Active Biotech

ANNUAL REPORT 2018 | ACTIVE BIOTECH AB

2018

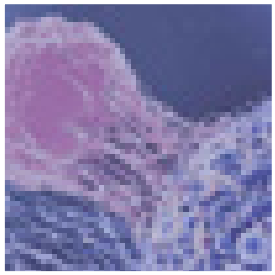
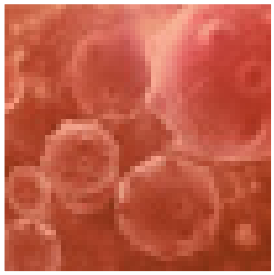
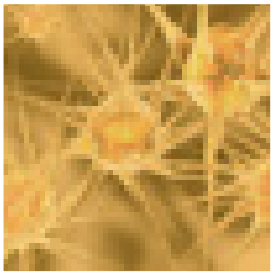
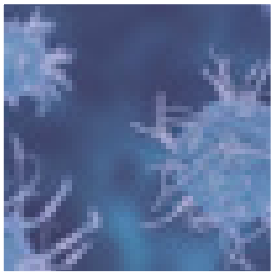
Diseases in which the immune system is of crucial importance

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.

ACTIVE BIOTECH IN BRIEF

Active Biotech develops novel pharmaceuticals in the areas of cancer, neurodegenerative and inflammatory diseases where the immune system plays a crucial role.

Active Biotech was formed in 1998 as a spin-off from Pharmacia and has its base in Lund. The share is listed and traded on Nasdaq Stockholm (Small Cap). The project portfolio contains both small molecules that are orally active immunomodulatory agents and antibody based immunotherapy.

Cancer			Neurodegeneration & Inflammation	
				
ANYARA ANYARA (Naptumumab Estafenatox, "naptumumab") is a tumor-targeting immunotherapy that enhances the ability of the immune system to recognize and kill tumors. Naptumumab is developed in cooperation with NeoTX for the treatment of solid cancer forms.	**TASQUINIMOD** Tasquinimod is a once-daily, oral immunomodulatory compound that reduces a tumor's ability to grow and spread. Tasquinimod is being evaluated for the treatment of multiple myeloma.	**SILC** SILC is a preclinical oncology project focused on developing new chemical compounds that have S100A9 as their target protein for the treatment of cancer.	**LAQUINIMOD** Laquinimod is an oral immunomodulatory drug that prevents neurodegeneration and inflammation directly in the central nervous system. Laquinimod is being developed for the treatment of Huntington's disease.	**PAQUINIMOD** Paquinimod is a once-daily, oral immunomodulatory compound in development for treatment of systemic sclerosis, a rare autoimmune disease of the connective tissue with a high unmet medical need.

CONTENTS

ANNUAL GENERAL MEETING

The Annual General Meeting of Active Biotech AB (publ) is to be held on Thursday, May 23, 2019 at 5:00 p.m. at the company's premises at Scheelevägen 22, Lund, Sweden. Shareholders who wish to participate in the Meeting must (a) be recorded in the register of shareholders maintained by Euroclear Sweden AB on Friday, May 17, 2019, and (b) notify the company of their intention to participate in the Meeting not later than Friday, May 17, 2019.

Shareholders who have trustee-registered shares must temporarily re-register the shares in their own name to be entitled to participate in the Meeting. Such registration, which may be temporary, must be completed not later than Friday, May 17, 2019. Accordingly, shareholders must inform the trustee of this request in ample time prior to this date.

NOTICE OF PARTICIPATION

Notice of participation can be made in writing to Active Biotech AB (publ), Attn. Susanne Jönsson, PO Box 724, SE-220 07 Lund, Sweden, by telephone on +46 (0)46 19 20 00 or by e-mail to susanne.jonsson@activebiotech.com.

The notice shall include name, personal/corporate registration number, number of shares held, daytime telephone number and, if applicable, the number of advisors (two at the most) that will accompany the shareholder at the Meeting. The notice of the Annual General Meeting is available in its entirety on the company's website www.activebiotech.com.

FINANCIAL CALENDAR

2019	2019	2019	2019	2020
25 April	**23 May**	**8 August**	**14 November**	**13 February**
Interim Report	**Annual General Meeting**	**Interim Report**	**Interim Report**	**Year-end report**

2018 IN BRIEF

MARCH 19
Active Biotech held an Extraordinary General Meeting, which resolved on a rights issue with preferential rights for shareholders of approximately SEK 48 M.

APRIL 16
The rights issue with preferential rights for Active Biotech's shareholders was successfully concluded in April 2018. The rights issue generated issue proceeds of approximately SEK 48 M before issue expenses.

APRIL 23
Active Biotech published its Annual Report for fiscal year 2017.

JULY 31
Active Biotech reported results from the Phase II LEGATO-HD study relating to laquinimod in Huntington's disease. The study did not meet its primary endpoint; change from baseline after 12 months of treatment, as measured by the Unified Huntington's Disease Rating Scale - Total Motor Score (UHDRS-TMS). However, the secondary endpoint, reduction of brain atrophy, showed a strong and significant effect.

SEPTEMBER 5
Active Biotech regained the global development and commercialization rights for laquinimod from Teva, since Teva does not intend to continue the clinical development of laquinimod.

NOVEMBER 8
New data on explorative study endpoints from the LEGATO-HD study of laquinimod in Huntington's Disease was presented by Dr Ralf Reilmann, Global Coordinating Principal Investigator, at the annual conference of the Huntington Study Group, HSG 2018, in Houston, Texas.

APRIL 14
Active Biotech's partner NeoTX Therapeutics Ltd. presented new data for ANYARA at the annual American Association for Cancer Research scientific conference in Chicago. The data presented demonstrates synergistic anti-tumor efficacy when ANYARA is combined with a checkpoint inhibitor in several different tumor models that normally respond poorly to such treatment.

MAY 17
Active Biotech held its Annual General Meeting in the company's premises at Scheelevägen in Lund.

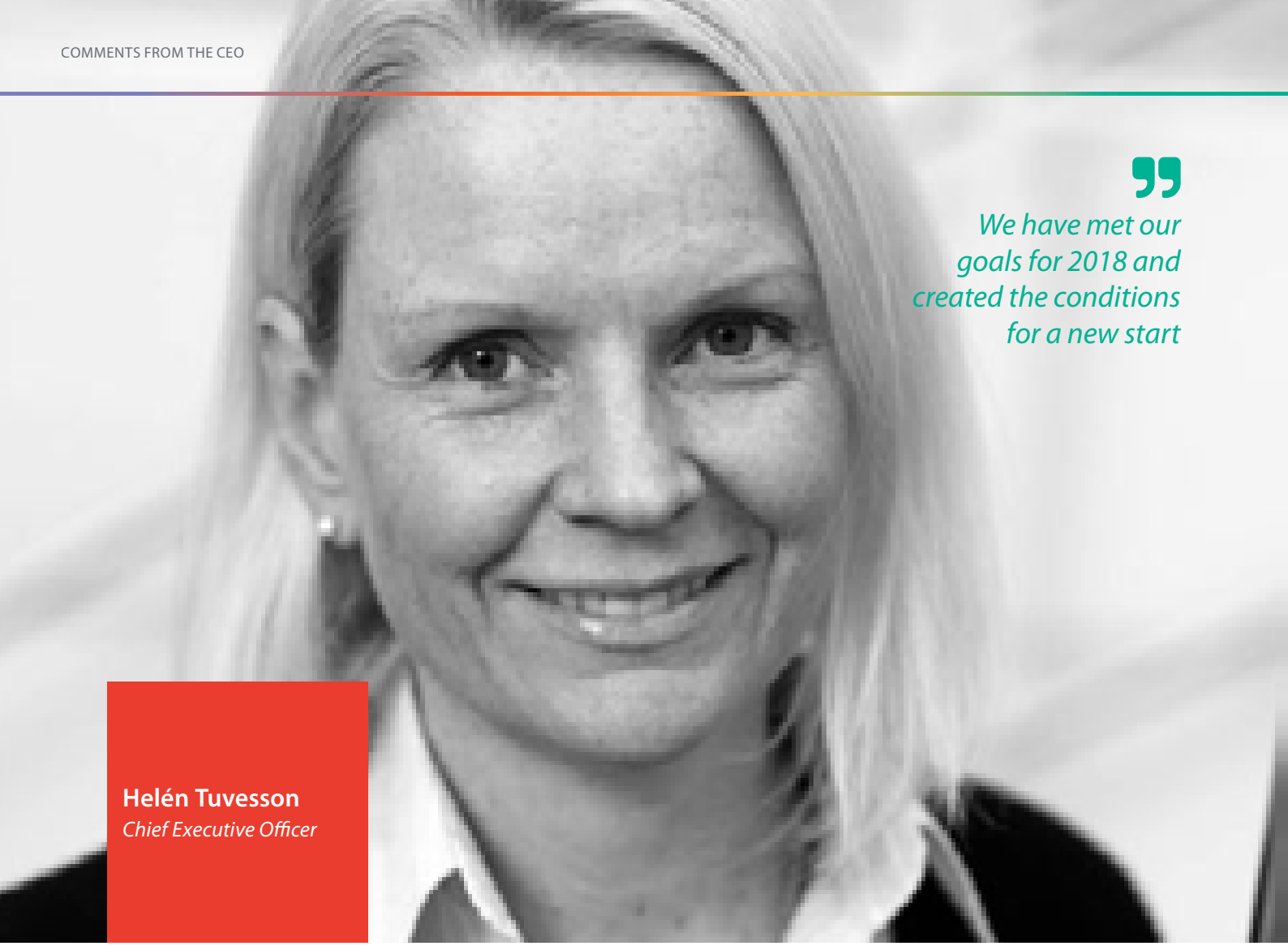
Active Biotech announced that the patent regarding the use of tasquinimod for the treatment of multiple myeloma had been granted in the US.

AUGUST 9
Active Biotech initiated scientific collaboration with The Wistar Institute, Philadelphia, in the US, on tasquinimod to support the clinical development in multiple myeloma.

SEPTEMBER 14
Dr Ralf Reilmann, Global Coordinating Principal Investor, presented data from the LEGATO-HD study of laquinimod in Huntington's disease at the "European Huntington's Disease Network" scientific conference in Vienna.

KEY FIGURES

Net sales	Operating loss	Loss for the year	Earnings per share	Equity/assets ratio
20.1	**-29.8**	**-36.9**	**-0.27**	**29**
SEK M	SEK M	SEK M	SEK/share	%
(2017: 20.2)	(2017: -102.5)	(2017: -108.8)	(2017: -0.89)	(2017: 26)



We have met our goals for 2018 and created the conditions for a new start

Helén Tuvesson
Chief Executive Officer

COMMENTS FROM THE CEO

Pharmaceutical development is a capital-intensive and time-consuming process, in which strategy determines the opportunity for success. Active Biotech's strategy is to achieve the greatest possible growth in value in each project and seek collaboration with strong partners for each project at the appropriate stage. This strategy is long established. The last few years have involved hard work, but our persistence is starting to yield results.

For a few years now, we have collaborated with NeoTX on the ANYARA project. The work during the year was intensive. For example, key data was presented from the preclinical studies in 2018 at the respected AACR scientific meeting, where it was demonstrated that ANYARA (naptumumab) enhances the efficacy of immune checkpoint inhibitors in several different tumor types. The immuno-oncology space in which ANYARA is active, is currently highly prioritied and has seen major progress in recent years. Nonetheless, the need is high for new and more effective treatment combinations. Accordingly, it is highly gratifying to be able to announce that NeoTX entered a clinical collaboration agreement with AstraZeneca in 2019, in which naptumumab will be tested in combination with AstraZeneca's drug IMFINZI® in a Phase Ib/II trial of up to 195 patients.

VALUE-GENERATING WORK

During the year, we continued to develop the tasquinimod project in multiple myeloma. As part of this, we initiated research collaboration with The Wistar Institute in Philadelphia, in the US. The collaboration is focused on preclinical studies to guide the clinical development and has provided us with excellent data that forms the basis for the work going forward. We have also established relationships with

specialists with extensive experience in the field of hematology, which also secures the value growth of tasquinimod. With this, we now feel ready to move forward with the project. During 2019, we will continue preparations for a clinical study with tasquinimod in multiple myeloma. We are actively seeking a collaboration partner for the project, but are also investigating other forms of financing for the study.

In 2018, Active Biotech regained the rights to laquinimod from our partner Teva after long and productive collaboration. The collaboration was concluded after the results of the Phase II trial relating to Huntington's disease became available. The trial showed that laquinimod can slow the development of brain atrophy, a marker for the progression of early Huntington's disease, but the trial could not demonstrate reduced disease progression during the relatively brief trial period of a year. There is currently no treatment to slow the progression of Huntington's disease and there is a major need for drugs. Together with the effect on brain atrophy, this means that we believe that there may be interest in further advancing the project and we will continue the work to find a partner.

We have built a position as a competent and reliable partner with projects that have undergone several clinical studies, with proven efficacy and safety. Our projects are primarily conducted within the area of rare conditions, where there is a high medical need. Laquinimod, tasquinimod and paquinimod have orphan drug status, which gives seven to ten years of market exclusivity on market launch.

During the year, the work with paquinimod and the SILC project comprised keeping the patent portfolio up-to-date and current, which is also in line with our strategy of managing and protecting know-how and value.

IMPROVED FINANCIAL SITUATION

The operating loss for the year amounted to SEK -29.8 million compared with a loss of SEK -102.5 million for the preceding year. This is in line with the plan adopted by the Board of Directors. It is starting to have an effect and our financial situation has stabilized.

In April 2018, we conducted a rights issue that was fully subscribed and generated SEK 47.1 M for the business. This contribution served to give us more time to sell our property. Selling the property, a time and energy-consuming task, was our greatest challenge during the year. Accordingly, it feels satisfying to report that we have now concluded the sale. The property sale provides a cash injection and a cost reduction, which ensures financing for our operations moving forward. This also means that we will now be able to focus fully on our core business, which has been our aim for a long time.

> *With hard work and a forward-looking focus, we have laid a good foundation for 2019*

2019: AN EXCITING DEVELOPMENT PHASE – IN SEVERAL RESPECTS

The past year brought a couple of major challenges. I am primarily referring to the sale of the property and the work to regain the data and all material for the laquinimod project. Accordingly, it is gratifying for me to be able to say that we have succeeded in retaining our focus and can tick off the goals that we set for 2018; supporting our partner in ANYARA, building the value in the tasquinimod project and selling our property.

We will now take the next step and are looking forward to an exciting and eventful 2019! I am particularly looking forward to the start-up of the ANYARA clinical studies and it will be interesting to follow developments in the tasquinimod and laquinimod projects.

At the same time, I would like to thank all of our employees and shareholders for your support for and interest in Active Biotech over the past year.

Helén Tuvesson, CEO

BUSINESS CONCEPT, OBJECTIVES AND BUSINESS STRATEGY

For several years, Active Biotech has been working according to an established business strategy, which has a high level of acceptance among the employees and is leading our daily work moving forward. A key part of the strategy is to achieve value growth in each project as value growth is central to achieve the established objectives.

The overall objective for Active Biotech's operation is to develop new pharmaceuticals and thereby contribute to the improved treatment of patients with cancer and neurodegenerative and inflammatory diseases. The combination of experience, know-how, knowledge and the right strategic choice forms the basis for achieving our objectives. With the foundation in place, the company can move forward in accordance with the established strategy, with its goal in sight.

BUSINESS CONCEPT

Active Biotech's business concept is to utilize knowledge of the immune system to develop pharmaceuticals in therapeutic areas with high medical need.

GOAL

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

BUSINESS STRATEGY

The key components of Active Biotech's business strategy are to:

- Achieve the greatest possible growth in value in each project and seek collaboration with strong partners for each project at the appropriate stage
- Progress the clinical development and commercialization of the company's selected compounds together with partners with relevant expertise.

Active Biotech will also:

- Generate revenue through out-licensing and royalties
- Limit costs through the utilization of partnership agreement and external expertise
- Protect its know-how through strong patents and an active patent strategy
- Create financial sustainability through well-established partnerships and strong and active owners

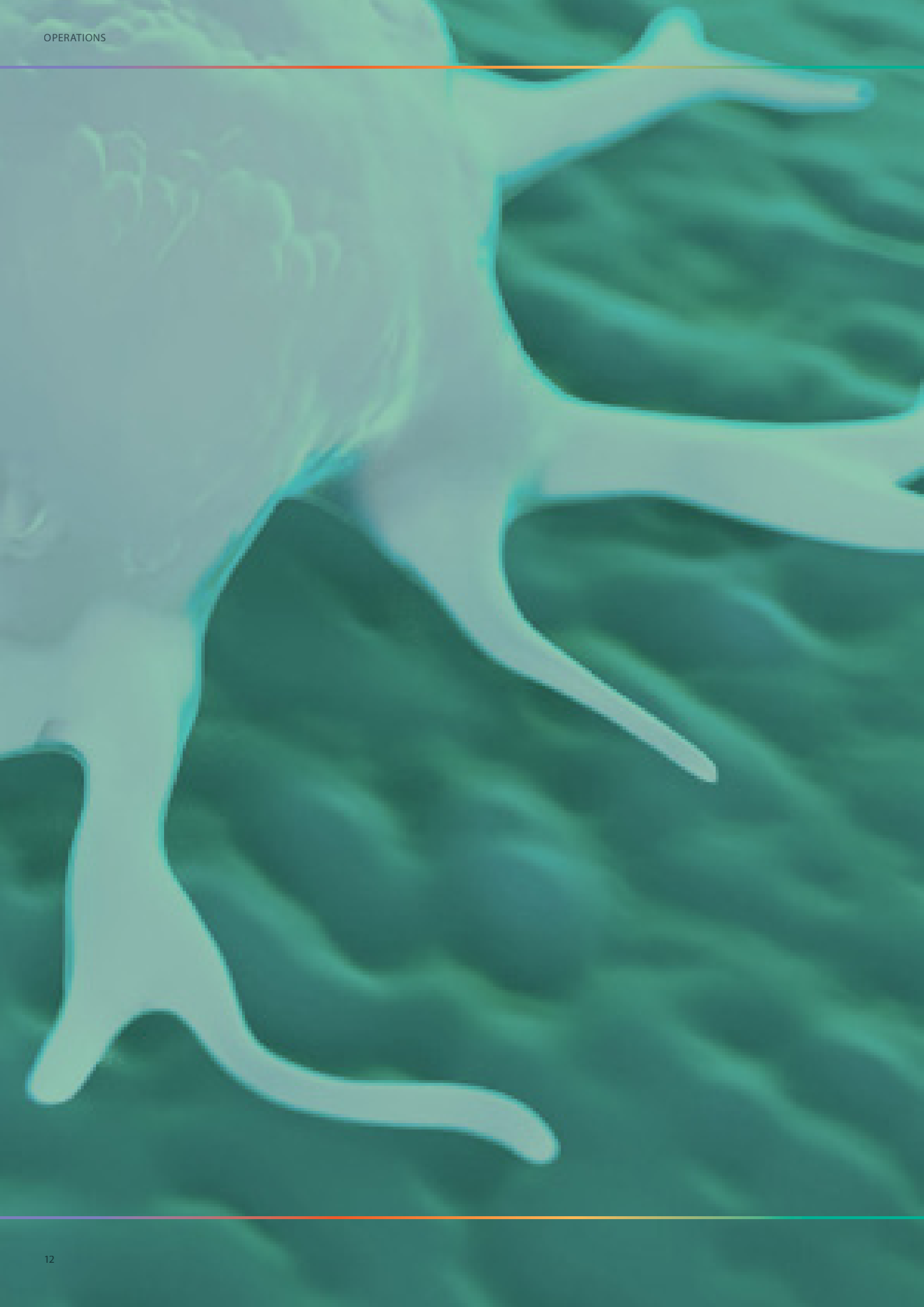
OPERATIONS

Development of pharmaceuticals for treating cancer, neurodegenerative and inflammatory diseases

Active Biotech focuses on the research and development of pharmaceuticals for treating cancer, neurodegenerative and inflammatory diseases. These are therapy areas where the immune system is of central importance and there is a high medical need. The project portfolio comprises five different projects that are at various stages of development; ANYARA, tasquinimod, SILC, laquinimod and paquinimod.

PROJECT PORTFOLIO

The project portfolio contains both small molecules that are orally active immunomodulatory agents and antibody based immunotherapy. The projects are under development for treating cancer, neurodegenerative and inflammatory diseases.

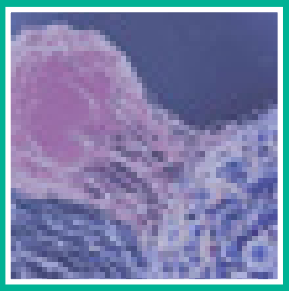


Immunotherapy – strengthens the immune system to fight cancer

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].

The immune system provides protection against diseases by attacking what is foreign to the body, such as viruses and bacteria, but cancer cells can also be perceived as unknown and be killed by the immune system. Unfortunately, this is not always sufficient because the tumor can develop mechanisms that inhibit the immune system so that the cancer cells completely avoid attack, resulting in continued tumor growth. The idea of using the immune system's capacity to fight cancer cells has existed for some time and has revolutionized cancer therapy in recent years. Immunotherapy for the treatment of cancer aims to impact immunosuppressive mechanisms to strengthen the immune system's natural ability to recognize, find and fight cancer.

Active Biotech is now conducting three immunotherapy projects that utilize various mechanisms to strengthen the cancer patient's immune system so that it can attack and kill the tumor cells. ANYARA is an antibody-based therapy that employs a direct effect to stimulate immune cells and helps them to recognize the tumor. Tasquinimod and SILC are small molecules that target suppressive immune cells and thereby unlock the body's immune system to attack the cancer cells.



ANYARA
ANYARA (Naptumumab Estafenatox, "naptumumab") is a tumor-targeting immunotherapy that enhances the ability of the immune system to recognize and kill tumors. Naptumumab is developed in cooperation with NeoTX for the treatment of solid cancer forms.

TASQUINIMOD
Tasquinimod is a once-daily, oral immunomodulatory compound that reduces a tumor's ability to grow and spread. Tasquinimod is being evaluated for the treatment of multiple myeloma.

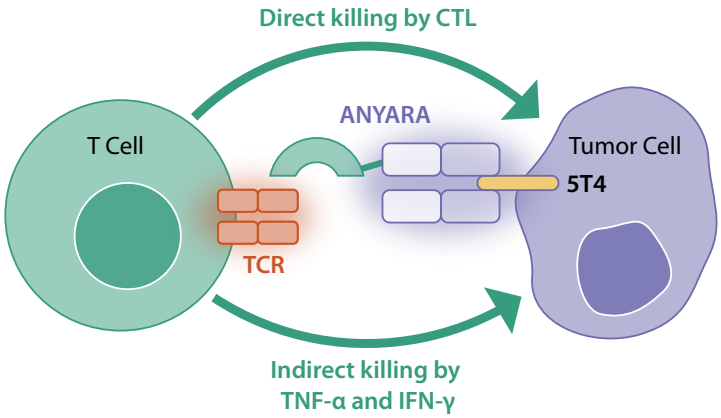
SILC
SILC is a preclinical oncology project focused on developing new chemical compounds that have S100A9 as their target protein for the treatment of cancer.

1. www.who.int/cancer

ANYARA increases the immune system's ability to recognize tumors

ANYARA

ANYARA (Naptumumab Estafenatox, "naptumumab") is a tumor-targeting immunotherapy that enhances the ability of the immune system to recognize and kill tumors. Active Biotech has an agreement with NeoTX Therapeutics Ltd since October 2016 for the global development and commercialization of ANYARA for the treatment of cancer.



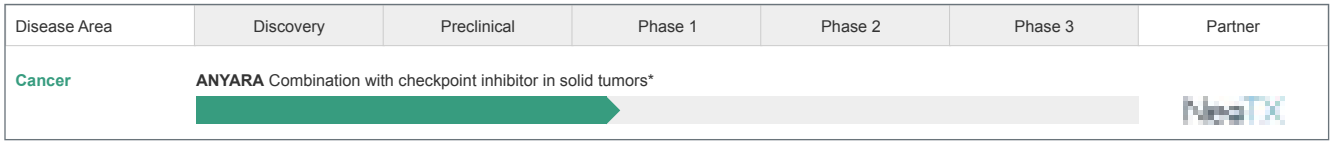
ANYARA (Naptumumab Estafenatox, "Naptumumab") is a protein drug, a so-called Tumor Targeting Superantigen (TTS)[1]. Naptumumab comprises the Fab-fragment of an antibody that targets the tumor-associated 5T4 antigen, expressed in a high number of different types of solid tumors. The antibody component is fused with a bacterial superantigen that binds to and activates cancer-killing T-cells in the immune system. In short, naptumumab functions by activating T lymphocytes in the body's immune system and targets them to the 5T4-expressing tumors. This results in massive effector lymphocyte infiltration into the tumor and tumor cell killing.

NAPTUMUMAB IN COMBINATION WITH CHECKPOINT INHIBITORS

So-called "programmed death1/ligand 1" (PD-1/L1) antibodies are a new group of cancer drugs, checkpoint inhibitors, which function by unleashing the immune system to attack the tumor. Despite the successes of recent years with these new immunotherapies, it remains a challenge for the body's immune system to find and recognize tumor cells and there is thus a need to optimize the therapeutic effect of checkpoint inhibitors. Naptumumab increases the immune system's ability to recognize and attack the tumor and preclinical data from several different experimental models show synergistic anti-tumor effects and prolonged overall survival when naptumumab is combined with checkpoint inhibitors.

PARTNERSHIP WITH NEOTX THERAPEUTICS LTD.

In the autumn of 2016, Active Biotech signed a development and licensing agreement with NeoTX Therapeutics Ltd. for the continued development of naptumumab. NeoTX is financing and is responsible for the worldwide clinical development and commercialization of naptumumab. The total deal value amounts to USD 71 M and is contingent upon achievement of all clinical, regulatory and commercial milestones. In addition, Active Biotech will receive tiered double-digit royalties on future sales.



PROJECT STATUS AND OBJECTIVES FOR 2019

Convincing preclinical data, showing synergistic effects when naptumumab is combined with checkpoint inhibitors in various tumor models, were presented at the American Association for Cancer Research (AACR) meeting in April 2018.

Preparations are currently in progress for a clinical study with naptumumab combined with AstraZeneca's IMFINZI® (durvalumab). Durvalumab is a human monoclonal antibody that targets the immune checkpoint protein PD-L1. The study will be conducted in patients with hard-to-treat solid tumor forms. New study drug has been manufactured, the clinical protocol for the planned study has been finalized and the final study preparations are in progress. The study is a Phase Ib/II dose-escalation study with the possibility of expansion up to 195 patients. At the beginning of 2019, NeoTX signed an agreement with AstraZeneca, entailing that AstraZeneca will provide the study drug durvalumab and NeoTX will sponsor the study financially. The aim is to start the study in 2019.

CLINICAL EXPERIENCE WITH NAPTUMUMAB

Phase I studies have been conducted in patients with lung cancer, renal cell cancer and pancreatic cancer. Based on the results of the Phase I studies, a Phase II/III trial was conducted with naptumumab combined with interferon-alpha treatment in renal cell cancer. The study encompassed 513 patients and was designed to evaluate the efficacy of naptumumab in combination with interferon-alpha. The study did not achieve its primary endpoint to show a prolonged overall survival in the intention-to-treat population. However, a retrospective sub-group analysis demonstrated a statistically significant advantage in terms of prolonged OS and length of progression-free survival for 25% of the patient population.[2,3] Clinical safety was evaluated in more than 300 patients.

Key publications

1. Naptumumab Estafenatox: targeted Immunotherapy with a Novel Immunotoxin. Eisen T, Hedlund G, Forsberg G, Hawkins R. Curr Oncol Rep. 2014; 16: 370

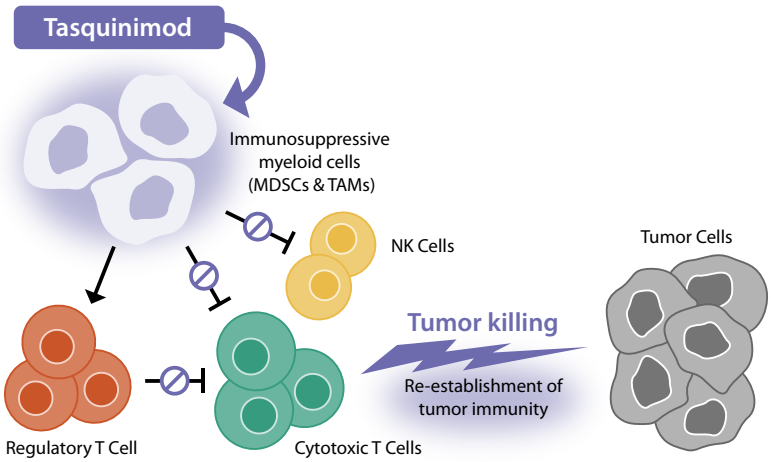
2. A Randomized Phase II/III Study of Naptumumab Estafenatox + IFNα versus IFNα in Renal Cell Carcinoma: Final Analysis with Baseline Biomarker Subgroup and Trend Analysis. Hawkins R, Gore M, Shparyk Y, Bondar V, Gladkov O, Ganev T, Harza M, Polenkov S, Bondarenko I, Karlov P, Karyakin O, Khasanov R, 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 naptumumab 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

Targeting the tumor microenvironment

Tasquinimod

Tasquinimod is a once-daily, oral immunomodulatory compound that reduces a tumor's ability to grow and spread. Tasquinimod is being developed for the treatment of multiple myeloma, a rare form of blood cancer with a high medical need.



MDSC – Myeloid-derived suppressor cell; TAM - Tumor-associated macrophage; NK - Natural Killer

The immunosuppressed tumor microenvironment is essential for development of multiple myeloma in the bone marrow. Tasquinimod targets suppressive immune cells in the tumor microenvironment, specifically immunosuppressive myeloid cells[1-2], and thereby unlocks the body's immune system to attack the cancer cells. With this novel mode of action, tasquinimod has the potential, as a single therapy and in combination with other medicines, to overcome resistance and increase survival in patients that have progressed on standard therapy.

Disease Area	Discovery	Preclinical	Phase 1	Phase 2	Phase 3	Partner
Cancer	**Tasquinimod** Multipelt Myelom					

PROJECT STATUS AND OBJECTIVES FOR 2019

The continued development of tasquinimod is focused on the hematological cancer, multiple myeloma. The FDA has granted orphan drug designation for tasquinimod for the treatment of multiple myeloma, which provides for seven years of market exclusivity in the event of future registration. During the autumn, important research collaboration was initiated with The Wistar Institute, Philadelphia, in the US, focusing on preclinical research that will provide guidance for the clinical development of tasquinimod in multiple myeloma. Active Biotech has also established relationships with specialists with extensive

experience in the field of hematology for the project, and in 2019, will aim to gain clinical and regulatory acceptance for a Phase Ib/II study. The preparations for a clinical study with tasquinimod in multiple myeloma are being conducted in parallel with activities to identify a partner for the project or alternative financing for continued development. Active Biotech is actively working to secure and expand the patent portfolio for tasquinimod in the most important markets and in 2018, a patent was granted in the US regarding tasquinimod for the treatment of multiple myeloma.

FACTS ABOUT MULTIPLE MYELOMA

Multiple myeloma is a rare disease affecting fewer than five in 10,000 people, yet one of the most common blood cancers in the world. Multiple myeloma is an incurable form of cancer where the 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 bone pain and fractures, anemia, infections and other complications. New treatments have greatly improved prognosis and survival of multiple myeloma patients. Still, the medical needs are extensive since patients eventually relapse and become resistant to existing drugs. Due to the problems of resistance, new medicines with different mechanisms of action are welcomed.

CLINICAL EXPERIENCE OF TASQUINIMOD

Tasquinimod was previously 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 to placebo, tasquinimod did not extend overall survival in this patient population and development for prostate cancer was discontinued.[3] Tasquinimod was studied in both healthy volunteers and cancer patients. Clinical effects and a favorable safety profile have been demonstrated through more than 650 person-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

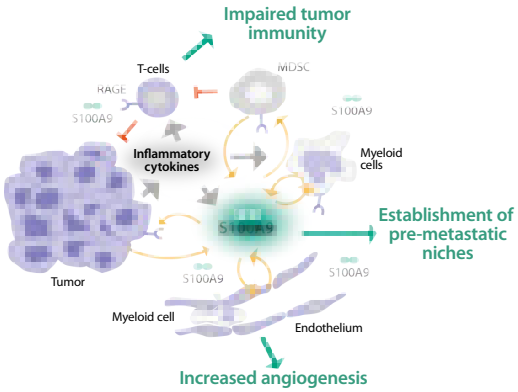
2. Tasquinimod modulates suppressive myeloid cells and enhances cancer immunotherapies in murine models. Shen L, Sundstedt A, Ciesielski MJ, Miles KM, Celander M, Adelaiye R, Orillion A, Ciamporcero E, Ramakrishnan S, Ellis L, Fenstermaker RA, Abrams SI, Eriksson H, Leanderson T, Olsson A, Pili R. Cancer 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

S100A9 - target molecule for cancer therapy

SILC

SILC (S100A9 Inhibition by Low molecular weight Compounds) is a preclinical immuno-oncology project focused on the S100A9 protein as the target molecule for the treatment of cancer.



MDSC – Myeloid-derived suppressor cell, RAGE-receptor for advanced glycation end products.

The SILC compounds inhibit the S100A9 protein. S100A9 is expressed in the tumor microenvironment and is involved in the development of cancer through recruitment and activation of specific immune cells that counteract the T cells' ability to attack and eradicate the tumor. S100A9 is also involved in the establishment of pre-metastatic niches and in the formation of new blood vessels, which provide nutrition and oxygen into the growing tumor. Blocking the function of S100A9 using SILC compounds could represent a new treatment alternative to help the body's own immune system fight cancer.

Disease Area	Discovery	Preclinical	Phase 1	Phase 2	Phase 3	Partner
Cancer	**SILC** Cancer indication					

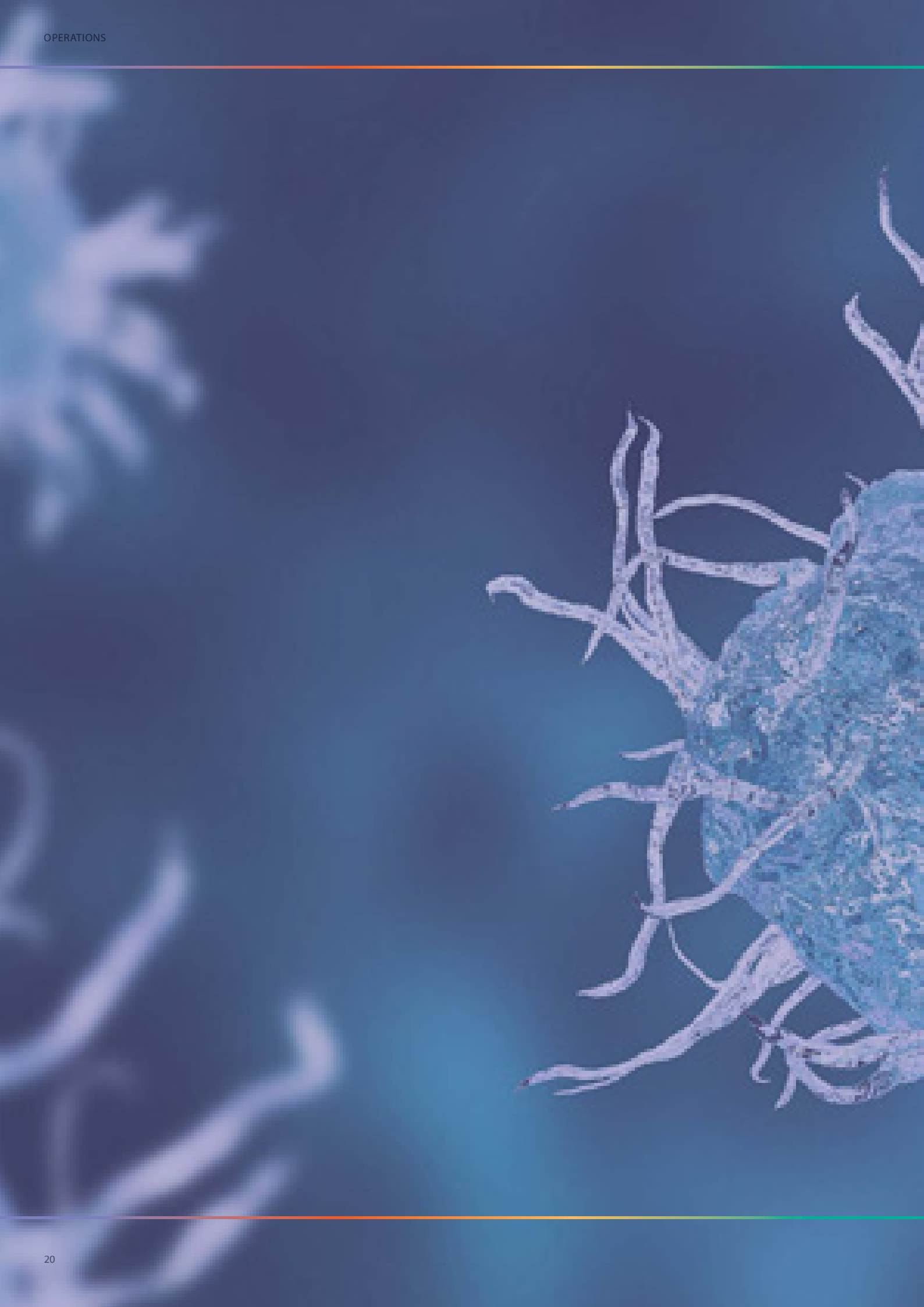
PROJECT STATUS AND OBJECTIVES FOR 2019

Chemical libraries of substances have been screened for binding to the target molecule S100A9 and lead substances with good properties for further development have been identified. Three international patent applications have been filed for the purpose of obtaining patent protection for three, chemically unrelated, substance groups, and patents from two patent families have been approved to date in Europe and the US. Active Biotech is seeking a collaboration partner for the further development of the project. The right license partner is welcome to join already at this early stage to ensure that the continued development is optimized.

Key publication

Extracellular S100A9 Protein in Bone Marrow Supports Multiple Myeloma Survival by Stimulating Angiogenesis and Cytokine Secretion. Kim De Veirman, Nathan De Beule, Ken Maes, Eline Menu, Elke De Bruyne, Hendrik De Raeve, Karel Fostier, Jerome Moreaux, Alboukadel Kassambara, Dirk Hose, Roy Heusschen, Helena Eriksson, Karin Vanderkerken and Els Van Valckenborgh. Cancer Immunol Res; 5(10) October 2017

The body's own immune system is the key to treating cancer



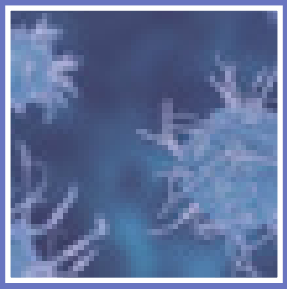
Neurodegeneration and Inflammation

There is a clear connection between inflammation and the occurrence of neurodegenerative diseases. Neurodegenerative diseases are a collective name for various conditions in which the nerve cells in the central nervous system (CNS) are affected. The diseases are characterized by the degeneration of tissue in the brain and the nervous system as a result of inflammation. Depending on the type of tissue and what parts of the nervous system that are affected, this could lead to lost control over movement, memory deterioration and impact on emotional state. Examples of neurodegenerative diseases are MS, Parkinson's, Huntington's and Alzheimer's disease. Active Biotech is developing laquinimod for the treatment of Huntington's disease.

Paquinimod belongs to the same family of compounds as laquinimod, but is intended for the treatment of systemic sclerosis, which is a very serious autoimmune fibrosis disease that affects several organs in the body. Fibrosis entails that excessive connective tissue is produced in an organ as part of a process caused by inflammation or injury.

Active Biotech's substances for the treatment of neurodegeneration and inflammation, laquinimod and paquinimod, function by modifying the body's immune cells in a way that can slow down the disease progression. Huntington's disease and systemic sclerosis are diseases with high medical needs in the area of orphan drugs.

LAQUINIMOD
Laquinimod is an oral immunomodulatory drug that prevents neurodegeneration and inflammation directly in the central nervous system. Laquinimod is being developed for the treatment of Huntington's disease.



PAQUINIMOD
Paquinimod is a once-daily, oral immunomodulatory compound in development for treatment of systemic sclerosis, a rare autoimmune disease of the connective tissue with a high unmet medical need.

Targeting neurodegeneration and inflammation

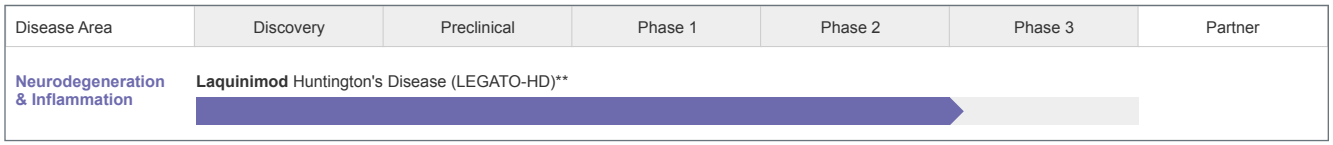
Laquinimod

Laquinimod is an oral immunomodulatory drug with a mode of action that prevents inflammation and neurodegeneration in the central nervous system (CSN). Laquinimod is being developed for the disease-modifying daily treatment of Huntington's disease.

Laquinimod passes over the blood-brain barrier and exercises an effect directly in the CNS. Laquinimod affects, via the Ah receptor (aryl hydrocarbon receptor), key inflammatory, disease-causing processes, which, together with a direct neuroprotective effect, leads to reduced neurodegeneration (brain atrophy) in the brain and other parts of the CNS[1]. In a preclinical model for Huntington's disease, laquinimod prevented nerve cell death in the brain and this resulted in improved motor function in mice treated with laquinimod compared with untreated mice[2].

FACTS ABOUT HUNTINGTON'S DISEASE

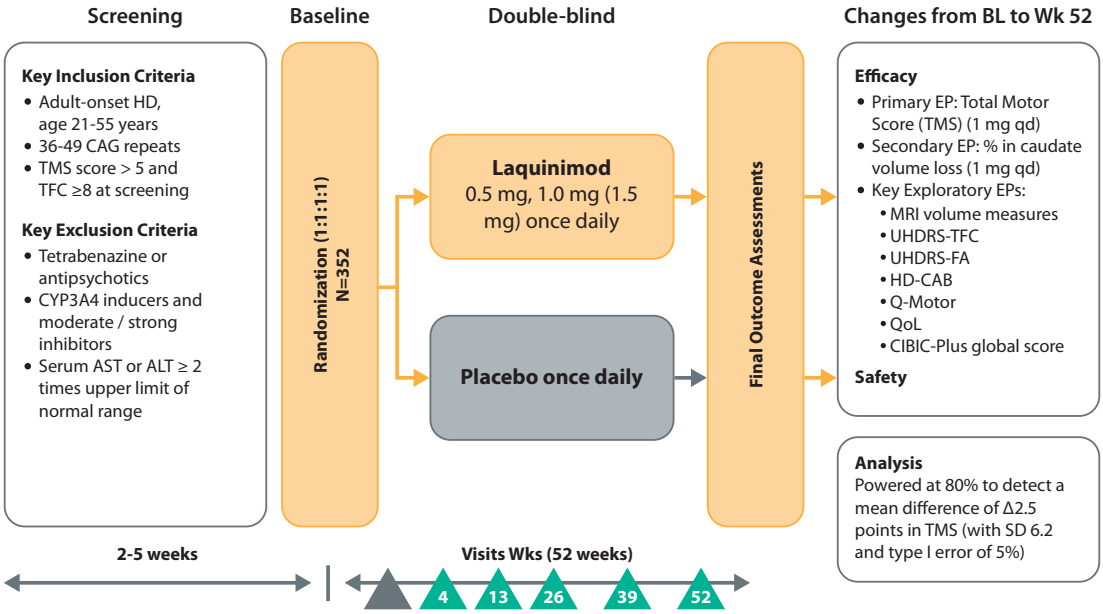
Huntington's disease is a devastating, hereditary, neurodegenerative and neuropsychiatric disorder. The disease stems from genetically programmed degeneration of brain cells in certain areas of the brain. The earliest symptoms are often involuntary movements and subtle problems with mood or mental abilities. A general lack of coordination and unsteady movements often follow. Physical and mental abilities decline as the disease advances and full-time care is required in the later stages of the disease. The disease most often becomes noticeable in mid-adult life and affects men and women equally. Huntington's disease is a rare disease that affects about one in 10,000 people.



PROJECT STATUS AND OBJECTIVES FOR 2019

The development of laquinimod is focused on Huntington's disease. Laquinimod has been granted orphan drug designation for this indication by the FDA, which provides for seven years of market exclusivity in the event of future registration. The results of the Phase II study, LEGATO-HD, of Huntington's disease were reported in July 2018. Approximately 350 patients were randomized in the study, which was conducted by Teva in cooperation with the Huntington Study Group in the US and European Huntington's Disease Network.

The study did not meet its primary endpoint; the slowing of disease progression as measured by the Unified Huntington's Disease Rating Scale - Total Motor Score (UHDRS-TMS). However, the secondary endpoint, reduction of brain atrophy, was met. In addition, laquinimod demonstrated an effect on explorative study parameters such as the Q-Motor quantitative measuring method. Laquinimod demonstrated a highly favorable safety profile in the study. The study results were presented at two different scientific conferences in the autumn of 2018, "Huntington Study Group, HSG 2018" and the "European Huntington's Disease Network (EHDN)" annual meeting. The final analysis of the study data



LEGATO-HD – a placebo-controlled, randomized study of laquinimod in Huntington's disease.

will be presented during 2019, including at the American Academy of Neurology's (AAN) annual meeting in May 2019 in Philadelphia.

Since 2004, Active Biotech has had a development and licensing agreement with Teva Pharmaceutical Industries Ltd covering the development of laquinimod. In September 2018, Active Biotech regained the global development and commercialization rights for laquinimod from Teva. Since then, the project activities have focused on finalizing the analysis and reporting of the LEGATO-HD study and securing the restoration of the project to Active Biotech. The goal for 2019 is, in collaboration with scientific, regulatory and clinical experts, to establish a strategy for the continued development of laquinimod, primarily in Huntington's disease. In parallel with this, Active Biotech is seeking a strategic partner for the development and commercialization of laquinimod.

EARLIER CLINICAL EXPERIENCE OF LAQUINIMOD

The clinical development program that evaluated Laquinimod in multiple sclerosis (MS) includes three completed Phase III studies, ALLEGRO[3], BRAVO[4] and CONCERTO in relapsing-remitting (RRMS). In the studies, laquinimod demonstrated an effect on the relapse rate, MRI-related study endpoints and disability progression and showed retained control of the disease activity during long-term treatment. The level of safety is good, with more than 14,000 patient-years of exposure. The development of laquinimod in MS has been concluded.

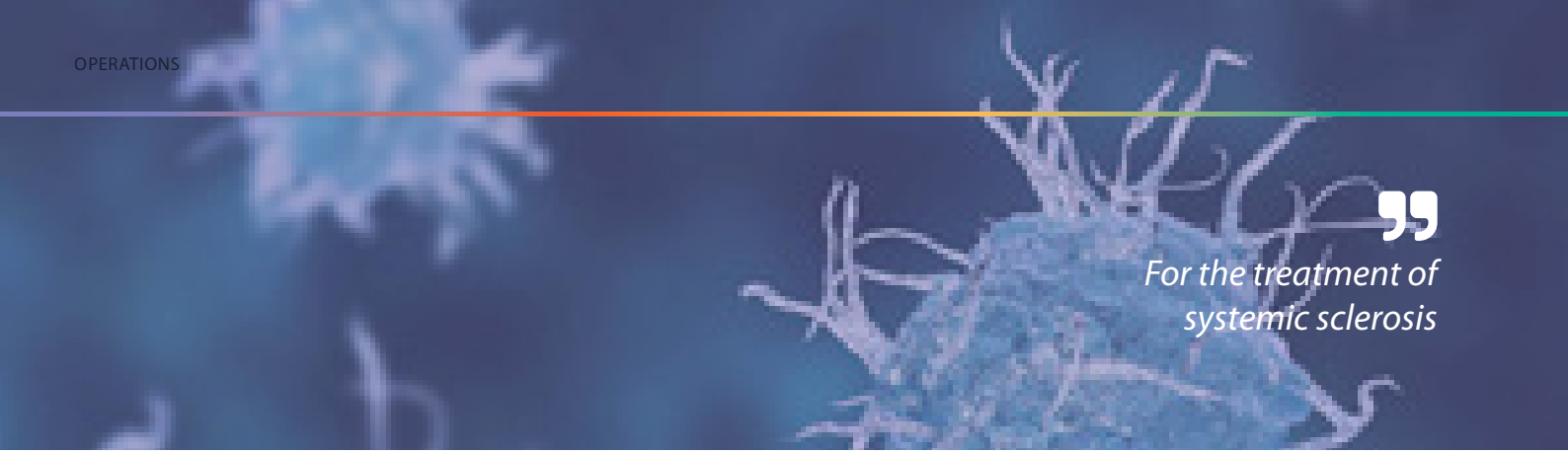
Key publications

1. Laquinimod arrests experimental autoimmune encephalomyelitis by activating the aryl hydrocarbon receptor. Kaye J et al., Proc Natl Acad Sci USA, 2016 Oct 11;113(41)

2. Laquinimod rescues striatal, cortical and white matter pathology and results in modest behavioral improvements in the YAC128 model of Huntington disease. Garcia-Miralles M, Hong X, Tan LJ, Caron NS, Huang Y, To XV, Lin RY, Franciosi S, Papapetropoulos S, Hayardeny L, Hayden MR, Chuang KH, Pouladi MA. Sci Rep. 2016; 6:31652

3. Placebo-controlled trial of oral laquinimod for multiple sclerosis. Comi G, Jeffery D, Kappos L, Montalban X, Boyko A, Rocca M.A, Filippi M. N Eng J Med 2012;366:1000-9

4. 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



For the treatment of systemic sclerosis

Paquinimod

Paquinimod is a once-daily, oral immunomodulatory compound in development for treatment of systemic sclerosis, a rare autoimmune disease of the connective tissue with a high unmet medical need.

Paquinimod belongs to the same family of compounds as laquinimod and shows potent effects on both fibrosis and inflammation in several experimental models for systemic sclerosis[1-2].

FACTS ABOUT SYSTEMIC SCLEROSIS

Systemic sclerosis is a rare autoimmune disease characterized by disturbances of the immune system, alterations of the microvasculature and overproduction of the connective tissue, leading to inflammation and fibrosis, primarily of the skin. Internal organs such as the gastrointestinal tract, lungs, heart and kidney can also be affected by fibrosis. The disease is severe and can be life threatening due to failure of internal organs. There is currently no cure for systemic sclerosis and existing treatments, including various immunosuppressive drugs, are focused on controlling symptoms and slowing disease progression. There is a high medical need for new therapies for systemic sclerosis.

Disease Area	Discovery	Preclinical	Phase 1	Phase 2	Phase 3	Partner
Neurodegeneration & Inflammation	**Paquinimod** Systemic Sclerosis					

PROJECT STATUS AND OBJECTIVES FOR 2019

Paquinimod has been granted orphan drug designation in both the EU and the US, which provides for ten and seven years, respectively, of market exclusivity in the event of future registration. Active Biotech is seeking a collaboration partner with the relevant expertise to further develop paquinimod in systemic sclerosis.

CLINICAL EXPERIENCE OF PAQUINIMOD

A clinical Phase I program with paquinimod to establish clinical dose, tolerability and pharmacokinetics was carried out in healthy subjects in systemic lupus erythematosus (SLE) patients[3] and in systemic sclerosis patients. Results from the clinical study in patients with systemic sclerosis demonstrated a favorable safety profile for paquinimod and effects on disease-related biomarkers in line with paquinimod's mode of action.

Key publications

1. The immunomodulatory quinoline-3-carboxamide paquinimod reverses established fibrosis in a novel mouse model for liver fibrosis. Nina Fransén Pettersson, Adnan Deronic, Julia Nilsson, Tine D. Hannibal, Lisbeth Hansen, Anja Schmidt-Christensen, Fredrik Ivars, Dan Holmberg. PLoS ONE 13(9): e0203228, 2018

2. Paquinimod reduces skin fibrosis in tight skin 1 mice, an experimental model of systemic sclerosis. Stenström M., Nyhlén HC., Törngren M., Liberg D., Sparre B., Tuvesson H., Eriksson H., Leanderson T. J Dermatol Sci. 2016; 83(1): 52-9

3. Pharmacokinetics, Tolerability, and Preliminary Efficacy of Paquinimod (ABR-215757), a New Quinoline-3-Carboxamide Derivative. Bengtsson A, Sturfelt G, Lood C, Rönnblom L, van Vollenhoven R.F, Axelsson B, Sparre B, Tuvesson H, Wallén-Öhman M, Leanderson T. Arthritis & Rheumatism. 2012; 64(5): 1579-88

Modifying the body's immune cells in a way that can slow down disease progression.

MARKET OVERVIEW

Active Biotech's projects are in indications with significant market potential that have expected strong growth. Immunotherapy is one of the major breakthroughs of recent years in cancer therapy, which is reflected in the fact that checkpoint inhibitors Keytruda® and Opdivo alone achieved combined global sales of USD 14 billion in 2018. The market is expected to have annual double-digit percentage growth[1]. In addition, Huntington's disease comprises an attractive market, with a significant need for a disease-modifying treatment.

SOLID TUMORS – NEED TO OPTIMIZE THERAPY EFFECT

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.[2] The candidate drug naptumumab from the ANYARA project increases the immune system's ability to recognize and re-direct immune cells to the tumor. Combination strategies involving naptumumab 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 is currently in the early development phase for the treatment of solid tumors. Naptumumab 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.

MULTIPLE MYELOMA – A GROWING MARKET

The market for multiple myeloma is experiencing strong growth and is expected to continue growing. The sale of drugs for multiple myeloma totaled USD 14 billion in 2017 and sales are expected to double by 2027[3]. The US accounts for around half and EU countries for approximately 40% of the total market sales. Today, the market is dominated by drugs that can be divided into four different classes:

1. Immunomodulatory imides (IMiD)
2. Proteasome inhibitors (PI)
3. Anti-CD38 antibodies
4. Alkylating cytostatics

Multiple myeloma is considered a chronic disease, for which the potential of a cure is limited, but the treatment methods are continuously improving. In early as well as relapse treatment, the goal is to stabilize the patient's disease and thereby achieve as long period of effective disease control as possible. This is achieved successfully by combining drugs from the various drug classes. Despite this, patients eventually relapse in their disease and develop resistance to existing drugs.

Active Biotech's candidate drug tasquinimod represents a new class of drugs with a mechanism of action that differs from the others and thus has the potential to overcome the problem of drug resistance. This could change the treatment landscape for patients with multiple myeloma.

HUNTINGTON'S DISEASE – ENORMOUS NEED BUT FEW CANDIDATE DRUGS

Huntington's disease is a progressive neurodegenerative disease with a high amount of suffering and elevated mortality. The treatment of Huntington's disease focuses on symptom relief, with symptomatic treatment, suppressing and offsetting disability and providing support and effective care. There is currently no treatment that cures or slows the disease, and there is significant medical need for a disease-modifying treatment.

Despite the large need, there are few candidate drugs at an advanced clinical development phase. Clinical studies are currently under way into antisense therapy, synthetic DNA analogs, so-called oligonucleotides to prevent the production of the nerve-damaging protein that forms in patients with Huntington's disease. Antisense therapy can not cross over the blood-brain barrier, but is administered directly in the cerebrel spinal fluid.

Laquinimod differs from antisense therapy with its immunomodulatory effect directly in CNS, and peripherally, using an easily administered method in the form of one tablet a day.

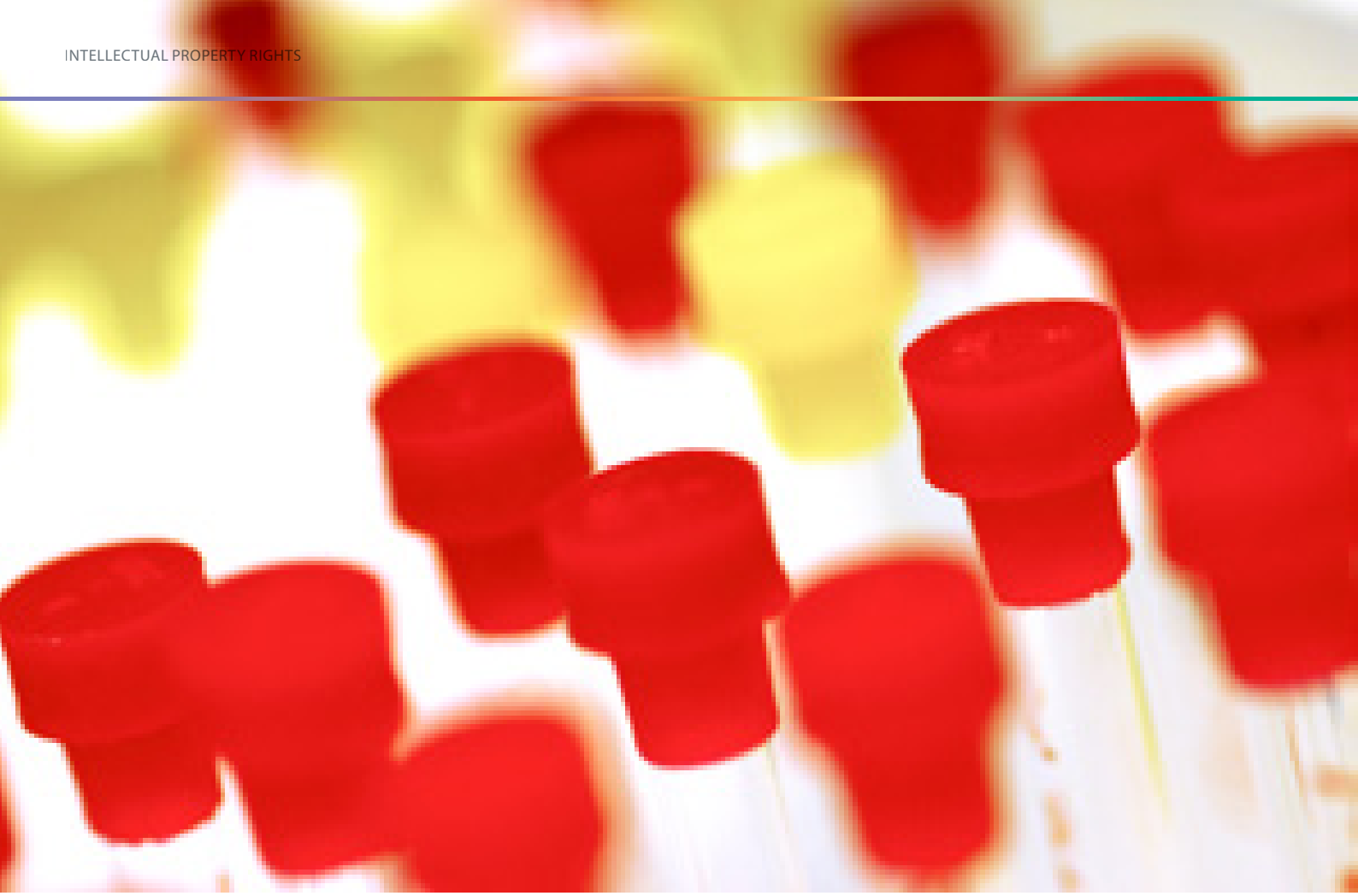
Huntington's disease is a rare disease with a prevalence of approximately one in 10,000. A conservative market size for Huntington's is estimated to exceed USD 1 billion. Given that the medical need for treatment is extensive, the potential for market growt is high.

ORPHAN DRUG STATUS

Among Active Biotech's projects, laquinimod, paquinimod and tasquinimod have received orphan drug designation for treatment of Huntington's disease, systemic sclerosis and multiple myeloma, respectively.

The orphan drug designation 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. Further information on orphan drugs can be found on the EMA or FDA websites.

1. https://www.merck.com and https://www.bms.com
2. Harris et al., Immuno-oncology combinations: raising the tail of the survival curve. Cancer Biol Med 2016.
3. Paul Wilcock and Rachel Webster. The multiple myeloma drug market. Nature Reviews Drug Discovery 2019.



INTELLECTUAL PROPERTY RIGHTS

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

Strong patent protection is a requirement for a company such as Active Biotech to invest in the development of a product for commercialization. Active Biotech's patent protection covers new chemical substances, biotechnological 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. Laquinimod, tasquinimod, ANYARA and SILC are specifically protected by several patent families. The patent portfolio also includes patent protection for compounds that are structurally similar to laquinimod and tasquinimod, as well as protection for paquinimod.

Active Biotech works continuously to optimize its patent portfolio to secure the projects with the best possible protection in the most important markets. In recent years, Active Biotech has strengthened its patent portfolio, adding two new patent families, with a term of protection lasting until 2035, for the use of tasquinimod in the treatment of blood cancer diseases. To date, patents have been granted in Europe and the US for the use of tasquinimod in multiple myeloma and a patent for the treatment of acute forms of leukemia has been granted in Europe. The company's partner, NeoTX, has strengthened its patent portfolio with a patent application for the use of ANYARA in combination with so-called checkpoint inhibitors for the treatment of cancer. This could provide an extension of the patent protection for ANYARA until 2036. During the year, Teva Pharmaceutical Industries Ltd assigned strategically important patents and patent applications to Active Biotech.

Active Biotech's projects are protected by a total of 195 granted national patents and further applications will be granted in the next few years, see the table below.

Patent protection

	Type of patent (publication number)	Area	Status	Year of expiry
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 26)	Granted Granted Application (granted 13, application 13)	2035 2035 2035
	Treatment method (WO2016078921)	Europe US Japan (total 25)	Granted Application Application (granted 12, application 13)	2035 2035 2035
ANYARA	Product (WO2003002143)	Europe US Japan (total 21)	Granted Granted Granted (granted 20, application 1)	2021, 2022 2022 2022
	Treatment method (WO2006015882)	Europe US (total 10)	Granted Granted (granted 10)	2025, 2026 2025
Laquinimod	Manufacturing method (WO03106424)	Europe US Japan (total 23)	Granted Granted Granted (granted 23)	2023 2025 2023
	Pharmaceutical product (WO2005074899)	Europe US Japan (total 26)	Granted Granted Granted (granted 26)	2025 2027 2025
	Pharmaceutical product (WO2007146248)	Europe US Japan (total 21)	Granted Granted Granted (granted 20, application 1)	2027 2029 2027
	Treatment method (WO2011019375)	Europe US Japan (total 18)	Granted Granted Granted (granted 16, application 2)	2030 2033 2030
	Pharmaceutical product (WO2009082471)	US (total 2)	Granted (granted 2)	2030
	Pharmaceutical product (WO2013123419)	US (total 1)	Granted (granted 1)	2033
SILC	Product (WO2014184234)	Europe US Japan (total 22)	Granted Granted Application (granted 18, application 4)	2034 2034 2034
	Product (WO2015177367)	Europe US Japan (total 20)	Granted Granted Application (granted 12, application 8)	2035 2035 2035
	Product (WO2016042172)	Europe US Japan (total 20)	Application Application Application (application 20)	2035 2035 2035

EMPLOYEES

A competent and cohesive team

Active Biotech has an organization in which each employee has a key role to secure the established goals for the company. The employees and their competence are Active Biotech's single most important asset.

Undertaking the development of pharmaceuticals is a very complex business governed by comprehensive rules, which requires employees with specialist competence and the ability to conduct the operations in accordance with prioritized activities, time lines and official requirements.

VIRTUAL ORGANIZATION WITH COMPETENT EMPLOYEES

Active Biotech's research and development is organized to enable the combination of cost-effectiveness, quality and flexibility. The company has a virtual organization that places demands on each employee having specialist competence in their specific areas in order to be a competent partner in scientific

collaborations and procurement of external services. Competence sharing between the employees occurs continuously and each individual has a good overview of all parts of the business. The education level among the employees is high; most have university-level education and Ph.Ds. Most employees have long experience from early to late-stage pharmaceutical development, as well as experience of participating in and leading external collaborations and partnerships in the biotech and pharmaceutical industries. Active Biotech also has a number of collaborations with academic research groups, industrial partners and service providers to secure all parts of the operations.

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

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.

Whenever it is possible, non-animal-based models are used for medical research

WORK WITH ENVIRONMENT AND ETHICS

Active Biotech endeavors to minimize the business's impact on the environment and climate through a number of established strategies in which deliberate choices are made. These strategies also include ethical matters, since these issues are significant in the research and development of pharmaceuticals.

All operations have an impact on our environment and climate, and this is also the case for Active Biotech. The company works actively to minimize its climate impact wherever possible. There is a well-developed program for source-sorting and work is also in progress to actively reduce energy consumption.

Occasionally, the company's operations generate environmentally hazardous waste. This is disposed of and destructed according to existing regulations. Continuous work is conducted to reduce the use of environmentally hazardous substances. The aim is to minimize the use of these and to seek other alternatives.

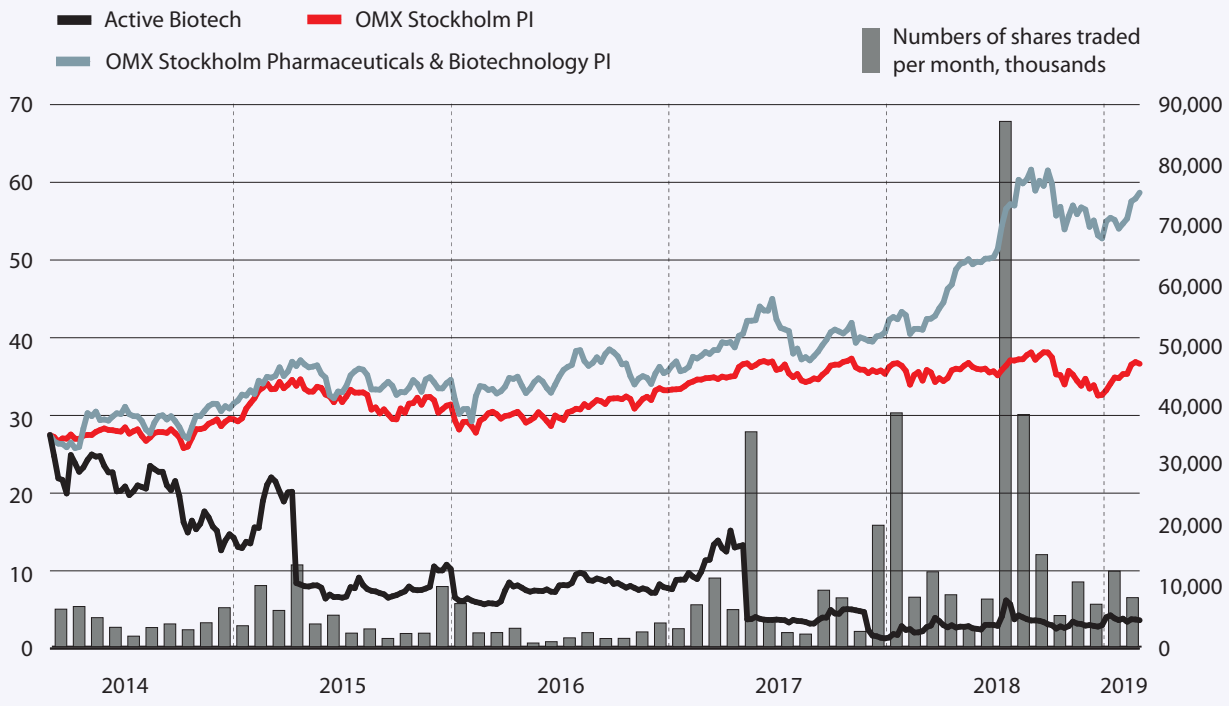
ACTIVITIES IN ACCORDANCE WITH THE ENVIRONMENTAL CODE

Active Biotech conducts its operations in accordance with the permits issued for the company by the authorities. The company has, for example, a permit from the Swedish Radiation Safety Authority for the handling of radioactive materials, and from the Swedish Board of Agriculture and the Swedish Work Environment Authority regarding genetically modified organisms. In accordance with the Swedish Environmental Code, the company has registered its operations with the County Administrative Board. Inspections by the Swedish Work Environment Authority, the Lund Municipal Environmental Administration and the Swedish Board of Agriculture all achieved satisfactory results with no remarks. Active Biotech is not involved in any environmental disputes.

RESPONSIBLE CARE AND USE OF LABORATORY ANIMALS

Despite a rapid advance in non-animal based models for medical research, no alternative can yet entirely replace the complex system represented by a living organism. Accordingly, the responsible treatment of laboratory animals in scientific research is ethically justified.

Active Biotech endeavors to replace, reduce and refine the use of laboratory animals to the greatest possible degree. When no alternative exists, testing is to be properly planned and take ethical requirements into consideration in the implementation phase. Since June 2018, Active Biotech has not performed any laboratory animal activities, only relied contract research organizations and initiates collaboration with academic groups in which international and national legislation, and other ethical provisions for the care and wellbeing of laboratory animals are closely followed.



Source: SIX and Web Financial Group

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 January 2013 – February 2019.

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, 2018, the share capital in Active Biotech amounted to approximately 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 2018, the share price was SEK 3.01, while at the same date in 2017, it was SEK 1.74. The highest price paid for the share during the year was SEK 7.50 (July 25, 2018).

CHANGES IN SHARE CAPITAL

The table on the next page shows the changes in Active Biotech's share capital from 2000 to December 2018.

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.

SHAREHOLDERS

On March 29, 2019, the number of shareholders in Active Biotech amounted to 13,826. This data is based on information known to the company at March 29, 2019.

Owners	No. of shares	Holding, %
MGA Holding AB	38,001,405	26.2%
Nordstjernan AB	19,095,451	13.1%
Avanza Pension	8,740,893	6.0%
Handelsbanken Liv	5,422,033	3.7%
Third Swedish National Pension Fund	3,893,722	2.7%
Fourth Swedish National Pension Fund	2,927,237	2.0%
Credit Suisse	2,642,443	1.8%
EFG Bank / Geneva	2,303,755	1.6%
Vidar Foundation	2,200,000	1.5%
SEB Foundation, Skand Enskilda	1,838,460	1.3%
Ten largest owners	**87,065,399**	**59.9%**
Other	58,171,081	40.1%
Total	**145,236,480**	**100.0%**

SHAREHOLDER STATISTICS, MARCH 29, 2019

Shareholding interval	No. of shareholders	% of all shareholders	No. of shares	% of number of shares	Average per shareholder
1 – 1,000	9,284	67.1%	2,525,772	1.7%	272
1,001 – 10,000	3,711	26.8%	12,339,203	8.5%	3,325
10,001 – 100,000	745	5.4%	20,480,557	14.1%	27,491
100,001 –	86	0.6%	109,890,948	75.7%	1,277,802
Total	**13,826**	**100.0%**	**145,236,480**	**100.0%**	**10,505**

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	48,412,160	250,000	145,236,480		750,000	0.005

FINANCIAL INFORMATION

Interim Report, 3 months: April 25, 2019
Annual General Meeting: May 23, 2019
Interim Report, 6 months: August 8, 2019
Interim Report, 9 months: November 14, 2019
Year-end report 2019: February 13, 2020

CORPORATE GOVERNANCE REPORT 2018

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, own and manage properties, 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 2018. 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 is natural that the person who is indirectly the largest owner of Active Biotech should also lead the work of the Election Committee.

SHAREHOLDERS

At December 31, 2018, the number of shareholders in Active Biotech amounted to 14,475. For information concerning the company's major shareholders and the ownership structure, see page 36 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 carries 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 17, 2018, 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 pre-emptive 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 14 million 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 17, 2018, it was resolved that the company's Chairman, based on ownership at the end of September 2018, convene an Election Committee to prepare proposals for the 2019 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 November 19, 2018. Meetings of the Election Committee were convened on three occasions ahead of the 2019 AGM, which were attended by all of its members.

Members	Represents	Board member or not
Mats Arnhög	Chairman of the Board	Chairman
Johnny Sommarlund	MGA Holding AB	Not a member
Tomas Billing	Nordstjernan AB	Not a member
Reza Khiabani	Treasury holding	Not a 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 2018 AGM elected the current Board, which consists of four ordinary members with no deputies. Mats Arnhög was elected Chairman of the Board. The AGM resolved that remuneration of the Board's ordinary members be paid in the amount of SEK 125,000 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 250,000 per year. For a more detailed presentation of the Board members and President & CEO, see page 42-43 of this Annual Report. Of the Board members elected by the 2018 AGM, all are independent in relation to the company and executive management. Three of the four members are independent in relation to the company's major shareholders. Mats Arnhög is not independent of the shareholder MGA Holding AB, in which he is Chairman of the Board and owner.

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 primarely 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 2018, nine 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
Mats Arnhög	9/9	independent	dependent
Peter Thelin	9/9	independent	independent
Peter Sjöstrand	9/9	independent	independent
Magnhild Sandberg	9/9	independent	independent

REMUNERATION AND AUDIT COMMITTEE

The company does not have separate committees for remuneration and audit matters. 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 6 on pages 72-75.

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. The guidelines for Active Biotech's operations are available on the company's intranet.

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 17, 2018, KPMG AB was elected as the company's auditor for the period extending until the end of the AGM held in 2019. Authorized Public Accountant Linda Bengtsson is auditor-in-charge. Information concerning auditors' fees is presented in Note 5 on page 71. The interim report for the January-September period 2018 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 in the various departments in the Group 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 2018 Corporate Governance Report on pages 38-41 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 25, 2019

Linda Bengtsson
Authorized Public Accountant
KPMG AB

BOARD OF DIRECTORS AND AUDITOR

Mats Arnhög
Chair of the Board

Board member since 2000. Chair of the Board since 2003. Born: 1951.

Education: M.Sc. Stockholm School of Economics.

Holding in the company: 38,001,405 shares through *MGA Holding AB*.

Other current assignments: Chairman of *MGA Holding AB*, *MGA Förvaltning AB*, *Rederi AB Sea-Link* and *Psoriasis + Creams Sweden AB*. Board member of *Anglada AB*, *Ideella Föreningen Prima Gruppen* and *Sigrid Therapeutics AB*.

Previous assignments (past five years): Board member of *Nordstjernan AB* and *Brofågel Support AB*.

Magnhild Sandberg-Wollheim
Board member

Board member since 2007. Born: 1937.

Education: Associate Professor of Neurology and Consultant at the neurological clinic at Skåne University Hospital.

Holding in the company: None.

Other current assignments: Board member of *MS-konsulten AB*, *Parkinson Research Foundation* and *European MS Foundation*.

Previous assignments (past five years): None.

Peter Sjöstrand
Board member

Board member since 2000. Born: 1946.

Education: M.Sc. Stockholm School of Economics.
Medical Degree, Karolinska Institute in Stockholm.

Holding in the company: 38,769 shares.

Other current assignments: Chairman of *Byggnads AB S:t Erik*, *Stiftelsen Oscar Hirschs Minne* and *Ringens Varv AB*. Board Member of *SAMF Sweden AB*, *Advanced Oncotheraputics PLC*, *Peter Sjöstrand AB* and companies in the *Acturum Group*. Member of *Vatera Holding* Advisory Board. Alternate Board member of *Materulla AB*.

Previous assignments (past five years): Board member of *Spatial Transcriptomics AB*.

Peter Thelin
Board member

Board member since 2011. Born: 1956.

Education: Graduate, Stockholm School of Economics.

Holding in the company: 2,850,000 shares
(privately and via companies).

Other current assignments: President of *Carve Capital AB*. Board member of *Brummer & Partners AB*, *ELC Fastigheter AB*, *East Bay AB*, *Sjunda Gård AB*, *Carve Intressenter AB*, *Sjuenda Holding AB*, *Rebellion Oil AB* and *Järna Mejeri AB*.

Previous assignments (past five years): Chairman of *Jemtia AB*, *SRE Högfors AB* and *Acrux Entreprenad AB*. Board member of *CPB Energy AB*, *Valot Invest Sweden AB*, *Henvålens Fjällgård AB* and *Psoriasis + Creams Sweden AB*.

Linda Bengtsson
Auditor

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

Company auditor at Active Biotech AB since 2016.

Authorized Public Accountant KPMG.

EXECUTIVE MANAGEMENT

Helén Tuvesson
President and CEO

Born: 1962. Holding in the company: 11,892 shares.

Employed by the company since 1998. Helén Tuvesson has a PhD in medical science from Lund University. She has worked in the pharmaceutical industry for more than 20 years and held various positions at Pharmacia and Active Biotech, most recently as head of research and development at Active Biotech.

Hans Kolam
Chief Financial Officer

Born: 1951. Holding in the company: 53,461 shares (of which 3,696 shares via related parties).

Employed by the company since 2000. Hans Kolam has more than 40 years of experience in the pharmaceuticals industry, having held various positions at Pharmacia.

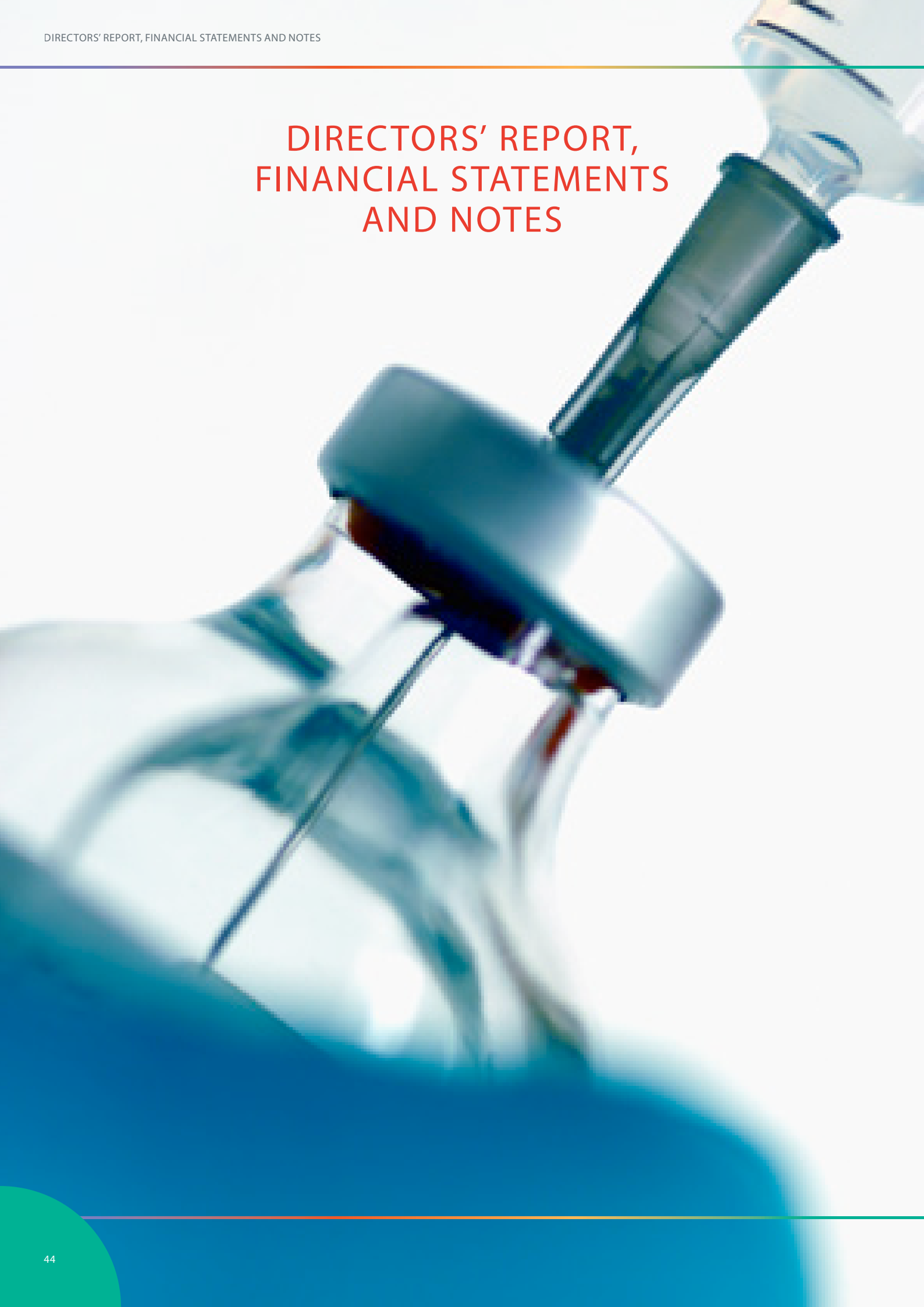
Helena Eriksson
Chief Scientific Officer

Born: 1968. Holding in the company: 3,294 shares.

Employed by the company since 1998. Helena Eriksson has a PhD in experimental hematology from Lund University. She has more than 20 years' experience of the pharmaceuticals industry, most recently as head of department for BioScience and project manager for a clinical project at Active Biotech.

Therapy areas with high medical needs

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, 2018 to December 31, 2018.

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 the wholly owned subsidiary Active Forskaren 1 KB, Lund, Sweden, which owns the property in which operations are pursued.

OPERATIONS

Active Biotech is a company that focuses on pharmaceutical research and development in medical fields in which the immune system plays a central role. The company's research portfolio primarily includes projects for the development of drugs for the treatment of neurodegenerative diseases and cancer. Active Biotech has pioneered the development of the quinoline class of compounds that shows attractive immunomodulatory properties. The Company possesses unique expertise and broad intellectual property in this field. This includes a deep understanding of models of autoimmune diseases, a range of product and other patents, as well as technology to fully exploit the potential of the platform.

The company's ANYARA project has been out-licensed to NeoTX Therapeutics Ltd (NeoTX) since October 2016 for the development of treatment of solid tumors and a clinical Phase I/II study is planned for 2019. In addition, activities are conducted to identify strategic and competent partners for ensuring the continued development of tasquinimod in multiple myeloma, paquinimod for systemic sclerosis and the early preclinical SILC project.

SIGNIFICANT EVENTS IN 2018

- The rights issue conducted in April 2018 was oversubscribed by 27 percent and generated SEK 47.1 M for the company after issue expenses
- The company announced in April 2018 that its partner NeoTX had presented new preclinical data for ANYARA at the AACR scientific conference in Chicago
- The company announced in May 2018 that a patent for tasquinimod for the treatment of multiple myeloma had been granted in the US
- The company announced on July 31, 2018, that the Phase II LEGATO-HD trial evaluating the efficacy and safety of laquinimod in Huntington's disease (HD) did not meet its primary endpoint to slow the progression of the disease. However, the secondary endpoint, reduction of brain atrophy, was met. Laquinimod showed excellent safety in the study.
- The company announced in August 2018 that scientific collaboration had been initiated with The Wistar Institute, Philadelphia, in the US, on tasquinimod to support the clinical development in multiple myeloma
- On September 5, 2018, Active Biotech announced that the company was to regain the global rights for the development and commercialization of laquinimod
- Active Biotech announced on September 13, 2018 that data from the LEGATO-HD study of laquinimod in Huntington's disease had been presented at EHDN (European Huntington's Disease Network plenary meeting 2018)
- On November 8, 2018, data was presented from the LEGATO-HD study of laquinimod in Huntington's disease at the "European Huntington's Disease Network" scientific conference in Vienna

ORGANIZATION

The average number of employees in the Group during the year amounted to 16 (17), of whom 8 (8) were women. Of the total number of employees, four are attached to the property operation. The average age of the employees was 57 (55) with an average employment period of 23.6 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 2018 was 14, of whom 7 were women.

INCENTIVE PROGRAMS

There are no outstanding incentive programs.

SALES AND EARNINGS

Revenue, expenses and earnings

Net sales for the January-December period amounted to SEK 20.1 M (20.2) and comprised SEK 16.0 M (15.0) in rental revenues and SEK 4.1 million (5.2) in service and other revenues.

The total research expenses for full-year 2018 amounted to SEK 39.3 M (49.4). During the reporting period, the company's research operations mainly represented a virtual organization with a focus on supporting projects and patent activities for the out-licensed ANYARA project, the technology transfer of the laquinimod project from Teva, and preparations and planning of clinical development activities for tasquinimod in multiple myeloma, and to improve the possibilities for identifying partners for the paquinimod and SILC projects.

Administrative expenses amounted to SEK 10.6 million (20.2). The operating loss for the period amounted to SEK 29.8 M (loss: 102.5). The year-on-year improvement in earnings was attributable to cost-reduction measures carried out in operations in 2018, and the fact that 2017 was charged with the impairment of the carrying amount of the Forskaren 1 property and provisions for future selling expenses connected to the property divestment, a total of approximately SEK 53.3 M.

Net financial expense for the period was SEK 7.0 M (expense: 7.4) and the loss after tax to SEK 36.9 M (loss: 108.8).

COMMENTS ON THE BALANCE SHEET

At year-end 2018, the Group's total assets amounted to SEK 302.4 M (303.8), of which tangible fixed assets accounted for SEK 1.3 M (1.7). The Board's decision in 2017 to divest the company's property entails a reclassification of the property in the 2017 year-end report, from previously being recognized as a fixed asset to being classified as a current asset. The property is thus measured at its market value less the estimated selling cost and amounted at the balance-sheet date to SEK 271.8 M (271.8). At year-end, cash and cash equivalents and financial investments totaled SEK 25.6 M (25.2).

CASH AND CASH EQUIVALENTS AND FINANCIAL POSITION

At year-end, cash and cash equivalents totaled SEK 25.6 M (25.2). 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 liquidity. At year-end, cash and cash equivalents totaling SEK 20.6 M were invested in short-term Swedish securities. Interest-bearing liabilities amounted to SEK 204.4 M (210.4), of which SEK 204.1 M (209.4) is represented by a property loan and SEK 0.3 M (1.0) by liabilities to leasing companies. At year-end, consolidated shareholders' equity amounted to SEK 87.9 M (77.7). On the same date, the equity/assets ratio for the Group was 29.1 percent, compared with 25.6 percent at year-end 2017.

COMMENTS ON THE CASH-FLOW STATEMENT

The Group's cash flow for full-year 2018 was SEK 0.4 million (neg: 52.5). The negative cash flow from operating activities amounted to SEK 40.6 M (neg: 46.4). Cash flow from financing activities was a positive SEK 41.0 M (neg: 6.1). A rights issue comprising 48,412,160 shares was carried out in 2018, raising pro-

ceeds of approximately SEK 47.1 M after issue expenses. 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 2018, 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 36 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 38-41.

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 23.2 M (23.4). Operating expenses for the period amounted to SEK 58.0 M (150.0). Investments in tangible fixed assets amounted to SEK 0.0 million (0.0) for the period. At year-end, the Parent Company's cash and cash equivalents, including short-term investments, amounted to SEK 24.2 M, compared with SEK 21.2 M at the beginning of the year.

The loss after tax was SEK 34.9 M (loss: 126.8).

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, ex-

change-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 49.9 M during the fiscal year, of which about 5 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 19 on pages 88-89.

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. The divestment of the company's property and settlement of the property credits in April 2019, entail that 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 four 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, nine 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 38-41. 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

The Board proposes that the Annual General Meeting to be held on May 23, 2019 decides on the following guidelines for remuneration of senior executives. These guidelines essentially conform to those applied to date within the company. Senior executives are defined as the President & CEO and other members of Group management. The guidelines are to apply to employment contracts entered into subsequent to the Board's decision on guidelines and in those instances amendments are made in existing terms and conditions following the Board's decision.

Active Biotech is to offer total remuneration on market terms, facilitating the recruitment and retention of competent senior executives. Remuneration of senior executives is to comprise fixed salary, any variable salary, pensions and other benefits.

If the Board also determines that new share-based incentives should be introduced (e.g. employee stock options), a motion concerning this is to be submitted to the General Meeting for resolution. The guidelines applied in 2018 and the remuneration paid are described in Note 6 on page 72.

Fixed salary

The fixed salary is to take into consideration the individuals' area of responsibility and experience. This is to be reviewed on an annual basis.

Variable salary

The variable salary is to, where applicable, depend on the individuals' fulfillment of quantitative and qualitative goals. Variable salary may not exceed 50 percent of fixed salary for the President & CEO. For other senior executives, the variable salary is to amount to not more than 25 percent of fixed salary, whereby the highest level should be based on such factors as the position held by the specific individual.

Pension

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 salary.

Severance pay, etc.

The period of termination notice for senior executives is to not exceed 12 months. No severance amounts will be payable.

Other benefits

Senior executives may be awarded otherwise customary benefits, such as a company car, company healthcare, etc.

Preparation and approval

The President & CEO's remuneration is to be prepared and approved by the Board. Other senior executives' remuneration is to be prepared by the President & CEO, who is to submit a proposal to the Board for approval.

The Board is entitled to deviate from the above principles if it deems that there are particular grounds for doing so in individual cases.

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

EVENTS AFTER THE END OF THE FISCAL YEAR

- On 1 February 2019, Active Biotech received an indicative, non-binding bid for the company's property, amounting to SEK 275 million, from the real estate company Estea AB (Estea). The indicative bid is conditional on a successful due diligence process and Estea's procurement of acquisition financing. Active Biotech's Board takes a positive view of the bid.
- On February 11, 2019, Active Biotech's partner NeoTX announced that the company would enter clinical collaboration with AstraZeneca to evaluate ANYARA in combination with IMFINZI® (durvalumab) in a planned Phase Ib/II study
- On March 13, 2019, Active Biotech announced that the company had signed an agreement for the transfer of the company's property, Forskaren 1 in Lund, to a newly formed investor collective led by the property company Estea AB. The purchase price amounted to SEK 275 M.
- On April 4, 2019, Active Biotech announced that an Extraordinary General Meeting had resolved to approve the divestment of the company's property to the property company Estea AB
- On April 5, 2019, Active Biotech announced that the property transfer to property company Estea AB had been completed

OUTLOOK FOR 2019

Active Biotech's ability to develop pharmaceutical projects to the point at which partnership agreements can be concluded 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.

The partnership agreement entered with NeoTX in 2016 will have an impact on the company's future revenues and financial position. NeoTX is expected to initiate the clinical development of ANYARA in combination with an immunostimulating PD-1 inhibitor in 2019.

The recovery of laquinimod from Teva in 2018 gives Active Biotech the opportunity to develop a strategy for a continuation of the development of laquinimod, primarily in Huntington's disease. The goal is to attract a collaboration partner for the further clinical and commercial development of the project.

In addition, the company is focusing its activities on pursuing commercial activities aimed at identifying partners for other projects: tasquinimod in multiple myeloma, paquinimod for systemic sclerosis and SILC in immuno-oncology.

Available liquidity and the capital infusion generated by the sale of the property in April 2019, in combination with income from existing and anticipated partnerships are, according to present-day plans, assumed to be sufficient to finance operations.

ALLOCATION OF PROFIT/LOSS

SEK	
Share premium reserve	46,868,270
Profit/loss brought forward	52,306,258
Loss for the year	-34,895,412
Total	**64,279,116**

The Board of Directors proposes that the above accumulated profit of SEK 64,279,116 be carried forward.

Financial statements

CONSOLIDATED INCOME STATEMENT

January 1 – December 31

SEK thousands	Note	2018	2017
Net sales	2	20,051	20,246
Administrative expenses	3, 5	-10,576	-20,173
Research and development costs	3	-39,316	-49,351
Other operating expenses	4	–	-53,250
Operating loss	6	**-29,841**	**-102,528**
Financial income		29	14
Financial expenses		-7,066	-7,383
Net financial expense	**7**	**-7,037**	**-7,369**
LOSS BEFORE TAX		**-36,878**	**-109,897**
Tax	8	–	1,104
Loss for the year		**-36,878**	**-108,793**
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company's shareholders		-36,878	-108,793
Non-controlling interests		–	–
EARNINGS PER SHARE	**14**		
before dilution (SEK)		-0.27	-0.89
after dilution (SEK)		-0.27	-0.89

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

January 1 – December 31

SEK thousands	Note	2018	2017
Loss for the year		**-36,878**	**-108,793**
OTHER COMPREHENSIVE INCOME			
Items that cannot be reclassified into profit or loss for the year			
Change in revaluation reserve	9	–	3,590
Tax attributable to other comprehensive income	8	–	-790
Other comprehensive income for the year		**-36,878**	**-105,993**
COMPREHENSIVE INCOME FOR THE YEAR			
Comprehensive income for the year attributable to:			
Parent Company's shareholders		-36,878	-105,993
Non-controlling interests		–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31

SEK thousands	Note	2018	2017
ASSETS			
Equipment, tools, fixtures and fittings	9	1,266	1,713
Long-term receivables		1	1
Total fixed assets		**1,267**	**1,714**
Accounts receivable		210	5
Tax assets		582	1,262
Assets held for sale	10	271,750	271,750
Other receivables	11	1,150	1,221
Prepaid expenses and accrued income	12	1,920	2,709
Cash and cash equivalents	22	25,552	25,152
Total current assets		**301,164**	**302,099**
TOTAL ASSETS		**302,431**	**303,813**
SHAREHOLDERS' EQUITY			
Share capital		750	500
Other capital contributed		3,311,868	3,265,002
Reserves		88,889	88,889
Profit/loss brought forward including loss for the year		-3,313,592	-3,276,714
Total shareholders' equity	13	**87,915**	**77,677**
LIABILITIES			
Other long-term interest-bearing liabilities	15	104	297
Total long-term liabilities		**104**	**297**
Short-term interest-bearing liabilities	15	204,246	210,115
Accounts payable		3,988	3,629
Tax liabilities		34	34
Other liabilities	16	329	1,319
Accrued expenses and deferred income	17	5,815	10,742
Total short-term liabilities		**214,412**	**225,839**
TOTAL LIABILITIES		**214,516**	**226,136**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**302,431**	**303,813**

For information pertaining to the Group's pledged assets and contingent liabilities, see Note 20.

CONSOLIDATED STATEMENT OF CASH FLOW

January 1 – December 31

SEK thousands	Note 22	2018	2017
Operating activities			
Loss before tax		-36,878	-109,897
Adjustments for non-cash items		447	56,589
Cash flow from operating activities before changes in working capital		**-36,431**	**-53,308**
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		1,335	5,179
Increase(+)/Reduction(-) in operating liabilities		-5,551	1,682
Cash flow from operating activities		**-40,647**	**-46,447**
Financing activities			
Rights issue		48,410	–
Issue expenses		-1,294	–
Amortization of loans		-5,380	-5,255
Amortization of lease liabilities		-689	-823
Cash flow from financing activities		**41,047**	**-6,078**
Cash flow for the year		**400**	**-52,525**
Cash and cash equivalents, January 1		**25,152**	**77,677**
Exchange-rate differences in cash and cash equivalents		**–**	**–**
CASH AND CASH EQUIVALENTS AT YEAR-END		**25,552**	**25,152**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

SEK thousands	Note 13	Share capital	Other capital contributed	Revaluation reserve	Profit/loss brought forward incl. loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2017		**364,964**	**3,265,002**	**86,089**	**-3,533,500**	**182,555**
Loss for the year		–	–	–	-108,792	-108,792
Comprehensive income for the year		–	–	2,800	–	2,800
Transfer from revaluation reserve		–	–	–	1,114	1,114
Reduction of share capital		-364,464	–	–	364,464	–
Closing shareholders' equity, December 31, 2017		**500**	**3,265,002**	**88,889**	**-3,276,714**	**77,677**
Opening shareholders' equity, January 1, 2018		**500**	**3,265,002**	**88,889**	**-3,276,714**	**77,677**
Loss for the year		–	–	–	-36,878	-36,878
Rights issue[1)]		250	46,866	–	–	47,116
Closing shareholders' equity, December 31, 2018		**750**	**3,311,868**	**88,889**	**-3,313,592**	**87,915**

[1)] The rights issue amount for 2018 was recognized net after deductions for transaction costs of SEK 1,294 thousand.

PARENT COMPANY INCOME STATEMENT

January 1 – December 31

SEK thousands	Note	2018	2017
Net sales	2	**23,214**	**23,433**
Administrative expenses	3, 5	-10,859	-36,616
Research and development costs	3	-47,177	-57,063
Other operating expenses	4	–	-56,312
Operating loss	6	**-34,822**	**-126,558**
Profit/loss from financial items			
Interest income and similar items	7	29	14
Interest expenses and similar items	7	-102	-248
Loss after financial items		**-34,895**	**-126,792**
Loss before tax		**-34,895**	**-126,792**
Tax	8	–	–
Loss for the year		**-34,895**	**-126,792**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

January 1 – December 31

SEK thousands	2018	2017
Loss for the year	**-34,895**	**-126,792**
Other comprehensive income	–	–
Comprehensive income for the year	-34,895	-126,792

CASH-FLOW STATEMENT FOR THE PARENT COMPANY

January 1 – December 31

SEK thousands	Note 22	2018	2017
Operating activities			
Loss after financial items		-34,895	-126,792
Adjustments for non-cash items		–	72,916
Cash flow from operating activities before changes in working capital		**-34,895**	**-53,876**
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		-4,437	1,738
Increase(+)/Reduction(-) in operating liabilities		-4,765	126
Cash flow from operating activities		**-44,097**	**-52,012**
Financing activities			
Rights issue		48,410	–
Issue expenses		-1,294	–
Cash flow from financing activities		**47,116**	**–**
Cash flow for the year		**3,019**	**-52,012**
Cash and cash equivalents, January 1		**21,185**	**73,197**
CASH AND CASH EQUIVALENTS AT YEAR-END		**24,204**	**21,185**

PARENT COMPANY BALANCE SHEET
At December 31

SEK thousands	Note	2018	2017
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	21	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		176	–
Receivables from Group companies		5,961	159
Tax assets		582	1,262
Other receivables	11	1,150	1,221
Prepaid expenses and accrued income	12	1,920	2,710
Total short-term receivables		**9,789**	**5,352**
Short-term investments	22	20,632	19,728
Cash and bank balances	22	3,572	1,457
Total current assets		**33,993**	**26,537**
TOTAL ASSETS		**74,494**	**67,038**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		750	500
Unrestricted equity			
Share premium reserve		46,866	–
Profit/loss brought forward		52,308	179,100
Loss for the year		-34,895	-126,792
Total shareholders' equity	13	**65,029**	**52,808**
Short-term liabilities			
Accounts payable		3,988	3,629
Other liabilities	16	303	492
Accrued expenses and deferred income	17	5,174	10,109
Total short-term liabilities		**9,465**	**14,230**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**74,494**	**67,038**

For information pertaining to Parent Company's pledged assets and contingent liabilities, see Note 20.

STATEMENT OF CHANGES IN PARENT COMPANY'S EQUITY

SEK thousands	Note 13	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, 2017		**364,964**	**64,599**	**118,871**	**27,639**	**-327,915**	**-68,558**	**179,600**
Reduction of share capital		-364,464	–	-118,871	–	483,335	–	–
Transfer between restricted and unrestricted equity		–	-64,599	–	–	64,599	–	–
Loss for the year		–	–	–	–	–	-126,792	-126,792
Comprehensive income for the year		–	–	–	–	–	–	–
Treatment of profit/loss in preceding year		–	–	–	-27,639	-40,919	68,558	–
Closing shareholders' equity, December 31, 2017		**500**	**–**	**–**	**–**	**179,100**	**-126,792**	**52,808**
Opening shareholders' equity, January 1, 2018		**500**	**–**	**–**	**–**	**179,100**	**-126,792**	**52,808**
Rights issue[1)]		250	–	–	46,866	–	–	47,116
Loss for the year		–	–	–	–	–	-34,895	-34,895
Comprehensive income for the year		–	–	–	–	–	–	–
Treatment of profit/loss in preceding year		–	–	–	–	-126,792	126,792	–
Closing shareholders' equity, December 31, 2018		**750**	**–**	**–**	**46,866**	**52,308**	**-34,895**	**65,029**

[1)] The rights issue amount was recognized net after deductions for transaction costs of SEK 1,294 thousand.

Notes to the financial statements

NOTE 1: 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 25, 2019. 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 23, 2019.

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 for the Group's property Forskaren 1, and 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 23.

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

The Group applies IFRS 9 and IFRS 15 for the first time as of January 1, 2018. Other amendments to IFRS applicable from January 1, 2018 did not have any material impact on the consolidated financial statements.

The methods that the Group has decided to apply in the transition to IFRS 15 and 9 entail that comparative information in the financial statements is not restated in accordance with the requirements of the new standards.

IFRS 9 Financial Instruments

IFRS 9 replaced *IAS 39 Financial instruments: Recognition and Measurement* as the IFRS for the accounting of financial instruments. Compared with IAS 39, IFRS 9 entails changes to mainly the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The changes regarding hedge accounting did not impact Active Biotech since the Group does not apply hedge accounting. The effects of the other parts of IFRS 9 are described below.

Classification and measurement of financial assets and liabilities

Under IAS 39, all of the Group's financial assets were classified as "loan receivables and accounts receivable" and were measured at amortized cost, except for short-term investments that were measured at fair value through profit or loss (see Note 18). All of the classes of financial assets that were measured at amortized cost under IAS 39 are measured in the same manner under IFRS 9. This is because they are deemed to be held in a business model whose objective is to collect the contractual cash flows, at the same time as the assets give rise to solely payments of principal and interest on the principal amount. The Group's short-term investments comprise holdings of short-term fixed-income funds, which under IFRS 9 must be measured at fair value through profit or loss since the fund units are not deemed to be an equity instrument, while at the same time they do not give rise to solely payments of principal and interest. Fund units were measured at fair value through profit or loss even under IAS 39, which meant that IFRS 9 did not have any impact on how Active Biotech's recognizes these instruments.

The introduction of IFRS 9 has also not impacted the Group's recognition of financial liabilities.

Impairment of financial assets

IFRS 9 has resulted in changed policies for the impairment of financial assets. Under IAS 39, a reserve for credit losses was not established until there was objective evidence that an asset (or group of assets) required impairment. However, under IFRS 9, a reserve for expected credit losses ("loss allowance") on financial assets measured at amortized cost is to be recognized, even if no objective evidence exists that a loss event has taken place.

The Group's financial assets primarily comprise cash and cash equivalents in the form of bank deposits and short-term investments in short-term fixed-income funds. Bank deposits are found in Swedish commercial banks with high credit ratings and can be withdrawn at short notice. For this reason, a loss allowance is not recognized for bank balances. A loss allowance for these assets is not to be recognized according to IFRS 9 since the Group's investments in short-term fixed-income funds are measured at fair value through profit or loss. Also, Active Biotech has only limited exposure to

credit risk in its accounts receivable and rent receivables and the Group has only incurred very minor confirmed credit losses in the past. Accordingly, IFRS 9 did not have any material impact on the impairment testing of these receivables.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* came into effect on January 1, 2018. IFRS 15 replaced previous IFRS and interpretations on revenue recognition, for example IAS 18 Revenue. Active Biotech's revenues essentially comprise rental revenues, service revenues and revenues from performed research services Furthermore, Active Biotech 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.

Rental revenues

Rental revenues are attributable to letting of premises in the property owned by Active Biotech. However, rental revenues comprise lease revenue and do not fall within the scope of application of IFRS 15, meaning that the introduction of IFRS 15 did not impact how the Group recognizes these revenues.

Service revenues

Service revenues are attributable to the remuneration that the Group receives from the tenants for providing a manned reception, cleaning and postal services, etc. Under the previous accounting policies, services were recognized as revenues in the period in which the services were performed. Under IFRS 15, revenues from services are to be recognized over time since the customer (meaning, the tenant) uses the services in line with Active Biotech providing them, which is consistent with how the Group previously recognized these revenues. Accordingly, IFRS 15 did not have any impact on how Active Biotech recognizes its service revenues.

Revenues from research services

Revenues from research services pertain to remuneration for research conducted in the Group's animal laboratory on behalf of external parties. Under the previous accounting policies, these services were recognized in revenue in line with the competition of each study for the customer. These services did not meet the criteria for revenue recognition over time under IFRS 15, which means that the services according to IFRS 15 are to be recognized as revenue at a point in time, meaning when the ordered study has been completed according to the contract with the customer. Such accounting is also consistent with the previous accounting policies for research services. In 2018, the Group divested the operations at its animal laboratory to external parties, which mean that revenues from external research services ceased.

Contract with NeoTX

The Group has a contract with its partner NeoTX under which the Group has licensed the rights to ANYARA. This contract includes 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. Under the previous accounting policies, no revenues were recognized from this contract until Active Biotech's right to such remuneration has been determined. Under IFRS 15, milestone payments comprise variable consideration. Variable consideration according to IFRS 15 can only be recognized as revenue in cases in which it is highly probable that the company will not need to make a revenue reversal in the future. In Active Biotech's opinion, there is a highly significant risk of a revenue reversal regarding milestone payments in the event that the future milestone payments were to be recognized as revenue before it has been established that Active Biotech is entitled to receive the payment in question. Accordingly, Active Biotech has also made the assessment under IFRS 15 that remuneration for milestones is not to be recognized in revenue 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.

Furthermore, according to IFRS 15, sales-based royalty revenue arising from licenses of intellectual property is only recognized when one of the following occurs:

a) actual sale occurs, or

b) the performance obligation to which the sales-based royalty has been allocated has been satisfied.

Item b) above is not relevant since a performance obligation to which the sales-based royalty has been allocated was not identified in the contract. Accordingly, royalty revenue is first recognized in connection with NeoTX selling the approved drug based on ANYARA. As a result, IFRS 15 did not entail any change to the Group's policies for recognizing sales-based royalties.

New IFRS that have not yet been applied

IFRS 16 Leases
Active Biotech will apply IFRS 16 Leases as of January 1, 2019. IFRS 16 introduces a single lessee accounting model. A lessee recognizes a right-of-use asset that represents a right to use an underlying asset and a lease liability that represents the obligation to make lease payments. There are exemptions for short-term leases and leases where the underlying asset has a low value. Accounting for lessors is similar to the current standard, meaning that the lessor continues to classify leases as finance or operating leases.

Leases for which Active Biotech is the lessee
The effects of IFRS 16 will be limited for Active Biotech. The Group will recognize new assets and liabilities for operating leases in respect of cars, telephone switchboard and photocopying machines. Costs for these leases will change since the Group will recognize depreciation for the right-of-use assets and interest expenses for lease liabilities. The Group previously recognized operating lease costs over the lease term and recognized assets (prepaid lease payments) and liabilities (accrued lease payments) only to the extent that there was a difference between the actual lease payments and the recognized cost.

Low-value leases (assets with a value of less than about SEK 50 thousand in new condition) – which mainly comprise computers, printers/photocopiers and coffee machines – will not be included in the lease liability and instead will be expensed straight-line over the lease term. The existence of leases with a term of less than 12 months ("short-term leases") is not deemed to be significant in the Group.

No material impact on the Group's finance leases is expected.

Right-of-use assets attributable to previous operating leases will be added to the amount of the liability on January 1, 2019, plus advance payments recognized in the balance sheet as of December 31, 2018.

Based on the information available, the Group expects that it will report further lease liabilities of about SEK 881 thousand (after adjusting for prepaid lease payments reported on December 31, 2018) and right-of-use assets of about SEK 906 thousand. Active Biotech expects its operating result for 2019 to increase by about SEK 20 thousand compared with if the previous accounting policies had been used, since a portion of the lease costs will be recognized as interest expenses. The effect on earnings after tax is expected to be immaterial. Cash flow from operating activities is expected to increase and from financing activities decline by about SEK 300 thousand since the amortization portion of the lease payments will be recognized as a payment in financing activities.

Additional lease liabilities and right-of-use assets will arise through Active Biotech renting premises in property that has been divested (see Note 23). However, no disclosures on the expected effect of this lease can be provided since final negotiations on the rental agreement had not been completed in time for including an estimate in this Annual Report.

Since lease payments for low-value leases are included in the disclosures on minimum lease payments for operating leases in this Annual Report, the increase in the lease liability stated above will total an amount that is about SEK 54 thousand less than the present value of these minimum lease payments.

Leases for which the Group is lessor
No material impact is expected for leases for which the Group is lessor.

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

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.

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.

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 rental revenues, 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.

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

Service revenues
Service revenues are attributable to the remuneration that the Group receives from the tenants for providing a manned reception, cleaning and postal services, etc. Revenues from services are to be recognized over time in the periods in which the services are preformed since the customer (meaning, the tenant) uses the services in line with Active Biotech providing them.

Revenues from research services
Revenues from research services pertain to remuneration for research conducted in the Group's animal laboratory on behalf of external parties. Revenues from research services are recognized at a point in time, which is when the ordered study has been completed according to the contract with the customers. In 2018, the Group divested the operations at its animal laboratory to external parties, which mean that revenues from external research services ceased.

Contract with NeoTX
Active Biotech has a contract with its partner NeoTX under which the Group has licensed the rights to ANYARA. 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 ANYARA and Active Biotech having the right to receive contractual milestone payment.

Revenue recognition policies prior to January 1, 2018
The Group's revenue recognition policies prior to IFRS 15 coming into effect on January 1, 2018 were the same as the policies stated above.

Operating expenses and financial income and expenses

Operating leases
Costs pertaining to operating leases are recognized straight-line in profit or loss over the leasing period.

Finance leases
Minimum lease payments are divided between interest expenses and amortization of the outstanding liability. The interest expense is divided over the leasing period so that each accounting period is charged with an amount that corresponds to a fixed interest rate for the recognized liability in each period. Variable fees are expensed in the periods in which they arise.

Financial income and expenses
Financial income and expenses include interest income on bank deposits and receivables, interest expenses on loans, 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. The interest component in finance lease payments is recognized in profit or loss through the application of the effective interest method. Interest income includes the allocated amounts of transaction expenses and any discounts, premiums and other differences between the original value of the receivable and the amount received at maturity.

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 finance 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.

Classification and measurement of financial instruments prior to January 1, 2018
Prior to the introduction of IFRS 9 on January 1, 2018, the Group's holdings of financial assets were classified in the following measurement categories under IAS 39: "Financial assets at fair value through profit or loss" and "Loan and accounts receivables" (measured at amortized cost). Financial liabilities were classified under IAS 39 as "Other financial liabilities" (measured at amortized cost).

Tangible fixed assets

Owned assets
The Group measures tangible fixed assets using the cost method, with the exception of the Group's property, which is 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 remains after the reclassification as "Assets held for sale." It will be transferred to profit/loss brought forward when the asset is divested, 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.

Leased assets

Leases are classified in the consolidated financial statements as either finance or operating leases. Finance leases exist when the financial risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, the lease is considered to be an operating lease.

Assets leased through finance leases are recognized as assets in the consolidated statement of financial position. The commitment to pay future lease payments is recognized as long-term and short-term liabilities. These assets are depreciated over the contractual leasing period while lease payments are recognized as interest and amortization of liabilities.

Lease payments for operating leases are expensed straight-line over the term of the lease based on the value in use, which may differ from that which has actually been paid as a leasing fee during the year.

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. The Group applies component depreciation, which means that the estimated useful life of the components is the basis for depreciation.

Estimated useful life of:

- Buildings, owner-occupied properties: 35–100 years
- Equipment, tools, fixtures and fittings: 3–10 years

The owner-occupied properties comprise a number of components, whose useful life varies. The main category is land and buildings. No depreciation is recognized for the component land, since its useful life has been determined as unlimited. However, a building comprises a number of components whose useful life varies.

The useful life of these components has been estimated to vary between 35 and 100 years.

The following main categories of components have been identified and form the basis for the depreciation of buildings:

- Framework: 100 years
- Non-structural elements, interior walls, etc.: 50 years
- Glass roof: 40 years
- Fire seal: 40 years
- Installations; heating, electricity, plumbing, ventilation, etc.: 50 years
- Elevators: 35 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.

Impairment of financial assets prior to January 1, 2018
For the 2017 comparative period, the Group assessed at the end of every reporting period whether there was any objective evidence that a financial asset or group of assets required impairment.

Non-current assets held for sale
The Group's property was classified as a non-current asset held for sale in accordance with IFRS 5. The implication of a non-current asset classified as held for sale is that its carrying amount will be recovered primarily through its sale and not through its use. An assets is classified as held for sale if it is available for immediate sale in its current condition and based on customary conditions, and it is highly likely that a sale will be completed. After the property was reclassified as a non-current asset held for sale, it is continuously measured at fair value with deductions for selling expenses. Gains or losses arising on changes in fair value after selling expenses are recognized in profit or loss.

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 2018 and 2017 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.

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
The Parent Company applies IFRS 9 and 15 as of January 1, 2018. The introduction of IFRS 9 and 15 did not have any material impact on the Parent Company.

New IFRS that have not been applied
IFRS 16 is 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
In the Parent Company, all leasing agreements are recognized in accordance with the regulations for 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

	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Research services	1,105	2,742	1,105	2,742
Rental revenues	16,043	15,015	–	–
Service revenues	2,903	2,464	2,903	2,464
Property services	–	–	19,206	18,202
Other	–	25	–	25
Total	**20,051**	**20,246**	**23,214**	**23,433**

Research services comprise animal keeping services and performed contractual research services.
Service revenues are related to the Group's property and associated leases.
Property services are invoiced from the Parent Company to the Group's property company.

Contract balances

Accounts receivable are recognized on a separate line of the balance sheet and the Group's other contract balances comprise contract assets in the form of accrued income, which is specified in Note 12. There were no contract liabilities on the balance-sheet date.

Contract with NeoTX

Active Biotech has a contract with its partner NeoTX under which the Group has licensed the rights to ANYARA. This contract includes 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. Revenue from the contract is not recognized until it has been established that NeoTX has achieved the set target and that Active Biotech thus has the right to receive milestone payments or when sales are made of the approved drug based on ANYARA that entitles Active Biotech to sales-based royalties.

NOTE 3: OPERATING EXPENSES DISTRIBUTED BY TYPE OF COST

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Personnel costs	19,782	30,313	19,782	30,313
Depreciation/amortization	447	6,134	—	16,150
Impairment	—	50,454	—	56,766
Operating expenses	4,464	8,926	4,462	5,671
Property expenses	16,991	15,188	25,584	29,332
Administrative expenses	1,059	1,348	1,059	1,348
External R&D services	5,666	7,940	5,666	7,940
Other external services	1,483	2,471	1,483	2,471
Total	**49,892**	**122,774**	**58,036**	**149,991**

NOTE 4: OTHER OPERATING EXPENSES

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Impairment of assets held for sale	—	50,000	—	—
Estimated selling expense of the company's property	—	3,250	—	—
Impairment of goodwill	—	—	—	48,449
Impairment of receivables from Group companies	—	—	—	7,863
Total	**—**	**53,250**	**—**	**56,312**

NOTE 5: AUDITORS' FEES

SEK thousands	Group and Parent Company	
	2018	2017
KPMG AB		
Auditing assignments	450	450
Audit activities other than auditing assignment	9	–
Other services	18	–
Tax consultancy services	–	126

Auditing assignments relate to the auditing of the annual report and accounts, including the Board's and the President & CEO's administration, and other assignments that the company's auditors are required to perform (including reviews of interim reports).

NOTE 6: EMPLOYEE AND PERSONNEL COSTS, AND REMUNERATION OF SENIOR EXECUTIVES

Costs for remuneration of employees

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Salaries and remuneration, etc. [3]	11,279	15,960	11,279	15,960
Pension costs, defined-contribution plans [1] [2] (see below)	4,104	6,015	4,104	6,015
Social-security costs [3]	3,101	6,009	3,101	6,009
Non-monetary remuneration	611	1,724		
Total	**19,095**	**29,708**	**18,484**	**27,984**

[1] Of the Parent Company's pension costs, SEK 1,296 thousand (1,954) pertains to the Board of Directors and President & CEO.
[2] The Group's pension costs include SEK 1.2 M (1.1) 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 0.2 M (2.7).

Average number of employees

	2018			2017		
	No. of employees	Of whom, women		No. of employees	Of whom, women	
PARENT COMPANY						
Sweden	16	8	(50%)	17	8	(47%)
Total Parent Company	**16**	**8**	**(50%)**	**17**	**8**	**(47%)**
SUBSIDIARIES						
Sweden	0	0	(0%)	0	0	(0%)
Group total	**16**	**8**	**(50%)**	**17**	**8**	**(47%)**

Gender distribution in management

	Of whom, women	
	2018	2017
PARENT COMPANY		
Board of Directors	25%	25%
Other senior executives	67%	67%
GROUP TOTAL		
Board of Directors	25%	25%
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	2018			2017		
	Other senior executives (7 individuals)	Other employees	Total	Other senior executives (7 individuals)	Other employees	Total
Salaries and other remuneration						
Sweden	4,291	6,988	11,279	5,813	10,147	15,960
(of which, bonus and similar)	–	–	–	–	–	–
Total Parent Company	**4,291**	**6,988**	**11,279**	**5,813**	**10,147**	**15,960**
(of which, bonus and similar)	–	–	–	–	–	–
Social-security costs [1)]	3,193	4,012	7,205	4,509	7,515	12,024
[1)] of which, pension costs	2,093	2,011	4,104	2,890	3,125	6,015

Outgoing CEO Tomas Leanderson was included in the group of senior executives between January 1, 2017 and June 30, 2017. Monthly wages and pensions to the former CEO are settled by agreement until May 2018.

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

SEK thousands	2018	2017
	Other senior executives (7 individuals)	Other senior executives (7 individuals)
Salaries and other remuneration	4,291	5,813
(of which, bonus and similar)	–	–
Pension costs	2,093	2,890

Severance pay and loans to senior executives

No agreement exists covering severance pay or loans to Board members. The President & CEO has a period of termination notice of 12 months by the company and six months by the CEO. No severance pay will be issued and no loans exist. The company and other senior executives are to be subject to a mutual period of termination notice of not more than 12 months. No severance pay will be issued and no loans exist.

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 2018 and 2017 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 1.2 M (1.1) and for 2019 the premiums will amount to SEK 1.2 M. Alecta's surplus can be allocated to the policyholders and/or the insured. At year-end 2018, Alecta's surplus at the collective funding ratio amounted to 142 percent (154). 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 0.00571 percent for 2018 and the share of the total actively insured in ITP2 amounted to 0.00266 percent in December 2018.

Remuneration of senior executives

Guidelines adopted at the Annual General Meeting on May 17, 2018
Active Biotech is to offer total remuneration on market terms, facilitating the recruitment and retention of competent senior executives. Remuneration of senior executives is to comprise fixed salary, any variable salary, pensions and other benefits. If the Board also determines that new share-based incentives should be introduced (e.g. employee stock options), a motion concerning this is to be submitted to the General Meeting for resolution.

Fixed salary
The fixed salary is to take into consideration the individuals' area of responsibility and experience. This is to be reviewed on an annual basis.

Variable salary
The variable salary is to, where applicable, depend on the individuals' fulfillment of quantitative and qualitative goals. Variable salary may not exceed 50 percent of fixed salary for the President & CEO. For other senior executives, the variable salary is to amount to not more than 25 percent of fixed salary, whereby the highest level should be based on such factors as the position held by the specific individual.

Pension
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 salary.

Severance pay
The period of termination notice for senior executives is to not exceed 12 months. No severance amounts will be payable.

Other benefits
Senior executives may be awarded otherwise customary benefits, such as a company car, company healthcare, etc.

Preparation and approval
The President & CEO's remuneration is to be prepared and approved by the Board. Other senior executives' remuneration is to be prepared by the President & CEO, who is to submit a proposal to the Board for approval. The Board is entitled to deviate from the above principles if it deems that there are particular grounds for doing so in individual cases.

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

Remuneration and other benefits during 2018

SEK thousands	Basic salary/ Board fee	Variable remuneration	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board, Mats Arnhög [1)]	250	–	–	–	–	–	250
Board member, Magnhild Sandberg-Wollheim [1)]	125	–	–	–	–	–	125
Board member, Peter Sjöstrand [1)]	125	–	–	–	–	–	125
Board member, Peter Thelin [1)]	125	–	–	–	–	–	125
CEO, Helén Tuvesson	1,321	–	394	902	–	–	2,617
Other senior executives (2 individuals)	2,345	–	457	340	–	–	3,142
Total	**4,291**	**–**	**851**	**1,242**	**–**	**–**	**6,384**

[1)] Apart from Board fees, no additional remuneration was paid to Board members.

Remuneration and other benefits during 2017

SEK thousands	Basic salary/ Board fee	Variable remuneration	Salary exchange	Pension costs	Financial instruments	Other re-muneration	Total
Chairman of the Board, Mats Arnhög [1)]	250	–	–	–	–	–	250
Board member, Magnhild Sandberg-Wollheim [1)]	125	–	–	–	–	–	125
Board member, Peter Sjöstrand [1)]	125	–	–	–	–	–	125
Board member, Peter Thelin [1)]	125	–	–	–	–	–	125
CEO, Tomas Leanderson (Jan-Jun)	1,648	–	765	642	–	–	3,055
CEO, Helén Tuvesson (Jul-Dec)[2]	1,354	–	195	637	–	–	2,186
Other senior executives (2 individuals)	2,186	–	457	194	–	–	2,837
Total	**5,813**	**–**	**1,417**	**1,473**	**–**	**–**	**8,703**

[1)] Apart from Board fees, no additional remuneration was paid to Board members.
[2)] The amount pertains to the full-year.

NOTE 7: NET FINANCIAL ITEMS

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
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	–	14	–	14
Net exchange-rate changes	29	–	29	–
Financial income/Interest income and similar items	**29**	**14**	**29**	**14**
Interest expenses				
- Interest expenses relating to bank loans	-6,934	-7,085	–	–
- Interest expenses relating to finance leases	-31	-50	–	–
- Other interest expenses	-5	-5	6	5
Net loss on financial assets and liabilities measured at fair value through profit or loss				
Held for trading: Short-term investments	-96	–	-96	–
Net exchange-rate changes	–	-243	–	-243
Financial expenses/Interest expenses and similar items	**-7,066**	**-7,383**	**-102**	**-248**
Net financial expense	**-7,037**	**-7,369**	**-73**	**-234**
Of which:				
Interest income from instruments measured at amortized cost	–	–		
Interest expenses from instruments measured at amortized cost	-6,970	-7,140		
Exchange-rate differences that impacted earnings				
Exchange-rate differences that impacted operating loss	-38	-25	-38	-25
Financial exchange-rate differences	29	-243	29	-243
Total	**-9**	**-268**	**-9**	**-268**

NOTE 8: TAXES

Recognized in profit or loss

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
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	–	-314	–	–
Deferred tax income in tax loss carryforwards capitalized during the year	–	1,104	–	–
Deferred tax expense as a result of the change in the tax rate	–	–	–	–
Deferred tax income attributable to depreciation of revaluation of property	–	314	–	–
Total recognized tax expense/income	**–**	**1,104**	**–**	**–**
Reconciliation of effective tax				
Loss before tax	-36,878	-108,793	-34,895	-126,792
Tax on the Parent Company according to current rate	8,114	23,934	7,677	27,894
Non-deductible expenses	-342	-2,694	-342	-2,694
Non-taxable revenues	157	150	157	150
Increase in loss carryforwards without equivalent capitalization of deferred taxes	-7,492	-25,350	-7,492	-25,350
Deductible expenses/taxable revenues not recognized in earnings [1)]	–	14,212	–	–
Increase/decrease in temporary differences for which deferred tax is not recognized	-437	-10,252	–	–
Revaluation of deferred tax	–	1,104	–	–
Recognized effective tax	**–**	**1,104**	**–**	**–**

[1)] In 2010, the subsidiary Active Biotech Research was merged with the Parent Company Active Biotech AB. In connection with this, a goodwill gain of approximately SEK 161.5 M arose that was eliminated in the accounts. This gain was taxable for the Parent Company and was thus added for taxation in the Parent Company's tax return. Every year, the goodwill item was amortized in the amount of SEK 16,150 thousand per year and eliminated in the Group without recognizing the corresponding expense. In 2017, the goodwill item was written down to zero, which resulted in a tax effect of 22 percent on SEK 64,599 thousand, meaning SEK 14,212 thousand.

Tax items recognized directly in other comprehensive income

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Tax attributable to change in revaluation reserve	–	-790	–	–

Tax items recognized directly in equity

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Tax attributable to change in revaluation reserve	–	-314	–	–

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

SEK thousands	Deferred tax assets		Deferred tax liabilities		Net	
	2018	2017	2018	2017	2018	2017
Tangible fixed assets	–	–	-24,386	-25,070	-24,386	-25,070
Loss carryforwards	24,386	25,070	–	–	24,386	25,070
Tax assets/liabilities	24,386	25,070	-24,386	-25,070	–	–
Offsetting	-24,386	-25,070	24,386	25,070	–	–
Tax assets/liabilities, net	**–**	**–**	**–**	**–**	**–**	**–**

Change in deferred tax in temporary differences and loss carryforwards

SEK thousands	Balance at Jan. 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance at Dec. 31, 2018
Tangible fixed assets	-25,070	684	–	–	-24,386
Loss carryforwards	25,070	-684	–	–	24,386
	–	**–**	**–**	**–**	**–**

Change in deferred tax in temporary differences and loss carryforwards

SEK thousands	Balance at Jan. 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance at Dec. 31, 2017
Tangible fixed assets	-24,280	314	-790	-314	-25,070
Loss carryforwards	24,280	790	–	–	25,070
	–	**1,104**	**-790**	**-314**	**–**

Due to the Group's activities with considerable research and development costs, it is not liable for tax. At the end of 2018, the Group's accumulated loss carryforwards amounted to SEK 3,335 M and was attributable to the Group's Swedish companies. The Parent Company's loss carryforwards amounted to SEK 3,334 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 3,221 M (3,187).

NOTE 9: TANGIBLE FIXED ASSETS

Group

SEK thousands	Land and buildings recognized based on revaluation method	Equipment, tools, fixtures and fittings recognized based on cost method	Total
Cost			
Opening balance, January 1, 2017	429,305	51,796	481,101
Revaluation	5,018	–	5,018
Other acquisitions	–	212	212
Disposal	–	-454	-454
Reclassification as assets held for sale	-434,323	–	-434,323
Closing balance, December 31, 2017	**–**	**51,554**	**51,554**
Opening balance, January 1, 2018	–	51,554	51,554
Closing balance, December 31, 2018	**–**	**51,554**	**51,554**
Depreciation and impairment losses			
Opening balance, January 1, 2017	-104,305	-48,725	-153,030
Depreciation for the year	-3,590	-1,116	-4,706
Revaluation	-1,428	–	-1,428
Reclassification as assets held for sale	109,323	–	109,323
Closing balance, December 31, 2017	**–**	**-49,841**	**-49,841**
Opening balance, January 1, 2018	–	-49,841	-49,841
Depreciation for the year	–	-447	-447
Closing balance, December 31, 2018	**–**	**-50,288**	**-50,288**
Carrying amounts			
January 1, 2017	325,000	3,071	328,071
December 31, 2017	–	1,713	1,713
January 1, 2018	–	1,713	1,713
December 31, 2018	–	1,266	1,266

Finance leases in the Group
The Group leases machines and other technical facilities under various finance leases in which the main terms of the agreement are as follows: rental period 36-60 months, final residual value 10 percent of the cost and an interest rate linked to a floating market interest rate. Property leased through the above-mentioned agreements is recognized in the consolidated balance sheet under equipment, tools, fixtures and fittings. At December 31, 2018, the carrying amount of property covered by finance leases was SEK 96 thousand. See also Note 15 Interest-bearing liabilities.

Operating leases in the Group
The Group has operating leases for cars, telephone switchboard and photocopying machines. Payments pertaining to these operating leases are due as follows: within one year SEK 410 thousand, between one and five years SEK 550 thousand, and after five years SEK 0.

Parent Company

SEK thousands	Equipment, tools, fixtures and fittings	Total
Cost		
Opening balance, January 1, 2017	21,783	21,783
Disposal	-453	-453
Closing balance, December 31, 2017	**21,330**	**21,330**
Opening balance, January 1, 2018	21,330	21,330
Closing balance, December 31, 2018	**21,330**	**21,330**
Depreciation and impairment losses		
Opening balance, January 1, 2017	-21,330	-21,330
Closing balance, December 31, 2017	**-21,330**	**-21,330**
Opening balance, January 1, 2018	-21,330	-21,330
Closing balance, December 31, 2018	**-21,330**	**-21,330**
Carrying amounts		
January 1, 2017	453	453
December 31, 2017	–	–
January 1, 2018	–	–
December 31, 2018	–	–

NOTE 10: ASSETS HELD FOR SALE

Active Biotech made the decision in the second quarter of 2017 to divest the company's property. The property was reclassified from fixed assets to assets held for sale. The property was divested in April 2019 for a purchase price of SEK 275 M, refer also to Note 24.

Following reclassification, the Group recognizes its property at fair value with deductions for selling expenses. The value of the laboratory equipment and other special equipment was not considered in the valuation. On the reclassification date, the property was valued at SEK 325.0 M before selling expenses. The company's decision to discontinue and close its animal laboratory operations resulted in some parts of the property being vacated for a period, which impacted the valuation. At December 31, 2018, the property was valued by Thomas Ahlbeck Fastighetsekonomi AB at a market value in the range of SEK 260-300 M. Based on this valuation, the company assessed the market value to be SEK 275 M. The tax assessment value of the property is SEK 82.1 M.

The value assessment was conducted using a market simulation via yield-based market value assessment and via the local market price method.

Conditions in the cash-flow computation (15 years) and assumptions for valuation:

- Inflation assumption of 2.0 percent annually
- Rental increases for rented premises in accordance with agreed rental terms
- Rental increases for internal premises, 100 percent of CPI
- Annual increase of operation/maintenance, 100 percent of CPI
- Direct yield last year's net operating income, 6.0 percent
- Nominal cost of capital, 8.1 percent

NOTE 11: OTHER RECEIVABLES

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
VAT	607	1,047	607	1,047
Tax account	504	–	504	–
Other receivables	39	174	39	174
Total	**1,150**	**1,221**	**1,150**	**1,221**

NOTE 12: PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Prepaid rent	27	27	27	27
Prepaid insurance	535	955	535	955
Accrued income	96	378	96	378
Prepaid patenting expenses	173	742	173	742
Prepaid property expenses	264	359	264	359
Prepaid research and development costs	536	–	536	
Other prepaid expenses and accrued income	289	248	289	249
Total	**1,920**	**2,709**	**1,920**	**2,710**

NOTE 13: SHAREHOLDERS' EQUITY

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

SEK thousands	2018	2017
Revaluation reserve, January 1	88,889	86,089
Revaluation of property	–	5,018
Tax effect of property revaluation	–	-1,104
Transfer to profit/loss brought forward	–	-1,428
Tax effect of transfer to profit/loss brought forward	–	314
Revaluation reserve, December 31	**88,889**	**88,889**

Share capital Ordinary shares

Thousands of shares	2018	2017
Issued at January 1	96,824	96,824
Cash issue	48,412	–
Issued at December 31 – paid	**145,236**	**96,824**

Allocation of profit/loss

SEK	
Share premium reserve	46,868,270
Profit brought forward	52,306,258
Loss for the year	-34,895,412
Total	**64,279,116**

At December 31, 2018, the registered share capital comprised 145,236,480 ordinary shares with a quotient value of 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 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 2018 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 14: EARNINGS PER SHARE

	Before dilution		After dilution	
SEK	2018	2017	2018	2017
Earnings per share	-0.27	-0.89	-0.27	-0.89

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 2018 was based on loss for the year attributable to the Parent Company's ordinary shareholders amounting to a loss of SEK 36,878 thousand (loss: 108,793) and on a weighted average number of shares outstanding during 2018 totaling 137,492,381 (122,256,024). The two components were calculated in the following manner:

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

SEK thousands	2018	2017
Loss for the year attributable to the Parent Company's shareholders	-36,878	-108,793

Weighted average number of outstanding ordinary shares, before dilution

Thousands of shares	2018	2017
Total number of ordinary shares at January 1	96,824	96,824
Effect of new share issues	40,668	25,432
Weighted average number of ordinary shares during the year, before dilution	**137,492**	**122,256**

The number of shares in 2017 was recalculated due to the rights issue that took place in 2018 in order to correct the bonus element of the issue.

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 there are no potential ordinary shares that could give rise to a dilutive effect.

NOTE 15: INTEREST-BEARING LIABILITIES

Interest-bearing liabilities, Group

SEK thousands	2018	2017
Long-term liabilities		
Finance lease liabilities	104	297
Total	**104**	**297**
Short-term liabilities		
Short-term portion of bank loan	204,053	209,433
Short-term portion of finance lease liabilities	193	682
Total	**204,246**	**210,115**

The company's property loan contains a covenant that the company's liquidity should never fall below SEK 30 M, a level reached by the end of 2017. Due to the covenant breach, the loan was reclassified to short term as of December 31, 2017. In March 2018, the company agreed with the lending bank that this covenant of liquidity never falling below SEK 30 M would be waived. In conjunction with this, the parties agreed on additional terms for the property loan, including a covenant for the company to divest the Lund Forskaren 1 property not later than the end of 2018, and to repay the loan not later than 18 months after the date the agreement was concluded.

The company announced in December 2018 that it had agreed with the bank that the process of divesting the property would continued after year-end 2018. The property was divested in April 2019 and the loan was repaid at that time.

Finance leases

The portion of long-term interest-bearing liabilities that pertains to finance leases in the Group comprises future lease payments attributable to agreements.

The obligations pertaining to finance leases mature as follows:

SEK thousands	Amortization	Interest	Total payment
Within one year	193	8	201
Between one and five years	104	7	111
Later than five years	–	–	–
Total	**297**	**15**	**312**

Amortization due within one year is recognized as a short-term liability. Interest on finance leases is linked to the floating market interest rates.
For further information concerning interest and maturity structures, see Note 19.

NOTE 16: OTHER SHORT-TERM LIABILITIES

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Personnel tax at source	303	492	303	492
VAT	26	827	–	–
Total	**329**	**1,319**	**303**	**492**

NOTE 17: ACCRUED EXPENSES AND DEFERRED INCOME

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Accrued vacation liability, including social-security costs	1,791	3,170	1,791	3,170
Accrued employer's contributions	196	303	196	303
Other accrued personnel costs	1,301	1,649	1,301	1,649
Accrued Board fees, including social-security costs	771	771	771	771
Accrued auditors' fees	300	300	300	300
Accrued interest	641	632	–	–
Accrued property expenses	597	1,023	597	1,023
Accrued costs, redundancies	189	2,689	189	2,689
Other items	29	205	29	204
Total	**5,815**	**10,742**	**5,174**	**10,109**

NOTE 18: 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 2018

SEK thousands	Financial assets measured at amortized cost	Mandatorily measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount
Other long-term receivables	1	–	–	1
Accounts receivable	210	–	–	210
Short-term investments	–	20,632	–	20,632
Cash and bank balances	4,920	–	–	4,920
Total	**5,131**	**20,632**	**–**	**25,763**
Long-term interest-bearing liabilities	–	–	104	104
Short-term interest-bearing liabilities	–	–	204,246	204,246
Accounts payable	–	–	3,988	3,988
Accrued expenses	–	–	641	641
Total	**–**	**–**	**208,979**	**208,979**

Group 2017

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	5	–	–	5
Short-term investments	–	19,728	–	19,728
Cash and bank balances	5,424	–	–	5,424
Total	**5,430**	**19,728**	**–**	**25,158**
Long-term interest-bearing liabilities	–	–	297	297
Short-term interest-bearing liabilities	–	–	210,115	210,115
Accounts payable	–	–	3,629	3,629
Accrued expenses	–	–	632	632
Total	**–**	**–**	**214,673**	**214,673**

Disclosure regarding the determination of fair value

Group 2018

SEK thousands	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		20,632		20,632

Group 2017

Group 2017	Nivå1	Nivå2	Nivå3	Total
Short-term investments – on a par with cash and cash equivalents		19,728		19,728

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 2018

SEK thousands	Financial assets measured at amortized cost	Mandatorily measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount
Long-term receivables	1	–	–	1
Accounts receivable	176	–	–	176
Short-term investments	–	20,632	–	20,632
Cash and bank balances	3,572	–	–	3,572
Total	3,749	20,632	–	24,381
Accounts payable	–	–	3,988	3,988
Total	**–**	**–**	**3,988**	**3,988**

Parent Company 2017

SEK thousands	Accounts and loan receivables	Financial assets/liabilities measured at fair value through profit or loss	Other financial liabilities	Total carrying amount
Long-term receivables	1	–	–	1
Accounts receivable	–	–	–	–
Short-term investments	–	19,728	–	19,728
Cash and bank balances	1,457	–	–	1,457
Total	1,458	19,728	–	21,186
Accounts payable	–	–	3,629	3,629
Total	**–**	**–**	**3,629**	**3,629**

NOTE 19: 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 25,552 thousand (25,152) at December 31, was invested at a floating interest rate, which fluctuated between -0.7 and 0.4 percent (-0.1 and 0.2) 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 company's loans have a fixed-interest period of three months.

The Group's financing sources mainly comprise shareholders' equity, bank loans for financing of property holdings and liabilities for finance lease commitments. Outstanding interest-bearing liabilities are recognized in Note 15 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 1.8 M (2.1).

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. Since Active Biotech has loans that mature on different dates, the financing risk can be reduced.

The liabilities comprise a short-term property loan, a small bank loan and finance 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. The term of the bank loan for the property is until further notice, although the credit provider can terminate the agreement and demand payment with a two-month notice period. Pursuant to the requirements stipulated in IFRS 7, the liability has thus been assigned a time interval of one to three months. The property was divested in April 2019 and the loan was repaid at that time.

Group 2018

SEK thousands	Nominal amount original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1 – 5 years	5 years and longer
Bank loans, SEK		204,053	–	204,053	–	–	–
Finance lease liabilities, SEK		297	32	18	143	104	–
Accounts payable, SEK		3,988	3,988	–	–	–	–
Total		**208,338**	**4,020**	**204,071**	**143**	**104**	**–**

Group 2017

SEK thousands	Nominal amount original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1 – 5 years	5 years and longer
Bank loans, SEK		209,433	–	209,433	–	–	–
Finance lease liabilities, SEK		979	54	152	476	297	–
Accounts payable, SEK		3,629	3,608	21	–	–	–
Total		**214,041**	**3,662**	**209,606**	**476**	**297**	**–**

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 2018, foreign currencies accounted for 3 percent of revenues while the equivalent figure for operating expenses was 5 percent.

Sensitivity analysis: A change in exchange rates of plus/minus 10 percent would impact the Group's earnings in the amount of plus/minus SEK 0 M (0) in relation to EUR and plus/minus SEK 0 M (0) 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. The Group also conducts property management and believes that the credit risk linked to these receivables is low. Credit losses or impairment of possible credit losses were charged against earnings in the amount of SEK 0.0 M (0.0).

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.

Maturity analysis, accounts receivable

	2018		2017	
SEK thousands	Carrying amount	Collateral	Carrying amount, unimpaired receivable	Collateral
Accounts receivable, not due	210	–	5	–
Accounts receivable, due 0 – 30 days	–	–	–	–
Accounts receivable, due >30 days – 90 days	–	–	–	–
Accounts receivable, due >90 days – 180 days	–	–	–	–
Accounts receivable, due >360 days	–	–	–	–
Total	**210**	**–**	**5**	**–**

NOTE 20: PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Pledged assets

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
In the form of assets pledged for own liabilities and provisions				
Property mortgage	260,000	260,000	–	–
Assets with ownership reservation	297	979	297	979
Total	**260,297**	**260,979**	**297**	**979**
Other collateral provided and pledged assets				
Pension insurances	40,782	37,191	40,782	37,191
Total pledged assets	**301,079**	**298,170**	**41,079**	**38,170**
Contingent liabilities				
Guarantees for the benefit of Group companies	–	–	204,053	209,433
Total contingent liabilities	**–**	**–**	**204,053**	**209,433**

NOTE 21: GROUP COMPANIES

Holdings in subsidiaries

(SEK thousands)	Corp. Reg. No.	Registered office	No. of shares/ percentage	Nominal value	Carrying amount Dec. 31, 2018	Carrying amount Dec. 31, 2017
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	2018	2017
Cost, January 1	40,550	40,550
Accumulated cost, December 31	**40,550**	**40,550**
Impairment, January 1	-50	–
Impairment for the year	–	-50
Accumulated impairment, December 31	**-50**	**-50**
Carrying amount, December 31	**40,500**	**40,500**

NOTE 22: SUPPLEMENTARY DATA TO THE CASH-FLOW STATEMENT

SEK thousands	Group		Parent Company	
	2018	2017	2018	2017
Interest paid and dividends received				
Interest received	–	14	–	14
Interest paid	-7,057	-7,155	-6	-5
Total	**-7,057**	**-7,141**	**-6**	**9**
Adjustments for non-cash items				
Depreciation/amortization and impairment of assets	447	56,589	–	72,916
Total	**447**	**56,589**	**–**	**72,916**
Transactions not involving payment				
Acquisition of assets through finance leases	–	212		
Cash and cash equivalents				
Cash and cash equivalents consist of the following components:				
Cash and bank balances	4,920	5,424	3,572	1,457
Short-term investments	20,632	19,728	20,632	19,728
Total	**25,552**	**25,152**	**24,204**	**21,185**

Reconciliation of liabilities deriving from financing activities, Group

SEK thousands	Closing balance, Dec. 31, 2017	Cash flows	Changes that do not affect cash flow		Closing balance, Dec. 31, 2018
			New leases	Exchange-rate differences	
Interest-bearing liabilities	209,433	-5,380	–	–	204,053
Lease liabilities	979	-682	–	–	297
Total liabilities deriving from financing activities	**210,412**	**-6,062**	**0**	**–**	**204,350**

SEK thousands	Closing balance, Dec. 31, 2016	Cash flows	Changes that do not affect cash flow		Closing balance, Dec. 31, 2017
			New leases	Exchange-rate differences	
Interest-bearing liabilities	214,688	-5,255	–	–	209,433
Lease liabilities	1,590	-823	212	–	979
Total liabilities deriving from financing activities	**216,278**	**-6,078**	**212**	**–**	**210,412**

NOTE 23: 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 the valuation of the Forskaren 1 property as well as assumptions regarding the company's financing and continued operation.

Property
The company sold the Forskaren 1 property on April 5, 2019 to the property company Estea for a purchase price of SEK 275 M. The company conducted operations in the property and leased premised to other companies in 2018 and until the sale. On assignment from the company, Thomas Ahlbeck Fastighetsekonomi AB performed a valuation of the property at the end of 2018 (see Note 10). The estimated market value is based on assumptions on future revenues, expenses, vacancy levels and the value trend of similar properties. At December 31, 2018, the property's market value was estimated at SEK 275 M.

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, revenues from collaboration agreements and the sale of the company's property. 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 ANYARA 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 24: EVENTS AFTER THE END OF THE FISCAL YEAR

The company announced in February 11, 2019 that NeoTX had entered collaboration with AstraZeneca to evaluate ANYARA in combination with IMFINZI® (durvalumab) in the upcoming Phase Ib/II study.

The company announced on March 13, 2019 that the company had entered into an agreement regarding the sale of the company's property Forskaren 1 in Lund, Sweden, with a newly formed investor collective led by the real estate company Estea AB. The purchase price amounted to SEK 275 M. The sale was conditional on Active Biotech's shareholders approving the sale at an Extraordinary General Meeting on April 4, 2019. In accordance with the Board's proposal, the Meeting approved the sale and the purchase took place on April 5, 2019.

NOTE 25: RELATED-PARTY TRANSACTIONS

Close relationships
With regard to the Group's and Parent Company's subsidiaries, see Note 21. The composition of the Board and information relating to senior executives is presented on pages 42 and 43.

Related-party transactions
During the year, no transactions with shareholders or members of the Board took place apart from the remuneration concerning Board fees presented in Note 6.

For information concerning transactions with key individuals in managerial positions, see Note 6.

In 2018, the Parent Company's sales of services to Group companies totaled SEK 19,206 thousand (18,202). The Parent Company's purchases of services from subsidiaries amounted to SEK 8,289 thousand (13,681) in 2018. The Parent Company's receivables and liabilities relative to the subsidiaries as per December 31, 2018 are presented in the Parent Company's balance sheet.

NOTE 26: 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 2018 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 25, 2019. 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 23, 2019.

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 25, 2019
The Board of Directors of Active
Biotech AB (publ)

Mats Arnhög
Chairman

Magnhild Sandberg-Wollheim
Board member

Peter Sjöstrand
Board member

Peter Thelin
Board member

Helén Tuvesson
President & CEO

We submitted our Audit Report on April 25, 2019
KPMG AB

Linda Bengtsson
Authorized Public Accountant

AUDIT 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 2018. The annual accounts and consolidated accounts of the company are included on pages 44-93 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 2018 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 2018 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 Board of directors 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 2019 in the Directors' report on pages 47-49 and 51 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 ANYARA but also on performing activities to identify partners for the continued development of tasquinimod, paquinimod, laquinimod and the early pre-clinical projects of the SILC-program.

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 ANYARA or any of its other projects generates revenue.

In april 2018, a share issue that contributed 47 SEK million to the company was performed. Management has also run a process to sell the Company's property. A sales agreement was reached in March 2019. The agreement was approved by an extraordinary general meeting on April 4, 2019. After repayment of property loans, the sale contributes approximately 70 SEK million in cash to the Company.

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:

- Expected cash flow from the sale of the property
- 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.

Valuation of property

See disclosure 10 and accounting principles on page 67 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of the property Forskaren 1 is 272 SEK million, representing 90% of total assets of the group.

The property is until the second quarter 2017 valued in accordance with the revaluation model, which means that it is valued at fair value less accumulated depreciation and adjustments for revaluations. As a consequense of the board decision to divest the property, it was reclassified during the second quarter 2017 to Asset held for sale. The property is thereafter valued at fair value less cost to sell.

The fair value estimate as at 31 December 2018 is based on an external, independent valuation. The valuation is conducted based on a market simulation through a yield-based market value assessment and through the local market price method.

There is a risk that the assessments underpinning the carrying value of the property can turn out to be incorrect, wherby an adjustment of the value would have an direct effect on the comprehensive income of the year.

The property was divested in April 2019 for a sales price of 275 SEK million.

Response in the audit

We have assessed the competence and independence of the external property valuer with the purpose to evaluate if there are any circumstances that may have affected the valuer's competence or independence when performing the valuation.

We have tested the performed valuation by using market data from sources independent from the group, especially assumptions regarding yield, rents and vacancies.

We have also reviewed the sales agreement in which the property has been divested for an amont corresponding to the book value of 275 SEK million.

Furthermore, we have assessed the content of the disclosures made relating to the valuation as presented in the annual accounts and the consolidated accounts.

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 1-37, 42-43 and 101-104. 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.

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, 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 2018 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.

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 17, 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1999.

Malmö 25 April 2019

KPMG AB

Linda Bengtsson
Authorized Public Accountant

SUMMARY OF FINANCIAL DEVELOPMENT

SEK M	2018	2017	2016	2015	2014
Income statement					
Net sales	20.1	20.2	19.0	16.3	10.4
Operating expenses	-49.9	-122.7	-74.1	-194.2	-238.8
(of which, depreciation/amortization)	-0.4	-6.1	-11.8	-12.0	-12.3
Operating loss	**-29.8**	**-102.5**	**-55.1**	**-177.9**	**-228.4**
Net financial expense	-7.0	-7.4	-6.7	-6.8	-5.3
Loss before tax	**-36.9**	**-109.9**	**-61.8**	**-184.7**	**-233.7**
Tax	–	1.1	2.2	-8.8	2.2
Loss for the year	**-36.9**	**-108.8**	**-59.6**	**-193.5**	**-231.5**
Balance sheet					
Tangible fixed assets	1.3	1.7	328.1	329.8	381.6
Financial fixed assets	0.0	0.0	0.0	0.0	0.0
Other current assets	275.6	276.9	7.1	16.0	12.4
Cash and cash equivalents	25.6	25.2	77.7	103.6	328.5
Total assets	**302.4**	**303.8**	**412.9**	**449.4**	**722.5**
Shareholders' equity	87.9	77.7	182.6	180.6	405.3
Interest-bearing provisions and liabilities	204.4	210.4	216.3	222.8	229.5
Non interest-bearing provisions and liabilities	10.1	15.7	14.0	46.0	87.7
Total shareholders' equity and liabilities	**302.4**	**303.8**	**412.9**	**449.4**	**722.5**
Condensed cash-flow statement					
Cash flow from operating activities before changes in working capital	-36.4	-53.3	-50.0	-172.7	-221.5
Changes in working capital	-4.2	6.9	-23.1	-45.2	-45.6
Cash flow from investing activities	–	–	–	–	-1.9
Cash flow from financing activities	41.0	-6.1	47.2	-6.9	221.3
Cash flow for the year	**0.4**	**-52.5**	**-25.9**	**-224.8**	**-47.7**
Key figures					
Equity/assets ratio, %	29	26	44	40	56
Earnings per share (SEK)	-0.27	-0.89	-0.65	-2.13	-3.02
Dividends (SEK)	0	0	0	0	0
Research and development costs (SEK M)	-40.5	-49.4	-58.2	-176.2	-221.9
Average number of employees	16	17	28	55	58
Salary expenses, incl. social-security costs (SEK M)	-19.8	-29.7	-28.4	-67.9	-60.6
Number of shares at end of period (thousands)	145,236	96,824	96,824	89,908	74,924

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.

GLOSSARY

ANYARA – Active Biotech's candidate drug to develop naptumumab for the treatment of cancer in cooperation with NeoTX.

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.

BDNF – Brain Derived Neurotrophic Factor – a protein that stimulates nerve growth.

CNS – Central nervous system.

EMA – European Medicines Agency.

Pharmacokinetics – Study of how drugs change in the body from absorption to excretion; studies how and when the drug is distributed to the target organ and how it is absorbed there.

Phase I 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.

FASS Farmaceutiska Specialiteter i Sverige – Swedish Medicines Information portal.

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

Huntington's disease – A hereditary neurological disease.

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 neurodegenerative diseases.

Lupus – Refer to SLE.

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.

mCRPC – Metastatic castrate-resistant prostate cancer.

MS – Multiple sclerosis, a chronic autoimmune neurodegenerative disease.

Multiple Myeloma – A bone marrow cancer.

NeoTX – NeoTX Therapeutics Ltd, Active Biotech's partner for ANYARA.

Naptumumab Estafenatox (naptumumab) – Active Biotech's candidate drug being developed in cooperation with NeoTX.

NeoTX – Active Biotech's partner for the ANYARA project.

Neurodegenerative – Degenerative for the nervous system.

Paquinimod – Active Biotech's candidate drug in the 57-57 project against systemic sclerosis.

Patent – Exclusive rights to a discovery or invention.

PFS – Progression-free survival.

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

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

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

RRMS – Relapsing remitting multiple sclerosis.

SILC – Active Biotech's preclinical project, "S100A9 Inhibition by Low molecular weight Compounds".

SLE – Systemic lupus erythematosus; a chronic autoimmune disease.

Systemic sclerosis – A rare disease of the connective tissue.

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

Tasquinimod – Active Biotech's candidate drug for the treatment of multiple myeloma, among other diseases.

Teva – Teva Pharmaceutical Industries Ltd, Active Biotech's partner for laquinimod.

2018

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

Active Biotech AB (publ)
Scheelevägen 22
Box 724, SE-220 07 Lund, Sweden
+46 (0)46 19 20 00
www.activebiotech.com

Active Biotech