Active Biotech

2020

ANNUAL REPORT 2020 | ACTIVE BIOTECH AB

We are advancing our projects in specialist indications with high medical need and commercial potential

Diseases in which the immune system is of crucial importance

This Annual Report contains certain forward-looking information on Active Biotech. Although we believe that our expectations are based on reasonable assumptions, forward-looking statements could be affected by factors causing the actual outcome and trend to differ materially from the forecast. The forward-looking statements comprise various risks and uncertainties. There are significant factors that could cause the actual outcome to differ from that expressed or implied by these forward-looking statements, some of which are beyond our control. These include the risk that patent rights might expire or be lost, exchange-rate movements, the risk that research and development operations do not result in commercially successful new products, competition effects, tax risks, effects resulting from the failure of a third party to deliver products or services, difficulties in obtaining and maintaining official approval for products, and environmental responsibility risks.

Contents

ACTIVE BIOTECH IN BRIEF

Active Biotech develops pharmaceutical products within medical areas where the immune system is of significant importance, including cancer and inflammatory diseases. The project portfolio comprises both small, orally active immunomodulatory molecules and antibody-based immunotherapy.

Active Biotech is based in Lund, Sweden and was formed in 1998 as a spin-off from Pharmacia & Upjohn. The share is listed and traded on Nasdaq Stockholm (Small Cap). The company has core competence in cancer and inflammatory diseases and a competent team with extensive experience in drug development from early to late-stage clinical development.

Active Biotech has a partnership agreement with NeoTX, for the development and commercialization of naptumomab in cancer indications.

NAPTUMOMAB

Naptumomab increases the immune system's ability to recognize and attack the tumor. Preclinical data from various experimental models show synergistic anti-tumor effects and prolonged overall survival when naptumomab is combined with checkpoint inhibitors.

Naptumomab is developed in partnership with NeoTX for the treatment of solid cancer forms. The project is currently in clinical phase Ib/II.

TASQUINIMOD

Tasquinimod represents a new drug class with a mode of action that is complementary to current multiple myeloma therapies. There is an urgent need of efficacious and safe combination regimens including drugs with novel mode of actions to mitigate drug resistance.

A clinical study is conducted in multiple myeloma in an academic partnership with Abramson Cancer Center in Philadelphia with the principle investigator Dr. Dan Vogl. The project is currently in clinical phase Ib/IIa.

LAQUINIMOD

Laquinimod is a first-in-class immunomodulator with a novel mode of action that distinguish from those treatments available for uveitis today. Extensive data support that laquinimod is a potent inhibitor of uveitis in preclinical uveitis models.

Laquinimod is being developed as both oral and topical formula for non-infectious uveitis. The project is currently in pre-clinical phase.

FINANCIAL CALENDAR

2021
22
April
Interim Report

2021
19
May
Annual General Meeting

2021
5
August
Interim Report

2021
4
November
Interim Report

2022
9
February
Year-end Report

ANNUAL GENERAL MEETING 2021

The shareholders of Active Biotech AB (publ) are invited to the Annual General Meeting of shareholders to be held on Wednesday, May 19, 2021. Due to the situation resulting from the Corona virus, the Meeting will be carried out through advance voting (postal voting) pursuant to temporary legislation. No meeting with the possibility to attend in person or to be represented by a proxy will take place.

ENTITLEMENT TO PARTICIPATE

Shareholders who wish to participate in the Meeting must:

(i) be recorded in the register of shareholders maintained by Euroclear Sweden AB on Monday, May 10, 2021, and

(ii) notify the Company of their intention to attend the Meeting no later than Tuesday, May 18, 2021 by casting its advance vote in accordance with the instructions under the heading "Advance voting" below so that the advance voting form is received by the Company no later than that day.

In order to be entitled to participate in the meeting, shareholders whose shares are registered in the name of a nominee must, in addition to announcing their intention to participate in the meeting, request that their shares be registered in their own name so that the shareholder is recorded in the register of shareholders as of 10 May 2021. Such registration may be temporary (so-called voting rights registration) and request for such registration shall be made to the nominee in accordance with the nominee's routines at such time in advance as prescribed by the nominee.

ADVANCE VOTING

The shareholders may exercise their voting rights at the Meeting by voting in advance, so called postal voting. A special form shall be used for advance voting. The form is available on the Company's website www.activebiotech.com

The advance voting form is considered as the notification of attendance to the Meeting. The completed voting form must be submitted to the Company no later than Tuesday, May 18, 2021. The completed form shall be sent to Active Biotech AB (publ), Attn: Susanne Jönsson, Scheelevägen 22, SE-223 63 Lund, Sweden (mark the envelope "Annual General Meeting"). A completed form may also be submitted electronically to susanne.jonsson@activebiotech.com. If the shareholder votes in advance by proxy, a power of attorney shall be enclosed to the form. Proxy forms are provided at the Company's website, www.activebiotech.com, and sent to shareholders that so request.

The notice of the Annual General Meeting is available in its entirety on the company's website www.activebiotech.com

2020 IN BRIEF

JANUARY 16
Patent granted in Japan regarding tasquinimod for use in treatment of multiple myeloma

FEBRUARY 5
Active Biotech announced new direction

MAY 1
Data on the effects of laquinimod in experimental uveitis published in the Journal of Immunology

MAY 19
Three new board members with extensive topic expertise were appointed at the Annual General Meeting

JUNE 3
Active Biotech provided status update in the portfolio projects

JUNE 11
Preclinical data on tasquinimods effects in experimental models for multiple myeloma presented at the Virtual Edition of the 25th EHA Annual Congress Meeting

AUGUST 3
First patient dosed in the monotherapy part of the phase Ib/IIa study regarding tasquinimod in multiple myeloma

SEPTEMBER
Patents granted in Japan and China regarding tasquinimod for use in treatment of acute leukemia

OCTOBER 23
Patent granted in China regarding tasquinimod for use in treatment of multiple myeloma

NOVEMBER 5
Active Biotech carries out rights issue

NOVEMBER
Patent granted in Europe regarding tasquinimod for use in combination with immunotherapy

NOVEMBER 24
Active Biotech updated its clinical strategy and projected milestones

A Capital Markets Day was held

NOVEMBER 25
Active Biotech announced the final terms of the rights issue

DECEMBER 5
The clinical study in multiple myeloma presented at an oral poster session at the virtual ASH 2020 meeting

DECEMBER 11
Active Biotech received milestone payment from NeoTX

KEY FIGURES

Net sales	Operating loss	Loss for the year	Earnings per share	Equity/assets ratio
6.7	**-32.3**	**-32.2**	**-0.22**	**69**
SEK M	SEK M	SEK M	SEK/share	%
(2019: 8.4)	(2019: -32.3)	(2019: -34.1)	(2019: -0.24)	(2019: 80)

We made substantial progress in the projects during the year

Helén Tuvesson
Chief Executive Officer

COMMENTS FROM THE CEO

During 2020, we framed a new strategy and thereby completed a major change of our R&D activities. We are now fully focused on advancing our projects - naptumomab, tasquinimod and laquinimod - in carefully selected, well defined specialist indications with high medical need and commercial potential.

We made substantial progress in the projects during the year, and in November we reported updated clinical development plans and timelines for our three projects. This puts us in a privileged position as we have entered 2021 with many important milestones ahead of us.

NAPTUMOMAB – CLINICAL RESULTS AND START OF NEW STUDIES DURING 2021

The dose escalation in the phase Ib/II study with naptumomab in combination with the checkpoint inhibitor durvalumab was expanded to also include assessment of pre-treatment with obinutuzumab (Gazyva®) for elimination of anti-drug antibodies (ADA) to naptumomab. We expect the results from the dose escalation in the first half of 2021. In December, we received a contractual milestone payment of USD 750,000 from our partner NeoTX. In 2021, NeoTX plans to extend the clinical program and start phase II studies in combi-

nation with durvalumab in patients with tumor types known to respond poorly to checkpoint inhibition alone (cold tumors), as well as a phase II study in non-small cell lung cancer in combination with docetaxel.

TASQUINIMOD – A POTENTIAL NEW PRODUCT CLASS TO TREAT MULTIPLE MYELOMA

The clinical phase Ib/IIa study in relapsed refractory multiple myeloma is ongoing at Abramson Cancer Center in Philadelphia, US. The study evaluates two treatment regimens: tasquinimod as monotherapy and in combination with a standard oral myeloma treatment. The first patient in the monotherapy part of the study was dosed in August, and we project to present the first safety data, and potentially also preliminary efficacy data, in H2-2021. The study was presented by Principal Investigator Dr Dan Vogl in an oral poster session at ASH meeting in December.

In June, new preclinical data demonstrating potent anti-myeloma effects of tasquinimod alone and in combination with standard myeloma treatment were presented at the EHA Meeting by our collaboration partners from the Wistar institute in Philadelphia. The data suggest complementary effects of tasquinimod to standard myeloma treatments, supporting the potential of tasquinimod being a novel product class for use in multiple myeloma.

LAQUINIMOD – START OF CLINICAL DEVELOPMENT PROGRAM IN UVEITIS

In 2020, we focused on preparing the documentation to start clinical studies in non-infectious non-anterior uveitis, which is an orphan disease and a serious, sight-threatening condition. We are planning to start two studies in 2021: a proof-of-principle study with oral laquinimod in uveitis patients and a safety study of a newly developed eyedrop formulation. In February 2021, we signed a manufacturing agreement for this formulation for clinical use.

In May, compelling data on laquinimod in experimental uveitis were presented by Dr. Rachel Caspi and her team at the National Eye Institute (NEI), National Institutes of Health (NIH), US. We will continue to collaborate during 2021 to expand our knowledge around laquinimod.

> *We now have an eventful year ahead of us with expected results from the ongoing clinical studies*

FINANCING OF ACTIVITIES

Active Biotech's investments in preclinical and clinical studies in the coming years will require additional financing, and a rights issue with pre-emptive rights for Active Biotech's shareholders was finalized in January 2021. It was oversubscribed by 175% and added approximately SEK 76.2 million to the company's liquidity before issue costs were deducted. The proceeds from the rights issue together with existing cash will finance development programs through 2022.

The still ongoing global covid-19 pandemic has affected us all. I am pleased to say that substantial progress has been achieved across all projects despite the prevailing situation, and we were able to continue operating without significant delays during 2020. However, despite the vaccines now coming broadly into use, it is still uncertain how the global measures against covid-19 – and prioritization of health care resources - may affect timelines, specifically the clinical studies in the coming months. We will continue to monitor the situation and provide updates as needed.

Looking back on 2020, this was a year of intensive work to lay the foundation for the refocused development in our projects. We now have an eventful year ahead of us with expected results from the ongoing clinical studies with naptumomab and tasquinimod, as well as the start of clinical studies with laquinimod studies. I'm looking forward to updating you as we progress.

Finally, I would like to thank all my colleagues at Active Biotech for your dedicated work during 2020, and our new and old shareholders for your support and interest in our exciting programs.

Helén Tuvesson, CEO

ACTIVE BIOTECH'S GOAL AND STRATEGY

Active Biotech communicated and implemented the company's new business direction during 2020. The overall goal is to develop new drugs to improve the treatment of patients with cancer and inflammatory diseases.

In November 2020, the company management presented the new direction at a digital capital markets day. The new direction is the result of an extensive work by the company management and the Board of Directors together with external specialists. The aim was to define the focus areas and corporate priorities of Active Biotech.

THE COMPANY'S NEW DIRECTION

Active Biotech is focused on specialist indications within oncology and inflammation with significant commercial value potential. The company has three projects, naptumomab, in partnership with NeoTX, and the fully owned projects tasquinimod and laquinimod. The development is ongoing for the projects and several clinical milestones are projected for the coming three years (see projected clinical milestones , page 23).

PARTNERSHIPS

Active Biotech aims to advance projects to the clinical development phase and then further develop the programs internally or pursue them in partnership. Active Biotech has a global license agreement with NeoTX for the development and commercialization of naptumomab in cancer indications, since 2016. Active Biotech is in an academic partnership with Abramson Cancer institute Philadelphia, USA, for the ongoing development of tasquinimod in multiple myeloma.

Business Concept

Active Biotech's business concept is to utilize knowledge of the immune system to develop pharmaceuticals in therapeutic areas in which an unmet medical need can be addressed to generate an attractive shareholders' return.

ASSETS

The company:

- Projects in specialist indications within oncology and inflammation with high commercial potential and opportunity to leverage existing clinical data
- Experienced team with dedicated collaborators
- Board with extensive expertise and complementary skills
- International network of KOLs and experts
- Strong partnerships with external partners

Finances:

- Over-subscribed Rights Issue in January 2021
- Activities and plans financed through 2022
- Listed on Nasdaq Stockholm with Market Cap of 284 MSEK as of January 12 2021
- Strong shareholder base, incl MGA Holding, AP3 and AP4

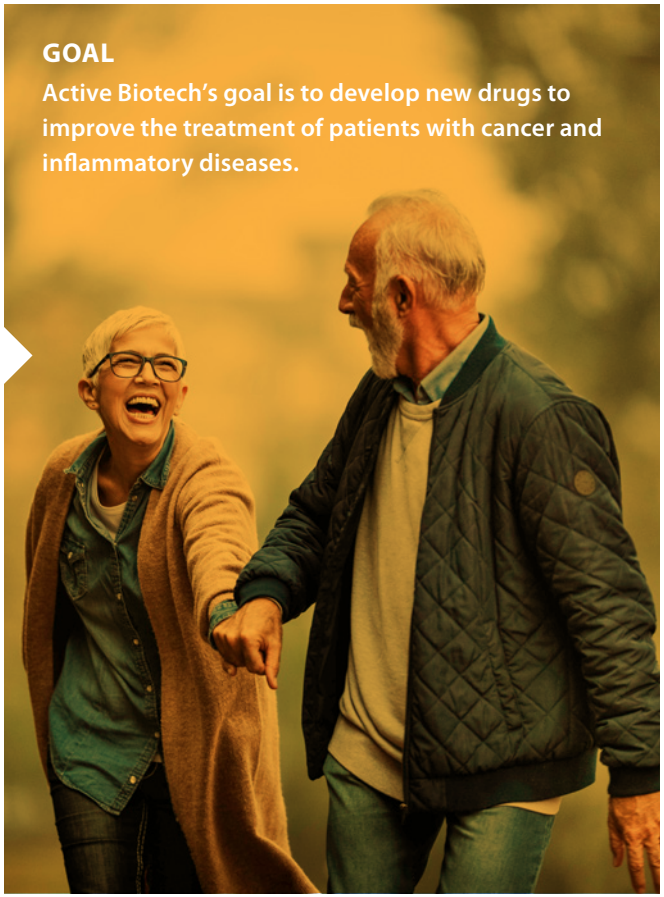
BUSINESS STRATEGY

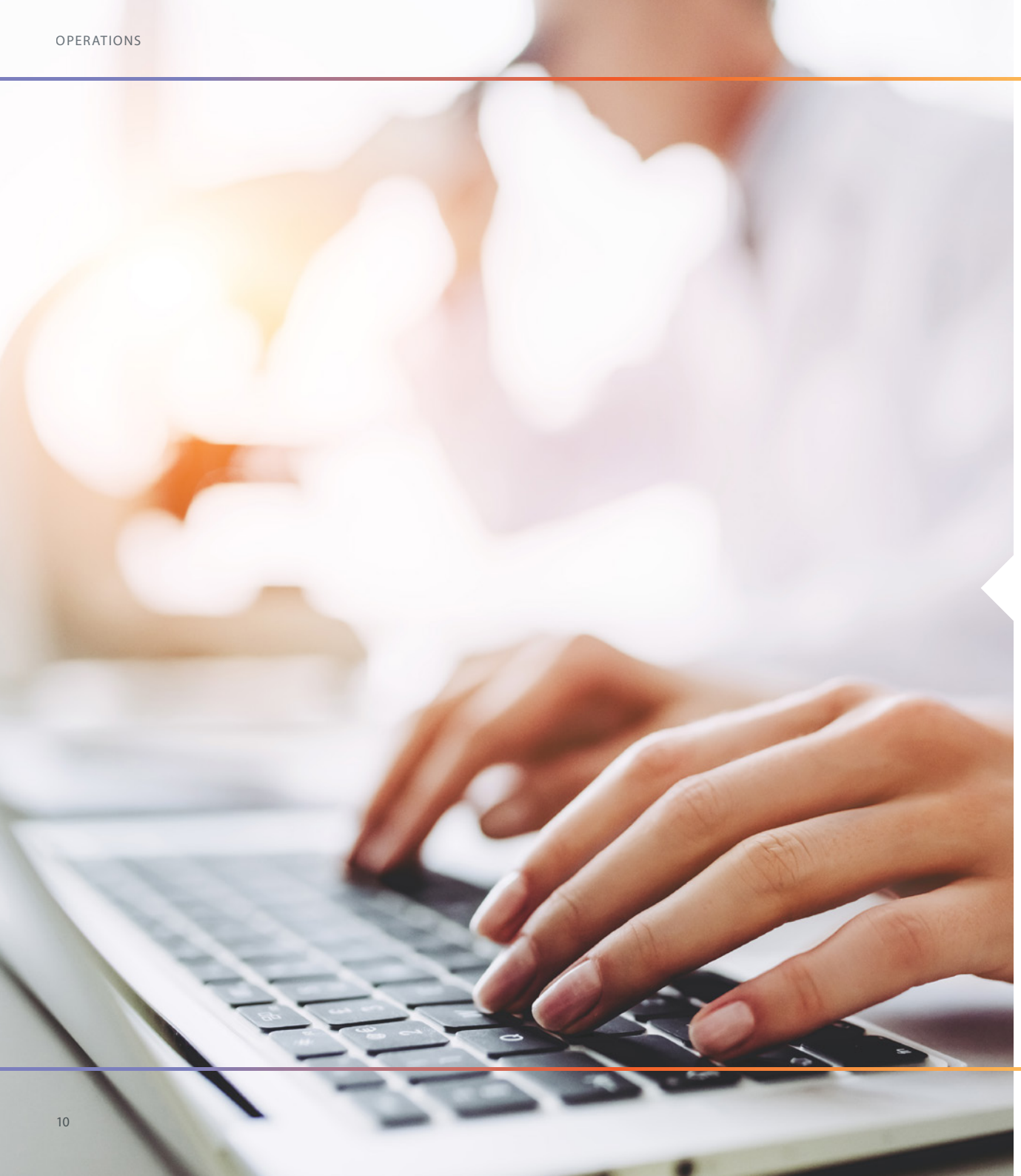
The key components of the company's business strategy are to:

- Achieve the greatest possible growth in value in each project and seek collaboration with strong partners
- Progress product development and pursue commercialization of the company's selected compounds with partners
- Limit internal costs and overheads by creation of partnership agreements and use of external expertise
- Protect know-how through an active patent strategy
- Create financial sustainability through partnering with licensees and shareholders

GOAL

Active Biotech's goal is to develop new drugs to improve the treatment of patients with cancer and inflammatory diseases.





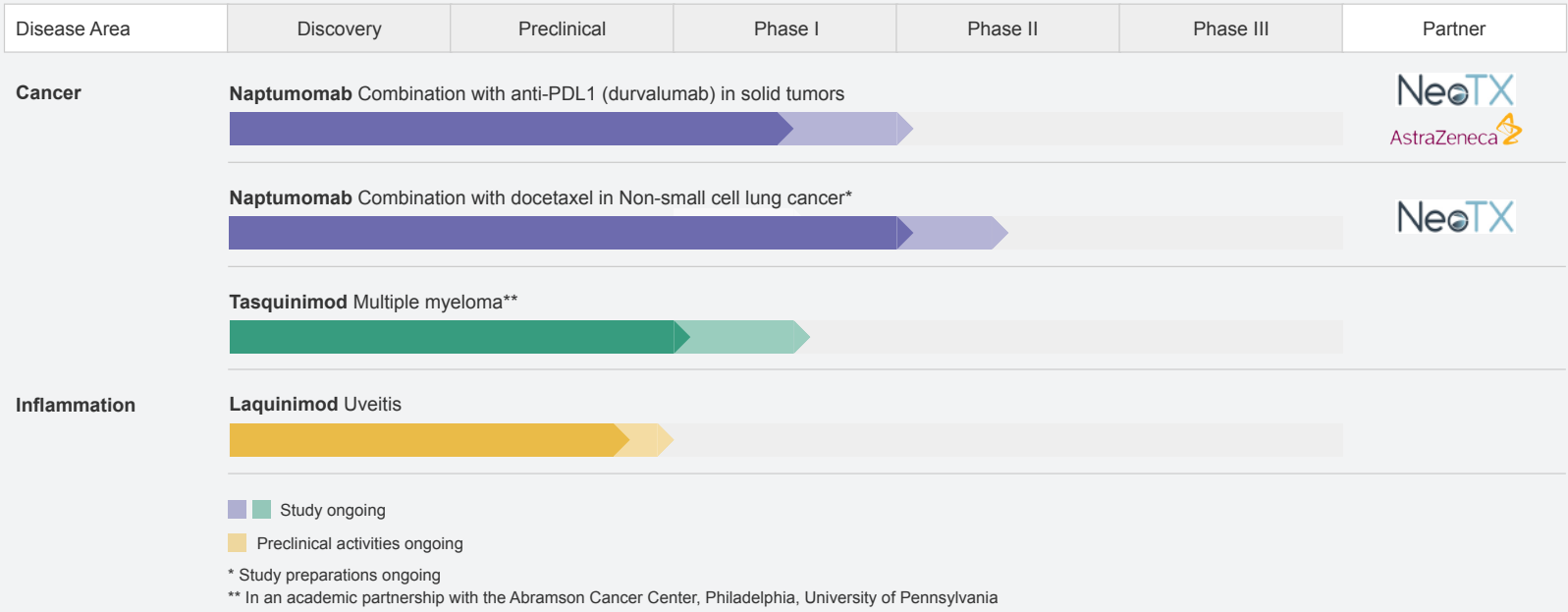
OPERATIONS

We focus on therapeutic areas in which an unmet medical need can be addressed and with substantial market potential.

Active Biotech currently has three projects in preclinical and clinical development; naptumomab for treatment of advanced solid tumors in partnership with NeoTX Ltd, tasquinimod for treatment of hematological malignancy – multiple myeloma, and laquinimod for treatment of inflammatory eye disorders – uveitis.

Active Biotech's Pipeline

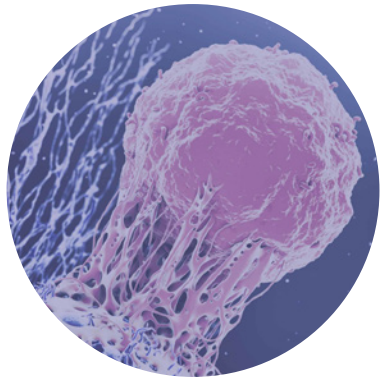
Following a portfolio refocus in 2020, the business model of Active Biotech aims to advance projects in indications with unmet medical need and commercial value potential in cancer and inflammatory diseases.



There are solid preclinical data supporting the new programs. Futhermore, the previously generated data for tasquinimod and laquinimod can be leveraged to accelerate development in a cost-effective way.

Active Biotech currently holds three projects in its portfolio: Naptumomab is a tumor targeting immunotherapy developed since 2016 in partnership with NeoTX. Tasquinimod is developed as a novel product class in multiple myeloma. Laquinimod is developed as a treatment of non-infectious, non-anterior uveitis – an orphan disease with unmet medical need for treatment of inflammatory eye disorders.

Empowering the immune system



Naptumomab Targeting Solid Tumors

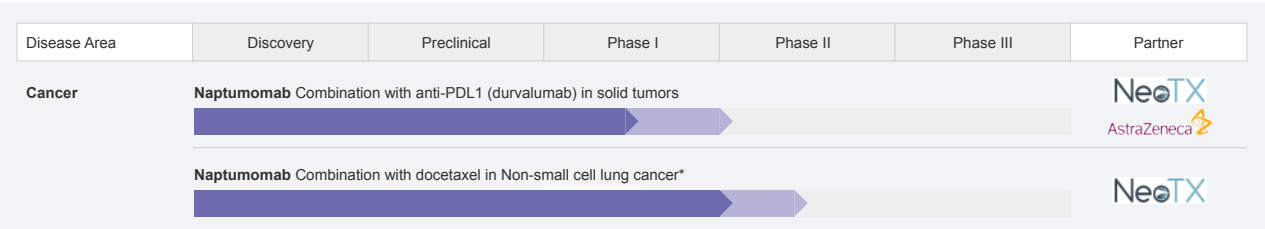
Naptumomab is a tumor targeting immunotherapy that enhances the ability of the immune system to recognize and kill tumors. Naptumomab is developed by NeoTX for use in treatment of solid tumors.

PARTNERSHIP WITH NEOTX THERAPEUTICS LTD.

In the autumn of 2016, Active Biotech signed a license agreement with NeoTX Therapeutics Ltd. for the continued development of naptumomab.

NeoTX is financing and is responsible for the worldwide clinical development and commercialization of naptumomab. The total deal value amounts to USD 71 M and is contingent upon achievement of clinical, regulatory and commercial milestones. In addition, Active Biotech will receive tiered double-digit royalties on future sales.

Naptumomab is currently in clinical development for advanced solid tumors.



Naptumomab estafenatox (naptumomab), a Tumor Targeting Superantigen (TTS), is a fusion protein containing the Fab-fragment of an antibody that targets the tumor-associated 5T4 antigen. 5T4 is expressed in a high number of solid tumors. The antibody part of naptumomab is fused with an engineered bacterial superantigen that activates T cells expressing a particular set of T cell receptors. In short, naptumomab functions by activating T cells and re-direct them to 5T4-expressing tumors. This leads to a massive infiltration of effector T cells into the tumor and tumor cell killing.

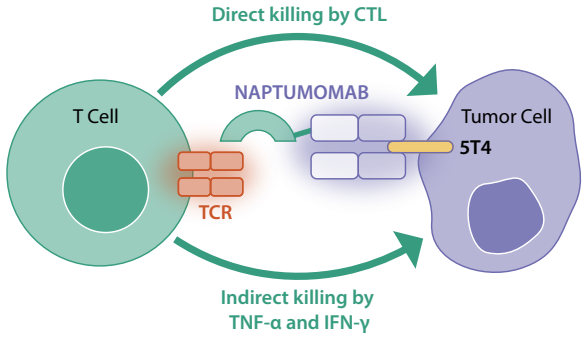
NAPTUMOMAB IN SOLID TUMORS

Naptumomab increases the immune system's ability to recognize and attack the tumor and preclinical data from various experimental models show synergistic anti-tumor effects and prolonged overall survival when naptumomab is combined with checkpoint inhibitors. Checkpoint inhibitors are a group of cancer drugs, which function by unleashing the immune system to attack the tumor.

Despite the successes over recent years with these immunotherapies, it remains a challenge for the immune system to recognize tumor cells and there is a need to optimize the therapeutic effect of checkpoint inhibitors.

ONGOING CLINICAL DEVELOPMENT

An open-label, multicenter, dose-finding clinical phase Ib/II study with naptumomab in combination with durvalumab, a checkpoint inhibitor, is ongoing. The clinical trial enrolls patients with previously treated advanced or metastatic, 5T4-positive solid tumors and aims to establish the maximum tolerated dose in the phase Ib study before advancing to phase II cohort expansion studies. The trial was initiated in H2-2019 and is performed under an agreement with AstraZeneca. Results from the extended dose escalation phase expected in the first half of 2021. More information about the study design is available at ClinicalTrails.gov (NCT03983954).



OBJECTIVES FOR 2021

Active Biotech will continue to support NeoTX in the development of naptumomab. The clinical combination study with the checkpoint inhibitor durvalumab is proceeding and results are expected from the dose escalation, which aims to determine the maximum tolerated dose (MTD) of the combination, during H1-2021. Following these results, a cohort expansion at MTD of the combination, including 10-15 patients, is planned to start H1-2021 as well as indication-oriented cohorts planned for start during H2-2021. In addition, a phase II study in combination with docetaxel in patients with non-small cell lung cancer (NSCLC) is expected to start in H2-2021.

CLINICAL EXPERIENCE WITH NAPTUMOMAB

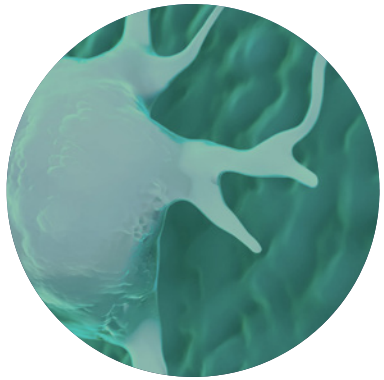
Safety and tolerability of naptumomab as monotherapy and in combination with standard treatment have been established in clinical studies that include more than 300 patients.

Clinical development of naptumomab includes phase I studies in patients suffering from advanced non-small cell lung cancer, renal cell cancer and pancreatic cancer and a phase II/III study in combination with interferon alpha in patients with renal cell cancer.[2,3]

Key publications

1. Naptumomab Estafenatox: targeted Immunotherapy with a Novel Immunotoxin. Eisen T, Hedlund G, Forsberg G, Hawkins R. Curr Oncol Rep. 2014; 16: 370
2. A Randomized Phase II/III Study of Naptumomab Estafenatox + IFNα versus IFNα in Renal Cell Carcinoma: Final Analysis with Baseline Biomarker Subgroup and Trend Analysis. Hawkins R, Gore M, Shparyk Y, Bondar V, Gladkov O, Ganev T, Harza M, Polenkov S, Bondarenko I, Karlov P, Karyakin O, Khasanov R, Hedlund G, Forsberg G, Nordle Ö, Eisen T. Clin Cancer Res. 2016; 22(13): 3172-81
3. Immunological response and overall survival in a subset of advanced renal cell carcinoma patients from a randomized phase 2/3 study of naptumomab estafenatox plus IFN-α versus IFN-α. Elkord E, Burt DJ, Sundstedt A, Nordle Ö, Hedlund G, Hawkins R. Oncotarget. 2015; 6(6): 4428-39
4. Selective T cell Redirection Proteins (STR) Enhance the Anti-Tumor Activity of Checkpoint Inhibitors (CPIs) and can Lead to Long-Lasting Immunity Against the Tumor. Meir Azulay, Sveta Lifshits, EitanShany, Adam Friedmann, Gunnar Hedlund and Michal Shahar. Poster presentation at SITC annual meeting 2019

Targets the tumor micro-environment



Tasquinimod for Treatment of Multiple Myeloma

Tasquinimod is a small molecule immunomodulator and represents a new drug class with a mode of action that is complementary to current multiple myeloma therapies. Tasquinimod is developed for treatment of multiple myeloma, which is an incurable blood cancer.

The immunosuppressed tumor microenvironment in the bone marrow is essential for development of multiple myeloma and a key driver of disease relapses and development of resistance to treatment. Tasquinimod targets suppressive immune cells in the tumor microenvironment, specifically immunosuppressive myeloid cells, and thereby unlocks the body's immune system to attack the cancer cells. With this novel mode of action tasquinimod has the

Active Biotech started a clinical study of tasquinimod in multiple myeloma in August 2020.

potential, as a mono therapy and in combination with other anti-myeloma drugs, to overcome resistance and increase survival in patients that have progressed on standard therapy.

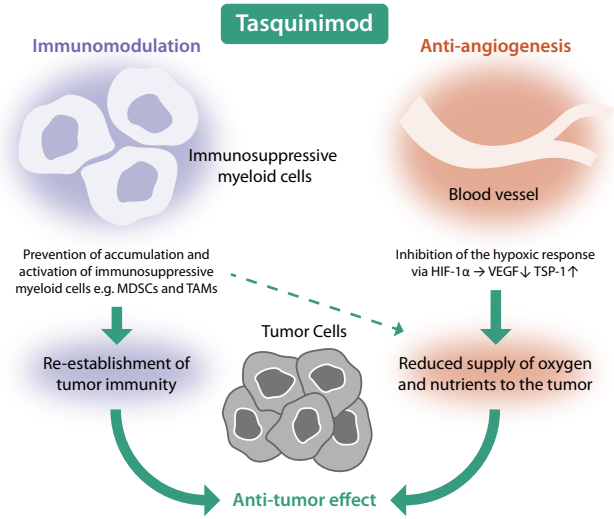
ONGOING CLINICAL DEVELOPMENT

Based on preclinical data and the previous clinical experience with tasquinimod, a clinical study was initiated, and the first patient was dosed in August 2020. The study recruits relapsed refractory multiple myeloma patients after at least one prior anti-myeloma therapy and is conducted in two parts: the first part (A) assessing monotherapy effect of tasquinimod, and the second part (B) studying the combination of tasquinimod and an oral standard anti-myeloma regimen (IRd; ixazomib, lenalidomide, dexamethasone). Primary endpoint in both parts is safety and tolerability, and key secondary endpoint is preliminary efficacy by objective response rate.

The study is carried out in an academic partnership with Abramson Cancer Center in Philadelphia, US, with Dr. Dan Vogl as principal investigator. More information about the study design is available at ClinicalTrials.gov (NCT04405167).

OBJECTIVES FOR 2021

Active Biotech will progress the ongoing clinical study in multiple myeloma and expect to have the first results from the dose escalation of monotherapy of tasquinimod during H2-2021. In the next step, a cohort expansion at the maximal tolerated dose (MTD) of monotherapy tasquinimod is projected to start, as well as dose escalation in combination with an oral regimen of ixazomib, lenalidomide and dexamethasone, during H2-2021. In parallel the company will continue to prepare for the next step in development of tasquinimod in multiple myeloma.

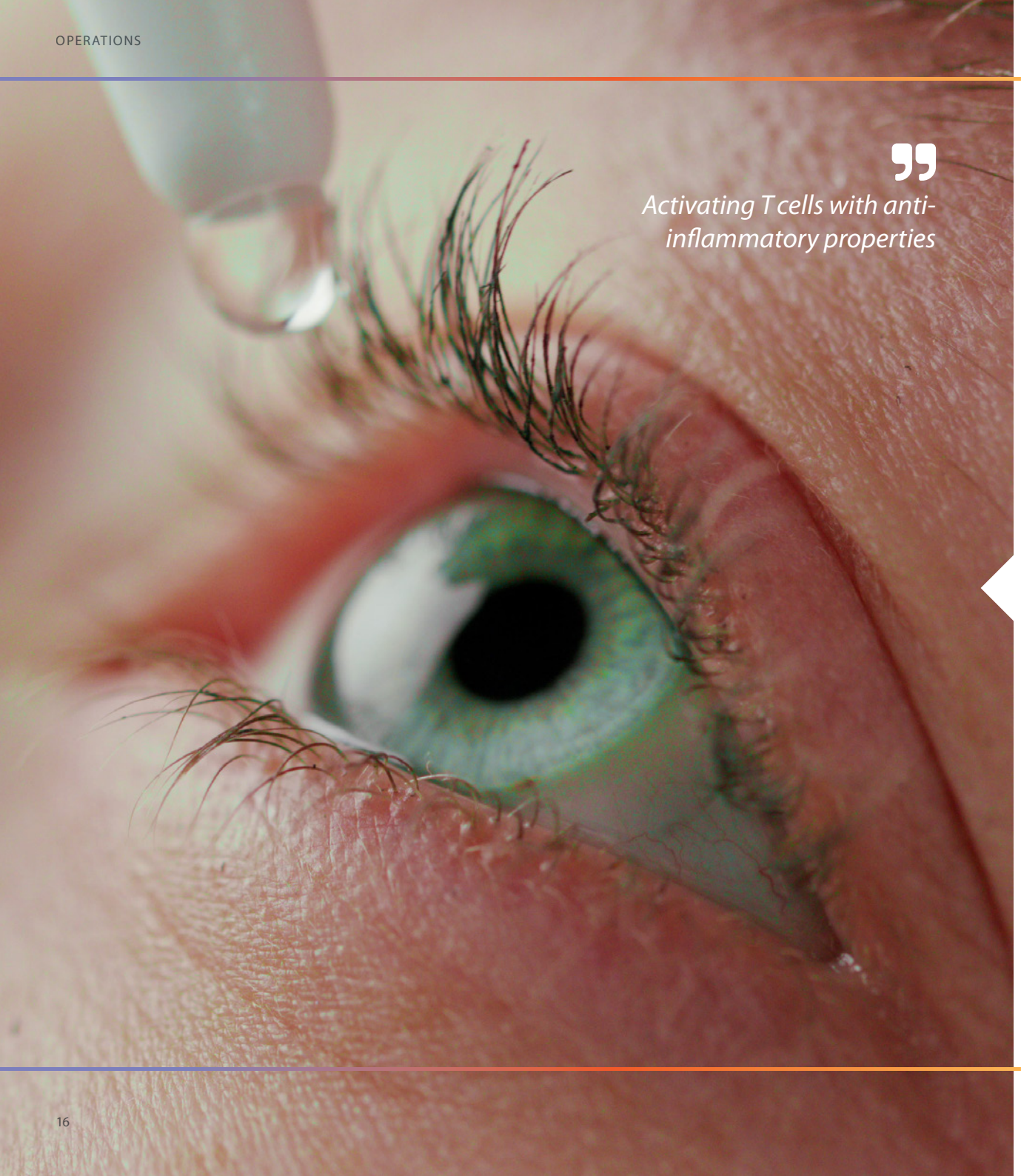


CLINICAL EXPERIENCE OF TASQUINIMOD

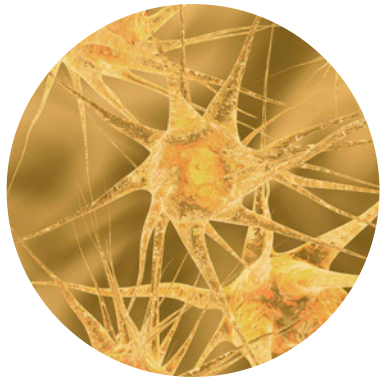
Tasquinimod has been in development for the treatment of prostate cancer and has completed a phase I-III clinical development program. While the results from the phase III trial in prostate cancer showed that tasquinimod prolonged progression-free survival compared (PFS) to placebo, tasquinimod did not extend overall survival (OS) in this patient population and development for prostate cancer was discontinued. Tasquinimod was studied in both healthy volunteers and cancer patients. Clinical effects and a favorable safety profile have been demonstrated in more than 1,500 patients, equivalent to more than 650 patient-years of exposure to tasquinimod.

Key publications

1. Tasquinimod triggers an early change in the polarization of tumor associated macrophages in the tumor microenvironment. Olsson A., Nakhlé J., Sundstedt A., Plas P., Bauchet A-L., Pierron V., Bruetschy L., Deronic A., Törngren M., Liberg D., Schmidlin F., Leanderson T. J ImmunoTher Cancer. 2015; 3:53
2. Tasquinimod modulates suppressive myeloid cells and enhances cancer immunotherapies in murine models. Shen L, Sundstedt A, Ciesielski MJ, Miles KM, Celander M, Adelaiye R, Orillion A, Ciamporcero E, Ramakrishnan S, Ellis L, Fenstermaker RA, Abrams SI, Eriksson H, Leanderson T, Olsson A, Pili R. Cancer Immunol Res. 2014; 3(2): 1-13
3. Randomized, Double-Blind, Placebo-Controlled Phase III Study of Tasquinimod in Men With Metastatic Castration-Resistant Prostate Cancer. Sternberg C., Armstrong A., Pili R., Ng S., Huddart R., Agarwal N., Khvorostenko D., Lyulko O., Brize A., Vogelzang N., Delva R., Harza M, Thanos A, James N., Werbrouck P., Bögemann M., Hutson T, Milecki P., Chowdhury S., Gallardo E., Schwartsmann G., Pouget J-C., Baton F., Nederman T., Tuvesson H., Carducci M. J. Clin. Oncol. 2016; 34(22): 2636-43.
4. Inhibition of S100A9 with tasquinimod demonstrates potent anti-tumor activity in pre-clinical models of multiple myeloma. Cindy Lin, Aubrey Leso , Matthew Rosenwasser , Marie Torngren , Helena Eriksson , Yulia Nefedova. Poster at the 25th European Hematology Association (EHA) Annual Congress Meeting, 2020



Activating T cells with anti-inflammatory properties



Laquinimod for Treatment of Non-Infectious Uveitis

Laquinimod is a first-in-class immunomodulator with a novel mode of action that distinguishes it from the uveitis treatments available today.

A new topical ophthalmic formulation of laquinimod has been developed.

It has been shown in experimental models of autoimmune/inflammatory diseases that laquinimod targets the aryl hydrocarbon receptor (AhR) that is present in antigen presenting cells and involved in the regulation of these cells. By targeting the AhR, antigen presenting cells are re-programmed to become tolerogenic, meaning that instead of activating pro-inflammatory T cells, regulatory T cells with anti-inflammatory properties are activated leading to dampening of the inflammation in the eye.

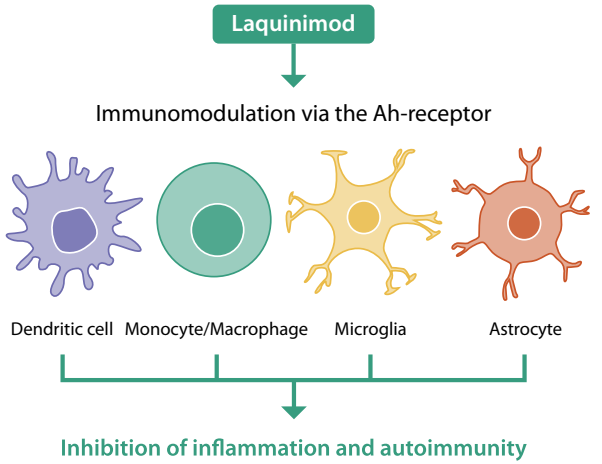
PROJECT STATUS AND ONGOING DEVELOPMENT

Given that full regulatory documentation with comprehensive safety data from earlier clinical studies is available, the clinical program of laquinimod will be advanced directly to a clinical phase II proof-of-principle study of oral laquinimod in non-infectious non-anterior uveitis.

Furthermore, a topical ophthalmic formulation of laquinimod has been developed in collaboration with Leukocare AG, and an agreement with a provider for manufacturing of this formulation for clinical use, has been signed.

OBJECTIVES FOR 2021

In 2021 focus will be on preparing for start of clinical development of laquinimod in uveitis. This includes manufacturing of clinical study materials, conducting a preclinical safety and toxicity bridging program for topical treatment and interactions with the regulatory authorities to receive their advise. A phase I safety study of a topical ophthalmic formulation of laquinimod in healthy subjects and a phase II proof-of-principle study with oral treatment in patients with uveitis are planned to start during H2-2021.



CLINICAL EXPERIENCE OF LAQUINIMOD

During its years of advanced product development, clinical efficacy and safety data on laquinimod was established in more than 5,000 patients, primarily in multiple sclerosis (MS) patients, representing more than 14,000 patient-years of exposure. In addition, extensive datasets spanning full-scale manufacturing and preclinical safety data, in support of regulatory filings of multiple sclerosis for laquinimod, have also been generated.

Key publications

1. Laquinimod arrests development of experimental autoimmune uveitis (EAU) and inhibits related immune processes, in the context of altered gut microbiota; Biying Xu, Xiuzhi Jia, Jihong Tang, Rachel R Caspi and Igal Gery; J Immunol May 1, 2020, 204 (1 Supplement)
2. Laquinimod arrests experimental autoimmune encephalomyelitis by activating the aryl hydrocarbon receptor. Kaye J, Piryatinsky V, Birnberg T, Hingaly T, Raymond E, Kashi R, Amit-Romach E, Caballero IS, Towfic F, Ator MA, Rubinstein E, Laifenfeld D, Orbach A, Shinar D, Marantz Y, Grossman I, Knappertz V, Hayden MR, Laufer R. Proc Natl Acad Sci U S A. 2016 Oct 11;113(41)
3. A randomized placebo-controlled phase III trial of oral laquinimod for multiple sclerosis. Vollmer T. L, Sorensen P.S, Selmaj K, Zipp F, Havrdova E, Cohen J. A, Sasson N, Gilgun-Sherki Y, Arnold D. L. J Neurol. 2014; 261(4): 773-83

MARKET OVERVIEW

Following an internal review, contested by external experts, Active Biotech announced a new direction in February 2020.

Based on an assessment of scientific publications and extensive preclinical and clinical data accumulated for tasquinimod and laquinimod, an analysis of the commercial attractiveness of different clinical indications was made and a new strategic direction was defined.

The new direction is focused on the development of three projects in specialist indications with substantial market potential.

EXPECTED GLOBAL DRUG SALES

44	27	1.1
Billion USD	Billion USD	Billion USD
2024	2027	2026
Checkpoint Inhibitors	Multiple Myeloma Drugs	Uveitis Drugs

The market and competition for Active Biotech's projects

NAPTUMOMAB – TREATMENT OF SOLID TUMORS

Cancer is a collective name for a large group of diseases characterized by the growth of abnormal cells, which can invade adjacent parts of the body or spread to other organs. Cancer is the second most common cause of death in the world. Lung, prostate, rectal, stomach and liver cancer are the most common types of cancer among men, while breast, rectal, lung, cervical and thyroid cancer are the most common types among women.[1]

Immunotherapy has been of decisive importance for cancer care in recent years and the immuno-oncology market has demonstrated strong growth. Therapies aimed at targeting immune suppression are dominated by biological drugs classified as checkpoint inhibitors. Several new checkpoint inhibitors have been approved for the treatment of various solid forms of tumors, including malignant melanoma, non-small cell lung cancer, head and neck cancer, liver cancer and cervical cancer. Despite the enormous successes of recent years with checkpoint therapies, it remains a challenge for the body's immune system to find and recognize tumor cells, which is reflected in relatively few patients responding to treatment, and there is thus a need to optimize the therapy effect.

The company's candidate drug naptumomab increases the immune system's ability to recognize and redirect immune cells to the tumor. Combination strategies involving naptumomab could open up further potential among checkpoint inhibitors in the area of immuno-oncology. There are several pharmaceutical companies that, similar to Active Biotech, develop tumor-targeting immunotherapy. Two examples of this type of treatment are CAR-T cell therapy and bispecific antibodies, which are currently in the early development phase for the treatment of solid tumors.

Naptumomab differs significantly from competing tumor-targeting therapies as a result of its already established safety profile in solid tumors and a relatively simple and thus cost-efficient manufacturing procedure.

Immunotherapy is one of the major breakthroughs of recent years in cancer therapy, which is reflected in the checkpoint inhibitors Keytruda, Opdivo, Imfinzi and Tecentriq achieving combined global sales of USD 15 billion in 2018. The strong sales development for checkpoint inhibitors is expected to continue and sales are forecast at USD 44 billion in 2024.[2]

TASQUINIMOD – TREATMENT OF MULTIPLE MYELOMA

The disease

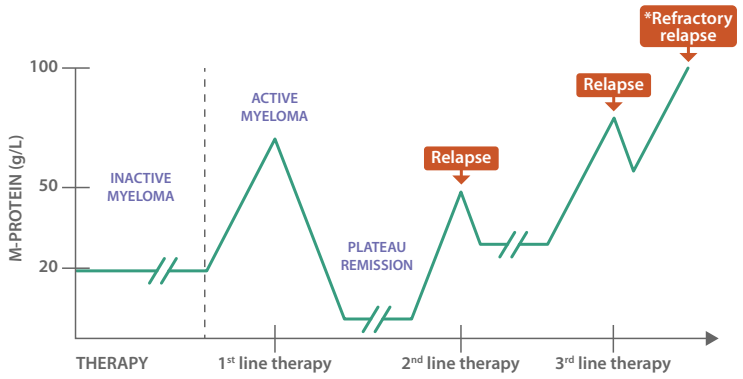
Multiple myeloma is an incurable blood cancer in which abnormal plasma cells in the bone marrow grow uncontrollably while other blood forming cells such as white and red blood cells and blood platelets are suppressed. This leads to anemia, infections, destruction of bone tissue and progressive loss of renal function. Despite new treatments having greatly improved survival of multiple myeloma patients the biological heterogeneity of the disease and the emergence of drug resistance is a major challenge, and the medical need of innovative treatment modalities remains high.

Current treatments

Multiple myeloma patients undergo several lines of treatment. In early as well as relapse treatment, the goal is to stabilize the patient's disease and thereby achieve as long a period of effective disease control as possible. To support deeper and durable responses and overcome treatment resistance patients are, as standard, treated with combinations of drugs from available product classes. Currently, the market is dominated by drugs that can be divided into four different classes: immunomodulatory imides (IMiDs), proteasome inhibitors (PI), monoclonal antibodies and alkylating agents.

1. www.who.int/cancer
2. JP Morgan Equity research 2018.

Disease course of multiple myeloma



* Life expectancy of ~9 months
Source: Gandhi et al., Leukemia 2019

Major product classes of approved drugs for multiple myeloma

Drug Class	Target	Substances (highlighted = most frequently used)	1st US Approval
Alkylating Agents	DNA Alkyl Groups	**Melphalan (generic)** **Cyclophosphamide (generic)** Bendamustine (Treanda)	1960s 2008
Corticosteroids	Glucocorticoid Receptor	Prednisone (generic) **Dexamethasone (generic)**	1960s 1980s
Proteasome Inhibitors	Proteasome	**Bortezomib (Velcade/generic)** **Carfilzomib (Kyprolis)** Ixazomib (Ninlaro)	2003 2012 2015
Immunomodulators (IMiDs)	Cereblon	Thalidomide (Thalidomid/generic) **Lenalidomide (Revlimid)** **Pomalidomide (Pomalyst/Imnovid)**	1998 2006 2013
Histone Deacetylase Blocker	Histone Deacetylase	Panobinostat (Farydak)	2015
Monocional Antibodies	CD38	**Daratumumab (Darzalex)** Isatuximab (Sarclisa)	2015 2020
	CS1/SAMF7	Elotuzumab (Empliciti)	2015
Nuclear Export Inhibitors	Exportin-1	Selinexor (Xpovio)	2019
Antibody Drug Conjugate	BCMA	Belantamab mafodotin-blmf (Blenrep)	2020

Unmet medical need

New treatments and combination options have substantially improved survival in multiple myeloma, which is now estimated at 8-10 years from diagnosis. Multiple myeloma patients undergo several lines of treatment. However, after three to four lines of treatments there are very few treatment options left for the patient due to development of drug resistance, and co-morbidity and poor tolerability further limit the treatment options. There is therefore an urgent need of efficacious and safe combination regimens including drugs with novel mode of actions distinct from approved treatments, to mitigate drug resistance.

The market for treatment of multiple myeloma is substantial

The expected annual incidence of new diagnosed cases of multiple myeloma in the US is approximately 30,000 patients, in Europe and Japan an estimated 40,000 and 7,000 new patients, respectively, are expected to be diagnosed each year.

The global sales of drugs for the treatment of multiple myeloma totaled USD 15.1 billion in 2017 and sales are expected to reach USD 21.9 billion in 2020 and USD 27.0 billion in 2027.[3]

The market for drugs used in the treatment of multiple myeloma is experiencing strong growth and is expected to continue to grow strongly due to the greater incidence in an elderly population, longer progression-free and overall survival, due to more treatments and combination options being available. The US accounts

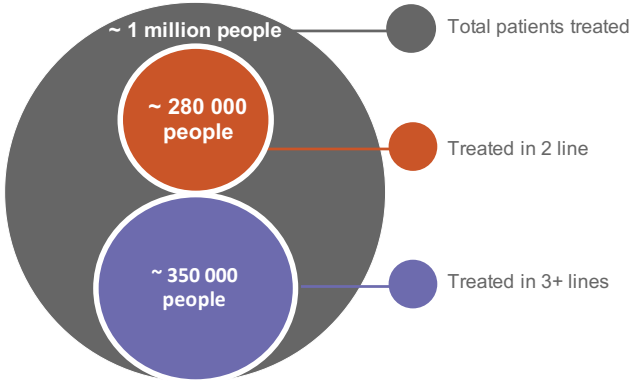
3. Global Data Report 2019.

for around half of the market and the EU for approximately 40 percent of the total market sales.

Tasquinimod will be developed as a new product class with a novel mechanism of action that differs from the others and thus has the potential to overcome the problem of drug resistance. The clinical safety profile of tasquinimod is well known. Given the good tolerability and the possibility to combine with the available product classes, tasquinimod has the potential to expand over time from an initial position as the 3rd line plus, similar to the patient population in the ongoing clinical study, to earlier lines of treatment. There is a significant market opportunity for a novel drug in a new product class in multiple myeloma myeloma.

Multiple myeloma - a major market

Multiple Myeloma
- A major market driven by novel treatment options and propulsion of drug combination strategies



→ Duplet → Triplet → Quadruplet → Quintuplet multiple myeloma drug combination regimens

Eight Major Market Forecast in 2027 of USD 27 billion in sales

Presented data are based on 2027 forecast numbers in 8 major markets (US, EU5, Japan, China).

LAQUINIMOD – FOR TREATMENT OF NON-INFECTIOUS UVEITIS

The disease

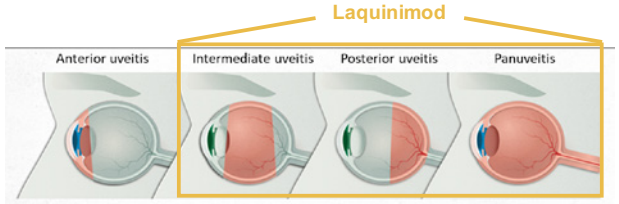
Uveitis is the inflammation of the uveal tract (iris, ciliary body, and choroid), but can also lead to inflammation of nearby tissues, such as the retina, the optic nerve and the vitreous humor. The uvea is crucial for the delivery of oxygen and nutrients to the eye tissues, and inflammation of uvea can cause serious tissue damage to the eye with symptoms including general vision problems and a risk of blindness. Furthermore, floater spots in the eye, eye pain and redness, photophobia, headache, small pupil and alteration of iris colour are common symptoms. If left untreated, uveitis can lead to severe eye problems, including blindness, cataracts, glaucoma, damage to the optic nerve, and detachment of the retina.

Uveitis is a heterogenous disease and in about half of all cases, the specific cause is not clear. Uveitis often occurs in connection to other systemic autoimmune diseases for example sarcoidosis, multiple sclerosis and Crohn's disease, but it can also be the result of an infection or an eye injury.

The disease can be caused by an infection or can be non-infectious. It is also divided into subtypes depending on the location of the inflammation. Intermediate, posterior and panuveitis are the most severe and highly recurrent forms of uveitis, which cause blindness if left untreated. Laquinimod will be developed as a new treatment for non-anterior non-infectious uveitis.

The figure below shows uveitis divided into different subgroups depending on location of the inflammation in the eye.

Subgroups of uveitis



Current treatments

Patients with non-infectious non-anterior uveitis are today as standard treated with high-dose oral corticosteroids or injections of corticosteroid in or around the eye. Immunosuppressants, such as methotrexate or cyclosporin, are used in 2nd line of treatment, whereas anti-TNF antibodies (Humira) are used as a 2nd or 3rd line of treatment.

Unmet medical need

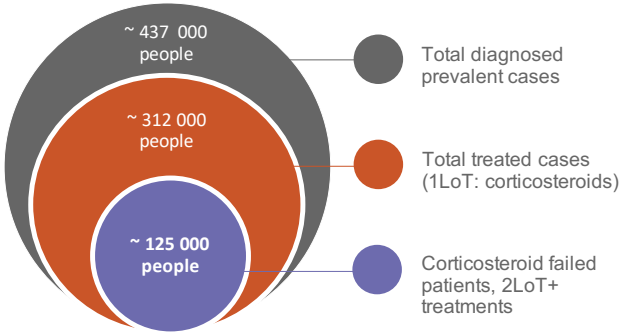
There is a high unmet medical need for new effective and safe therapies for non-infectious non-anterior uveitis:

- approximately 35 percent of patients suffer from severe visual impairment with risk of blindness
- approximately 40 percent of patients fail on steroid therapy
- long-term treatment of corticosteroid in high doses is associated with severe side effects
- currently no topical treatment options are available

Therefore, there is a need for new treatments with complimentary effects to corticosteroids to limit failures in the 1st line of treatment. Furthermore, there is a need for safer therapies that can reduce or replace long-term use of steroids and a treatment that could be administered topically and reach to the back of the eye to minimize systemic adverse effects and to reduce injection-related risks.

Non-infectious non-anterior uveitis - adressable market opportunity

Non-infectious non-anterior uveitis
– Adressable opportunity as an orphan indication



Orphan disease in US and EU
Corticosteroids only effective in 60%
Clinical sequelae serious

Major unmet medical need
Shortage of licensed therapies
High cost of anti-TNF therapy

Abbrev: LoT – Line of treatment
Presented data are based on 2026 forecast numbers. Major Markets (US, EU5, Japan).

The market

The treatment options for patients with non-anterior uveitis have not advanced substantially for a long period of time. The drug of choice for most patients remains long term high dose steroid therapy. Still, about 40 percent of patients fail in achieving disease control, or cannot continue with high-dose corticosteroids due to side effects. Recently, intra ocular steroid injections have been introduced with benefit for some patients and may limit the systemic steroid-related side effects. However, the procedure of injecting a sustained release depot directly in the eye is not without risks.

Approximately one million people in the seven major markets were diagnosed with uveitis 2017, whereof approximately 300,000 patients received treatment. Of these about 125,000 will fail corticosteroids and are candidates for the 2nd line of treatment.[4]

The global sales of drugs for uveitis totalled USD 615 million in 2017 and sales are expected to reach approximately USD 1.1 billion by 2026.[4]

Laquinimod will be developed as a new treatment for non-anterior non-infectious uveitis and has the potential to be used in the 1st line of treatment as an add on to steroids as well as in the 2nd line of treatment for patients that have failed steroid treatment. There is a significant market opportunity for a new drug in this orphan disease indication.

4. Global Data Report October 2017.

Projected Clinical Milestones in the Projects Through 2023

With the already ongoing clinical trials and new studies in planning, Active Biotech expect to have several potential value increasing events in all projects during the forthcoming one to three years period.

	2020	2021 H1	2021 H2	2022 H1	2022 H2	2023
NAPTUMOMAB		Ph Ib **Readout** safety **Start** MTD cohort	Ph II-cold tumors **Start** indication cohorts Ph II-NSCLC **Start**	Ph Ib MTD cohort: **Readout** safety and preliminary activity		Ph II-cold tumors **Readout** efficacy Ph II –NSCLC Readout efficacy
TASQUINIMOD	✓ Ph Ib/IIa First patient dosed ✓ Academic partnership with Abramson Cancer Center established		Ph Ib/IIa-mono **Readout** safety **Start** MTD expansion Ph Ib/IIa-combo **Start**	Ph Ib/IIa-combo **Readout** safety	Ph Ib/IIa-mono **Readout** prelim response Ph Ib/IIa-combo **Start** expansion cohort	Ph IIb-mono: **Start**
LAQUINIMOD		Announcement of academic partnership	Ph II-oral: **Start** Ph I-eye formulation **Start**		Ph I-eye formulation **Readout** safety	Ph II-oral **Readout** proof-of-principle

Ongoing and planned clinical trials may be affected by COVID-19. Updates will be provided. Cold tumors – poor response to checkpoint inhibition alone, NSCLC –Non-small cell lung cancer.

ORPHAN DRUG STATUS AND OTHER DRUG DEVELOPMENT REGULATIONS

The orphan drug destination has been introduced to promote the development of drugs that may provide significant benefit to patients suffering from rare conditions. To qualify for orphan drug designation, a medicine must meet a number of criteria, for example, it must be intended for a life-threatening or chronically debilitating disease. Furthermore, the condition must be rare, and the medicine must provide significant benefit to those suffering from the disease. Orphan drug designation provides for seven to ten years of market exclusivity against competition, as well as certain incentives.

Among the Company's projects, tasquinimod has been granted orphan drug designation for treatment of multiple myeloma by the FDA. Furthermore, there is an opportunity for orphan drug designation for laquinimod in non-infectious uveitis.

There are rules recently inaugurated by the regulatory agencies to speed up the drug development process and giving patients with serious diseases with unmet need faster access to new treatments. Examples of new directives by the FDA are Fast Track, Breakthrough Therapy, Accelerated Approval, Priority Review and Priority Medicines (PRIME) and Adaptive Pathways (AP) by the EMA.

There is an opportunity for tasquinimod to a faster way to approval in multiple myeloma by demonstrating monotherapy activity in late stage relapsed or refractory patients. There are recent examples, such as Blenrep and Xpovio, that the FDA accept phase II results as a basis for accelerated approval.

PATENT

Intellectual Property Rights

Active Biotech has built its patent portfolio through strategically defined patent families, primarily in the areas of cancer and inflammation.

Strong patent protection is a requirement for investments in the development of a product for commercialization. Active Biotech's patent protection covers new chemical substances, biochemical structures, methods, uses and processes related to the company's operations in key markets. Patents and patent applications refer primarily to such commercially important markets as Europe, the US and Japan. Naptumomab, tasquinimod and laquinimod are specifically protected by several patent families. The patent portfolio also includes patent protection for compounds that are structurally similar to tasquinimod and laquinimod.

Active Biotech works continuously to optimize its patent portfolio to secure the projects with the best possible protection in the most important markets. The company's partner, NeoTX, has strengthened its patent portfolio with a patent application for the use of naptumomab in combination with checkpoint inhibitors for the treatment of cancer. This could provide an extension of the patent protection until 2036. To date, patents have been granted in key markets in the US, Europe and Japan, for the use of tasquinimod in multiple myeloma and acute forms of leukemia. In 2019, Active Biotech's former partner, Teva, assigned strategically important patents and patent applications for laquinimod to Active Biotech.

The company's projects are protected by a total of 197 granted national patents and further applications will be granted in the next few years, see the table below

	Type of patent (publication number)	Area	Status	Year of expiry
Naptumomab	Product (WO2003002143)	Europe US Japan (total 21)	Granted Granted Granted (granted 21)	2021, 2022 2022 2022
	Treatment method (WO2006015882)	Europe US (total 10)	Granted Granted (granted 10)	2025, 2026 2025
	Treatment method (WO2017122098)	Europe US Japan (total 12)	Application Granted Application (granted 1, application 11)	2036 2036 2036
Tasquinimod	Alternative manufacturing method (WO2012004338)	Europe US Japan (total 22)	Granted Granted Granted (granted 22)	2031 2031 2031
	Treatment method (WO2016042112)	Europe US Japan (total 29)	Granted Granted Granted (granted 24, application 4)	2035 2035 2035
	Treatment method (WO2016078921)	Europe US Japan (total 28)	Granted Granted Granted (granted 21, application 6)	2035 2035 2035
	Treatment method (WO2016146329)	Europe US Japan (total 16)	Approved Application Application (approved 13, application 3)	2036 2036 2036

	Type of patent (publication number)	Area	Status	Year of expiry
Laquinimod	Manufacturing method (WO03106424)	Europe US Japan (total 22)	Granted Granted Granted (granted 22)	2023 2025 2023
	Pharmaceutical product (WO2005074899)	Europe US Japan (total 27)	Granted Granted Granted (granted 27)	2025 2027 2025
	Pharmaceutical product (WO2007146248)	Europe US Japan (total 21)	Granted Granted Granted (granted 21)	2027 2029 2027
	Pharmaceutical product (WO2010001257)	US (total 1)	Granted (granted 1)	2029
	Treatment method (WO2011019375)	Europe US Japan (total 30)	Granted Granted Granted (granted 30)	2030 2033 2030
	Pharmaceutical product (WO2009082471)	US (total 2)	Granted (granted 2)	2030
	Treatment method (WO2011014255)	US (total 1)	Granted (granted 1)	2031
	Pharmaceutical product (WO2013123419)	US (total 1)	Granted (granted 1)	2033
	Treatment method (WO2013116657)	US (total 1)	Granted (granted 1)	2033
	Treatment method (WO2014028397)	US (total 1)	Granted (granted 1)	2033
	Treatment method (WO2013184650)	US (total 1)	Application (application 1)	2033

ORGANIZATION AND EMPLOYEES

Active Biotech's Most Important Asset

Active Biotech has a virtual organization that places demands on each employee having specialist competence in their specific areas. The organization is slim, allowing each employee to have a good overview of the business.

Each employee has a key role to secure the established goals for the company. Their competences are Active Biotech's single most important asset and a way to make sure that the company reaches its targets set. Competence sharing between the employees occurs continuously and is encouraged.

EXPERIENCED AND WELL-EDUCATED

The level of education among the employees is high. Most have university-level education and Ph.Ds. Most employees have a long experience from early to late-stage pharmaceutical development, as well as experience of participating in and leading external collaborations in the biotech and pharmaceutical industry.

The high level of competence among the company's employees is further strengthened through continuous training and participation in scientific meetings and conferences in areas in where the company operates.

STRENGTHENING WITH EXTERNAL COLLABORATIONS

The company engages several external experts on a regular basis to make sure that all projects are being developed in the best way possible. Active Biotech also has several collaborations with academic research groups, industrial partners, and service providers to secure all parts of the operations. In all the company's projects, collaborations are in place or being planned. This is in line with the company's business strategy, to focus work where the inhouse competences are best being used.

NEW BOARD COMPOSITION

The Board composition has changed significantly since 2019, adding considerable relevant international BioPharma experience as well as substantial topic competence supporting the new direction.

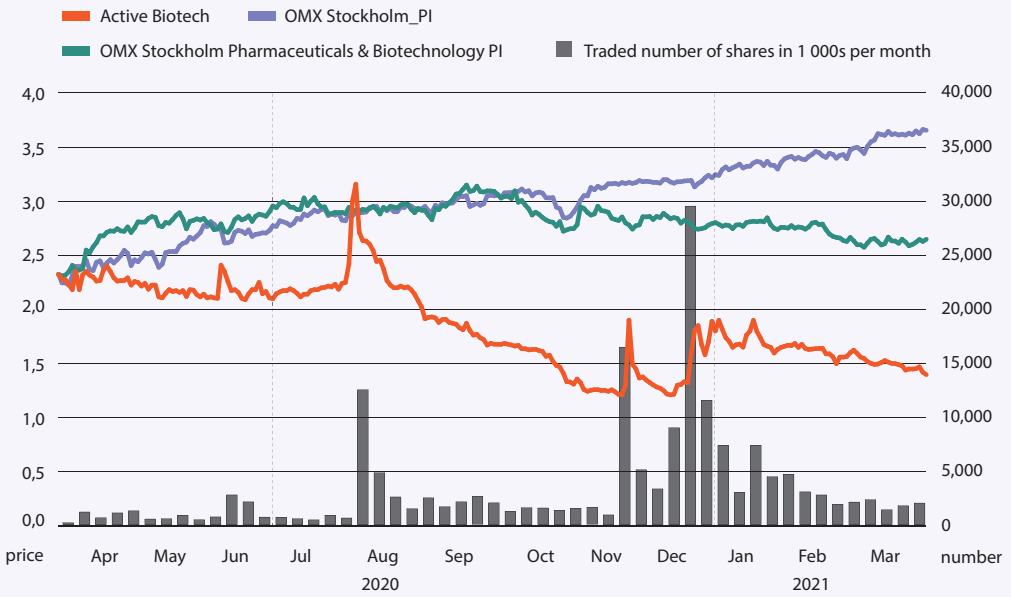
A STABLE WORK ENVIRONMENT

Active Biotech offers a secure and stable work environment. The employees know each other well and the work climate is perceived as positive. It is the company's objective to continue to be a workplace characterized by knowledge, creativity and participation. The table below set forth the number of employees in Active Biotech at the end of each period.

	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Number of employees at the end of the period	9	11	14	17

THE SHARE

Active Biotech's share is listed on Nasdaq Stockholm (Small Cap). The share was originally listed on December 1, 1986, on what was then known as the O-list of the Stockholm Stock Exchange. The company was converted into a dedicated biotechnology company in 1998. The latest price information is available on Nasdaq's website under the ticker ACTI. The Active Biotech share is included in Nasdaq Stockholm's Pharmaceuticals, Biotech & Life Science index. The diagram in this section shows the price trend for the Active Biotech share for the period March 2019 – February 2021.



Source: Web Financial Group

SHARE CAPITAL

The company's share capital is quoted in SEK and distributed among the shares issued by the company with a quotient value that is also expressed in SEK. At December 31, 2020, the share capital in Active Biotech amounted to SEK 750,000 distributed among 145,236,480 shares. The share's quotient value is approximately SEK 0.005164.

SHARE PRICE DEVELOPMENT

On the final day of trading in December 2020, the share price was SEK 1.89, while at the same date in 2019, it was SEK 2.25. The highest price paid for the share during the year was SEK 3.614 (August 5, 2020).

CHANGES IN SHARE CAPITAL

The table on page 31 shows the changes in Active Biotech's share capital from 2000 to March 2021.

DIVIDEND POLICY

In view of Active Biotech's financial position and negative earnings, the Board of Directors does not intend to propose that any dividends be paid for the next few years. The company's financial assets will be principally used to finance existing and new research programs.

TICKER:

ACTI

NO. OF SHAREHOLDERS:

15,190

FINANCIAL INFORMATION 2021

Interim Report, 3 months: April 22, 2021
Annual General Meeting: May 19, 2021
Interim Report, 6 months: August 5, 2021
Interim Report, 9 months: November 4, 2021
Year-end report 2021: February 9, 2022

SHAREHOLDERS

In March, 2021, the number of shareholders in Active Biotech amounted to 15,190. This data is based on information known to the company at March 31, 2021.

Owners	No. of shares	Holding, %
MGA Holding AB	57,002,107	26.2%
Avanza Pension	15,452,207	7.1%
Handelsbanken Liv	12,739,954	5.8%
Fjärde AP-fonden	5,863,086	2.7%
Tredje AP-fonden	5,840,583	2.7%
Peter Thelin	4,715,220	2.2%
EFG Bank / Geneva	3,353,159	1.5%
SEB-Stiftelsen, Skand Enskilda	2,757,690	1.3%
Vidarstiftelsen	2,618,538	1.2%
Madeleine Lennhammer	2,268,309	1.0%
10 största ägarna	**112,610,853**	**51.7%**
Övriga	105,360,867	48.3%
Totalt	**217,971,720**	**100.0%**

SHAREHOLDER STATISTICS,

March 31, 2021.

Shareholding interval	No. of shareholders	% of all shareholders	No. of shares	% of number of shares	Average per shareholder
1 – 1,000	9,211	60.6%	2,543,374	1.2%	276
1,001 – 10,000	4,549	29.9%	15,547,088	7.1%	3,418
10,001 – 100,000	1,262	8.3%	35,177,391	16.1%	27,874
100,001 –	168	1.1%	164,703,867	75.6%	980,380
Totalt	**15,190**	**100.0%**	**217,971,720**	**100.0%**	**14,350**

CHANGES IN SHARE CAPITAL

Year	Transaction	Change in number of shares	Change in share capital	Total no. of shares		Total share capital, SEK	Quotient value, SEK
				Class A shares	Class B shares		
	Opening balance			1,963,745	9,282,547	281,157,300	25.00
2000	Reclassification A to B	0	0	1,287,531	9,958,761	281,157,300	25.00
2001	Reclassification A to B	0	0	1,169,691	10,076,601	281,157,300	25.00
2002	Reclassification A to B	0	0	1,145,024	10,101,268	281,157,300	25.00
2003	Reduction of share capital (June)	0	-168,694,380	1,145,024	10,101,268	112,462,920	10.00
2003	Rights issue (June)	22,492,584	224,925,840	1,145,024	32,593,852	337,388,760	10.00
2003	Reclassification A to B	0	0	1,128,174	32,610,702	337,388,760	10.00
2003	Reorganization as a single share class (Dec.)	0	0	33,738,876		337,388,760	10.00
2005	Conversion (Jan.-May)	1,681	16,810	33,740,557		337,405,570	10.00
2005	Rights issue (June/July)	5,623,426	56,234,260	39,363,983		393,639,830	10.00
2005	Conversion (Aug.-Sept.)	228,241	2,282,410	39,592,224		395,922,240	10.00
2006	Conversion (Jan.-May)	160,644	1,606,440	39,752,868		397,528,680	10.00
2006	Reduction of share capital (May)	0	-247,686,499	39,752,868		149,842,181	3.77
2006	Conversion (June-Dec.)	42,553	160,397	39,795,421		150,002,578	3.77
2007	Conversion (Jan.)	204,579	771,128	40,000,000		150,773,706	3.77
2007	Rights issue (Feb.)	4,000,000	15,077,371	44,000,000		165,851,077	3.77
2007	Conversion (Mar.)	3,300,115	12,439,264	47,300,115		178,290,341	3.77
2008	Rights issue (June)	3,941,676	14,857,527	51,241,791		193,147,869	3.77
2009	Rights issue (June)	12,810,447	48,286,964	64,052,238		241,434,833	3.77
2010	Private placement (Apr.)	1,418,000	5,344,928	65,470,238		246,779,761	3.77
2010	Employee stock options	529,682	1,996,553	65,999,920		248,776,314	3.77
2011	Private placement (Jan.)	2,500,000	9,423,357	68,499,920		258,199,670	3.77
2011	Employee stock options	423,662	1,596,927	68,923,582		259,796,598	3.77
2013	Private placement (March)	6,000,000	22,616,055	74,923,582		282,412,653	3.77
2015	Rights issue (Jan.)	14,984,716	56,482,529	89,908,298		338,895,183	3.77
2016	Rights issue (Dec.)	6,916,022	26,068,856	96,824,320		364,964,039	3.77
2017	Reduction of share capital (June)	0	-364,464,039	96,824,320		500,000	0.005
2018	Rights issue (Apr.)	48,412,160	250,000	145,236,480		750,000	0.005
2021	Rights issue (Jan)	72,618,240	375,000	217,854,720		1,125,000	0.005
2021	Incentive program (Mar)	117,000	604	217,971,720		1,125,604	0.005

CORPORATE GOVERNANCE REPORT 2020

Active Biotech is a Swedish public limited liability company whose shares are traded on Nasdaq Stockholm (Small Cap).

In accordance with its Articles of Association, Active Biotech is to engage in research, development, production, marketing and sales of medical, chemical and biotechnology products, conduct administrative services for the Group and undertake any other operations compatible therewith.

This Corporate Governance Report describes Active Biotech's corporate governance, which includes the management and administration of the company's business and internal control of the financial reporting.

Corporate Governance in Active Biotech is based on applicable rules (primarily the Swedish Companies Act and accounting rules and regulations), the Articles of Association, Nasdaq Stockholm's Rule Book for Issuers, internal guidelines and policies, and the Swedish Corporate Governance Code.

Application of and deviations from the Code

Active Biotech applies the Swedish Corporate Governance Code (the Code). Information about the Code can be found at www.corporategovernanceboard.se. The company deviated from item 2.4 of the Code in 2020. The Election Committee appointed the Chairman of the Board to be the Chairman of the Election Committee. The motivation for this is the Election Committee's assessment that, since the company's main owner Mats Arnhög (MGA Holding) at the 2019 AGM stepped down from the Board and the position as Chairman of Board, it was appropriate given the interest in effective and cohesive Election Committee work that the new Chairman of the Board, Michael Shalmi, was also appointed as convener and Chairman of the Election Committee.

Shareholders

At December 31, 2020, the number of shareholders in Active Biotech amounted to 15,384. For information concerning the company's major shareholders and the ownership structure, see page 30 of this Annual Report.

Annual General Meeting

The Annual General Meeting (AGM) is Active Biotech's highest decision-making body. In addition to shareholders' statutory rights to participate in the AGM, Active Biotech's Articles of Association stipulate the requirement of advance notification of participation at the Meeting within a prescribed time as stated in the notice of the AGM. The shareholder is to state the number of accompanying assistants, if any, in such notification. At the AGM, each share represents one vote. Each shareholder entitled to vote at the Meeting may vote for the full number of shares held. Each share offers equal entitlement to dividends and any surplus on liquidation of the company. At the AGM, which is held not more than six months after the close of the fiscal year, the annual accounts for the preceding year are adopted, the Board of Directors is elected, auditors are appointed, if applicable, and other statutory matters are addressed. Between AGMs, the Board of Directors is the company's highest decision-making body. At the AGM on May 19, 2020, it was resolved to grant authorization to the Board, for a period that does not extend past the date of the next AGM, on one or several occasions, with or without preemptive rights for shareholders, to resolve on the issue of new shares and/or convertibles. It should also be possible to make such an issue resolution stipulating in-kind payment, the right to offset debt or other conditions. The authorization may not be utilized to a greater extent than would enable a total of not more than 30 percent of the total number of shares to be issued and/or arise through the conversion of convertibles issued with the support of the authorization.

Election Committee

At the AGM on May 19, 2020, it was resolved that the company's Chairman, based on ownership at the end of September 2020, convene an Election Committee to prepare proposals for the 2021 AGM. According to the resolution, the Election Committee comprises the Chairman of the Board and representatives of each of the three largest shareholders in the company. The members of the Election Committee receive no remuneration from the company for their work. The Election Committee performs the tasks incumbent on the Election Committee under the Code. The composition of the Election Committee was announced on December 1, 2020. A meeting of the Election Committee was convened on one occasion ahead of the 2021 AGM, which was attended by all of its members.

Members	Represents	Board member or not
Michael Shalmi	Chairman of the Board	Chairman
Mats Arnhög	MGA Holding AB	Not a member
Per Colleen	Fourth Swedish National Pension Fund	Not a member
Peter Thelin		Board member

Board of Directors

In accordance with Active Biotech's Articles of Association, the Board comprises between three and nine members with at most nine deputies. The 2020 AGM elected the current Board, which consists of six ordinary members with no deputies. Michael Shalmi was elected Chairman of the Board. The AGM resolved that remuneration of the Board's ordinary members be paid in the amount of SEK 200,000 per year for Board members who are not employed at the company, and remuneration of the Chairman of the Board be paid in the amount of SEK 500,000 per year. For a more detailed presentation of the Board members and President & CEO, see page 38-39 of this Annual Report. Of the Board members elected by the 2020 AGM, all are independent in relation to the company and executive management. All of the six members are independent in relation to the company's major shareholders.

The work of the Board and formal work plan

The Board works in accordance with an established formal work plan describing the minimum number of Board meetings to be held each year, routines for the preparation of the agenda minutes of the meetings as well as the distribution of material. One section of the formal work plan regulates the division of duties in the Board and describes the responsibilities of the Board, the Chairman and the President & CEO. The Board should primarily focus on general and long-term issues as well as issues of exceptional nature or great importance in other respects. The Chairman directs the work of the Board and represents the Board both externally and internally. The formal work plan also identifies the Board members who, in accordance with specific decisions, have been appointed as the management's contacts in the event of a crisis. At each scheduled Board meeting, the President & CEO reports on operations. The report comprises information on project development, plans and progress in research activities, financial reporting with forecasts as well as business development. The Board decides on issues in which the Swedish Companies Act and the Articles of Association require the Board's decision as well as on such issues as policy matters, strategy, business decisions (such as research plans), budget, business plans and key agreements. In 2020, 13 meetings were held at which minutes were taken. Important issues addressed by the Board included development of research projects, business development projects, partner strategy, financial statements and budget and financing matters. Minutes were recorded by the Board's secretary, a role that was filled by the company's CFO Hans Kolam during the year.

The Chairman of the Board ensures that an annual assessment of the Board's work is conducted that provides the Board members with the opportunity to present their views on work procedures, Board material, their own efforts and the efforts of other Board members and the scope of the task. The Election Committee was informed of the results of the assessment. On the basis of this information, the Election Committee can determine the skills and experience that Board members are required to hold. The Election Committee has also had access to information regarding the company's assessment of the quality and efficacy of the auditor's work, including recommendations concerning the appointment of auditors and auditor's fees. The assessment is that the Board's collective expertise is favorably compatible with the company's strategic visions and goals. The Board functions well and all members make a constructive contribution to the strategic discussions and the governance of the company. The dialog conducted between the Board and management was also deemed to be productive.

Board member	Attendance at Board meetings	Independent/dependent	
		Company	Owners
Michael Shalmi	13/13	independent	independent
Aleksandar Danilovski	9/9*	independent	independent
Axel Glasmacher	9/9*	independent	independent
Uli Hacksell	12/13	independent	independent
Elaine Sullivan	9/9*	independent	independent
Peter Thelin	13/13	independent	independent

* Appointed at the 2020 AGM

Audit, Scientific and Remuneration committee

Audit committee

The Audit committee consist of the following members; Peter Thelin, Michael Shalmi and Uli Hacksell. The purpose of the Audit committee is to increase the board of directors focus to the audit process and audit results of the company, and to facilitate an improved contact between the board of directors and the company´s auditor thereby improving the review of the company´s financial risk exposure, risk management and financial reporting. The Audit committee shall report its decisions, proposals, findings, and conclusions to the board of directors.

Scientific committee

The Scientific committee consists of the following members; Elaine Sullivan, Axel Glasmacher (Chair) and Aleksandar Danilovski. The purpose of the Scientific committee is to provide input and advise board and management of Active Biotech on matters relating to

the company's research and development strategy, including review of the company's planned or ongoing research activities and plans. To accomplish this, the Scientific committee will, on its own and/or together with external experts, as deemed appropriate, on a regular basis evaluate, and monitor the scientific plans as well as individual project progress and performance of the company's project portfolio. The Scientific committee is a resource to management, and members of the Scientific committee may be consulted individually or collectively. The meetings in the committee are prepared by the company's Chief Scientific Officer together with the Chair of the committee. The Scientific committee shall to the board of directors provide strategic advice on emerging regulatory, clinical and scientific issues pertaining to the project portfolio of Active Biotech or areas of special interest to the company.

Member	Attendance in Scientific committee
Axel Glasmacher (Chair)	4/4
Elaine Sullivan	4/4
Aleksandar Danilovski	4/4

Members	Attendance in Audit committee
Michael Shalmi (Chair)	1/1
Peter Thelin	1/1
Uli Hacksell	1/1

Remuneration committee

The company does not have a separate committee for remuneration. Instead, these matters are dealt with by the Board in its entirety. Salaries, remuneration, terms and conditions of employment and so forth, for the Board, President & CEO and executive management are detailed in Note 5 on pages 67-72.

Control systems and risk management regarding financial reporting

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the company's internal control. Active Biotech's work on internal control is designed to provide reasonable assurance that the company's goals are achieved in terms of an appropriate and efficient operation, reliable financial reporting and compliance with applicable legislation and regulations. Active Biotech's business is primarily operated at one site and is therefore deemed to be of limited complexity.

The internal control environment at Active Biotech follows the established COSO framework that comprises the following five components:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Follow-up

1. Control environment

The basis of the internal control of the financial reporting is the control environment that comprises the organization, decision-making procedures, authorities and responsibility, as documented and communicated in governance documents such as internal policies, guidelines and manuals. Authorizations and responsibilities are documented, such as the division of duties between the Board and the President & CEO.

2. Risk assessment

Structured risk assessments and risk management enables identification of significant risks that affect the internal control relating to financial reporting and where these risks are found. The aim of risk management is to minimize the number of risk factors within the financial reporting.

3. Control activities

The aim of control activities is to prevent, detect and correct errors and non-conformities in the financial reporting. Activities include analytical follow-ups and comparison of earnings trends, account reconciliations and balance specification, approval and reporting of business transactions and partnership agreements, power of attorney instructions, authorization manual, accounting policies and measurement principles.

4. Information and communication

Active Biotech has information and communication channels that aim to ensure that information relating to the financial reporting is provided efficiently and accurately. The guidelines for the financial reporting have been established in a policy document. Meetings are held at management group level within the company,

and subsequently at the level deemed suitable by the managers, and a number of meetings are held for all employees. The Board regularly receives financial reports on the Group's financial position and earnings trend, including comments, and the Group's financial situation is addressed at every Board meeting. The Board of Active Biotech ensures the quality of financial reporting by ensuring that the company has an appropriate organization combined with procedures and instructions for its work on financial reporting. The aim of the procedures for the external provision of information is to provide the market with relevant, reliable and correct information on Active Biotech's performance and financial position. Active Biotech has an information policy that meets the requirements imposed on listed companies. Financial information is regularly provided in the form of:

- Year-end and interim reports, published as press releases.
- Annual reports.
- Press releases regarding important news and events that may have a significant impact on the valuation of the company and the share price.
- Presentations and telephone conferences for financial analysts, investors and media

All reports, presentations and press releases are published on the Group's website, www.activebiotech.com, when they are simultaneously communicated to the market.

5. Follow-up

The internal control is monitored at various levels at Active Biotech. The Board discusses all interim reports, year-end reports and annual reports before they are published.

Internal audit

Given the Group's uncomplicated legal and operational structure and the established governance and internal control systems, the Board has decided not to have a separate internal audit function. The Board evaluates and continuously follows up the issue of possibly establishing an internal audit function.

Auditor

The company has at least one and at most two auditors and at most two deputy auditors. At the AGM on May 19, 2020, KPMG AB was elected as the company's auditor for the period extending until the end of the AGM held in 2021. Authorized Public Accountant Linda Bengtsson is auditor-in-charge. Information concerning auditors' fees is presented in Note 4 on page 66. The interim report for the January-September period 2020 was the subject of review by the auditors.

Policies

Information policy

With the aim of determining principles for the company's communication, the Board has established an information policy. This summarizes overriding goals and responsibilities for the external publication of Active Biotech's information. The goal when providing information to the stock market is to achieve a correct valuation of the company's share that reflects the company's underlying values, growth and earnings capacity in as stable a manner as possible. An unconditional requirement is that the information to the stock market complies with Nasdaq Stockholm's Rule Book for Issuers and applicable legislation and ordinances. The company's Board, management and personnel with operational responsibility must possess the requisite level of competence, and the company must have an organization in place that ensures the rapid and correct dissemination of stock market information.

Environmental policy

Within Active Biotech, environmental and safety work is important and the company has therefore established an environmental policy. Responsibility is decentralized so that each manager and employee is responsible for meeting goals relating to both the internal and external environment, as well as safety. This applies to all areas from proprietary research to contract manufacturing of candidate drugs and production. In addition, Active Biotech places great importance to ensuring that external partners have their own environmental and safety requirements that conform to the company's values.

Auditors' report on the Corporate Governance Report

To the annual meeting of the shareholders of Active Biotech AB, Corporate Registration Number 556223-9227.

Assignment and responsibility

The Board of Directors is responsible for the 2020 Corporate Governance Report on pages 32-36 and for

ensuring that it has been prepared in accordance with the Annual Accounts Act.

Scope of review

The audit was conducted in accordance with FAR's auditing standard RevU16, "The auditor's examination of the Corporate Governance Report". This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our audit provides a reasonable basis for our opinion as given below.

Opinion

A Corporate Governance Report has been prepared. Disclosures in accordance with Ch. 6. Section 6, Second paragraph, items 2–6 of the Swedish Annual Accounts Act, and Ch. 7 section 31, second paragraph of the same Act are consistent with the annual report and the consolidated statements and comply with the Annual Accounts Act.

Malmö, April 21, 2021

Linda Bengtsson, *Authorized Public Accountant*, KPMG AB

BOARD OF DIRECTORS AND AUDITOR

Michael Shalmi
Chairman of the Board

Born 1965. Chairman of the board since 2019.

Education: Physician from *University of Copenhagen* and obtained his MBA following studies at *Scandinavian International Management Institute* in Copenhagen, Denmark.

Other current assignments: CEO and owner of *Aligned Clinical & Management Services*. CEO at *P/S Momentum Energy Jutlandia*, *K/S Momentum Energy Jutlandia Development* and *K/S Momentum Energy Hanstholm*. Chairman of *Momentum Gruppen A/S and Curexsys AG*.

Shareholding in the company: 161,718 shares. Call options for 1,500,000 shares issued by *MGA Holding AB* and *Nordstjernan AB*.

Axel Glasmacher
Board member

Born 1960. Board member since 2020.

Education: Physician, Medical School, Doctor of Medicine and Adjunct professor of medicine, *University of Bonn*, Germany.

Other current assignments: General Director and owner of *Glasmacher Verwaltungs-GmbH* and *AGLS Life Science Consulting GmbH & Co. KG*. Non-executive chairperson of the board of directors of *4D Pharma plc*. Member of the Supervisory board of *Ryvu Therapeutics S.A*. Board member and treasurer of the non-profit association *Cancer Drug Development Forum asbl*. Member of the Clinical Advisory Board of *Oncopeptides AB*.

Shareholding in the company: 40,000 shares.

Peter Thelin
Board member

Born 1956. Board member since 2011.

Education: Graduate of *Stockholm School of Economics*.

Other current assignments: Board member and Partner of *Brummer & Partners AB*. Board member of *ELC Fastigheter AB*, *East Bay AB*, *Sjunda Gård AB*, *Carve Intressenter AB*, *Sjuenda Holding AB*, *Rebellion Oil AB* and *S:ta Ragnhild gymnasiet AB*. Chairman in *Stiftelsen Hjärnfonden*. Deputy board member of *French River 1 AB* and *French River 2 AB*.

Shareholding in the company: 4,715,220 shares (privately and through companies).

Aleksander Danilovski
Board member

Born 1974. Board member since 2020.

Education: Ph.D. in Chemistry (summa cum laude) from *Cambridge University*, United Kingdom and *University of Zagreb*, Croatia.

Other current assignments: Chief Scientific Officer (CSO) at *Xellia Pharmaceuticals ApS*. Board member of *Pharmaero ApS*. Member of the Scientific Selection Board of *Novo Holdings – REPAIR Impact Fund*.

Shareholding in the company: 59,025 shares.

Elaine Sullivan
Board member

Born 1961. Board member since 2020.

Education: B.Sc (Hons) in Molecular Biology from the *University of Glasgow* and Ph.D. in Molecular Virology from the *University of Edinburgh*.

Other current assignments: CEO and Co-founder of *Curadh Pharmaceuticals Ltd*. Non-executive director of *IP Group plc*. and *Open Orphan*. Member of the Supervisory Board of *Evotec AG*.

Shareholding in the company: -

Uli Hacksell
Board member

Born 1950. Board member since 2019.

Education: Pharmacist, Doctor of Pharmaceutical Science and as- sociate Professor at *Uppsala University*.

Other current assignments: Board member of *Medivir AB*, *Beactica Therapeutics AB*, *Synact Pharma AB* and *InDex Pharmaceuticals Holding AB*.

Shareholding in the company: 21,000 shares.

Linda Bengtsson
Auditor

KPMG AB with Linda Bengtsson as auditor-in-charge. Born: 1974.
Authorized Public Accountant KPMG.

EXECUTIVE MANAGEMENT

Helén Tuvesson
President and CEO

Born 1962. CEO since 2017.

Education: MSc, Ph.D in cell and molecular biology in medical science from Lund University.

Other current assignments: Chairman of *Active Security Trading AB* and *Actinova AB*. Board member of *Immunicum AB*.

Shareholding in the company: 85,338 shares.

Hans Kolam
Chief Financial Officer

Born 1951. CFO since 2000.

Education: B.Sc in Business Administration from Uppsala University.

Other current assignments: Specially authorized signatory of *Active Biotech AB* (publ). Board member of *Active Security Trading AB* and *Actinova AB*.

Shareholding in the company: 107,191 shares (of which 5,544 shares via related parties).

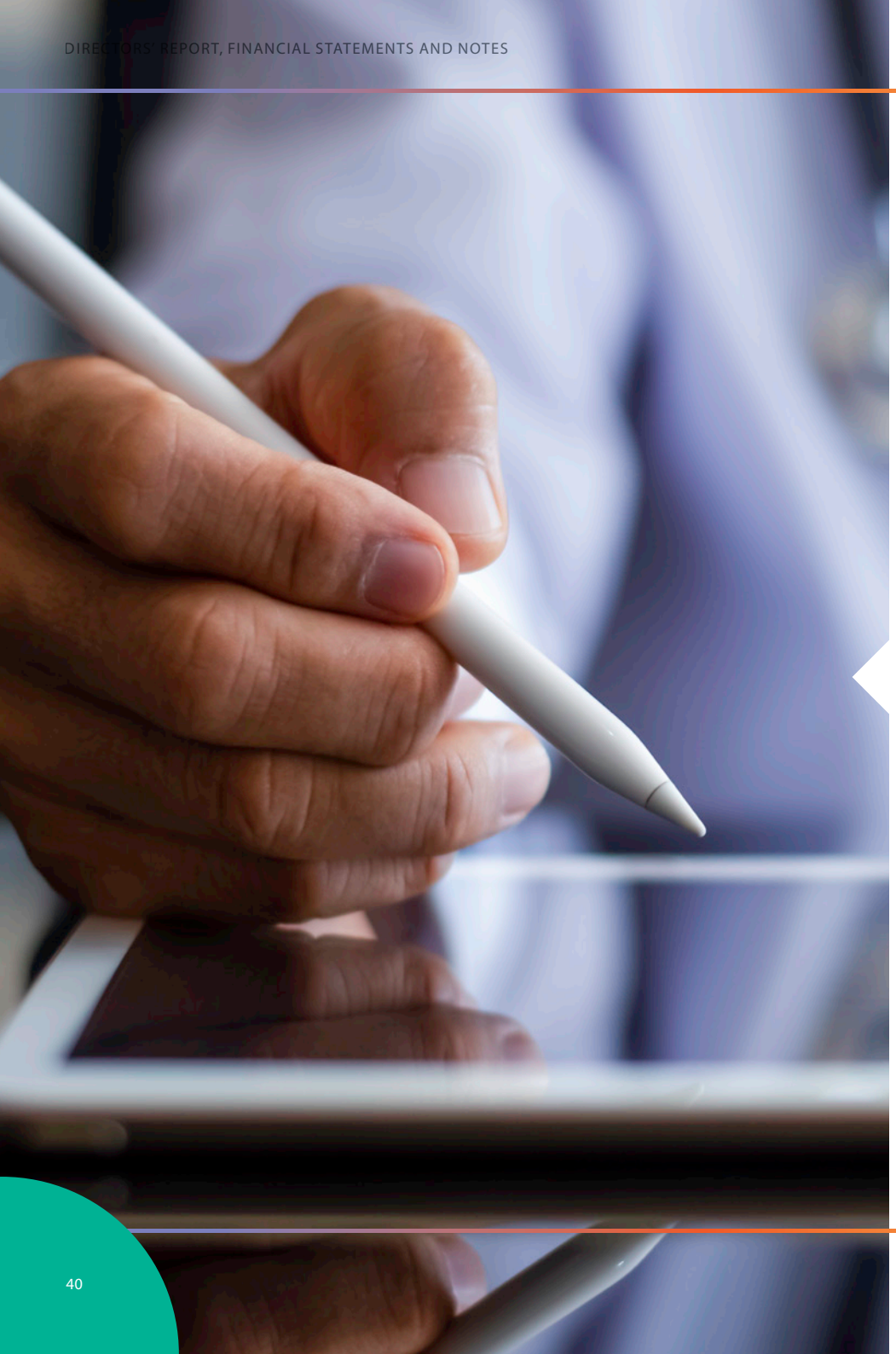
Helena Eriksson
Chief Scientific Officer

Born 1968. Chief Scientific Officer since 2017.

Education: Ph.D in experimental hematology in medical science from Lund University.

Other current assignments: Specially authorized signatory of *Active Biotech AB* (publ). Board member of *Active Security Trading AB* and *Actinova AB*.

Shareholding in the company: 58,941 shares.



DIRECTORS' REPORT, FINANCIAL STATEMENTS AND NOTES

Directors' Report

The Board of Directors and President & CEO of Active Biotech AB (publ), Corporate Registration Number 556223-9227, hereby submit their Annual Report and consolidated financial statements for the fiscal year January 1, 2020 to December 31, 2020. Active Biotech conducts operations as a limited liability company and has its registered office in Lund, Sweden.

GROUP AND PARENT COMPANY

The Group's legal structure is built around the Parent Company Active Biotech AB, whose operations comprise pharmaceutical development, Group-wide functions and asset management. In addition, the Group includes three wholly owned subsidiaries, see Note 20.

OPERATIONS

Active Biotech focuses on pharmaceutical research and development in therapy areas with high medical needs and in which the body's immune system plays a significant role. The project portfolio comprises small, orally active immunomodulatory molecules and anti-body based immunotherapy developed for the treatment of cancer and inflammatory diseases.

The company's naptumomab project has been out-licensed to NeoTX Therapeutics Ltd (NeoTX) since October 2016, developed for the treatment of solid tumors and a clinical phase Ib/II study began in 2019.

The tasquinimod project is being developed for the treatment of multiple myeloma in an academic partnership with The Perelman School of Medicine, University of Pennsylvania. Preparations are ongoing for a phase Ib/IIa study.

The laquinimod project is being developed for the treatment of eye disorders. Preclinical activities are continuing to increase our understanding of the therapeutic potential of laquinimod in eye diseases. Focus for the clinical development will be non-infectious non-anterior uveitis, and the plan is to start clinical development during H2-2021. Possible partnership modalities, including academic partnerships, are being evaluated to advance the evaluation of laquinimod in this indication.

SIGNIFICANT EVENTS IN 2020

- On February 5, 2020, Active Biotech announced that the Board had approved a new direction for the company.
- The company announced on August 3 that the first patient was dosed in the phase Ib/IIa study of tasquinimod use in treatment of multiple myeloma.
- On November 5, Active Biotech announced that a rights issue will be carried out and that a extraordinary general meeting will be held on November 30
- Active Biotech held a viritual capital markets day on November 25.
- On December 11 the company received a milestone payment from NeoTX of USD 750,000.

ORGANIZATION

The average number of employees in the Group during the year amounted to 10 (12), of whom 6 (6) were women. The average age of the employees was 59 (56) with an average employment period of 22.5 years (21.4). To conduct effective operations with a relatively small organization, Active Biotech engages consultants with specialist competence for specific assignments and for tasks in the fields of expertise that the company lacks or only has a need for periodically.

The number of employees at the end of 2020 was 9, of whom 5 were women.

INCENTIVE PROGRAMS

The Annual General Meeting on May 19, 2020 resolved to adopt two Long Term Incentive Programs (LTIPs), Plan 2020/2024 to include the employees within the Active Biotech Group and the Board Plan 2020/2023 to include all Board members of Active Biotech.

PLAN 2020/2024 – Employees within the Active Biotech Group

At the Annual General Meeting on 19 May 2020, it was resolved to adopt a long-term performance-based incentive program for employees within Active Biotech ("Plan 2020/2024"). The participants in the Plan 2020/2024 are required to invest in shares in Active Biotech at market terms ("Saving Shares"). The participants will thereafter have the opportunity to receive further shares free of charge in accordance with the Plan 2020/2024 ("Performance Shares").

In order to participate in the program, the participant must have made a private investment in the Company by acquiring Saving Shares. Such investment may amount to not more than 15 percent of the respective participant's annual gross base salary and shall be made no later than 31 March each year up to and including year 2023. For each Saving Share held under the Plan 2020/2024, the Company grants participants a right to up to two Performance Shares free of charge provided that certain conditions are met, relating to maintained employment, retained investment in Saving Shares and certain targets relating to the Company's performance.

A right will be exercised provided that the participant has kept its own original Saving Shares and has maintained its employment within Active Biotech up to and including 31 December the year in which the investment in Savings Shares was made.

BOARD PLAN 2020/2023

At the annual general meeting on 19 May 2020, it was resolved to adopt a long-term performance-based incentive program for the Company's board members ("Board Plan 2020/2023"). The participants in the Board Plan 2020/2023 are required to annually invest in shares in Active Biotech at market terms ("Saving Shares"). The participants will thereafter be granted the opportunity to receive further shares free of charge in accordance with the Board Plan 2020/2023 ("Performance Shares").

In order to participate in the program, the participant must have made a private investment in the Company from the board remuneration otherwise received in cash, by acquiring Saving Shares. Such investment may amount to not more than 100 percent of the gross board remuneration payable to each board member and shall each year be made no later than 30 trading days following the annual general meeting on which the participant was appointed as board member of the Company up to and including year 2023. The Saving Shares acquired in one year shall remain invested through a minimum of approximately twelve months. For each Saving Share acquired (for up to 50 percent of the gross board remuneration payable to each board member) under the Board plan 2020/2023, the Company will grant participants a right to one Performance Share free of charge, provided that certain conditions are met, relating primarily to the share price development.

Employees and Board members acquired in total 361,756 shares in the market during the applicable time period in the respective incentive programs. Total costs, including social contributions, as of December 31, 2020 YTD, amounted to SEK 713 K.

For detailed terms and conditions for each of the programs, see note 5.

SALES AND EARNINGS

Revenue, expenses and earnings

Net sales for the January-December period amounted to SEK 6.7 M (8.4) and includes a milestone payment from NeoTX Therapeutics of SEK 6.2 M (0,0) and SEK 0.5 M (3.5) in service and other revenues.

The total research expenses for full-year 2020 amounted to SEK 25.5 M (28.5). In 2020, the company's research efforts during the period have been focused on complementing existing and new pre-clinical results for tasquinimod and laquinimod and establishing clinical partnerships for further development of the programs.

- A phase Ib/IIa clinical study with tasquinimod for treatment of multiple myeloma was initiated in August, 2020 in collaboration with Penn University, USA
- Laquinimod is being developed as a new product class for treatment of inflammatory eye diseases. A topical ophthalmic formulation has been developed. A phase I safety clinical study for topical treatment and a phase II clinical proof of principle study with oral laquinimod are in preparation for non-infectious non-anterior uveitis
- Naptumomab partnered with NeoTX is in phase Ib/II safety development for solid tumors and progresses according to plan.

Administrative expenses amounted to SEK 13.5 M (12.2). The operating loss for the period amounted to SEK 32.3 M (loss: 32.3). Net financial income for the period was SEK 0.1 M (expense: 1.8) and the loss after tax to SEK 32.2 M (loss: 34.1).

COMMENTS ON THE BALANCE SHEET

At year-end 2020, the Group's total assets amounted to SEK 32.2 M (67.0), of which tangible fixed assets accounted for SEK 1.9 M (3.2). At year-end, cash and cash equivalents and financial investments totaled SEK 26.2 M (59.7).

CASH AND CASH EQUIVALENTS AND FINANCIAL POSITION

At year-end, cash and cash equivalents totaled SEK 26.2 M (59.7). The Board of Active Biotech has established a policy for the investment of the Group's cash and cash equivalents, which stipulates that these be invested at low credit risk, primarily in short-term Swedish securities, commercial papers and fixed-income and bond funds with high liquidi-

ty. At year-end, cash and cash equivalents totaling SEK 22.8 M were invested in short-term Swedish securities. Interest-bearing liabilities amounted to SEK 2.0 M (3.3) and are attributable to the Group's lease commitments. At the end of the year, consolidated shareholders' equity amounted to SEK 22.1 M (53.8) and the equity/assets ratio was 68.8 percent, compared with 80.3 percent at year-end 2019.

COMMENTS ON THE CASH-FLOW STATEMENT

The Group's cash flow for full-year 2020 was a negative SEK 33.5 million (pos: 34.1).. The negative cash flow from operating activities amounted to SEK 32.2 M (neg: 35.8). Cash flow from investing activities totaled SEK 0.0 M (275.0). Cash flow from financing activities amounted to a negative SEK 1.3 M (neg. 205.1). The cash flow for 2019 from investment and financing activities refers to the sale of real estate that generated an appr. SEK 70 M cash injection. Investments in tangible fixed assets amounted to SEK 0.0 M (0.0).

THE ACTIVE BIOTECH SHARE

Share capital and ownership structure

At year-end 2020, Active Biotech AB's share capital amounted to SEK 750,000 distributed among 145,236,480 shares. The company has one class of share. All shares carry equal rights to participation in the company's assets and dividends. For information concerning the company's major shareholders, see page 30 of this Annual Report.

CORPORATE GOVERNANCE

Active Biotech AB's Articles of Association stipulate that the election of the Board shall always take place at the Annual General Meeting. Apart from this, the Articles of Association do not contain any stipulations governing how Board members are to be appointed or dismissed, or regarding changes to the Articles of Association. Shareholders can vote for the full number of shares held or represented at General Meetings of Active Biotech. Shares that have been issued are freely transferable without restrictions pursuant to legislation or Active Biotech's Articles of Association. The company is not aware of any agreements among shareholders that can entail restrictions on the entitlement to transfer shares in the company. For a more detailed description of how Active Biotech manages corporate governance issues and information on mandates granted by the General Meeting, refer to the Corporate Governance Report on pages 32-37.

PARENT COMPANY

The operations of the Parent Company Active Biotech AB comprise the Group's research operations, Group coordinative administrative functions and asset management.

The Parent Company's net sales for the year amounted to SEK 6.7 M (8.3). Operating expenses for the period amounted to SEK 39.0 M (41.0). Investments in tangible fixed assets amounted to SEK 0.0 M (0.0) for the period. At year-end, the Parent Company's cash and cash equivalents, including short-term investments, amounted to SEK 26.1 M, compared with SEK 59.4 M at the beginning of the year. The loss after tax was SEK 32.1 M (loss: 32.6).

RISKS AND UNCERTAINTY FACTORS

Executive management in Active Biotech makes continuous assumptions, assessments and estimates that impact the content of the company's financial statements. Actual results may differ from these assessments and estimates. The aim of the Group's risk management is to identify, assess and limit uncertainties and risks in the operation. The risks can be divided into company related risks, operational risks and financial risks.

Company-related risks

Dependence on key employees

Active Biotech is dependent on key employees to a high degree. The ability to recruit and retain qualified employees is of the utmost importance in ensuring the level of expertise in the company.

Operational risks

Research and development

Research and pharmaceutical development are associated with high risk, since a large amount of financial resources are invested in a product that will perhaps never become a finished drug. Most projects that are started will never achieve the stage of market registration. The research project may be rejected during the development process, since the compounds that are developed could either not demonstrate the intended effect or demonstrate risks for unwanted side effects. Competing pharmaceutical or biotech companies may conduct research into the same therapy area, which could make it less attractive to complete a project for marketing reasons.

Patent protection

Active Biotech's future success will largely depend on the company's ability to obtain and maintain the protection of intellectual property rights relating to the company's products. The conditions for patenting discoveries in the field of pharmaceuticals and biotechnology are generally difficult to assess and involve complex legal and scientific issue. There is no guarantee that Active Biotech will be able to obtain and maintain patents for its products or its technologies. Even when patents have been issued, they could be subject to objection, be disqualified or

bypassed, which could restrict Active Biotech's ability to prevent competitors from marketing similar products and limiting the time that Active Biotech has to be able to establish patent protection.

Production

Active Biotech has no production of its own, which is why the company is dependent on subcontractors for product and pharmaceutical production and production for preclinical and clinical development. There is a risk that Active Biotech will not have the possibility to meet its production needs at a reasonable cost at the specific point in time.

Official permits and regulatory approval

Active Biotech is exposed to official decisions, such as necessary permits for conducting clinical trials and commercializing pharmaceuticals, as well as rule changes for pricing and discounting of drugs or changed conditions for the prescription of pharmaceuticals.

Partnership agreement

Active Biotech is and will continue to be dependent on partnerships with pharmaceuticals and biotechnology companies for the development and sale of potential products. Differences of opinions and conflicts may arise between Active Biotech and its partners regarding the conditions in applicable agreements, such as interpretation of clinical data, achieving financial remuneration, ownership rights to patents and similar rights that developed within the framework of these partnerships.

Competition and commercial success

Active Biotech is active in attractive therapy areas with a large medical need, which entails that the competition is significant and competitors may develop, market and sell drugs that are more effective, safer and at a lower price than Active Biotech or its partners. The pharmaceuticals industry is highly competitive and there is a risk that it will not be possible to maintain existing product margins. Competitors may also have higher production and distribution capacity, as well as sales and marketing possibilities than Active Biotech and its partners.

Product liability and insurance

Active Biotech's operations involve product liability, which is unavoidable in conducting clinical trials and the manufacture of pharmaceuticals. Although the company makes the assessment that its existing insurance coverage is sufficient, the scope and remuneration of the insurance coverage is limited, meaning that there are no guarantees that Active Biotech will gain full compensation for any damages under the existing insurance coverage. It cannot be guaranteed that appropriate insurance protection can be obtained at an acceptable cost or that such insurance protection can be obtained at all. Accordingly, there is a risk that insufficient or excessively expensive insurance protection could have a negative impact on the company's operations, financial position and earnings.

Financial risks

Exchange rate and credit risks

Assets, liabilities, revenue and expenses in foreign currency give rise to currency exposure. A weakening of the SEK against other currencies increases Active Biotech's recognized assets, liabilities, revenue and earnings, while a strengthening of the SEK against other currencies will reduce these items. The company is exposed to such changes since the operations are conducted in Sweden and any future remuneration in accordance with the company's partnerships will be paid in foreign currency. Since Active Biotech does not make use of forward contracts or options to hedge foreign-exchange risk, exchange-rate effects may directly impact the income statement, which could lead to a negative impact on the company's financial position and earnings. Earnings are exposed to exchange-rate changes with regard to the procurement of clinical trial services, research services and production of clinical materials. Operating expenses amounted to SEK 39.0 M during the fiscal year, of which about 21 percent corresponded to costs in foreign currencies. The proportion of costs in foreign currencies, principally in USD and EUR, may fluctuate as projects enter later phases of clinical development with more clinical studies potentially being conducted abroad.

Credit risk refers to the risk that a counterparty does not meet its obligations to pay a liability or pay the interest on a liability. In the event that any counterparty cannot meet their obligations to Active Biotech, there may be a negative impact on the company's financial position and earnings. The company's credit risks are marginal, since its operations are only subject to low invoicing levels by virtue of the fact that it currently engages primarily in research and development. For further information on financial risks, see Note 18 on page 84-85.

Liquidity and interest-rate risk

Liquidity risk relates to the risk that Active Biotech, due to a shortage of cash and cash equivalents, cannot meet its financial obligations or has a reduced ability to conduct its operations effectively. The interest-rate risk relates to the risk that Active Biotech's exposure to fluctuations in market interest rates can have a negative impact on net earnings. The fixed-interest term on financial assets and liabilities is the most significant factor that

influences the interest-rate risk. The liquidity risk could have a negative impact on the company's operations, financial position and earnings. Since the divestment of the company's property and settlement of the property credits in April 2019, the company's interest-rate risk has a marginal impact on the company's financial position.

Continuing losses and future capital requirements

Since its operations started, Active Biotech has reported an operating loss and will continue to require significant capital injections for research and development with the aim of conducting preclinical and clinical studies, and potentially marketing, selling and distributing approved pharmaceuticals. Both the scope and timing of the company's future capital requirements will depend on several factors, including costs for ongoing and future preclinical and clinical studies, as well as the results from these studies, including milestone and royalty payments.

There is a future risk that a further need of financing will arise, for example, by raising loans, sales of assets or through further rights issues of shares or other securities. The access to and conditions for further financing are affected by several factors, such as the possibility of entering partnerships and the extent to which research and development projects progress successfully, market conditions, general availability of credit and Active Biotech's credit worthiness and credit capacity. Disruptions and uncertainty in the credit and capital markets may also limit access to additional capital. There is a risk that, going forward, Active Biotech will not have sufficient revenue or positive cash flow to maintain its operations in their current form. Such developments would involve materially negative effects for the company's operations and financial position.

ENVIRONMENTAL INFORMATION

Active Biotech conducts its operations in accordance with the permits issued for the company by the authorities. Inspections conducted achieved fully satisfactory results. Active Biotech has a well-developed program for the sorting of waste at source and for the destruction of environmentally hazardous waste, and works actively to minimize energy consumption and the use of environmentally hazardous substances. Active Biotech is not involved in any environmental disputes

REPORT ON THE WORK OF THE BOARD

The Board decides on the Group's overall strategy, the Group's organization and management in accordance with the Swedish Companies Act. At year-end, the Board comprised six members elected by the Annual General Meeting. Other white-collar employees in the company participate in Board meetings in a reporting capacity or in administrative functions. During the year, 13 meetings were held at which minutes were taken. The President & CEO continuously informed the Chairman of the Board and the other Board members of developments in the company.

Important issues addressed by the Board included:

- financing of the operation
- development of research projects
- business development projects
- strategic focus
- information concerning financial statements
- budget and forecasts for the operation
- partnership strategy and partnership discussions

The work of the Board and governance of Active Biotech is described in detail in the "Corporate Governance Report" section on pages 32-37. With regard to the Group's and Parent Company's results and financial position, refer to the subsequent income statements and balance sheets with the accompanying notes to the financial statements.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

These guidelines encompass remuneration of senior executives. Senior executives are defined as the President & CEO and other members of Group management. The guidelines apply to remuneration agreed, and changes made to existing agreed remuneration, when the guidelines have been adopted by the 2021 AGM. The guidelines do not cover remuneration resolved by the AGM.

The guidelines promotion of the company's business strategy, long-term interests and sustainability

The most important parts of the company's business strategy are:

- Achieve the greatest possible growth in value in each project and seek collaboration with strong partners not later than completed phase II studies
- Progress the clinical development and commercialization of the company's selected compounds together with partners with relevant expertise
- Limit costs through the utilization of partnership agreement and external expertise
- Protect know-how through an active patent strategy
- Create financial sustainability through partnerships with licensees and shareholders

For additional information concerning the company's business strategy, see www.activebiotech.com

The successful implementation of the company's business strategy and safeguarding the company's long-term interests, including its sustainability, requires the company to recruit and retain qualified employees. To ensure this, the company must offer competitive remuneration. These guidelines enable the payment of a competitive total remuneration to senior executives.

Variable cash payments covered by these guidelines should aim to promote the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration, etc.

Remuneration is to be market-based and may include the following components: fixed cash salary, variable cash payments, pension benefits and other benefits.
The AGM can in addition – and regardless of these guidelines – resolve on, for example, share and share-based remuneration.

Variable cash payments may not exceed 50 percent of the fixed annual cash salary for the President & CEO and 25 percent for other members of Group management. Variable cash payments are not pensionable.

Pension benefits are to comprise defined-contribution schemes. For senior executives covered by the ITP plan, the pension premium is to correspond to the stipulations of the ITP plan. For other senior executives, the pension premium is to not exceed 25 percent of fixed annual salary.

Other benefits may include medical and health care and company cars. In total, such benefits may not exceed 10 percent of annual cash salary.

Termination of employment

Upon termination by the company, the notice period must be at most 12 months for the President & CEO and for other members of Group management. If notice is given by a senior executive, the notice period must be at most 12 months, without entitlement to severance pay.

Criteria for awarding variable cash payments, etc.

Variable cash payments are to be linked to predetermined and measurable criteria, which may be financial or nonfinancial. They may also be personalized quantitative or qualitative goals. The criteria are to be designed to promote the company's business strategy and long-term interests, including its sustainability, for example by having a clear link to the business strategy or by promoting the long-term development of the senior executive.

The degree to which the criteria were met is determined when the measurement period to fulfill the criteria set for payment of the variable cash payments has ended. The Board is responsible for assessing variable cash payments to the President & CEO. The President & CEO is responsible for assessing variable cash payments to other executives. As regards financial targets, the assessment is based on the most recent financial information published by the company.

Salary and terms of employment

When preparing the Board's proposal for these remuneration guidelines, salary and terms of employment for the company's employees have been taken into account by including information about the employees' total remuneration, the components of the remuneration and the growth and rate of growth over time of remuneration in the Board's decision documentation when assessing the fairness of the guidelines and the limitations that arise from these.

Decision-making process to determine, review and implement the guidelines

The Board's decides on proposed guidelines for remuneration of senior executives. The Board is to prepare proposals for new guidelines at least once every three years and present these proposals for a decision by the AGM. The guidelines are to apply until new guidelines are adopted by the AGM. The Committee also monitors and evaluates the program for variable remuneration of executive management and the application of the guidelines for remuneration of senior executives in addition to remuneration structures and remuneration levels. The Board members are independent in relation to the company and executive management. The President & CEO or other members of executive management are not present when the Board addresses and decides on matters concerning remuneration relating to one of the aforementioned individuals.

Deviation from the guidelines

The Board may only approve temporary deviation from the guidelines, partially or entirely, in individual cases with particular grounds and when deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As specified above, the duties of the Board include preparing for decisions on remuneration issues, which also includes decisions regarding deviations from the guidelines.

Description of significant changes to the guidelines and how shareholder viewpoints are to be taken into consideration

There are no earlier adopted remuneration packages that have not fallen due for payment. The company has not approved any deviations from the guidelines for remuneration adopted by the 2020 AGM.

EVENTS AFTER THE BALANCE-SHEET DATE

- On January 5, 2021, Active Biotech published the rights issue prospectus
- On January 26, 2021, Active Biotech announced that the rights issue was heavily oversubscribed
- On February 4, 2021 Active Biotech announced the signing of a manufacturing agreement for a topical formulation of laquinimod
- On April 19, 2021 Active Biotech and NeoTX announced FDA Clearance of IND for Phase II Clinical Trial of Naptumomab

IMPACT OF COVID-19

Active Biotech, like everyone else, was affected by the covid-19 pandemic during 2020. To limit the spread of the virus and a potential negative impact to our business, we have minimized our travel and changed our way of working. Substantial progress has been achieved across all projects despite the prevailing situation, and we have been able to continue operating without significant delays during 2020. However, despite the vaccines now coming broadly into use, it is still uncertain how the global measures against COVID-19, and prioritization of health care resources, may affect timelines, specifically of the clinical studies in the coming months. Active Biotech will continue to monitor the clinical trials and provide updates as needed.

OUTLOOK FOR 2021

Active Biotech's ability to develop pharmaceutical projects to the point at which partnership agreements can be secured, and the partner assumes responsibility for the future development and commercialization of the project, is decisive for the company's long-term financial strength and stability.

Following a portfolio refocus during 2020, Active Biotech currently holds three projects in its portfolio:

- naptumomab, a targeted anti-cancer immunotherapy, partnered to NeoTX, is in phase Ib/II clinical development in patients with advanced solid tumours
- tasquinimoid, targeted towards hematological malignancies is in clinical phase Ib/IIa treatment of multiple myeloma
- laquinimod, targeted towards inflammatory eye disorders. A phase I safety study of a topical ophthalmic formulation and a phase II study with oral treatment in patients with uveitis are planned to start during H2-2021.

The partnership agreement entered with NeoTX in 2016 will have an impact on the company's future revenues and financial position if naptumomab progress in development. NeoTX initiated the clinical development of naptumomab in combination with a checkpoint inhibitor during 2019. A phase Ib/II study is ongoing and results from the phase Ib part are expected during the first half of 2021.

During 2020 Active Biotech entered into an academic collaboration with Penn University for the development of tasquinimod in multiple myeloma, a phase Ib/IIa study was initiated in August 2020 and the first safety readout is expected in the second half of 2021.

Active Biotech focuses its activities to secure value growth and conduct commercial activities aimed at entering new partnerships for tasquinimod in multiple myeloma and laquinimod in uveitis.

To secure financing of the above programs a rights issue was successfully concluded in January 2021 when SEK 76.2 M before issue costs was secured. The rights issue aimed at providing Active Biotech with the financial stability required to await the outcome of the ongoing clinical studies and to conduct negotiations with partners.

The existing liquidity, the proceeds from the rights issue together with revenues from existing and anticipated partnership agreements, are expected to finance operations in accordance with existing plans.

ALLOCATION OF PROFIT/LOSS

SEK	
Profit brought forward	32,260,406
Loss for the year	-32,133,542
Total	**126,864**

The Board of Directors proposes that the accumulated profit SEK 126,864 balance in a new account.

Financial Statements

CONSOLIDATED INCOME STATEMENT

January 1 – December 31

SEK thousands	Note	2020	2019
Net sales	2	6,725	8,425
Administrative expenses	3,4	-13,482	-12,237
Research and development costs	3	-25,549	-28,473
Operating loss	5	**-32,306**	**-32,285**
Financial income		215	89
Financial expenses		-154	-1,936
Net financial expense	6	**61**	**-1,847**
Loss before tax		**-32,245**	**-34,132**
Tax	7	–	–
Loss for the year		**-32,245**	**-34,132**
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company's shareholders		-32,245	-34,132
Non-controlling interests		–	–
EARNINGS PER SHARE	13		
before dilution (SEK)		-0.22	-0.24
after dilution (SEK)		-0.22	-0.24

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

January 1 – December 31

SEK thousands	Note	2020	2019
Loss for the year		**-32,245**	**-34,132**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		–	–
COMPREHENSIVE INCOME FOR THE YEAR		**-32,245**	**-34,132**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company's shareholders		-32,245	-34,132
Non-controlling interests		–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31

SEK thousands	Note	2020	2019
ASSETS			
Leased assets		1,870	3,190
Long-term receivables		1	1
Total fixed assets		**1,871**	**3,191**
Accounts receivable		284	838
Tax assets		739	460
Other receivables	10	491	1,061
Prepaid expenses and accrued income	11	2,557	1,723
Cash and cash equivalents	21	26,213	59,681
Total current assets		**30,284**	**63,763**
TOTAL ASSETS		**32,155**	**66,954**

SEK thousands	Note	2020	2019
SHAREHOLDERS' EQUITY			
Share capital		750	750
Other capital contributed		3,311,868	3,311,868
Profit/loss brought forward including loss for the year		-3,290,505	-3,258,835
Total shareholders' equity	**12**	**22,113**	**53,783**
LIABILITIES			
Other long-term interest-bearing liabilities	14	689	2,001
Total long-term liabilities		**689**	**2,001**
Short-term interest-bearing liabilities	14	1,312	1,252
Accounts payable		2,852	5,598
Tax liabilities		–	34
Other liabilities	15	219	257
Accrued expenses and deferred income	16	4,970	4,029
Total short-term liabilities		**9,353**	**11,170**
TOTAL LIABILITIES		**10,042**	**13,171**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**32,155**	**66,954**

For information pertaining to the Group's pledged assets and contingent liabilities, see Note 19.

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 – December 31

SEK thousands	Note 21	2020	2019
Operating activities			
Loss before tax		-32,245	-34,132
Adjustments for non-cash items		1,896	867
Cash flow from operating activities before changes in working capital		**-30,349**	**-33,265**
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		11	-2,300
Increase(+)/Reduction(-) in operating liabilities		-1,878	-248
Cash flow from operating activities		**-32,216**	**-35,813**
Investing activities			
Divestment of tangible fixed assets		–	275,000
Cash flow from investing activities		**–**	**275,000**
Financing activities			
Amortization of loans		–	-204,053
Amortization of lease liabilities		-1,252	-1,005
Cash flow from financing activities		**-1,252**	**-205,058**
Cash flow for the year		**-33,468**	**34,129**
Cash and cash equivalents, January 1		**59,681**	**25,552**
Exchange-rate differences in cash and cash equivalents		**–**	**–**
CASH AND CASH EQUIVALENTS AT YEAR-END		**26,213**	**59,681**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

SEK thousands	Share capital	Other capital contributed	Revaluation reserve	Profit/loss brought forward incl. loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2019	**750**	**3,311,868**	**88,889**	**-3,313,592**	**87,915**
Loss for the year	–	–	–	-34,132	-34,132
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**-34,132**	**-34,132**
Transfer from revaluation reserve	–	–	-88,889	88,889	–
Closing shareholders' equity, December 31, 2019	**750**	**3,311,868**	**–**	**-3,258,835**	**53,783**
Opening shareholders' equity, January 1, 2020	**750**	**3,311,868**	**–**	**-3,258,835**	**53,783**
Loss for the year	–	–	–	-32,245	-32,245
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**-32,245**	**-32,245**
Share-based payments that are settled with equity instruments, IFRS2	–	–	–	575	575
Closing shareholders' equity, December 31, 2020	**750**	**3,311,868**	**–**	**-3,290,505**	**22,113**

PARENT COMPANY INCOME STATEMENT

January 1 – December 31

SEK thousands	Note	2020	2019
Net sales	2	**6,725**	**8,322**
Administrative expenses	3,4	-13,482	-12,312
Research and development costs	3	-25,519	-28,691
Operating loss	5	**-32,276**	**-32,681**
Profit/loss from financial items			
Interest income and similar items	6	215	89
Interest expenses and similar items	6	-73	-2
Loss after financial items		**-32,134**	**-32,594**
Loss before tax		**-32,134**	**-32,594**
Tax	7	–	–
Loss for the year		**-32,134**	**-32,594**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

January 1 – December 31

SEK thousands	2020	2019
Loss for the year	**-32,134**	**-32,594**
Other comprehensive income	–	–
Comprehensive income for the year	**-32,134**	**-32,594**

PARENT COMPANY BALANCE SHEET

At December 31

SEK thousands	Note	2020	2019
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	20	40,500	40,500
Other long-term receivables		1	1
Total financial fixed assets		**40,501**	**40,501**
Total fixed assets		**40,501**	**40,501**
Current assets			
Short-term receivables			
Accounts receivable		121	634
Tax assets		739	460
Other receivables	10	491	520
Prepaid expenses and accrued income	11	2,557	1,723
Total short-term receivables		**3,908**	**3,337**
Short-term investments	21	22,848	55,634
Cash and bank balances	21	3,310	3,796
Total current assets		**30,066**	**62,767**
TOTAL ASSETS		**70,567**	**103,268**

SEK thousands	Note	2020	2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		750	750
Unrestricted equity			
Profit brought forward		32,260	64,279
Loss for the year		-32,134	-32,594
Total shareholders' equity	12	**876**	**32,435**
Short-term liabilities			
Accounts payable		2,852	5,598
Liabilities to Group companies		61,650	60,949
Other liabilities	15	219	257
Accrued expenses and deferred income	16	4,970	4,029
Total short-term liabilities		**69,691**	**70,833**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**70,567**	**103,268**

For information pertaining to Parent Company's pledged assets and contingent liabilities, see Note 19.

CASH-FLOW STATEMENT FOR THE PARENT COMPANY

January 1 – December 31

SEK thousands	Note 21	2020	2019
Operating activities			
Loss after financial items		-32,134	-32,594
Adjustments for non-cash items		576	–
Cash flow from operating activities before changes in working capital		**-31,558**	**-32,594**
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		-571	6,452
Increase(+)/Reduction(-) in operating liabilities		-1,143	61,368
Cash flow from operating activities		**-33,272**	**35,226**
Cash flow for the year		**-33,272**	**35,226**
Cash and cash equivalents, January 1		**59,430**	**24,204**
CASH AND CASH EQUIVALENTS AT YEAR-END		**26,158**	**59,430**

STATEMENT OF CHANGES IN PARENT COMPANY'S EQUITY

SEK thousands	Note 12	Restricted equity			Unrestricted equity			Total shareholders' equity
		Share capital	Revaluation reserve	Statutory reserve	Share premium reserve	Profit/loss brought forward	Loss for the year	
Opening shareholders' equity, January 1, 2019		**750**	**–**	**–**	**46,866**	**52,308**	**-34,895**	**65,029**
Loss for the year		–	–	–	–	–	-32,594	-32,594
Other comprehensive income for the year		–	–	–	–	–	–	–
Comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**-32,594**	**-32,594**
Treatment of profit/loss in preceding year		–	–	–	-46,866	11,971	34,895	–
Closing shareholders' equity, December 31, 2019		**750**	**–**	**–**	**–**	**64,279**	**-32,594**	**32,435**
Opening shareholders' equity, January 1, 2020		**750**	**–**	**–**	**–**	**64,279**	**-32,594**	**32,435**
Loss for the year		–	–	–	–	–	-32,134	-32,134
Other comprehensive income for the year		–	–	–	–	–	–	–
Comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**-32,134**	**-32,134**
Share-based payments that are settled with equity instruments, IFRS2		–	–	–	–	575	–	575
Treatment of profit/loss in preceding year		–	–	–	–	-32,594	32,594	–
Closing shareholders' equity, December 31, 2020		**750**	**–**	**–**	**–**	**32,260**	**-32,134**	**876**

Notes to the Financial Statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Conformity with standards and legislation

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the European Union. In addition, the Group applied the recommendation of the Swedish Financial Reporting Board RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the same accounting policies as the Group, except in the instances specified below in the section "Accounting policies of the Parent Company."

The Annual Report and the consolidated financial statements were approved for issue by the Board and the President on April 21, 2021. The consolidated income statement and statement of financial position and the Parent Company's income statement and balance sheet will be subject for adoption by the Annual General Meeting on May 19, 2021.

Conditions for preparing the Parent Company's and consolidated financial statements

The Parent Company's functional currency is Swedish kronor, which is also the presentation currency for the Parent Company and the Group. Accordingly, the financial statements are presented in Swedish kronor, SEK. All amounts, unless otherwise stated, are rounded off to the nearest thousand. Assets and liabilities are recognized at historical acquisition value (cost), except certain financial assets, which are measured at fair value. Financial assets measured at fair value comprise short-term investments.

The preparation of financial statements in accordance with IFRS requires company management to make assessments and estimates that affect the application of the accounting policies and the recognized amounts of assets, liabilities, revenues and expenses. The actual outcome may deviate from these estimates and assessments. The estimates and assumptions are reviewed regularly. Changes to the estimates are recognized in the period in which the change is made if it is the only period affected by the change, but if it also affects future periods, it is recognized in the period the change is made and in future periods.

Assessments made by company management when applying IFRS that may considerably influence the financial statements together with estimates made that may entail significant adjustments to financial statements in forthcoming years are described in more detail in Note 22.

The accounting policies for the Group detailed below were applied consistently in all periods presented in the consolidated financial statements, unless otherwise specified below. The Group's accounting policies were applied consistently in the reporting and consolidation of the Parent Company and subsidiaries.

Changed accounting policies

Changed accounting policies caused by new or amended IFRS

No new IFRS or other amendments to IFRS applicable from January 1, 2020 did not have any material impact on the consolidated financial statements.

New IFRS that have not yet been applied

New or amended IFRS, including statements, are not expected to have any material impact on the consolidated financial statements.

Classification, etc.

Fixed assets and long-term liabilities in the Parent Company and Group essentially consist of amounts that are expected to be recovered or paid more than 12 months after the balance-sheet date. Current assets and short-term liabilities in the Parent Company and Group primarily consist of amounts that are expected to be recovered or paid within 12 months from the balance-sheet date.

Segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate revenues and incur costs and from which independent financial information is available. In addition, an operating segment's results are followed up by the company's chief operating decision-maker to assess earnings and to be able to allocate resources to the operating segment. Since operations within the Active Biotech Group are organized as a cohesive unit, with similar risks and opportunities for the products and services produced, the Group's entire operation comprises a single operating segment. All operations are conducted in Sweden.

Consolidation principles

Subsidiaries

A subsidiary is a company in which Active Biotech AB has a controlling influence. Controlling influence entails a direct or indirect right to formulate a company's financial and operative strategies with the aim of obtaining financial benefits. When determining if a controlling influence exists, consideration is given to potential shares that carry voting rights, which can be utilized or converted without delay.

Transactions to be eliminated at consolidation

Intra-Group receivables and liabilities, revenues and expenses and unrealized gains or losses that arise from transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences that arise in translation are recognized in profit or loss. Non-monetary assets and liabilities that are recognized at historical cost are translated at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are recognized at fair value are translated to the functional currency at the exchange rate prevailing at the date of measurement at fair value.

Recognition of revenues

Consolidated net sales currently comprise service revenues and revenue from research services. Furthermore, the Group has a contract with its partner NeoTX under which Active Biotech is entitled to remuneration if the partner achieves certain milestones and to royalties on future sales. Until April 5, 2019, when the Group's property was divested, consolidated net sales also included rental revenues.

Contract with NeoTX

Active Biotech has a contract with its partner NeoTX under which the Group has licensed the rights to Naptumomab. This contract gives Active Biotech the right to milestone payments upon certain clinical, regulatory and commercial achievements by NeoTX. The contract also includes the right for Active Biotech to receive tiered double-digit royalties on future sales. Milestone payments comprise variable consideration under IFRS 15. Since there is a significant risk of reversal of revenue from milestone payments prior to the time at which a milestone is achieved, revenue recognition does not take place until it has been established that NeoTX has achieved the set target and that Active Biotech thus has the right to receive such a contractual milestone payment. Revenue from sales-based royalties is first recognized in connection with NeoTX selling the approved drug based on Naptumomab and Active Biotech having the right to receive contractual milestone payment.

Rental revenues

Rental revenues from rental of premises in the Group's property are recognized straight-line based on the terms of the lease. Rental revenues ceased following the divestment of the Group's property in April 2019.

Service revenues

Service revenues are attributable to the remuneration that the Group received from the tenants for providing a manned reception, cleaning and postal services, etc. until April 5, 2019, when the Group's property was divested. After that date, service revenues are attributable to the service agreement the Group signed with the property company Estea Forskaren PropCo AB in conjunction with the divestment of the Group's property. This agreement ceased in April 2020. Revenues from services are to be recognized over time in the periods in which the services are performed since the customer uses the services in line with Active Biotech providing them.

Revenues from research services

Revenues from research services pertain to remuneration for research conducted on behalf of external parties. Revenues from research services are recognized at a point in time, which is when the ordered services have been completed according to the contract with the customers.

Leases

Principles applied from January 1, 2019

When a contract is signed, the Group considers whether the agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

At the start of the lease, or when reviewing a lease that contains several components – lease and nonleasing components – the Group allocates remuneration in accordance with the agreement to each component based on the stand-alone price. For property leases when the Group is lessee, the Group has, however, chosen not to distinguish between non-lease components and recognizes lease and non-lease components paid in fixed amounts as a single lease component.

Leases for which the Group is lessee

The Group recognizes a right-of-use asset and a lease liability at the lease's commencement date. The right-ofuse asset is initially measured at cost, which comprises the lease liability's initial value plus the lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the assets useful life or the end of the lease term, which for the Group is normally the end of the lease term. In rare cases, when the cost of the right-of-use asset reflects that the Group will exercise an option to purchase the underlying asset, then the asset is depreciated by the end of its useful life.

The lease liability – which is split into a long and short-term portion – is initially measures at the present value of remaining lease payments during the expected lease term. The lease term comprises the non-cancellable term plus additional periods in the agreement if it is deemed reasonably certain on the commencement date that these will be exercised.

Lease payments are normally discounted using the Group's incremental borrowing rate, which in addition to the Group's/company's credit risk also reflects each agreement's lease term, currency and quality of the underlying asset as intended security. However, the interest rate implicit in the lease is used when this can be determined.

Lease liability consists of the present value of the following payments during the expected lease term:

- fixed payments, including in-substance fixed payments,
- variable lease payments linked to indexes or price ("rate"), initial measurement using the index or price ("rate") applied on the commencement date,
- any residual value guarantees to be paid,
- the exercise price of a purchase option if it is reasonably certain that the Group will exercise such an option, and
- penalties to be paid for terminating the lease if the expected lease term reflects that such a termination will take place.

The amount of the liability increases by the interest expense for each period and is reduced by lease payments. The interest expense is measured as the liability's value times the discount rate.

The lease liability for the Group's premises with a rent that is indexed upward is calculated on the rent payable at the end of each reporting period. At this time, the liability is adjusted with a corresponding adjustment of the right-of-use asset's carrying amount. In a similar way, the value of the liability and asset is adjusted in conjunction with the reassessment of the lease term. This occurs when the last termination date has passed for the previously expected term of the premises lease, or when significant events occur or conditions are substantially changed in a manner that is within the Group's control and influences the applicable assessment of the lease term.

The Group presents right-of-use assets as a separate item in the statement of financial position. Lease liabilities are presented together with interest-bearing liabilities in the statement of financial position.

No right-of-use asset and lease liability is recognized for leases with a lease term of 12 months or less and for low value assets, less than SEK 50 thousand. Lease payments for these leases are recognized as a cost straight-line over the lease term.

Leases for which the Group is lessor

When the Group is lessor, it determines on the commencement date of each lease whether the lease is to be classified as a finance or operating lease.

In determining the classification, an overall assessment is conducted of whether the lease in all material respects transfers the financial risks and rewards associated with ownership of the underlying asset. Where this is the case, the lease is a finance lease, otherwise it is an operating lease. The Group takes several indicators into consideration in this assessment. Such indicators include whether the lease term constitutes a larger share of the asset's economic life or whether ownership of the underlying asset is transferred to the lessee when the lease expires.

The Group recognizes lease payments from operating leases as revenue on a straight-line basis over the lease term, as part of the item net sales.

Financial income and expenses

Financial income and expenses include interest income on bank deposits and receivables, interest expenses on loans, interest on the lease liability, exchange-rate differences and unrealized and realized gains from financial investments.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the interest that exactly discounts estimated future receipts and payments during the anticipated duration of the financial instrument to a financial asset's recognized gross amount or a financial liability's amortized cost.

Interest is not included in the net gain or net loss on financial instruments measured at fair value through profit or loss.

Exchange-rate gains and losses are netted.

Financial instruments

Financial instruments recognized on the asset side of the statement of financial position include cash and bank balances, accounts receivable, other long-term receivables and short-term investments in fixed-income funds. Liabilities include accounts payable, liabilities for leases, liabilities to credit institutions and other financial liabilities.

Recognition in, and derecognition from, the statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company is party to the contractual conditions of the instrument. Accounts receivable are recognized in the statement of financial position when the invoice has been sent. Liabilities are recognized when the other contracting party has fulfilled its obligations and payment is due, although the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset is derecognized from the statement of financial position when the contractual rights are realized, mature or the company loses control over them. This also applies to parts of financial assets. A financial liability is derecognized from the statement of financial position when the contractual obligation is met. This also applies to parts of financial liabilities. Acquisition and divestment of financial assets are recognized on the transaction date, which is the date the company commits to the acquisition or divestment of the asset.

Cash and cash equivalents comprise liquid funds and immediately accessible balances in banks and corresponding institutes, as well as short-term liquid investments that have a maturity of three months or less from the acquisition date, which are exposed to only an insignificant risk of fluctuation in value.

Measurement on initial recognition

Financial instruments are initially measured at fair value plus/less transaction costs, except instruments that are continuously measured at fair value through profit or loss for which transaction costs are expensed when they arise instead. Accounts receivable (except for significant financing components) are initially measured at the transaction price established according to IFRS 15.

Classification and subsequent measurement of financial assets

The Group's holdings of short-term fixed-income funds are measured at fair value through profit or loss since the fund units do not satisfy the criteria for equity instruments and the cash flows from the funds do not contain solely payments of principal and interest on the principal amount.

All other financial assets are measured at amortized cost since they are held under the framework of a business model whose objective is to collect the contractual cash flows, at the same time as the cash flows from the assets comprise solely payments of principal and interest on the principal amount. Other receivables are classified as long-term receivables if the duration is longer than one year, and if it is shorter, as other receivables.

Classification and subsequent measurement of financial liabilities

All financial liabilities are measured at amortized cost by applying the effective interest method. Long-term liabilities have an expected duration of more than one year, while short-term liabilities have a duration of less than one year.

Tangible fixed assets

Owned assets

The Group measures tangible fixed assets using the cost method, with the exception of the Group's property, which was measured using the revaluation method. Tangible fixed assets that are recognized using the cost method are recognized in the consolidated accounts at cost, less a deduction for accumulated depreciation and any impairment losses. The cost includes the purchase price and expenses directly attributable to the asset to bring the asset to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the cost are delivery and handling costs, installation, acquisition registration, consultancy services and legal services.

In the second quarter of 2017, the Group's property was reclassified as "Assets held for sale." Until that time, the property had been measured at fair value less deductions for accumulated depreciation and adjustments due to revaluation. Revaluation was conducted with the regularity that was required to ensure that the carrying amount would not significantly deviate from what was established as the fair value on the balance-sheet date. The fair value of the property was based on the valuation conducted by independent external appraisers. When the asset's carrying amount increased, the appreciation was recognized directly in other comprehensive income and accumulated in a separate component in shareholders' equity termed "Revaluation reserve." If the increase entailed a reversal of the previously recognized value impairment with regard to the same asset, the reduction was recognized as a reduced expense in profit or loss. When the carrying amount of an asset is reduced as a result of a revaluation, the reduction was recognized as an expense in profit or loss. If there was a balance in the revaluation reserve attributable to the asset, the value decline was recognized in other comprehensive income as a reduction in the revaluation reserve. The difference between depreciation based on the revaluation value and depreciation using the original cost was transferred from the revaluation reserve to profit/loss brought forward. Accumulated depreciation at the time of revaluation was eliminated against the asset's cost (or, where appropriate, in the revalued cost) after which the remaining net amount was adjusted to achieve conformity with the amount to which the asset was revalued (the asset's fair value). The revaluation reserve remained after the reclassification as "Assets held for sale." It was transferred to profit/loss brought forward when the asset was divested in April 2019, with no impact on profit or loss or other comprehensive income.

Tangible fixed assets comprising components with varying useful lifetimes are treated as separate components of tangible fixed assets.

The carrying amount of a tangible fixed asset is derecognized from the statement of financial position when it is disposed of, divested, or when no future financial benefits are expected from the disposal/divestment of the asset. Profit or loss arising from divestment or disposal of an asset comprises the difference between the sale price and the asset's carrying amount, less deductions for direct selling expenses. Profit or loss is recognized as other operating revenues/expenses.

Additional expenses

Additional expenses are added to the cost only if it is probable that the company will recover the future financial benefits associated with the assets and the cost can be calculated in a reliable manner. All other additional expenses are recognized as expenses in the period in which they arise.

Pivotal in the assessments of when an additional expense is added to the cost is whether the expense refers to the replacement of identifiable components or parts thereof, which is when such expenses are capitalized. Expenses are also added to cost when new components are created. Any undepreciated carrying amounts of replacement components, or parts of components, are disposed of and expensed in connection with the replacement.

Repairs are expensed on an ongoing basis.

Depreciation principles

Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Leased assets are also depreciated over the estimated useful life or, if shorter, over the contractual leasing period.

Estimated useful life of:

- Equipment, tools, fixtures and fittings: 3–10 years

Assessment of an asset's residual value, useful life and depreciation method is conducted annually.

Intangible assets

Research and development

Expenses for research with the purpose of acquiring new scientific or technical knowledge are expensed when they arise.

Expenses for developments, in which the research result or other knowledge is applied to produce new or improved products or processes, is recognized as an asset in the statement of financial position, if the product or process is technically and commercially useful and the company has adequate resources to pursue development and thereafter use and sell the intangible asset. Other expenses for development are recognized in profit or loss as a cost as they arise.

Since the period in which the company's research and development projects are expected to be registered is some way off in the future, there is considerable uncertainty as to when any financial benefits will accrue to the company. Development costs are capitalized only on the condition that it is technically and financially possible to complete the asset, that the intention is, and the conditions exist, for the asset to be used in operations or sold and that it can be calculated in a reliable manner. Expenses pertaining to patents, technology and trademark rights and other similar assets that are part of the research and development operations are not capitalized, but are offset against earnings on an ongoing basis.

No assets of this character were acquired.

Impairment

Impairment testing of tangible and intangible assets and participations in subsidiaries and associated companies

Carrying amounts are tested at each balance-sheet date to establish whether there are any impairment indicators. If there is an indication that an impairment requirement exists, the asset's recoverable amount (see below) is calculated in accordance with IAS 36. If it is not possible to establish fundamentally independent cash flows attributable to a specific asset, when testing for impairment, the assets are to be grouped at the lowest level whereby it is possible to identify fundamentally independent cash flows — a so-called cash-generating unit.

An impairment loss is recognized when an asset's or cash-generating unit's (group of units) carrying amount exceeds the recoverable amount. An impairment loss is charged to profit or loss. An impairment loss in assets attributable to a cash-generating unit (group of units) is first allocated to goodwill. Thereafter, a proportional impairment is conducted of other assets included in the cash-generating unit (group of units).

The recoverable amount is the highest of fair value less selling expenses and value in use. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk related to the specific asset.

An impairment loss is reversed if there is both an indication that the impairment requirement no longer exists and if there has been a change in the assumptions that formed the basis for the calculation of the recoverable amount. However, impairment of goodwill is never reversed. Reversal of impairment is only conducted to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been recognized, less depreciation, where applicable, had no impairment taken place.

Impairment of financial assets

A loss allowance is calculated and recognized for the financial assets that are measured at amortized cost. A simplified approach is applied for accounts receivable and the loss allowance is calculated and recognized based on expected credit losses for the full remaining lifetime. The calculation of the expected credit losses is primarily based on information about past losses for similar receivables and counterparties. The historical information is evaluated and continuously adjusted based on the current situation and the Group's expectations regarding future events.

Employee remuneration

Post-retirement benefits

Both defined-benefit and defined-contribution pension plans exist within the Group. For defined-benefit plans, remuneration of current and former employees is based on their salary at the time of retirement as well as the number of years of service. The Group assumes responsibility for ensuring that promised remuneration is paid. For defined-contribution plans, the company pays pension premiums to separate legal entities and has no legal commitment or informal obligation to pay further premiums (if these should lack the assets necessary to provide the promised benefits). The company's obligations relating to

fees for defined-contribution plans are expensed in profit or loss as they are accrued due to the employee performing services for the company over a period.

All defined-benefit pension plans are secured through insurance with Alecta, which is a multi-employer defined-benefit plan. For the 2019 and 2018 fiscal years, the company did not have access to information that would make it possible to recognize this plan as a defined-benefit plan.

Accordingly, pension plans conforming to ITP and secured through an Alecta insurance policy are recognized as a defined-contribution plan.

Severance pay

An expense for remuneration in connection with termination of employment of personnel is recognized only if the company is unquestionably obligated, without any realistic possibility of withdrawal, by a formal detailed plan to eliminate a position in advance of when that position would normally expire. When remuneration is paid as an offer to encourage voluntary termination of employment, a cost for this is recognized if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Current employee remuneration

Current remuneration to employees is calculated without discounting and is recognized as an expense when the related services are received.

A provision is recognized for the anticipated cost for bonus payments when the Group has an applicable legal or informal obligation to make such payments, as a result of services received from employees, and the obligation can be reliably estimated.

Share-related compensation

The Group has issued a performance share program for the employees and board members of the company. The program is regulated with shares. For the employees, the program is conditional on the participants buying and retaining shares in the Company, continued employment and earnings conditions related to the Company's development and operations (performance terms). For the Board members, the program is conditional on the participants buying and retaining shares in the Company for at least twelve months and vesting conditions related to the development of the share price (market conditions).

The fair value of allocated rights is reported as a personnel cost with a corresponding increase in equity. The fair value is calculated at the time of allotment and distributed over the vesting period. The cost reported corresponds to the fair value of an estimate of the number of rights expected to be earned, taking into account terms of service and performance. This cost is adjusted in subsequent periods to ultimately reflect the actual number of rights earned. Earnings conditions related to the development of the share price constitute a market condition, which is included in the initial valuation of the share rights for the board members. During the vesting period regarding these rights, no assessment is made of and adjustment of the reported cost for expected or ascertained outcome, the entire number of share rights that are conditional on the share price is the basis for cost accounting regardless of outcome.

Social security contributions attributable to share-related instruments are expensed over the periods during which the options are exercised. The provision for social security contributions is based on the fair value of the rights at the time of reporting.

Recognition of earnings per share

The calculation of earnings per share is based on profit/loss for the year in the Group attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year. There were no potential ordinary shares that could give rise to any dilution effects during the reported periods.

Provisions

A provision is recognized in the statement of financial position when the Group has an existing legal or constructive obligation resulting from past events and it is probable that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated. When the effect of the timing of when the payment will be made is significant, provisions are calculated by discounting the anticipated future cash flows to an interest rate before tax that reflects the actual market estimate of the money's value over time and, if applicable, the risks that are associated with the liability.

Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognized in profit or loss except where the underlying transaction is recognized in other comprehensive income or in shareholders' equity,

whereby the associated tax effect is recognized in other comprehensive income or shareholders' equity.

Current tax is tax that is to be paid or recovered in relation to the current year, applying tax rates determined or announced at the balance-sheet date. Adjustment to current tax relating to previous periods is also recognized here.

Deferred tax is calculated using the balance-sheet method based on the temporary differences between the carrying amount and the value for tax purposes of assets and liabilities. The following temporary differences are not recognized: temporary differences are not recognized in consolidated goodwill or for the difference that arises during initial recognition of assets and liabilities that do not constitute a business combination which, at the time of the transaction, do not have an impact on recognized or taxable earnings. Furthermore, temporary differences are not recognized that are attributable to shares in subsidiaries and participations in associated companies that are not expected to be reversed in the foreseeable future. Estimates of deferred tax are based on how carrying amounts of assets and liabilities are expected to be realized or settled. Deferred tax is calculated applying tax rates and legislation determined or announced at the balance-sheet date. Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are recognized to the extent that it is probable that they will be utilized. The carrying amount of deferred tax assets is reduced when it is no longer judged probable that they will be utilized.

Any additional income tax arising from dividends is recognized at the same date as when the dividend was recognized as a liability.

Contingent liabilities

A contingent liability is recognized when a possible commitment exists arising from events that have occurred, the validity of which can only be confirmed by the occurrence or absence of one or more future events, or where there is a commitment not recognized as a liability or provision due to the low probability that an outflow of resources will be required.

Parent Company's accounting policies

The Parent Company prepared its annual financial statements in accordance with the Annual Accounts Act (1995:1554) and the recommendations of the Swedish Financial Reporting Board RFR 2, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board concerning listed companies were also applied. RFR 2 entails that in the annual accounts for a legal entity, the Parent Company is to apply all of the IFRS regulations and statements approved by the European Union to the greatest possible extent, within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with consideration given to the relationship between accounting and taxation. The recommendation stipulates what exceptions and additions are to be made to IFRS.

Changed accounting policies

Changed accounting policies unless otherwise stated below, the Parent Company's accounting policies in 2019 have changed in line with what is described above for the Group.

New IFRS that have not been applied

Other new or amended IFRS, including statements, are not expected to have any material impact on the Parent Company's financial statements.

Differences between the Group's and the Parent Company's accounting policies

The differences between the Group's and the Parent Company's accounting policies are presented below. The accounting policies presented below for the Parent Company were applied consistently in all periods presented in the Parent Company's financial statements.

Classification and presentation forms

The presentation of the Parent Company's income statement and balance sheet is in line with the arrangement specified in the Annual Accounts Act. The difference in relation to IAS 1 Presentation of Financial Statements, which is applied in the preparation of the consolidated financial statements, is primarily the recognition of financial income and expenses, shareholders' equity and the occurrence of provisions as a separate heading in the balance sheet.

Subsidiaries

Participations in subsidiaries are recognized by the Parent Company using the cost method. This implies that transaction costs are included in the carrying amount of participations in subsidiaries. In the consolidated financial statements, transaction costs attributable to subsidiaries are recognized immediately in profit or loss when these arise.

The Parent Company always recognizes dividends from subsidiaries as revenue in profit or loss.

Financial guarantee contracts

The Parent Company's financial guarantee contracts mainly comprise guarantees for the benefit of subsidiaries. Financial guarantees mean that the company has an obligation to compensate the holder of a promissory instrument for losses that it incurs because a specific debtor fails to pay by the due date in accordance with the terms and conditions of the agreement. For recognition of financial guarantee contracts, the Parent Company applies one of the regulations permitted by the Swedish Financial Reporting Board that entails a relaxation compared with IFRS 9 as regards financial guarantee contracts issued for the benefit of subsidiaries. The Parent Company records financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which it is probable that payment will be required to settle the obligation.

Tangible fixed assets

Owned assets

Tangible fixed assets in the Parent Company are recognized at cost less deductions for accumulated depreciation and any impairment losses in the same manner as for the Group, but with the addition of any revaluations.

Leased assets

The Parent Company does not apply IFRS 16, in accordance with the exception in RFR 2. As lessee lease payments are recognized as a cost on a straight-line basis over the lease term and right-of-use assets and lease liabilities are therefore not recognized in the balance sheet. In the same manner as in the consolidated financial statements, lease and non-lease components are not divided for properties. Instead, lease and non-lease components are recognized as a single lease component for these types of underlying assets. Agreements when the Parent Company is the lessor are recognized as operating leases.

Intangible fixed assets

Research and development

In the Parent Company, all expenses for development are recognized as expenses in profit or loss.

Depreciation principles

Amortization is conducted on a straight-line basis over the estimated useful life of the asset, which corresponds to the period during which it will be used. For goodwill, the useful life is ten years.

Taxes

Untaxed reserves include deferred tax liabilities when recognized in the Parent Company. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and shareholders' equity.

NOTE 2: DISTRIBUTION OF SALES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
License revenues	6,195	–	6,195	–
Rental revenues	–	4,889	–	–
Service revenues	493	3,303	493	3,303
Property services	–	–	–	4,786
Other	37	233	37	233
Total	**6,725**	**8,425**	**6,725**	**8,322**

NOTE 3: OPERATING EXPENSES DISTRIBUTED BY TYPE OF COST

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Personnel costs	18,330	18,214	18,561	18,445
Depreciation/amortization	1,320	867	—	—
Impairment	35	264	-9	127
Operating expenses	2,086	2,944	2,086	2,865
Property expenses	64	3,212	1,167	4,357
Administrative expenses	1,947	1,419	1,947	1,419
External R&D services	13,869	7,859	13,869	7,859
Other external services	1,380	5,931	1,380	5,931
Total	**39,031**	**40,710**	**39,001**	**41,003**

NOTE 4: AUDITORS' FEES

SEK thousands	Group and Parent Company	
	2020	2019
KPMG AB		
Auditing assignments	360	370
Audit activities other than auditing assignment	–	4
Other services	50	44
Tax consultancy services	70	58

Audit assignments refer to the audit of the annual report and accounting as well as the administration of the Board and the President and other tasks that is the responsibility of the company's auditor to perform (including a review of the interim reports).

NOTE 5: EMPLOYEE AND PERSONNEL COSTS, AND REMUNERATION OF SENIOR EXECUTIVES

Costs for remuneration of employees

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Salaries and remuneration, etc.[3]	9,338	9,920	9,338	9,920
Pension costs, defined-contribution plans[1,2] (see below)	3,320	3,686	3,320	3,686
Social-security costs[3,4]	3,364	2,959	3,364	2,959
Non-monetary remuneration	239	303		
Total	**16,261**	**16,868**	**16,022**	**16,565**

[1] Of the Parent Company's pension costs, SEK 1,462 thousand (1,626) pertains to the Board of Directors and President & CEO.
[2] The Group's pension costs include SEK 809 thousand (1,010) pertaining to the ITP plan financed in Alecta. See the section below "Post-retirement benefits" for further information.
[3] Salaries and remuneration, etc. and social-security costs include expenses for redundancies of a total of SEK 178 thousand (0.0).
[4] Social-security costs include SEK 713 thousand (0,0) pertaining to the incentive program

Average number of employees

	2020			2019		
	No. of employees	Of whom, women		No. of employees	Of whom, women	
PARENT COMPANY						
Sweden	10	6	(60%)	12	6	(50%)
Total Parent Company	**10**	**6**	**(60%)**	**12**	**6**	**(50%)**
SUBSIDIARIES						
Sweden	0	0	(0%)	0	0	(0%)
Group total	**10**	**6**	**(60%)**	**12**	**6**	**(50%)**

Gender distribution in management

	Of whom, women	
	2020	2019
PARENT COMPANY		
Board of Directors	17%	0%
Other senior executives	67%	67%
GROUP TOTAL		
Board of Directors	17%	0%
Other senior executives	67%	67%

Salaries and other remuneration subdivided by country and between senior executives and other employees, and social-security costs in the Parent Company

SEK thousands	2020			2019		
	Other senior executives (9 individuals)	Other employees	Total	Other senior executives (7 individuals)	Other employees	Total
Salaries and other remuneration						
Sweden	4,889	4,449	9,338	4,704	5,216	9,920
(of which, bonus and similar)	–	–	–	–	–	–
Total Parent Company	**4,889**	**4,449**	**9,338**	**4,704**	**5,216**	**9,920**
(of which, bonus and similar)	–	–	–	–	–	–
Social-security costs[1]	3,951	2,733	6,684	3,609	3,036	6,645
[1] of which, pension costs	2,216	1,104	3,320	2,394	1,292	3,686

Salaries and other remuneration, pension costs for senior executives in the Group

SEK thousands	2020	2019
	Other senior executives (9 individuals)	Other senior executives (7 individuals)
Salaries and other remuneration	4,889	4,704
(of which, bonus and similar)	–	–
Pension costs	2,216	2,394

The Chairman of the Board, Michael Shalmi, has also received consultant fees in 2020 of SEK 1,800 thousand.
Board member Aleksandar Danilovski has also received consultant fees in 2020 of SEK 404 thousand.
Board member Axel Glasmacher has also received consultant fees in 2020 of SEK 318 thousand.
Board member Elaine Sullivan has also received consultant fees in 2020 of SEK 82 thousand.

Remuneration of senior executives

Guidelines adopted at the Annual General Meeting on May 19, 2020

These guidelines encompass remuneration of senior executives. Senior executives are defined as the President & CEO and other members of Group management. The guidelines apply to remuneration agreed, and changes made to existing agreed remuneration, after the guidelines was adopted by the 2020 AGM. The guidelines do not cover remuneration resolved by the AGM.

The guidelines promotion of the company's business strategy, long-term interests and sustainability

The most important parts of the company's business strategy are:

- Achieve the greatest possible growth in value in each project and seek collaboration with strong partners not later than completed phase II studies
- Progress the clinical development and commercialization of the company's selected compounds together with partners with relevant expertise
- Limit costs through the utilization of partnership agreement and external expertise
- Protect know-how through an active patent strategy
- Create financial sustainability through partnerships with licensees and shareholders

For additional information concerning the company's business strategy, visit www.activebiotech.com

The successful implementation of the company's business strategy and safeguarding the company's long-term interests, including its sustainability, requires the company to recruit and retain qualified employees. To ensure this, the company must offer competitive remuneration. These guidelines enable the payment of a competitive total remuneration to senior executives.

The long-term share-based incentive program proposed by the Board for resolution by the 2020 AGM was decided by the AGM and is therefore not covered by these guidelines. For more information about the long-term share-based incentive program see the section "Incentive programs" below.

Variable cash payments covered by these guidelines should aim to promote the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration, etc.

Remuneration is to be market-based and may include the following components: fixed cash salary, variable cash payments, pension benefits and other benefits. The AGM can in addition – and regardless of these guidelines–resolve on, for example, share and share-based remuneration.

Variable cash payments may not exceed 50 percent of the fixed annual cash salary for the President & CEO and 25 percent for other members of Group management. Variable cash payments are not pensionable.

Pension benefits are to comprise defined-contribution schemes. For senior executives covered by the ITP plan, the pension premium is to correspond to the stipulations of the ITP plan. For other senior executives, the pension premium is to not exceed 25 percent of fixed annual salary.

Other benefits may include medical and health care and company cars. In total, such benefits may not exceed 10 percent of annual cash salary.

Termination of employment

Upon termination by the company, the notice period must be at most 12 months for the President & CEO and for other members of Group management. If notice is given by a senior executive, the notice period must be at most 12 months, without entitlement to severance pay.

Criteria for awarding variable cash payments, etc.

Variable cash payments are to be linked to predetermined and measurable criteria, which may be financial or nonfinancial. They may also be personalized quantitative or qualitative goals. The criteria are to be designed to promote the company's business strategy and long-term interests, including its sustainability, for example by having a clear link to the business strategy or by promoting the long-term development of the senior executive.

The degree to which the criteria were met is determined when the measurement period to fulfill the criteria set for payment of the variable cash payments has ended. The Board is responsible for assessing variable cash payments to the President & CEO. The President & CEO is responsible for assessing variable cash payments to other executives. As regards financial targets, the assessment is based on the most recent financial information published by the company.

Salary and terms of employment

When preparing the Board's proposal for these remuneration guidelines, salary and terms of employment for the company's employees have been taken into account by including information about the employees' total remuneration, the components of the remuneration and the growth and rate of growth over time of remuneration in the Board's decision documentation when assessing the fairness of the guidelines and the limitations that arise from these.

Decision-making process to determine, review and implement the guidelines

The Board decides on proposed guidelines for remuneration of senior executives. The Board is to prepare proposals for new guidelines at least once every three years and present these proposals for a decision by the AGM. The guidelines are to apply until new guidelines are adopted by the AGM. The Committee also monitors

and evaluates the program for variable remuneration of executive management and the application of the guidelines for remuneration of senior executives in addition to remuneration structures and remuneration levels. The Board members are independent in relation to the company and executive management. The President & CEO or other members of executive management are not present when the Board addresses and decides on matters concerning remuneration relating to one of the aforementioned individuals.

Deviation from the guidelines

The Board may only approve temporary deviation from the guidelines, partially or entirely, in individual cases with particular grounds and when deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As specified above, the duties of the Board include preparing for decisions on remuneration issues, which also includes decisions regarding deviations from the guidelines.

Description of significant changes to the guidelines and how shareholder viewpoints are to be taken into consideration

There are no earlier adopted remuneration packages that have not fallen due for payment.

The company has not approved any deviations from the guidelines for remuneration adopted by the 2019 AGM.

Incentive program

PLAN 2020/2024

At the annual general meeting on 19 May 2020, it was resolved to adopt a long-term performancebased incentive program for employees within Active Biotech ("Plan 2020/2024"). The participants in the Plan 2020/2024 are required to invest in shares in Active Biotech at market terms ("Saving Shares"). The participants will thereafter have the opportunity to receive further shares free of charge in accordance with the Plan 2020/2024 ("Performance Shares").

In order to participate in the program, the participant must have made a private investment in the Company by acquiring Saving Shares. For each Saving Share, the Company grants participants a right to up to two Performance Shares free of charge provided that certain conditions are met, relating to maintained employment, retained investment in Saving Shares and certain targets relating to the Company's performance.

The conditions consist of business-related, company-wide and financial goals. The business-related goals consist of (i) starting treatment of the first patient in the second dose group in part A of the phase Ib/II study with tasquinimod in multiple myeloma, (ii) completing documentation of laquinimod to enable phase initiation In study in eye indication during the second half of 2021 and (iii) complete review of external certification of the regulatory documentation for laquinimod and tasquinimod. The company-wide and financial goals consist of (i) launching a new investor strategy and implementing a capital market day before the end of 2020 and (ii) implementing the business activities planned for 2020 to a cost budget decided by the Board.

A right will be exercised provided that the participant has kept its own original Saving Shares and has maintained its employment within Active Biotech up to and including 31 December the year in which the investment in Savings Shares was made.

For the year 2020 saving shares, performance shares and costs are shown in the table below.

	Saving (Shares)	Maximum performance (shares)	IFRS2 cost (SEK thousand)[1]	Social security cost (SEK thousand)
President & CEO	25,000	50,000	130	30
Executive management	30,000	60,000	156	36
Other employees	42,500	85,000	272	62
Total	**97,500**	**195,000**	**558**	**128**

1. Fair value at the time of allotment on 31 May 2020 = SEK 2,595 / share right. No market terms are linked to the earnings terms. No expected dividend has been included in the calculation.

In order to ensure delivery of shares under the program, the annual general meeting resolved to issue not more than 2,524,000 warrants for subscription and subsequent transfer of shares to the participants in the incentive program, whereupon the Company's share capital may be increased by not more than approximately SEK 13,034. All warrants were subscribed for by Active Biotech's fully owned subsidiary, Active Security Trading AB. Each warrant entitles to subscription for one new share in the Company during the period commencing

the date on which the issue resolution is registered with the Swedish Companies Registration Office, which was made on 29 June 2020, up to and including 31 December 2023. The subscription price is approximately SEK 0.005 per share.

The rationale for the program is to create conditions for motivating and retaining competent key individuals of the Group as well as for the promotion of the Company's business strategy, long-term interests and sustainable business, and for the alignment of the targets of the participants with those of the Company.

BOARD PLAN 2020/2023

At the annual general meeting on 19 May 2020, it was resolved to adopt a long-term performancebased incentive program for the Company's board members ("Board Plan 2020/2023"). The participants in the Board Plan 2020/2023 are required to annually invest in shares in Active Biotech at market terms ("Saving Shares"). The participants will thereafter be granted the opportunity to receive further shares free of charge in accordance with the Board Plan 2020/2023 ("Performance Shares").

In order to participate in the program, the participant must have made a private investment in the Company from the board remuneration received in cash, by acquiring Saving Shares. The Saving Shares acquired in one year shall remain invested through a minimum of approximately twelve months. For each Saving Share acquired the Company will grant participants a right to one Performance Share free of charge, provided that certain conditions are met, relating primarily to the share price development. If the share price has increased by more than 60% during the vesting period, 100% of the rights shall be vested. If the share price increases by 20%, 33% of the rights must be earned. In the event of an increase in the share price between 20 and 60%, earnings will be linear. With an increase of less than 20%, no earnings occur.

For the year 2020 saving shares, performance shares and costs are shown in the table below.

	Saving (Shares)	Maximum performance (shares)	IFRS2 cost (SEK thousand)[1]	Social security cost (SEK thousand)
Board members	264,256	264,256	18	10

1. Fair value at the time of allocation on 30 June 2020 has been calculated by a Monte Carlo simulation. Estimated fair value per 2020-06-30 = 1.29 / share right. Expected volatility = 69% and risk-free interest rate = -0.24%. No expected dividend has been included in the calculation.

In order to ensure delivery of shares under the program, the annual general meeting resolved to issue not more than 851,000 warrants for subscription and subsequent transfer of shares to the participants in the incentive program, whereupon the Company's share capital may be increased by not more than approximately SEK 4,394. All warrants were subscribed for by Active Biotech's fully owned subsidiary, Active Security Trading AB. Each warrant entitles to subscription for one new share in the Company during the period commencing the day falling immediately after the annual general meeting 2023 up to and including the day falling immediately after the annual general meeting 2026. The subscription price is approximately SEK 0.005 per share.

The rationale for the program is to create conditions for motivating and retaining competent members of the board of directors and to focus the participants on delivering exceptional performance, which contributes to value creation for all shareholders.

Loans to senior executives

No agreement exists covering loans to Board members or executive management.

Post-retirement benefits

Defined-benefit plans

Retirement pension and family pension obligations for salaried workers in Sweden are secured through insurance with Alecta, which is a multi-employer, defined-benefit plan. For the 2020 and 2019 fiscal years, the company did not have access to information that would make it possible to recognize this plan as a defined-benefit plan. Accordingly, pension plans conforming to ITP and secured through an Alecta insurance policy are recognized as a defined-contribution plan. The year's fees for pension insurance subscribed to in Alecta totaled SEK 0.8 M (1.0) and for 2021 the premiums will amount to SEK 0.9 M. Alecta's surplus can be allocated to the policyholders and/or the insured. At year-end 2020, Alecta's surplus at the collective funding ratio amounted to 148 percent (148). The collective funding ratio comprises the market value of Alecta's assets as a percentage of insurance obligations based on Alecta's actuarial calculations, which do not conform to IAS 19. Active Biotech's share of total savings premiums for ITP2 with Alecta amounted to 0.00267 percent for 2020 and the share of the total actively insured in ITP2 amounted to 0.00193 percent in December 2020.

Remuneration and other benefits during 2020

SEK thousands	Basic salary/ Board fee	Variable remuneration	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board, Michael Shalmi[2)]	500	–	–	–	12	–	512
Board member Aleksandar Danilovski[3,7]	133	–	–	–	5	–	138
Board member, Axel Glasmacher[4,7]	133	–	–	–	5	–	138
Board member, Uli Hacksell[1]	200	–	–	–	3	–	203
Board member, Elaine Sullivan[5,7]	133	–	–	–	–	–	133
Board member, Peter Thelin[1]	200	–	–	–	3	–	203
Board member, Peter Sjöstrand[1,6]	67	–	–	–	–	–	67
CEO, Helén Tuvesson	1,683	–	361	1,101	159	–	3,304
Other senior executives (2 individuals)	1,840	–	457	297	191	–	2,785
Total	**4,889**	**–**	**818**	**1,398**	**378**	**–**	**7,483**

[1)] Apart from Board fees, no additional remuneration was paid. [2)] Michael Shalmi has also received consultant fees in 2020 of SEK 1,800 thousand. [3)] Aleksandar Danilovski has also received consultant fees in 2020 of SEK 404 thousand. [4)] Axel Glasmacher has also received consultant fees in 2020 of SEK 318 thousand. [5)] Elaine Sullivan has also received consultant fees in 2020 of SEK 82 thousand. [6)] For the period Jan-May, 2020. [7)] For the period May-Dec, 2020.

Remuneration and other benefits during 2019

SEK thousands	Basic salary/ Board fee	Variable remuneration	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board, Michael Shalmi[2,4]	333	–	–	–	–	–	333
Chairman of the Board, Mats Arnhög[1,3]	83	–	–	–	–	–	83
Board member, Magnhild Sandberg-Wollheim[1,3]	42	–	–	–	–	–	42
Board member, Uli Hacksell[1,4]	133	–	–	–	–	–	133
Board member, Peter Sjöstrand[1]	175	–	–	–	–	–	175
Board member, Peter Thelin[1]	175	–	–	–	–	–	175
CEO, Helén Tuvesson	1,572	–	525	1,101	–	–	3,198
Other senior executives (2 individuals)	2,191	–	457	311	–	–	2,959
Total	**4,704**	**–**	**982**	**1,412**	**–**	**–**	**7,098**

[1)] Apart from Board fees, no additional remuneration was paid. [2)] Michael Shalmi has also received consultant fees in 2019 of SEK 1,100 thousand. [3)] For the period Jan-May, 2019. [4)] For the period May-Dec, 2019

NOTE 6: NET FINANCIAL ITEMS

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Interest income				
- Other interest income	–	–	–	–
Net gain on financial assets and liabilities measured at fair value through profit or loss				
- Held for trading: Short-term investments	215	2	215	2
Net exchange-rate changes	–	87	–	87
Financial income/Interest income and similar items	**215**	**89**	**215**	**89**
Interest expenses				
- Interest expenses relating to bank loans	–	-1,864	–	–
- Interest expenses relating to finance leases	-81	-70	–	–
Other interest expenses	-6	-2	-6	-2
Net loss on financial assets and liabilities measured at fair value through profit or loss				
Held for trading: Short-term investments	–	–	–	–
Net exchange-rate changes	-67	–	-67	–
Financial expenses/Interest expenses and similar items	**-154**	**-1,936**	**-73**	**-2**
Net financial expense	**61**	**-1,847**	**142**	**87**
Of which:				
Interest income from instruments measured at amortized cost	–	–		
Interest expenses from instruments measured at amortized cost	-87	-1,936		
Exchange-rate differences that impacted earnings				
Exchange-rate differences that impacted operating loss	83	-35	83	-35
Financial exchange-rate differences	-67	87	-67	87
Total	**16**	**52**	**16**	**52**

NOTE 7: TAXES

Recognized in profit or loss

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Current tax expense (-)/tax income (+)				
Tax expense/tax income for the period	–	–	–	–
Tax adjustments brought forward from earlier years	–	–	–	–
	–	–	–	–
Deferred tax expense (-)/tax income (+)				
Deferred tax expense as a result of utilization of loss carryforwards previously capitalized	–	-24,386	–	–
Deferred tax income attributable to sale of property	–	24,386	–	–
Total recognized tax expense/income	**–**	**–**	**–**	**–**
Reconciliation of effective tax				
Loss before tax	-32,245	-34,132	-32,134	-32,594
Tax on the Parent Company according to current rate	6,900	7,509	6,877	7,171
Non-deductible expenses	-279	-382	-270	-352
Non-taxable revenues	170	168	170	168
Increase in loss carryforwards without equivalent capitalization of deferred taxes	-6,777	-6,987	-6,777	-6,987
Increase/decrease in temporary differences for which deferred tax is not recognized	-14	-308	–	–
Revaluation of deferred tax	–	–	–	–
Recognized effective tax	**–**	**–**	**–**	**–**

Tax items recognized directly in other comprehensive income

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Tax attributable to change in revaluation reserve	–	–	–	–

Tax items recognized directly in equity

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Tax attributable to change in revaluation reserve	–	–	–	–

Recognized in the statement of financial position deferred tax assets and liabilities

SEK thousands	Deferred tax assets		Deferred tax liabilities		Net	
	2020	2019	2020	2019	2020	2019
Tangible fixed assets	–	–	–	–	–	–
Loss carryforwards	–	–	–	–	–	–
Tax assets/liabilities	–	–	–	–	–	–
Offsetting	–	–	–	–	–	–
Tax assets/liabilities, net	**–**	**–**	**–**	**–**	**–**	**–**

Change in deferred tax in temporary differences and loss carryforwards

SEK thousands	Balance at Jan. 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance at Dec. 31, 2020
Tangible fixed assets	–	–	–	–	–
Loss carryforwards	–	–	–	–	–
	–	**–**	**–**	**–**	**–**

Change in deferred tax in temporary differences and loss carryforwards

SEK thousands	Balance at Jan. 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance at Dec. 31, 2019
Tangible fixed assets	-24,386	24,386	–	–	–
Loss carryforwards	24,386	-24,386	–	–	–
	–	**–**	**–**	**–**	**–**

Due to the Group's activities with considerable research and development costs, it is not liable for tax. At the end of 2020, the Group's accumulated loss carryforwards amounted to SEK 3,197 M and was attributable to the Group's Swedish companies. The Parent Company's loss carryforwards amounted to SEK 3,196 M.
Since the time at which the Parent Company and the Swedish subsidiaries may be expected to generate revenues cannot yet be specified, only the portion of the taxable effects of the loss carryforwards corresponding to the deferred tax liability was recognized.
The loss carryforwards for which deferred tax assets are not recognized amounted to SEK 3,197 M (3,165).

NOTE 8: EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

SEK thousands	Equipment, tools, fixtures and fittings recognized based on cost method	
	Group	Parent company
Acquisition value		
Opening balance, January 1, 2019	51,554	21,330
Disposal	-22,905	-18,273
Closing balance, December 31, 2019	**28,649**	**3,057**
Opening balance, January 1, 2020	28,649	3,057
Disposal	-28,649	-53
Closing balance, December 31, 2020	**–**	**3,004**
Depreciation and impairment losses		
Opening balance, January 1, 2019	-50,288	-21,330
Disposal	21,639	18,273
Closing balance, December 31, 2019	**-28,649**	**-3,057**
Opening balance, January 1, 2020	-28,649	-3,057
Disposal	28,649	53
Closing balance, December 31, 2020	**–**	**-3,004**
Carrying amounts		
January 1, 2019	1,266	–
December 31, 2019	–	–
January 1, 2020	–	–
December 31, 2020	–	–

NOTE 9: LEASES

The Group's leases apply to rental agreements for premises, and leases for company cars and office equipment.

Right-of-use assets

SEK thousands	Properties	Vehicles	Total
Opening balance, January 1, 2020	2,748	442	3,190
Depreciation for the year	-1,099	-221	-1,320
Closing balance, December 31, 2020	1,649	221	1,870

Lease liabilities

SEK thousands	Properties	Vehicles	Total
Current	1,085	227	1,312
Non-current	687	2	689
Lease liabilities included in the statement of financial position, Dec 31, 2020	**1,772**	**229**	**2,001**

For disclosures relating to the term/maturity analysis of the lease liabilities, see Note 18.
All of the Group's total interest-bearing liabilities in 2020 pertain to lease liabilities, see Note 14.

Breakdown of amounts recognized in earnings

SEK thousands	Group 2020	Group 2019
Depreciation of right-of-use assets	-1,320	-771
Interest on lease liabilities	-82	-64
Variable lease payments not included in the measurement of the lease liability	-126	-121
Costs for low-value leases	-95	-16
Cost of short-term leases	-	-41

Amount recognized in statement of cash flows

SEK thousands	Group 2020	Group 2019
Total cash flows relating to leases	1,473	-1,864

The above cash outflow includes amounts for leases recognized as lease liabilities, and amounts paid for variable lease payments and low-value leases. See also Note 21.

Description of the Group's rental agreements

Lease of property

From July 1, 2019, Active Biotech rents premises in the Forskaren 1 property in Lund municipality. The rental agreement consists of a non-cancellable period of three years, which is extended by additional periods of one year if the Group does not terminate the agreement with notice period of six months. Extension and termination options are exercisable only by the Group, not by the lessor. On the commencement date of the lease, it is established whether it is reasonably certain that an extension option will be exercised. It has been decided that it is not reasonably certain that another period will be exercised. The Group reassesses whether it is reasonably certain that an extension option will be exercised should any important events of material change occur in circumstances that are within the Group's control.

Rental expenses are adjusted on an annual basis using an escalation clause.

Lease of company cars

Active Biotech leases four company cars with a contract term of three years. The contract includes a fixed lease payment and a fee for a management package that covers service, repairs, tires etc. that is not part of the lease liability.

Lease of computers and other office equipment

Active Biotech has a rental agreement of 36 months for computors and other office equipment. These agreements are classified as low-value leases.

NOTE 10: OTHER RECEIVABLES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
VAT	480	869	480	328
Tax account	–	154	–	154
Other receivables	11	38	11	38
Total	**491**	**1,061**	**491**	**520**

NOTE 11: PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Prepaid rent	281	303	281	303
Prepaid insurance	253	258	253	258
Accrued income	–	251	–	251
Prepaid patenting expenses	427	457	427	457
Prepaid new issue costs	1,061	–	1,061	–
Other prepaid expenses and accrued income	535	454	535	454
Total	**2,557**	**1,723**	**2,557**	**1,723**

NOTE 12: SHAREHOLDERS' EQUITY

Consolidated shareholders' equity
Specification of shareholders' equity item Reserves
Revaluation reserve

SEK thousands	2020	2019
Revaluation reserve, January 1	–	88,889
Transfer to profit/loss brought forward	–	-88,889
Revaluation reserve, December 31	**–**	**–**

Share capital Ordinary shares

Thousands of shares	2020	2019
Issued at January 1	145,236	145,236
Issued at December 31 – paid	**145,236**	**145,236**

Allocation of profit/loss

SEK	
Profit brought forward	32,260,407
Loss for the year	-32,133,542
Total	**126,865**

The Board of Directors proposes that the accumulated profit SEK 126,864 balance in a new account.

At December 31, 2020, the registered share capital comprised 145,236,480 ordinary shares with a quotient valueof SEK 0.005164. Holders of ordinary shares are entitled to dividends determined successively and the shareholding entitles the holder to voting rights at the Annual General Meeting of one vote per share.

Other capital contributed

Refers to shareholders' equity contributed by the owners in addition to share capital. This includes the share premium reserves transferred to the statutory reserve at December 31, 2005. Effective January 1, 2006 and onward, allocations to the statutory reserve will also be recognized as contributed capital.

Reserves

Revaluation reserve

The revaluation reserve includes value changes attributable to tangible and intangible fixed assets.

Profit/loss brought forward including loss for the year

Profit brought forward including loss for the year includes accumulated earnings/losses in the Parent Company and its subsidiaries and associated companies. Earlier provisions to statutory reserves, excluding transferred share premium reserves, are included in this equity item.

Dividend

The Board of Directors proposes that no dividend be paid for the 2020 fiscal year.

Capital management

In accordance with the Board's policy, the Group's financial objective is to maintain a solid capital structure and financial stability, thereby retaining the confidence of investors and credit providers in the market, and to function as a platform for the continued development of the business operation. Capital is defined as total shareholders' equity. With reference to the focus of the operation, no specific target for the debt/equity ratio has been defined. Neither the Parent Company nor any of its subsidiaries are subject to any external capital requirements.

Parent Company's shareholders' equity

Restricted funds

Restricted funds may not be reduced through the distribution of profits.

Unrestricted equity

In addition to loss for the year, the following funds comprise unrestricted equity, meaning the amount that is available for distribution to shareholders.

Share premium reserve

When shares are issued at a premium, that is, payment is required for the shares in excess of their quotient value, an amount corresponding to the proceeds received in excess of the shares' quotient value is to be transferred to the share premium reserve. Amounts allocated to the share premium reserve from January 1, 2006 are included in unrestricted equity.

Profit/loss brought forward

Profit/loss brought forward comprises the preceding year's profit/loss brought forward, less any dividends paid during the year.

NOTE 13: EARNINGS PER SHARE

	Before dilution		After dilution	
SEK	2020	2019	2020	2019
Earnings per share	-0.22	-0.24	-0.22	-0.24

Calculation of the numerator and the denominator used in the above calculation of earnings per share is specified below.

Earnings per share before dilution

The calculation of earnings per share in 2020 was based on loss for the year attributable to the Parent Company's ordinary shareholders amounting to a loss of SEK 32,245 thousand (loss: 34,132) and on a weighted average number of shares outstanding during 2020 totaling 145,236,480 (145,236,480). The two components were calculated in the following manner:

Loss attributable to the Parent Company's ordinary shareholders, before dilution

SEK thousands	2020	2019
Loss for the year attributable to the Parent Company's shareholders	-32,245	-34,132

Weighted average number of outstanding ordinary shares, before dilution

Thousands of shares	2020	2019
Total number of ordinary shares at January 1	145,236	145,236
Weighted average number of ordinary shares during the year, before dilution	**145,236**	**145,236**

Earnings per share after dilution

Earnings and the number of shares in the calculation of earnings per share after dilution are the same as for the calculation of earnings per share before dilution since the new potential ordinary shares from the incentive programes only would lead to an improvement in earnings.

Loss attributable to the Parent Company's ordinary shareholders, after dilution

SEK thousands	2020	2019
Loss for the year attributable to the Parent Company's shareholders	-32,245	-34,132
Effect of incentive program Plan 2020/2024	–	–
Effect of incentive program Board plan 2020/2023	–	–
Loss attributable to the Parent Company's ordinary shareholders, after dilution	-32,245	-34,132

Weighted average number of outstanding ordinary shares, after dilution

Thousands of shares	2020	2019
Weighted average number of ordinary shares during the year, before dilution	145,236	145,236
Effect of incentive program Plan 2020/2024	125	–
Effect of incentive program Board plan 2020/2023	125	–
Weighted average number of ordinary shares during the year, after dilution	145,487	145,236

NOTE 14: INTEREST-BEARING LIABILITIES

Interest-bearing liabilities, Group

SEK thousands	2020	2019
Long-term liabilities		
Lease liability	689	2,001
Total	**689**	**2,001**
Short-term liabilities		
Short-term portion of lease liabilities	1,312	1,252
Total	**1,312**	**1,252**

NOTE 15: OTHER SHORT-TERM LIABILITIES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Personnel tax at source	219	257	219	257
Total	**219**	**257**	**219**	**257**

NOTE 16: ACCRUED EXPENSES AND DEFERRED INCOME

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Accrued vacation liability, including social-security costs	1,875	1,567	1,875	1,567
Accrued employer's contributions	133	180	133	180
Other accrued personnel costs	832	1,058	832	1,058
Accrued Board fees, including social-security costs	1,294	924	1,294	924
Accrued auditors' fees	300	300	300	300
Accrued employer´s contributions incentive program	137	–	137	–
Accrued costs, redundancies	178	–	178	–
Other items	221	–	221	–
Total	**4,970**	**4,029**	**4,970**	**4,029**

NOTE 17: VALUATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

In Active Biotech's opinion, the carrying amount comprises a reasonable approximation of the fair value of all of the Group's financial assets and liabilities. The Group's liabilities to credit institutions and liabilities pertaining to finance leases bear floating interest rates, which means that the value of the liabilities is not affected by changes in the base interest rate. Also, Active Biotech does not believe that credit margins have changed to any extent that could significantly impact the fair value of liabilities. The Group's short-term investments are measured at fair value in the statement of financial position, which means that the carrying amount is the same as the fair value of these items. In addition to short-term investments, the Group's financial assets essentially comprise cash and bank balances and receivables with short-term maturities that are recognized after deductions for any impairment. Accordingly, the carrying amount is considered to be a reasonable approximation of the fair value also for these items. The tables below state the carrying amounts for financial assets and financial liabilities by measurement category.

The fair values and carrying amounts are recognized in the balance sheet below:

Group 2020

SEK thousands	Accounts and loan receivables	Financial assets/liabilities measured at fair value through profit or loss	Other financial liabilities	Total carrying amount
Other long-term receivables	1	–	–	1
Accounts receivable	284	–	–	284
Short-term investments	–	22,848	–	22,848
Cash and bank balances	3,365	–	–	3,365
Total	**3,650**	**22,848**	**–**	**26,498**
Long-term interest-bearing liabilities	–	–	689	689
Short-term interest-bearing liabilities	–	–	1,312	1,312
Accounts payable	–	–	2,852	2,852
Total	**–**	**–**	**4,853**	**4,853**

Group 2019

SEK thousands	Accounts and loan receivables	Financial assets/liabilities measured at fair value through profit or loss	Other financial liabilities	Total carrying amount
Other long-term receivables	1	–	–	1
Accounts receivable	838	–	–	838
Short-term investments	–	55,634	–	55,634
Cash and bank balances	4,047	–	–	4,047
Total	**4,886**	**55,634**	**–**	**60,520**
Long-term interest-bearing liabilities	–	–	2,001	2,001
Short-term interest-bearing liabilities	–	–	1,252	1,252
Accounts payable	–	–	5,598	5,598
Total	**–**	**–**	**8,851**	**8,851**

Disclosure regarding the determination of fair value

Group 2020

SEK thousands	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		22,848		22,848

Group 2019

SEK thousands	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		55,634		55,634

Level 1: according to quoted prices on an active market for the same instrument.
Level 2: based on directly or indirectly observable market inputs other than those included in Level 1.
Level 3: according to inputs not based on observable market data.

Calculation of fair value

Short-term investments

Short-term investments comprise units in a short-term fixed-income fund.

The value of the units is based on a valuation obtained from the institute that administers the fund.

Parent Company 2020

SEK thousands	Accounts and loan receivables	Financial assets/liabilities measured at fair value through profit or loss	Other financial liabilities	Total carrying amount
Other long-term receivables	1	–	–	1
Accounts receivable	121	–	–	121
Short-term investments	–	22,848	–	22,848
Cash and bank balances	3,310	–	–	3,310
Total	**3,432**	**22,848**	**–**	**26,280**
Accounts payable	–	–	2,852	2,852
Total	**–**	**–**	**2,852**	**2,852**

Parent Company 2019

SEK thousands	Accounts and loan receivables	Financial assets/liabilities measured at fair value through profit or loss	Other financial liabilities	Total carrying amount
Other long-term receivables	1	–	–	1
Accounts receivable	634	–	–	634
Short-term investments	–	55,634	–	55,634
Cash and bank balances	3,796	–	–	3,796
Total	**4,431**	**55,634**	**–**	**60,065**
Accounts payable	–	–	5,598	5,598
Total	**–**	**–**	**5,598**	**5,598**

NOTE 18: FINANCIAL RISKS AND FINANCIAL POLICIES

Through its operations, the Group is exposed to various forms of financial risk. Financial risk denotes fluctuations in the company's earnings and cash flow resulting from changes in exchange rates, interest rates, refinancing and credit risks.

The Group's financial policy for the management of financial risk has been formulated by the Board and acts as a framework of guidelines and regulations in the form of risk mandates and limits for financing activities. Responsibility for the Group's financial transactions and risks is managed centrally by the Parent Company's finance department. The overriding objective for the finance function is to provide cost-efficient financing and to minimize negative effects on the Group's earnings from market fluctuations. The Board of Active Biotech has established a policy for the investment of the Group's cash and cash equivalents, which, in view of the operational risks associated with the business, stipulates a conservative investment policy. The Group's cash and cash equivalents are to be invested in liquid assets with low credit risk, primarily in short-term Swedish securities, commercial papers and fixed-income and bond funds with high liquidity.

Interest-rate risk

Interest-rate risk relating to cash and cash equivalents

The Group's liquidity, which amounted to SEK 26,213 thousand (59,681) at December 31, was invested at a floating interest rate, which fluctuated between 0.0 and 0.6 percent (-1.7 and 1.1) during the year. Liquidity risk is defined as the risk that the Group could experience problems in fulfilling its obligations associated with financial liabilities. For its short-term planning, the Group has a rolling 12-month liquidity plan that is regularly updated. For its medium-term planning, future revenue and expense flows are regularly forecast based on the anticipated development phase of the projects. In addition, a long-term liquidity forecast is presented to the Board on a regular basis.

Interest-rate risk relating to borrowings

The interest-rate risk relates to the risk that Active Biotech's exposure to fluctuations in market interest rates can have a negative impact on net earnings. The fixed-interest term on the Group's financial assets and liabilities is the most significant factor that influences the interest-rate risk. Active Biotech's view is that a short fixed-interest term is, in terms of risk, consistent with the company's operative position. However, the Board can choose to extend the period of fixed interest with the aim of limiting the effect of any rise in interest rates. The Group's financing sources mainly comprise shareholders' equity and liabilities for finance lease commitments. Outstanding interest-bearing liabilities are recognized in Note 14 and a term analysis for financial liabilities is presented below.

Sensitivity analysis: A change in the interest rate of plus/minus 1 percentage point would impact net interest income in the amount of plus/minus SEK 0.4 M (0.5).

Financing risk

Financing risk refers to the risk that financing of Active Biotech's capital requirements and refinancing of loans outstanding may be made more difficult or more expensive. The Group's liabilities consist solely of lease liabilities. The company has no short-term loan financing in the form of overdraft facilities. Active Biotech ensures short-term payment preparedness by maintaining good liquidity preparedness in the form of cash.

The term analysis below presents the agreed, undiscounted cash flows for the Group's financial liabilities divided among the stated time intervals.

Group 2020

SEK thousands	Nominal amount original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and longer
Lease liabilities, SEK		2,001	127	254	1,158	462	–	–	–	–
Accounts payable, SEK		1,929	1,662	267	–	–	–	–	–	–
Accounts payable, EUR	EUR 86 thousand	860	860	–	–	–	–	–	–	–
Accounts payable, USD	USD 8 thousand	63	63	–	–	–	–	–	–	–
Total		**4,853**	**2,712**	**521**	**1,158**	**462**	**–**	**–**	**–**	**–**

Group 2019

SEK thousands	Nominal amount original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and longer
Lease liabilities, SEK		3,253	111	222	1,001	1,356	573	–	–	–
Accounts payable, SEK		1,747	1,570	177	–	–	–	–	–	–
Accounts payable, EUR	EUR 369 thousand	3,851	3,851	–	–	–	–	–	–	–
Total		**8,851**	**5,532**	**399**	**1,001**	**1,356**	**573**	**–**	**–**	**–**

Maturity analysis, accounts receivable

SEK thousands	2020		2019	
	Carrying amount, unimpaired receivable	Collateral	Carrying amount, unimpaired receivable	Collateral
Accounts receivable, not due	–	–	514	–
Accounts receivable, due 0 – 30 days	–	–	5	–
Accounts receivable, due >30 days – 90 days	–	–	–	–
Accounts receivable, due >90 days – 180 days	–	–	–	–
Accounts receivable, due >180 days	284	–	319	–
Total	**284**	**–**	**838**	**–**

Currency risks

Currency risk comprises the risk that changes in exchange rates will have a negative impact on the consolidated income statement, balance sheet and/or cash flow.

The Group has a currency exposure, since operations are primarily conducted in Sweden. Earnings are exposed to fluctuations in exchange rates since both revenues and costs partly comprise foreign currencies, primarily EUR and USD. In 2020, foreign currencies accounted for 92 percent of revenues while the equivalent figure for operating expenses was 21 percent.

Sensitivity analysis: A change in exchange rates of plus/minus ten percent would impact the Group's earnings in the amount of plus/minus SEK 0,3 M (0.5) in relation to EUR and plus/minus SEK 0,2 M (0.3) in relation to USD.

Credit risks

The Group is exposed to the risk of not receiving payment from customers. The Group's credit risks are marginal for its operating activities, since the business has a low invoicing level due to the fact that the business activities currently comprise mainly research and development. The credit risk for receivables related to payments from concluded partnership agreements is considered low. Credit losses or impairment of possible credit losses were charged against earnings in the amount of SEK 0,0 M (0.3).

Credit risks also arise when investing cash and cash equivalents. Cash and cash equivalents are principally invested in short-term Swedish securities, commercial papers and fixed-income and bond funds with high liquidity in well-established banks.

NOTE 19: PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Pledged assets

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
In the form of assets pledged for own liabilities and provisions				
Property mortgage	–	–	–	–
Assets with ownership reservation	–	–	–	–
Total	**–**	**–**	**–**	**–**
Other collateral provided and pledged assets				
Pension insurances	49.464	47,038	49,464	47,038
Total pledged assets	**49,464**	**47,038**	**49,464**	**47,038**
Contingent liabilities				
Guarantees for the benefit of Group companies	–	–	–	–
Total contingent liabilities	**–**	**–**	**–**	**–**

NOTE 20: GROUP COMPANIES

Holdings in subsidiaries

SEK thousands	Corp. Reg. No.	Registered office	No. of shares/ percentage	Nominal value	Carrying amount, Dec. 31, 2020	Carrying amount, Dec. 31, 2019
Active Forskaren 1 KB	969646-4677	Lund			40,000	40,000
Actinova AB	556532-8860	Lund	1,000 / 100%	100	50	50
Active Security Trading AB	556092-7096	Lund	400 / 100%	400	450	450
Total					**40,500**	**40,500**

Change in carrying amount of shares in subsidiaries

SEK thousands	2020	2019
Cost, January 1	40,550	40,550
Accumulated cost, December 31	**40,550**	**40,550**
Impairment, January 1	-50	-50
Impairment for the year	–	–
Accumulated impairment, December 31	**-50**	**-50**
Carrying amount, December 31	**40,500**	**40,500**

NOTE 21: SUPPLEMENTARY DATA TO THE CASH-FLOW STATEMENT

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Interest paid and dividends received				
Interest received	–	–	–	–
Interest paid	-6	-2,497	-6	-1
Total	**-6**	**-2,497**	**-6**	**-1**
Adjustments for non-cash items				
Depreciation/amortization and impairment of assets	1,320	867	–	–
Share-based payments that are settled with equity instruments, IFRS2	576	–	–	–
Total	**1,896**	**867**	**–**	**–**
Transactions not involving payment				
Acquisition of assets through finance leases	–	3,297		
Cash and cash equivalents				
Cash and cash equivalents consist of the following components:				
Cash and bank balances	3,365	4,047	3,310	3,796
Short-term investments	22,848	55,634	22,848	55,634
Total	**26,213**	**59,681**	**26,158**	**59,430**

Reconciliation of liabilities deriving from financing activities, Group

SEK thousands	Closing balance, Jan. 1, 2020	Cash flows	Changes that do not affect cash flow		Closing balance, Dec. 31, 2020
			New leases	Exchange-rate differences	
Interest-bearing liabilities	0	0	–	–	0
Lease liabilities	3,253	-1,252	–	–	2,001
Total liabilities deriving from financing activities	**3,253**	**-1,252**	**0**	**–**	**2,001**

SEK thousands	Closing balance, Dec. 31, 2018	Opening balance Jan. 1, 2019	Cash flows	Changes that do not affect cash flow		Closing balance, Dec. 31, 2019
				New leases	Exchange-rate differences	
Interest-bearing liabilities	204,053	204,053	-204,053	–	–	–
Lease liabilities	297	1,091	-1,005	3,167	–	3,253
Total liabilities deriving from financing activities	**204,350**	**205,144**	**-205,058**	**3,167**	**–**	**3,253**

NOTE 22: IMPORTANT ESTIMATES AND ASSESSMENTS

The preparation of financial statements in accordance with IFRS requires company management to make assessments and estimates that affect the recognized amounts. The actual outcome may deviate from these estimates and assessments. The areas in which important estimates and assessments have been made which could imply adjustments to carrying amounts in forthcoming fiscal years are primarily assumptions regarding the company's financing and continued operation.

Financing

The company is expected to generate a negative cash flow until such time as the company receives annual revenues from products in the market. This capital requirement can be funded by contributions from owners, out-licensing of projects or revenues from collaboration agreements. The Group's ability to continue operating is dependent on the availability of sufficient cash and cash equivalents to finance the business until the receipt of revenues from the agreement that Active Biotech has with NeoTX Ltd regarding the development and commercialization of Naptumomab or with other partners. The failure to secure funding may negatively impact the company's operations, financial position and operating result. The Board of Directors and company management regularly assess the company's capital requirements.

NOTE 23: EVENTS AFTER THE BALANCE-SHEET DATE

Active Biotech made the pre-emptive rights issue prospectus public in January 2021

In January 2021, Active Biotech announced the outcome of the concluded pre-emptive rights issue. 95,6% of the shares offered were subscribed for with subscription rights. In addition, applications for 127,4 million shares without subscription rights were received, corresponding to a 175% oversubscription. Through the rights issue Active Biotech receives proceeds of approximately SEK 76,2M, before issue expenses. No issue guarantees were utilized

Active Biotech signed an agreement in January 2021 for manufacturing of a topical ophthalmic formulation of laquinimod for clinical useBoard had approved a new direction for the company.

On April 19, 2021 Active Biotech and NeoTX announced FDA Clearance of IND for Phase II Clinical Trial of Naptumomab

Impact of COVID-19

Active Biotech, like everyone else, was affected by the covid-19 pandemic during 2020. To limit the spread of the virus and a potential negative impact to our business, we have minimized our travel and changed our way of working. Substantial progress has been achieved across all projects despite the prevailing situation, and we have been able to continue operating without significant delays during 2020. However, despite the vaccines now coming broadly into use, it is still uncertain how the global measures against COVID-19, and prioritization of health care resources, may affect timelines, specifically of the clinical studies in the coming months. Active Biotech will continue to monitor the clinical trials and provide updates as needed.

NOTE 24: RELATED-PARTY TRANSACTIONS

Close relationships

With regard to the Group's and Parent Company's subsidiaries, see Note 20. The composition of the Board and information relating to senior executives is presented on pages 37-38.

Related-party transactions

Apart from the remuneration concerning Board fees presented in Note 5, the Chairman of the Board Michael Shalmi received consultant fees of SEK 1,800 thousand in 2020, board member Aleksandar Danilovski received consultant fees of SEK 404 thousand in 2020, board member Axel Glasmacher received consultant fees of SEK 318 thousand in 2020 and board member Elaine Sullivan received consultant fees of SEK 82 thousand in 2020. No other transactions with shareholders or members of the Board took place during the year.

For information concerning transactions with key individuals in managerial positions, see Note 5.

In 2020, the Parent Company's sales of services to Group companies totaled SEK 0 thousand (4,786). The Parent Company's purchases of services from subsidiaries amounted to SEK 0 thousand (407) in 2020. The Parent Company's receivables and liabilities relative to the subsidiaries as per December 31, 2020 are presented in the Parent Company's balance sheet.

NOTE 25: INFORMATION RELATING TO THE PARENT COMPANY

Active Biotech AB, Corporate Registration Number 556223-9227, is a Swedish-registered limited liability company with its registered office in Lund, Sweden. The Parent Company's shares are listed on Nasdaq Stockholm.

The address of the head office is Scheelevägen 22, Lund, Sweden. The consolidated financial statements for the 2019 fiscal year comprise the Parent Company and its subsidiaries, referred to jointly as the Group.

Approval and adoption

The Annual Report and the consolidated financial statements were approved for issue on April 21, 2021. The consolidated income statement, statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be subject to adoption by the Annual General Meeting on May 19, 2021.

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors and the President & CEO affirm that the Annual Report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in regulation (EC) No. 1606/2002 of the European Parliament and the Council dated July 19, 2002 governing the application of international accounting standards. The annual accounts and the consolidated financial statements provide a true and fair view of the Group's and Parent Company's financial position and results of operations. The Directors' Report for the Group and the Parent Company provides a true and fair view of the Group's and the Parent Company's operations, position and results, and describes significant risks and uncertainties that the Parent Company and Group companies face.

Lund, April 21, 2021
The Board of Directors of Active
Biotech AB (publ)

Michael Shalmi	Aleksandar Danilovski	Axel Glasmacher	Uli Hacksell	Elaine Sullivan	Peter Thelin
Chairman	*Board member*	*Board member*	*Board member*	*Board member*	*Board member*

Helén Tuvesson
President & CEO

We submitted our Audit Report on April 21, 2021
KPMG AB

Linda Bengtsson
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of
Active Biotech AB (publ), corp. id 556223-9227

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Active Biotech AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 40-89 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Financing

See disclosure 23 and the description of Risk factors and Outlook for 2020 in the Directors' report on pages 43-45 and 47 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The business of the group is focused on supporting its partner NeoTX in the development of naptumomab but also on performing activities according to the new strategic direction communicated in February 2020. This means that tasquinimod will be devoloped for treatment of multiple myeloma and laquinimod as a treatment of the eye disease Uveit.

The strategy is to advance these projects to enable early and cost-effective value crystallisation to the Company through partering/out-licensing.

The group's ability to continue as a going concern depends on the availability of sufficient liquid funds and/or assets that can be converted into liquid funds to carry on its business until naptumomab or any of its other projects generates revenue.

As per 31 december 2020, the liquid funds was 26.2 SEK millions. In the beginning of 2021, the Company compleed a new share issue, which added in 76.2 SEK millions before issue expenses to the liquid funds.

Response in the audit

We have considered the decision of the Board to apply the going concern principle when preparing the annual accounts and consolidated accounts. We have evaluated the latest available cash forecast and assessed the reasonableness and support for the judgments underpinning the forecasts. We discussed with group management how they determined the assumptions and considered these in our assessment.

The key areas that we have focused on in the cash forecast are:

- Available cash including the cash advance from the new share issu
- Expected cash flows from other sources such as development partnership;
- Expected cash flows from the remaining operating activities;

We have assessed if the group is contractually committed to the estimated cash flows and if they are depending on certain actions or results, and, where applicable, evaluated the documentation available to support the assumptions that the expected result was achievable and to determine that the assumptions made were reasonable.

We discussed the plans and the potential sources of funding with group management and evaluated these in relation to the available evidence and past experience.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31, 38-39 and 96-99. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Active Biotech AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 227, 201 22 , Malmö, was appointed auditor of Active Biotech AB (publ) by the general meeting of the shareholders on May 19, 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1999.

Malmö 21 April 2021

KPMG AB

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Linda Bengtsson
Authorized Public Accountant

SUMMARY OF FINANCIAL DEVELOPMENT

ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS

Alternative performance measures are used to describe the development of operations and to increase comparability between periods. These are not described on the basis of IFRS regulations but they do coincide with how group management and the board of directors measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in conformity with IFRS but as a complement.

The equity/assets ratio is calculated by dividing recognized shareholders' equity by recognized total assets.

SEK M	2020	2019	2018	2017	2016
Income statement					
Net sales	6.7	8.4	20.1	20.2	19.0
Operating expenses	-39.0	-40.7	-49.9	-122.7	-74.1
(of which, depreciation/amortization)	-1.3	-0.9	-0.4	-6.1	-11.8
Operating loss	**-32.3**	**-32.3**	**-29.8**	**-102.5**	**-55.1**
Net financial items	0.1	-1.8	-7.0	-7.4	-6.7
Loss before tax	**-32.2**	**-34.1**	**-36.9**	**-109.9**	**-61.8**
Tax	–	–	–	1.1	2.2
Loss for the year	**-32.2**	**-34.1**	**-36.9**	**-108.8**	**-59.6**
Balance sheet					
Tangible fixed assets	1.9	3.2	1.3	1.7	328.1
Financial fixed assets	0.0	0.0	0.0	0.0	0.0
Other current assets	4.1	4.1	275.6	276.9	7.1
Cash and cash equivalents	26.2	59.7	25.6	25.2	77.7
Total assets	**32.2**	**67.0**	**302.4**	**303.8**	**412.9**
Shareholders' equity	22.1	53.8	87.9	77.7	182.6
Interest-bearing provisions and liabilities	2.0	3.3	204.4	210.4	216.3
Non interest-bearing provisions and liabilities	8.1	9.9	10.1	15.7	14.0
Total shareholders' equity and liabilities	**32.2**	**67.0**	**302.4**	**303.8**	**412.9**
Condensed cash-flow statement					
Cash flow from operating activities before changes in working capital	-30.3	-33.3	-36.4	-53.3	-50.0
Changes in working capital	-1.9	-2.5	-4.2	6.9	-23.1
Cash flow from investing activities	–	275.0	–	–	–
Cash flow from financing activities	-1.3	-205.1	41.0	-6.1	47.2
Cash flow for the year	**-33.5**	**34.1**	**0.4**	**-52.5**	**-25.9**
Key figures					
Equity/assets ratio, %	69	80	29	26	44
Earnings per share (SEK)	-0.22	-0.24	-0.27	-0.89	-0.65
Dividends (SEK)	0	0	0	0	0
Research and development costs (SEK M)	-25.5	-28.5	-39.3	-49.4	-58.2
Average number of employees	10	12	16	17	28
Salary expenses, incl. social-security costs (SEK M)	-18.3	-18.2	-19.8	-30.3	-29.2
Number of shares at end of period (thousands)	145,236	145,236	145,236	96,824	96,824

GLOSSARY

Aryl hydrocarbon receptor (AhR) – a common receptor present in most cells of the body. Acts as a transcription factor.

Autoimmunity – When the body's immune system reacts against structures in the body itself. Autoimmune diseases arise when the immune system combats the body itself, despite it being otherwise healthy.

EMA – European Medicines Agency.

Phase I studies – The first studies on humans are carried out on a small group. The purpose of these studies is mainly to show that the compound is safe for humans.

Phase II studies – Phase II studies test the compound on patients suffering from the disease that the potential drug is designed to treat. Tests are normally conducted on 100–300 patients. The primary aim of a phase II study is to show that the compound has the intended medical effect and determine an optimal dosage.

Phase III studies – In phase III, the compound is tested on a large number of patients, often between 1,000 and 3,000 patients. The primary aim of phase III studies is to show that a new drug is at least as good as, or better than, previously approved treatments for the specific disease.

FDA – Food and Drug Administration, the US pharmaceuticals authority.

Immune checkpoint inhibitors – A new group of tumor therapies, for example, PD-1 inhibitors, that work by boosting the patient's immune response to the tumor.

Inflammation – The body's response to localized damage.

Clinical studies – Studies of how a pharmaceutical affects humans.

Laquinimod – Active Biotech's candidate drug for treatment of eye diseases.

Candidate drug – A specific substance selected during the preclinical phase. The candidate drug is the compound that will continue on to clinical testing in humans.

Multiple myeloma – A blood cancer that develops in the bone marrow.

Naptumomab estafenatox (naptumomab) – Active Biotech's candidate drug being developed in partnership with NeoTX.

Patent – Exclusive rights to a discovery or invention.

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

Preclinical – The part of drug development that takes place prior to the drug being tested in human beings.

Quinoline – The compound class to which laquinimod and tasquinimod belong.

Orphan drug designation – New drugs for patients with rare and serious diseases may be granted orphan drug designation, providing market exclusivity for seven to ten years, among other benefits.

Tasquinimod – Active Biotech's candidate drug developed for use in treatment of multiple myeloma.

Uveitis – inflammation of the uveal tract (iris, ciliary body, & choroid) in the eye.

2020

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DESIGN AND PRODUCTION: Clavis Communications | PHOTO: Lars Strandberg, Werner Nystrand

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