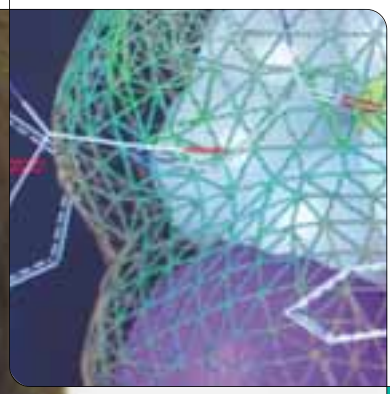
Active Biotech

ANNUAL REPORT 2002



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ANNUAL GENERAL MEETING

The AGM will be held on Thursday 10 April at 5 pm at Edison Park, Emdalavägen 16, Lund.

Right to participate in the AGM
In order to have the right to partcipate in the AGM shareholders must both be entered in the Securities Register Center's (VPC AB) stock register by Monday 31 March 2003 at the latest, and notify their intention to participate in the AGM by Friday 4 April 2003 at the latest.

Notifications may be submitted in writing to: Active Biotech AB, P. O. Box 724, SE-220 07 Lund, Sweden or on tel. +46 46-19 20 00, fax +46 46-19 20 50 or by e-mail to info@activebiotech.com. Notifications should state name, address, telephone number, civil or company registrationnumber, the number of and type of shares and any assistants (max. two).

Trustee-registered shares
In order to be entitled to participate in the AGM, shareholders who have registered their shares with their bank's trustdepartment or individual fund managers must temporarily register the shares under their own name at the Securities Register Center (VPC). Re-registration must have been carried out at the latest by Monday 31 March 2003.

Notice
Notice of the convening of the AGM will be issued at the earliest six weeks and at the latest four weeks prior to the meeting through announcements in Post- och Inrikes Tidningar, in the Sydsvenska Dagbladet and in Dagens Industri.

Financial information

Annual General Meeting	10 April 2003
Quarterly Report, (Q1)	15 May 2003
Interim Report, (Q2)	14 Aug 2003
Quarterly Report, (Q3)	6 Nov 2003
Annual accounts for 2003	12 Feb 2004
2003 Annual Report	March 2004

Financial information can be requisitioned from Active Biotech AB, P. O. Box 724, SE-220 07 Lund, Sweden or by telephone on tel. +46 46-19 20 00, fax +46 46-19 20 50 or e-mail info@activebiotech.com

Information may also be obtained from our website www.activebiotech.com

Cover: Birgitta Sparre, Head of the section of pharmacokinetics.


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THE YEAR IN BRIEF

Substantial increase in freedom of action and flexibility

In November 2002, Active Biotech regained all projects rights for SAIK-MS and TTS from Pharmacia. This strengthens Active Biotech's opportunities to commercialise the research projects on more advantageous terms.

Phase II clinical studies for the SAIK-MS project are proceeding according to plan

In the spring of 2002, a multi-centre Phase II study was initiated in Europe. The recruitment of patients was completed successfully during the autumn of 2002 and includes slightly more than 200 individuals. The study is progressing according to plan.

Open TTS Phase IIa studies for renal and pancreatic cancer

During 2002, Phase II studies were also initiated for pancreatic cancer, while renal cancer patients were included from as early as December 2001. The studies are progressing according to plan.

FDA approval of a new TTS clinical trials program in the US

The company's IND application to begin US clinical trials for the TTS cancer project was approved by the US registration authority, the FDA, at the end of 2002.

Two new candidate drugs selected

During 2002, candidate drugs were selected for both the TASQ prostate cancer project and the SLE 57-57 project.

Patent portfolio reinforced

In February 2002, a new US patent was approved for the TASQ prostate cancer project. The patent includes product and method requirements and covers products for the treatment of prostate and other cancers.

License agreement signed

In April 2002, a license agreement was signed with the UK company Avidex regarding "CD80 antagonists," developed and patented by Active Biotech. The agreement grants Avidex exclusive rights to further development, marketing and sales, and secures Active Biotech rights to milestone payments of up to SEK 90 million, as well as royalties from future sales.

Research portfolio considerably strengthened in 2002

The direction and strategy set in connection with our focus on pharmaceutical development remains firm. During the year, Active Biotech projects have advanced along the value chain. The major SAIK-MS project for the treatment of multiple sclerosis (MS), and the TTS cancer project are now both in Phase II, and during the year we brought two further projects closer to the start of clinical studies. We expect to have four projects in clinical development during 2003.

We have thus achieved a very high level of productivity and quality in our research. At the same time, the company's research portfolio has been strengthened both commercially and in terms of patents.

Breadth and cooperation

Active Biotech's projects focus on indication areas with significant market potential, which offer substantial financial returns if successful. However, as the sector as a whole, the company is exposed to a high level of risk. By broadening our project portfolio, we are gradually able to spread risks more effectively, meaning that the company is not dependent on just one or a few projects.

The aim of our business development and partnership discussions with pharmaceutical and other biotech companies is to bring in a partner for each project at its appropriate moment. Partnerships of this type result in revenues, cost sharing and, in the longer term, royalty income from sales. Furthermore, such partnerships grant us access to the partners' expertise in development and marketing.

Ownership to all rights

At the end of the year, we concluded an agreement of major importance to the company with our main owner, Pharmacia. The agreement stipulates that Active Biotech now owns all commercial rights to the projects, and hence no royalties or other payments are to be paid to Pharmacia in the future. The scope of Pharmacia's commercial rights related to our main projects would have had a substantially negative effect on the profitability of Active Biotech's partnership agreements. Under certain conditions, rights to SAIK-MS would have amounted to approximately one third of Active Biotech's royalty income from partners. Since long, a priority has been to dissolve these obligations. Pharmacia accepted our position and it was thus possible to reach an agreement. The agreement covers both the SAIK-MS and the TTS projects. The compensation related to this agreement amounted to USD 4.5 million. Of this amount, USD 1.5 million is conditional on the timing of a partnership agreement for the SAIK-MS project. Provided our projects are commercially successful, the agreement with Pharmacia will allow us to obtain the maximum financial return from our partnership agreements, as future earnings will be distributed in their entirety between Active Biotech and the partners. The agreement will also significantly improve our flexibility in the partnership discussions in which we are now engaged.

We have also strengthened our patent cover. This includes being awarded a new US patent related to the TASQ prostate cancer project at the start of the year.

Six clinical studies

As our projects have entered the clinical phase, we have strengthened our internal resources for the planning and monitoring of the clinical development programmes. The logistical and practical tasks in conducting these studies are outsourced and performed by CRO (Clinical Research Organisation) companies.

During the year, the SAIK-MS project entered Phase II, in which safety and efficacy are to be documented. This is an international multi-centre study involving slightly more than 200 patients. Following the successful recruiting of patients, plans have been set to report on results towards the end of 2003. This is a highly important milestone for the company.

During the year, clinical studies of the first generation TTS product began with the purpose of documenting efficacy on renal and pancreatic cancer. At the end of the year, approval was obtained from the US registration authority, the FDA, to also start a programme for the new generation TTS product. We expect the new TTS product to offer significant benefits such as a more convenient dosing and administration, which should facilitate the further clinical

development. In January 2003, initial clinical studies within the TASQ project began with the objective of defining the pharmacokinetic properties. A complete Phase I study will be carried out later in the year. During 2002, a candidate drug was selected for the SLE project. We are planning to start clinical studies on this compound during the latter part of 2003.

Above average

Active Biotech's early discovery portfolio focuses on our main areas – autoimmunity/inflammation and cancer. We expect to be able to continue generating candidate drugs at a rate above the sector average. We also examine opportunities for licensing-in early projects in order to capitalise on our in-house pharmaceutical-development expertise. During the year, we produced and published new findings related to the SAIK-MS project. In models, we have demonstrated that SAIK-MS is about 100 times more effective than previous parent compounds. Furthermore, we have shown that the activity of the compound is independent of beta-interferon expression. This has strengthened our hypothesis that the product has an entirely new mode of action, which may result in a broader area of use than for products currently used for the treatment of multiple sclerosis.

New agreements

Early in the year, we signed a new license agreement with the biotech company Avidex located in Oxford, UK. The companies had previously concluded an option agreement concerning "CD 80 antagonists" for the treatment of autoimmune disorders, and the option was consequently exercised at this time. Given the successful development of this product, this agreement could provide up to SEK 90 million in milestone payments to Active Biotech, as well as royalties on sales of future products.

We expect to have signed a partnership agreement for the SAIK-MS project by the time Phase III studies will begin. A number of partnership discussions are currently under way. Following the agreement signed with Pharmacia, we can now also conduct partnership discussions for TTS with other potential partners, as clinical results are produced. In the case of the TASQ project, we intend to seek a partner at an early phase. We feel that early collaboration could rapidly lead the project forward into the clinical phase, thus benefiting from a partner's expertise in the area. During the year, PowderJect Pharmaceuticals, which acquired SBL Vaccine in 2001, submitted a European registration application for the Dukoral vaccine. If the registration is successful, we will receive milestone payments of a maximum USD 10 million, as well as royalties on future sales.

The quality and productivity of our research has been extremely high, says Sven Andréasson, CEO.

Financial result

The company's pre-tax loss for 2002 amounted to SEK 308.3 million. R&D costs for comparable units increased by 23 per cent compared to the previous year. This refers to external costs associated with the clinical trials and process and production development of compounds for the clinical programmes. As partnership agreements are signed, the intention is that the majority of external costs and the costs of clinical Phase III studies are to be assumed by the respective partners.

The management of our cash balance follows a strict financial management policy of hedging risk and, despite a gloomy capital market, has generated a substantial return amounting to SEK 35.8 million, of which SEK 27.4 million represents capital gains from the sale of securities. As the timing of partnership agreements significantly effects earnings and cash balances, we are not in the position to give a forecast for 2003.

New share issue

Since 1998, the running operations have been financed partly by a number of successful real-estate sales. Moreover, we have divested the SBL Vaccin, which provided a substantial capital injection and is expected to provide further income. The company is now at a stage where maximum flexibility is essential. A drug development company such as Active Biotech is dependent on a strong and stable financial position in order to ensure a solid base for negotiations in discussions on license agreements, and to be able to advance the clinical program forward in a manner that creates maximum value for shareholders. Consequently, the Board of Directors has decided to conduct a SEK 225 rights issue during the spring of 2003, conditional upon the approval of the AGM.

For Active Biotech, 2003 will be an extremely important year. We are confident that we will achieve progress in our projects and partnership agreements. We will be seeing important results emerging from our Phase II studies, and we will be initiating clinical studies for new projects.

Lund, February 2003
Sven Andréasson, President & CEO

Optimal organisation focused on projects

Having its origin in Pharmacia, Active Biotech is an example of a new type of biotech companies beginning as a spin-outs from major pharmaceutical companies. In contrast, the majority of biotech companies are usually start-ups focused on isolated project concepts or patents, and their organisations have grown in pace with the progress of the project.

In its initial stages, the start-up company is often dynamic and efficient. The growing pains set in as the project grows more complex and enters the phase when the quality of documentation presented to the authorities is crucial.

As employees of a spin-out company, Active Biotech's personnel has considerable experience of pharmaceutical development and is thoroughly familiar with the methodology involved in documenting future pharmaceuticals. We regard this as one of our strengths – a view confirmed by external evaluations of our projects.

The perfect size

Would we be even more efficient if our organisation was larger? It is doubtful. It is true that Active Biotech must utilise several external companies to conduct certain processes necessary in the development of a drug, but this outsourcing actually makes us more efficient – provided we are well informed customers able to obtain maximum quality when purchasing services.

In general, there are few economies of scale in a creative business, while there is an increased risk for "drawbacks of scale." Each element of pharmaceutical development must definitely be regarded as a creative undertaking. It is always possible to save weeks and months without compromising the quality of the project. Savings on time translate into considerable sums when a future product reaches the market.

Today our organisation is easy to understand, transparent and communication pathways are short. The focus is on our projects, and the staff is well aware that they are there to serve the projects – not vice versa.

All projects are everyone's project.

This thinking provides a solid foundation for loyalty and an understanding of priorities – a necessity in conducting pharmaceutical development operations that are so complicated and subject to competition.

Creation and selection road to success

Heading a research and development organisation like Active Biotech's is a task that commands considerable humbleness. Ours is a large and highly competent research organisation whose combined experience at all stages of pharmaceutical development is very impressive. We are also entrusted with, as wisely as possible, generating a return on the capital invested in our projects by shareholders.

This is where we must begin – by understanding that our projects are our raison d'être. If we are able to add to their value by advancing them along the value chain, we have succeeded in our task. On such a journey, we will also develop our skills and organisation as well as evolve personally.

Strength lies in the whole

Drug development is an extremely competitive sector, and because of this, the various success factors and core areas of expertise are subject to frequent discussion. Trends and fashions come and go, but overall one can only state that the rate of change and innovation both in technology and areas of specialist expertise within our industry is impressive. Viewed from another perspective, it could be said that we live in an era in which technology is not limiting, since it can be purchased soon after having been established. The same applies to information, as anybody with access to the Internet will know. Thus we live in an age when the crucial success factor is man himself. Our ability to handle rapid changes and the excessive flood of information that envelops us every day is crucial to our success. The interface between confusion and enlightenment is blurred and it is easy to go astray.

This is why at Active Biotech we have declared that our core expertise actually means not having one – the holistic nature of our organisation and our capacity to communicate and support each other represent our major competitive advantage.

The art of the impossible

At first glance, drug development is little short of an impossible business. A project's chances of success in the pre-clinical development phase are considered so poor that their value is considered non-existent. Once a project has proceeded as far as the initiation of human trials, the chances that the product will reach the market is 10–20 per cent. On the other hand, any product that does make it to the market will generate extremely high earnings.

When discussing our product portfolio at Active Biotech, it is precisely this balance between risk and added value that we try to address. By ensuring that we have a number of projects in the early stages, so-called Drug Discovery projects, we spread the risk of our project portfolio. This also increases our opportunities to select projects best suited to Active Biotech's commercial objectives for continued development. Projects that cannot be developed further must either be terminated as early as possible or sold off to partners, in cases where Active Biotech deems this to be more commercially viable.

Thus, the objective of the research organisation must be to achieve higher productivity than the company is able to pursue financially. As a consequence, we must continuously prioritise within our project potfolio, which in turn increases its quality.

Evaluated by the best

In the changeable world we have described it is important to be aware of our competitiveness. It is easy to lean back and be satisfied with what the organisation has achieved, particularly when specified goals have been reached and new ideas created.

Consequently, constantly challenging our own achievements and questioning them must form a natural ingredient of our efforts. Active Biotech has chosen not to have its

Tomas Leanderson, Chief Scientific Officer.

projects monitored by a "Scientific Advisory Board." This is motivated by the very complexity and dynamics described above. Instead, we have elected to call upon internationally recognised experts to evaluate specific projects in depth. For the evaluation of different projects, we call upon an entirely distinct group of experts.

This makes it possible to subject our projects to precise scientific evaluation and support. Naturally, this interaction with the international research community also provides opportunities to develop new contacts.

Patent protection a condition for survival

Our patenting activities are another part of our day-to-day business necessitating ongoing analysis of the world around us. In principal, it could be said that adequate patent protection for the candidate drugs developed by Active Biotech is essential for their survival.

As the news value of a product in this context is subject to extremely stringent scrutiny in an international environment, one can easily judge whether or not Active Biotech's discoveries are competitive. To date, they always have been and we are very proud of our ability to produce new discoveries.

Our patenting activities also require much strategic thinking. Naturally we wish to see our discoveries protected for as long as possible and prevent our competitors from developing similar products. At the same time, it may sometimes be advantageous to publish certain discoveries to prevent others from patenting them. Since the publication of a scientific discovery also requires that it has news value, this also constitutes part of our analysis of the competitive world around us.

In summary, it can be said that drug development is a fascinating area involving a wide variety of challenges. I feel privileged to be part of this process together with Active Biotech's research organisation and I hope we will be able to live up to the expectations that our shareholders, researchers and patients are fully entitled to have on us.

Tomas Leanderson
Chief Scientific Officer

Pharmaceutical development – a multi-stage process

Pharmaceutical development is a complex and time-consuming process that is generally divided into different phases. In common terminology, a basic division in the process is between the Discovery and Development phases.

The divider between these phases is the selection of candidate drug. With the selection of the candidate drug, the molecule comprising the active ingredient has been defined and the project enters the development phase. Remaining work involves documenting its safety at effective doses and its efficacy in fighting the disease in humans through clinical testing. In addition, a preparation must be produced that can be efficiently distributed and sold, such as a capsule or tablet.

Currently, Active Biotech does not endeavour to implement the entire development phase of a product itself. Instead, the goal is to carry out development in partnership with others.

Carefully analysed

The purpose of discovery activities is to develop candidate drugs that can be moved on to the development phase. The demands made of such a drug molecule are high. Naturally, it must prove itself efficacious against the disease in relevant animal models, but it must also have minimal toxic effects. In addition, it must be possible to mass-produce the candidate drug at a competitive price.

Long before a project reaches the stage where a candidate drug is chosen, the future market and the competitive situation for a possible product will be carefully analysed. Consequently, the development of a candidate drug involves extensive work comprising many different areas of expertise.

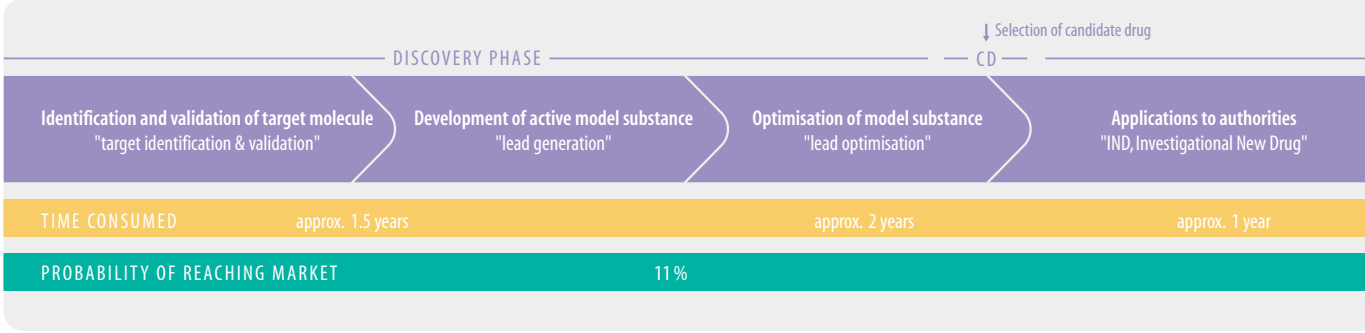
High productivity

It is generally held that a pharmaceutical company requires a discovery team of 160–180 people to develop one candidate drug per year. In recent years, Active Biotech has succeeded in developing one candidate drug per year using a third of these resources, that is, with about 60 people engaged in the discovery process. Naturally, the company is unable to guarantee that this productivity level will persist, but it does aspire to continue to exceed average productivity levels in the sector.

Step by step

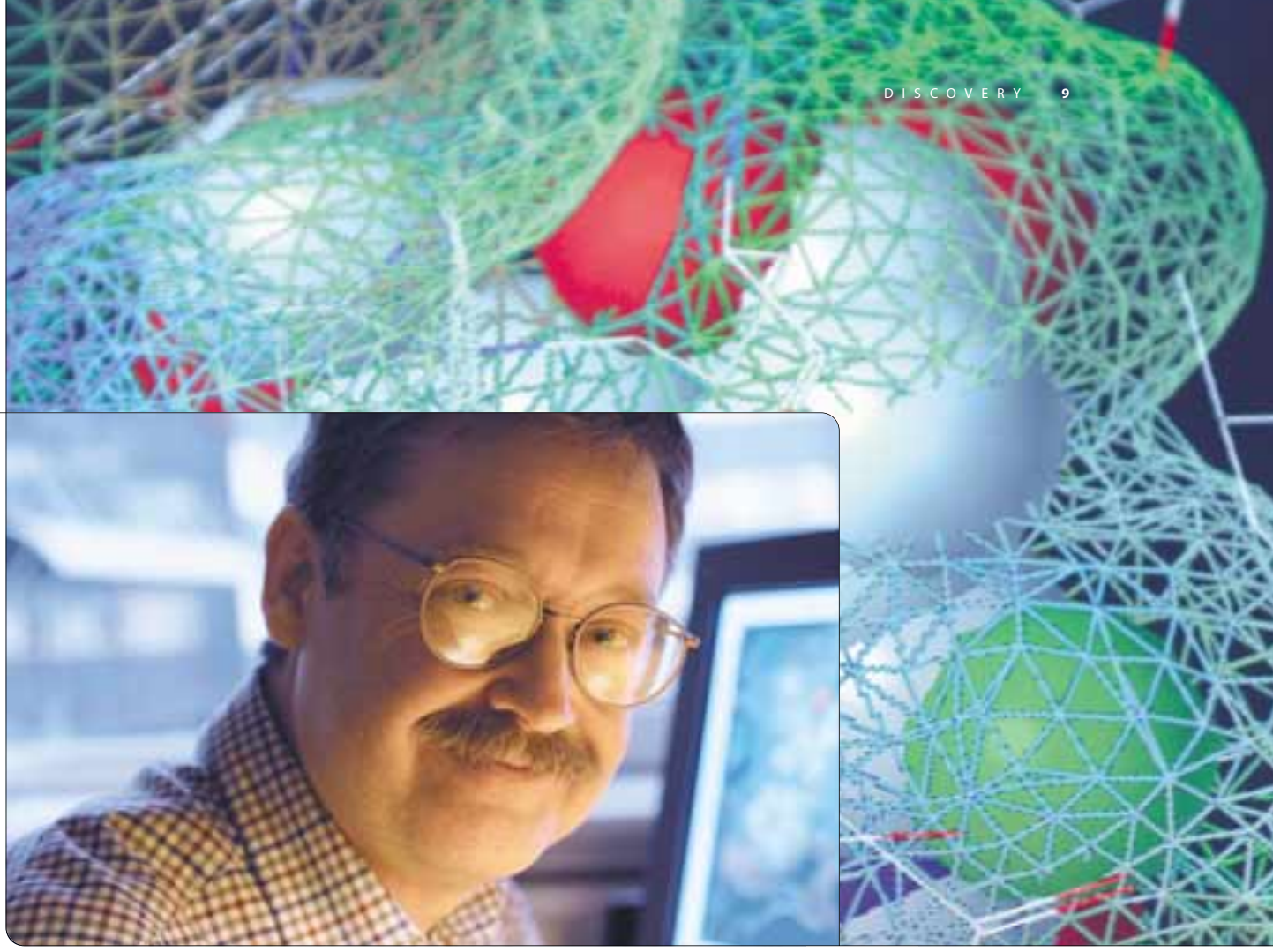
The research stage may be divided into various phases. The very earliest phases involve defining the target molecules of a future drug and their active mechanisms. The search then begins to identify a molecule that can interfere with these mechanisms.

Once such a molecule has been identified, we enter an important phase. The molecule must be optimised, partly to allow it to be administered in low doses and partly so it can be absorbed and metabolised by the body in a beneficial manner. At this stage, it is also important to obtain sound patent coverage for the molecule to prevent competitors from developing similar compounds.



The development of new pharmaceuticals takes time and involves major financial risks. The figure shows the various phases of development and demonstrates how the probability of a market launch increases with the completion of each development phase.

Source: The Pharmaceutical R&D Compendium: CMR International/Scrip´s Complete Guide to Trends in R&D, 1999 Edition, Volume 2.

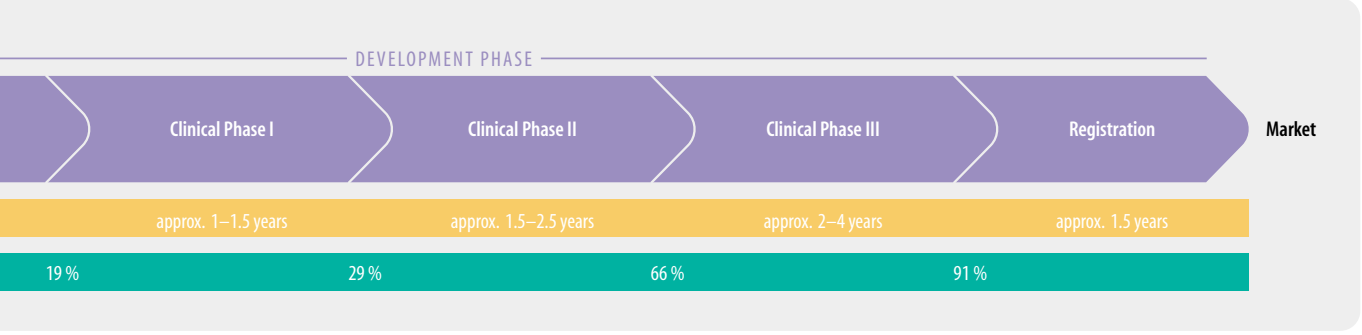


Bo Svensson, Scientist at the section for structural chemistry.

Active Biotech was previously a unit within Pharmacia specialising in the latter part of the discovery chain. Active Biotech has built on this tradition. The company's discovery strategy therefore aims to advance projects to the stage where our expertise can be fully exploited. The projects chosen for continued development may either originate from within the company or from outside. The company maintains a special project group with the task of guiding emerging projects on to the late research phase, where they obtain full project status.

Successful strategy

To date, Active Biotech has achieved success with this strategy. Constant effort is directed at improving both the productivity and quality of the project portfolio. The method of integrating all of the organisation's areas of expertise to move projects ahead efficiently is known internally as "Smart Track." The aim is to test the company's candidate drugs on human beings as quickly and as safely as possible.



Business concept, goals and strategies

Active Biotech's business concept is

- to use specialist expertise on the human immune defence system to develop effective pharmaceuticals for illnesses where a major medical need exists

Goals

Active Biotech's goals are

- to generate long-term value for its shareholders through cutting edge expertise within selected niches of the global market
- to be an attractive employer by offering a creative atmosphere that provides abundant opportunities for individual development
- to efficiently and cost-effectively develop new pharmaceuticals for illnesses where current treatment options are inadequate

Business strategy

Active Biotech's business strategy is

- to encourage growth, achieved both organically and through acquisition and alliances
- to enter collaboration agreements with external partners with a view to sharing risks/costs
- to achieve the maximum increase in value in each project through the optimal utilisation of in-house expertise and infrastructure, as well as by seeking collaboration with strong partners at the right stage of each project
- to retain marketing rights for future sales in selected European markets
- to generate income from research collaboration, licensing activities and sales

Research strategy

Active Biotech's research strategy is

- to secure and constantly improve the expertise within our core areas
- to ensure a steady stream of high-quality candidate drugs for indications within the company's areas of pathology

Activities

The field on which Active Biotech's activities are primarily based can be defined using the umbrella term "immunomodulation." Active Biotech conducts research and development activities in medical fields in which the immune system plays a central role.

Our activities can be divided into three areas:

- Discovery (explorative research)
- Development (pre-clinical and clinical development)
- Business development

Medical focus

Active Biotech's operations are based on its specialist knowledge of the human immune system and focus on two main areas of pathology:

- Autoimmune/inflammatory diseases
- Cancer

Project portfolio

Pharmaceutical development begins with the discovery phase. During this phase, an optimal drug molecule is sought that corresponds to a thesis developed beforehand. During the pre-clinical phase, researchers select and develop candidate drugs with a potential for the treatment of various diseases.

The clinical phase involves testing the substance in humans.

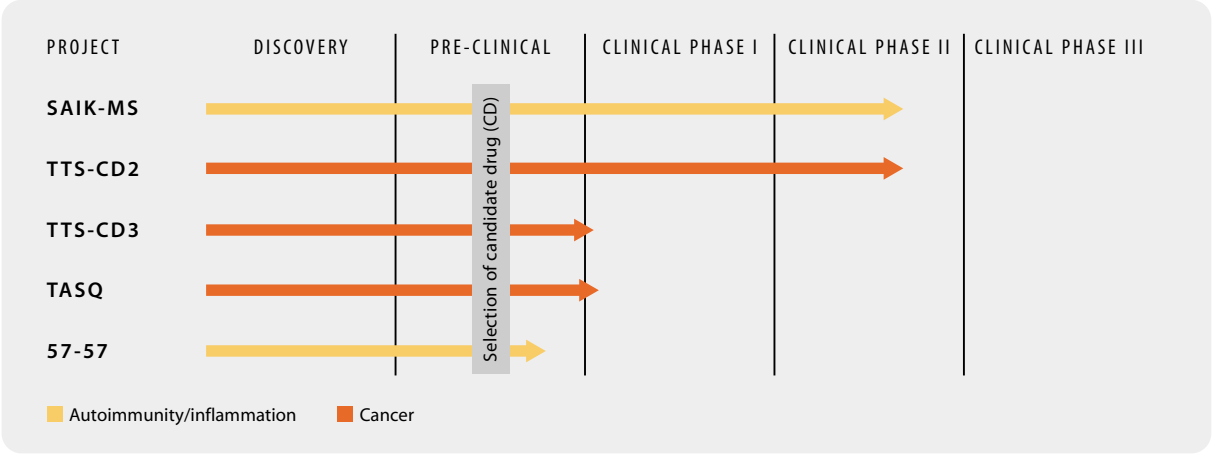
Clinical Phase I involves studies on healthy volunteers. The intention is to determine the most effective dose and dosage interval for a particular disease without causing undesired side-effects.

Clinical Phase II involves a larger group of patients. The purpose is to demonstrate the effects and confirm that the compound is safe.

Clinical Phase III is sometimes referred to as confirmatory studies. The principal aim is to prove that the promising effects seen in Phase II can also be observed in an even larger patient group.

Helena Sandin, Research Engineer at the section for medicinal chemistry.

Active Biotech projects in pre-clinical and clinical development:



SAIK – new treatment for MS

In its SAIK-MS project, Active Biotech is developing the new active substance laquinimod for the treatment of multiple sclerosis (MS). Phase I clinical studies were successfully completed and a comprehensive Phase II study is underway.

MS a disabling disease

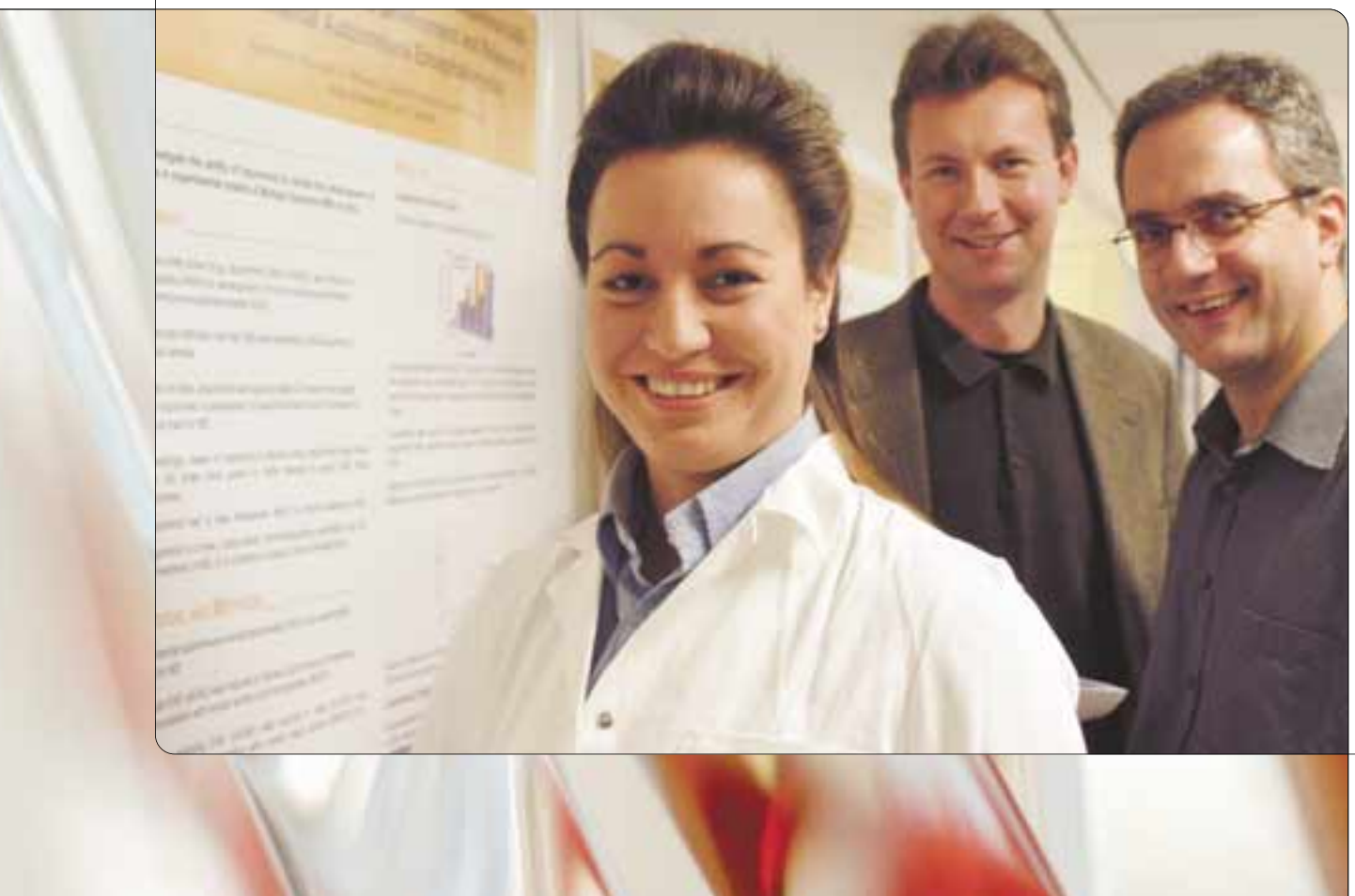
MS is a chronic disease, often with an insidious progression. The disease affects the central nervous system in the brain and spinal cord. As the nervous system controls all bodily functions, the disease can affect the sense of touch, motor functions, coordination, eyesight and hearing.

The exact cause of MS is unknown, but genetic factors combined with viral infections are thought to play a role. The disease most often manifests itself between the ages of 20 and 40 and affects more women than men. The symptoms are caused by the body's own immune system attacking and damaging the myelin sheaths surrounding nerve fibres. This causes inflammation within the central nervous system causing the patient to suffer flare-ups that affect a variety of bodily functions.

In most cases, these flare-ups go into remission after a time. This type of MS, the "relapsing remitting" type, predominates during the early years of the disease. Later, the disease will, in most cases, develop into secondary progressive MS where symptoms do not entirely recede after new flare-ups, causing a steady deterioration in the patient's condition and resulting in increasing disability.

A total of about 1 250 000 people throughout the world suffer from MS, a little over half of them in Europe. The temperate zones of Europe are the most affected.

Anna Runström, Research Engineer; Anders Linde, Head of Clinical Development and Thore Nederman, project leader for the SAIK-MS project.



Competition

No treatment currently exists that can cure MS. However, for a number of years, products have been available in the market that can reduce the number of flare-ups in patients suffering the early stages of "relapsing remitting" MS. This market is dominated by the beta-interferon products Avonex® from Biogen, Rebif® from Serono and Betaferon® (Betaseron® in the US and Canada) from Schering. Other products with similar effects are Copaxone® from Teva and Novantrone® from Amgen.

These products are capable of reducing the number of flare-ups by 20–30 per cent. Studies are continuing to determine the long-term effects of these products on the progress of the disease.

The products are administered by injection one to three times per week. The injections are often accompanied by inflammatory discomfort around the injection site. Other side effects such as influenza-like symptoms may also occur. Many patients discontinue treatment after some time because they do not perceive any alleviation of the disease, or because the discomfort associated with the frequent injections is too great.

In addition to treatment with these products, the symptoms of acute flare-ups are often treated with high doses of cortisone. Immunosuppressive or cytostatic products are also used for the alleviation of acute symptoms. All of these are associated with serious undesirable side effects.

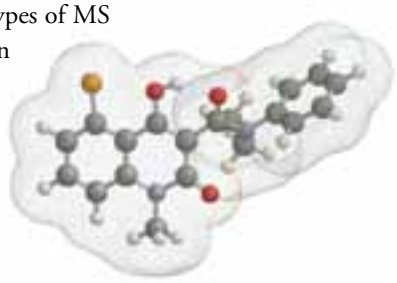
Orally administered drugs

In its SAIK-MS project, Active Biotech is developing the new active substance laquinimod for the treatment of MS. Approximately 200 MS patients are participating in the Phase II study currently being conducted by Active Biotech at some 20 clinics in Sweden, the UK, the Netherlands and Russia. The study is being carried out under the leadership of Professor Chris Polman at the VU Medical Centre in Amsterdam, in the Netherlands. Every day for six months, patients are being treated with laquinimod in two different dosages, or with a placebo. Laquinimod is administered in tablet form, a major advantage compared to existing products, which must be injected. Following this course of treatment, patients will be monitored for an additional two months without treatment.

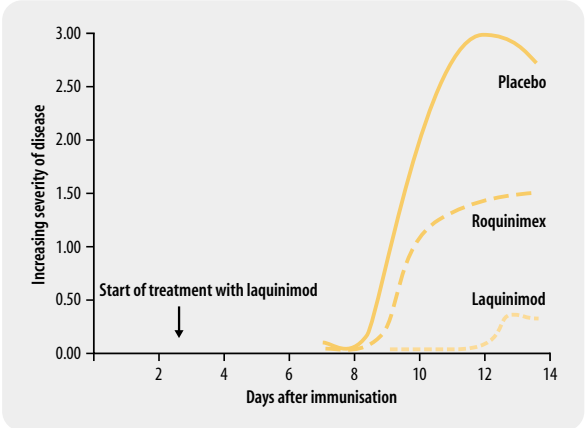
The aim of the study is to show, with the aid of magnetic x-ray imaging, that treatment with laquinimod is effective in reducing the inflammatory activity in the brain characteristic of MS. Studies will also include several other aspects, such as clinical quantitative assessment scales (EDSS and MSFC), and analyses of the number of flare-ups and quality of life. This is a randomised blind study, which is to say that nobody knows which patients are being treated with laquinimod and which are being administered the placebo. The code of the study will not be broken until all patients have completed the study and all of the data produces have been stored in a quality-controlled database.

SAIK-MS (Laquinimod)

- Active against all types of MS
- Oral administration
- Well tolerated for long-term treatment



Therapeutic effects of laquinimod in an experimental MS disease model



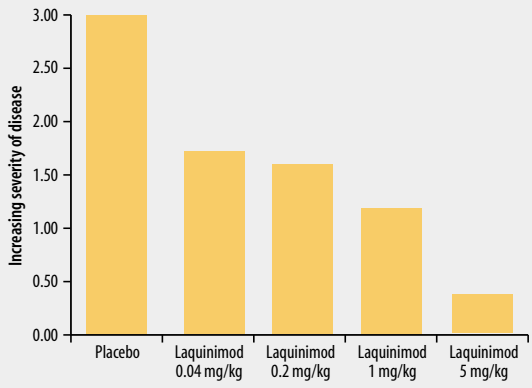
Roquinimex is laquinimod's predecessor.

The final report on the study is expected to become available during the fourth quarter of 2003. Based on the results of this study, clinical Phase III studies are planned to start in 2004. The plan anticipates a commercial launch in 2007.

A different mode of action

In pre-clinical studies, Active Biotech demonstrated that laquinimod is effective in inhibiting the progress of MS-like diseases in relevant animal models. Although laquinimod's mode of action, like that of beta-interferon products, has not been established, the animal trial models would seem to indicate that laquinimod acts in a different way to beta-interferon. The animal studies also show that there are no serious side effects at doses relevant to clinical use. Favourable toleration and the lack of serious side effects were also confirmed in the clinical studies carried out both on healthy volunteers and MS patients. The fact that laquinimod can be administered in tablet form will grant the product a significant competitive advantages over existing products, all of which require frequent injections.

Laquinimod also inhibits disease progress in the absence of beta-interferon



Patent protection for SAIK-MS

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	Pending	2019
"method"	Sweden	Pending	2023
	US	Pending	2023

Market

In 2001, the total MS market was assessed at USD 2.4 billion. The market is divided between five different drugs: Avonex® from Biogen, Betaferon®/Betaseron® from Schering, Rebif ® from Serono, Copaxone® from Teva and Novantrone® from Amgen. All of these products are administered by injection.

Source: Blomquist & Associates: Multiple Sclerosis, June 10, 2002.

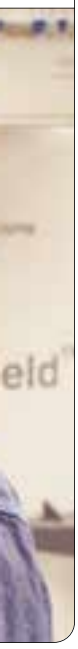
Peter Lando, Head of the department for Scientific Affairs and project leader for the 57-57 project. In the background, Tomas Fristedt at the section for analytical chemistry.

57-57 – new treatment for incurable diseases

SLE is an abbreviation for the autoimmune disease Systemic Lupus Erythematosus. SLE attacks a number of the body's organs, and can therefore develop in a variety of ways. Symptoms often begin with motor-organ problems. More than half of those affected first notice the disease through pain or inflammation in their joints. The skin is also affected and about 25 per cent suffer skin changes such as butterfly rashes or a red rash on the surface of the cheeks and nose. SLE patients are sensitive to light and ultraviolet rays can cause skin rashes and inflammation of the internal organs. Furthermore, patients may suffer hair loss, cold fingers and serious renal and blood-vessel inflammations. The central nervous system can become seriously disturbed resulting in psychoses and depression. SLE is often difficult to diagnose since symptoms vary so widely.

The disease manifests itself through flare-ups and often results in problems affecting vital internal organs.

As yet there is no cure for SLE and consequently the need for new drugs is substantial.



Women affected more than men

SLE can manifest itself at any age but is most common among women aged between 15 and 45. There are estimated to be about 5 000 SLE sufferers in Sweden with the figure growing at a rate of 600 per year. The number of SLE patients in the US has been assessed at 1 400 000. SLE is two to three times more common among people of colour.

As yet researchers do not know what causes SLE, but it is likely that a combination of genetic and environmental factors trigger the disease. At times, symptoms may require intensive treatment. Today this involves NSAIDs, malaria drugs, salicylic acid compounds, cortisone and cytostatic drugs such as cyclophosphamide and methotrexate. These medicines can result in considerable side effects.

Favourable treatment effects

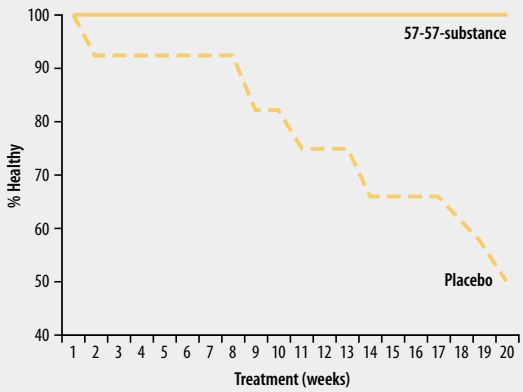
In its 57-57 project, Active Biotech is developing its own patented compound for the treatment of SLE. In SLE-like disease models, Active Biotech's compound has demonstrated favourable treatment effects, protecting test animals from developing the disease (see figure). The compound has also shown itself effective in reducing levels of blood and protein in urine, which suggests that the compound may be active against the kidney damage associated with the disease. The compound will be administered orally, which is a major benefit for patients compared with injections.

There is an extensive need for medicines to fight SLE. The number of patients is increasing and no new drugs have been registered for 40 years. This has motivated Active Biotech's decision to commit to the 57-57 compound, which was selected as a candidate drug in June 2002. The scale of synthesis is currently being stepped up to meet the requirements of the safety evaluation and the clinical studies on the compound. A Phase I study involving healthy volunteers is expected to start in 2003.

Patent protection for 57-57

Patent family Type of protection	Priority area	Status	Expiry year
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	Pending	2019
"method"	Sweden	Pending	2023
	US	Pending	2023

57-57's effect on SLE-like disease



Prophylactic treatment in an experimental model for SLE-like disease.

TTS – aims immune defence at cancer

Tumour Targeted Superantigens (TTS) is an immunological cancer treatment. It utilises the same powerful mechanisms causing the rejection of transplanted organs. TTS' antibody component customizes the treatment to the specific tumour and guides activated cytotoxic T-lymphocytes to the tumour. The tumour cells are thus forced into apoptosis, that is, programmed cell death.

No effective treatment

Active Biotech has chosen to focus on the development of candidate TTS products for lung cancer, renal cancer and pancreatic cancer.

Cancers of the lung, kidney and pancreas are malignant diseases, which affect more than 500 000 people in the US and Europe each year. When detected and diagnosed, the disease is often at an advanced stage and with metastasis.

Powerful stimulation of the immune defence

Both of Active Biotech's TTS candidate drugs, CD2 and CD3, are tumour-specific and are controlled by the product's antibody constituent 5T4. The antibody constituent 5T4 is the component of the TTS product that seeks out the 5T4 antigen on the surface of the tumour and binds to it. The 5T4 antigen is an oncofetal antigen found on the surface of many types of cancer cells but not in normal tissue. This antigen very likely possesses malignant properties, as its function is associated with migration and thus the formation of metastases.

Very low concentrations of the TTS superantigen are required to activate T-lymphocytes with a force which is even greater than that of the antigens that trigger rejection mechanisms in unsuccessful transplants.

Successful method

Pre-clinical experiments provide convincing proof of the TTS concept:

1. TTS acts selectively on the tumour
2. TTS activates and recruits T-lymphocytes to the tumour
3. TTS halts tumour diseases

The TTS concept is unique and exploits mechanisms integrating a new dimension of immunotherapy into the arsenal of existing cancer treatments.

Competition

The TTS method is unique in its category and will meet the overwhelming need for a new innovative cancer-treatment method.

Currently, surgery is the only curative treatment and is effective only when the cancer has not metastasised. Cytotoxins such as cisplatin, paclitaxel and gemcitabine are used with limited success in the treatment of the disease once metastasis has occurred. Interleukin-2 and alfa-interferon are examples of immunostimulatory cytokines with established, but limited efficacy.

Clinical studies with TTS, CD2

CD2, or anatumomab mafenatox, has undergone clinical Phase I studies, which established such factors as maximum dosages for Phase II, and gave clear indications of the inhibition of tumour growth in patients suffering from non-small cell lung cancer. This is a type of cancer where the 5T4 antigen is strongly expressed, a property it shares with renal and pancreatic cancer.

CD2 is now undergoing evaluation in open, non-controlled clinical Phase II studies of the effect on the tumour in advanced renal and pancreatic cancer. The studies are being carried out at Christie Hospital in Manchester and at St James's University Hospital in Leeds under the direction of Professor Robert Hawkins.

Start of Phase I studies on the enhanced TTS, CD3

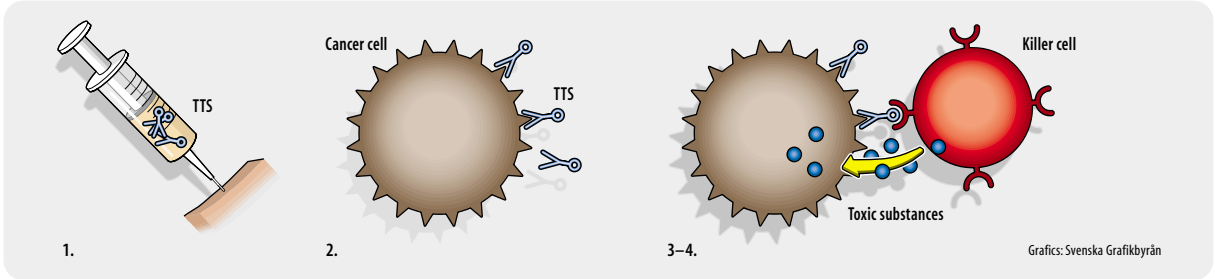
Precise molecular-biological engineering on CD2 has resulted in the next generation of TTS, the enhanced candidate drug CD3. The superantigen constituent has been enhanced, resulting in low antigenicity and toxicity. 5T4-selectivity has been retained but with an increased affinity for the target, that is, the 5T4-antigen. Consequently, it is expected that with CD3 the dosage need no longer be adjusted to the

Lennart Ohlsson, Scientist and Marie Wallén-Öhman, Head of the section for in-vitro pharmacology.

individual. Furthermore, it is expected that it will be possible to administer higher doses with decreased toxicity.

The US Food and Drug Administration (FDA) recently approved Active Biotech's IND application (Investigational New Drug) to start clinical Phase I studies on CD3. The studies will be carried out at the Fox Chase Cancer Center in Philadelphia under the leadership of Professor Roger B. Cohen. At this centre, patients with non-small cell lung cancer will be treated primarily to determine maximum tolerable dose (MTD).

Getting the body to fight tumours by itself

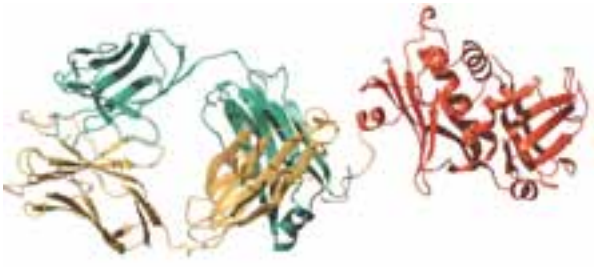


1. The TTS molecule is injected into the bloodstream of a cancer patient. **2.** TTS follows the blood circulation to the tumour site. It binds to the 5T4 molecule on the surface of the tumour, signalling that "here is a tumour". **3.** The killer cells, i.e. T-cells of the immune system which patrol the body, are activated when they make contact with a TTS molecule on a tumour cell. **4.** The T-cells kill the tumour cells by excreting toxic substances which perforate the cell surface and make the cells commit suicide.

Patent protection for TTS

Patent family Type of protection	Priority area	Status	Expiry year
"user area"	Europe	Granted	2010
	US	Granted	2015
	Japan	Granted	2010
"product"	Europe	Granted	2011
	US	Granted	2016
	Japan	Granted	2011
"product"	Europe	Granted	2015
	US	Pending	2018
	Japan	Pending	2015
"product"	Europe	Pending	2017
	US	Pending	2016
	Japan	Pending	2017
"product and method"	Europe	Pending	2018
	US	Pending	2018
	Japan	Pending	2018
"product"	Europe	Pending	2022
	US	Pending	2021
	Japan	Pending	2022

TTS CD 3



Cancer in figures

Lung cancer

- Lung cancer is the second most commonly diagnosed form of cancer, both among men and women. Approximately 366 000 new cases will be diagnosed in Europe and the US during 2003.
- Lung cancer is the most common cause of death in both men and women and is expected to cause 335 000 deaths in Europe and the US during 2003.
- Five-year survivability is only 16 per cent for all stages of the most common type of lung cancer, non-small lung cancer
- The global market for lung cancer drugs is estimated at USD 1 billion per year.

Renal cancer

- Approximately 78 000 new cases of renal cancer will be diagnosed in Europe and the US during 2003.
- In 2003, renal cancer will cause about 34 000 deaths in Europe and the US.
- The global market for renal-cancer drugs in 2003 has been estimated at USD 150 million per year.

Pancreatic cancer

- Approximately 71 000 new cases of pancreatic cancer will be diagnosed in Europe and the US during 2003.
- It has been estimated that pancreatic cancer will cause 69 000 deaths in Europe and the US during 2003.
- Pancreatic cancer has a survivability rate of less than 3 per cent.
- The global market for pancreatic cancer drugs is estimated at USD 500 billion per year.

Sources: American Cancer Society, WHO International Agency for Research on Cancer (IARC), MedAdNews, Frontline.

TASQ – against prostate cancer

Prostate cancer has long been the cause of great suffering among men. Approximately ten million men over 55 have contracted the disease. In Sweden, 6 000 new cases are detected each year, which means that one out of ten men in Sweden risks contracting the disease at some time during his life. Patients with advanced metastasised prostate cancer have a five-year survivability of about 30 per cent. This makes prostate cancer the most common type of cancer among men and, after lung cancer, the type of cancer that causes most deaths.

No efficacious treatment

In its early stages, prostate cancer is hormone-dependent and its growth is stimulated by the male hormone testosterone. Patients with advanced prostate cancer are often affected by secondary tumours, metastases, in skeletal tissue. These tumours grow regardless of hormone levels.

There are currently no methods available for the effective prevention or treatment of advanced prostate cancer. However, the increased frequency of the disease over the last 50 years has resulted in major changes in diagnosis and treatment, and the number of deaths has decreased. In the 1940s, C. Huggins discovered that the growth of prostate cancer depends on male hormone levels, and testosterone inhibition is still the most common pharmaceutical method for the treatment of prostate cancer – despite the fact that the treatment involves a number of undesirable side effects, such as sterility and loss of libido. Initially, many patients respond well to hormone treatment but later develop the more serious hormone-independent form of the disease.

Blood-vessels nourish the tumour

Angiogenesis refers to the formation of new blood-vessels in tissue. For a tumour to grow to a size of more than one or

Scientist Karl Jansson and Research Engineer Ingela Tuvesson, at the section for medicinal chemistry.

two cubic millimetres, it needs to form new blood-vessels that supply the necessary nourishment.

Prostate carcinoma is a metastasising malignant solid tumour highly dependent on blood-vessel growth. Tumour-induced blood-vessel generation must be present for the tumour to be able to grow. Inhibiting blood-vessel formation will thus retard or halt tumour growth.

Several methods of inhibiting angiogenesis are currently recognised in the treatment of cancer and other diseases. The significance of angiogenesis in human tumours has been substantiated in studies demonstrating that the degree of angiogenesis in the tumour is reflected in survival rates for patients with various types of solid tumour. There is therefore extensive optimism that anti-angiogenesis drugs may significantly improve the outcome of treatment.

A number of benefits

By using anti-angiogenetic compounds alone or in combination with conventional anti-cancer treatment, it may be possible to effectively slow down the progress of prostate cancer. It is also possible that these compounds could be used preventatively.

The aim of anti-angiogenetic treatment is to inhibit the formation of new blood-vessels in order to hinder tumour growth. Cancer therapies that aim at preventing blood-vessels from forming in the tumour offer oncologists a variety of new opportunities for treatment.

In contrast to conventional cancer-treatment methods, the endothelial cells in the cancer are the target rather than the cancer cells themselves. The endothelial cells found in newly formed blood-vessels offer many advantages as a target of treatment. For example, blood-vessel cells are genetically stable, which diminishes the risk of genetic mutation leading to the development of drug resistance, thus facilitating long-term treatment.

Favourable results

In experimental studies during the pre-clinical development of Active Biotech's TASQ (Tumour Angiogenesis Suppression by Quinolines) project, the candidate drug ABR-215050 has shown itself capable of reducing blood-vessel growth by 50 per cent and of reducing the growth of the actual tumour by 80 per cent. An initial clinical Phase I study on healthy volunteers, in collaboration with Lund University Hospital, was carried out successfully at the beginning of 2003. The study showed that TASQ is well suited to oral administration. Active Biotech is collaborating with Professor John T. Isaacs of Johns Hopkins University in Baltimore, USA, on this project.

During the spring of 2003, clinical Phase I studies start to study the effect of the substance on human beings.

Competition

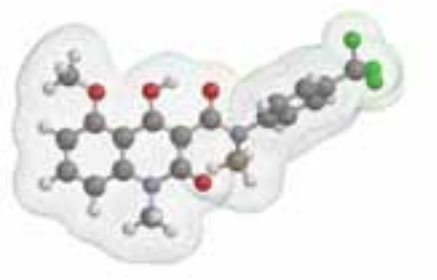
Pharmaceuticals affecting angiogenesis are being developed at several places around the world, but the fact that several companies are working in the same area need not be a drawback. In fact, the opposite may be true, since treatments that combine several different drugs can be considerably more efficacious. Several new substances possessing anti-angiogenetic properties have undergone clinical studies in recent years. However, the data shows that the mechanism of Active Biotech's substance is distinct from that of other products under development.

Prostate cancer

- Prostate cancer is the most common type of cancer among men. It is estimated that about 334 000 new cases will be diagnosed in Europe and the US during 2003.
- Prostate cancer is the second most common cause of death among men and it has been estimated that it will cause about 86 000 deaths during 2003.
- The global market for prostate cancer drugs is estimated at USD 3.1 billion per year.

Sources: American Cancer Society, WHO International Agency for Research on Cancer (IARC), MedAdNews.

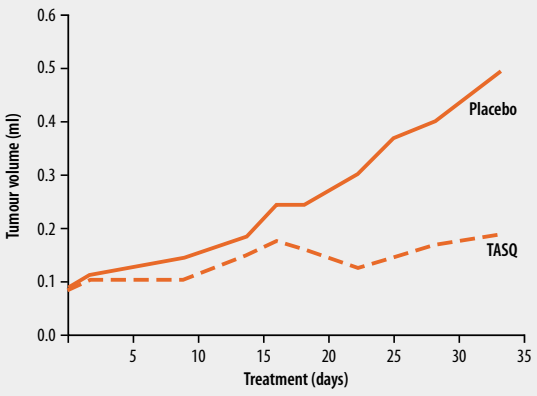
TASQ

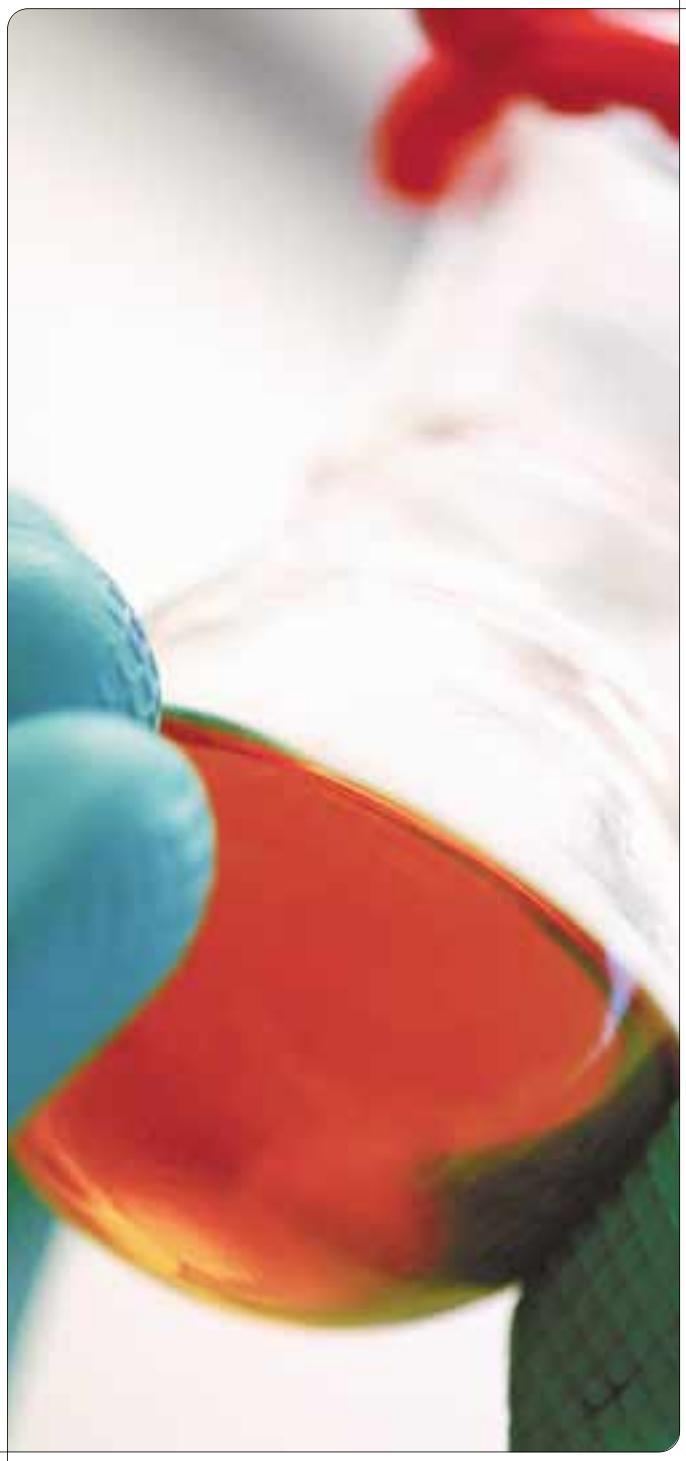


Patent protection for TASQ

Patent family Type of protection	Priority area	Status	Expiry year
"product"	Europe	Pending	2019
	US	Granted	2019
	Japan	Pending	2019
"user area"	Europe	Pending	2020
	US	Granted	2020
	Japan	Pending	2020

Pharmacological studies of the effect of TASQ on human prostate (LAPC4) tumour growth in an experimental model





Patent cover of the main project

Number of patent families

Owned	SAIK, TASQ, 57-57	5
	TTS	6
	Other projects	11
Total owned		22
Under licence		6
Total		**28**

Patent protection for SAIK-MS

Patent family Type of protection	Priority area	Status	Year of expiry
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	Pending	2019
"method"	Sweden	Pending	2023
	US	Pending	2023

Patent protection for 57-57

Patent family Type of protection	Priority area	Status	Expiry year
"product"	Europe	Granted	2019
	US	Granted	2019
	Japan	Pending	2019
"method"	Sweden	Pending	2023
	US	Pending	2023

Patent protection for TASQ

Patent family Type of protection	Priority area	Status	Expiry year
"product"	Europe	Pending	2019
	US	Granted	2019
	Japan	Pending	2019
"user area"	Europe	Pending	2020
	US	Granted	2020
	Japan	Pending	2020

Patent protection for TTS

Patent family Type of protection	Priority area	Status	Expiry year
"user area"	Europe	Granted	2010
	US	Granted	2015
	Japan	Granted	2010
"product"	Europe	Granted	2011
	US	Granted	2016
	Japan	Granted	2011
"product"	Europe	Granted	2015
	US	Pending	2018
	Japan	Pending	2015
"product"	Europe	Pending	2017
	US	Pending	2016
	Japan	Pending	2017
"product and method"	Europe	Pending	2018
	US	Pending	2018
	Japan	Pending	2018
"product"	Europe	Pending	2022
	US	Pending	2021
	Japan	Pending	2022

Active patent strategy – strengthening the portfolio

The immunomodulating molecule Roquinimex was discovered 25 years ago. The SAIK-MS, SLE and TASQ projects are based on this substance, which is able to modulate immune response and blood-vessel growth. In the 1990s, Roquinimex was included in a clinical multiple sclerosis treatment program. The clinical Phase II study on Roquinimex for MS showed the drug to have an effect. However, the subsequent Phase III program had to be interrupted due to unacceptable toxicity.

Roquinimex also demonstrated favourable results during Phase II studies for type I diabetes and was shown to be capable of inhibiting the progression of the disease in experimental autoimmune and cancer models.

When Active Biotech acquired its research facility in Lund from Pharmacia in 1998, the projects being conducted there and the patent for Roquinimex were also included. The patent dates from 1985 and comprises Roquinimex, a 3-quinolinecarboxamide derivative and a broad spectrum of quinoline(Q)-derivatives. The research facilities in Lund also included a considerable amount of expertise in the chemistry, pharmacology, pharmacokinetics of this substance and its clinical data.

Unexpectedly positive

With the purpose of ascertaining the correlation between structure and activity, Active Biotech synthesised and tested hundreds of new substances based on Roquinimex in various animal models of autoimmune diseases. These efforts resulted in the discovery of a new quinoline derivative with unexpected and superior properties (SAIK-MS), and consequently a patent application. Since then, several patent applications have been submitted and approved in the US and other locations. These patents both the product itself and treatment methods for autoimmune and inflammatory diseases.

Roquinimex's effect in the treatment of tumours, which was also observed, led Active Biotech to research several new quinoline derivatives in the field of cancer therapies. This resulted in the discovery of new substances with anti-angiogenesis/anti-tumour effects. In turn, this led to a further patent application (TASQ), which gained approval in the US. The production of the drug compound and product is an important part of the drug development process. This area offers additional opportunities to strengthen the patent portfolio.

New courses charted

To date, SAIK-MS's molecular target and mode of action have not been fully elucidated, but the substance has genuine immunomodulatory properties and activity in several models. The research group at Active Biotech has therefore assumed that it interferes with an important signal pathway for inflammatory/autoimmune diseases. Naturally, the knowledge of such an important signal pathway is of commercial interest, and for this reason comprehensive work was initiated in order to ascertain the substance's target molecule and mechanism of action (IMO-A). This process is under way employing structure-based development methods. Having identified the target structure and learned something about the mechanism of action, research will focus on new chemical families that may, in turn, necessitate new patent applications. New patents within this area prolong the life of the product portfolio, which includes SAIK-MS and related projects. Thus an active patent strategy plays an extremely important role in protecting our commercial interests.

The combined expertise of our personnel – an invaluable competitive strength

One part of a company's assets walks out through the door each evening – its human capital. Its importance to the company's growth, innovative ability and profitability can scarcely be overstated. Any sensible corporate management will therefore do everything in its power to promote satisfaction and growth among its employees and encourage them to remain on board.

Active Biotech has a staff of 181. About 150 are research workers, of which almost 50 are PhDs. Currently, the company's research budget is about SEK 225 million per year. Costs increase in pace with the progress of the clinical development program.

The company has a unique infrastructure, integrating its research and development efforts.

Viewed from an international perspective, Active Biotech's research organisation is relatively small. To facilitate the optimum exploitation of the available resources, research activities are organised as follows:

Cellular & Molecular Biology
- In-vitro pharmacology
- Protein expression
- Target identification and validation

Pre-clinical Development
- Analytical chemistry
- Pharmacology
- Drug metabolism
- Pharmacokinetics
- Biopharmacy

Drug Discovery
- Medicinal chemistry
- Structural chemistry
- Assay development and screening

Staff from the Drug Discovery department.

Scientific Affairs
- Applied bio-informatics
- Knowledge management

Project Management
- Systems for the management of research projects
- Project leadership
- Project evaluation

Clinical Development
- Clinical studies
- Toxicological studies
- CRO processing

In addition to these R&D responsibilities we also have:

Regulatory Affairs & Quality Assurance
- Management of regulatory business and requirements

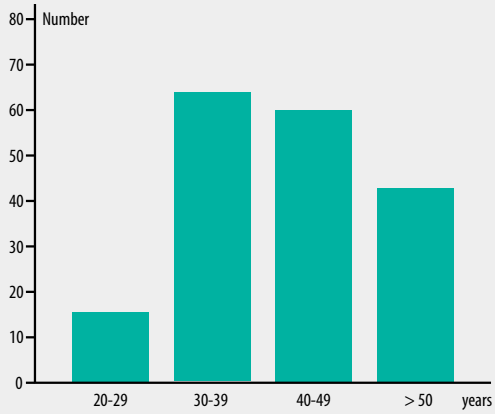
Integration accelerates project work while improving its quality. Integration allows knowledge generated by researchers during the discovery phase to be efficiently exploited during the development phase. This makes us highly competitive. Active Biotech's approach and organisation allows the company to advance rapidly from concepts to clinical testing, a process which, in larger pharmaceutical companies, can take up to ten years.

Internally, the company has also focused on increased awareness of and participation in the company's activities. As a link in this process, internal information has been expanded through frequent information meetings between the management group and personnel. During 2002, we began, as part of this initiative, to develop a new and improved intranet with the aim of enhancing and simplifying internal processes.

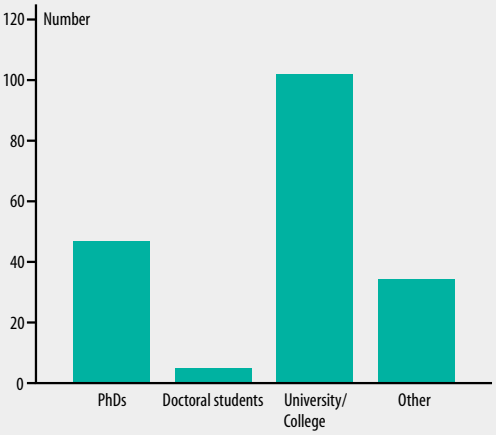
In order to improve the leadership abilities of managers within the company, management training activities were initiated in 2002. During the year, Active Biotech also launched initiatives aimed at universities and colleges to market the company as an employer. These included student evenings, study visits and similar activities.

The employee force at 31 December 2002

- **Number of employees as at 31 December 2002**
  (Employees with temporary tenure including postgraduates)
  Women: 107
  Men: 74
  Total: 181
- **Personnel turnover**
  181: Resignations 8
  8/181 x 100 = 4.4 per cent
- **Absence due to illness**
  1 December 2001–31 November 2002: 2.6 per cent
- **Industrial injuries**
  Reported industrial injuries at 31 December 2002: 6 (Including road accidents)
- **Age distribution**
  Average age: 42



- **Staff levels of education**
  Training costs SEK 9 415 per employee and year



A continual process

Within Active Biotech, work in the areas of the environment and safety is delegated to the company's various departments. It is the responsibility of each manager and employee to meet internal and external environmental and safety requirements. In parallel, comprehensive auditing is conducted to assist departments in implementing the right decisions and measures.

Each project is required to implement a lifecycle perspective for its products. This applies to all aspects from in-house research to the outsourcing of candidate drugs and production. In addition, Active Biotech attaches great importance to external partners having their own environmental and safety requirements that are in line with the company's values.

One particularly noteworthy event in 2002 was Active Biotech's complete transition to district heating, which dispensed with the need to use oil and allows the company to contribute to a cleaner environment.

A responsible approach to the use of laboratory animals

Despite the rapid development of non-animal models for medical research, no alternative has yet been found to entirely replace the complex system a living organism represents. A responsible use of laboratory animals for scientific research purposes is therefore ethically justifiable. As far as possible, Active Biotech endeavours to replace, reduce and refine the use of laboratory animals. Where no alternative is available, trials must be planned expediently and conducted with due respect to ethical considerations. Pain, suffering and stress should be minimised or preferably eliminated.

All employees working with laboratory animals possess the requisite training and skills. The animals are treated with care, and the greatest possible attention is paid to their health and welfare in a careful trade-off between ethical and scientific demands. The husbandry of the animals is handled in a manner designed to maximise comfort and prevent the spread of infection. All work involving animals adheres to strict, current local procedures as well as national and international legislation. The revision and harmonisation of laboratory-animal activities within the company are always based on the careful monitoring and review of legislation and other ethical considerations regarding the care and welfare of laboratory animals.

Quality in operations and processes

The process of creating a new drug involves careful development and thorough documentation. Operations and processes alike must be permeated by considerations of quality, from management level right down to the individual employee. Therefore, Active Biotech's efforts on quality focus on ensuring well-run and efficient operations that are constantly improved.

The pharmaceutical industry is one of the most highly regulated. Authorities in various countries monitor the ways in which we develop, test, produce and market/sell our products. At Active Biotech, we employ the following quality assurance systems:

Good Manufacturing Practice (GMP) is described in "The Rules Governing Medicinal Products in the European Community, Volume IV, Good Manufacturing Practice for Medicinal Products". All drug production must be carried out in accordance with this set of rules.

Good Laboratory Practice (GLP) is described in "The OECD Principles on Good Laboratory Practice (as revised in 1997, issued 1998)." This must be applied to all pre-clinical safety studies required by the authorities for the registration of a drug.

Good Clinical Practice (GCP) is an international ethical and scientific quality standard for the design and implementation of clinical studies, for gathering data from them and for reporting their results. Active Biotech carries out clinical studies in accordance with "The ICH Harmonised Tripartite Guideline for Good Clinical Practice (GCP) (Directive 75/318/EEC)." The Swedish Medical Products Agency inspects our operations regularly. During the year, an inspection of our pre-clinical development operations was carried out, resulting in the renewal of the company's GLP licence. All clinical studies initiated and conducted during the year comply with current GLP requirements.

The Directors' Report

Active Biotech AB (publ),
Swedish corporate ID number 556223-9227

The operations

Active Biotech is a company that focuses on pharmaceutical research and development within medical fields where the immune system plays a central role. The company's research portfolio includes the development of pharmaceuticals intended for use in fighting autoimmune/inflammatory diseases and cancer.

The Group

During the year, operational activities were conducted in the parent company, Active Biotech AB, and it's wholly owned subsidiary Active Biotech Research AB. The parent company handles Group-wide functions and assets management while pharmaceutical research and development activities are carried out by Active Biotech Research AB, Lund.

The Group also owns shares in the associated company, Isogenica Ltd, which was founded in 2001 to develop molecular biology technologies.

Research and development

The Group's research activities include several research projects that focus on autoimmune/inflammatory diseases and cancer. The projects have reached different development stages, ranging from early pre-clinical projects to clinical projects in Phases I and II.

SAIK-MS, Active Biotech's development project against multiple sclerosis, completed Phase I studies during the early summer of 2001. Clinical Phase II studies have been going on since April 2002 as a multicenter study in England, Holland, Russia and Sweden with a total of just over 200 patients. These are scheduled to be completed during the fourth quarter of 2003.

Parallel to the clinical development work, intensive work is ongoing to identify potential collaborative partners for the continued clinical development work. The idea is to spread the risks and costs involved, and in particular to ensure the fastest possible time to market, thus further strengthening the company's financial position.

Following the completion of Phase I studies on the TTS cancer project during the early summer of 2001, patient recruitment to a Phase II renal cancer study was initiated in England late the same year. Some 40 patients will be treated during this study, which is expected to be completed in 2003.

In spring 2002, the clinical development program was further expanded with a study focusing on pancreatic cancer. This is also being carried out in England. Some 20 patients are scheduled to participate in the study, which is expected to be completed during 2003.

During the latter part of 2002, Active Biotech applied for provision to start a Phase I study regarding lung cancer in the US for yet another TTS substance. The company was granted its application by the American regulatory authority FDA at the beginning of 2003. The intention is, jointly with a partner, to expedite and secure the continued commercialisation of the project.

During the year, together with the Johns Hopkins University in Baltimore, USA, the company has advanced the TASQ prostate cancer project further. An introductory clinical study was carried out in January 2003 on healthy volunteers and further Phase I studies are scheduled to start during the year.

During the summer of 2002 yet another candidate drug, 57-57 against the autoimmune disease SLE, was chosen. The intention is to start clinical Phase I studies during the latter part of 2003.

Active Biotech sold off its previously wholly-owned subsidiary SBL Vaccin to the English company PowderJect Pharmaceuticals in July 2001. Under the agreement Active Biotech is entitled to a maximum of USD 10 million upon registration of Dukoral in Europe, and to royalties on future sales of up to USD 20 million. PowderJect Pharmaceuticals has submitted final answers to the queries made by the European regulatory authority, the EMEA, and a reply is expected from the authority before the summer of 2003.

In 2001, the English company Avidex Ltd exercised the option agreement signed related to so-called CD80 inhibitors, developed by Active Biotech. The company received a minor one-off payment upon the signing of the agreement. Provided the project progresses in a positive direction, Active

Biotech will receive milestone payments of SEK 90 million and also future royalty income.

Net sales and profit

The Group's net sales for the year amounted to SEK 3.8 million (SEK 102.3 m). The previous year's earnings stemmed mainly from sales by SBL Vaccin from January to July, after which the company was sold. The current year's sales include a one-off payment from the licensing out of CD80 to the English company Avidex.

Operating profit/loss amounted to SEK -341.1 million (SEK 17.1 m). Profit/loss compared to the previous year was negatively affected by the development of the clinical trials program with projects in late clinical phases, and payment to Pharmacia for the buy-back of all commercial rights to the SAIK-MS and TTS projects. 2001 profit/loss included profits from the selling off of SBL Vaccin (SEK 341.7 million). Operating profit/loss before items affecting comparability amounted to SEK -316.5 million (SEK 324.9 m).

Net financial items for the period amounted to SEK 35.8 million (SEK 18.7 m), of which net interest income accounted for SEK 8.7 million (SEK 8.2 m), dividends for SEK 0.6 million (SEK 0.7 m), capital gains for SEK 27.4 million (SEK 8.2 m) and exchange rate differences accounted for SEK -0.9 million (SEK 1.6 m). The company's profit/loss after financial items amounted to SEK -308.3 million (SEK 34.8 m). On current operations excluding items affecting comparability and capital gains stemming form the sale of subsidiaries profit/loss after net financial items amounted to SEK -283.7 million (SEK -248.1 m).

Adjustments of previous years' tax payments and the reversal of previous tax provisions resulted in a positive tax effect of SEK 9.4 million compared to the previous year's tax costs of SEK 1.8 million. Group profit/loss after tax amounted to SEK -298.9 million (SEK 33.0 m). On current operations adjusted for items affecting comparability and capital gains stemming form the sale of subsidiaries, Group profit/loss after tax amounted to SEK -274.3 million (SEK -249.9 m).

Staff

The average number of employees in the Group decreased from 258 (of whom 162 were women) to 183 (of whom 110 were women) as a result of the sale of SBL Vaccin AB. At 31 December 2002, the company employed 181 staff, representing a marginal change compared to the previous year. The average number of employees at the parent company Active Biotech AB was 7 (6 the previous year). The research company in Lund employed a staff of 176 (of which 108 were women), in contrast to 180 (of which 112 were women) in the previous year, see note 24.

Liquid assets and financial status

Current liquid assets and short-term investments totalled SEK 329.1 million (SEK 596.1 m). This reflects negative cash flow of SEK 266.8 million during the period, and this is also reflected in profit/loss. Liquid assets at the end of the year amounted to SEK 169.2 million (SEK 125.1 m). Short-term investments totalled SEK 160.0 million (SEK 471.0 m), of which a total of SEK 123.8 million (SEK 404.7 m) was invested in short and medium-term interest bearing securities, SEK 0.0 million (SEK 10.0 m) was invested in share hedge funds and the remaining SEK 36.2 million (SEK 56.3 m) was invested in listed shares under discretionary management. The market value of the short-term investments exceeded their book value by SEK 36.4 million at the end of the year.

Interest-bearing liabilities amounted to SEK 29.4 million (SEK 0 m), of which SEK 26.7 million corresponded to short-term loan facilities for the financing of the buy-back of commercial rights to the SAIK-MS and TTS projects from Pharmacia. The Group's shareholders' equity came to SEK 380.3 million (SEK 678.8 m) and the equity/assets ratio was 81.3 per cent (90.8 per cent).

Factors affecting the risk picture

Investments in a research company such as Active Biotech are subject to a high operational and financial risk, since the projects in which the company is involved are either at the pre-clinical or the clinical phase, and there are a number of parameters that have an impact on the likelihood of commercial success. The earlier in the development chain the project is, the higher the risk, while the likelihood of reaching the market increases as each project completes the various specified development phases. The risk level of a

project must be weighed against the potential that the project will result in the development of a drug within the major areas of indications which the company addresses, see also the descriptions of the respective projects under the section on development.

The Group has a relatively small currency exposure as operations primarily take place in Sweden. Operating costs, including the buyback of rights, amounted to SEK 344 million during the business year, of which about 20 per cent corresponded to costs in foreign currencies relative to clinical testing and outsourced research services. The proportion of costs in foreign currencies, principally in USD and Euro, may increase in future, as projects will be in later development phases with more clinical studies implemented abroad. As the Group does not make use of forward contracts or options to hedge currency risk, the positive effect of the strengthening of the Swedish crown during the year has affected the income statement. The company's credit risks are marginal, as the company's operations are only subject to low invoicing levels by virtue of the fact that it engages only in research and development.

The Group's liquid assets are invested in accordance with the long-term policy adopted by the Board of Directors, a policy designed to balance the risk between interest-bearing and equity investments. The Group's liquid assets came to SEK 329.1 million at the end of the year. Of this figure, a total of SEK 117.5 million was invested in medium-term interest-bearing securities, while SEK 175.4 million was invested in short-term interest bearing securities and the remaining SEK 36.2 million in shares and mutual funds under discretionary management.

Investments

The Group's investments in tangible assets totalled SEK 3.6 million (SEK 30.2 m), of which the major part related to investments in instruments and laboratory equipment at the research centre in Lund.

Comments on the income statement

The Group's sales for the year amounted to SEK 3.8 million (SEK 102.3 m). The decrease is a consequence of the sale of the vaccine company as per 4 July 2001.

Research, administration and marketing costs declined from SEK 349.4 million to SEK 320.6 million. The decline in costs was a result of the sell-off of the vaccine company at the end of the first half of 2001. Current operating costs excluding cost of goods sold increased 19 per cent, from SEK 269.1 million to SEK 320.6 million. This increase is explained in its entirety by the increased costs of process development and production of clinical materials and cost of clinical studies.

The Group's operating loss amounted to SEK -341.1 million (SEK 17.1 m). The drastic deterioration in profits stems from changes in items effecting comparability, where the previous year's income included SEK 341.7 million in capital gains from the sale of the vaccine company. Results for the current year include the buy-back of commercial rights to the SAIK-MS and TTS projects from Pharmacia. The cost of the buy-back amounted to SEK 26.5 million. Under the agreement with Pharmacia an additional USD 1.5 million must be paid when the company signs a partnership agreement for the out-licensing of the SAIK-MS project.

The Group's net financial items amounted to SEK 35.8 million (SEK 18.7 m). Above all, the change is explained by capital gains from the sale of financial investments. The sale of parts of the holding in the Nectar interest hedge fund and the entire holding in the Eikos share hedge fund has balanced the reduction of the share portfolio. Capital gains amounted to SEK 27.4 million (SEK 8.2 m). Net interest income amounted to SEK 8.7 million (SEK 8.2 m), dividends received from share investments to SEK 0.6 million (SEK 0.7 m) and negative exchange rate to SEK 0.9 million (SEK 1.6 m).

Active Biotech's participation in the associated company Isogenica Ltd's profit/loss amounted to SEK -3.0 million (SEK -1.0 m). Group profit/loss before tax amounted to SEK -308.3 (SEK 34.8 m). Adjustments to previous years' tax payments and the reversal of tax provisions contributed almost SEK 9.4 million, as compared to tax costs of SEK 1.8 million in the previous year.

The parent company's profit/loss before tax amounted to SEK -20.2 million (SEK 138.1 m).

Comments on the balance sheet

The Group's total assets amounted to SEK 467.5 million (SEK 747.7 m), a decrease of SEK 280.2 million. This deterioration stems from the negative cash flow for the year and the related reduction of liquid assets and financial investments.

The Group's tangible fixed assets amounted to SEK 60.2 million (SEK 74.3 m) and mainly consisted of machinery and technical installations. Financial fixed assets amounted to SEK 47.9 million (SEK 52.0 m), of which SEK 44.6 million (SEK 47.6 m) correspond to shares in limited partnership- and associated companies. The Group's short-term investments and liquid assets amounted to SEK 329.1 million (SEK 596.1 m), of which SEK 175.4 million (SEK 279.8 m) in short-term interest-bearing accounts and SEK 153.7 million (SEK 316.3 m) in medium-term interest-bearing securities and mutual funds under discretionary management.

Comments on the cash flow statement

The Group's 2002 full-year negative cash flow amounted to SEK -266.8 million, compared to the previous year's positive cash flow of SEK 188.0 million. The change reflects the sale of the vaccine company which brought in SEK 547.3 million. The current year's cash flow from current operations amounted to SEK -292.2 million (SEK -354.6 m), cash flow from investment activities amounted to SEK -1.2 million (SEK 508.6 m) and cash flow from financing activities amounted to SEK 26.7 million (SEK 34.0 m).

Future outlook

2003 operations will focus on the completion of clinical Phase II studies on the key SAIK-MS and TTS projects under our own premises and the start-up of clinical Phase I studies on the TASQ and 57-57 projects.

Parallel to these activities there will be intensive discussions with potential partners for the key projects. The exact timing of any out-licensing procedures or partnerships for various projects cannot at present be specified, which is why no forecast has been submitted for 2003.

Events subsequent to the balance sheet date

On 12 February 2003, the Board of Active Biotech AB decided to undertake a rights issue of SEK 225 million subject to 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 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.

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 168.7 million, which corresponds to the amount of the reduction.

Dividend

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

Report on the work of the Board

The Board decides on the overall strategy of the Group, its organisation and administration pursuant to the Swedish Companies Act (1975:1385).

At the end of the year, the Board consisted of seven members elected by the AGM, two employee representatives and two deputy employee representatives. Other company officials take part in Board meetings as required in a reporting or administrative capacity. For personal information about the members of the Board, please refer to pages 52-53.

Eight Board meetings at which minutes were kept were held during the year. The President has kept both the Chairman of the Board and the other Board members informed about developments within the company on an ongoing basis. Important issues addressed by the Board include the following:

- Budget work
- The progress of the research projects
- The business development projects
- Partnership strategy
- Active Biotech's strategic focus
- Information about the financial accounts

There are no committees or sub-committees within Active Biotech, and all issues are dealt with by the Board as a whole.

The company's auditors take part in the Board's annual accounts meeting, and no separate auditing committee has been appointed.

Income Statement

		The Group			The Parent Company		
SEK thousand		**2002**	2001	2000	**2002**	2001	2000
Net sales	note 1	3 847	102 258	280 440	6 528	5 350	7 000
Cost of goods sold	note 2	200	-76 507	-179 874	-	-	-
GROSS PROFIT		**4 047**	25 751	100 566	**6 528**	5 350	7 000
Selling expenses	note 2	-	-12 666	-28 122	-	-	-
Administrative expenses	note 2,4	-35 405	-42 134	-64 360	-35 237	-35 744	-45 142
Research and development costs	note 2	-285 170	-294 559	-324 795	-	-	-
Items affecting comparability	note 3	-24 585	341 979	-217 197	-26 484	-	-
Other operating income and expenses	note 2	-	-1 275	24 473	-	-	1 444
OPERATING PROFIT/LOSS	note 23	**-341 113**	17 096	-509 435	**-55 193**	-30 394	-36 698
Profit/loss in associated companies	note 6	-3 014	-1 025	-	-	-	-
Profit/loss from financial investments							
Profit/loss from shares in subsidiaries	note 5	-	-	-	2 699	151 142	-90 242
Profit/loss from shares in associated companies	note 6	-	-	-	-4 039	-	-
Interest income and similar profit/loss items	note 7	38 229	20 358	94 042	36 509	17 506	92 777
Interest expenses and similar profit/loss items	note 8	-2 425	-1 634	-3 998	-182	-189	-917
OPERATING PROFIT/LOSS AFTER FINANCIAL ITEMS		**-308 323**	34 795	-419 391	**-20 206**	138 065	-35 080
Tax on profit for the year	note 9	9 432	-1 773	120	369	-68 133	-70 055
NET PROFIT/LOSS FOR THE YEAR		**-298 891**	33 022	-419 271	**-19 837**	69 932	-105 135
Profit/loss for the year		-298 891	33 022	-419 271			
Return per share, in SEK		-26,58	2,94	-37,28			
Average number of shares (thousands)	note 10	11 246	11 246	11 246			

Balance Sheet

		The Group			The Parent Company		
SEK thousand		**02-12-31**	01-12-31	00-12-31	**02-12-31**	01-12-31	00-12-31
ASSETS							
Patents, licences and trademarks		-	-	46 741	-	-	-
Other		-	-	400	-	-	-
Total intangible fixed assets	note 11	**0**	0	47 141	**0**	0	0
Land improvements		519	548	-	-	-	-
Machinery and other technical facilities		59 157	73 036	157 357	-	-	-
Equipment, tools and other technical fixtures and fittings		520	672	9 097	520	617	716
Ongoing new plants		-	-	30 993	-	-	-
Total tangible fixed assets	note 12	**60 196**	74 256	197 447	**520**	617	716
Shares in subsidiaries	note 13	-	-	-	377 831	377 831	675 379
Shares in associated companies	note 13	4 616	7 630	-	4 616	8 654	-
Other long-term securities holdings	note 13	40 000	40 000	48 120	40 000	40 000	40 000
Other long-term receivables		3 300	4 387	5 219	279	335	324
Total financial fixed assets		**47 916**	52 017	53 339	**422 726**	426 820	715 703
Total fixed assets		**108 112**	126 273	297 927	**423 246**	427 437	716 419
Total inventories	note 14	**-**	-	63 448	**-**	-	-
Accounts receivable		4 039	4 616	61 760	3 883	4 496	2
Receivables at subsidiaries		-	-	-	65 979	66 530	108 193
Other receivables	note 15	26 222	20 788	37 843	9 228	4 911	3 421
Total short-term receivables		**30 261**	25 404	99 603	**79 090**	75 937	111 616
Other short-term investments	note 16	159 979	470 960	308 024	159 979	470 960	308 024
Cash and bank balances	note 17	169 153	125 104	99 944	161 059	117 205	52 769
Total short-term investments		**329 132**	596 064	407 968	**321 038**	588 165	360 793
Total current assets		**359 393**	621 468	571 019	**400 128**	664 102	472 409
TOTAL ASSETS		**467 505**	747 741	868 946	**823 374**	1 091 539	1 188 828

		The Group			The Parent Company		
SEK thousand		**02-12-31**	01-12-31	00-12-31	**02-12-31**	01-12-31	00-12-31
SHAREHOLDER'S EQUITY AND LIABILITIES							
Restricted equity							
Share capital		281 157	281 157	281 157	281 157	281 157	281 157
Restricted reserves	note 18	332 810	442 994	720 663	325 269	425 977	711 255
		613 967	724 151	1 001 820	**606 426**	707 134	992 412
Unrestricted equity							
Profit/loss carried forward		65 191	-78 390	63 479	-289 200	-170 640	-180 143
Profit/loss for the year		-298 891	33 022	-419 271	-19 837	69 932	-105 135
		-233 700	-45 368	-355 792	**-309 037**	-100 708	-285 278
Total shareholders' equity	notes 19, 20	**380 267**	678 783	646 028	**297 389**	606 426	707 134
Provision for pensions		-	-	26 734	-	-	-
Provision for taxes	note 9	-	9 073	9 073	-	-	-
Total provisions		**0**	9 073	35 807	**0**	0	0
Other long-term liabilities		2 679	-	57 262	-	-	45 000
Total long-term liabilities		**2 679**	0	57 262	**0**	0	45 000
Trade creditors		32 923	27 629	77 768	968	1 299	2 715
Debts to subsidiaries		-	-	-	490 685	463 968	426 456
Tax liabilities		2 658	3 223	2 945	2 658	3 223	2 945
Other current liabilities	note 21	48 978	29 033	49 136	31 674	16 623	4 578
Total current liabilities		**84 559**	59 885	129 849	**525 985**	485 113	436 694
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**467 505**	747 741	868 946	**823 374**	1 091 539	1 188 828
Assets pledged and contingent liabilities	note 22						

Income Statement – proforma 1999–2002 (Active Biotech Group excluding SBL Vaccin)

SEK thousand	1999	2000	2001	**2002**
Net sales	81 141	45 155	2 456	**3 847**
Cost of goods sold	-2 032	61	200	**200**
Gross profit	**79 109**	**45 216**	**2 656**	**4 047**
Selling expenses	-3 356	-	-	**-**
Administrative expenses	-59 051	-54 861	-36 952	**-35 405**
Research and development costs	-232 103	-219 898	-231 267	**-285 170**
Other operating income and expenses	138	5 811	-867	**-**
	-215 263	-223 732	-266 430	**-316 528**
Items affecting comparability	15 000	-	255	**-24 585**
Capital gain from sale of subsidiaries	-	-	341 724	-
Operating profit/loss	**-200 263**	**-223 732**	**75 549**	**-341 113**
Profit/loss from shares in associated companies	-	-	-1 025	**-3 014**
Net financial items	57 673	91 606	19 357	**35 804**
Operating profit/loss after financial items	**-142 590**	**-132 126**	**93 881**	**-308 323**
Tax on profit for the year	-	120	-1 773	**9 432**
Profit/loss for the year	**-142 590**	**-132 006**	**92 108**	**-298 891**

Principles for proforma accounting 1999 – 2002 excluding SBL Vaccin AB

Proforma income statements in brief for 1999 – 2002 have been drawn up according to the following principles.

- The SBL Vaccin AB subsidiary has been excluded from the Active Biotech Group's consolidated income statements for 1999, 2000 and January to June 2001, and SBL Vaccin AB has been accounted for as an external entity with the exception of financial balances.
- Charges of administrative services between the parent company and SBL Vaccin AB was booked as external services, and amounted to SEK 1 400 thousands in 1999, 3 500 thousands in 2000 and 1 750 thousands in 2001.
- Net financial items have not been adjusted for expected return on the sales proceeds obtained through the sale of SBL Vaccin.
- No tax effects have been assumed as a result of the sale of SBL Vaccin, as the Group contributions from the parent company to SBL Vaccin were to be utilised by other Group companies.
- The capital gains of SEK 341.7 million arising in 2001 from the sale of SBL Vaccin AB were included in the proforma income statement for 2001.

Cash flow analysis

		The Group			The Parent Company		
SEK thousand	note 25	**2002**	2001	2000	**2002**	2001	2000
Current operations							
Operating profit/loss after financial items		-308 323	34 795	-419 391	-20 206	138 065	-35 080
Adjustments for items not included in the cash flow, etc		23 029	-315 229	314 232	5 382	-150 980	90 433
		-285 294	-280 434	-105 159	-14 824	-12 915	55 353
Taxes paid		-916	-1 495	-530	-319	-1 495	-500
Cash flow from current operations before changes in working capital		**-286 210**	-281 929	-105 689	**-15 143**	-14 410	54 853
Cash flow from changes in net working capital							
Increase(-)/reduction(+) of inventories		-	-28 502	-8 397	-	-	-
Increase(-)/reduction(+) of current receivables		-3 397	-32 507	141 693	-4 332	27 014	45 797
Increase(+) /reduction(-) of current liabilities		-2 616	-11 685	-67 838	-4 340	-33 859	-29 653
Cash flow from current operations		**-292 223**	-354 623	-40 231	**-23 815**	-21 255	70 997
Investment activities							
Shareholder contributions		-	-	-	-	-91 903	-
Sales of subsidiaries		-818	538 135	-	-	540 593	-
Acquisition of intangible fixed assets		-	-	-71 008	-	-	-
Sale of intangible fixed assets		-	655	-	-	-	-
Acquisition of tangible fixed assets		-408	-30 182	-29 344	-12	-63	-63
Sale of tangible fixed assets		-	-	53 430	-	-	53 430
Cash flow from investment activities		**-1 226**	508 608	-46 922	**-12**	448 627	53 367
Financing activities							
New share issue		-	-	1 007	-	-	1 007
Loans raised		26 700	33 990	-	26 700	-	-
Amortisation of loan debts		-	-	-51 013	-	-	-
Group contributions provided		-	-	-	-270 000	-200 000	-250 198
Cash flow from financing activities		**26 700**	33 990	-50 006	**-243 300**	-200 000	-249 191
Cash flow for the year		**-266 749**	187 975	-137 159	**-267 127**	227 372	-124 827
Liquid funds at the beginning of the year		**596 064**	407 968	545 092	**588 165**	360 793	485 620
Exchange rate difference in liquid funds		**-183**	121	35	**-**	-	-
LIQUID FUNDS AT YEAR-END		**329 132**	596 064	407 968	**321 038**	588 165	360 793

Accounting principles

The applied accounting principles are in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council. Unless, otherwise indicated the applied accounting principles are the same as used for the 2001 financial year. Amounts are expressed in SEK (thousands of Swedish crowns) unless otherwise indicated.

Consolidated accounts

The consolidated accounts include the parent company Active Biotech AB and those companies where the parent company directly or indirectly holds more than 50 per cent of the voting rights or exercises decisive influence as a result of agreements.

Companies that were sold during the course of the year have been included the Group's profit up until the time of the sale.

The consolidated financial statements have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation on consolidated accounts (RR1:00) and by application of the acquisition method.

The assets and liabilities acquired by subsidiaries are entered at market value according to the acquisition analysis set up. These market values together with direct costs attributable to the acquisition constitute the Group's acquisition costs. The difference between the acquisition value of the subsidiary's shares and the acquisition value estimated by the acquisition analysis of acquired identifiable assets and liabilities are entered as Group goodwill, or alternatively, negative goodwill.

Short-term investments

Short-term investments are valued in accordance with the Annual Accounts Act at acquisition value or true value, depending on which is lowest.

Inventories

Inventories, valued according to recommendation RR2 of the Swedish Financial Accounting Standards Council, are recognised at acquisition value according to the first-in, last-out principle or at the true value, whichever is lowest, thereby taking account of obsolescence.

Evaluation of receivables and liabilities

Receivables are reported at the amounts at which they are expected to be received. Liabilities are reported at their nominal values. Receivables and liabilities in foreign currency have been converted at the balance-sheet date rate in accordance with recommendation RR 8 of the Swedish Financial Accounting Standards Council concerning the effects of changes in exchange rates. Exchange rate differences on current receivables and current liabilities are included in operating profit/loss, whilst differences in financial receivables and liabilities are recognised under financial items.

Translation of foreign subsidiaries

When preparing the Group accounts, foreign subsidiaries are translated according to the current rate method, since the Group's foreign subsidiaries constitute independent units in which the parent company has a net investment. The current rate method involves all assets, provisions and liabilities being translated at the balance sheet date rate and all items in the income statement being translated to the average rate over the year. Any exchange rate differences are entered directly to shareholders' equity without effect on the profit/loss for the year.

Associated companies

Any company which is not a subsidiary but where the parent company directly or indirectly holds 20 per cent of the votes for all shares, or where the parent company directly or indirectly exercises a significant influence is considered an associated company.

Shares in associated companies are accounted for according to the so-called investment method. The consolidated income statement includes shares of the profit/loss in associated companies. The holdings of associated companies are entered in the consolidated balance sheet at acquisition value adjusted for share in profit/loss after the time of the acquisition.

Operations in the associated Isogenica Ltd company are of a different nature to the rest of the business of the Group and are therefore not included in the operating profit/loss.

Intangible assets

According to recommendation RR 15 of the Swedish Financial Accounting Standards Council, intangible assets are entered as such in the balance sheet when it is likely that the future financial benefits which may be ascribed the particular asset will be realised by the company and when the asset's acquisition value can be reliably estimated. As it will be relatively long before the company's drug projects are expected to become registered products, there is much uncertainty as to the time future financial benefits may be realised by the company. For this reason, development costs have not been capitalised. All research costs are charged to the accounts.

Until and including 1999, the Group capitalised research and development costs attributable to SBL Vaccin. In 2000, a decision was taken to harmonise the accounting principles within the Group, and in the final accounts on 31 December 2000, all historically capitalised research costs were charged to the accounts.

Fixed assets and depreciation

Fixed assets are valued at the acquisition cost less accumulated depreciation according to plan. Calculation of depreciation according to plan is based upon the estimated life and the actual acquisition cost. Depreciation is carried out according to the linear depreciation method. Depreciation according to plan is

carried out at the following percentage rates:

Machinery and equipment	10–20 %
Computer equipment	20–30 %
Land improvements	3–14 %

Income tax

The company has adopted the Swedish Financial Accounting Standards Council's recommendation RR 9 when dealing with income taxes. Total tax consists of current tax and deferred tax. Deferred tax is calculated according to the balance sheet method based on temporary differences between the accounts and tax values of assets and liabilities.

Leasing

Recommendation RR6:99 of the Swedish Financial Accounting Standards Council, Leasing agreements, is applied in recognition of signed leasing agreements in the consolidated accounts. Leasing is classified either as financial or operational leasing in the consolidated accounts. Financial leasing refers to situations where the financial risks and benefits associated are in all essentials transferred to the lessee, which is not so in the case of operational leasing. Assets which are rented under financial leasing agreements have been entered as assets in the consolidated balance sheet. Payment obligations associated with future leasing charges have been recognised as long and short term liabilities. These assets are depreciated according to plan whilst leasing payments are recognised as interest and amortisation of debts.

Items affecting comparability

Recommendation RR4 of the Swedish Financial Accounting Standards Council, Accounting of extraordinary income and expenses and information for the purposes of comparability is applied to these items, which signifies that the effect on profits of extraordinary events and transactions of significant importance are specified under the respective profit concept.

Share-related plans

Liquid funds received from issued subscription options are entered in the premium account.

Group information

Of the parent company's total purchases and sales measured in SEK, 0 per cent of purchases and 54 per cent of sales refer to other companies within the overall company group to which the company belongs.

Internal Group receivables and liabilities and transactions between companies in the Group along with the related unrealised gains are eliminated in their entirety. Unrealised losses are eliminated in the same way as unrealised gains, provided there is no write-down requirement.

Connected

Transactions with associated companies have not taken place during the year. The associated company has no receivables or liabilities relative to the Group.

Definitions

Return on shareholders' equity
Profit/loss for the year as a percentage of average shareholders' equity.

Return on capital employed
Operating profit/loss after net financial items plus financial expenses, as a percentage of average capital employed. Capital employed has been calculated as total assets less non-interest-bearing liabilities.

Equity/assets ratio
Shareholders' equity plus minority interests, as a percentage of total assets.

Proportion of risk-bearing capital
Shareholders' equity plus minority interests and deferred tax liabilities as a percentage of the balance sheet total.

Interest coverage ratio
Operating profit/loss after financial items plus financial expenses, divided by financial expenses.

Net debt/equity ratio
Net interest-bearing liabilities (interest-bearing liabilities less short-term investments) divided by shareholders' equity, including minority interests.

Earnings per share after full tax
Reported consolidated net profit/ loss for the year divided by average number of shares.

Shareholders' equity per share
Reported consolidated shareholders' equity divided by number of shares at year-end.

Notes

Note 1 Sales per country

	The Group		
SEK thousand	**2002**	2001	2000
Sweden	**3 608**	94 597	222 000
Norway	**-**	6 612	26 516
Denmark	**108**	591	2 466
Rest of Europe	**63**	458	20 432
Total Europe	**3 779**	102 258	271 414
Rest of the world	**68**	-	9 026
Total	**3 847**	102 258	280 440

Note 2 Depreciation according to plan

	The Group								
		2002			2001			2000	
SEK thousand	Intangible assets	Tangible assets	Total assets	Intangible assets	Tangible assets	Total assets	Intangible assets	Tangible assets	Total assets
Distribution by function									
Production	-	-	**0**	-	6 530	6 530	1 211	11 821	13 032
Sales	-	-	**0**	-	111	111	-	216	216
Administration	-	164	**164**	-	457	457	-	770	770
Research and development	-	17 491	**17 491**	1 782	17 919	19 701	1 764	22 008	23 772
Other operating income and expenses	-	-	**0**	-	-	0	-	557	557
Total depreciation	0	17 655	**17 655**	1 782	25 017	26 799	2 975	35 372	38 347
Type of assets									
Patents, licences and trademarks	-	-	**0**	1 782	-	1 782	2 975	-	2 975
Machinery and equipment	-	17 626	**17 626**	-	25 001	25 001	-	35 372	35 372
Buildings	-	29	**29**	-	16	16	-	-	0
	0	17 655	**17 655**	1 782	25 017	26 799	2 975	35 372	38 347

Depreciation for financially leased assets in the Group has been entered at SEK 842 thousands, and refers to machinery and inventories within the research and development section.

The Parent Company

The parent company's depreciation for 2002 amounted to SEK 109 thousands (SEK 162 thousands) and related to machinery and equipment within administrative function.

Note 3 Items affecting comparability

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Buyback of future commercial rights	**-26 484**	-	-	**-26 484**	-	-
Reversal of allocated costs in connection with the sale of subsidiaries	**2 698**	-	-	**-**	-	-
Capital gains from sale of subsidiaries	**-799**	341 724	-	**-**	-	-
Capital gains from sale of property	**-**	255	-	**-**	-	-
Capitalised research and development costs	**-**	-	-138 970	**-**	-	-
Acquired research and development costs	**-**	-	-112 227	**-**	-	-
Write-down of acquisition goodwill	**-**	-	34 000	**-**	-	-
	-24 585	341 979	-217 197	**-26 484**	0	0

For the comparison year 2000, SEK 53 038 thousands referring to capitalised and written-down research and development costs have been reclassified from write-downs within the items effecting comparability to research and development costs.

Note 4 Auditor's remuneration

	Auditor's assignment	Other assignments	Auditor's assignment	Other assignments
SEK thousand	**2002**	**2002**	2001	2001
KPMG	**333**	**115**	654	245

Note 5 Profit/loss from shares in subsidiaries

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Reversal of allocated costs in connection with sales of subsidiaries	**-**	-	-	**2 699**	-	-
Capital gains from sale of subsidiaries	**-**	-	-	-	151 142	-
Write-down of shares in subsidiaries	**-**	-	-	**-**	-	-90 242
	0	0	0	**2 699**	151 142	-90 242

Note 6 Profit/loss from shares in associated companies

Active Biotech's share of profit/loss in the associated company Isogenica Ltd referring to the write-down of shares. Isogenica Ltd entered no tax expenses to accounts in 2002.

Note 7 Interest income and similar profit/ loss items

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Dividend	**561**	717	4 130	**561**	717	4 130
Interest	**8 999**	9 165	7 120	**8 516**	8 624	5 998
Exchange rate differences	**1 252**	2 311	635	**15**	-	492
Capital gains from sale of securities	**27 417**	8 165	82 157	**27 417**	8 165	82 157
	38 229	20 358	94 042	**36 509**	17 506	92 777

No interest income has been received from subsidiaries.

Note 8 Interest expenses and similar profit/loss items

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Interest	**-304**	-960	-3 307	**-182**	-180	-457
Exchange rate differences	**-2 121**	-674	-691	**-**	-9	-409
Interest expenses for Group companies	**-**	-	-	**-**	-	-51
	-2 425	-1 634	-3 998	**-182**	-189	-917

Note 9 Tax

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Current tax expenses (-)/tax income (+)						
Tax expenses/tax income for the period	**-**	-	-	**-**	-66 360	-70 055
Tax adjustments brought forward from previous years	**9 432**	-1 773	120	**369**	-1 773	-
	9 432	-1 773	120	**369**	-68 133	-70 055

Note 9 Tax (cont)

	The Group		
SEK thousand	**2002**	2001	2000
Reconciliation of effective tax			
Profit/loss before tax	**-308 323**	34 795	-419 391
Tax on the parent company according to current rates	**86 331**	-9 743	117 429
Other non-deductible expenses	**-1 679**	-955	-28 328
Non-taxable income	**1 527**	54 342	4 349
Increase in loss carry forward without equivalent capitalisation of deferred taxes	**-86 179**	-43 644	-93 450
Tax attributable to previous years	**9 432**	-1 773	120
Reported effective tax	**9 432**	-1 773	120

In 2002, the parent company reported a pre-tax loss and a negative taxable loss before tax. As a result, the parent company has not reported any current tax expenses for 2002. As the parent company does not capitalize loss carry forward, there was no deferred tax income in 2002. Because of the Group's activities with considerable research & development costs, the company is not liable for tax. At the end of 2002, the Group's accumulated loss carry forward amounted to SEK 875 million and refers to the Group's Swedish companies. The time of the company's expected revenues cannot yet be specified in accordance with RR9, why no deferred tax demands can be booked. Since no significant taxable or deductible temporary differences exist, no deferred tax receivables or tax liabilities have been reported. There is no deferred tax liability included under the "Provision for taxes" heading in the consolidated balance sheet. Reversal of previous tax reserves of SEK 9 073 thousands refers to an allocation at Group level made in 1995 relative to a subsidiary. This company was sold during 2002.

Note 10 Average number of shares

Since the true value of ordinary shares is significantly less than the present value of the subscription price no dilution effects have been calculated for 2002. The subscription period for outstanding option programs expired 25 February 2003. At the time of submitting the annual report the option program has lapsed. Thus there have been no subscriptions.

Note 11 Intangible assets

The Group	**2002**	2001				2000			
SEK thousand	Total	Research & development	Patents, licences & trademarks	Other	Total	Research & development	Patents, licences & trademarks	Other	Total
Opening acquisition values	**0**	0	51 913	400	52 313	294 695	34 775	400	329 870
Acquisitions	**0**	-	-	-	0	-	22 343	-	22 343
Write downs	**0**	-	-	-	0	-294 695	-	-	-294 695
Sales/disposals	**0**	-	-51 913	-400	-52 313	-	-5 205	-	-5 205
Closing accumulated acquisition values	**0**	0	0	0	0	0	51 913	400	52 313
Opening depreciation	**0**	0	5 172	0	5 172	43 498	3 029	0	46 527
Write downs	**0**	-	-	-	0	-43 498	-	-	-43 498
Sales/disposals	**0**	-	-6 954	-	-6 954	-	-832	-	-832
The year's depreciation according to plan	**0**	-	1 782	-	1 782	-	2 975	-	2 975
Closing accumulated depreciation according to plan	**0**	0	0	0	0	0	5 172	0	5 172
Closing residual value according to plan	**0**	0	0	0	0	0	46 741	400	47 141

Note 12 Tangible assets

The Group	2002				2001					2000				
SEK thousand	Land improvements	Machinery and other technical facilities	Equipment, tools and fixtures	Total	Land improvements	Machinery and other technical facilities	Equipment, tools and fixtures	Constructions in progress and advances	Total	Land improvements	Machinery and other technical facilities	Equipment, tools and fixtures	Constructions in progress and advances	Total
Opening acquisition values	564	144 904	1 948	**147 416**	0	243 856	29 937	30 993	304 786	0	238 787	32 747	8 102	279 636
Acquisitions	-	3 583	12	**3 595**	286	21 081	1 027	7 788	30 182	-	7 670	2 026	22 891	32 587
Sales/disposals	-	-	-948	**-948**	-	-120 033	-29 016	-38 503	-187 552	-	-2 601	-4 836	-	-7 437
Reclassifications	-	-	-	**0**	278	-	-	-278	0	-	-	-	-	0
Closing accumulated acquisition values	**564**	**148 487**	**1 012**	**150 063**	564	144 904	1 948	0	147 416	0	243 856	29 937	30 993	304 786
Opening depreciation	16	71 868	1 276	**73 160**	0	86 499	20 840	0	107 339	0	57 917	18 232	0	76 149
Sales/disposals	-	-	-948	**-948**	-	-39 470	-19 726	-	-59 196	-	-1 417	-2 765	-	-4 182
Depreciation for the year according to plan	29	17 462	164	**17 655**	16	24 839	162	-	25 017	-	29 999	5 373	-	35 372
Closing accumulated depreciation acc. to plan	**45**	**89 330**	**492**	**89 867**	16	71 868	1 276	0	73 160	0	86 499	20 840	0	107 339
Closing residual values acc. plan	**519**	**59 157**	**520**	**60 196**	548	73 036	672	0	74 256	0	157 357	9 097	30 993	197 447

During the year tangible fixed assets of SEK 3 595 000 were acquired, of which SEK 3 187 000 was financed through financial leasing agreements.

Financial leasing in the Group

In 2002, the company and a leasing company signed an agreement on financial leasing of machinery and other technical facilities. The main terms of the agreement are as follows: rental period 36-60 months, final residual value 3 per cent of the acquisition cost and an interest rate linked to a variable market rate. The Group has also signed agreements on the financial leasing of motorcars. Property leased through the above-mentioned agreements is entered in the consolidated balance sheet under machinery and other technical facilities. As at 31 December 2002 the book value of property covered by financial leasing agreements amounted to SEK 2 346 thousands. The nominal value of minimum leasing charges is distributed as follows: within one year SEK 782 thousands; later than one year but within five years SEK 2 181 thousands; and later than five years SEK 0.

Operational leasing in the Group

Group companies rent the building located at Stockholmsledet 7, Lund, where Active Biotech runs its research undertaking. The building is owned by the Stockholmsledet 7 limited partnership, of which Active Biotech is a limited partner with a partnership share of SEK 40 million. The rental agreement runs until 31 January 2009, but notice termination may only be given provided that the limited partnership continues to receive external financing. If notice to terminate the agreement is not given at the latest three years prior to the termination of the lease, the agreement will each time be extended by a further ten years. In the case of an extension the terms of the agreement will remain unchanged. During the year, rent of SEK 22 million was paid. Estimated future rent payments provided that the rental agreement is not extended are due as follows: SEK 22 million within one year; later than one year but within five years SEK 90 million; and later than five years SEK 24 million (calculated on the basis of an assumed price index and unchanged interest rates). Between 31 January 2006 and 31 January 2009, Active Biotech AB will be entitled to acquire remaining shares in the limited partnership.

The Parent Company	2002		2001		2000	
SEK thousand	Invent., tools and install.	Total	Invent., tools and install.	Total	Invent., tools and install.	Total
Opening acquisition values	1 893	**1 893**	1 830	1 830	2 023	2 023
Acquisitions	12	**12**	63	63	112	112
Sales/disposals	-893	**-893**	-	0	-305	-305
Closing accumulated acquisition values	**1 012**	**1 012**	1 893	1 893	1 830	1 830
Opening depreciation	1 276	**1 276**	1 114	1 114	1 179	1 179
Sales/disposals	-893	**-893**	-	0	-256	-256
The year's depreciation according to plan	109	**109**	162	162	191	191
Closing accumulated depreciation according to plan	**492**	**492**	1 276	1 276	1 114	1 114
Closing residual value according to plan	**520**	**520**	617	617	716	716

Note 13 Shares in subsidiaries and associated companies

Shares in subsidiaries

31 Dec 2002 (SEK thousand)	Corp. ID No.	Head office	No. of shares	Proportion	Nominal value	Book value
Lund Research Center AB	556168-8515	Lund	200	100%	200	350 781
Active Biotech Research AB	556541-8323	Lund	1 000	100%	100	100
Actinova Ltd		Cambridge	4 500 000	100%	450 000 GBP	0
Actinova AB	556532-8860	Lund	1 000	100%	100	
Movera Holding AB (prev. Carnacbolagen AB)	556157-8385	Lund	500	100%	100	26 950
Transport AB Movera	556256-9441	Lund	45 667 000	100%	45 667	
Active Security Trading AB	556092-7096	Lund	400	100%	400	
Active i Malmö AB	556254-0947	Lund	1 000	100%	100	
						377 831

Shares in associated companies

31 Dec 2002 (SEK thousand)	Corp. ID No.	Head office	No. of shares	Proportion	Nominal value	Book value
Isogenica Ltd	3571781	Cambridge	571 429	23.8%	571 429 GBP	**4 616**

Shares in the parent company have been written down to correspond with the share in the associated company's shareholders' equity. The corresponding share in the associated company's profit/loss has been expensed to the group.

Other long-term securities holdings

Other long-term securities holdings refers to holdings in the limited partnership Stockholmsledet 7 KB (Corp. ID No. 969646-1677). See also note 12 on operational leasing.

Note 14 Inventories

	The Group		
SEK thousand	**2002**	2001	2000
Raw material inventories	**-**	-	16 544
Work in progress	**-**	-	35 861
Finished product inventories	**-**	-	11 043
	0	0	63 448

Note 15 Other receivables

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Interest	**1 714**	1 838	1 597	**1 714**	1 698	1 597
Accrued supplier invoicing	**4 686**	4 280	5 952	**206**	319	265
Other items	**6 094**	5 675	6 216	**179**	231	240
Total prepaid expenses and accrued income	**12 494**	11 793	13 765	**2 099**	2 248	2 102
Other current receivables	**13 728**	8 995	24 078	**7 129**	2 663	1 319
	26 222	20 788	37 843	**9 228**	4 911	3 421

Note 16 Short-term investments

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Shares and participations	**159 979**	470 960	308 024	**159 979**	470 960	308 024
Market value of shares and participations	**196 351**	493 850	314 273	**196 351**	493 850	314 273

Note 17 Liquid assets

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Cash and bank balances	**169 153**	125 104	99 944	**161 059**	117 205	52 769
Short-term investments	**159 979**	470 960	308 024	**159 979**	470 960	308 024
Granted overdraft facility	**-**	-	30 000	**-**	-	-
Disposable liquid assets	**329 132**	596 064	437 968	**321 038**	588 165	360 793

Note 18 Restricted reserves

	The Parent Company		
SEK thousand	**2002**	2001	2000
Reserve fund	**30 674**	30 674	30 674
Premium fund	**294 595**	395 303	680 581
	325 269	425 977	711 255

Note 19 Shareholders' equity

	Share capital	Restricted reserves	Unrestricted equity	Total
THE GROUP				
Opening balance, Jan 1 2000	**281 157**	**795 682**	**-12 525**	**1 064 314**
Treatment of profit for 1999	-	-81 124	81 124	0
Employee options program	-	1 007	-	1 007
Translation differences	-	3 018	-3 040	-22
Shifts between restricted and non-restricted equity	-	2 080	-2 080	0
Profit/loss for the year	-	-	-419 271	-419 271
Opening balance, Jan 1 2001	**281 157**	**720 663**	**-355 792**	**646 028**
Treatment of profit for 2000	-	-285 278	285 278	0
Translation differences	-	8 911	-9 178	-267
Shifts between restricted and non-restricted equity	-	-1 302	1 302	0
Profit/loss for the year	-	-	33 022	33 022
Opening balance, Jan 1 2002	**281 157**	**442 994**	**-45 368**	**678 783**
Treatment of profit for 2001	-	-100 688	100 688	0
Shifts between restricted and non-restricted equity	-	-70	70	0
Translation differences	-	-9 426	9 801	375
Profit/loss for the year	-	-	-298 891	-298 891
Closing balance, Dec 31 2002	**281 157**	**332 810**	**-233 700**	**380 267**

	Share capital	Restricted reserves	Unrestricted equity	Total
THE PARENT COMPANY				
Opening balance, Jan 1 2000	**281 157**	**791 372**	**-81 124**	**991 405**
Treatment of profit for 1999	-	-81 124	81 124	0
Group contribution	-	-	-180 143	-180 143
Employee options program	-	1 007	-	1 007
Profit/loss for the year	-	-	-105 135	-105 135
Opening balance, Jan 1 2001	**281 157**	**711 255**	**-285 278**	**707 134**
Treatment of profit for 2000	-	-285 278	285 278	0
Group contribution	-	-	-170 640	-170 640
Profit/loss for the year	-	-	69 932	69 932
Opening balance, Jan 1 2002	**281 157**	**425 977**	**-100 708**	**606 426**
Treatment of profit for 2001	-	-100 708	100 708	0
Group contribution	-	-	-289 200	-289 200
Profit/loss for the year	-	-	-19 837	-19 837
Closing balance, Dec 31 2002	**281 157**	**325 269**	**-309 037**	**297 389**

Note 20 Share capital

	A shares	B shares	Total	Share capital
Opening balance, Jan 1 2002	**1 169 691**	**10 076 601**	**11 246 292**	**281 157 300**
Re-stamping from A to B shares	-24 667	24 667	0	0
Closing balance, Dec 31 2002	**1 145 024**	**10 101 268**	**11 246 292**	**281 157 300**

The nominal value of class A and B shares is SEK 25.

A shares carry an entitlement to 1 vote and B shares to 1/10 of a vote. The Annual General Meeting resolved on two occasions, 16 April 1998 and 12 April 2000, to issue a maximum of 500 000 share options for sale to employees in the Active Biotech Group.

On the first occasion, 489 350 of these options were subscribed to and the Group received SEK 4 775 thousand. Each share option carries an entitlement to subscribe to one B share during the period 25 November 2002–25 February 2003 at an exercise price of SEK 314.

On the second occasion, 389 700 share options had been subscribed to on the balance sheet date and the Group received SEK 1 007 thousand. Each share option carries an entitlement to subscribe for one B share during the period 25 November 2002–25 February 2003 at an exercise price of SEK 282.

Note 21 Other current liabilities

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Accrued personnel costs	**11 980**	12 518	18 685	**2 611**	3 571	2 287
Prepaid rental income	**-**	-	766	**-**	-	-
Accrued research costs	**-**	-	7 530	**-**	-	555
Other items	**7 699**	10 799	10 658	**1 613**	7 845	795
Total accrued expenses and prepaid income	**19 679**	23 317	37 639	**4 224**	11 416	3 637
Other current liabilities	**29 299**	5 716	11 497	**27 450**	5 207	941
	48 978	29 033	49 136	**31 674**	16 623	4 578

Note 22 Assets pledged and contingent liabilities

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Assets pledged						
For liabilities to credit institutions	**40 347**	-	30 000	**40 347**	-	-
FPG/PRI pensions	**-**	-	10 000	**-**	-	-
	40 347	0	40 000	**40 347**	0	0
Contingent liabilities						
Guarantees for the benefit of Group companies	**-**	-	-	**5 992**	17 116	17 116
Guarantee obligations	**18 374**	535	535	**18 374**	-	-
	18 374	535	535	**24 366**	17 116	17 116
Total pledged assets and contingent liabilities	**58 721**	535	40 535	**64 713**	17 116	17 116
Pledged assets for liabilities to credit institutions						
Chattel mortgages	**-**	-	30 000	**-**	-	-
Blocked bank account	**5 148**	-	-	**5 148**	-	-
Other shares	**35 199**	-	-	**35 199**	-	-
	40 347	0	30 000	**40 347**	0	0
Assets pledged for FPG/PRI pensions						
FPG/PRI pensions, chattel mortgages	**-**	-	10 000	**-**	-	-
	0	0	10 000	**0**	0	0

The consolidated guarantee obligation of SEK 18,374 thousand in 2002 refers to claims presented with regard to an alleged guarantee infringement under a share transfer agreement dating from 1996.

Note 23 Salaries, other remuneration and social costs

	2002			2001			2000		
SEK thousand	Board and President	Of which profit-related salary	Other employees	Board and President	Of which profit-related salary	Other employees	Board and President	Of which profit-related salary	Other employees
Parent company									
Sweden	**4 653**	**-**	**6 687**	5 470	-	7 257	6 698	-	7 846
Parent company total	**4 653**	**0**	**6 687**	5 470	0	7 257	6 698	0	7 846
Subsidiaries in Sweden	**-**	**-**	**61 802**	-	-	80 858	100		102 561
Subsidiaries outside Sweden									
UK	**-**	**-**	**-**	-	-	-	0	-	4 098
Total in subsidiaries	**0**	**0**	**61 802**	0	0	80 858	100	0	106 659
Group total	**4 653**	**0**	**68 489**	5 470	0	88 115	6 798	0	114 505

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Board and President	**4 653**	5 470	6 798	**4 653**	5 470	6 698
Other staff	**68 489**	88 115	114 505	**6 687**	7 257	7 846
Total salaries and remuneration	**73 142**	93 585	121 303	**11 340**	12 727	14 544
Payroll overhead	**39 217**	49 091	72 836	**8 199**	6 658	18 441
of which pension costs	**14 781**	16 284	31 658	**4 476**	2 409	13 434
(of which to President & CEO)	**1 007**	1 007	1 272	**1 007**	1 007	878
Total payroll costs	**112 359**	142 676	194 139	**19 539**	19 385	32 985

Senior management's conditions of employment

Principles: The Board of Directors will be remunerated in accordance with the decisions of the Annual General Meeting. Remuneration paid to The President & CEO and senior executives consists of fixed salary, other benefits and pensions as indicated below. The Board will decide on remuneration to the President & CEO. The Board and the President & CEO will together determine remuneration for other senior executives.

The Board: In accordance with a resolution of the Annual General Meeting, a total fee of SEK 750 000 was paid during 2002 to Board Members who are not employed within Active Biotech. The Chairman of the Board received a fee of SEK 250 000. The other members of the Board not employed by the company received fees of SEK 125 000 each (4 members). The members of the Board have not received any other remuneration.

President & CEO: In 2002, the President & CEO Mr Sven Andréasson received remuneration and other benefits of SEK 3 674 765 (of which other benefits amounted to SEK 2 365). Retirement is at 65 years of age and the pension is at a fixed fee. Pension premiums shall amount to 30% of pension entitled income, which consists of basic salary. A mutual period of 12 months notice applies to both the company and the President & CEO. Severance pay will not be paid and there are no incentive programs or loans.

Other senior executives: The four other senior executives received remuneration and other benefits of SEK 5 138 632 (of which other benefits amounted to SEK 227 323). A mutual period of six months' notice applies to both the company and the senior executives. No severance pay will be paid. Pension benefits for other senior executives are payable in the interval between ITP conditions and up to 25 per cent of salary. Retirement age is between 60 and 65 years of age and the pension is at a fixed fee. Senior executives are not subject to any incentive programmes nor have they been granted any loans.

Note 24 Staff

	2002		2001		2000	
	Number of employees	Of which, women	Number of employees	Of which, women	Number of employees	Of which, women
Parent company						
Lund	**7**	**2**	6	1	8	2
Parent company total	**7**	**2**	6	1	8	2
Subsidiaries						
Sweden						
Lund	**176**	**108**	180	112	180	109
Existing operations total	**183**	**110**	186	113	188	111
Solna, SBL	**-**	**-**	72	49	148	99
UK	-	-	-	-	1	0
Total outside Sweden	**0**	**0**	0	0	1	0
Group total	**183**	**110**	258	162	337	210

Note 25 Supplementary data to the cashflow analysis

	The Group			The Parent Company		
SEK thousand	**2002**	2001	2000	**2002**	2001	2000
Interest paid and dividends received						
Dividends received	**561**	717	4 130	**561**	717	4 130
Interest received	**8 983**	9 064	5 523	**8 500**	8 523	7 840
Interest paid	**-287**	-960	-3 307	**-165**	-180	-457
Total	**9 257**	8 821	6 346	**8 896**	9 060	11 513
Adjustments for items not included in the cash flow						
Depreciation and write-down of assets	**18 890**	26 799	310 919	**5 382**	162	90 433
Deduction for profit share in associated companies	**3 014**	1 025	-	**-**	-	-
Result of sale of fixed assets	**-**	-255	-	**-**	-	-
Result of sale of subsidiaries	**799**	-341 725	-	**-**	-151 142	-
Pension allocation	**-**	-	3 313	**-**	-	-
Items attributable to financial leasing	**-508**	-	-	-	-	-
Unrealised exchange rate differences	**834**	-1 073	-	**-**	-	-
Total	**23 029**	-315 229	314 232	**5 382**	-150 980	90 433
Sell-offs of subsidiaries and other business units						
Sold assets and liabilities:						
Intangible fixed assets	**-**	44 959	-			
Tangible fixed assets	**-**	128 356	-			
Fixed asset investments	**-**	-	-			
Inventories	**-**	91 950	-			
Short-term receivables	**-**	107 765	-			
Liquid funds	**818**	2 458	-			
Total assets	**818**	375 488	0			
Provisions	**-**	26 734	-			
Long-term liabilities	**-**	33 990	-			
Current liabilities	**19**	115 896	-			
Total liabilities and provisions	**19**	176 620	0			
Sale price	**0**	540 593	-			
Deductions Non-cash issue	**-**	-	-			
Other assets received in cash	**-**	-	-			
Vendor promissory notes	**-**	-	-			
Received purchase sums	**0**	540 593	0			
Deductions Liquid funds in sold companies	**-818**	-2 458	-			
Affect on liquid funds	**-818**	538 135	0			
Liquid funds						
Liquid funds consist of the following components:						
Cash and bank balances	**169 153**	125 104	99 944	**161 059**	117 205	52 769
Short-term investments classifiable as liquid funds	**159 979**	470 960	308 024	**159 979**	470 960	308 024
Total	**329 132**	596 064	407 968	**321 038**	588 165	360 793

The above items have been classified as liquid funds based on the fact that:

– They are subject to insignificant value fluctuation risks.

– They are easily converted to cash.

– They have a maturity of max. three months from the time of acquisition.

Proposed appropriation of profits

It is proposed that no transfer to restricted equity be made in the Group.

The Board of Directors and President & CEO propose that the balanced loss in the parent company of SEK 309 036 552, of which SEK 19 836 552 is the loss for the year, be dealt with as follows:

The requisitioning of premium fund, SEK 294 594 516
and the requisitioning of reserve fund SEK 14 442 036

Lund, 27 February 2003
The Board of Directors of Active Biotech AB (publ)

HUGO THELIN
Chairman

SVEN ANDRÉASSON
President & CEO

MATS ARNHÖG

MARIA BORELIUS

MATS PETTERSSON

PETER SJÖSTRAND

HANS WÄNNMAN

MATS ÅKESSON

Auditors' report

To the general meeting of the shareholders of
Active Biotech AB (publ)
Corporate Identity No. 556223-9227

We have audited the annual report and the consolidated financial statements, the accounts and the administration of the Board of Directors and President of Active Biotech AB for the 2002 financial year. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual report, consolidated financial statements and administration based on our audit.

The audit has been conducted in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report and consolidated financial statements are free of material misstatement. An audit includes examining a selection of evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used and their application by the Board of Directors and President, as well as evaluating the overall presentation of information in the annual report and consolidated financial statements. As a basis for our statement concerning freedom from liability, we examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the possible liability to the company of any Board Member or the President. We have also examined whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the annual report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and therefore provide a true and fair picture of the company's and Group's results and position in accordance with Generally Accepted Auditing Standards in Sweden. Consequently, we recommend that the shareholders' meeting adopt the income statements and balance sheets of the parent company and Group, that the parent company's loss be dealt with in accordance with the proposal in the Directors' Report, and that the members of the Board and the President be discharged from liability for the financial year.

Lund 3 March 2003
KPMG Bohlins AB
Stefan Holmström
Authorised Public Accountant

Five-year summary

SEK million	**2002**	2001	2000	1999	1998
Income statements in brief					
Net sales	**3.8**	102.3	280.4	267.3	514.7
Operating profit/loss	**-341.1**	17.1	-509.4	-112.3	-35.6
(of which items affecting comparability)	**-24.6**	342.0	-217.2	139.6	86.4
Shares in the profit/loss of associated companies	**-3.0**	-1.0	-	-	-
Net financial items	**35.8**	18.7	90.0	54.7	0.6
Operating profit/loss after financial items	**-308.3**	34.8	-419.4	-57.6	-34.9
Minority holdings	**0.0**	0.0	0.0	0.0	-0.1
Operating profit/loss before tax	**-308.3**	34.8	-419.4	-57.6	-35.0
Tax	**9.4**	-1.8	0.1	-4.5	1.5
Profit/loss for the year	**-298.9**	33.0	-419.3	-62.0	-33.6
Balance sheets					
Fixed assets	**108.1**	126.3	297.9	589.1	915.5
Current assets	**359.4**	621.4	571.0	848.2	1 098.6
Total assets	**467.5**	747.7	868.9	1 437.3	2014.2
Shareholders' equity	**380.3**	678.8	646.0	1 064.3	1 363.8
Minority holdings	**0.0**	0.0	0.0	0.0	3.8
Non-interest-bearing liabilities	**57.8**	68.9	222.9	322.0	406.2
Interest-bearing liabilities	**29.4**	0.0	0.0	51.0	240.4
Total liabilities and shareholders' equity	**467.5**	747.7	868.9	1 437.3	2 014.2
Cash flow analysis					
Cash flow from ongoing operations before changes in working capital	**-286.2**	-281.9	-105.7	-176.7	-56.0
Changes in working capital	**-6.0**	-72.7	65.5	282.0	-220.8
Cash flow from investment activities	**-1.2**	508.6	-46.9	-140.5	81.4
Cash flow from financing activities	**26.7**	34.0	-50.0	-32.1	469.1
Cash flow for the year	**-266.8**	188.0	-137.2	-67.3	273.7
Net borrowings	**-339,7**	-636.1	-447.9	-494.1	-372.0
Key ratios					
Return on shareholders' equity, %	**-56.4**	5.0	-49.0	-5.1	-3.5
Return on capital employed, %	**-56.2**	5.5	-45.4	-3.9	-1.2
Equity/assets ratio, Group, %	**81.3**	90.8	74.3	74.0	67.9
Equity/assets ratio, parent company, %	**36.1**	55.6	59.5	64.5	84.5
Interest coverage ratio, multiple	**neg**	22.3	neg	neg	neg
Net debt/equity ratio, multiple	**neg**	neg	neg	neg	neg
Average number of employees	**183**	258	337	341	508
Share data					
Number of shares (thousands)					
before exercising convertibles	**11 246**	11 246	11 246	11 246	11 246
after exercising convertibles	**11 246**	11 246	11 246	11 246	11 246
Profit/loss after full tax (SEK)					
before exercising convertibles	**-26.58**	2.93	-37.28	-5.52	-3.99
after exercising convertibles	**-26.58**	2.93	-37.28	-5.52	-3.99
Before items affecting comparability	**-24.40**	-27.47	-17.97		
Adjusted shareholders' equity (SEK)					
before exercising convertibles	**33.82**	60.36	57.44	94.64	121.27
after exercising convertibles	**33.82**	60.36	57.44	94.64	121.27
Before items affecting comparability	**36.00**	29.95	76.75		121.27
Market price at year-end (SEK)					
Class A shares	**24**	105	109	185	131.5
Class B shares	**25**	108	117	186	131
Dividends	**0***	0	0	0	0

* proposed dividend

Definitions, see page 37.

Active Biotech's shares

Share capital as of 31 December 2002

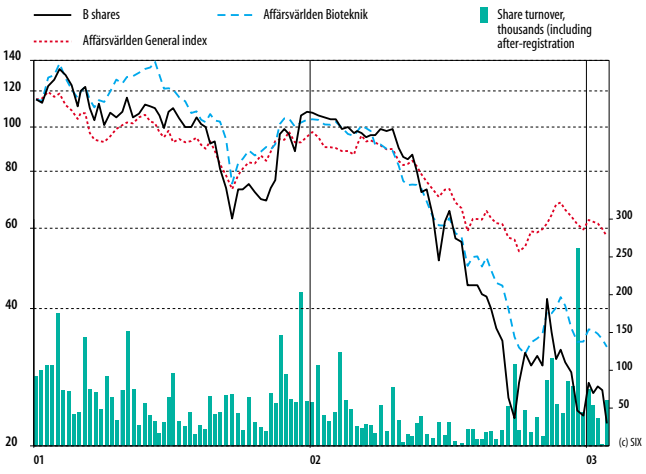
The share capital amounts to SEK 281.2 million, divided into 1 145 024 class A shares and 10 101 268 class B shares, each with a nominal value of SEK 25. Each class A share carries 1 vote, and each class B share 1/10 of a vote. During 2002, the re-stamping of 24 667 class A shares to B shares was carried out in accordance with the Articles of Association.

Active Biotech's shares

SEK	2002	2001
Profit/loss after full tax	-26.58	2.94
(before items affecting comparability)	-24.40	-27.47
Adjusted equity	33.82	60.36
(before items affecting comparability)	36.00	29.95
Share price at year-end:		
Class A shares	24	105
Class B shares	25	108

Change in share capital

Event		A shares	B shares	Nominal SEK million	Change share capital SEK million	Total share capital SEK million
1994	Conversion of promissory notes		9 142 856	1	9.2	55.3
1995	Consolidation of shares 1:10, nominal value SEK 10.					
	New issue of 4 class B shares	-20 840 940	-28 892 930	10	0	55.3
1996	Bonus issue			25	82.9	138.2
1997	Conversion SEK 4 000 thousand		40 000	25	1.0	139.2
1998	Non-cash issue		2 000 000	25	50.0	189.2
1998	New share issue		1 891 496	25	47.3	236.5
1998	New share issue		1 400 000	25	35.0	271.5
1998	Conversion SEK 36 000 thousand		388 810	25	9.7	281.2
1998	Re-stamping of A to B	-342 965	342 965	25	0	281.2
1999	Re-stamping of A to B	-8 950	8 950	25	0	281.2
2000	Re-stamping of A to B	-676 214	676 214	25	0	281.2
2001	Re-stamping of A to B	-117 840	117 840	25	0	281.2
2002	Re-stamping of A to B	-24 667	24 667	25	0	281.2



Price change from January 2001 to January 2003.

Shareholders

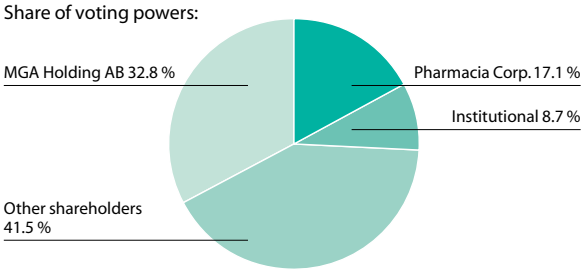
Active Biotech's main shareholders based on proportion of equity. This list is based on information available to the company on 31 January 2003.

Shareholder	A shares	B shares	Proportion, %	Votes, %
Pharmacia Corp.	107 143	2 607 143	24.1	17.1
MGA Holding AB	681 020	257 000	8.3	32.8
Catella unit trusts	0	706 000	6.3	3.3
Futuris unit trusts	0	311 550	2.8	1.4
Sand Ronni family & companies	0	270 750	2.4	1.3
Skandia	0	264 300	2.4	1.2
Nordea Bank S.A.	3 000	233 550	2.1	1.2
SEB Private Bank S.A.	6 000	174 425	1.6	1.1
Borgelin and company	0	146 800	1.3	0.7
Texcel International AB	3 650	108 475	1.0	0.7
Other	344 211	5 021 275	47.7	39.3
Total	**1 145 024**	**10 101 268**	**100.0**	**100.0**
Votes per share	1	0.1		
Max dilution				
Options	-	879 050		
Per cent	-	8.7	7.8	4.0

Total number of shares: 11 246 292
Total number of votes: 2 155 151
Votes per share: A shares 1 vote, B shares 1/10 vote
Max. dilution: Options 879 050 B shares
Number of shareholders: 12 855

Institutional holdings amount to 15.9 per cent of the capital and 8.7 per cent of the votes. Share price at year-end: A-shares SEK 24, B-shares SEK 25.

Share of voting powers:



Ownership structure

Shareholding range	Number of owners	As percentage of all shareholders	Number of shares	As percentage of share capital	Average per shareholder
1–1000	12 125	94.4	2 205 385	19.6	182
1001–10 000	661	5.1	1 735 002	15.4	2 625
10 001–100 000	56	0.4	1 387 089	12.3	24 769
100 001–	13	0.1	5 918 816	52.7	455 294
Total	**12 855**	**100**	**11 246 292**	**100**	**875**

The Board of Directors

Hugo Thelin
Born 1929, Board Member since 1998
Director, Chairman of the Board
Shareholding: 6 300 class A shares
Board appointments: CanAg Diagnostics AB, CanAg Diagnostics (Wuxi) Company Ltd, Creative Peptides AB, Karolinska Institutet Holding AB, Karolinska Investment Fund, LTP Biosystems AB, SME Development AB and Unimedic AB

Mats Arnhög
Born 1951, Board Member since 2000
M.Sc. Stockholm School of Economics, owner of MGA Holding AB
Shareholding: 681 020 class A shares, 257 000 class B shares through companies
Board appointments: MGA Holding AB and in subsidiaries in the MGA Holding Group, North Trade Stockholm AB

Sven Andréasson
Born 1952, Board Member since 1999
M.Sc. Stockholm School of Economics, President of Active Biotech AB.
Shareholding: 35 000 class B shares, 296 300 options*

Maria Borelius
Born 1960, Board Member since 2000
B.S.c. Biology, M.Sc. Scientific Journalism Scientific journalist and author, columnist for the Svenska Dagbladet newspaper and the NY Teknik journal, and author.
Shareholding: 1 000 class B shares

Mats Pettersson
Born 1945, Board Member since 1998
B.Sc. Economics and Administration,
MD Biovitrum AB, former Senior Vice President,
Pharmacia Corporation
Shareholding: 0
Board appointments: Biacore International AB,
Biovitrum AB

Peter Sjöstrand
Born 1946, Board Member since 2000
B.Sc. Economics, MD,
former Executive Vice President, Astra
Shareholding: 40 000 options*
Board appointments: Meda AB

Employee Representative
Hans Wännman
Born 1959, employed since 1980, Board Member since 1999
Chemical engineer, Pre-clinical development
Shareholding: 1 300 options*

Employee Representative
Mats Åkesson
Born 1957, employed since 1991, Board Member since 2001
Biomedical analyst, Pharmaceutical development
Shareholding: 2 400 options*

Auditors
KPMG Bohlins AB with
Stefan Holmström
as principle officer
Born 1949, company auditor at Active Biotech AB since 2001. Authorised auditors, KPMG.

Håkan Åström
Born 1947, Board Member since 2002 (retired from the Board 22 January 2003)
Senior Vice President
Pharmacia Corporation
Shareholding: 0
Board appointments:
Biovitrum AB and Scandinavian Life Science Venture

* Due February 2003.

Management group

Sven Andréasson
President & CEO
Born 1952
Shareholding: 35 000 class B shares,
296 300 options*
Sven Andréasson has been President and a Board Member of Active Biotech since 1999. He has longstanding experience in the international pharmaceuticals industry, including time spent as President and Vice President of mainly Swedish, French and German companies within Pharmacia Corporation.

Hans Kolam
Chief Financial Officer
Born 1951
Shareholding: 1 000 class B shares,
20 000 options*
Hans Kolam has worked for Active Biotech since 2000. He has more than 20 years' experience in the pharmaceuticals industry, holding different positions in Pharmacia's financial organisation, most recently as Vice President of Finance, Europe.

Lars M Nilsson
VP Regulatory Affairs & Quality Assurance
Born 1943
Shareholding: 0
Lars M Nilsson has been employed at Active Biotech since 2001. He has a veterinary degree and has longstanding experience in the international pharmaceutical industry. His most recent position was as head of registration and quality assurance at Pharmacia Consumer Health Care.

Tomas Leanderson
Chief Scientific Officer
Born 1956
Shareholding: 34 450 options*
Tomas Leanderson has been employed at Active Biotech since 1999. He has previously carried out research at the Basel Institute for Immunology in Switzerland, worked as a lecturer in molecular immunology, and as a council researcher in cellular differentiation at Uppsala University. In 1990, Tomas Leanderson was appointed Professor of Immunology at Lund University

An van Es
VP Business Development
Born 1960
Shareholding: 0
An van Es has been employed at Active Biotech since 2002. She is a medical doctor and has 15 years' experience of various management responsibilities at companies including Lilly, Pharmacia and Roche in the Netherlands, Switzerland, Sweden and the US, primarily in medicine and clinical development. Her most recent position was Managing Director of a Swedish growth company in the biotechnology industry.

* Due February 2003.

Glossary

Affinity: binding strength

Angiogenesis: the formation of new blood-vessels

Antiandrogen treatment: hormone treatment that inhibits the male sex traits

Antibody: a protein secreted by a certain type of cell in the immune defence system and which recognises a specific antigen

Antigen: a molecule capable of activating the immune defence system

Antigenicity: antibody-binding capacity

Apoptosis: programmed cell death

Autoimmunity: when the body's immune system reacts against structures in the body itself. Autoimmune diseases arise when the immune system attacks healthy tissue its own body

Beta-interferon expression: presence of the beta-interferon protein

Candidate Drug, CD: A certain specific substance selected during the pre-clinical phase. The candidate drug is the substance which will continue on to testing on human beings

Carcinoma: cancer tumour that arises in epithelium

Clinical studies: studies of the effects of a drug on human beings

CRO company: a company engaged in research activities and/or research administration on behalf of another organisation

Cytokines: signal substances used by various cells in the immune system. They can, for example, stimulate cells into being more aggressive and kill tumour cells.

Cytotoxic T-lymphocytes: white blood cells that act as highly selective killer cells

Cytostatics: cell toxins

Discovery: explorative research

Discretionary management: management outside formal rules

EDSS: Expanded Disability Scoring Scale, used in clinical trials

Endothelium cell: cell which lines the interior of blood-vessels

Epithelium: cell tissue that covers the skin and mucous membranes

Flare-up: temporary changes in disease symptoms

Immunomodulation: regulation of the immune system in order to stimulate or inhibit its activity

Immunotherapy: treatment of diseases using the body's own immune system

Inflammation: the body's response to localised damage

Malign: malignant

Marker: A specific antigen on the surface of a cell

Metastases: daughter tumours in cancer diseases, secondary tumours

Migration: movement, migration

Monoclonal antibodies: completely identical antibodies

MS: multiple sclerosis, a chronic autoimmune disease

MSFC: Multiple Sclerosis Functional Composite

Multicenter-study: studies carried out at several clinics simultaneously

Myelin: a fatty substance that surrounds the nerve fibres in the brain and other places

NSAIDS: Non-Steroidal Anti-Inflammatory Drugs

Oncofetal antigen: molecule produced during foetal development and by cancer cells, but not by normal cells after foetal development

Oncologist: cancer specialist

Pancreas: pancreas

Patent: exclusive rights to a discovery or invention

Pharmacology: the science of the properties of drugs and their effects on the body

Pharmacokinetics: study of how drugs are handled by the body from absorption to excretion; studies how and when the drug is distributed to the target organ and how it is absorbed there

Phase (I, II och III): the various stages in the study of a drug's effect on human beings (you will find more information on page 11)

Placebo: a substance with no effect, a "sugar pill". Used for comparative purposes, for example when studying the effect of a new drug

Preclinical: the part of drug development that takes place prior to the drug being tested on human beings

Primary tumour: parent tumour

Protein expression: the cell's manufacturing of proteins

PSA: Prostate-Specific Antigen, used to diagnose prostate cancer

SAIK: Substances for Autoimmune diseases/Ketoamides, Active Biotech's concept for the treatment of autoimmune diseases such as MS (for more information, see page 12)

Solid tumour: tumour that grows in the form of a lump; as against blood cancer which grows through individual cells in the circulation

SLE: Systemic Lupus Erythematosus

Superantigen: a protein that is 10 000 times better than a regular antigen at activating the body's immune system

TASQ: Tumour Angiogenesis Suppression, Quinolines. Active Biotech's prostate cancer project

T-cell: a type of white blood cell; lymphocyte. Is the cause of transplant rejection, influences the formation of antibodies and the body's best defence against, for example, viruses and parasitic infections.

Therapeutic: relating to the treatment of disease

Toxicology: the study of poisons or toxins and toxicity

Toxin: poison

Tumour cell: a cell that divides uncontrollably

TTS: Tumour Targeted Superantigens, Active Biotech's method of treating cancer (for more information, see page 16)

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