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# A n n u a l   G e n e r a l   M e e t i n g

The Annual General Meeting will be held on Wednesday, 12 April 2000, at 5.00 p.m. at the Star Hotel in Lund.

## **Right to participate at the Annual General Meeting**

In order to be able to participate in the Annual General Meeting shareholders

*must* be recorded in the Securities Register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Centre) no later than Sunday, 2 April, which means that notifications for registration at VPC must occur no later than Friday, 31 March,

*must* inform the company of their intention to participate in the Annual General Meeting no later than Thursday, 6 April.

Notification may be made by post to: Active Biotech AB, Box 724, 220 07 Lund, Sweden or by telephone + 46 46 19 20 00, fax + 46 46 19 20 50 or e-mail [info@activebiotech.com](mailto:info@activebiotech.com) Upon notification being made, the shareholder's name, address, telephone number, personal identification number/corporate registration number, type and number of shares held, must be stated as well as eventual assistants (maximum two persons).

## **Shares in trust**

In order to be able to participate in the Annual General Meeting, shareholders, whose shares are registered with a bank's trust department or an individual securities dealer, must temporarily register their shares in their own name with VPC. Re-registration must have been completed no later than Friday, 31 March.

## **Announcement**

The announcement of the annual general meeting will be issued at the earliest six weeks and at no later than four weeks before the meeting through advertisements in Postal and National Newspapers, in Sydsvenska Dagbladet and in Svenska Dagbladet or other daily papers with nation-wide coverage.

## **Financial information**

Annual General Meeting	12 April 2000
Interim report, three months	25 May 2000
Interim report, six months	17 August 2000
Interim report, nine months	16 November 2000
Final accounts report for 2000	February 2001
Annual report for 2000	March 2001

Financial information may be ordered from Active Biotech AB, P.O. Box 724, SE-220 07 Lund, Sweden or by telephone + 46 46 19 20 00, fax + 46 46 19 20 50 or e-mail [info@activebiotech.com](mailto:info@activebiotech.com)

Information can also be obtained from our homepage [www.activebiotech.com](http://www.activebiotech.com)

## THE YEAR IN BRIEF

### **INTERNATIONAL BREAKTHROUGH FOR SBL CHOLERA VACCINE**

The WHO's recommendation gives the cholera vaccine an international breakthrough.

### **GREAT SUCCESSES FOR DUKORAL**

Throughout the year, sales of our travel vaccine against tourist diarrhoea, Dukoral, increased by 70 per cent.

### **ETEC - TRIALS IN PHASE III FOLLOW THE PLAN**

### **THE SAIK - PROJECT IS ADVANCING EARLIER THAN CALCULATED**

The department of medicinal products has approved a wider Phase I-test in which MS patients are also included.

### **NEW MEDICINE AGAINST CANCER**

Active Biotech has acquired all rights within the cancer product area TTS (Tumour Targeted Superantigens) from P & U.

### **ACTIVE BIOTECH AND OXIGENE ENTER INTO A RESEARCH COLLABORATION WITHIN THE AREA OF INFLAMMATION**

### **NEW ORGANISATION**

Throughout the year a new line and project organisation has been introduced and the new recruitment of a number of key people has taken place.



## *Reorganisation and concentration has paved the way for an exciting continuation*



*“The climate for biotechnology has improved noticeably*

After the past year's reorganisation and concentration, Active Biotech is now a pharmaceutical company with important potential. Our positions have during 1999 been moved forward and the balance between products on the market and projects in a late and early phase has improved.

Our main projects are all in exciting phases of development.

### **The first effect data for the ETEC vaccine**

The first stage of the clinical trial programme for our ETEC vaccine will shortly produce a first indication of the effect data. These will be completed later in the year. In total, over 1500 people will have participated in these studies. While the programme proceeds there is also the expansion of the production resources at our establishment in Solna.

### **SAIK is advancing faster than calculated**

Our product for multiple sclerosis, SAIK-MS, is now being tested in a wider Phase I trial as the Läkemedelsverket (the Swedish medical products agency) recently approved that MS patients can also partake. The project is advancing considerably faster than what was originally planned. We have now commenced the work of identifying potential partners for future introduction into the market.

The market for multiple sclerosis drugs is increasing strongly, mainly through the introduction of beta-interferons. SAIK will be given out in pill form whilst interferon is injected. We are now in a very favourable position for partnership discussions in the near future.

### More projects in a clinical phase

At the beginning of the year 2000, we acquired all rights within the cancer product area TTS (Tumour Targeted Superantigens) from Pharmacia & Upjohn. We have earlier run the TTS – project on a contract basis from P&U, something that has given our research group in Lund considerable knowledge within the field. This arrangement now gives

us additional products in a clinical phase. In the future, this gives us the possibility to sell, under our own management, products in Europe and to acquire proceeds in the form of royalties for the US and Japan. It also means new possibilities to develop improved pharmaceuticals against cancer as well as perhaps also therapeutic vaccines.

The cost of the TTS project

for the year 2000 is covered by the earlier settled compensation from P&U.

### Provision secured for the polio vaccine

Our new plant for the production of polio vaccines will be completed within a short period of time. There are negotiations in progress concerning a long-term agreement of the bulk delivery of the injectable polio vaccine (IPV) for use in combination vaccines. Through SBL, which has been a

pioneer within polio vaccines for more than forty years, Active Biotech will continue to be an important supplier, thus preserving essential expertise. We will also get an important result contribution through expertise being used to its maximum.

### Great success for Dukoral

During 1999, the sales from our travel vaccine for tourist diarrhoea, Dukoral, increased strongly. The product is to date only sold in Sweden and Norway and sales increased by 70 per cent.

Internationally, the vaccine received its breakthrough due to its main indication of being a drinkable vaccine against cholera. The product is sold here under its name SBL Cholera Vaccine. Through its clear recommendation, the WHO has established that SBL Cholera Vaccine is the only vaccine with a documented effect against cholera, and for the first time, has recommended active vaccination. The first large order followed shortly thereafter and we have now delivered cholera vaccine to the authorities in Madagascar. These deliveries will continue throughout the year 2000. Discussions are also in progress with the WHO regarding the construction of a larger stockpile. Furthermore negotiations are in progress with distributors regarding a number of markets.

Apart from the success for Dukoral and SBL Cholera Vaccine, Active Biotech strengthened its position as a market leader within the sale and distribution of children's vaccines, despite a somewhat delayed introduction of the five-component vaccine Infanrix. Within the area of vaccine distribution, SBL Vaccine Distribution has noticed an increased level of competition but is able to defend its position on the market.

### Concentration in Lund and Solna

During the year, a common functional organisation for the Group was established. In connection with this, we transferred a number of projects that had earlier been run by the English subsidiary in

## 5 priority products

- **ETEC vaccine**  
Effect data is published under the first quarter of the year.
- **SBL Cholera vaccine**  
The only cholera vaccine recommended by the WHO.
- **DUKORAL**  
Travel vaccine in the Nordic countries.
- **SAIK-MS**  
Now in clinical trials in MS patients
- **TTS**  
New drugs for lung and kidney cancer.

Cambridge. These projects - principally a vaccine for tonsillitis and a project against caries - are now being conducted with the project management based in Lund. Owing to the fact that we have concentrated our activities to Lund and Solna, remaining activities in Cambridge will be liquidated during the spring. Due to the organisational work that has been carried out and an adherent focus of the project portfolio, a reduction in the yearly costs of approx. SEK 75 million has been achieved.

The sale of Active Biotech's property in Solna was finalised in the month of December and gave us a total net liquidity contribution of at least SEK 140 million, depending on a supplementary purchase-sum.

Is of vital necessity for a company such as Active Biotech that it is funded on intellectual capital, that it is constantly alert and leading in order to be able to handle the development and increasing demands from the world around. During 1999 we have therefore reinforced the organisation with new recruitment in key areas. In January this year, we also began extensive work with business development and strategic planning. This will help us choose the focus for future areas of concentration.

#### **Regaining the interest of the capital market**

Last but not least, one can observe that the climate for biotechnology - or "Medical Biotechnology" - has improved noticeably after a long time in the shadow of the IT industry. This means that the interest of the capital market has returned. Already, at the beginning of last year, a powerful revival commenced in the USA. This recovery has now reached Europe and Sweden.

Concurrent with the development of companies and an increasing number of projects nearing their final phases of development, consolidation is bound to occur. Our ambition is to be one of the principal players and to actively participate in this structuring of the industry. Our strong financial position is of a decisive importance here.



#### **Forecast for the year 2000**

We already knew in the beginning of 1998 that we were facing at least three years with a planned deficit of approx. SEK 200 million per year. The outcome of the years 1998 and 1999 proved to be considerably better than had been expected, i.e. SEK -40 million and SEK -58 million respectively, this was mainly due to two very successful property sales. We now have even more funds than when we started.

In 2000, the operational result will certainly improve considerably, but despite this, I expect the result to be approx. SEK -150 million. The forecast is carefully planned and does not contain any expected result contributions from the start of polio vaccine sales.

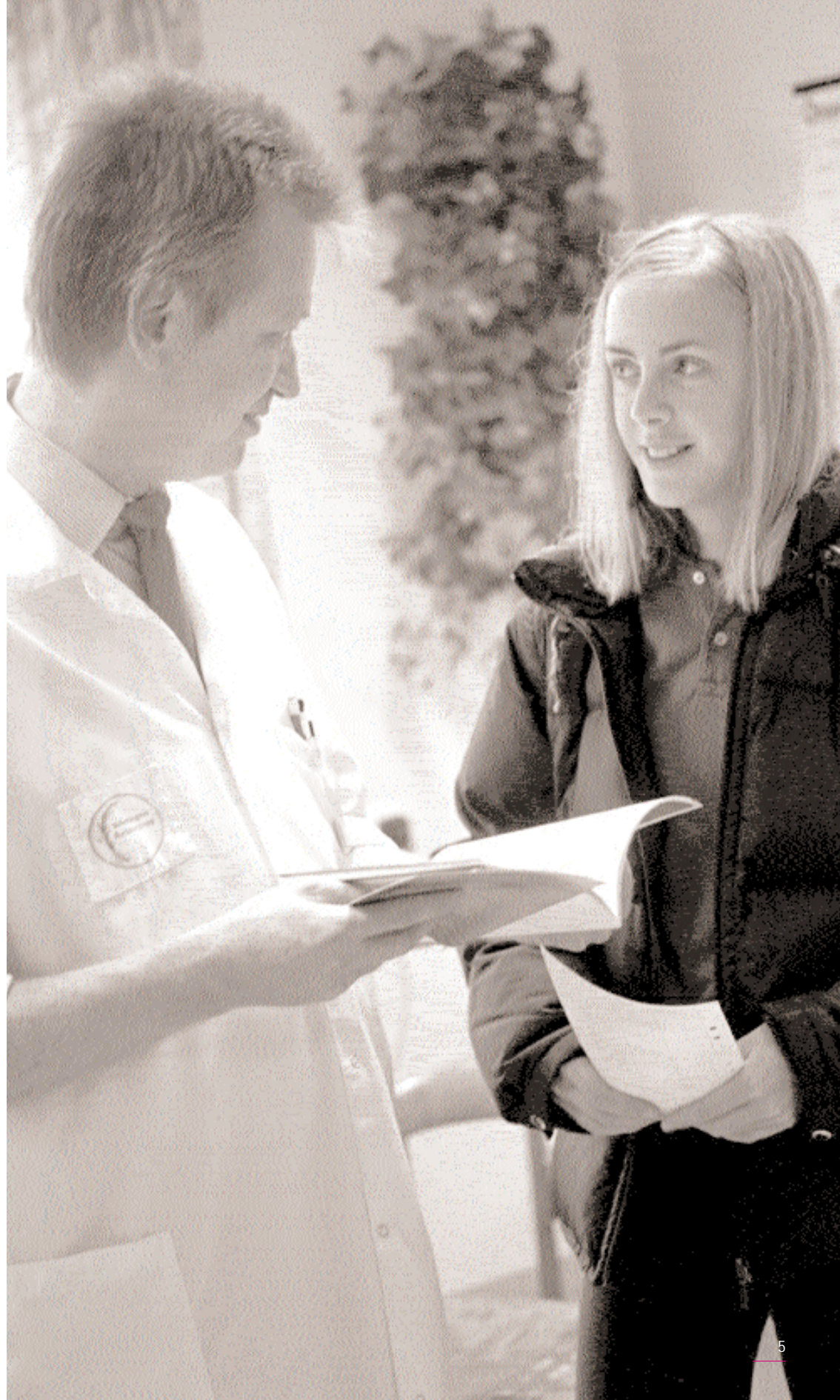
To be able to work with and lead a competent and involved staff is a privilege and I thank all those who have brought this company forward during a most eventful year.

Lund i mars 2000

SVEN ANDRÉASSON



*Active Biotech is today  
a pharmaceutical company  
with important potential*



# The share

## Share capital

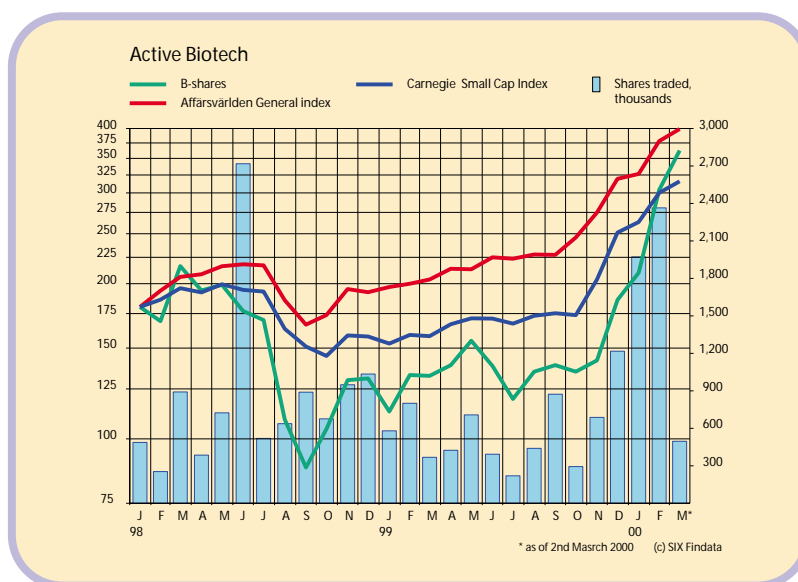
The share capital amounts to SEK 281.2 million, divided into 1,826,697 Series A shares and 9,419,595 Series B shares, all of a nominal value of SEK 25. Each Series A share carries one vote and each Series B share carries 1/10 of one vote. During 1999, the re-stamping of 8950 A shares to B shares was carried out in accordance with the articles of association.

## Active Biotech shares

SEK M	1999	1998
Profit after tax, SEK	- 5.52	- 3.99
Visible shareholders' equity	94.64	121.27
Bid and ask prices as per Dec. 31:		
A shares	185.00	131.50
B shares	186.00	131.00

## Change in share capital

Occurrence	A-shares	B-shares	Nominal value SEK	Change in share capital SEK M	Total share capital SEK M
<b>1994</b> Conversion of debentures		9,142,856	1	9.2	55.3
<b>1995</b> Consolidation of shares 1:10, nominal value SEK 10					
New issue of 4 Series B-shares	-20,840,940	-28,892,930	10	0	55.3
<b>1996</b> Bonus issue			25	82.9	138.2
<b>1997</b> Conversion 4 000 thousand SEK		40,000	25	1.0	139.2
<b>1998</b> Initial share issue		2,000,000	25	50.0	189.2
<b>1998</b> New issue		1,891,496	25	47.3	236.5
<b>1998</b> New issue		1,400,000	25	35.0	271.5
<b>1998</b> Conversion 36,000 thousand SEK		388,810	25	9.7	281.2
<b>1998</b> Re-stamping of A to B	-342,965	342,965	25	0	281.2
<b>1999</b> Re-stamping of A to B	- 8,950	8,950	25	0	281.2



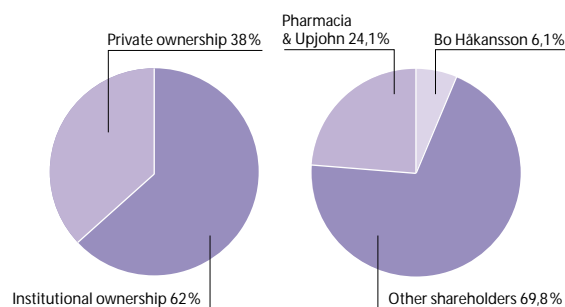
## Shareowners

Active Biotech's largest shareholders ranked by proportion of equity.

This list is based on information available to the company as of February 2000.

Holders	A shares	B shares	Number, %	Votes, %
Pharmacia & Upjohn AB	107,143	2,607,143	24.1	13.3
Foreign owners and administrators	29,700	911,597	8.4	4.6
Bo Håkansson and companies	681,020	287	6.1	25.7
Skandia	0	339,400	3.0	1.3
Sand Ronni family & companies	0	249,000	2.2	0.9
Catella unit trusts	0	150,500	1.3	0.6
Industrial employees' association	14,000	112,200	1.1	1.0
Hans Borgelin and company	11,700	109,675	1.1	0.9
Alfred Berg Fondkommission	0	90,000	0.8	0.3
Sivert Andersson company	41,800	28,787	0.6	1.7
<b>Total 10 owners</b>	<b>885,363</b>	<b>4,598,589</b>	<b>48.7</b>	<b>50.3</b>
Others	941,334	4,821,006	51.3	49.7
<b>Total</b>	<b>1,826,697</b>	<b>9,419,595</b>	<b>100.0</b>	<b>100.0</b>
Votes per share	1	0.1		
Maximum dilution				
Rights of option	0	500,000		
Percentage	0.0	4.4	4.4	1.7

Total number of shares: 11,246,292  
 Total number of votes: 2,648,957  
 Votes per share: Series A shares 1 vote,  
 Series B shares 1/10 vote  
 Maximum dilution: Convertibles 500,000 B shares  
 Number of shareholders: 11,441  
 Institutional ownership increased to 38 percent of  
 the equity and 16 per cent of the votes.



## Ownership structure

Shareholding range	Number of owners	As a percentage of shareholders	Number of shares	As a percentage of shareholders' equity	Average per shareholder
1-1,000	10,537	92	2,305,489	20	219
1,001-10,000	812	7	2,170,534	19	2,673
10,001-100,000	84	1	1,553,431	15	18,493
100,001-	8	-	5,216,838	46	652,105
<b>Total</b>	<b>11,441</b>	<b>100</b>	<b>11,246,292</b>	<b>100</b>	<b>1,162</b>



## Swedish biotechnology follows rising American rates

**A**t the end of 1999, the rates for biotechnology shares rose steeply. Investors all over the world are now rapidly buying in to those biotechnology companies that they believe will come to play a decisive role in the revolutionising of medicine in the coming decade. Their enthusiasm is reflected in the 50 per cent rise in the Nasdaq's biotechnology index during the fourth quarter of 1999. Throughout the year, the index rose by 102 per cent. The increase includes an even greater growth in the share price for companies such as Millennium (MLMN) and Affymetrix, which rose by 466% and 656% respectively in 1999. The USA leads the world within biotechnology with several hundred registered biotechnology companies.

The Swedish biotechnology sector follows closely in the American footsteps. During the fourth quarter of 1999, Aragon's Swedish biotechnology index rose by 46%. The sector is now nearing an all time high from April 1998 and has increased 63% from its lowest point in the middle of 1999. The rising share prices reflect...

- the renewed interest in biotechnology over world
- that the latest 18-month period's successful R&D by Swedish biotechnology companies has now had an effect on their valuation.

A continued positive development in the area is anticipated, since Swedish companies are expected to pass important milestones within R&D during the first quarter this year.

The year 1999 started slowly for most Swedish biotechnology companies. Failures within R&D as well as the lack of good news pressured the sector. The fact that one now has caught up with the development of the R&D -portfolio is the principal reason for the new lease of life within the Swedish biotechnology sector. The recovery is expected to continue during the entire year 2000, not least since a number of Swedish companies will then publish clinical data on some of their most important products. Active Biotech will release effect data for the Phase III-study of the ETEC-vaccine and if it fulfils expectations, it will have a continued positive effect on the rate of development.

### Small companies surpass large and medium sized ones

In the USA, two trends on the financial market have succeeded one another during the last year. Initially the enthusiasm for large biotechnology companies with established positions within particular sales or technologies was striking. The interest has of late, however, instead shifted to companies with a concentration on revolutionary discoveries within

genetics and antibody preparation. This has been reinforced with a number of exciting reports, press releases and analyses on new businesses and successes within gene research, as well as the imminent completion of the so-called HUGO-project, mapping the human genome.

All these factors contribute to the shares developing very positively for some of the smaller biotechnology companies. The difference was large towards the beginning of 1999, when a limited access to risk capital forced a number of small companies to merge in order to secure their survival.

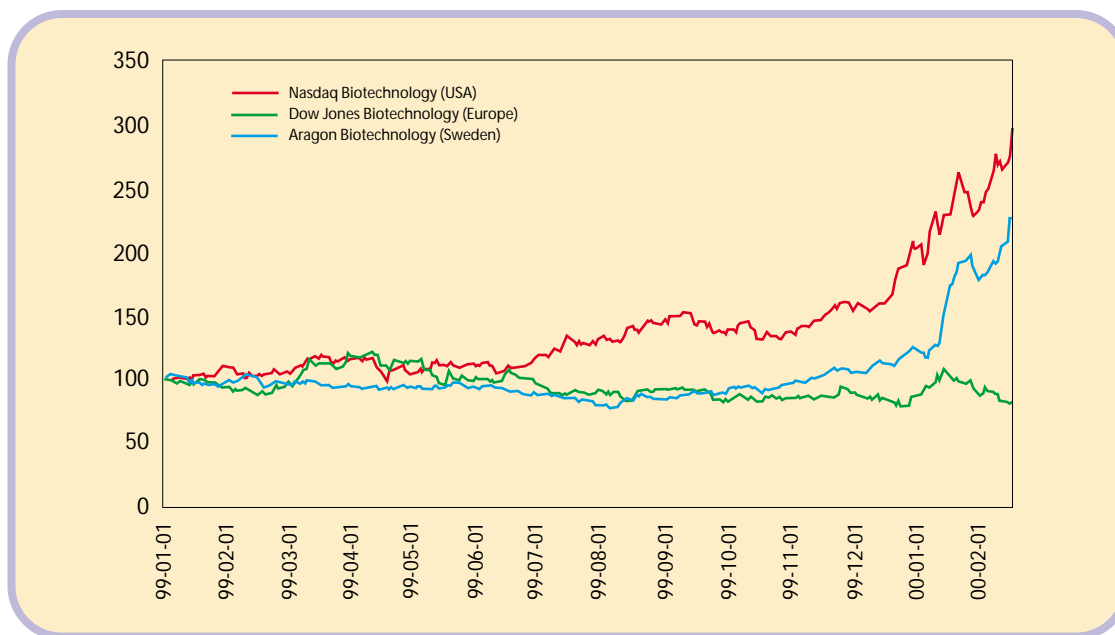
The success of the sector on the stock exchange is also a consequence of what seems to be the cooling of interest for IT- shares as well as a genuine breakthrough in the belief that biotechnology will come to affect health in a decisive way in the new millennium. In December 1999, Fortune Magazine once again took up biotechnology as an area of priority for investments. The magazine stated “like the Internet, biotechnology can change our way of living – and make smart investors very rich”.

### An extremely favourable climate

The renewed interest for biotechnology implies the first financial opening in a long time within the area. This is expected to bring about a number of stock exchange introductions. Analysts predict 15-50 such introductions during the year 2000, something that could also increase the interest for the sector.

A decisive condition for the development of biotechnology is the presence of shareholders investing in companies whose funding values correspond to theirs. These are now once again visible in the biotechnology sector. To that, it must be added that biotechnology is now beginning to engage funds, which have just lately developed their knowledge within healthcare and who therefore have not previously taken an interest in the area. These changes within the sector in the past three years herald a period of prolonged development.

With continued growth, the volatility will become a large subject for discussion in the year 2000. The investors, however, must learn to live with this in order to get the yield they expect on their investments in the biotechnology revolution.



# Business concept, objectives and strategies

## Activity

The basis for our activity can be summarised by the concept of immune modulation. Active Biotech conducts research and development within medical areas where the immune system is of central importance. It applies to our internal as well as the external activities that we conduct in co-operation with research groups at a number of different universities.

## Areas of disease

The activity of Active Biotech is based upon immunobiology and is divided into three areas of disease: infection (vaccines included), autoimmunity/-inflammation and cancer.

## Business concept

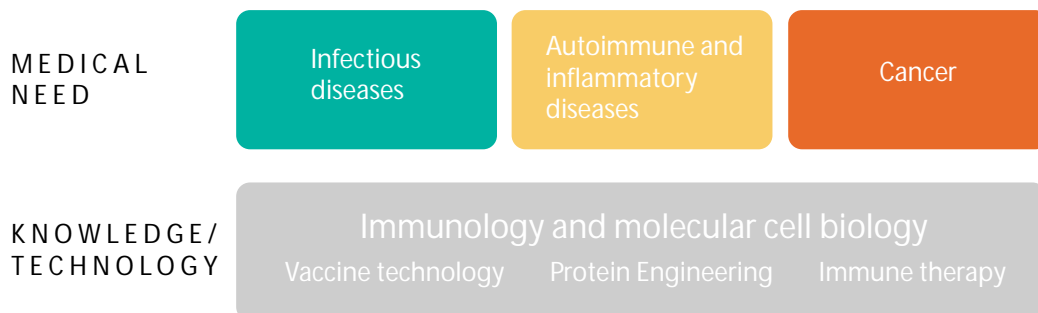
The company will through the knowledge of human immune system, produce pharmaceuticals and vaccines that are precisely targeted and with few side effects that will prevent and cure diseases.

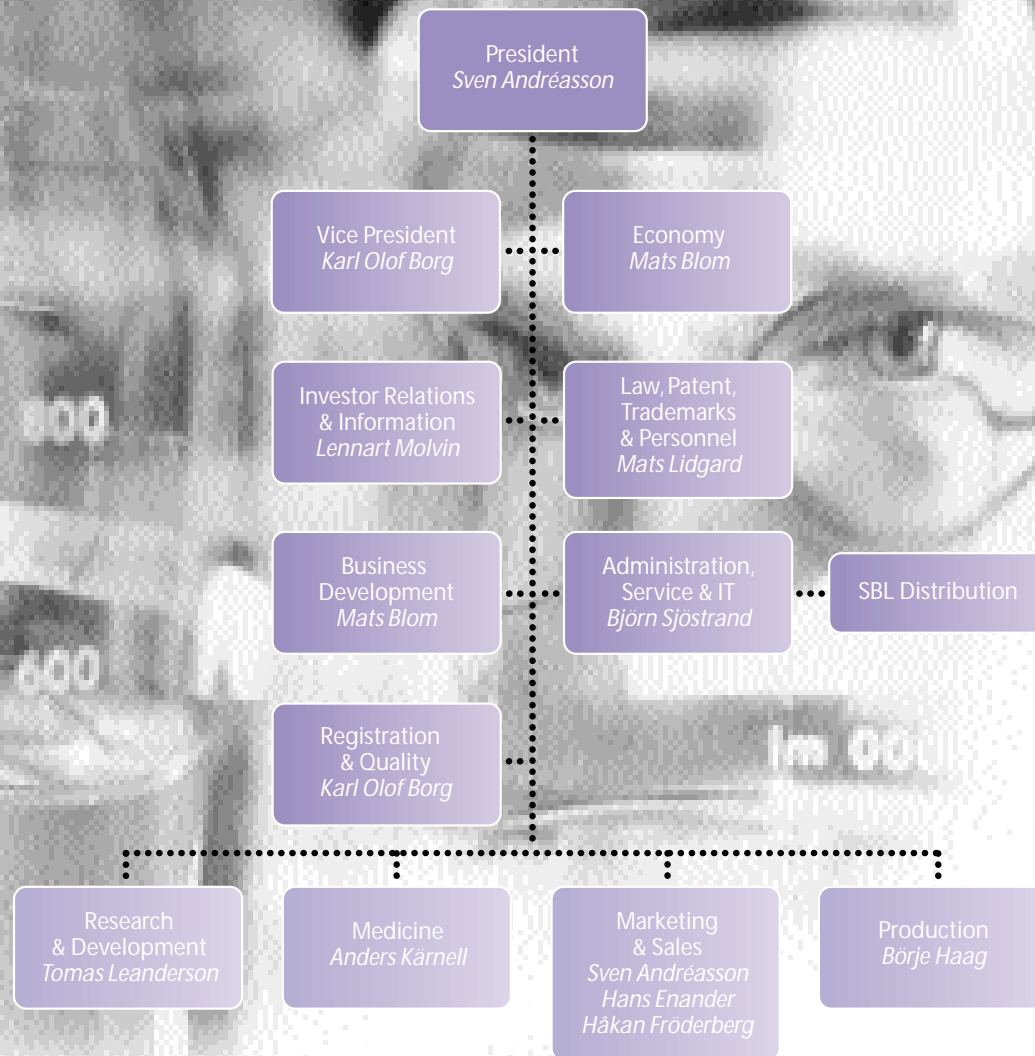
## Objective

- to create an integrated pharmaceutical company with the marketing/sales of products partly under personal management, partly in collaboration/alliances with large pharmaceutical companies
- creating long-term value for shareholders by applying cutting-edge biomedical expertise in a global industry

## Business strategy

- to grow, both organically and through acquisitions
- to maintain a strong financial position
- to create economic endurance through the successful introduction of products and a strong financial position



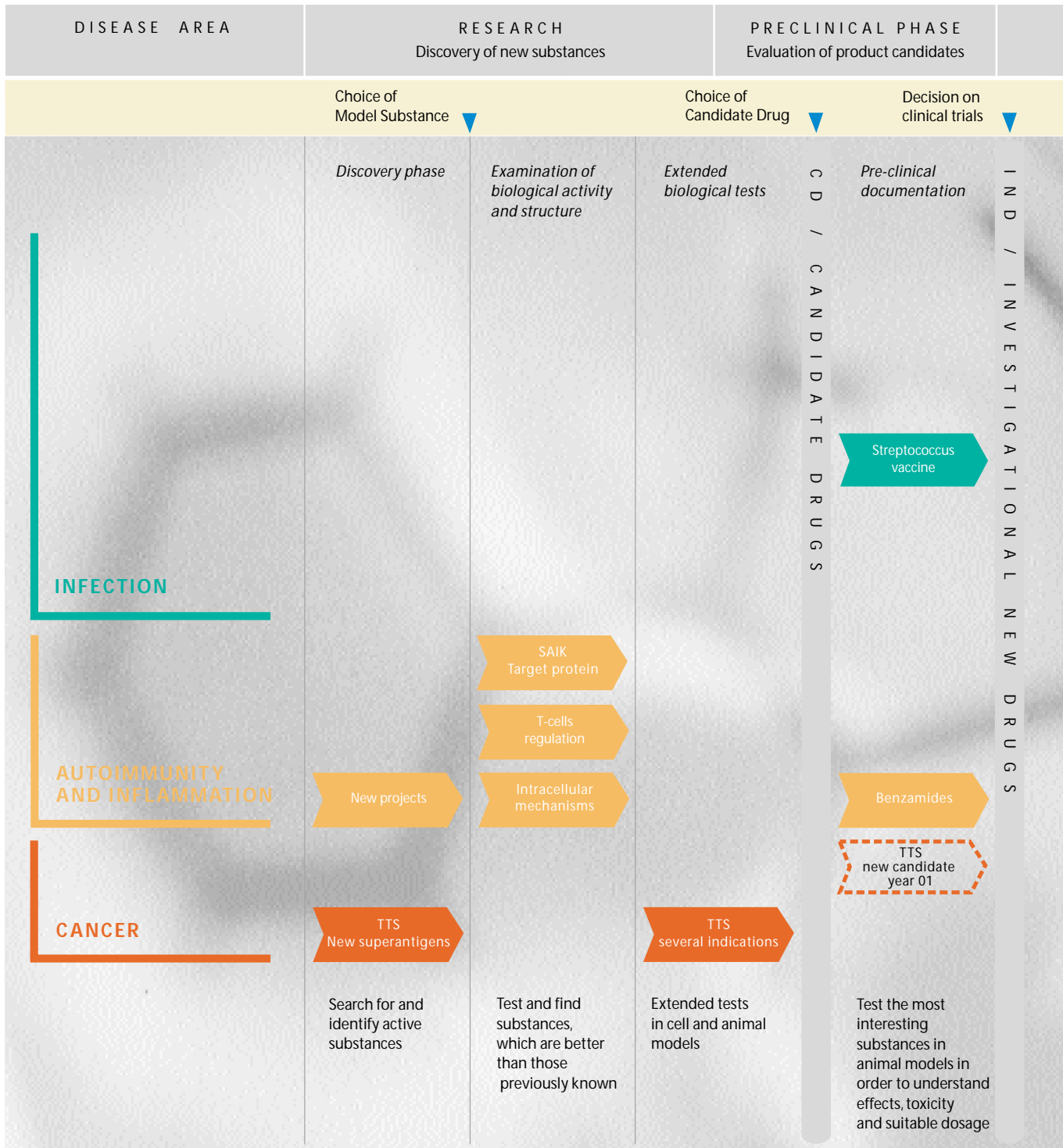


NEW ORGANISATION FROM NOVEMBER 1, 1999

### Research strategy

- build up and secure competence within immunology as well as cellular and molecular biology
- to bridge the gap between academic institutions and larger pharmaceutical companies
- to create co-operation and strong alliances with other research and pharmaceutical companies
- to attain the greatest possible value growth in every project by pursuing the development of new products under personal management preferably up to “proof of concept”, clinical phase II.
- to maintain and strengthen the core competence in the development and production of vaccines against intestinal infections

# Active Biotech's project portfolio



CLINICAL TESTS

Permission has been received to carry out clinical tests on humans

MARKETING/SALESPRÖVNING

Evidence of clinical effect ▼

New Drug Application ▼

P  
R  
O  
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N

Phase I

Phase II

Phase III

Registration

Sales

New Markets

ETEC

ETEC  
year 00

ETEC  
1st country year 01

SBL Cholera Vaccine  
USA/EU

SBL Cholera Vaccine  
intl. markets

Dukoral  
New markets

Dukoral  
Sweden, Norway

Polio IPV  
intl markets year 00

Polio IPV  
Sweden

Streptococcus  
vaccine year 01

Dental – 1025  
partner

Dental – 1025  
year 01

SAIK

SAIK  
partner year 01

Benzamides  
year 01

TTS

TTS  
year 01

Test of tolerance  
on healthy  
individuals  
(10-40)

Test of effects/  
side effects on  
small patient  
groups (60-120)

Confirmatory  
test on large  
patient groups  
(500-10,000)

Approval of the  
product from  
drug authorities  
for marketing

Market  
acceptance of  
the product's  
medical value

Product is  
developed in new  
markets and in  
new forms of  
preparation

## Vaccines save society a great deal of money



*infectious diseases cause the most deaths in the world*

Infectious diseases such as diarrhoea, malaria, AIDS, tuberculosis and respiratory infections cause the greatest number of deaths in the world. The interest in vaccines that can prevent infections is therefore very great.

Worldwide vaccination programmes have already eradicated smallpox. Now there are campaigns against measles and polio that could mean eradication within 10-15 years.

Vaccines not only afford the individual with effective protection against infectious diseases, they also contribute positively to the health economics of society. According to the WHO, society as a whole saves 7-20 dollars (US) in healthcare costs for every dollar (US) that is employed in vaccination with a

preventive objective. The vaccines also contribute to reducing the growing problem of the antibiotic resistance. An effective vaccine against tonsillitis would radically reduce the use of antibiotics, which is the most common form of treatment in today's health care system.

Active Biotech's core competence lies in its knowledge about the human immune system. Our immune system protects us against foreign substances and organisms. Vaccines, consisting of weakened or dead bacteria or viruses, stimulate the immune system to combat infectious substances that can cause disease.

### Component with unique capability

Active Biotech works with a protein called rCTB which is derived from the cholera bacteria. rCTB has the ability to bind to the intestinal mucous membrane and convey protection against diseases such as cholera and certain types of tourist diarrhoea (ETEC). The discovery of rCTB is a result of the research carried out by Professor Jan Holmgren's team of researchers at the University of Göteborg.

The protein's unique properties are used in Active Biotech's drinkable diarrhoea vaccines and also as a component part of the travel vaccine Dukoral, as well as in the SBL Cholera Vaccine and in a new vaccine against tourist diarrhoea which is currently being tested in field studies. rCTB may also be used as a carrier for other drugs. To secure the availability of rCTB, the factory at Matfors, where it is being manufactured has been expanded. A chromatographic purification step has been added to the process, which has raised the quality of the produced rCTB even further.

In 1999 Läkemedelsverket (the Swedish medical products agency) approved the new, larger plant. The extension was built in accordance with the very high demands required by the American Food and Drug Administration (FDA) in order to secure approval in the USA.

## *in Phase III*

### PRODUCT DATA

- Five inactivated bacteria strains prevent the ETEC bacteria from colonising the intestine
- rCTB protects against the ETEC bacteria's toxin
- Drinkable vaccine
- High protective effect against ETEC
- No side effects
- Ongoing Phase III studies in Guatemala/Mexico and Israel

### MARKET POTENTIAL

- 300-650 million USD per year

### REGISTRATION APPLICATION

- EU 2000
- USA 2001

### LAUNCH

- First country in Europe 2001

### PARTNER

- SmithKline Beecham (SB)

### COMPETITION

- Active Biotech's ETEC vaccine the only one in Phase III studies
- Peptide/Medeva

### **ETEC** Registration application

The ETEC bacteria (enterotoxin forming *Escherichia coli*) is one of the most common causes of diarrhoea, a disease, which by means of dehydration, causes some 700,000 deaths worldwide. The risk of being infected is the highest for travellers to Latin America, Asia and Africa, but infection also occurs in the Mediterranean area, Eastern Europe and Russia. ETEC is the most common cause of tourist diarrhoea.

The infection gives rise to a watery diarrhoea for two to four days, in certain cases up to two weeks. The disease normally passes over by itself, but is unpleasant and highly limiting in terms of mobility.

The number of travellers from the EU, USA, Japan and Australia to high-risk areas for ETEC is about 50 million and is set to increase by five per cent per year. The large market potential makes the ETEC vaccine, financially, the most important asset for Active Biotech over the next few years.

### Clinical studies in Phase III

Active Biotech's drinkable ETEC vaccine consists of rCTB and inactivated strains from the most common *E.coli* bacteria that causes tourist diarrhoea.

Three different clinical Phase III studies have been initiated. The first study in Guatemala/Mexico has been completed and the plan is that the effect data shall be presented during the first quarter of this year. The co-operation with SmithKline Beecham (SB) has been intensified and SB is taking an active part in the second study in Guatemala/Mexico that will be completed during the current year. In this study, a vaccine batch has been used which is manufactured according to the method that will be used for commercial production.

In Israel a third study is currently being conducted in which the vaccine's protective ability has been studied over a long period of time. The study is being carried out in co-operation with the Israeli army on



*The risk of being infected is the greatest for travellers to Latin America, Asia and Africa*



1600 soldiers and will not form part of the first registration application.

The ETEC vaccine will be marketed SB worldwide, except in the Nordic countries and in the Baltic States, which are the market areas of Active Biotech. SB that will apply for registration in the US and EU. The work is now being focused on finalising the clinical trials that will be a part of the registration. The application will be handed to the respective authorities in the EU at the end of the year 2000 and in the US during 2001.

In order to be able to handle the expected production, a reconstruction of the plant that prepares the ETEC vaccine is in the initial planning stage. The reconstructed plant will be in use by the summer of 2001.

### **Dukoral** Success as a travel vaccine

Dukoral is marketed in Sweden and in Norway as a protection against ETEC, i.e. tourist diarrhoea. The protective effect against ETEC is approx. 60 per cent.

Dukoral has been sold in Sweden since 1991 and has become an ever-increasing success. Last year sales increased by 70 per cent.



## drikkbable travel vaccine

### PRODUCT DATA

- Drinkable vaccine
- Four inactivated cholera strains stop bacteria from colonising the intestine
- rCTB protects against the toxin of the ETEC bacteria
- 60 per cent protection effect against ETEC
- No side effects

### MARKET

- Sold in Sweden and Norway since 1991

### REGISTRATION

- Several countries in the year 2000

### LAUNCH

- 2001

#### Dukoral®

- Travel vaccine, is mainly sold for the ETEC indication
- High price preparation
- Is sold in consumer packaging
- Is today sold in Sweden and Norway

#### SBL Cholera Vaccine™

- Cholera vaccine
- low price preparation
- Is sold in bulk/ large packs
- The only cholera vaccine recommended by the WHO

Active Biotech has acquired the rights from SmithKline Beecham (SB) to sell Dukoral in all countries outside of the EU, the USA and Australia. We have so far acquired registration in Argentina, El Salvador, Guatemala, Honduras, Nicaragua, Peru, Norway and Madagascar among others. Registration has commenced in Switzerland and in Mexico.

### **SBL Cholera Vaccine** International breakthrough for the cholera vaccine

A vaccine that is solely registered with an indication against cholera is being marketed under the name of SBL Cholera Vaccine. A Phase II study is being prepared for a registration application to the FDA and will be effected in the year 2000. The application for registration is estimated to be ready for submission to the American Food and Drug Administration (FDA) in the third quarter of the year 2001. The documentation used in this application will also be used for applications in Europe.

In the third world, the cholera vaccine had its breakthrough in 1999. It is the only such vaccine on the market that is recommended by the UN world health organisation (WHO). The SBL Cholera Vaccine is the only pharmaceutical showing a perfectly satisfactory protection effect in documented field studies.

The WHO's recommendation applies to mass vaccination in critical situations and in 1999, gave rise to our first international order. Madagascar, which has for some time been ravaged by a cholera epidemic, bought 500,000 doses, with option on another order of the same size. Negotiations with the WHO are in progress regarding an order of two million doses of cholera vaccine to be kept in stock so as to quickly avert future cholera threats.

The principal markets are those areas in which cholera is a constant threat: Asia, Africa, Central and Latin America. Since Active Biotech does not have its own sales organisation outside of the Nordic Countries, the work here is being conducted

through contacts within the WHO and similar institutions as well as with regional pharmaceutical and vaccine companies. A prerequisite for sales in the third world is to be able to offer competitive prices. Through a greater demand for volume sales of the cholera vaccine, the chances of profitable production are increased, despite the lower margins.



*"Resfeber" is a Web site for advice directly to the public on the Internet. At the address [www.resfeber.com](http://www.resfeber.com) Active Biotech gives quick and easy information about the different types of vaccines that are recommended for travel to more than 200 countries.*

### **Polio**

The situation for Active Biotech's polio vaccine has recently changed on several important points. Internationally, there is a move towards a reduced use of the so-called OPV in favour of the IPV. American authorities have for example decided to reduce the use of OPV, i.e. polio vaccines with weakened, but living strains of the polio vaccine. This low priced vaccine has been extensively used extensively but unfortunately gives rise to a few cases of polio throughout the world every year.

This is not the case with the injection applied, inactivated polio vaccine IPV, the type of vaccine that Active Biotech produces and markets. It has been used in Sweden since 1957 and no one injected with IPV has fallen ill with polio. Neither have any serious side effects been reported.

### **Polio**

Negotiations are in progress with a new international partner about a long-term agreement regarding the delivery of injectable polio vaccine (IPV) by Active Biotech. The polio vaccine will be delivered in bulk for use in combination vaccines. The deal will secure the allocation of a large part of Active Biotech's manufacturing capacity towards polio vaccines.

Active Biotech's plant for the production of the polio vaccine, was upgraded during 1998 and 1999 in order to meet EU standards. At the end of 1999 and in the beginning of 2000, the validity batches that will confirm that the production can now meet these demands, will be manufactured.

### More successes for pre-clinical research

Active Biotech has recently decided to proceed with a project for the study of vaccine candidates against infections caused by Group A streptococci (GAS), e.g. tonsillitis.

Within GAS the development of a vaccine has continued throughout the year. New vaccine candidates have been developed in co-operation with the Australian Queensland Institute for Medical Research in Brisbane, and the work on vaccine candidates from the Lunda group and professor Lars Björck has continued throughout the year. In accordance with a newly entered into agreement, Active Biotech will also collaborate with Vaccine Solutions, Australia, in the development work. The definitive choice regarding the vaccine composition will occur during the 2000 with the objective of commencing on clinical studies in Phase I during 2001.

A vaccine against the Group A streptococci would fulfil a large unmet medical need. In the USA, each child is expected to contract tonsillitis two-three times during adolescence, this is one reason for the current extensive consumption of penicillin.

The candidate drug against caries is called p1025 and is a peptide that prevents the acid forming bacteria *Streptococcus* mutants from clinging onto the dental surface. This is a co-operative project between researchers at Guy's hospital in London and Active Biotech. The researchers in London have already carried out a pilot study on humans with promising results. In 1999, the work therefore continued with the preparation of a more extensive, Phase I clinical study, which is planned to start in 2000.

The preparation has been firstly considered as treatment for patients who have undergone radiotherapy for cancer in the head and neck region. This often diminishes the secretion of saliva and thus strongly increases the risk of bacterial attack. Another use for p1025 is for the treatment of Sjögren's syndrome, this also leads to problems with salivary secretion. Active Biotech is looking for a strong partner for the continued development of this work.

## not a single case of polio

### PRODUCT FACTS

- Inactivated polio virus
- Injectable polio vaccine
- No side effects
- Is a component of a combination vaccine
- Sold in Sweden since 1957
- Not a single case of polio since the start of vaccinations

### MARKET POTENTIAL

- 400 million USD/year

### LAUNCH

- 2000 in Europe, in a combination vaccine

### PARTNER

- Negotiations are in progress

### COMPETITION

- OPV: Pasteur Mérieux, Wyeth Lederie, SmithKline Beecham, Chiron
- IPV: Pasteur Mérieux, SmithKline Beecham

# When the body becomes its own enemy

**A**utoimmune diseases occur when the immune defence system turns against the body's own tissues. It is a large and heterogenous group with hundreds of diseases or conditions, which encompass all the organs of the body, e.g. multiple sclerosis (MS), goitre, juvenile diabetes, rheumatoid arthritis and psoriasis. The number of new MS cases worldwide increases at a yearly rate of over 50,000 patients and only a minority can receive relief with present therapies. The treatments are limited, commonly consisting of symptomatic relief and cortisone preparations.

In recent years, the beta-interferons have been shown to be partially effective. Interferon is given intravenously and has some side effects, in addition, it is only effective in a limited number of those patients who are in need of treatment.

## SAIK-MS

Active Biotech has chosen an entirely different angle of approach for the treatment of MS and other autoimmune diseases. It consists of so called immune modulators, which can be given in tablet form and affects the immune system by activating or restraining parts of it. A successful preparation could probably also be used against several other autoimmune diseases.

Active Biotech's research into a medicine against MS has continued to advance faster than planned during 1999. One substance, SAIK-MS, has undergone a pilot Phase I study on a small number of healthy individuals. It showed that the substance was well absorbed in the body and had a satisfactory half-life duration, which means that the drug can probably be taken once a day.

## against multiple sclerosis

### PRODUCT FACTS

- Is taken in tablet form
- Immune modulating
- Effective in experimental models against MS and other autoimmune diseases
- Favourable relationship between effect and side effects

### MARKET

- 2.5 billion USD per year
- Increasing by 20 per cent per year

### LAUNCH / PARTNER

- Clinical testing Phase I in 2000
- Choice of co-operative partner 2000/2001

### COMPETITION

- Interferon preparation from Schering, Biogen and Ares-Serono, preparation with similar effect by Teva.
- Current therapies efficient only to a certain degree

On the basis of the pilot study, a wider Phase I study was initiated in February 2000. Initially it is being conducted on healthy volunteers but will proceed to MS patients as soon as levels with biological effects are reached. It should be possible to initiate Phase II studies during the first half of 2001.

During 2000 we will identify a suitable co-operative partner for SAIK-MS.

### Extensive pre-clinical research

Besides the SAIK preparations, there is also ongoing extensive pre-clinical research with the aim of finding pharmaceuticals against new inflammatory and autoimmune diseases. Both are controlled by so called cascade processes, where a signal triggers off a chain reaction in several simultaneous dimensions. A drug that affects these processes are therefore likely to be active in a number of states of ill health.

The most important project links directly to SAIK and seeks to identify those molecular structures that give the SAIK substances their unique, biological activity. By determining them, a platform for a whole new generation of SAIK substances for many different indications, could be developed.

Another project is in co-operation with OXiGENE and is founded on their benzamide and nicotinamides preparations that have been developed for the treatment of cancer.



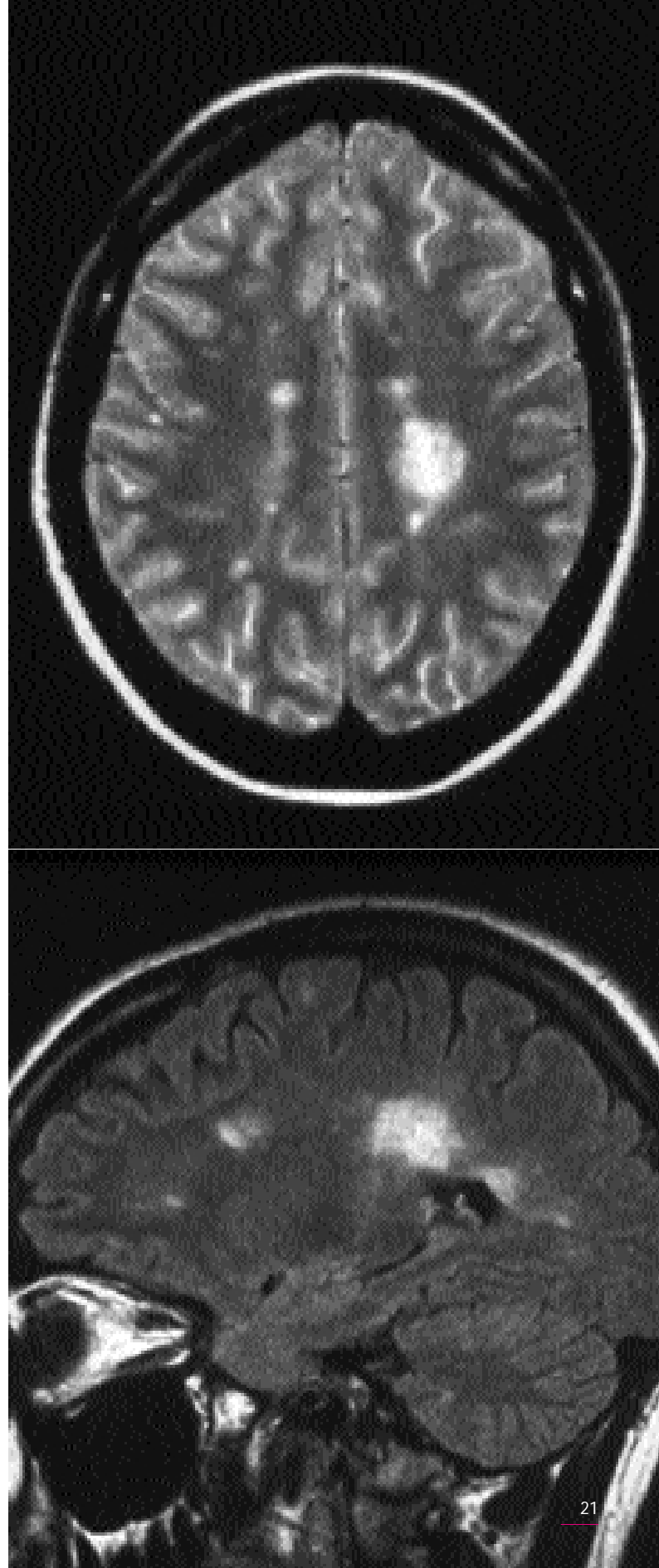
*Active Biotech's research during the year 1999 has continued to progress faster than expected*

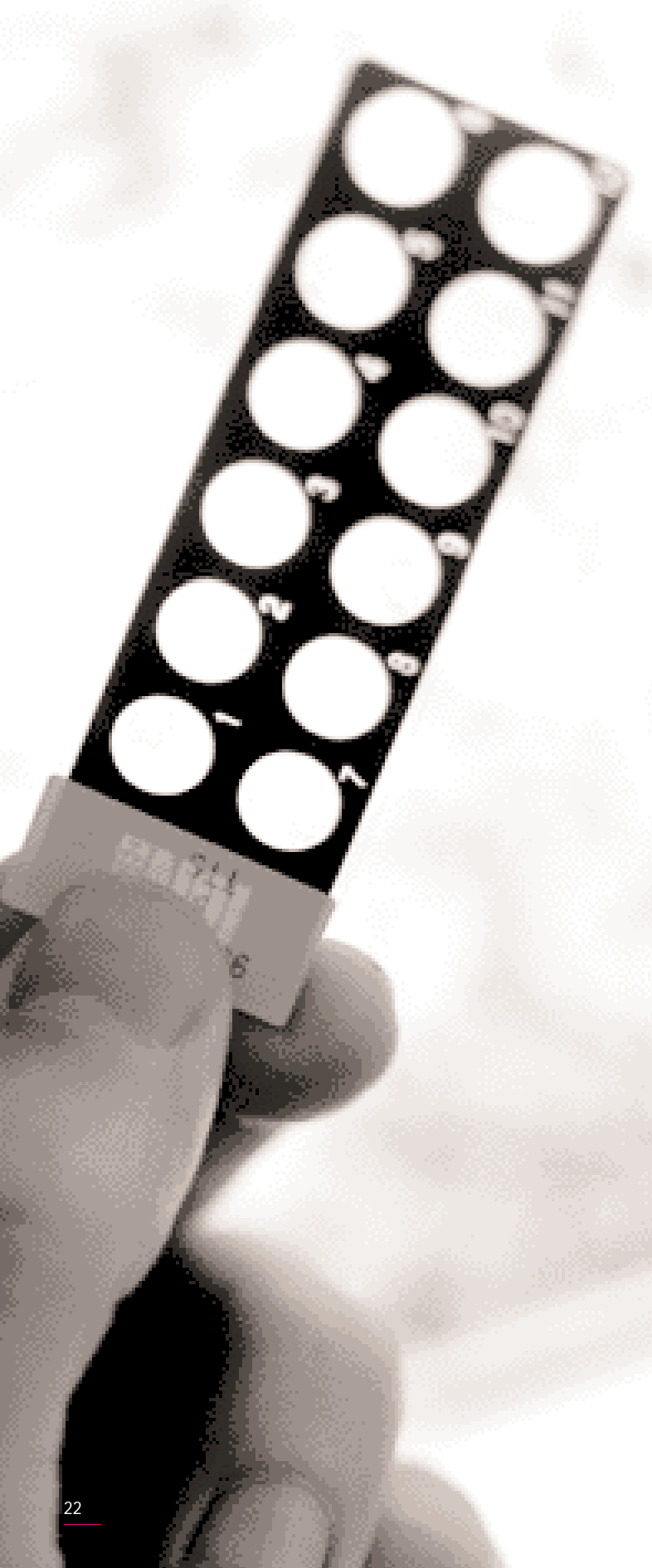
These, however, also affect the signalling molecules that control inflammatory and immunological processes. Active Biotech's researchers are therefore studying the role of these molecules inside of the cell for indication areas such as chronic inflammation and transplantation.

A third project directed at the same indication area, has the objective of modulating signalling pathways between cells. Receptors on the cell surface receive signals between cells and inhibiting this communication can regulate an over activated immune response.

*Top picture: A horizontal section of the brain of a patient with multiple sclerosis. The lightly coloured circular areas either side of the centre show areas that have been damaged by the disease.*

*Bottom picture: A longitudinal section of the same patient's brain.*





## *The entire cancer portfolio concentrated at Active Biotech*

**T**he immune system is a very powerful system with the ability to combat bacteria and viruses when we are affected by an infection. The same mechanism that seeks to reject a transplanted organ is an example of how effective the immune system is at destroying tissue, which it does not recognise as being the body's own.

In traditional cancer treatment, cytotoxins that kill all growing cells are often used. Since the number of cancer cells increases substantially, they are, for the most part, the cells affected by the toxin, however even normal cells are severely affected and the treatment can be painful for the patient. Active Biotech's concept and objective is therefore the development of a treatment where the body's own immune defence is directed towards the tumour cells, leaving the body's healthy parts unaffected, this is expected to considerably reduce the side effects. With this type of therapy, the tumour is rendered immunogenic, i.e. the immune defence identifies the cancer tissue as foreign and therefore rejects it.

Although the cancer cell is derived from a normal cell, its surface has certain structures that are significantly more common in tumours than in normal tissue. These can be employed in order to direct a monoclonal antibody connected to a superantigen to the tumour area. Monoclonal antibodies act as a kind of target-seeker aimed at the tumour cells. The superantigen activates the immune defence in a powerful way causing it to attack the cancer tissue immediately.

### TTS New drugs against lung and kidney cancer

The concept is called TTS (Tumour Targeted Superantigens) and has been studied in the research co-operation with Pharmacia & Upjohn (P&U) which has been in progress since Active Biotech acquired Lund Research Center in 1998. Active Biotech has, according to contract, executed the pre-clinical research to identify new drug candidates within this therapy concept.

Active Biotech's researchers have designed a candidate drug, CD2, which is now undergoing Phase I clinical trials, being carried out by P&U. So far, results from studies on patients with the most common form of lung cancer, the non-small cell type, look promising, however there is still room for further improvement.

#### The superantigen activates the immune system

An important improvement is to combine the TTS preparation with another type of therapy that increases the activity of the immune response. TTS is based upon the ability of the superantigen to activate the T-cells involved in the immune response. New clinical trials where CD2 is combined with another immune

stimulating substance are planned to begin during the last quarter 2000, and a launch with an indication for lung- and kidney cancer is expected to occur within four-five years.

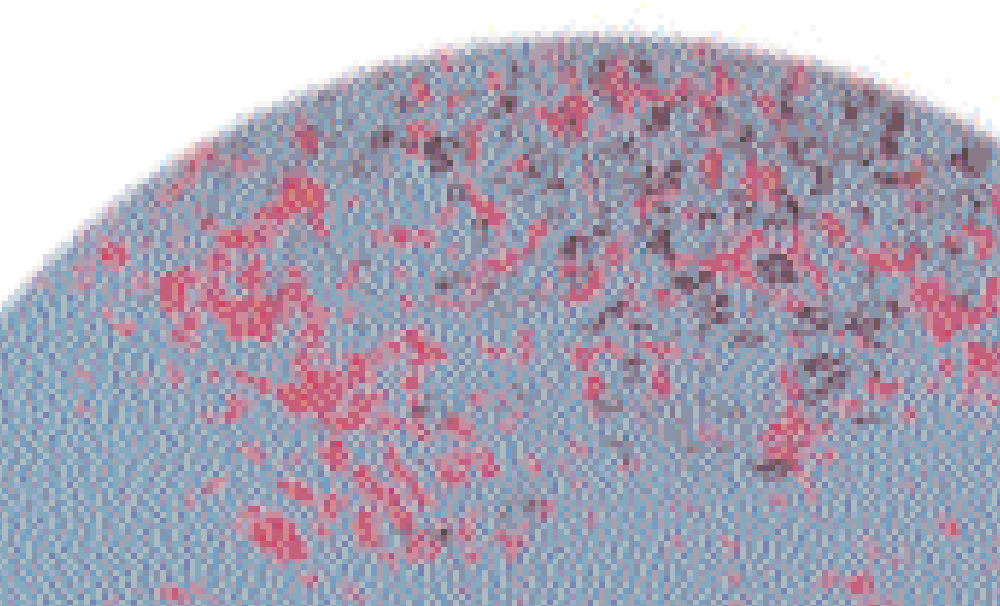
During 1999, the function of the superantigen has been modified in such a way that products with other properties can be developed. Clinical trials will, according to the plan, be initiated towards the end of 2001.

#### The TTS project will pass on to Active Biotech

In February 2000 the relationship between Active Biotech and P&U changed. A new agreement for 2000/2001 transfers all of P&U's patents and rights within the TTS project to Active Biotech, who thereafter will take over the continued development of TTS.

P&U however, have the option to market future products for milestones and royalties. Process development, production and delivery of the material for clinical trials will also be carried out by P&U. A plant has already been specifically prepared for the production of future preparations at P&U's factory in Strängnäs.

*Illustrated here is the effect of the TTS treatment, where a melanoma tumour (black pigmented) is attacked by T-lymphocytes (red), which have the capacity to kill the cancer cells. The photograph has been taken through a microscope. Photo: Lennart Ohlsson.*



## against cancer

#### PRODUCT FACTS

- Fusion proteins containing monoclonal antibody and superantigen
- Has exhibited anti-tumour activity in animal models
- CD2 in Phase I clinical trials

#### MARKET

- Against kidney cancer and non-small cell type lung cancer: 50-200 million USD

#### LAUNCH/PARTNER

- Pharmacia & Upjohn



## Sweden's largest vaccine contractor

**S**BL Vaccin Distribution is an independent unit within Active Biotech. Its task is to distribute vaccine products from different suppliers directly to customers on the Swedish market.

The customers principally exist within the following categories:

- county councils: i.e. care centres, child welfare centres and hospitals
- municipalities: primarily schools
- private care: i.e. vaccine centres and industrial health service.

SBL Vaccin, together with Apoteket, earlier held the sole right for the distribution of vaccines. Since this right was abolished in 1997, the organisation has been adapted to follow the new conditions. The operation handles approx. 50,000 orders per year and is therefore highly automated. Delivery notes and checklists are automatically written out after the order and the invoice is sent automatically as soon as the order is packed.

Today, SBL Vaccin Distribution is competing foremost with its high level of service and its complete vaccines portfolio. The ambition is to be the natural choice from the vaccine distributors in Sweden. The customers obtain a fast, knowledgeable and personal service in a way that no competitor can offer. Orders for delivery the following day can be taken as late as 4:30 p.m., and in the Stockholm area, the customer can even receive hand delivery the same day the order is made. Another important task following the deregulation is to submit bids to the county councils or other buyers.

# 10,000 customers

SBL Vaccine Distribution distributes vaccines directly to its customers on the Swedish market.

- The product portfolio includes approx. 100 different vaccine products from approx. 20 different suppliers
- The number of customers in Sweden amounts to approx. 10,000
- The market share is approx. 70 per cent
- Twelve employees turned over 187 million SEK in 1999, with a profit of 14.2 million SEK
- This spring, a Web commerce system for orders via the Internet will be launched.



### Good profitability

The operation is successful, with a large market share and good profitability. Even if the growth in traditional areas is limited, the sales of travel vaccines such as hepatitis vaccines as well as Active Biotech's own Dukoral are strongly increasing.

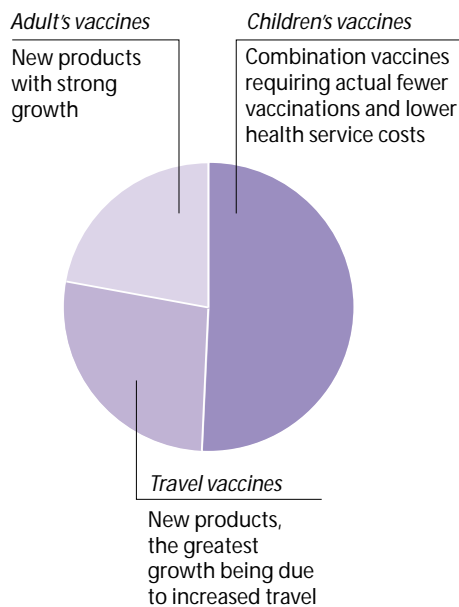
The system of direct distribution provides several

advantages. The most evident is the possibility of offering low prices and whilst maintaining good margins by avoiding the intermediary pharmacies.

The method also gives rise to detailed and extensive customers' statistics. The customer statistics are an advantage in the competitive purchasing situation and also make it possible to provide the suppliers with detailed information about their own customers. In this way, the suppliers have access to information about exactly where and when their products are being sold, to whom and where these customers are situated in the country. However, the customer statistics are not a commodity. Each supplier only gets access to his/her own information.

In addition, direct distribution results in an unusually good level of contact with the customers, thus making it easy to be sensitive to the market needs. One result from customer feedback, for example, is the presence of the screw cap on the drinkable vaccine Dukoral, instead of the original capsule that was harder to open.

SBL Vaccin Distribution also has certain operations outside of Sweden. These comprise the distribution of, among others, Dukoral to Norway and Denmark as well as SBL Cholera Vaccine to international markets.



# A reorganised company funded on intellectual capital

After last year's reorganisation and focussing, Active Biotech is today a pharmaceutical company with a significant vaccine activity. We are a company that is, to a high degree, funded on our intellectual capital. It is our employees' expertise and creativity that, together with the knowledge that is provided to the company through the co-operation with universities, institutions and other companies, determines the our operative success and development.

It is the understanding of the new organisation that the skills and the proficiency of the employees come to their greatest use through improved conditions. During 2000, programmes will be launched in order to stimulate the employees, giving them an even more creative working environment. It is important that these programmes lead to us getting more women employees in leading positions.

## Cooperation and exchange are stimulated

Significant resources will be invested on the employees' continued education and development. Besides traditional further education programmes, network

building at all levels within the organisation will be stimulated, for example by participation in conferences and other activities, both in Sweden and abroad.

Active Biotech also welcomes researchers from other countries, in order to give them the possibility to improve in areas where the company possesses a unique knowledge. As a natural consequence, our own employees themselves are offered possibilities to work in new environments and acquire new knowledge. Furthermore the publishing of scientific articles is encouraged.

An options programme has enticed more than 70 per cent of the employees to subscribe for options in Active Biotech. This increases their involvement in the work as well as their interest in the company's value growth.

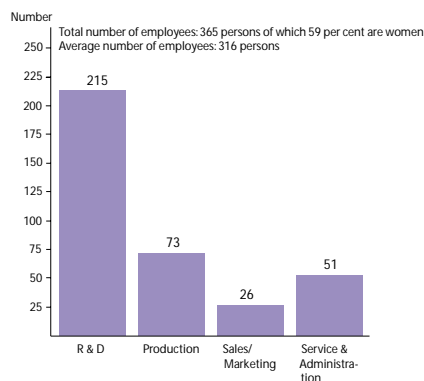
## The competence base is broadened

Active Biotech has during the last year broadened its competence base, this also applies to the international business activity. The intention is to secure and prepare the launch of the new ETEC vaccine as well as strengthening our position in the relations with our international co-operation partners. Competence has also been reinforced on the production side and in the pharmaceuticals area.

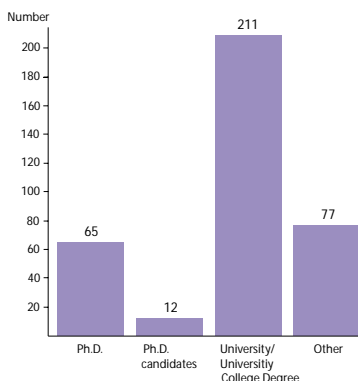
## Patents and trademarks

Within the framework of Active Biotech's research activity, important discoveries are being made, which will form a basis for the company's future

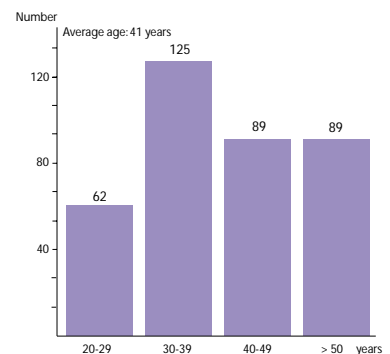
Personnel occupation



Personnel education levels



Personnel age structure



products. In order to protect the commercial value of the inventions, the company strives to find the strongest possible patent protection for them.

A strong patent protection reduces the risk of competition. This in turn substantially increases the possibility of covering those costs that have been spent on development, as well as the possibility of obtaining a reasonable yield on the investment and risk taking that drug development involves.

Active Biotech's collected portfolio today contains ten patents, which have been granted and 29 patent applications, which have been submitted. Of the various patent types, it is considered that the product/substance patent gives the most powerful protection:

Type	Granted Patents	Patent applications
Product/substance	8	18
Process/method	2	7
Application/indication	-	4

The ETEC vaccine patent protection is valid until the year 2019, under the assumption that patent applications that have been submitted will be ultimately granted.

So far the trademark activities within Active Biotech have, by natural reasons been limited. At the pace in which current development projects are nearing a possible launch, it will, however, also be important to decide on the trademark strategy. A strong trademark can considerably increase the product's commercial value and strengthen its market position for a long period of time – also after such a time when the patent protection has expired.

Strong patent and trademark protection does not however imply automatic protection against competition. An essential part of the work in patent and trademark rights is therefore to supervise the competitors and immediately act if they trespass onto a protected area and, if it were called for, pursue legal action.

**VICKY AVERY,**  
**section head of Protein Interaction & Drug Discovery**



– The first time I heard of Active Biotech at all was back home in Adelaide, Australia. I was contacted by Göran Forsberg, now working with Active Biotech's cancer project. A year ago I was asked if I wanted to come to Sweden and work for them.

– I really enjoy it! It's a fantastic research site with super modern equipment – and so different from working at a university. Now I have got the most challenging job in the company – to explore and explain the mechanism of SAIK.

**KARIN PETERSSON,**  
**PhD graduate in the department of Biochemistry & Molecular biology**



– I was on a summer scholarship in the field of molecular biophysics at the university in 1998. There I participated in a project where we cooperated with Active Biotech.

– Then I began an examination project here in the spring of 1999 and as a PhD graduate the same autumn. I am very satisfied, especially as the research resources are extensive. That applies to both the competence that is available here and the equipment at our disposal. Even socially it functions excellently.

**ANDERS KÄRNELL,**  
**Since the 1 Jan., 1999 head of medicine**



– I was contacted by Active Biotech late in the autumn of 1998. The question was if I wanted to become the head of the clinical research department at SBL Vaccin. Since the activity related to what I had worked with earlier within health care and in my vaccine research on intestinal infections, I thought it would be a challenge.

– Today I am very satisfied, in a team, with promising products and projects, many international contacts and good teamwork.

**TOMAS LEANDERSON,**  
**Professor immunology at the university of Lund, head of research since 1 June, 1999**



– The most important thing in this industry is the people. Success is about creative processes, quality and driving forces. The only limiting factor is the human capital.

– Active Biotech's research strategy stands for something innovative. The company will find its own ways but the basis for the activity is immune biology, the means are vaccines, protein engineering and drugs.

# Environment, quality and ethics

Quality, environment and ethics are important foundation stones in Active Biotech's activity. All the work shall be conducted in such a way as best utilises raw materials and energy. We shall act in such a way that the employees and the surrounding environment are protected and will not cause unnecessary suffering to those laboratory animals that are essential to the activity.

The environmental work is a natural part of Active Biotech's activity and a prerequisite for our continued existence and progress. In all that we do we therefore apply a comprehensive view of the environment. This is also the basis for the environmental policy that Active Biotech adopted during 1999.

The environmental aspect is an integrated part of the daily work at all levels. The premises have been adapted to the purpose of the work with chemical substances and microorganisms, to very high standards and security with regard to both the external environment and working environment.

An important load on the environment is the waste that is produced by our activity. We are working to reduce the amount of waste at the source, and place great emphasis on handling, in the best possible way, the waste that is still being produced, all in accordance with current regulations.

On a more comprehensive level we place great emphasis on having good long-term planning regarding research and legislation within the environment and the working environment, all in order to protect the surrounding environment as well as our own employees.

As regards to the quality work, it is to a large extent founded on the legislation that controls our activity. This legislation controls, for example, the manufacture, sales, importation and other handling of pharmaceuticals.

During the various phases of development of a pharmaceutical, European and US regulations are those which are primarily followed: Good Laboratory Practice (GLP), Good Manufacturing Practice (GMP) and Good Clinical Practice (GCP).

Through the International Conference on Harmonisation (ICH) the drug authorities in Europe, USA and Japan have, since 1990, been working on the production of joint guidelines for the development and approval of pharmaceuticals.

These cover chemical – pharmaceutical as well as pre-clinical and clinical documentation, from both the qualitative and quantitative perspective.

Even the use of laboratory animals is regulated by very strict legislation, which, for example, weighs the use of every test against the suffering it may incur. This is something that we

welcome and support.

Tests, however, are inevitable. Pharmaceutical research has, in a dramatic way, raised the quality of human life, something, which would not have been possible were it not for experiments on animals. Without such experiments we would also not have had a chance to develop the present treatments against national diseases such as cancer, cardiac infarction and diabetes or the vaccine that has virtually eliminated diseases such as polio. In addition, the authorities demand tests for the registration of vaccines and pharmaceuticals that can only be carried out on animals.

In 1999, Active Biotech adopted a policy on the experimentation of animals that exceeds society's demands. The starting-point is to use as few animals as possible, in such a way so that pain, suffering and stress is reduced to a minimum, and preferably eliminated.



*Important foundation stones in Active Biotech's activity*



### Guidelines for quality

- *Good Laboratory practice (GLP)* are guidelines for laboratory work, especially security tests
- *Good Manufacturing Practice (GMP)* are guidelines for manufacturing
- *Good Clinical Practice (GCP)* are guidelines for clinical trials

För detta rum ansvar

**ANNA ROSEN**

# Financial information

## General

The last steps towards a reorganised biotechnical group were executed during the year. In June the non-biotechnical related activities were divided to the shareholders through the registration of Wilh. Sonesson on the Exchange's O-list. In December the Group's property in Solna was sold for 190 million SEK, with a possible supplementary purchase-sum of 44 million SEK.

During the year the work with integrating the different parts within the group were also intensified, and as a link in this, a transfer of the activity in Actinova in Cambridge, England to Active Biotech in Lund, Sweden was initiated. A savings program to reduce the level of costs in the group was initiated and a total of 75 million SEK of annual savings was identified.

A new operative organisation was introduced in November, with the object of running the whole Group as a single operative unit.

## Liquidity

Available liquid funds, including unutilised lines of credit, and the exchange item in Lifco amounted to 680 million SEK (644) at the turn of the year.

Credit facilities approved amounted to 130 million SEK (77) of which 87 million SEK (52) remained unused. Cash and bank balances, including short-term investments, amounted to 545 million SEK (612) on the balance sheet. Of this liquidity amount, short-term investments amounted to 467 million SEK.

## Financing

The Group's consolidated shareholders' equity amounted to 1064.3 million SEK (1363.7).

The change is formed by the year's result - 62.0 million SEK, dividend by Wilh. Sonesson -227.8 million SEK, options programmes for employees 0.7 million SEK, depreciation of goodwill -10.3 (Wilh. Sonesson).

The Group's net cash holding, i.e. short-term investments minus interest bearing liabilities amounted to 494.1 million SEK (372.0). The interest bearing liabilities amounted to 51.0 million SEK (240.4).

## Net financial items

The net financial items amounted to 54.7 million SEK (13.7). Interest income amounted to 11.2 million SEK (17.6) and interest costs to 4.7 million SEK (17.3). Other portfolio administration yielded 48.3 million SEK (13.4).

## Currency exposure

The Active Biotech Group has a relatively limited exposure to fluctuations in currency exchange rates. The most exposed areas are partly the clinical trials for the ETEC vaccine and partly the costs within Actinova Ltd in Great Britain. The Group's net sales in foreign currency amounted to approx. 37 million SEK and the costs in foreign currency amounted to 64 million SEK.

## Equity/assets ratio/return on shareholders' equity and capital employed

The equity/assets ratio in the Group amounted to 74.0 per cent (67.9) and in the Parent Company to 64.5 per cent (84.5). The return on shareholders' equity was -5.1 per cent (-3.5) and on capital employed -3.9 per cent (-1.2).

## Taxes

The year's tax costs concern the outcome of the tax assessment for the years 1994-1998. The tax authorities have demanded the amount of 4.5 million SEK. The company assesses that the actual cost could be less as part of the amount has been appealed against.

## Dividends

The dividend by Wilh. Sonesson was executed in accordance with the so-called Lex Asea, which means that there will be no taxation at the event of the dividend. The fiscal initial value on the Active Biotech shares has been fixed to 93 per cent and of the Wilh. Sonesson shares to 7 per cent of the original investment.

In the next few years it is expected that the group will report negative results and cash flows therefore as long as the operations show a negative cash flow, the Board will not propose any dividend payment.

## Investments

Net investments in the group amounted to -295 million SEK. Large investments have been made in SBL Vaccin, which, for example, invested in new plants for the production of polio vaccine and an expansion of the production establishment for the ETEC and cholera vaccines. The reason for the negative net investments is the dividend by Wilh Sonesson.

## Proforma biotechnology

Proforma Group results and group balance-sheet biotechnology, see pages 32-33.

# Five-year summary

Definitions, see page 36

Amount in million SEK	1999	1998	1997	1996	1995
<b>Income statements</b>					
Net sales	267.3	514.7	456.7	292.6	319.9
Operating profit/loss	- 112.3	- 35.6	37.0	26.3	62.8
Net financial items	54.7	0.6	5.1	369.5	0.4
Operating profit/loss after financial items	- 57.6	- 34.9	42.1	395.8	63.2
Minority interest	0.0	- 0.1	- 3.3	- 4.0	-
Profit/loss before tax	- 57.6	- 35.0	38.8	391.8	63.2
Taxes	- 4.5	1.5	- 8.4	- 4.7	- 17.7
<b>Profit/loss for the year</b>	<b>- 62.0</b>	<b>- 33.6</b>	<b>30.4</b>	<b>387.1</b>	<b>45.5</b>
<b>Balance sheets</b>					
Fixed assets	589.1	915.5	1173.0	659.1	201.7
Current assets	848.2	1098.6	510.4	620.2	227.0
<b>Total assets</b>	<b>1437.3</b>	<b>2014.2</b>	<b>1683.4</b>	<b>1279.3</b>	<b>428.7</b>
Shareholders' equity	1064.3	1363.8	546.8	566.5	179.4
Minority interest	0.0	3.8	23.6	40.8	-
Non-interest-bearing liabilities	322.0	406.2	375.7	136.6	87.4
Interest-bearing liabilities	51.0	240.4	737.3	535.4	161.9
<b>Total liabilities and shareholders' equity</b>	<b>1437.3</b>	<b>2014.2</b>	<b>1683.4</b>	<b>1279.3</b>	<b>428.7</b>
Net indebtedness	- 494.1	- 372.0	398.6	- 2.0	89.9
<b>Cash flow analysis</b>					
Cash flow from current activity					
Before the Change in net working capital	- 176.7	- 56.0	na	na	na
Change in net working capital	282.0	- 220.8	na	na	na
Cash flow from the investment activity	- 140.5	81.4	na	na	na
Cash flow from the financial activity	- 32.1	469.1	na	na	na
Cash flow at year-end	- 67.3	273.7	na	na	na
<b>Key ratios</b>					
Return on shareholders' equity (%)	- 5.1	- 3.5	5.5	103.8	29.3
Return on capital employed (%)	- 3.9	- 1.2	7.9	59.2	21.6
Equity/assets ratio, group (%)	74.0	67.9	33.9	47.5	41.8
Equity/assets ratio, parent Company (%)	64.5	84.5	60.2	91.1	58.0
Share of risk-bearing capital (%)	74.0	68.5	36.4	49.0	45.2
Interest coverage ratio (multiple)	neg	neg	1.8	10.0	6.9
Net debt/equity ratio (multiple)	neg	neg	0.7	0.0	0.5
Average number of employees	341	508	328	273	455
<b>Share data</b>					
Number of shares (thousand)					
before exercising convertibles	11,246	11,246	5,566	5,526	5,526
after exercising convertibles	11,246	11,246	5,926	5,926	5,926
Profit/loss after full tax (SEK)					
before exercising convertibles	- 5.52	- 3.99	5.49	70.05	8.23
after exercising convertibles	- 5.52	- 3.99	5.48	65.59	7.98
Adjusted shareholders' equity (SEK)					
before exercising convertibles	94.64	121.27	98.24	102.52	32.47
after exercising convertibles	94.64	121.27	97.81	102.35	37.02
Market price at year-end (SEK)					
Series A share	185.0	131.50	186.00	94.00	51.00
Series B share	186.0	131.00	193.00	96.00	52.50
Dividend (SEK)	0 *	**	4.00	10.00	-

\* proposed dividend

\*\* 1 share in Wilh. Sonesson AB

## Proforma Group profit and loss accounts 1999/1998

### Biotechnology

Amounts in million SEK	1999	1998
Net sales	267.3	259.4
Cost of goods sold	- 147.8	- 203.4
<b>GROSS PROFIT</b>	<b>119.5</b>	<b>56.0</b>
Selling expenses	- 23.8	- 18.6
Administrative expenses	- 74.7	- 53.7
Research and development costs	- 270.7	- 133.1
Items affecting comparability	139.6	79.7
Other operating income and costs	- 2.2	8.0
<b>OPERATING PROFIT/LOSS</b>	<b>- 112.3</b>	<b>- 61.7</b>
Net financial items	54.8	22.0
Loss upon sales of subsidiaries	-	-
<b>OPERATING PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>- 57.5</b>	<b>- 39.7</b>
Minority interest	-	-
Final accounts allocations	-	0,4
<b>PROFIT/LOSS BEFORE TAX</b>	<b>- 57.5</b>	<b>- 39.3</b>
Tax	- 4.5	- 0.5
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>- 62.0</b>	<b>- 39.8</b>
<i>Depreciation included above</i>	<i>- 39.5</i>	<i>- 28.6</i>

# Pro forma balance sheet 1999/1998

## Biotechnology

Amounts in million SEK	1999	1998
Intangible fixed assets	283.3	263.8
Tangible fixed assets	203.5	287.4
Financial fixed assets	102.3	41.3
<b>Total fixed assets</b>	<b>589.1</b>	<b>592.5</b>
Inventories	55.1	57.7
Current liabilities	248.0	376.4
Cash and bank balances	545.1	558.0
<b>Total current assets</b>	<b>848.2</b>	<b>992.1</b>
<b>TOTAL ASSETS</b>	<b>1437.3</b>	<b>1584.6</b>
Shareholders' equity	1064.3	1140.3
Minority interest	0.0	0.0
Allocations	32.5	26.9
Long-term liabilities*	141.0	183.0
Current liabilities**	199.5	234.4
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1473.3</b>	<b>1584.6</b>
Equity/assets ratio of the group	74.0%	72.0%
Equity/assets ratio of the parent company	64.5%	76.1%

\* Interest bearing long-term liabilities 991231 amount to 50.0 million SEK.

\*\* Interest bearing current liabilities 991231 amount to 1.0 million SEK.

## Directors' report

### **Active Biotech AB (publ), Corporate Identity No. 556223-9227**

The concentration upon biotechnology continued during 1999, primarily through the acquisition of the non-biotechnology companies within Wilh. Sonesson and the sale of the property in Solna for 190 million SEK, with a possible supplementary purchase-sum of up to 44 million SEK.

During the year the work with integrating the different parts within the group was also intensified and as a result a transfer of the activity in Actinova in Cambridge to Active Biotech in Lund was initiated. A new operative organisation was introduced in November.

#### **The group**

On 1 February 1999, Sven Andréasson entered into the position of new Managing Director at Active Biotech.

At the general meeting on May 10, the shareholders decided about the group's non-biotechnology related activities. On June 10 the division of these activities to the company Wilh. Sonesson, which is quoted on the O-list, was executed. The division involved a reduction of the group's shareholders' equity by 238 million SEK. After the division, the group is reorganised within the areas of research, development and the sale of pharmaceuticals including vaccines.

As a link to integrating the activities and to being able to operatively control the group more as an entity,

a new functional organisation was initiated during the autumn. Included in this area Karl Olof Borg as vice president and Mats Lidgard who is responsible for Law, Patents & Trademarks. Furthermore the decision was made to transfer the activity from Actinova in Cambridge to Active Biotech in Lund. During the end of the year the transfer of projects and project management as well as the liquidation of personnel within Actinova commenced. In the balancing of the accounts, R&D costs have been reserved for a single payment in connection with the liquidation of Actinova of a total of 9 million SEK.

#### **Marketing & Sales**

In the spring, Active Biotech regained from SmithKline Beecham the market rights for SBL's cholera vaccine in countries outside the of the US, EU and Australia. A first order of the SBL Cholera Vaccine came in June from Madagascar having an order value of 16 million SEK. As a means of commercialising the cholera vaccine internationally, the organisation has been reinforced with a new International Sales and Marketing Director.

In Sweden the success for Dukoral continued, with sales increasing by 70 per cent compared to the previous year.

#### **Properties**

Active Biotech's property in Solna was sold in December for 190 million SEK with a capital gain of 124 million SEK. Of the purchase-sum, 10 million SEK was paid at the

time of the contract conclusion in December. 172 million SEK will be received on the day of taking possession on April 1, 2000 and the remaining 8 million SEK will be received after such a time as the buyer has constructed new office premises for Active Biotech, expected to be finalised in July 2001. Apart from the above purchase sum there is an agreement of a supplementary purchase sum of up to 44 million SEK, depending on the results of the planned changes the buyer intends to apply for the property. The activity of Active Biotech will continue to be conducted on the property for an initial rent of approx. 13 million SEK per year.

#### **Research and development**

The group conducts a large number of research projects within auto-immune, inflammatory and cancer disease. The projects are at all stages, from the early research phase to projects at the late clinical phase with product launch expected in the next few years. In the ETEC project, clinical phase III studies in Kenya, Guatemala/Mexico and Israel are being conducted, and the market launch of a vaccine is expected at the end of 2001.

During the year, the SAIK project against MS has entered into Phase I clinical trials, approx. 6 months before the original plan. The focus has also been on production, and an investment of 30 million SEK has been initiated in order to increase the production capacity for ETEC and SBL Cholera Vaccine. A new plant for the polio vaccine has

even been prepared during the year. In order to strengthen the research function, a new head of Research & Development, Tomas Leanderson and Head of Medicine Anders Kärnell have appointed during the year.

### **Environmental effects**

The group is subject to special legislation with regard to the environment act and is acting in accordance with current regulations in the management of the subsidiaries SBL Vaccin AB and Active Biotech Research AB. The group's activity principally affects the external environment through plants for manufacture through biological processes and by laboratories for chemical and biological research.

### **Disputes**

Since 1998 there exists a dispute between SBL Vaccin and Maxim Pharmaceutical Inc. The dispute concerns a license agreement between the companies regarding SBL's rCTB technology. Maxim's request that the dispute be settled in an American court of law was rejected according to SBL's demand and is now being settled through Swedish arbitration proceedings.

The first part of the dispute, which concerns the specification of the extent of the licence, was decided in the autumn to SBL's disadvantage, this, however is not important to SBL's activity. The arbitration board will now examine whether SBL, as according to Maxim's assertion, is guilty of a breach of contract, which could lead to a liability for SBL

The company's view is that Maxim's demand for liability lacks validity.

### **Significant events after the end of the year**

In February Börje Haag took up his appointment as new Head of Production in the group. The company is in final negotiations regarding the acquisition of all of P&U's TTS patents and rights within cancer, primarily lung and kidney cancer. Negotiations concerning a long-term agreement for bulk sales of the polio vaccine IPV are in their final stage. The first effect data from the Phase III trials of ETEC are expected to follow plans and be available at the end of March this year.

### **Sales and earnings**

The group's sales amounted to 267 million SEK (515), of which 75 million SEK (50) is contract research to P&U.

The operating profit/loss was -112 million SEK (-36) and the pre-tax result was -58 million SEK (-35). Included in the result is the capital gain from the sale of properties at 140 million SEK. The result has further been burdened with a non-recurrent expense of 9 million SEK for the liquidation of Actinova.

### **Financial position**

Available liquid funds including unutilised lines of credit amounting at year-end to 680 million SEK (644). Credit facilities approved amounted to 130 million SEK (77) with an unused part of 87 million SEK (52). Cash and bank balances, including short-term investments

on the balance sheet, amounted to 545 million SEK (612). Of the liquidity, short-term investments accounted for 467 million SEK. The group's equity/assets ratio amounted to 74 per cent (68).

### **Personnel**

The average number of employees within the group totalled 341 (508) of which 208 were women (214). The breakdown of the workplaces and information about salaries paid, is shown in notes 19 and 20.

### **Investments**

Net investments in the group amounted to -295 million SEK. Large investments have been made in SBL Vaccin, which, for example, has invested in a new plant for the production of polio vaccine and in an expansion of the production plant for ETEC and cholera vaccines. The reason for the negative net investments in the group is the Wilh. Sonesson dividend that has not had any cash effect.

### **Parent Company**

The result after financial items amounted to -68 million SEK (-77). Available liquidity, including short-term investments, was 538 million SEK (475) and the equity/assets ratio was 65 per cent (85). Net investments in shares in the subsidiary company amounted to -70 million SEK of which -33 million SEK pertained to the depreciation of shares in Actinova Ltd. Details regarding the number of employees and salaries are shown in notes 22 and 23. During the year,

a group contribution was made to Active Biotech Research of 118 million SEK, 68.7 million SEK was received from SBL Vaccin and 1.6 million SEK from Lund Research Center.

In the spring, a new issue was made of 94 million SEK to Actinova Ltd. Due to the liquidation, the shares in Actinova have been quoted to 82 million SEK and now has a book value of 12 million SEK.

The Board of Directors' and the President's proposal on the appropriation of the year's result is presented on page 54.

### **Report on the Board's work in 1999**

As a result of the change of Active Biotech into a biotechnology under-taking, the composition of the Board of Directors was altered during 1999. In connection with the Annual General Meeting, two new board members were elected on to the Board of Directors, whilst two board members chose to leave the Board of Directors. Bo Håkansson was appointed as the new Chairman of the Board. Aside from the permanent board members, two permanent employee representatives and two deputy members were also appointed.

During the year, five recorded Board meetings and two capsulum meetings have been held. The President has kept both the Chairman of the Board as well as other board members informed about the development of the Company, on an ongoing basis. Important matters which have been dealt with by the Board of Directors, include:

- The Wilh. Sonesson dividend
- The development of the research projects
- Recruitment of new President & C.E.O.
- Business development project
- Reorganisation and savings program
- Property sales

## *Definitions*

### **Return on shareholders' equity**

Profit for the year as a percentage of average shareholders' equity.

### **Return on capital employed**

Operating profit/loss after net financial items, plus financial expense 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 interest as a percentage of total assets.

### **Proportion of risk-bearing capital**

Shareholders' equity, plus minority interest, and deferred tax liabilities as a percentage of the balance sheet total.

### **Interest coverage ratio**

Operating profit/loss after financial items, plus financial expense, divided by financial expense.

### **Net debt/equity ratio**

Net interest-bearing liabilities (interest-bearing liabilities less

short-term investments) divided by shareholders' equity, including minority interest.

### **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.

## Profit and loss accounts

Amounts in thousand SEK		THE GROUP		THE PARENT COMPANY	
		1999	1998	1999	1998
Net sales	Note 1	267,347	514,705	3,250	4,363
Cost of goods sold	Note 2	- 147,852	- 377,154	-	-
<b>GROSS PROFIT</b>		<b>119,495</b>	137,551	<b>3,250</b>	4,363
Selling expenses	Note 2	- 23,779	- 65,013	-	-
Administrative expenses	Notes 2,4	- 74,680	- 69,934	- 51,158	- 62,411
Research and development costs	Note 2	- 270,732	- 134,467	- 9,446	-
Items affecting comparability	Note 3	139,574	86,426	15,000	25
Other operating income and costs	Note 2	- 2,201	9,873	138	1
<b>OPERATING PROFIT / LOSS</b>	Note 22	<b>- 112,323</b>	- 35,564	<b>- 42,216</b>	- 58,022
<i>Result from financial investments</i>					
Result from shares in subsidiaries	Note 5	-	- 13,057	- 81,629	- 40,000
Interest income and similar income items	Note 6	59,477	30,941	57,359	25,215
Interest expense and similar expense items	Note 7	- 4,738	- 17,265	- 1,189	- 4,646
<b>OPERATING PROFIT / LOSS AFTER FINANCIAL ITEMS</b>		<b>- 57,584</b>	- 34,945	<b>- 67,675</b>	- 77,453
Minority interest		-	- 101	-	-
<b>PROFIT / LOSS BEFORE APPROPRIATIONS AND TAX</b>		<b>- 57,584</b>	- 35,046	<b>- 67,675</b>	- 77,453
Appropriations	Note 8	-	-	52	524
<b>PROFIT / LOSS BEFORE TAX</b>		<b>- 57,584</b>	- 35,046	<b>- 67,623</b>	- 76,929
Tax on profit for the year	Note 9	- 4,464	1,488	-17,741	- 1,126
<b>NET PROFIT / LOSS FOR THE YEAR</b>		<b>- 62,048</b>	- 33,558	<b>- 85,364</b>	- 78,055

## Balance sheets

Amounts in thousand SEK	THE GROUP		THE PARENT COMPANY	
	1999	1998	1999	1998
<b>ASSETS</b>				
Research and development	251,197	219,412	-	-
Patent, licenses and trademarks	31,746	33,113	-	-
Goodwill	-	26,159	-	-
Other	400	400	-	-
<b>Total intangible fixed assets</b>	Note 10 <b>283,343</b>	279,084	-	-
Buildings and land	-	145,472	-	-
Machinery and other technical facilities	180,870	332,164	-	-
Equipment, tools and other technical fixtures and fittings	14,515	26,206	844	1,078
Ongoing new plants	8,102	37,893	-	-
<b>Total tangible fixed assets</b>	Note 11 <b>203,487</b>	541,735	<b>844</b>	1,078
Shares in subsidiaries	Note 12 -	-	799,621	869,590
Other long-term securities holding	93,430	93,430	93,430	40,000
Other long-term receivables	8,875	1,279	345	-
<b>Total financial fixed assets</b>	<b>102,305</b>	94,709	<b>893,396</b>	909,590
<b>Total fixed assets</b>	<b>589,135</b>	915,528	<b>894,240</b>	910,668
<b>Total inventories</b>	Note 13 <b>55,051</b>	75,169	-	-
Accounts receivable – trade	46,712	59,560	-	4
Receivables at subsidiaries	-	-	150,191	138,170
Tax receivables	-	-	-	159
Other receivables	Note 14 201,307	351,458	7,201	7,872
<b>Total short-term receivables</b>	<b>248,019</b>	411,018	<b>157,392</b>	146,205
Other short-term investments	Note 15 467,194	423,630	467,194	411,797
Cash and bank balances	Note 16 77,898	188,811	18,426	83,611
<b>Total short-term investments</b>	<b>545,092</b>	612,441	<b>485,620</b>	495,408
<b>Total current assets</b>	<b>848,162</b>	1,098,628	<b>643,012</b>	641,613
<b>TOTAL ASSETS</b>	<b>1,437,297</b>	2,014,156	<b>1,537,252</b>	1,552,281

Amounts in thousand SEK	THE GROUP		THE PARENT COMPANY		
	1999	1998	1999	1998	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<i>Restricted shareholders' equity</i>					
Share capital	281,157	281,157	281,157	281,157	
Share premium fund	733,628	732,910	760,698	759,979	
Other funds	Note 17	62,054	39,918	30,674	
	<b>1,076,839</b>	1,053,985	<b>1,072,529</b>	1,071,810	
<i>Unrestricted shareholders' equity</i>					
Balanced profit	49,523	343,330	4,240	317,973	
Profit for the year	- 62,048	- 33,559	- 85,364	- 78,056	
	<b>- 12,525</b>	309,771	<b>- 81,124</b>	239,917	
<b>Total shareholders' equity</b>	Notes 18, 19	<b>1,064,314</b>	1,363,756	<b>991,405</b>	1,311,727
<b>Minority interests</b>		-	3,767	-	-
<b>Untaxed reserves</b>		-	-	-	52
Provision for pensions		23,421	36,463	-	-
Provision for taxes	Note 9	9,073	22,025	-	-
Structural reserve		-	-	-	-
<b>Total allocations</b>		<b>32,494</b>	58,488	-	52
Interest-bearing long-term liabilities		50,000	159,322	-	-
Convertible loan		-	-	-	-
Other long-term liabilities		91,024	136,970	79,000	120,000
<b>Total long-term liabilities</b>		<b>141,024</b>	296,292	<b>79,000</b>	120,000
Accounts payable – trade		50,995	89,863	1,901	11,154
Debts to subsidiaries		-	-	431,618	56,689
Tax liabilities		3,475	1,083	3,445	-
Interest-bearing current liabilities		1,013	44,998	-	-
Other current liabilities	Note 20	143,982	155,909	29,883	52,659
<b>Total current liabilities</b>		<b>199,465</b>	291,853	<b>466,847</b>	120,502
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<b>1,437,297</b>	2,014,156	<b>1,537,252</b>	1,552,281
Assets pledged and contingent liabilities	Note 21				

## Cash flow analysis

Amounts in thousand SEK	THE GROUP		THE PARENT COMPANY	
	1999	1998	1999	1998
<i>The current activity</i>				
Operating profit / loss after financial items	- 57,584	- 34,945	- 58,176	- 77,453
Regulations of items not included in the cash flow, etc. Note 24	- 118,175	- 18,430	82,044	7,056
	- 175,759	- 53,375	23,868	- 70,397
Taxes paid	- 960	- 2,617	- 859	- 1,126
<b>Cash flow from the current activity before change in net working capital</b>	<b>- 176,719</b>	<b>- 55,992</b>	<b>23,009</b>	<b>- 71,523</b>
<i>Cash flow from the change in net working capital</i>				
Increase(-) /reduction(+) of inventories	2,627	- 14,387	-	-
Increase(-) /reduction(+) of current receivables	295,621	- 314,785	59,031	- 104,245
Increase(-) /reduction(+) of current liabilities	- 16,250	108,330	122,927	- 45,337
<b>Cash flow from the current activity</b>	<b>105,279</b>	<b>- 276,834</b>	<b>204,967</b>	<b>- 221,105</b>
<i>Investment activity</i>				
Shareholders' contribution	-	-	-	- 24,846
Acquisition of subsidiaries Note 25	-	- 10,565	-	-
Sales of subsidiaries Note 26	- 104,590	- 37,487	-	-
Acquisition of intangible fixed assets	- 44,378	- 60,238	- 181	-
Sale of intangible fixed assets	-	-	-	-
Acquisition of tangible fixed assets	- 50,926	- 111,914	-	- 653
Sale of tangible fixed assets	58,200	356,333	-	-
Acquisition of financial assets	-	- 54,709	- 102,294	- 50,783
Sales of financial assets	1,161	-	-	58,672
<b>Cash flow from the investment activity</b>	<b>- 140,533</b>	<b>81,420</b>	<b>- 102,475</b>	<b>- 17,610</b>
<i>Investment activity</i>				
New issues	719	498,917	719	525,987
Amortisation of loan debts	- 32,814	- 7,535	-	- 15,000
Paid dividend	-	- 22,264	-	- 22,264
Group contributions provided	-	-	-113,000	-
<b>Cash flow from the financial activity</b>	<b>- 32,095</b>	<b>469,118</b>	<b>- 112,281</b>	<b>488,723</b>
<b>Cash flow for the year</b>	<b>- 67,349</b>	<b>273,704</b>	<b>- 9,789</b>	<b>250,008</b>
<b>Liquid funds at the beginning of the year</b>	<b>612,441</b>	<b>338,737</b>	<b>495,408</b>	<b>245,400</b>
LIQUID FUNDS AT YEAR - END Note 16	<b>545,092</b>	<b>612,441</b>	<b>485,619</b>	<b>495,408</b>

# Comments to the financial statements

## Accounting principles

The accounting principles applied comply with the Swedish Annual Accounts Act.

## Consolidated accounting

The consolidated accounting includes the Parent Company and those companies in which 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.

The Group companies' untaxed reserves are divided into a shareholders' equity item, which is included in restricted reserves, and a deferred tax liability which is reported as a provision under the "Tax provision" heading. Deferred tax liability has been calculated in accordance with the tax rates in the respective country.

Minority share of the subsidiaries' shareholders' equity is reported as a separate item between shareholders' equity and provisions. This item also includes minority participations in the shareholders' equity proportion of untaxed reserves.

Companies, which have been divested during the year, are not included in the accounts. Companies that were acquired during the year are included in the consolidated accounting from the time of acquisition.

The group balance sheet has been drawn up in accordance with the purchase method. This means that the equity capital, which, at

the time of the acquisition, existed in the subsidiary, is fully eliminated. Consequently only earnings that occur after the acquisition are included in the group's shareholders' equity. The shareholders' equity in the acquired subsidiary is determined on the basis of a market evaluation of assets and liabilities at the time of the acquisition (acquisition analysis). These market values, together with direct costs attributable to the acquisition, constitute the group's acquisition cost. The difference between the acquisition value of the subsidiary's shares and the calculated value of equity capital upon the acquisition analysis, is accounted as group goodwill or, alternatively, negative goodwill.

Goodwill and surplus values attributed to specific assets are depreciated according to plan in the consolidated income statement.

## Inventories

The inventories are assessed at the lower of the acquisition value and the actual value in accordance with the so-called first-in-first-out (FIFO) principle, whereby the necessary provisions for obsolescence are made with an appropriate amount.

## Evaluation of receivables and liabilities

Receivables are reported at the amounts whereby they are expected to be received. Liabilities are reported at their nominal values.

## Translation of foreign subsidiaries

Translation of the foreign subsidiaries' balance sheets has been made at year-end exchange rates. The profit and loss accounts have been translated at average exchange rates for the year. Translation differences, which arise, are assigned directly to the group's shareholders' equity.

## Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been valued at year-end exchange rates.

## Research and development

The group capitalises development costs, which meet the capitalisation requirements in accordance with BFN R1 and IAS 9. The capitalisation relates to development costs which have a specific application in mind and which are clearly limited to projects. Costs that relate to basic research are charged against the profit for the year in which they occur.

## Valuation of shares in subsidiaries

In such a case where the subsidiaries' research and development costs are financed with capital contributions, the entered value on the subsidiaries' shares has been increased with the corresponding amount. Thereafter there has been an assessment as to whether or not the entered value corresponds to an assessed actual value on these shares. If this were not the case, shares in the subsidiaries have been noted.

## 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. According to plan, depreciation is made in line with the following percentage rates:

Machinery	10-20 %
Computer equipment	20-30 %
Buildings	2-14 %
Land improvements	3-14 %
Goodwill	10 %
R&D-costs*	7 %

\* Amortisation of R&D costs commences when the product becomes available for sale or use. Amortisation is effected according to plan and the amortisation periods are assessed individually according to the respective product's economic life. The amortisation period does not, however, exceed the patent period for the product.

# Notes to the income statements and balance sheets

## Note 1 Sales per country

Thousand SEK	The group	
	1999	1998
Sweden	228,430	445,763
Norway	24,553	31,665
Denmark	1,297	20,577
Rest of Europe	1,294	13,662
Total Europe	255,574	511,667
Rest of the world	11,773	3,038
Total	267,347	514,705

Sales of the parent company amount to 3 250 thousand SEK and relate to internal services.

## Note 2 Depreciation according to plan

Thousand SEK	The group					
	1999			1998		
	Intangible assets	Tangible assets	Total assets	Intangible assets	Tangible assets	Total assets
<i>Distribution by function</i>						
Production	1,211	6,747	7,958	2,123	27,485	29,608
Sales	-	166	166	5	898	903
Administration	685	1,119	1,804	2,440	221	2,661
Research and development	361	22,634	22,995	335	18,332	18,668
Other operating income and costs	-	6,539	6,539	-	5,890	5,890
<b>Total depreciation</b>	2,257	37,205	39,462	4,903	52,826	57,729
<i>Type of assets</i>						
Patents, licenses and trademarks	1,572	-	1,572	1,326	-	1,326
Goodwill	685	-	685	3,577	-	3,577
Machinery and equipment	-	33,164	33,164	-	29,743	29,743
Aircraft	-	-	0	-	3,398	3,398
Helicopters	-	-	0	-	13,525	13,525
Buildings	-	4,041	4,041	-	6,160	6,160
	2,257	37,205	39,462	4,903	52,826	57,729

*The parent company:* The parent company's depreciation for 1999 amounted to 181 thousand SEK (415) and related to machinery and inventories within function administration.

### Note 3 Items affecting comparability

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Capital gain at sale of property	139,574	79,657	15,000	-
Other items	-	6,769	-	25
	139,574	86,426	15,000	25

### Note 4 Auditor's remuneration

Thousand SEK	Auditor's commission	Other commissions
Mats BC Ohlsson, KPMG	406	374
Reidar Peters, Arthur Andersen	69	38
	475	412

### Note 5 Result from shares in subsidiaries

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Shareholders' contribution	-	-	-	- 40,000
Depreciation of shares in subsidiaries	-	-	- 81,629	-
Capital gain at sale	-	- 13,057	-	-
	-	- 13,057	- 81,629	- 40,000

### Note 6 Other Interest income and similar income items

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Dividend	1,271	835	968	835
Interest	11,184	17,558	9,219	13,465
Capital gain at sale	47,022	12,548	47,172	10,915
	59,477	30,941	57,359	25,215

No interest income has been received from subsidiaries.

### Note 7 Interest expense and similar expense items

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Interest	- 4,738	- 17,265	- 800	- 1,260
Capital gain at sale	-	-	- 389	- 3,386
	- 4,738	- 17,265	- 1,189	- 4,646

## Note 8 Appropriations

Thousand SEK	The parent company	
	1999	1998
Group contributions received	-	441
Group contributions provided	-	- 49
Reversal of excess depreciation	52	132
	52	524

## Note 9 Taxes

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Income tax	- 4,464	- 3,385	- 4,464	- 1,126
Tax effect on group contributions	-	-	- 13,277	-
Deferred tax on profit for the year	-	4,873	-	-
	- 4,464	1,488	- 17,741	- 1,126

There is no tax liability included under the "Provision for taxes" heading in the consolidated balance sheet.

## Note 10 Intangible assets

Thousand SEK	The group									
	1999					1998				
	Research & development	Patent, licenses & trade-marks	Good-will	Other	Total	Research & development	Patent, licenses & trade-marks	Good-will	Other	Total
Acquisition values	226,051	34,623	36,945	400	298,019	189,243	4,850	36,778	400	231,271
Acquisitions	68,644	152	-	-	68,796	36,808	29,773	167	-	66,748
Sales/scrapplings	-	-	- 36,945	-	- 36,945	-	-	-	-	-
<b>Accumulated acquisition values</b>	<b>294,695</b>	<b>34,775</b>	<b>0</b>	<b>400</b>	<b>329,870</b>	<b>226,051</b>	<b>34,623</b>	<b>36,945</b>	<b>400</b>	<b>298,019</b>
Depreciation	6,639	1,509	10,786	-	18,934	-	313	7,209	-	7,522
Sales/scrapplings	36,859	-	- 11,471	-	25,388	6,639	-	-	-	6,639
The year's depreciation according to plan	-	1,572	685	-	2,257	-	1,326	3,577	-	4,903
Exchange rate difference	-	- 52	-	-	- 52	-	- 130	-	-	- 130
<b>Accumulated depreciation according to plan.</b>	<b>43,498</b>	<b>3,029</b>	<b>0</b>	<b>0</b>	<b>46,527</b>	<b>6,639</b>	<b>1,509</b>	<b>10,786</b>	<b>0</b>	<b>18,934</b>
<b>Planned residual value</b>	<b>251,197</b>	<b>31,746</b>	<b>0</b>	<b>400</b>	<b>283,343</b>	<b>219,412</b>	<b>33,113</b>	<b>26,159</b>	<b>400</b>	<b>279,084</b>

*The parent company*

The parent company has no intangible assets.

## Note 11 Tangible assets

The Group

Thousand SEK	1999					1998				
	Buildings and land	Machinery & other technical facilities	In-ventory tool & installation	On-going new plants	Total	Buildings and land	Machinery & other technical facilities	In-ventory tool & installation	On-going new plants	Total
Initial acquisition values	176,838	449,056	61,193	37,893	<b>724,980</b>	169,715	838,470	46,182	105,902	1,160,269
Acquisitions	-	10,207	7,317	13,375	<b>30,899</b>	2,486	194,042	18,666	25,564	240,758
Sales/scrappings	- 158,169	- 269,541	- 37,511	- 11,022	<b>- 476,243</b>	- 15	- 592,321	- 3,655	- 80,056	- 676,047
Reclassifications	- 18,669	49,065	1,748	- 32,144	<b>0</b>	4,652	8,865	-	- 13,517	0
<b>Accumulated acquisition values</b>	<b>0</b>	<b>238,787</b>	<b>32,747</b>	<b>8,102</b>	<b>279,636</b>	176,838	449,056	61,193	37,893	724,980
Depreciation	31,366	116,892	34,987	-	<b>183,245</b>	25,206	160,349	25,740	-	211,295
Acquired depreciation	-	-	-	-	<b>0</b>	-	-	481	-	481
Sales/scrappings	- 32,919	- 88,637	- 22,556	-	<b>- 144,112</b>	-	- 81,023	- 481	-	- 81,504
The year's depreciation according to plan	4,041	27,174	5,990	-	<b>37,205</b>	6,160	37,566	9,100	-	52,826
Reclassifications	- 2,488	2,488	-	-	<b>0</b>	-	-	-	-	0
Exchange rate differences	-	-	- 189	-	<b>- 189</b>	-	-	147	-	147
<b>Accumulated depreciation according to plan</b>	<b>0</b>	<b>57,917</b>	<b>18,232</b>	<b>0</b>	<b>76,149</b>	31,366	116,892	34,987	0	183,245
<b>Planned residual value</b>	<b>0</b>	<b>180,870</b>	<b>14,515</b>	<b>8,102</b>	<b>203,487</b>	145,472	332,164	26,206	37,893	541,735

The parent company

Thousand SEK	1999		1998	
	Equipment, tools, fixtures and fittings	Total	Equipment, tools, fixtures and fittings	Total
Acquisition values	2,945	<b>2,945</b>	3,350	3,350
Acquisitions	351	<b>351</b>	846	846
Sales/scrappings	- 1,273	<b>- 1,273</b>	- 1,251	- 1,251
<b>Accumulated acquisition values</b>	<b>2,023</b>	<b>2,023</b>	2,945	2,945
Depreciation	1,867	<b>1,867</b>	2,510	2,510
Sales/scrappings	- 869	<b>- 869</b>	- 1,058	- 1,058
The year's depreciation according to plan	181	<b>181</b>	415	415
<b>Accumulated depreciation according to plan</b>	<b>1,179</b>	<b>1,179</b>	1,867	1,867
<b>Planned residual value</b>	<b>844</b>	<b>844</b>	1,078	1,078

## Note 12 Shares in subsidiaries

31 Dec. 1999 (Thousand SEK)	Comp. No.	Head office	Number	Holding	Par value	Book value
Lund Research Center AB	556168-8515	Lund	200	100%	200	350,782
Active Biotech Research AB	556541-8323	Lund	1,000	100%	100	100
SBL Vaccin AB	556459-7416	Stockholm	625,000	100%	62,500	409,775
Vitec AB	556217-8623	Stockholm	1,000	100%	100	-
Actinova Ltd		Cambridge	4,500,000	100%	450,000 GBP	12,015
Actigen Ltd		Cambridge	1,000	100%	1,000GBP	-
Actinova AB	556532-8860	Lund	1,000	100%	100	-
Movera Holding 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 in Malmö AB	556254-0947	Lund	1,000	100%	100	-
Lingonstigen in Malmö AB	556469-6069	Lund	2,000	100%	200	-
Nicora in Malmö AB	556475-1062	Lund	1,000	100%	100	-
						<b>799,621</b>

## Note 13 Goods in stock

Thousand SEK	The group	
	1999	1998
Raw materials stocks	<b>14,079</b>	15,989
Products under preparation	<b>25,483</b>	35,405
Finished goods stocks	<b>15,489</b>	23,775
	<b>55,051</b>	75,169

## Note 14 Other receivables

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Interest	<b>4,070</b>	2,390	<b>3,439</b>	2,374
Accrued supplier invoicing	<b>4,992</b>	9,905	<b>300</b>	365
Other items	<b>6,522</b>	3,868	<b>404</b>	394
Total prepaid expense and accrued income	<b>15,584</b>	16,163	<b>4,143</b>	3,133
Other current receivables*	<b>185,723</b>	335,295	<b>3,058</b>	4,739
	<b>201,307</b>	351,458	<b>7,201</b>	7,872

\* of which receivable for sale of property 176.3 million SEK.

### Note 15 Short-term investments

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Shares and participations	<b>467,194</b>	423,630	<b>467,194</b>	411,797
Market value of shares and interests	<b>485,984</b>	430,045	<b>485,984</b>	418,212

### Note 16 Available liquid funds

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Cash and bank balances	<b>77,898</b>	188,811	<b>18,426</b>	83,611
Short-term investments	<b>467,194</b>	423,630	<b>467,194</b>	411,797
Of which, blocked bank funds	<b>- 4,966</b>	- 20,398	<b>- 4,966</b>	- 20,398
Credit lines approved	<b>130,000</b>	77,041	<b>100,000</b>	-
Utilised credit lines	<b>- 43,267</b>	- 24,839	<b>- 42,254</b>	-
Available liquid funds	<b>626,859</b>	644,245	<b>538,400</b>	475,010

In short-term investments 99,815 thousand SEK is included from the 31-12-1999, which acted as security for credit promises. As the security was paid in the beginning of the year 2000 the entire amount is included in available liquidity. Not included in the available liquid funds is the exchange item in Lifo of 53,430 thousand SEK (Market value 31-12-1999 56,704 thousand SEK).

### Note 17 Other funds

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Reserve fund	<b>30,674</b>	30,674	<b>30,674</b>	30,674
Other restricted reserves	<b>31,380</b>	9,244	-	-
	<b>62,054</b>	39,918	<b>30,674</b>	30,674

## Note 18 Shareholders' equity

Thousand SEK	Share capital	Restricted reserves	Unrestricted shareholders' equity	Total
THE GROUP				
<b>Opening balance, 1 Jan. 1998</b>	<b>139,150</b>	<b>52,421</b>	<b>355,248</b>	<b>546,819</b>
Appropriation of profit for 1997:				
Dividend	-	-	- 22,264	- 22,264
Options programme for employees	-	4,057	-	4,057
Increase in share capital due to new issue	132,287	702,573	-	834,860
Conversion of convertible loan	9,720	26,280	-	36,000
Translation differences	-	-	- 2,157	- 2,157
Shifts between restricted and unrestricted shareholders' equity	-	- 12,502	12,502	0
Profit for the year	-	-	- 33,559	- 33,559
<b>Opening balance, 1 Jan. 1999</b>	<b>281,157</b>	<b>772,829</b>	<b>309,770</b>	<b>1,363,756</b>
Appropriation of profit for 1998:				
Dividend	-	- 1,019	- 226,792	- 227,811
Options programme for employees	-	718	-	718
Depreciation of goodwill	-	-	- 10,274	- 10,274
Shifts between restricted and unrestricted shareholders' equity	-	23,154	- 23,181	- 27
Profit for the year	-	-	- 62,048	- 62,048
<b>Closing balance, 31 Dec. 1999</b>	<b>281,157</b>	<b>795,682</b>	<b>- 12,525</b>	<b>1,064,314</b>
THE PARENT COMPANY				
<b>Opening balance, 1 Jan. 1998</b>	<b>139,150</b>	<b>30,674</b>	<b>340,236</b>	<b>510,060</b>
Appropriation of profit for 1997:				
Dividend	-	-	- 22,264	- 22,264
Increase in share capital due to new issue	132,287	729,064	-	861,351
Conversion of convertible loan	9,720	26,280	-	36,000
Options programme for employees	-	4,635	-	4,635
Profit for the year	-	-	- 78,056	- 78,056
<b>Opening balance, 1 Jan. 1999</b>	<b>281,157</b>	<b>790,653</b>	<b>239,917</b>	<b>1,311,727</b>
Appropriation of profit for 1998:				
Dividend	-	-	- 201,531	- 201,531
Group contributions	-	-	- 34,146	- 34,146
Options programme for employees	-	719	-	719
Profit for the year	-	-	- 85,364	- 85,364
<b>Closing balance, 31 Dec. 1999</b>	<b>281,157</b>	<b>791,372</b>	<b>- 81,124</b>	<b>991,405</b>

## Note 19 Share capital

	A shares	B shares	Total shares	Share capital
<b>Opening balance, 1 Jan. 1999</b>	1,972,695	9,273,597	11,246,292	281,157,300
Re-stamping from A to B shares	- 8,950	8,950	0	0
<b>Closing balance, 31 Dec. 1999</b>	<b>1,963,745</b>	<b>9,282,547</b>	<b>11,246,292</b>	<b>281,157,300</b>

A-shares carry an entitlement to 1 vote and B shares to 1/10 of a vote. The annual General Meeting resolved on the 16-04-98 to issue a maximum of 500,000 share options for sale to employees in the Active Biotech Group. At the balance sheet date, 490,000 options have been subscribed and the Group has received 4,775 thousand SEK. Each share option carries an entitlement to subscribe for one B share during the period 25-11-2001 to 23-02-2003 at a cost of 314 SEK.

**Note 20 Other short-term liabilities**

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Accrued personal costs	24,183	22,624	10,166	1,148
Interest	-	270	-	-
Prepaid rental income	1,781	1,781	-	-
Accrued cost of goods	-	7,579	-	-
Accrued research costs	24,398	11,471	9,446	-
Prepaid contracted research income	40,000	15,000	-	-
Other items	26,089	13,593	4,128	1,534
Total accrued expense and prepaid income	116,451	72,318	23,740	2,682
Other current liabilities	27,531	83,591	6,143	49,977
	143,982	155,909	29,883	52,659

**Note 21 Assets pledged and contingent liabilities**

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
<i>Assets pledged</i>				
For liabilities to credit institutions	179,815	467,785	99,815	-
FPG/PRI pensions	10,000	25,000	-	-
Other	5,039	20,398	4,966	20,398
	194,854	513,183	104,781	20,398
<i>Contingent liabilities</i>				
Guarantees	-	-	-	10,625
Warranties	6,490	915	6,022	193
	6,490	915	6,022	10,818
Of which, to group companies	-	-	5,690	10,625
<b>Total assets pledged and contingent liabilities</b>	<b>201,344</b>	<b>514,098</b>	<b>110,803</b>	<b>31,216</b>
<i>Assets pledged for liabilities to credit institutions</i>				
Company certificate	99,815	-	99,815	-
Real estate mortgages	50,000	53,415	-	-
Chattel mortgages	30,000	37,743	-	-
Aircraft mortgages	-	74,277	-	-
Helicopter mortgages	-	97,445	-	-
Net value of assets in subsidiaries	-	204,905	-	-
	179,815	467,785	99,815	-
FPG/PRI pensions, chattel mortgages	10,000	25,000	-	-
Blocked bank funds	5,039	20,398	4,966	20,398
	15,039	45,398	4,966	20,398

## Note 22 Wages, salaries and other remuneration

Thousand SEK	1999			1998		
	Board and Managing director	Of which, profit-related wages and salaries	Other employees	Board and Managing director	Of which, profit-related wages and salaries	Other employees
<i>The Parent Company</i>						
Sweden	7,032	-	7,060	2,050	-	3,783
<b>Parent Company totals</b>	<b>7,032</b>	<b>-</b>	<b>7,060</b>	<b>2,050</b>	<b>-</b>	<b>3,783</b>
<i>Subsidiaries in Sweden</i>						
	896	-	94,024	3,547	-	109,476
<i>Subsidiaries outside Sweden</i>						
UK	1,476	-	8,860	-	-	5,597
Germany	-	-	-	905	-	2,078
Denmark	-	-	-	-	-	2,100
<b>Total in subsidiaries</b>	<b>2,372</b>	<b>-</b>	<b>102,884</b>	<b>4,452</b>	<b>-</b>	<b>119,251</b>
<b>Group total</b>	<b>9,404</b>	<b>-</b>	<b>109,944</b>	<b>6,502</b>	<b>-</b>	<b>123,034</b>

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Board of Directors and Managing Director	9,404	6,502	7,032	2,050
Other employees	109,944	123,034	7,060	3,783
<b>Total wages, salaries and remuneration</b>	<b>119,348</b>	<b>129,536</b>	<b>14,092</b>	<b>5,833</b>
Social security costs	67,886	59,089	15,169	5,853
of which pension costs	30,728	17,612	10,345	3,851
(of which to chairman of the board and MD)	7,926	1,563	7,528	1,563
<b>Total payroll costs</b>	<b>187,234</b>	<b>188,625</b>	<b>29,261</b>	<b>11,686</b>

### Senior management's conditions of employment

In accordance with the Annual General Meeting's resolution, a fee of SEK 800,000 was paid in 1999 to the members of the board who are not employed within Active Biotech.

A payment of 3,060 000 SEK was paid in 1999 to the working chairman of the board, Bo Håkansson. Active Biotech has also issued a pension undertaking, which provides a life-long pension amounting to 40 per cent of the annual salary cost in the year 2002.

A payment of SEK 2,484 000 was paid in 1999 to the managing director Sven Andréasson. Pension allocations corresponding to 30 per cent of the salary have been made. Upon termination of the appointment on the part of the company, the MD possesses the right to compensation corresponding to 12 months' salary.

Agreements regarding severance pay to other senior executives are not made. Pension benefits for other senior executives are payable in the interval between ITP conditions and up to 25 per cent of salary.

## Note 23 Personnel

	1999		1998	
	Number of employees	Of whom women	Number of employees	Of whom women
<b>PARENT COMPANY</b>				
Lund	9	4	7	3
<b>Parent Company total</b>	<b>9</b>	<b>4</b>	<b>7</b>	<b>3</b>
<b>SUBSIDIARIES</b>				
<i>Sweden</i>				
Malmö	-	-	106	13
Solna	142	93	124	81
Matfors	-	-	4	3
Helsingborg	-	-	39	5
Svenljunga	-	-	28	3
Lund	175	104	169	97
Göteborg	-	-	2	-
Jönköping	-	-	2	-
Sundsvall	-	-	2	1
Stockholm	-	-	2	1
Eskilstuna	-	-	1	-
<b>Total Sweden, including the Parent Company</b>	<b>326</b>	<b>201</b>	<b>486</b>	<b>207</b>
UK	15	7	11	5
Germany	-	-	5	-
Denmark	-	-	4	2
Norway	-	-	2	-
<b>outside Sweden</b>	<b>15</b>	<b>7</b>	<b>22</b>	<b>7</b>
<b>GROUP TOTAL</b>	<b>341</b>	<b>208</b>	<b>508</b>	<b>214</b>

## Note 24 Regulation of items that are not included in the cash flow, etc.

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
Depreciation of assets	39,462	65,829	81,991	7,056
Result of sale of fixed assets	- 139,456	- 97,799	53	-
Result of sale of company/subsidiary	-	14,273	-	-
Pension allocation	5,582	2,802	-	-
Group regulation	- 23,763	-	-	-
Other allocations	-	- 3,535	-	-
<b>Total</b>	<b>- 118,175</b>	<b>- 18,430</b>	<b>82,044</b>	<b>7,056</b>

## Note 25 Acquisition of subsidiaries

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
<i>Acquired assets and debts</i>				
Fixed tangible assets	-	350,667	-	-
Liquid funds	-	4,112	-	-
Total assets	-	354,789	-	-
<hr/>				
Short-term debts	-	4,112	-	-
Total debts and allocations	-	4,112	-	-
<hr/>				
Purchase-sum	-	350,677	-	-
Deduction: Initial share issue	-	340,000	-	-
Paid purchase-sum	-	10,677	-	-
Deduction: Liquid funds in the acquired operation	-	4,112	-	-
Influence on liquid assets	-	6,565	-	-

Also acquired in 1998, outstanding 16.4 per cent of the shares in Transport AB Movera. The purchase-sum amounted to 20,000 thousand SEK of which 4,000 thousand SEK was paid in 1998 with the rest in 1999.

## Note 26 Sale of subsidiaries

Thousand SEK	The group		The parent company	
	1999	1998	1999	1998
<i>Disposed assets and debts</i>				
Fixed tangible assets	-	558,576	-	-
Inventories	-	1,392	-	-
Short-term claims	-	5,440	-	-
Liquid funds	-	47,487	-	-
Total assets	-	612,895	-	-
<hr/>				
Allocations	-	44,443	-	-
Long-term debts	-	481,438	-	-
Short-term debts	-	62,741	-	-
Total debts and allocations	-	588,622	-	-
<hr/>				
Received purchase-sum	-	10,000	-	-
Deduction: Liquid funds in the sale of operation	-	- 47,487	-	-
Influence on liquid assets	-	- 37,487	-	-
<hr/>				
<i>Dividend</i>				
Effect on liquidity by the Wilh. Sonesson dividend	104,590	-	-	-

## *Proposed appropriation of profits*

The transferring of any fixed shareholders' equity is not proposed in the group.

The Board of Directors and the Managing Director propose that the year's loss in the parent company, SEK 85,364,182, be treated accordingly:

The requisitioning of retained profit SEK	4,239,811
The requisitioning of premium fund SEK	<u>81,124,371</u>
	85,364,182

Lund, 8th March 2000

The Board of Directors of Active Biotech AB (publ)

BO HAKANSSON Working chairman	SVEND HOLST-NIELSEN	LESLIE HUDSON
LARS JONUNG	HANS LINDELL	MATS PETTERSSON
LEIF STRÖMFELT	HUGO THELIN Vice chairman	ANDERS WILLIAMSSON
HANS WÄNNMAN	SVEN ANDRÉASSON Managing Director	

## Auditors' report

To the general meeting of the shareholders of Active Biotech AB (publ), Registered Number 556223-9227

I have audited the Parent Company and the consolidated financial statements, the accounts and the administration of the Board of Directors and the Managing Director of Active Biotech AB for the year 1999. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. My responsibility is to express an opinion on the financial statements and the administration based on my audit.

I have conducted the audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstate-

ment. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the financial statements. As a basis for my statement concerning freedom from liability I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board Member or the Managing Director or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

In my opinion, the Parent Company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and, therefore provides a correct picture of the Company and the Group's result and position in accordance with Generally Accepted Auditing Standards in Sweden.

Consequently I recommend that the shareholders' meeting adopts the income statements and the balance sheets of the Parent Company and the group, and that the loss of the Parent

Company is dealt with in accordance with the proposal in the Director's Report. I recommend that the Members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Lund, 8 March 2000

MATS B C OHLSSON  
Authorised Public Accountant  
KPMG

# Board of Directors, President & C.E.O. and Auditors

## Board of directors

BO HÅKANSSON, Working  
Chairman of the board  
Born 1946, Board Member since 1993  
Previously Board Member during  
1983-1992  
Board appointments:  
Lifco AB, Sydsvenska Industri- och  
Handelskammaren (Chamber of Industry  
and Commerce for Southern Sweden),  
Wilh. Sonesson AB  
Shareholding: 681020 Series A shares  
and 287 Series B shares, 81,500 options

HUGO THELIN, Vice-Chairman  
Born 1929, Board Member since 1998  
Board appointments:  
BioNative AB, Unimedica AB,  
Swedfund International AB, Karolinska  
Institutet Holding AB, Karolinska  
Investment Fund, Creative Peptides,  
Aerocrine AB, Ilsanta U AB  
Shareholding: 5,000 Series A shares

SVEND HOLST-NIELSEN  
Born 1940, Board Member since 1998  
Board appointments:  
Chairman of the board Unilever AB,  
Lindab AB, BenRad AB, HemoCue AB,  
Samhall-Gripen AB and Sydsvenska  
Industri- och Handelskammaren  
(Chamber of Industry and Commerce  
for Southern Sweden), Board Member  
in Scandic Hotels AB, Spendrups AB,  
Lifco AB, Ballingslöv Kök & Bad AB,  
SReg.Com, Industriförbundet (The  
Federation of Swedish Industries)  
Shareholding: 3,125 Series B shares

LESLIE HUDSON  
Born 1946, Board Member since 1998  
Senior Vice President  
Group Research Pharmacia & Upjohn

LARS JONUNG  
Born 1944, Board Member since 1996  
Professor Handelshögskolan (Stockholm  
School of Economics and Business  
Administration)  
Board appointments: SBI  
Shareholding: 2,000 Series A shares

HANS LINDELL  
Born 1944, Board Member since 1993  
Attorney with the firm of solicitors  
Nordia  
Board appointments:  
Svenska Aller AB, S & H Förlag AB,  
Douglas Krook AB, Joka Plast-Emballage  
AB  
Shareholding: 10,000 Series A shares

MATS PETERSSON  
Born 1945, Board Member since 1998  
Senior Vice President Pharmacia  
& Upjohn  
Board appointments:  
Amersham Pharmacia Biotech UK

ANDERS WILLIAMSSON  
Born 1954, Board Member since 1999  
Managing Director HemoCue AB  
Board appointments:  
Foss Tecator AB, Provinsbanken  
Helsingborg, Idéforum Nordvästra Skåne

SVEN ANDRÉASSON  
Born 1952, Board Member since 1999  
President & C.E.O. Active Biotech AB  
Shareholding: 35,000 Series B shares,  
101,000 options

### *Personnel representatives*

LEIF STRÖMFELT  
Born 1947, Board Member since 1999  
Employed since 1970  
Director of the technical branch SBL  
Vaccin  
300 options

HANS WÄNNMAN  
Born 1959, Board Member since 1999  
Employed since 1980  
Pharmacokinetics and metabolism, Lund

## Auditor

MATS B C OHLSSON  
Born 1947.  
Authorised Public Accountant  
KPMG  
Appointed auditor in 1983.

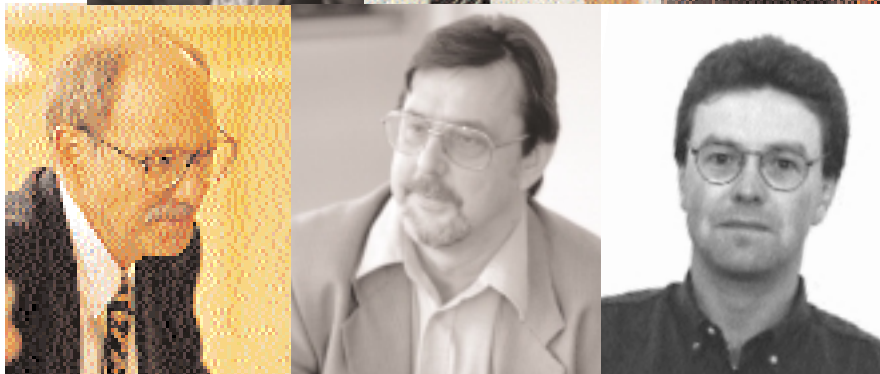
*Hugo Thelin  
Leslie Hudson  
Hans Lindell*



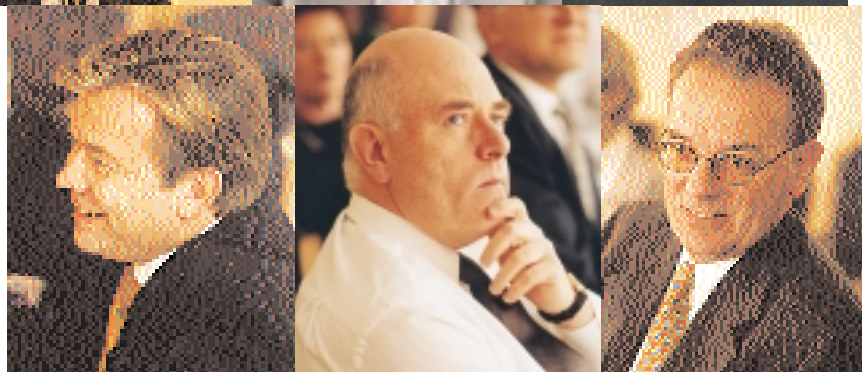
*Anders Williamsson  
Bo Håkansson  
Svend Holst-Nielsen*



*Lars Jonung  
Leif Strömfelt  
Hans Wännman*



*Sven Andréasson  
Mats Pettersson  
Mats B C Ohlsson*



## Senior executives

SVEN ANDRÉASSON

Born 1952. President & C.E.O.  
Employed since 1999  
Shareholding: 35,000 series B shares,  
101,000 options

MATS BLOM

Born 1965. Business Development  
& Economy  
Employed since 1998  
Shareholding: 2,000 series B shares,  
15,000 options

KARL OLOF BORG

Born 1941. Vice President  
Employed since 1998  
Shareholding: 25,600 options

HANS ENANDER

Born 1939. Market & Sales  
Since 1999 on a consulting agreement  
basis

HÅKAN FRÖDERBERG

Born 1958. Market & Sales  
Employed since 1998  
Shareholding: 125 series B shares,  
2,000 options

BÖRJE HAAG

Born 1941. Production  
Employed since 2000

ANDERS KÄRNELL

Born 1955. Medicine  
Employed since 1999  
Shareholding: 5,000 options

TOMAS LEANDERSON

Born 1956. Research & Development  
Employed since 1999  
Shareholding: 25,000 options

MATS LIDGARD

Born 1954. Law, Patent, Trademarks  
& Personnel  
Employed since 1999  
Shareholding: 500 series B shares,  
25,000 options

LENNART MOLVIN

Born 1947. Investor Relations  
& Information  
Employed since 1987  
Shareholding: 12,500 series A shares,  
10,000 share options

BJÖRN SJÖSTRAND

Born 1968. Administration,  
Service & IT  
Employed since 1998  
Shareholding: 1,000 series B shares,  
4,000 share options

*Sven Andréasson  
Karl Olof Borg  
Anders Kärnell*



*Tomas Leanderson  
Mats Lidgard  
Lennart Molvin*



*Mats Blom  
Björn Sjöstrand  
Börje Haag*



*Hans Enander  
Håkan Fröderberg*



