279.8

Depreciation included in the amount of 22.9 6.0 5.1 4.7 4.5 20.2 4.6 4.5 4.6

Principles for pro forma adjustments

1. The subsidiary SBL Vaccin was reported as an external company between 1999 and 2001. The debiting of administrative services between the Parent Company and SBL Vaccin has been reported under external services in an amount of around SEK 1.8 million per year in the pro forma Income Statement.
2. The net financial items in the pro forma Income Statement have not been adjusted for a fictitious return on an alternative investment of the purchase sum for acquiring SBL Vaccin.
3. In fiscal terms, the sale of SBL Vaccin is neutral in the pro forma Income Statement since other companies in the Group would have utilised Group contributions from the Parent Company.