Active Biotech

2022

ANNUAL REPORT 2022 | ACTIVE BIOTECH AB

During the year, we realized significant progress in our projects

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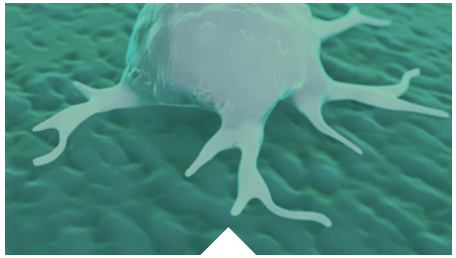

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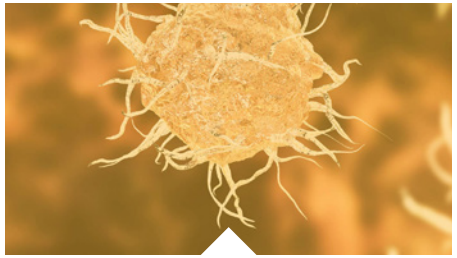

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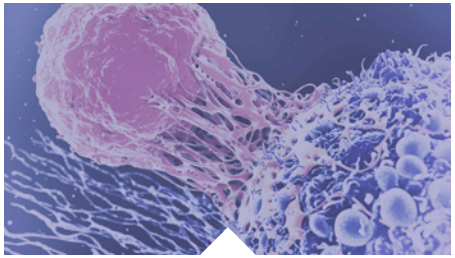

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This Annual Report contains certain forward-looking information on Active Biotech. Although we believe that our expectations are based on reasonable assumptions, forward-looking statements could be affected by factors causing the actual outcome and 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.

INTRODUCTION

Active Biotech in Brief

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

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

Active Biotech has three programs in development, the wholly owned projects tasquinimod and laquinimod, and naptumomab in partnership with NeoTX Therapeutics Ltd (NeoTX).

TASQUINIMOD

Tasquinimod represents a new drug class with a novel mode of action that is developed for treatment of hematological malignancies. Within this disease area there is an urgent need of efficacious and safe treatments including drugs with novel mode of actions to mitigate drug resistance.

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

LAQUINIMOD

Laquinimod is a first-in-class immunomodulator with a novel mode of action that is developed for treatment of inflammatory eye disorders, including uveitis. Extensive data support that laquinimod is a potent inhibitor of uveitis in preclinical experimental models.

Laquinimod is being developed as an oral and topical formulation for these diseases. An eye drop formulation is currently investigated in a phase I study.

NAPTUMOMAB

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

Naptumomab is developed in partnership with NeoTX for the treatment of solid cancer forms. Naptumomab is currently investigated in clinical phase Ib/II and IIa studies.

2022 in Brief

DECEMBER
Phase I Multiple dose study of laquinimod recruited final patient

JANUARY 4
Active Biotech appointed Erik Vahtola as Cheif Medical Officer

DECEMBER 13
Preclinical data with tasquinimod in MDS presented at ASH 2022

FEBRUARY 7
Active Biotech announces first patient dosed in the combination part of the phase Ib/IIa study of tasquinimod in multiple myeloma

OCTOBER 24
Active Biotech further strenghtens the patent protection in US for laquinimod in eye disorders

FEBRUARY 9
The company enters into global patent license agreement with Oncode Institute for tasquinimod in myelofibrosis

SEPTEMBER 7
Active Biotech announces final outcome of the company's right issue

APRIL 26
Strengthened patent protection for laquinimod in eye disorders

AUGUST 4
Active Biotech announces a rights issue of approximately SEK 55 million

MAY 18
FDA grants orphan drug designation for tasquinimod in myelofibrosis

JUNE 1
Successful completion of the first stage of the phase IIa clinical trial of naptumomab in combination with docetaxel. The study enrolls into second stage.

Key Figures

Net sales
0.0
SEK M
(2021: 0.0)

Operating loss
-57.9
SEK M
(2021: -49.8)

Loss for the year
-58.4
SEK M
(2021: -49.8)

Earnings per share
-0.25
SEK/share
(2021: -0.23)

Equity/assets ratio
68
%
(2021: 82)

Financial Calendar

2023 **4** May	2023 **24** May	2023 **24** August	2023 **9** November	2024 **8** February
Interim Report Q1	Annual General Meeting	Interim Report Q2	Interim Report Q3	Year-end Report 2023

Helén Tuvesson
Chief Executive Officer

we continued to broaden the foundation for the development of our projects

Comments from the CEO

Our efforts to establish a clinical position for tasquinimod and laquinimod, the company's fully owned projects within hematological cancers and inflammatory eye disorders, successfully advanced in 2022. During the year, we realized significant progress in both projects.

The ongoing phase Ib/IIa clinical trial in multiple myeloma with tasquinimod progressed into combination therapy, and we entered into a global patent license agreement with the Oncode Institute preparing for start of a clinical proof-of-concept trial with tasquinimod in myelofibrosis. The clinical testing of a proprietary developed eye drop formulation of laquinimod in phase I in healthy subjects continued without any safety issues reported.

With Naptumomab, which is developed in collaboration with our partner NeoTX, two ongoing clinical trials in patients with advanced solid tumors are progressing towards results during 2023. A rights issue to provide us with the financial stability required to reach clinically important milestones was successfully concluded in early September.

Tasquinimod – broadening into myelofibrosis

In the beginning of 2022, we reported that the first patient was dosed in the combination part of the phase Ib/IIa study of tasquinimod in multiple myeloma, ongoing at the Abramson Cancer Center in Philadelphia, PA. In this part, tasquinimod is combined with oral anti-myeloma agents, i.e., ixazomib, lenalidomide and dexamethasone. The use of tasquinimod as a novel type of treatment for multiple myeloma in combination with treatments used for earlier stage patients, is aligned with our current understanding of the mode of action of tasquinimod. For more information of the study, see www.clinicaltrials.gov: NCT4405167. In December 2022, a publication on tasquinimod's mode of action and related preclinical data in multiple myeloma was accepted for publication in Journal of Immunotherapy for Cancer, Rong Fan et al. J Immunother Cancer 2023 Jan;11(1). The article is a result of our collaboration with Dr. Kim De Veirman and her research group at Brussels Health Campus VUB, Brussels.

In February, we announced a global patent license agreement with Oncode Institute, acting on behalf of Erasmus MC, for tasquinimod in myelofibrosis. Under the agreement, Oncode Institute grants to Active Biotech a global exclusive license to develop and commercialize tasquinimod in myelofibrosis, and Oncode will finance the initial clinical study. The agreement with Oncode/Erasmus is a major step in exploring the therapeutic potential of tasquinimod in myelofibrosis with a strong pre-clinical evidence base, and the financing provided from this agreement is an important contribution in advancing now. We are working together to further explore the opportunity of tasquinimod in this disease. A preclinical collaboration is established with Dr. Rebekka Schneider and her research group at Erasmus MC.

> *Tasquinimod was granted US orphan drug designation status for use in myelofibrosis*

In parallel, preparations are ongoing to start a clinical proof of concept study, financed by Oncode at sites in Europe. The study will be conducted within the HOVON organisation, a Dutch foundation for improving treatment methods for patients with malignant hematological disorders. Like Dr Schneider approached us for a collaboration on tasquinimod in myelofibrosis, we were also contacted by MD Anderson for a preclinical collaboration on tasquinimod in myelofibrosis. Since last year the collaboration with MD Anderson, in Houston, TX, is ongoing. The first step focuses on preclinical studies with a possibility to advance into a clinical trial in myelofibrosis in the US.

In May, we reported that tasquinimod was granted US orphan drug designation status for use in myelofibrosis by the Food and Drug Administration (FDA). This represents an important step forward since it opens an important regulatory pathway and provides us with the potential to rapidly advance the development of tasquinimod in this patient population.

Preclinical data on tasquinimod were presented at a poster presentation at the ASH 2022 meeting. The poster highlighted tasquinimod's potential effect in myelodysplastic syndromes (MDS), which might further broaden the potential use of tasquinimod in the hematological field. The experiments are performed in collaboration with an academic group at the University Hospital in Dresden.

Laquinimod – clinical development moves forward – ready for next study in patients

For laquinimod, which is developed as a new treatment for inflammatory eye disorders, the predominant goal in 2022 was to complete the clinical safety evaluation of the proprietary developed eye drop formulation in a combined single and multiple dose phase I study in healthy subjects. The single-ascending dose part and the first repeated dosing part of the study have been completed without any safety issues reported at dose levels expected to achieve therapeutic concentrations. To ensure an optimal dose for the continued clinical development, the study was amended to include a higher repeated dose level. At the end of January this year, we presented the first results from the study that

confirmed the safety profile of laquinimod eye drops. The eye drops were well tolerated, and no adverse events were reported. The study is now being fully analysed and, in parallel, a clinical phase II study with laquinimod in patients with uveitis is being planned to start late in 2023.

In 2022, we continued to strengthen the patent protection around laquinimod in eye disorders. In April, we reported that a patent was granted in Europe, covering the use of laquinimod for the treatment of sight-threatening eye disorders, e.g., age-related macular degeneration (wet AMD), corneal neovascularization, choroidal neovascularization, proliferative diabetic retinopathy, retinopathy of prematurity and ischemic retinopathy. This was followed up in October with a patent granted in the US. The issued patents provide protection and market exclusivity in this field of use until 2040.

Based on its preclinical data, laquinimod has the potential to be used in the treatment of serious eye disorders like non-infectious uveitis which is well-known cause of blindness in the western world. We will now continue the clinical development of laquinimod in patients with uveitis. The standard first line treatment for these patients is corticosteroids and there is a significant market opportunity for a novel drug in this disease indication.

Naptumomab – advancing towards results

In June, together with our partner NeoTX, we announced the successful completion of the first stage of the ongoing phase IIa clinical trial of naptumomab in combination with docetaxel in patients with advanced non-small cell lung cancer (NSCLC) and that the study is now enrolling into the second stage. This study is conducted at several sites in the US and enrolls patients with progressive disease that are previously treated with a checkpoint inhibitor. The primary endpoint is objective response rate, with secondary endpoints including response duration and survival. The study is ongoing according to plan, and the first results are expected to be reported towards late 2023. For detailed information about the study, see www.clinicaltrials.gov: NCT04880863.

In parallel, NeoTX is finishing the phase Ib/II study which is conducted under an agreement with AstraZeneca, in combination with the checkpoint inhibitor durvalumab in patients with selected advanced solid tumors. NeoTX expect to report on the results and start of phase II cohort studies during the first half of 2023. For more information about the study, see www.clinicaltrials.gov: NCT03983954.

The past year brought significant progress in our projects, and we continued to broaden the foundation for the development of our projects in diseases with unmet need for novel treatments. With finances secured to provide the company with the financial stability required to reach clinically important milestones, I look forward to an exciting 2023. We will keep you updated as we advance in our projects.

In closing, I wish to thank the entire Active Biotech team and our shareholders for your loyal support.

Helén Tuvesson, CEO

GOAL AND STRATEGY

The business model of Active Biotech aims to advance projects in indications with high medical need and commercial value potential in cancer and inflammatory diseases. There are solid preclinical data supporting the new programs. Furthermore, the previously generated data for tasquinimod and laquinimod can be leveraged to accelerate development in a cost-effective way.

THE COMPANY'S DIRECTION

Active Biotech is focused on specialist indications within oncology and inflammation with significant commercial value potential. The company has three projects, the fully owned projects tasquinimod and laquinimod, and naptumomab in partnership with NeoTX. The development is ongoing for the projects according to targets set. Several clinical milestones are projected through 2023 (see projected clinical milestones, page 10).

PARTNERSHIPS

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

Business Concept

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

GOAL

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

ASSETS

- **Projects in specialist indications** within oncology and inflammation with high commercial potential and opportunity to leverage existing clinical data
- **Experienced team** with dedicated collaborators
- **Board with extensive expertise** and complementary skills
- **International network** of KOLs and experts
- **Strong** academic **partnerships**
- Activities and **plans financed** through 2023
- **Listed on Nasdaq,** Stockholm with Market Cap of 252 MSEK at February 28, 2023
- **Strong shareholder base,** incl MGA Holding, Sjuenda Holding, AP3 and AP4

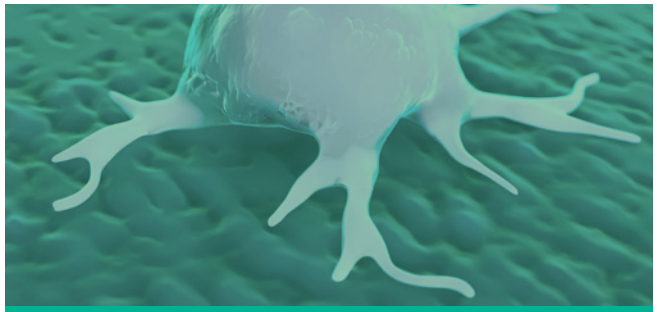
BUSINESS STRATEGY

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

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

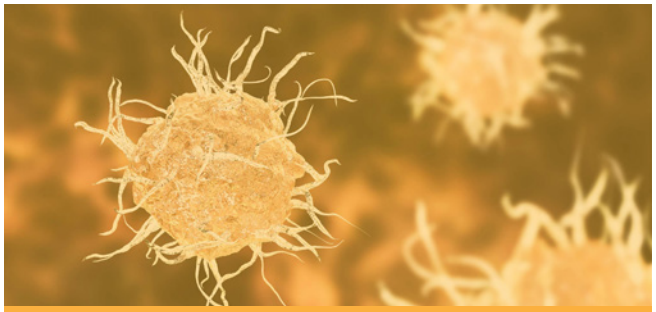
Projected Clinical Milestones Through 2023

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



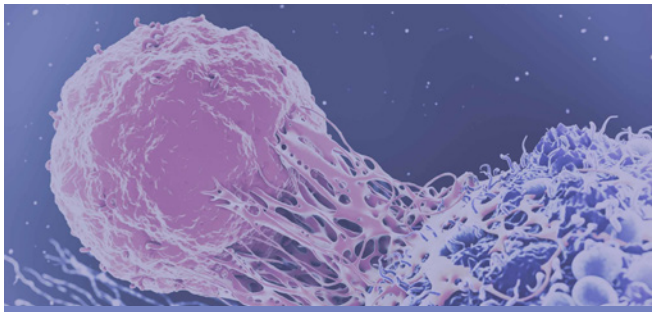
Tasquinimod

- Ph Ib/IIa MM combination with IRd: Readout safety and start expansion, H1 2023
- Ph II Myelofibrosis: Start of Proof-of-Concept study, H2 2023



Laquinimod

- ✓ Ph I with eye drop: Study completed, H1 2023
- Clinical study in patients: Start of study, H2 2023



Naptumomab

- Ph Ib/II combination with durvalumab: Read-out safety, H1 2023
- Ph IIa combination with docetaxel in lung cancer: Read-out efficacy, H2 2023

OUR BUSINESS

We Develop New Treatments for Cancer and Inflammatory Diseases

We leverage our extensive knowledge and previously generated documentation on our assets to develop novel treatments for specialist indications with high medical need and commercial value within cancer and inflammatory eye disorders. We have a stringent focus on our projects in hematological malignancies, uveitis and in solid tumors for naptumomab in partnership with NeoTX.

Active Biotech currently holds three projects in its portfolio: Tasquinimod is developed as a novel product class in hematological malignances including multiple myeloma. Laquinimod is developed as a treatment of inflammatory eye disorders including uveitis – a disease with unmet medical need. Naptumomab is a tumor targeting immunotherapy developed since 2016 in partnership with NeoTX.

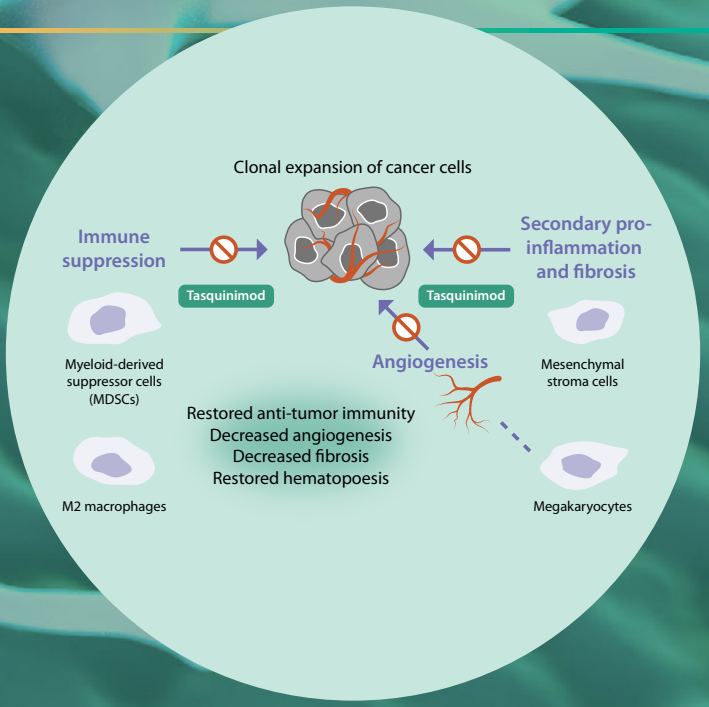
There are solid preclinical data supporting the programs. Furthermore, the previously generated data for tasquinimod and laquinimod can be leveraged to accelerate development in a cost-effective way.

Pipeline

The business model of Active Biotech aims to advance projects in indications with unmet medical need and commercial value potential in cancer and inflammatory diseases.

* In an academic partnership with the Abramson Cancer Center, Philadelphia, University of Pennsylvania
** Study preparations ongoing

Active Biotech has an ongoing study in multiple myeloma and is preparing for start of a study in myelofibrosis



Tasquinimod – Treatment of Hematological Malignancies

Tasquinimod is a small molecule immunomodulator and represents a new drug class with a mode of action that is complementary to current therapies. Tasquinimod is developed for the treatment of hematological malignancies with high medical need. Currently a phase Ib/IIa study is conducted in multiple myeloma.

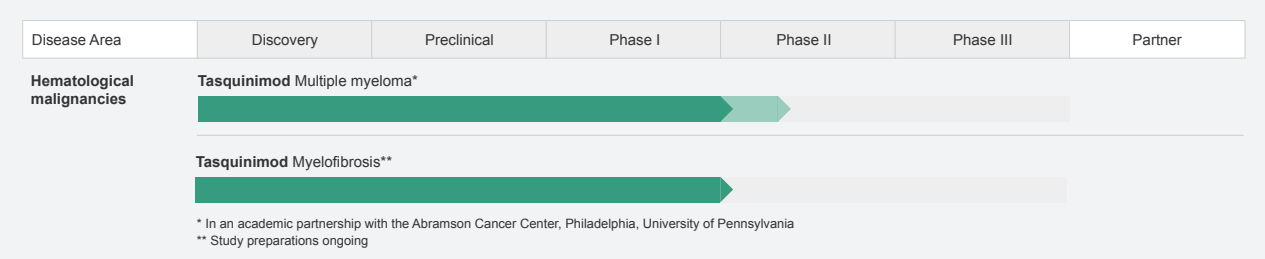
The immunosuppressed tumor microenvironment in the bone marrow is essential for development of multiple myeloma and a key driver of disease relapses and development of resistance to treatment. Tasquinimod targets suppressive immune cells in the tumor microenvironment, specifically immunosuppressive myeloid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

COLLABORATION IN MYELOFIBROSIS

In February 2022, Active Biotech entered into a global patent license agreement with Oncode Institute, acting on behalf of Erasmus MC, for tasquinimod in myelofibrosis. Under the agreement, Oncode Institute grants to Active Biotech a global exclusive license to develop and commercialize tasquinimod in myelofibrosis. Oncode will also fund the initial clinical study in myelofibrosis that we are planning to start during 2023. Active Biotech will pay to Oncode Institute, contingent of marketing approval, milestones as well as low single-digit royalties on net sales.

ONGOING CLINICAL DEVELOPMENT

Based on preclinical data and the previous clinical experience with tasquinimod, a clinical study was initiated in multiple myeloma, and the first patient was dosed in August 2020. The study recruits relapsed refractory



multiple myeloma patients after at least one prior anti-myeloma therapy and is conducted in two parts: the first part (A) assessing monotherapy effect of tasquinimod, and the second part (B) studying the combination of tasquinimod and an oral standard anti-myeloma regimen (IRd; ixazomib, lenalidomide, dexamethasone). Primary endpoint in both parts is safety and tolerability, and key secondary endpoint is preliminary efficacy by objective response rate.

Important milestones were reached in October, 2021 and February, 2022, respectively. In October, 2021, ten patients in part A had been treated with increasing doses of tasquinimod and the safety read-out showed that tasquinimod was generally well tolerated. The optimal dose and schedule of tasquinimod, when used as a single agent in patients with multiple myeloma has been established at 1 mg per day after a one-week run in of 0.5 mg daily. This is similar to the treatment schedule used in previous studies of tasquinimod. The patients included in this study phase were heavily pre-treated, with a median of 8 prior lines of therapy; 8 of the 10 patients were triple-class refractory to Imids, proteasome inhibitors, and anti-CD38 monoclonal antibodies. While none of the patients formally achieved a partial response, two patients with progressive myeloma at study entry achieved significant periods of stable disease on single-agent tasquinimod therapy. This suggests that tasquinimod has anti-myeloma activity in patients with advanced disease that is resistant to established therapies. In February, 2022, the trial subsequently advanced to the previously planned combination part of the phase Ib/IIa clinical study, in which treatment with tasquinimod will be tested in patients with multiple myeloma together with the orally administered anti-myeloma agents ixazomib, lenalidomide, and dexamethasone (IRd).

The study is carried out in an academic partnership with Abramson Cancer Center in Philadelphia, PA, US, with Dr. Dan Vogl as the principal investigator. More information about the study is available at clinicaltrials.gov (NCT04405167). In collaboration with a research group at Erasmus MC, the Netherlands, Active Biotech will explore myelofibrosis as a new indication for tasquinimod within blood cancers. Preparations are ongoing for start of a study in myelofibrosis.

In May 2022 FDA granted orphan drug designation for tasquinimod in myelofibrosis.

OBJECTIVES FOR 2023

- Multiple myeloma: Complete the dose escalation in part B1 of the ongoing phase Ib/IIa study and start the cohort expansion B2 at the defined dose of the IRd combination
- Myelofibrosis: Start of a proof-of-concept study in myelofibrosis
- Explore options for commercial and development partners

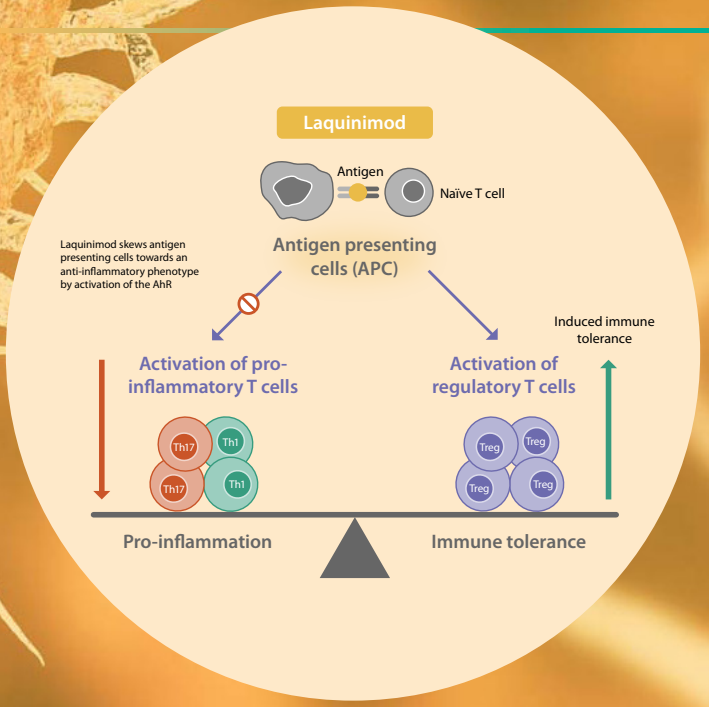
CLINICAL EXPERIENCE OF TASQUINIMOD

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

Key publications

1. Tasquinimod supresses tumor cell growth and bone resorption by targeting immunosuppressive myeloid cells and inhibiting c-MYC expression in multiple myeloma. Fan R. et a., Journal for Immuno Therapy of Cancer 2023 Jan;11(1)
2. S100A8/S100A9 Promote Progression of Multiple Myeloma via Expansion of Megakaryocytes. Lin C. et al., Cancer Res Commun. 2023 13;3(3):420-430.
3. Heterogeneous bone-marrow stromal progenitors drive myelofibrosis via a druggable alarmin axis. Leimkühler NB et al., Cell Stem Cell. 2021 Apr 1;28(4):637-652.
4. Tasquinimod Targets Immunosuppressive Myeloid Cells, Increases Osteogenesis and Has Direct Anti-Myeloma Effects By Inhibiting c-Myc Expression in Vitro and In Vivo. Fan R. et al., Poster at the 63rd ASH Annual Meeting & Exposition 2021.
5. Inhibition of S100A9 with tasquinimod demonstrates potent anti-tumor activity in pre-clinical models of multiple myeloma. Cindy Lin et al., Poster at the 25th European Hematology Association (EHA) Annual Congress Meeting, 2020.
6. Randomized, Double-Blind, Placebo-Controlled Phase III Study of Tasquinimod in Men With Metastatic Castration-Resistant Prostate Cancer. Sternberg C. et al., Clin. Oncol. 2016; 34(22): 2636-43.
7. Tasquinimod triggers an early change in the polarization of tumor associated macrophages in the tumor microenvironment. Olsson A. et al., ImmunoTher Cancer. 2015; 3:53.
8. Tasquinimod modulates suppressive myeloid cells and enhances cancer immunotherapies in murine models. Shen L. et al., Cancer Immunol Res. 2014; 3(2): 1-13.

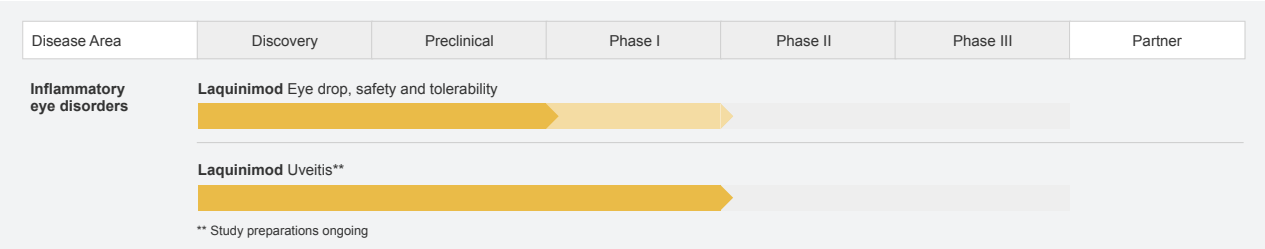
A new eye drop formulation of laquinimod is being tested in the clinic



Laquinimod – Treatment of Inflammatory Eye Disorders

Laquinimod is a first-in-class immunomodulator with a novel mode of action that is developed for treatment of severe inflammatory eye diseases, such as uveitis. An eye drop formulation of laquinimod has been developed and a preclinical safety and toxicity bridging program for topical treatment has been performed. In parallel, planning is ongoing for a phase II clinical study of oral and eye drop formulations of laquinimod in patients with uveitis.

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



PROJECT STATUS AND ONGOING DEVELOPMENT

In 2021, focus was on preparing for start of clinical development of laquinimod in inflammatory eye disorders. This included development and manufacturing of a new eye drop formulation and completion of a preclinical safety and toxicity bridging program. A phase I study of laquinimod eye drops in healthy subjects started in December, 2021 (NCT05187403). The study included up to 56 subjects treated in part 1 with a single ascending dose of laquinimod eye drops and in part 2 with repeated doses of laquinimod eye drops.

The primary objective of the study was safety and tolerability to laquinimod eye drops and the secondary readouts include ocular toxicity, pharmacokinetics and exposure. Both the single ascending-dose and the multiple dose part of the study have been completed, as communicated in early 2023. The eye drop formulation of laquinimod was well tolerated, without serious side effects that can be linked to laquinimod at dose levels where we expect to achieve therapeutic concentrations. Preparation for a clinical study in patients is ongoing and study start is planned for 2023.

OBJECTIVES FOR 2023

- Finalize the phase I study of the eye drop formulation and present full results
- Prepare for start of clinical study in patients
- Explore options for commercial and development partners

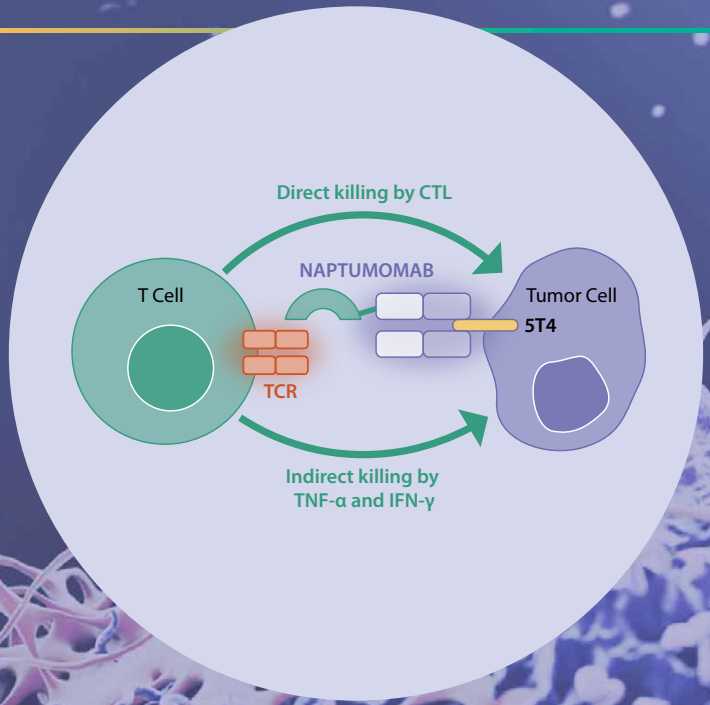
CLINICAL EXPERIENCE OF LAQUINIMOD

During its years of advanced product development, clinical efficacy and safety data on laquinimod, oral formulation, was established in more than 5,000 patients, primarily multiple sclerosis (MS) patients, representing more than 14,000 patient-years of exposure. Extensive datasets have also been generated, including regulatory package of preclinical and clinical safety and full commercial scale CMC documentation.

Key publications

1. Laquinimod arrests development of experimental autoimmune uveitis (EAU) and inhibits related immune processes, in the context of altered gut microbiota; Biying Xu et al., J Immunol May 1, 2020, 204 (1 Supplement).
2. Laquinimod arrests experimental autoimmune encephalomyelitis by activating the aryl hydrocarbon receptor. Kaye J. et al., Proc Natl Acad Sci U S A. 2016 Oct 11;113(41).
3. CONCERTO: A randomized, placebo-controlled trial of oral laquinimod in relapsing-remitting multiple sclerosis. Comi G. et al., Mult Scler 2021 Aug 11;13524585211032803.
4. A randomized placebo-controlled phase III trial of oral laquinimod for multiple sclerosis. Vollmer T. L. et al., J Neurol. 2014; 261(4): 773-83.
5. Placebo-controlled trial of oral laquinimod for multiple sclerosis. Comi G. et al., N Engl J Med. 2012 Mar 15;366(11):1000-9.

Naptumomab is in two clinical studies, in selected advanced solid tumors and in patients with non-small cell lung cancer.



Naptumomab – Tumor Directed Immunotherapy

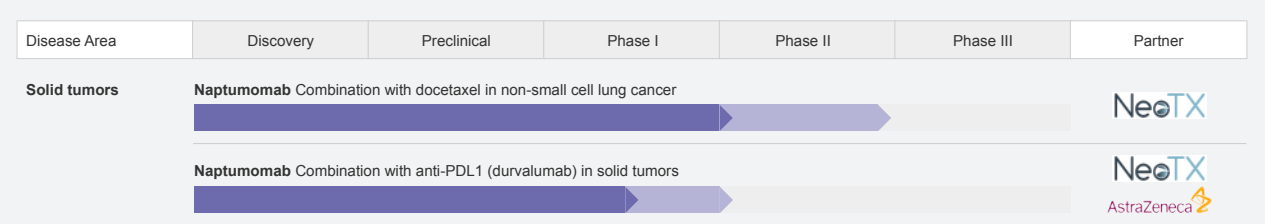
Naptumomab is a tumor targeting immunotherapy that enhances the ability of the immune system to recognize and kill tumors. Naptumomab is developed by NeoTX for use in treatment of solid tumors.

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

PARTNERSHIP WITH NEOTX

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

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



NAPTUMOMAB IN SOLID TUMORS

Naptumomab increases the immune system's ability to recognize and attack the tumor and preclinical data from various experimental models show synergistic anti-tumor effects and prolonged overall survival when naptumomab is combined with checkpoint inhibitors chemotherapy and chimeric antigen receptor (CAR) T-cell therapy. Checkpoint inhibitors are a group of cancer drugs, which function by unleashing the immune system to attack the tumor. Despite the successes over recent years with these immunotherapies, it remains a challenge for the immune system to recognize tumor cells and there is a need to optimize the therapeutic effect of checkpoint inhibitors.

ONGOING CLINICAL DEVELOPMENT

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

An open label clinical phase IIa study in US, will assess naptumomab in combination with docetaxel in patients who had been previously treated with checkpoint inhibitors and have advanced or metastatic non-small cell lung cancer (NSCLC). On October 20, 2021, it was announced that the first patient was enrolled. The primary endpoint is objective response rate. The study is ongoing at several clinics in the U.S and in June, 2022, the first stage of the study was successfully completed and recruitment to the second stage is ongoing. For more information about the trial, visit clinicaltrials.gov (NCT04880863). In both ongoing studies patients are pre-treated with obinutuzumab to lower the levels of anti-drug antibodies (ADA) to naptumomab.

OBJECTIVES FOR 2023

- Present results from the Ib/II study in combination with durvalumab
- Present results from the phase II study in combination with docetaxel in patients with NSCLC

CLINICAL EXPERIENCE WITH NAPTUMOMAB

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

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

Combining checkpoint inhibitors with the unique mode of action of naptumomab could be a useful strategy to treat multiple types of cancers, not responding to checkpoint inhibitors alone.

Key publications

1. Tumor-targeted superantigens produce curative tumor immunity with induction of memory and demonstrated antigen spreading. Azul M. et al., J Transl Med. 2023 21, 222
2. Tumor Targeted Superantigen (TTS), Naptumomab Estafenatox (NAP), enhances CAR-T cells potency and can boost CAR-T efficacy against solid tumors. Sagi Y et al., Poster at SITC meeting, 2021.
3. Selective T cell Redirection Proteins (STR) Enhance the Anti-Tumor Activity of Checkpoint Inhibitors (CPIs) and can Lead to Long-Lasting Immunity Against the Tumor. Meir Azulay. et al., Poster presentation at SITC annual meeting 2019.
4. A Randomized Phase II/III Study of Naptumomab Estafenatox + IFNα versus IFNα in Renal Cell Carcinoma: Final Analysis with Baseline Biomarker Subgroup and Trend Analysis. Hawkins R. et al., Clin Cancer Res. 2016; 22(13): 3172-81.
5. Immunological response and overall survival in a subset of advanced renal cell carcinoma patients from a randomized phase 2/3 study of naptumomab estafenatox plus IFN-α versus IFN-α. Elkord E. et al., Oncotarget. 2015; 6(6): 4428-39.
6. Naptumomab Estafenatox: targeted Immunotherapy with a Novel Immunotoxin. Eisen T. et al., Curr Oncol Rep. 2014; 16: 370.

PROJECTED GLOBAL DRUG SALES

60.0 Billion USD	21.6 Billion USD	0.8 Billion USD
2028	2027	2029
Checkpoint Inhibitors	Multiple Myeloma Drugs	Uveitis Drugs

MARKET OVERVIEW

In line with Active Biotech's business strategy the company is focusing on the development of three projects. All of these show a substantial market potential with growing markets due to an elderly population with greater incidence and need for more treatment alternatives.

Active Biotech focuses on the development of pharmaceuticals in therapeutic areas such as cancer and inflammatory diseases where the need for new effective treatments is huge. Active Biotechs projects have some market advantages such as easy administration for patients with oral or topical formula and the possibility to use them in combination therapy. In addition tasquinimod has been granted orphan drug status in the US for myelofibrosis and multiple myeloma.

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.

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

The Market and Competition for Active Biotech's Projects

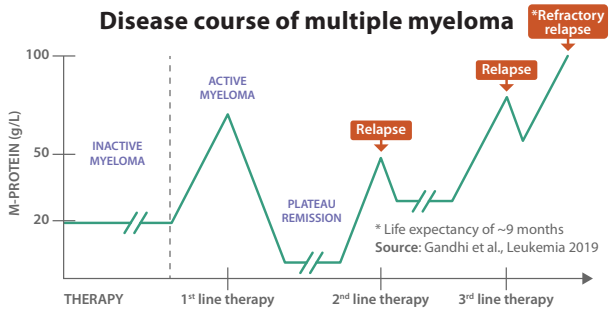
TASQUINIMOD – A NOVEL MECHANISM OF ACTION

Multiple myeloma

The disease

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

Disease course of multiple myeloma



Current treatments

Multiple myeloma is considered a chronic disease, for which the potential of a cure is limited, but the treatment methods are continuously improving. Currently, the market is dominated by drugs that can be divided into four different classes: immunomodulatory imides (IMiDs), proteasome inhibitors (PI), monoclonal antibodies and alkylating agents. If a patient does not respond to treatment using a drug from one particular class, the patient will likely also respond poorly to treatment using the other drugs in the same pharmaceutical class, which is called resistance development. To support deeper and durable responses and overcome treatment resistance patients are, as standard, treated with combinations of drugs from available product classes.

The market for the treatment of multiple myeloma is currently undergoing rapid advances and innovative combinations of drugs are expected to become standard treatment. A key market driver is that the number of patients that survive for five years or longer has increased significantly, a consequence of new drugs directed at treatment in the earlier stages of the disease. The five-year survival rate is approximately 50 percent.[1] The fact that patients remain longer in the earlier stages of the disease due to more treatment options results in a market increase for drugs intended for use in late-stage relapsed refractory patients.

FDA Approved Therapeutic Agents in Multiple Myeloma

Therapeutic Agent Class	Target	Substances (highlighted = most frequently used)	1st US Approval
Alkylating Agents	DNA Alkyl Groups	**Melphalan (generic)** **Cyclophosphamide (generic)** Bendamustine (*Treanda*) Melphalan flufenamide (meflufen; *Pepaxto*)	1960s[1] 2008 2021[2]
Corticosteroids	Glucocorticoid Receptor	Prednisone (generic) **Dexamethasone (generic)**	1960s[1] 1980s[1]
Proteasome Inhibitors	Proteasome	***Bortezomib (Velcade/generic)*** ***Carfilzomib (Kyprolis)*** Ixazomib (*Ninlaro*)	2003 2012 2015
Immunomodulators (IMiDs)	Cereblon	Thalidomide (*Thalidomid/generic*) **Lenalidomide (*Revlimid*)** **Pomalidomide (*Pomalyst/Imnovid*)**	1998[3] 2006 2013
Histone Deacetylase Blocker	Histone Deacetylase	Panobinostat (*Farydak*)	2015[4]
Monoclonal Antibodies	CD38	**Daratumumab (Darzalex)** Isatuximab (Sarclisa)	2015 2020
	CS1/SAMF7	Elotuzumab (*Empliciti*)	2015
Nuclear Export Inhibitors	Exportin-1	Selinexor (*Xpovio*)	2019
Antibody Drug Conjugate	BCMA	Belantamab mafodotin-blmf (*Blenrep*)	2020[5]
CAR T-cells	BCMA	**Idecabtagene vicleucel (Abecma)** **Ciltacabtagene autoleucel (Carvykti)**	2021 2022
Bispecific T-Cell Engager	BCMA x CD3	**Teclistamab-cqyv (*Tecvayl*)**	2022

[1] Dates refer to wide spread use in MM; [2] Withdrawn from US market in 2021, approval in EU 2022; [3] Initial approval for leprosy, approval in MM 2006; [4] Withdrawn in 2021; [5] Withdrawn from the US market in 2022. Rarely used cytotoxic drugs (like carmustine or doxorubicine) not listed. Supportive agents like bisphosphonates or growth factors not list.

Unmet medical need

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

The market for treatment of multiple myeloma is substantial

The expected annual incidence of new diagnosed cases of multiple myeloma in the US is approximately 30,000 patients, in Europe and Japan an estimated 40,000 and 8,000 new patients, respectively, are expected to be diagnosed each year.

The global sales of drugs for the treatment of multiple myeloma is projected at USD 21.6 billion in 2027.[2]

The market for drugs used in the treatment of multiple myeloma is experience strong growth and is expected to continue to grow strongly due to the greater incidence in an elderly population, longer progression-free and overall survival, thanks to more treatments and combination options are made available. The US accounts for around 60 percent of the market, EU for approximately 23 percent and Japan and China for 17 % of the total market sales.

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

Pre-clinical and previous clinical data indicate that tasquinimod is well tolerated and can be combined with the available pharmaceutical classes. Tasquinimod therefore has the potential to expand over time from an initial position as the 3rd line of treatment as well as to earlier lines of treatment, similar to the patient population in the ongoing clinical study.

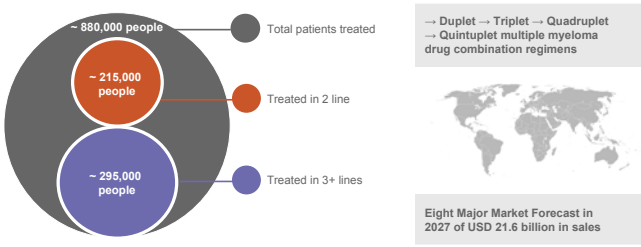
Myelofibrosis

Myelofibrosis (MF) is a rare blood cancer belonging to a group of disorders called myeloproliferative neoplasms. The underlying cause of MF is unknown. The estimated annual incidence of MF is 0.4-1.3 cases per 100,000 people in Europe. Patients with MF have an abnormal production of blood-forming cells leading to the replacement of healthy bone marrow with scar tissue (fibrosis). Due to the lack of normal blood cell production patients typically present with laboratory value abnormalities such as anemia and changes in white blood cell counts and blood-cell differentiation. Later symptoms include enlargement of the spleen, an increased risk for infections, night sweats and fever. MF is associated with shortened survival and causes of death include bone marrow failure and transformation into acute leukemia. MF can be treated with bone marrow transplantation for eligible individuals, erythropoietin to manage anemia and JAK2 inhibitors to reduce spleen size. Today there are three drugs approved for these patients as symptom-directed therapy: Hydroxy-urea, ruxolitinib and fedratinib (the latter two are JAK2-inhibitors). At present there are no approved therapies that would reverse bone marrow fibrosis in MF. There are limited treatment options for patients whose disease progress during JAKi treatment or who cannot tolerate JAKi. The market is less developed but projected at over USD 1.0 billion by 2027.[3]

One identified target molecule for tasquinimod is the pro-inflammatory S100A9 protein which is upregulated in MF. The S100A9 protein plays an important role in the progression of the disease towards the fibrotic phase. By binding and inhibiting S100A9 tasquinimod has been shown to reduce fibrosis and normalize blood cell counts in animal models of MF. The next step is to see if these data hold true in a clinical study with MF patients.

1 Global Data Report March 2019, Multiple Myeloma – Market Analysis 2017-2027
2 Global Data Report March 2019, Multiple Myeloma - Market Analysis 2017-2027.
3 Global Data Report October 2016 – Myelofibrosis – Global Forecast 2015-2025.

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



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

LAQUINIMOD – NEW TOPICAL FORMULATION

Non-infectious uveitis

The disease

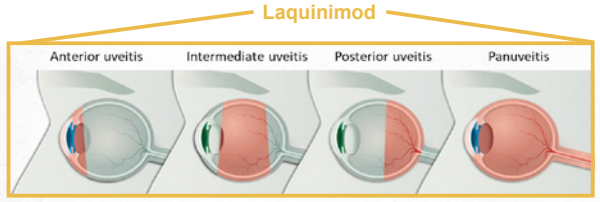
Uveitis is the inflammation of the uveal tract (iris, ciliary body, and choroid), but can also lead to inflammation of nearby tissues, such as the retina, the optic nerve and the vitreous humor. The uvea is crucial for the delivery of oxygen and nutrients to the eye tissues, and inflammation of uvea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

Uveitis is a heterogenous disease and in about half of all cases, the specific cause is not clear. Uveitis often occurs in connection to other systemic autoimmune diseases for example sarcoidosis, multiple sclerosis and Crohn's disease.

Uveitis is divided into subtypes depending on the location of the inflammation. Intermediate, posterior and panuveitis are the most severe and highly recurrent forms of uveitis, which cause blindness if left untreated. Laquinimod will be developed as a new treatment option for non-infectious uveitis.

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

Subgroups of uveitis



Current treatments

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

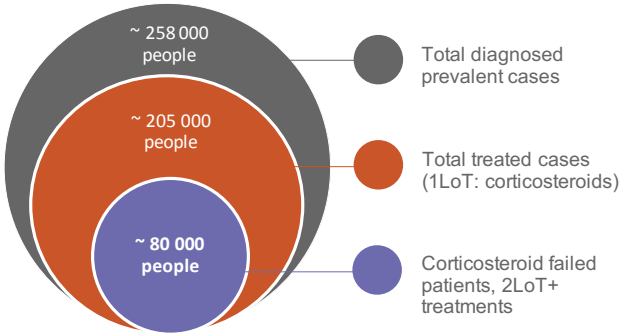
Unmet medical need

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

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

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

Non-infectious non-anterior uveitis
– Adressable opportunity as one subset of uveitis



Corticosteroids only effective in 60%Clinical sequelaeserious

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

Abbrev: LoT – Line of treatment
Presented data are from GlobalData (June 2021) Uveitis: Market Forecast 2019-2029 based on 2029 forecast numbers in 9 major markets (US, EU5, Japan and Australia).

The market

The treatment options for patients with non-infectious uveitis have not advanced substantially for a long period of time. The drug of choice for most patients remains long-term high dose corticosteroid therapy. Still, about 40 percent of patients fail in achieving disease control, or cannot continue with high-dose corticosteroids due to side effects.[4] Recently, intra ocular corticosteroid injections have been introduced with benefit for some patients and may limit the systemic corticosteroid-related side effects.[5] However, the procedure of injecting a sustained release depot directly in the eye is not without risks. There is a significant market opportunity for a new drug in this orphan disease indication.

Approximately 1.7 million patients in the nine major markets were diagnosed with uveitis 2020, whereof approximately 600,000 patients received treatment. Of these about 205,000 will fail corticosteroids and are candidates for the 2nd line of treatment.[6]

The global sales of drugs for uveitis totalled approximately USD 300 million in 2020 and sales are expected to reach approximately USD 0.8 billion by 2029.[7]

Laquinimod will be developed as a new treatment for non-infectious uveitis and has the potential to be used in the 1st line of treatment as an add on to corticosteroids as well as in the 2nd line of treatment for patients that have failed corticosteroid treatment.

4, 5 Rosenbaum JT. Uveitis: treatment. In: Post TW, ed. UpToDate. Waltham (MA): UpToDate; 2021.
6, 7 Global Data Report June 2021 - Market Forecast 2019-2029.

NAPTUMOMAB – POTENTIAL WITHIN IMMUNONCOLOGY

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.[9]

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

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

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

The market

Immunotherapy is one of the major breakthroughs of recent years in cancer therapy, which is reflected in the checkpoint inhibitors Keytruda, Opdivo, Imfinzi and Tecentriq achieving combined global sales of USD 30.7 billion in 2021.[9] The strong sales development for checkpoint inhibitors is expected to continue and sales are forecast at USD 60 billion in 2028.[10]

8 www.who.int/cancer
9,10 Global Data Report 2022

Intellectual Property Rights

Active Biotech has built its patent portfolio through strategically defined patent families, primarily in the areas of cancer and inflammation. The work with optimizing the company's patent portfolio is always ongoing.

Strong patent protection is a requirement for investments in the development of a product for commercialization. Active Biotech's patent protection covers new chemical substances, biochemical structures, pharmaceutical preparations, 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. Tasquinimod and laquinimod are specifically protected by several patent families. The patent portfolio also includes patent protection for compounds that are structurally similar to tasquinimod and laquinimod.

Active Biotech works continuously to optimize its patent portfolio to secure the projects with the best possible protection in the most important markets. Patent protection for the use of tasquinimod in the hematological cancer form multiple myeloma, has been broadened to comprise the combination of tasquinimod with standard therapies. Active Biotech has also entered into an exclusive license agreement with Oncode Institute in the Netherlands, for the global rights to patents relating to the use of tasquinimod for use in treatment of myelofibrosis. The portfolio of strategically important patents and patent applications for laquinimod usage in inflammatory eye diseases has been expanded during 2022 also to cover its use in eye disorders associated with excessive vascularisation.

The company's projects are protected by a total of 269 granted national patents and further applications will be granted in the next few years, see the table below.

Tasquinimod

Type of patent (publication number)	Area	Status	Year of expiry
Alternative manufacturing method (WO2012004338)	Europe US Japan (total 22)	Granted Granted Granted (granted 22)	2031 2031 2031
Treatment method (WO2016042112)	Europe US Japan (total 28)	Granted Granted Granted (granted 26, application 2)	2035 2035 2035
Treatment method (WO2016078921)	Europe US Japan (total 27)	Granted Granted Granted (granted 26, application 1)	2035 2035 2035
Treatment method (WO2016146329)	Europe US Japan (total 16)	Granted Application Granted (granted 15, application 1)	2036 2036 2036
Treatment method (WO2021/175924)	Europe US Japan	Application Application Application	2041 2041 2041
Treatment method (WO2022/018240)	Europe US Japan	Application Application Application	2041 2041 2041
Pharmaceutical product (WO2022/152902)	Europe US Japan	Application Application Application	2042 2042 2042

Laquinimod

Type of patent (publication number)	Area	Status	Year of expiry
Manufacturing method (WO03106424)	Europe US Japan (total 22)	Granted Granted Granted (granted 22)	2023 2025 2023
Pharmaceutical product (WO2005074899)	Europe US Japan (total 27)	Granted Granted Granted (granted 27)	2025 2027 2025
Pharmaceutical product (WO2007146248)	Europe US Japan (total 21)	Granted Granted Granted (granted 21)	2027 2029 2027
Pharmaceutical product (WO2010001257)	US (total 1)	Granted (granted 1)	2029
Treatment method (WO2011019375)	Europe US Japan (total 30)	Granted Granted Granted (granted 30)	2030 2033 2030
Pharmaceutical product (WO2009082471)	US (total 2)	Granted (granted 2)	2030
Treatment method (WO2011014255)	US (total 1)	Granted (granted 1)	2031
Pharmaceutical product (WO2013123419)	US (total 1)	Granted (granted 1)	2033
Treatment method (WO2013116657)	US (total 1)	Granted (granted 1)	2033
Treatment method (WO2014028397)	US (total 1)	Granted (granted 1)	2033
Treatment method (WO2013184650)	US (total 1)	Approved (approved 1)	2033
Treatment method (WO2021/123142)	Europe US Japan (total 26)	Granted Granted 1, Application 1 Application (granted 14, application 12)	2040 2040 2040
Pharmaceutical product (WO2022/207773A1)	Europe US Japan	Application Application Application	2042 2042 2042

ORGANIZATION AND EMPLOYEES

Active Biotech's Most Important Asset

The employees of Active Biotech are highly experienced in the development of pharmaceuticals. They are well-educated and have many years of experience from the business. This means that the employees are the company's single greatest assets.

Active Biotech has a focused organization with 9 employees. Each employee has a key role to secure the established goals for the company. Competence sharing between the employees occurs continuously and is encouraged.

A HIGH LEVEL OF COMPETENCE

The level of education among the employees is high. Most have university-level education and PhDs.

Most employees have a long experience from early to late-stage pharmaceutical development, as well as experience of participating in and leading external collaborations in the biotech and pharmaceutical industry.

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

LONG-TERM COLLABORATIONS

With a small organization there is a need for external consultants on a regular basis. The areas of competence that are needed from outside are regulatory, CMC (Chemistry, Manufacturing and Control) and legal. Active Biotech also has several collaborations with academic research groups, industrial partners and service providers to secure all parts of the operations.

In all of the company's projects, collaborations are in place or being planned. This is in line with the company's business strategy, to focus work where the inhouse competences are best being used.

A BOARD WITH INTERNATIONAL BIOPHARMA EXPERIENCE

The Board composition adds considerable relevant international biopharma experience as well as substantial topic competence. The Board works closely with the management team to support the company on a regular basis.

A GOOD WORKING CLIMATE

Active Biotech offers a secure and stable work environment. The employees know each other well and the work climate is perceived as positive. The average employment period is long, 18 years. A proof of a positive and stable work environment. It is the company's objective to continue to be a workplace characterized by knowledge, creativity and participation. The table below set forth the number of employees in Active Biotech at the end of each period.

	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Number of employees at the end of the period	9	8	9	11

Erik Talks to the Experts

During 2022, Active Biotech set up an advisory board in ophthalmology with internationally renowned experts with the aim to discuss the clinical development of laquinimod in patients with non-infectious, non-anterior uveitis (NA-NIU).

Erik Vahtola, CMO of Active Biotech, interviewed two of the advisors; Chair and Professor of Ophthalmology Bahram Bodaghi MD, PhD, from the Sorbonne University, Pitié-Salpêtrière Hospital, Transimmunom Laboratory of Excellence, Paris, France and Gerhard Garhöfer, MD, Associate Professor Medical University of Vienna about their work and experiences within ophthalmology, what they think of laquinimod and Active Biotechs upcoming studies.

Dr. Bahram Bodaghi, Professor of Ophthalmology has published more than 340 papers in peer-reviewed journals and 30 textbook chapters. He serves on the editorial boards of several prestigious journals and is a member of major vision research and clinical ophthalmology societies. He is a member of Active Biotech's Advisory Board since 2022.

Bahram Bodaghi
MD, PhD

Chair and Professor of Ophthalmology from the Sorbonne University, Pitié-Salpêtrière Hospital, Transimmunom Laboratory of Excellence, Paris, France.

– Where does your dedication/passion to ophthalmology come from?

– My passion for ophthalmology came at the end of my medical studies, in 1991. I first turned to cardiology, but I quickly understood that I needed a specialty including both medicine and surgery. The choice was not very wide, and ophthalmology seemed to be the best option with many potential innovations. I then met my mentor, Professor LeHoang who encouraged me to continue in the field of ocular inflammation and infections. I did my PhD at the Pasteur Institute in Paris, studying the mechanisms and consequences of retinal infections by by Cytomegalovirus, and I completed my fellowship at Sorbonne University, Pitié-Salpêtrière Hospital. That is how I got involved with these complex and difficult conditions.

– Could you tell us about your current work?

– I am Professor of Ophthalmology at Sorbonne University and Head of Department at Pitié-Salpêtrière, a tertiary eye care center in Paris. My main activities concern the management of uveitis and retinal diseases as well as surgery of the anterior segment. I have the privilege to serve as the Secretary General of the French Society of Ophthalmology, the President of International Ocular Inflammation Society and the Chair of the Euretina Uveitis Section.

– What are your primary clinical research interests?

– My main research interests are connected to the management of intraocular inflammations and infections. It seems necessary to identify biological and imaging biomarkers according to the types of uveitis to offer personalized treatments to our patients. An analysis of ocular fluids has been proposed by our group in different conditions for diagnostic purposes, as well as treatment monitoring. Multimodal imaging is another major innovation in our field with wide-field imaging, conventional angiography and of course OCT technologies.

– How do you describe the current treatment of patients with NA-NIU?

– Uveitis remains a rare condition compared with glaucoma, ARMD (Age-Related Macular Degeneration) and diabetic retinopathy. However, a lot of therapeutic progress has been made in the last two decades. Corticosteroids remain the cornerstone of treatment, even though their systemic use has been significantly decreased. Local therapy has been better codified since 2011. The Dexamethasone implant has been extensively studied and the fluocinolone acetonide implants have increased the duration of action. The efficacy and tolerance of conventional immunosuppressors have been better characterized. Biological agents have significantly improved the visual prognosis of our patients. Anti-TNFs represent the first generation of molecules belonging to this class. Alternatives, e.g., anti-IL6 or anti-CD20 are also available. Local and systemic therapies are two sides of the same coin and must be used in specific situations. It is wrong to oppose them. Glaucoma remains one of the worst complications of uveitis. Steroids may play a detrimental role. Therefore, new nonsteroidal local alternatives are currently under investigation.

– What is needed in order to manage patients with NA-NIU better in the future?

– We definitely need to better screen our patients by using appropriate biological and imaging biomarkers. This major step will allow us to propose personalized medicine based on local and systemic combinations. More than modulating immunity, we need to regulate it in order to restore immune homeostasis. New pharmacological alternatives are still helpful, but gene or cell therapy based on regulatory T cells are also important to consider. Inhibiting proinflammatory pathways is certainly a major aim but it would not be sufficient without decreasing the rate of sight-threatening complications such as glaucoma or choroidal neovascularization. Last but not least, the quality of life needs to be improved as uveitis occurs mainly in young and active patients.

In 2022, Active Biotech initiated a phase I study with the newly developed eye drop formulation of laquinimod in healthy volunteers. The main objective of the study was to evaluate the safety and tolerability of single- and multiple doses of laquinimod when administered onto the eye. The study was conducted at the Medical University of Vienna, Vienna General Hospital, Department of Clinical Pharmacology. The Principal Investigator for the study, Associate Professor Gerhard Garhöfer, MD, was interviewed by CMO Erik Vahtola, Active Biotech.

– Could you tell us about your background and how you became interested in ophthalmology drug development?

– I am a board-certified specialist for ophthalmology at the Medical University of Vienna, Austria, where I started my research career in the year 2000. I was already interested in research during my residency time and did a post-graduation research fellowship in Switzerland, where I became familiar with the different techniques for blood flow assessment in the eye. Back in Vienna, I continued this research, and tried to expand my expertise in ocular pharmacology and drug development. I currently hold the position of Associate Professor for Clinical Pharmacology and head Ophthalmo-pharmacology.

– Could you tell us about your clinical research unit and main research interests?

– The Department of Clinical Pharmacology is a clinical trial center, with special emphasis on early clinical trials such as phase I and phase II studies. The department of Clinical Pharmacology is located at Medical University of Vienna at the Vienna General Hospital, one of the largest hospitals in Europe. My research group focuses on the development of new ocular therapies, drugs and medical devices. In this context, we have published more than 200 articles on ocular physiology, pharmacology and drug development.

– Could you the describe the main results from the phase I study with laquinimod eye drops

– Our clinical trial showed that laquinimod eye drop has a favorable safety and tolerability profile in all selected dosage steps. This makes laquinimod an interesting treatment approach for inflammatory conditions of the eye. I am looking forward to contributing to the further development of this exciting new agent in the future.

– What are the subject's initial thoughts regarding the tolerability of the eye drop?

– The feed-back of the patients was mainly positive, underlining that laquinimod may be an interesting new drug candidate for inflammatory conditions of the eye.

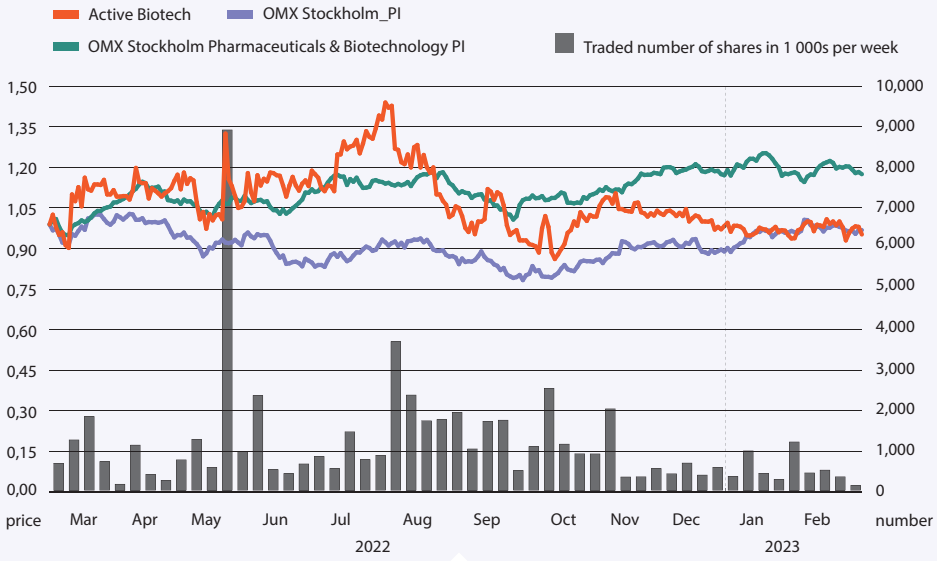
Gerhard Garhöfer
MD

Associate Professor Medical University of Vienna.

The final statistical analysis of the study data will provide us more exact and in-depth understanding on how laquinimod interacts with the eye.

– What potential do you see for laquinimod in eye disorders?

– There is a strong medical need for new anti-inflammatory agents, for both the anterior segment and the posterior segment of the eye. In principle, the favorable tolerability data make laquinimod an interesting treatment option for several inflammatory disease, such as uveitis. The final PK results will finally help to decide for which indication laquinimod will be most suitable.



Source: 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 March 2020 – February 2023.

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, 2022, the share capital in Active Biotech amounted to SEK 1,367,873 distributed among 264,886,797 shares. The share's quotient value is approximately SEK 0.005164.

Share price development

On the final day of trading in December 2022, the share price was SEK 0.962, while at the same date in 2021, it was SEK 1.264. The highest price paid for the share during the year was SEK 1.44 (August 1, 2022).

Changes in share capital

The table on page 33 shows the changes in Active Biotech's share capital from 2001 to December 2022.

Dividend policy

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

TICKER:

ACTI

NO. OF SHAREHOLDERS:

14,435

FINANCIAL INFORMATION 2023

Interim Report, 3 months: May 4, 2023
Annual General Meeting: May 24, 2023
Interim Report, 6 months: August 24, 2023
Interim Report, 9 months: November 9, 2023
Year-end report 2023: February 8, 2024

SHAREHOLDERS

In February, 2023, the number of shareholders in Active Biotech amounted to 14,435. This data is based on information known to the company at February 28, 2023.

Owners	No. of shares	Holding, %
MGA Holding AB	71,252,633	26.9 %
Handelsbanken Liv	18,955,711	7.2 %
Sjuenda Holding	15,355,519	5.8 %
Avanza Pension	15,306,736	5.8 %
Fourth AP fund	7,328,857	2.8 %
Third AP fund	7,300,728	2.8 %
EFG Bank / Geneva	3,686,640	1.4 %
SEB-Stiftelsen, Skand Enskilda	3,447,112	1.3 %
SEB Life International Assurance	2,900,996	1.1 %
Stävie Förvaltnings AB	2,876,319	1.1 %
10 largest owners	**148,411,251**	**56.0 %**
All other	116,475,546	44.0 %
Grand total	**264,886,797**	**100.0 %**

Shareholding interval	No. of shareholders	% of all shareholders	No. of shares	% of number of shares	Average per shareholder
1 – 1,000	8,439	58.5 %	2,345,781	0.9 %	278
1,001 – 10,000	4,496	31.1 %	15,651,707	5.9 %	3,481
10,001 – 100,000	1,313	9.1 %	35,886,365	13.5 %	27,332
100,001 –	187	1.3 %	211,002,944	79.7 %	1,128,358
Total	**14,435**	**100.0 %**	**264,886,797**	**100.0 %**	**18,350**

CHANGES IN SHARE CAPITAL

Year	Transaction	Change in number of shares	Change in share capital	Total no. of shares		Total share capital, SEK	Quotient value, SEK
				Class A shares	Class B shares		
	Opening balance			1,963,745	9,282,547	281,157,300	25.00
2000	Reclassification A to B	0	0	1,287,531	9,958,761	281,157,300	25.00
2001	Reclassification A to B	0	0	1,169,691	10,076,601	281,157,300	25.00
2002	Reclassification A to B	0	0	1,145,024	10,101,268	281,157,300	25.00
2003	Reduction of share capital (June)	0	-168,694,380	1,145,024	10,101,268	112,462,920	10.00
2003	Rights issue (June)	22,492,584	224,925,840	1,145,024	32,593,852	337,388,760	10.00
2003	Reclassification A to B	0	0	1,128,174	32,610,702	337,388,760	10.00
2003	Reorganization as a single share class (Dec.)	0	0	33,738,876		337,388,760	10.00
2005	Conversion (Jan.-May)	1,681	16,810	33,740,557		337,405,570	10.00
2005	Rights issue (June/July)	5,623,426	56,234,260	39,363,983		393,639,830	10.00
2005	Conversion (Aug.-Sept.)	228,241	2,282,410	39,592,224		395,922,240	10.00
2006	Conversion (Jan.-May)	160,644	1,606,440	39,752,868		397,528,680	10.00
2006	Reduction of share capital (May)	0	-247,686,499	39,752,868		149,842,181	3.77
2006	Conversion (June-Dec.)	42,553	160,397	39,795,421		150,002,578	3.77
2007	Conversion (Jan.)	204,579	771,128	40,000,000		150,773,706	3.77
2007	Rights issue (Feb.)	4,000,000	15,077,371	44,000,000		165,851,077	3.77
2007	Conversion (Mar.)	3,300,115	12,439,264	47,300,115		178,290,341	3.77
2008	Rights issue (June)	3,941,676	14,857,527	51,241,791		193,147,869	3.77
2009	Rights issue (June)	12,810,447	48,286,964	64,052,238		241,434,833	3.77
2010	Private placement (Apr.)	1,418,000	5,344,928	65,470,238		246,779,761	3.77
2010	Employee stock options	529,682	1,996,553	65,999,920		248,776,314	3.77
2011	Private placement (Jan.)	2,500,000	9,423,357	68,499,920		258,199,670	3.77
2011	Employee stock options	423,662	1,596,927	68,923,582		259,796,598	3.77
2013	Private placement (March)	6,000,000	22,616,055	74,923,582		282,412,653	3.77
2015	Rights issue (Jan.)	14,984,716	56,482,529	89,908,298		338,895,183	3.77
2016	Rights issue (Dec.)	6,916,022	26,068,856	96,824,320		364,964,039	3.77
2017	Reduction of share capital (June)	0	-364,464,039	96,824,320		500,000	0.005
2018	Rights issue (Apr.)	48,412,160	250,000	145,236,480		750,000	0.005
2021	Rights issue (Jan)	72,618,240	375,000	217,854,720		1,125,000	0.005
2021	Incentive program (Mar)	117,000	604	217,971,720		1,125,604	0.005
2022	Incentive program (Mar)	83,000	429	218,054,720		1,126,033	0.005
2022	Rights issue (Sep)	46,832,077	241,840	264,886,797		1,367,873	0.005

CORPORATE GOVERNANCE

Corporate Governance Report 2022

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

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

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

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

Application of and deviations from the Code

Active Biotech applies the Swedish Corporate Governance Code (the Code). Information about the Code can be found at www.corporategovernanceboard.se. The company deviated from item 2.4 of the Code in 2022. The Election Committee appointed the Chairman of the Board to be the Chairman of the Election Committee. The motivation for this is the Election Committee's assessment that, since the company's main owner Mats

Arnhög (MGA Holding) stepped down from the Board and the position as Chairman of Board, it was appropriate given the interest in effective and cohesive Election Committee work that the company´s Chairman of the Board, Michael Shalmi, was also appointed as convener and Chairman of the Election Committee.

Shareholders

At December 31, 2022, the number of shareholders in Active Biotech amounted to 14,516. For information concerning the company's major shareholders and the ownership structure, see page 32 of this Annual Report.

Annual General Meeting

The Annual General Meeting (AGM) is Active Biotech's highest decision-making body. In addition to shareholders' statutory rights to participate in the AGM, Active Biotech's Articles of Association stipulate the requirement of advance notification of participation at the Meeting within a prescribed time as stated in the notice of the AGM. The shareholder is to state the number of accompanying assistants, if any, in such notification. At the AGM, each share represents one vote. Each shareholder entitled to vote at the Meeting may vote for the full number of shares held. Each share offers equal entitlement to dividends and any surplus on liquidation of the company. At the AGM, which is held not more than six months after the close of the fiscal year, the annual accounts for the preceding year are adopted, the Board of Directors is elected, auditors are appointed, if applicable, and other statutory matters are addressed. Between AGMs, the Board of Directors is the company's highest decisionmaking body. At the AGM on May 19, 2022, it was resolved to grant authorization to the Board, for a period that does not extend past the date of the next AGM, on one or several occasions, with or without preemptive rights for shareholders, to resolve on the issue of new shares and/ or convertibles. It should also be possible to make such an issue resolution stipulating in-kind payment, the right to offset debt or other conditions. The authorization may not be utilized to a greater extent than would enable a total of not more than 30 percent of the total number of shares to be issued and/or arise through the conversion of convertibles issued with the support of the authorization.

Election Committee

At the AGM on May 19, 2022, it was resolved that the company's Chairman, based on ownership at the end of September 2022, convene an Election Committee to prepare proposals for the 2023 AGM. According to the resolution, the Election Committee comprises the Chairman of the Board and representatives of each of the three largest shareholders in the company. The members of the Election Committee receive no remuneration from the company for their work. The Election Committee performs the tasks incumbent on the Election Committee under the Code. The composition of the Election Committee was announced on December 5, 2022. A meeting of the Election Committee was convened on one occasion ahead of the 2023 AGM, which was attended by all of its members.

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

Board of Directors

In accordance with Active Biotech's Articles of Association, the Board comprises between three and nine members with at most nine deputies. The 2022 AGM elected the current Board, which consists of six ordinary members with no deputies. Michael Shalmi was elected Chairman of the Board. The AGM resolved that remuneration of the Board's ordinary members be paid in the amount of SEK 200,000 per year for Board members who are not employed at the company, and remuneration of the Chairman of the Board be paid in the amount of SEK 500,000 per year. For a more detailed presentation of the Board members and President & CEO, see page 39-40 of this Annual Report. Of the Board members elected by the 2022 AGM, all are independent in relation to the company and executive management. All of the six members are independent in relation to the company's major shareholders.

The work of the Board and formal work plan

The Board works in accordance with an established formal work plan describing the minimum number of Board meetings to be held each year, routines for the preparation of the agenda minutes of the meetings as well as the distribution of material. One section of the formal work plan regulates the division of duties in the Board and describes the responsibilities of the Board, the Chairman and the President & CEO. The Board should primarily focus on general and long-term issues as well as issues of exceptional nature or great importance in other respects. The Chairman directs the work of the Board and represents the Board both externally and internally. The formal work plan also identifies the Board members who, in accordance with specific decisions, have been

appointed as the management's contacts in the event of a crisis. At each scheduled Board meeting, the President & CEO reports on operations. The report comprises information on project development, plans and progress in research activities, financial reporting with forecasts as well as business development. The Board decides on issues in which the Swedish Companies Act and the Articles of Association require the Board's decision as well as on such issues as policy matters, strategy, business decisions (such as research plans), budget, business plans and key agreements. In 2022, 13 meetings were held at which minutes were taken. Important issues addressed by the Board included development of research projects, business development projects, partner strategy, financial statements and budget and financing matters. Minutes were recorded by the Board's secretary, a role that was filled by the company's CFO Hans Kolam during the year. The Chairman of the Board ensures that an annual assessment of the Board's work is conducted that provides the Board members with the opportunity to present their views on work procedures, Board material, their own efforts and the efforts of other Board members and the scope of the task. The Election Committee was informed of the results of the assessment. On the basis of this information, the Election Committee can determine the skills and experience that Board members are required to hold. The Election Committee has also had access to information regarding the company's assessment of the quality and efficacy of the auditor's work, including recommendations concerning the appointment of auditors and auditor's fees. The assessment is that the Board's collective expertise is favorably compatible with the company's strategic visions and goals. The Board functions well and all members make a constructive contribution to the strategic discussions and the governance of the company. The dialog conducted between the Board and management was also deemed to be productive.

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

Audit, Scientific and Remuneration committee

Audit committee

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

Scientific committee

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

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

Members	Attendance in Audit committee
Michael Shalmi (Chair)	7/7
Peter Thelin	7/7
Uli Hacksell	7/7

Remuneration committee

The company does not have a separate committee for remuneration. Instead, these matters are dealt with by the Board in its entirety. Salaries, remuneration, terms and conditions of employment and so forth, for the Board, President & CEO and executive management are detailed in Note 4 on pages 67-73.

Control systems and risk management regarding financial reporting

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

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

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

1. Control environment

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

2. Risk assessment

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

3. Control activities

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

4. Information and communication

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

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

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

5. Follow-up

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

Internal audit

Given the Group's uncomplicated legal and operational structure and the established governance and internal control systems, the Board has decided not to have a separate internal audit function. The Board evaluates

and continuously follows up the issue of possibly establishing an internal audit function.

Auditor

The company has at least one and at most two auditors and at most two deputy auditors. At the AGM on May 19, 2022, KPMG AB was elected as the company's auditor for the period extending until the end of the AGM held in 2023. Authorized Public Accountant Linda Bengtsson is auditor-in-charge. Information concerning auditors' fees is presented in Note 3 on page 66. The interim report for the January-September period 2022 was the subject of review by the auditors.

Policies

Information policy

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

Environmental policy

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

Auditors' report on the Corporate Governance Report

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

Assignment and responsibility

The Board of Directors is responsible for the 2022 Corporate Governance Report on pages 34-38 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 26, 2023

Linda Bengtsson, *Authorized Public Accountant*, KPMG AB

Board of Directors

Michael Shalmi
Chairman of the Board

Born 1965. Chairman of the board since 2019.

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

Other current assignments: CEO and owner of *Aligned Clinical & Management Services*, *Shalmi Consulting ApS*, *Shalmi Invest ApS* and *Shalmi Holding ApS*. CEO of *P/S Momentum Energy Jutlandia*, *K/S Momentum Energy Jutlandia Development*, *K/S Momentum Energy Hanstholm*, *Momentum Energy Karrebæk Holding*, *Momentum Energy Karrebæk ApS* and *Momentum Energy Selandia ApS*. Chairman of the board of *Momentum Gruppen A/S*, *Momentum Energy Holding A/S* and *Curexsys GmbH*. Board member of *Momentum Energy Group A/S*. Chairman of the Board, *Curexsys GmbH*, Germany

Shareholding in the company: 420,897 shares.

Aleksandar Danilovski
Board member

Born 1974. Board member since 2020.

Education: PhD in Chemistry from *Cambridge University*, United Kingdom and *University of Zagreb*, Croatia.

Other current assignments: Managing Director of *Xellia d.o.o.* Chief Scientific Officer (CSO) of *Xellia Pharmaceuticals ApS*. Board member of *Pharmaero ApS*. Member of the Scientific Advisory Board (SAB) of *Bugworks Research*. Member of the Scientific Selection Board (SSB) of *Novo Holdings REPAIR Impact Fund*.

Shareholding in the company: 133,360 shares.

Axel Glasmacher
Board member

Born 1960. Board member since 2020.

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

Other current assignments: General Director of *AG Life Science Consulting GmbH & Co. KG* and *Glasmacher Verwaltungs-GmbH*. Member of the Supervisory board of *Ryvu Therapeutics S.A*. Board member and treasurer of the non-profit association *Cancer Drug Development Forum asbl*.

Shareholding in the company: 40,000 shares.

Elaine Sullivan
Board member

Born 1961. Board member since 2020.

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

Other current assignments: Board member and chair of R&D Committee of *Nykode Therapeutics ASA*. Director in *Dargle Therapeutics Ltd* and *Dargle Holdings Ltd*. Non-executive director of *IP Group Plc*. Board member of *hVivo plc*. Member of supervisory board of *Evotec A.G*. Scientific advisor of *Poolberg Pharma plc*.

Shareholding in the company: -

Peter Thelin
Board member

Born 1956. Board member since 2011.

Education: Graduate of *Stockholm School of Economics*.

Other current assignments: Chairman of the board of *Brummer Investor Relations AB*. Board member of *B & P Fund services Aktiebolag*, *Brummer & Partners AB*, *Brummer Multi-Strategy AB*, *ELC Fastigheter AB*, *East Bay AB*, *Sjunda Gård AB*, *Sjuenda Holding AB*, *Sjunda Jordbruk AB*, *Sjunda Persbo Holding AB* and *S:ta Ragnhildgymnasiet AB*. Deputy board member of *French River 1 AB* and *French River 2 AB*.

Shareholding in the company: 15,355,519 shares (privately and through companies).

Uli Hacksell
Board member

Born 1950. Board member since 2019.

Education: Master of Pharmacy, PhD in Medicinal Chemistry, Professor in Organic Chemistry.

Other current assignments: Chairman of the board of *Medivir AB* and *Annexin Pharmaceuticals AB* (publ). Board member of *Synact Pharma AB* and *InDex Pharmaceuticals Holding AB*.

Shareholding in the company: 21,000 shares.

Auditor

Linda Bengtsson
Auditor

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

Executive Management

Helén Tuvesson
President and CEO

Born 1962. CEO since 2017.

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

Other current assignments: Chairman of the board of *Active Security Trading AB* and *Actinova AB*. Board member of *Mendus AB* (earlier *Immunicum AB*).

Shareholding in the company: 255,313 shares.

Hans Kolam
Chief Financial Officer

Born 1951. CFO since 2000.

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

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

Shareholding in the company: 183,648 shares (of which 6,930 shares via related parties).

Erik Vahtola
Chief Medical Officer

Born 1976. Chief Medical Officer since 2022.

Education: Medical Doctor (MD) and PhD in Pharmacology from *University of Helsinki* and MSc in Cell biology from *Åbo Akademi.*

Other current assignments: -

Shareholding in the company: 88,117 shares.

FINANCIAL INFORMATION

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, 2022 to December 31, 2022. Active Biotech conducts operations as a limited liability company and has its registered office in Lund, Sweden.

GROUP AND PARENT COMPANY

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

OPERATIONS

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

The tasquinimod project is being developed for the treatment of multiple myeloma in an academic partnership with Abramson Cancer Center, University of Pennsylvania. A clinical phase Ib/IIa study in multiple myeloma is ongoing and in parallel preparations to start a clinical proof-of-concept study in myelofibrosis in Europe, in collaboration with Oncode/Erasmus. The study will mainly be financed by Oncode Institute.

The laquinimod project is being developed for the treatment of inflammatory eye disorders. The first subject was dosed in December 2021 in the phase I clinical study with the eye drop formulation of laquinimod. The first study results were published in January 2023.

The company's naptumomab project, developed for the treatment of solid tumors, has been out-licensed to NeoTX Therapeutics Ltd (NeoTX) since October 2016. Two clinical studies are ongoing, a clinical phase Ib/II study in combination with durvalumab, a checkpoint inhibitor and a phase II study in combination with docetaxel in patients with NSCLC.

SIGNIFICANT EVENTS IN 2022

- On January 4, 2022 Erik Vahtola was appointed Chief Medical Officer
- Active Biotech announced on February 7, 2022 that the first patient was dosed in the combination part of the phase Ib/IIa study of tasquinimod in multiple myeloma
- On February 9, 2022 Active Biotech entered into a global patent license agreement with Oncode Institute for tasquinimod in myelofibrosis
- Active Biotech announced on April 26, 2022 that the patent protection had been strengthened for laquinimod in eye disorders
- On May 18, 2022 Active Biotech announced that FDA had granted Orphan Drug Designation for tasquinimod in myelofibrosis
- Active Biotech announced on June 1, 2022 that the first stage of the phase IIa clinical trial of naptumomab in combination with docetaxel has been successfully completed and the study started enrolling into the second stage
- Active Biotech announced on September 7, 2022 final outcome of the Company's rights issue
- On October 24, 2022 Active Biotech announced that the patent protection for laquinimod in eye diseases was further strengthened with a granted patent in US
- Preclinical data with tasquinimod in MDS was presented at the annual meeting of American Society of Hematology (ASH 2022) on December 13, 2022

ORGANIZATION

The average number of employees in the Group during the year amounted to 9 (8), of whom 5 (5) were women. The average age of the employees was 59 (60) with an average employment period of 18.1 years (23.0). 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 2022 was 9, of whom 5 were women.

INCENTIVE PROGRAMS

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

PLAN 2020/2024 – Employees within the Active Biotech Group

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

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

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

BOARD PLAN 2020/2023

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

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

Employees and Board members acquired in total 361,756 shares in the market during 2020 and 298,000 during 2021 and 212,081 during 2022 in the respective incentive programs. Total costs, including social contributions, as of December 31, 2022 YTD, amounted to SEK 1,802 K.

For detailed terms and conditions for each of the programs, see note 4.

SALES AND EARNINGS

Revenue, expenses and earnings

No sales were recorded during January-December.

The total research expenses for full-year 2022 amounted to SEK 42.8 M (34.5). In 2022, the company's research efforts have been focused on the clinical development of tasquinimod in multiple myeloma and the eye drop formulation of laquinimod in eye diseases. Collaborations to expand the preclinical and clinical development of tasquinimod and laquinimod are ongoing.

During the reporting period the financial resources have been allocated to the preclinical and clinical development of the fully owned projects tasquinimod and laquinimod. The development programs include:

- The ongoing phase Ib/IIa clinical study with tasquinimod for treatment of multiple myeloma was initiated in August 2020 in collaboration with Penn University, USA. The study is progressing according to plan
- During the reporting period a patent license agreement including preclinical and clinical collaborations for the development of tasquinimod in myelofibrosis was signed with Oncode Institute in the Netherlands
- Laquinimod is developed as a new product class for treatment of inflammatory eye diseases. A newly developed topical ophthalmic formulation is tested in a phase I clinical study, which was initiated in December 2021

Administrative expenses amounted to SEK 15.1 M (15.2). The operating loss for the period amounted to SEK 57.9 M

(loss: 49.8). Net financial loss for the period was SEK 0.5 M (income: 0.0) and the loss after tax to SEK 58.4 M (loss: 49.8).

COMMENTS ON THE BALANCE SHEET

At year-end 2022, the Group's total assets amounted to SEK 51.0 M (56.8), of which tangible fixed assets accounted for SEK 6.9 M (0.9) and cash/cash equivalents and financial investments totaled SEK 41.8 M (53.1).

CASH AND CASH EQUIVALENTS AND FINANCIAL POSITION

At year-end, cash and cash equivalents totaled SEK 41.8 M (53.1). 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 39.5 M were invested in short-term Swedish securities. Interest bearing liabilities amounted to SEK 6.0 M (1.0) and are attributable to the Group's lease commitments. At the end of the year, consolidated shareholders' equity amounted to SEK 34.5 M (46.7) and the equity/assets ratio was 67.7 percent, compared with 82.2 percent at year-end 2021.

COMMENTS ON THE CASH-FLOW STATEMENT

The Group's cash flow for full-year 2022 was a negative SEK 11.3 M (pos: 26.9). The negative cash flow from operating activities amounted to SEK 54.8 M (neg: 46.2). Cash flow from investing activities totaled to a negative SEK 0.2 M (0.0). Cash flow from financing activities amounted to a positive SEK 43.8 M (pos. 73.1) following the rights issue concluded in 2022. The share issue added SEK 45.5 M to liquidity after issue costs.

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 2022, Active Biotech AB's share capital amounted to SEK 1,368 distributed among 264,886,797 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 32 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 34-38.

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 0.0 M (0.0). Operating expenses for the period amounted to SEK 57.9 M (49.9). Investments in tangible fixed assets amounted to SEK 0.0 M (0.0) for the period. At year-end, the Parent Company's cash and cash equivalents, including short-term investments, amounted to SEK 41.6 M, compared with SEK 52.9 M at the beginning of the year. The loss after tax was SEK 38.2 M (loss: 49.9).

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 establish patent protection.

Production

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

Official permits and regulatory approval

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

Partnership agreement

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

Competition and commercial success

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

Product liability and insurance

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

Financial risks

Exchange rate and credit risks

Assets, liabilities, revenue and expenses in foreign currency give rise to currency exposure. A weakening of the SEK against other currencies increases Active Biotech's recognized assets, liabilities, revenue and earnings, while a strengthening of the SEK against other currencies will reduce these items. The company is exposed to such changes since the operations are

conducted in Sweden and any future remuneration in accordance with the company's partnerships will be paid in foreign currency. Since Active Biotech does not make use of forward contracts or options to hedge foreign-exchange risk, exchange-rate effects may directly impact the income statement, which could lead to a negative impact on the company's financial position and earnings. Earnings are exposed to exchange-rate changes with regard to the procurement of clinical trial services, research services and production of clinical materials. Operating expenses amounted to SEK 57.9 M during the fiscal year, of which about 32 percent corresponded to costs in foreign currencies. The proportion of costs in foreign currencies, principally in USD and EUR, may fluctuate as projects enter later phases of clinical development with more clinical studies potentially being conducted abroad.

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

Liquidity and interest-rate risk

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

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

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

REPORT ON THE WORK OF THE BOARD

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

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

The work of the Board and governance of Active Biotech is described in detail in the "Corporate Governance Report" section on pages 34-38. With regard to the Group's and Parent Company's results and financial position, refer to the subsequent income statements and balance sheets with the accompanying notes to the financial statements.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

These guidelines encompass remuneration of senior executives. Senior executives are defined as the President & CEO and other members of Group management. The guidelines apply to remuneration agreed, and changes made to existing agreed remuneration, when the guidelines have been adopted by the 2023 AGM. The guidelines do not cover remuneration resolved by the AGM.

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

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

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

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

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

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

Forms of remuneration, etc.

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

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

Pension benefits are to comprise defined-contribution schemes. For the President & CEO, the pension premium is not to exceed 35 percent of the fixed annual salary. For other senior executives, the pension premium is to not exceed 25 percent of fixed annual salary.

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

Termination of employment

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

Criteria for awarding variable cash payments, etc.

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

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

Salary and terms of employment

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

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

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

Deviation from the guidelines

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

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

There are no earlier adopted remuneration packages that have not fallen due for payment. The company has not approved any deviations from the guidelines for remuneration adopted by the 2022 AGM.

EVENTS AFTER THE BALANCE-SHEET DATE

- Pre-clinical data with tasquinimod was published in Journal of Immunotherapy for Cancer in January 2023
- Active Biotech confirmed the positive safety profile of laquinimod eye drops on January 30, 2023
- On April 19, 2023 Active Biotech announced that NeoTX presented interim results from the phase Ib trial with naptumomab in combination with the checkpoint inhibitor durvalumab at the American Association for Cancer Research (AACR) annual meeting

OUTLOOK FOR 2023

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

Active Biotech currently holds three projects in its portfolio:

- tasquinimod, targeted towards hematological malignancies is in clinical phase Ib/IIa treatment of multiple myeloma and is also in development for a clinical phase II study in Myelofibrosis, the study will be funded by Oncode Institute.
- laquinimod, targeted towards inflammatory eye disorders. A clinical phase I trial with a topical ophthalmic formulation, was concluded in January, 2023. Study results are being analyzed and in parallel a phase II study with laquinimod in patients with uveitis is being planned to start 2023.
- naptumomab, a tumor directed immunotherapy, partnered to NeoTX, is in phase Ib/II clinical development in patients with advanced solid tumors and in phase IIa development in combination with docetaxel in NSCLC

The ongoing preclinical and clinical programs are advancing positively. We regularly receive inbound approaches from scientists who wish to explore the potential of laquinimod or tasquinimod in different disease areas. Active Biotech will maintain focus for

laquinimod within inflammatory eye disorders and for tasquinimod within myeloid related diseases.

Active Biotech focuses its activities to secure long-term value growth and conduct commercial activities aimed at entering new partnerships for the fully owned clinical assets tasquinimod in hematological malignancies and laquinimod in eye disorders.

Financing and going concern

The Board and the management team continuously assess the Groups financial viability and access to cash. A rights issue was successfully concluded in September 2022 when SEK 45.5 M after issue costs was secured. The rights issue aimed at providing Active Biotech with the financial stability required to await the outcome of the ongoing clinical studies and to conduct negotiations with partners.

The available liquidity can fund continued operations through 2023 and Active Biotech will therefore require access to further growth capital to maintain progress of its unpartnered project portfolio. Various sources of financing are being explored, including partnering the company's development programs, directed share issuances to new investors as well as rights issue to current investors. Given the current macro-economic uncertainties and the projected developments of the company's project portfolio, the Board has decided to keep all options open for the time being. As the company within the next 12 months has additional financing needs that has not yet been secured, the Board is continuously working on evaluating various financing options to ensure continued operation. It is the Board´s assessment that the company has good prospects at securing future financing, however the absence of assurance at the time of submission of this report means that there is a significant uncertainty factor regarding the company´s ability to continue operation.

As a research company, Active Biotech is characterized by high operational and financial risk, since the projects in which the company is involved have development, regulatory and commercialization risks. In addition, the ability of the company to attract and retain key people with both insights to the field of research, and relevant product development experiences is a significant risk.

At the beginning of 2022, the situation between Russia and Ukraine deteriorated sharply which has created great uncertainty. The market reactions on the development have been strongly negative, which is shown through significant price drops in the stock markets, including the Swedish. In addition, the United States and Europe have imposed economic sanctions on Russia.

Active Biotech has no operations in Russia or Ukraine and has so far not been affected in any material way. However, it cannot be completely ruled out that the macro-economic uncertainty created in the financial markets, might have an impact on Active Biotech's possibilities for future financing of the operations. If such an impact on the operation is expected to arise, Active Biotech will provide updates as necessary. With regards to the prevailing situation for COVID-19, it is still uncertain how global measures against COVID-19, and prioritization of health care resources, may affect timelines of project and the ongoing and planned clinical activities might be delayed with possible implications on the financing risks. The Group's operations are primarily conducted in the Parent Company, which is why risks and uncertainties refer to both the Group and the Parent Company

ALLOCATION OF PROFIT/LOSS

SEK	
Share premium reserve	45,277,037
Profit brought forward	24,943,187
Loss for the year	-38,221,206
Total	**31,999,018**

The Board of Directors proposes that the accumulated profit SEK 31,999,018 balance in a new account.

Financial Statements

CONSOLIDATED INCOME STATEMENT

January 1 – December 31

SEK thousands	Note	2022	2021
Net sales	2	–	–
Administrative expenses	3. 4	–15,062	–15,246
Research and development costs	3	–42,824	–34,536
Operating loss	5	**–57,886**	**–49,782**
Financial income		49	15
Financial expenses		–535	–58
Net financial income/expense	6	**–486**	**–43**
Loss before tax		**–58,372**	**–49,825**
Tax	7	–	–
Loss for the year		**–58,372**	**–49,825**
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company's shareholders		–58,372	–49,825
Non-controlling interests		–	–
EARNINGS PER SHARE	13		
before dilution (SEK)		–0.25	–0.23
after dilution (SEK)		–0.25	–0.23

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

January 1 – December 31

SEK thousands	Note	2022	2021
Loss for the year		**–58,372**	**–49,825**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		–	–
COMPREHENSIVE INCOME FOR THE YEAR		**–58,372**	**–49,825**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Parent Company's shareholders		–58,372	–49,825
Non-controlling interests		–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31

SEK thousands	Note	2022	2021
ASSETS			
Immaterial assets	x	245	–
Leased assets		6,264	945
Long-term receivables		376	1
Total fixed assets		**6,885**	**946**
Tax assets		600	739
Other receivables	10	347	451
Prepaid expenses and accrued income	11	1,377	1,534
Cash and cash equivalents	21	41,796	53,134
Total current assets		**44,120**	**55,858**
TOTAL ASSETS		**51,005**	**56,804**

SEK thousands	Note	2022	2021
SHAREHOLDERS' EQUITY			
Share capital		1,368	1,126
Other capital contributed		3,430,872	3,385,595
Profit/loss brought forward including loss for the year		–3,397,729	–3,340,047
Total shareholders' equity	**12**	**34,511**	**46,674**
LIABILITIES			
Other long-term interest-bearing liabilities	14	4,432	226
Total long-term liabilities		**4,432**	**226**
Short-term interest-bearing liabilities	14	1,606	760
Accounts payable		3,528	2,761
Other liabilities	15	236	255
Accrued expenses and deferred income	16	6,692	6,128
Total short-term liabilities		**12,062**	**9,904**
TOTAL LIABILITIES		**16,494**	**10,130**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**51,005**	**56,804**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 – December 31

SEK thousands	Note 21	2022	2021
Operating activities			
Loss before tax		–58,372	–49,825
Adjustments for non-cash items		2,185	1,562
Cash flow from operating activities before changes in working capital		**–56,187**	**–48,263**
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		26	993
Increase(+)/Reduction(-) in operating liabilities		1,311	1,104
Cash flow from operating activities		**–54,850**	**–46,166**
Investing activities			
Acquisition of intangible fixed assets		–245	–
Cash flow from investing activities		**–245**	**–**
Financing activities			
Rights issue		46,832	76,249
Issue expenses		–1,313	–2,147
Amortization of lease liabilities		–1,762	–1,015
Cash flow from financing activities		**43,757**	**73,087**
Cash flow for the year		**–11,338**	**26,921**
Cash and cash equivalents, January 1		**53,134**	**26,213**
Exchange-rate differences in cash and cash equivalents		**–**	**–**
CASH AND CASH EQUIVALENTS AT YEAR-END		**41,796**	**53,134**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

SEK thousands	Share capital	Other capital contributed	Profit/loss brought forward incl. loss for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2021	**750**	**3,311,868**	**–3,290,505**	**22,113**
Loss for the year	–	–	–49,825	–49,825
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–49,825**	**–49,825**
Rights issue [1)]	375	73,727	–	74,102
Share-based payments that are settled with equity instruments, IFRS2	1	–	283	284
Closing shareholders' equity, December 31, 2021	**1,126**	**3,385,595**	**–3,340,047**	**46,674**
Opening shareholders' equity, January 1, 2022	**1,126**	**3,385,595**	**–3,340,047**	**46,674**
Loss for the year	–	–	–58,372	–58,372
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–58,372**	**–58,372**
Rights issue [1)]	242	45,277	–	45,519
Share-based payments that are settled with equity instruments, IFRS2	–	–	690	690
Closing shareholders' equity, December 31, 2022	**1,368**	**3,430,872**	**–3,397,729**	**34,511**

[1)] The rights issue amount for 2022 was recognized net after deductions for transaction costs of SEK 1,313 (2,147) thousand

PARENT COMPANY INCOME STATEMENT

January 1 – December 31

SEK thousands	Note	2022	2021
Net sales	2	–	–
Administrative expenses	3. 4	–15,047	–15,256
Research and development costs	3	–42,892	–34,610
Operating loss	5	**–57,939**	**–49,866**
Profit/loss from financial items			
Result from participations in group companies		20,000	–
Interest income and similar items	6	48	15
Interest expenses and similar items	6	–330	–33
Loss after financial items		**–38,221**	**–49,884**
Loss before tax		**–38,221**	**–49,884**
Tax	7	–	–
Loss for the year		**–38,221**	**–49,884**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

January 1 – December 31

SEK thousands	2022	2021
Loss for the year	**–38,221**	**–49,884**
Other comprehensive income	–	–
Comprehensive income for the year	**–38,221**	**–49,884**

PARENT COMPANY BALANCE SHEET

At December 31

SEK thousands	Note	2022	2021
ASSETS			
Fixed assets			
Intangible fixed assets			
Patent	8	245	–
Total intangible fixed assets		**245**	**–**
Financial fixed assets			
Participations in Group companies	20	40,500	40,500
Other long-term receivables		376	1
Total financial fixed assets		**40,876**	**40,501**
Total fixed assets		**41,121**	**40,501**
Current assets			
Short-term receivables			
Tax assets		600	739
Other receivables	10	347	451
Prepaid expenses and accrued income	11	1,795	1,534
Total short-term receivables		**2,742**	**2,724**
Short-term investments	21	39,497	50,816
Cash and bank balances	21	2,113	2,132
Total current assets		**44,352**	**55,672**
TOTAL ASSETS		**85,473**	**96,173**

SEK thousands	Note	2022	2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		1,368	1,126
Unrestricted equity			
Share premium reserve		45,277	73,727
Profit brought forward		24,943	410
Loss for the year		–38,221	–49,884
Total shareholders' equity	12	**33,367**	**25,379**
Short-term liabilities			
Accounts payable		3,528	2,761
Liabilities to Group companies		41,650	61,650
Other liabilities	15	236	255
Accrued expenses and deferred income	16	6,692	6,128
Total short-term liabilities		**52,106**	**70,794**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**85,473**	**96,173**

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

CASH-FLOW STATEMENT FOR THE PARENT COMPANY

January 1 – December 31

SEK thousands	Note 21	2022	2021
Operating activities			
Loss after financial items		–38,221	–49,884
Adjustments for non-cash items		690	284
Cash flow from operating activities before changes in working capital		**–37,531**	**–49,600**
Cash flow from changes in working capital			
Increase(-)/Reduction(+) in operating receivables		–392	1,184
Increase(+)/Reduction(-) in operating liabilities		–18,689	1,104
Cash flow from operating activities		**–56,612**	**–47,312**
Investing activities			
Acquisition of intangible fixed assets		–245	–
Cash flow from investing activities		**–245**	**–**
Financing activities			
Rights issue		46,832	76,249
Issue expenses		–1,313	–2,147
Cash flow from financing activities		**45,519**	**74,102**
Cash flow for the year		**–11,338**	**26,790**
Cash and cash equivalents, January 1		**52,948**	**26,158**
CASH AND CASH EQUIVALENTS AT YEAR-END		**41,610**	**52,948**

STATEMENT OF CHANGES IN PARENT COMPANY'S EQUITY

SEK thousands	Note 12	Restricted equity			Unrestricted equity			Total shareholders' equity
		Share capital	Revaluation reserve	Statutory reserve	Share premium reserve	Profit/loss brought forward	Loss for the year	
Opening shareholders' equity, January 1, 2020		**750**	**–**	**–**	**–**	**32,260**	**–32,134**	**876**
Loss for the year		–	–	–	–	–	–49,884	–49,884
Other comprehensive income for the year		–	–	–	–	–	–	–
Comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–49,884**	**–49,884**
Rights issue [1)]		375	–	–	73,727	–	–	74,102
Share-based payments that are settled with equity instruments, IFRS2		1	–	–	–	284	–	285
Treatment of profit/loss in preceding year		–	–	–	–	–32,134	32,134	–
Closing shareholders' equity, December 31, 2020		**1,126**	**–**	**–**	**73,727**	**410**	**–49,884**	**25,379**
Opening shareholders' equity, January 1, 2021		**1,126**	**–**	**–**	**73,727**	**410**	**–49,884**	**25,379**
Loss for the year		–	–	–	–	–	–38,221	–38,221
Other comprehensive income for the year		–	–	–	–	–	–	–
Comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–38,221**	**–38,221**
Rights issue [1)]		242	–	–	45,277	–	–	45,519
Share-based payments that are settled with equity instruments, IFRS2		–	–	–	–	690	–	690
Treatment of profit/loss in preceding year		–	–	–	–73,727	23,843	49,884	–
Closing shareholders' equity, December 31, 2021		**1,368**	**–**	**–**	**45,277**	**24,943**	**–38,221**	**33,367**

[1)] The rights issue amount for 2021 was recognized net after deductions for transaction costs of SEK 1,313 (2,147) thousand.

Notes to the Financial Statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Conformity with standards and legislation

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

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

The Annual Report and the consolidated financial statements were approved for issue by the Board and the President on April 26, 2023. 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 24, 2023.

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

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

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

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

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

Changed accounting policies

Changed accounting policies caused by new or amended IFRS

No new IFRS or other amendments to IFRS applicable from January 1, 2022 did not have any material impact on the consolidated financial statements.

New IFRS that have not yet been applied

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

Classification, etc.

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

Segment reporting

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

Consolidation principles

Subsidiaries

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

Transactions to be eliminated at consolidation

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

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balancesheet date. Exchange-rate differences that arise in translation are recognized in profit or loss. Nonmonetary 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

Contract with NeoTX

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

Leases

Leases for which the Group is lessee

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

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

Lease payments are normally discounted using the Group's incremental borrowing rate, which in addition to the Group's/company's credit risk also reflects each agreement's lease term, currency and quality of

the underlying asset as intended security. However, the interest rate implicit in the lease is used when this can be determined.

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

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

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

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

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

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

Financial income and expenses

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

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

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

Exchange-rate gains and losses are netted.

Financial instruments

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

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

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

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

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

Measurement on initial recognition

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

Classification and subsequent measurement of financial assets

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

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

Classification and subsequent measurement of financial liabilities

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

Tangible fixed assets

Owned assets

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

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

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

Additional expenses

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

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

Repairs are expensed on an ongoing basis.

Depreciation principles

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

Estimated useful life of:

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

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

Intangible assets

Research and development

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

Expenses for developments, in which the research result or other knowledge is applied to produce new or

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

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

No assets of this character were acquired.

Patent

Acquired patent rights are reported at acquisition value and any need for impairment is tested annually.

Impairment

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

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

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

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

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

Impairment of financial assets

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

Employee remuneration

Post-retirement benefits

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

All defined-benefit pension plans are secured through insurance with Alecta, which is a multi-employer defined-benefit plan. For the 2022 and 2021 fiscal

years, the company did not have access to information that would make it possible to recognize this plan as a defined-benefit plan.

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

Severance pay

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

Current employee remuneration

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

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

Share-related compensation

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

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

Recognition of earnings per share

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

Provisions

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

Taxes

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

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

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

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

Contingent liabilities

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

Parent Company's accounting policies

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

Changed accounting policies

Changed accounting policies unless otherwise stated below, the Parent Company's accounting policies in 2022 have changed in line with what is described above for the Group.

New IFRS that have not been applied

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

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

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

Classification and presentation forms

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

Subsidiaries

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

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

Financial guarantee contracts

The Parent Company's financial guarantee contracts mainly comprise guarantees for the benefit of subsidiar-

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

Tangible fixed assets

Owned assets

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

Leased assets

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

Intangible fixed assets

Research and development

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

Depreciation principles

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

Taxes

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

NOTE 2: OPERATING EXPENSES DISTRIBUTED BY TYPE OF COST

	Group		Parent Company	
SEK thousands	2022	2021	2022	2021
Personnel costs	20,565	17,559	20,763	17,829
Depreciation/amortization	1,494	1,280	—	—
Operating expenses	2,385	1,705	2,383	1,704
Property expenses	396	146	1,747	1,242
Administrative expenses	1,642	1,256	1,642	1,256
External R&D services	27,402	23,366	27,402	23,366
Other external services	4,002	4,470	4,002	4,469
Total	**57,886**	**49,782**	**57,939**	**49,866**

NOTE 3: AUDITORS' FEES

	Group and Parent Company	
SEK thousands	2022	2021
KPMG AB		
Auditing assignments	410	345
Audit activities other than auditing assignment	–	–
Other services	–	14
Tax consultancy services	–	70

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

NOTE 4: EMPLOYEE AND PERSONNEL COSTS, AND REMUNERATION OF SENIOR EXECUTIVES

Costs for remuneration of employees

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
Salaries and remuneration, etc.[3]	12,504	10,555	12,504	10,555
Pension costs, defined-contribution plans[1,2] (see below)	4,007	2,928	4,007	2,928
Social-security costs[3,4]	3,697	3,294	3,697	3,293
Non-monetary remuneration	59	46		
Total	**20,267**	**16,823**	**20,208**	**16,776**

[1] Of the Parent Company's pension costs, SEK 1,446 thousand (1,462) pertains to the Board of Directors and President & CEO.
[2] The Group's pension costs include SEK 1,029 thousand (809) 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 thousand (178).
[4] Social-security costs include SEK 215 thousand (713) pertaining to the incentive program

Average number of employees

	2022			2021		
	No. of employees	Of whom, women		No. of employees	Of whom, women	
PARENT COMPANY						
Sweden	9	5	(56%)	8	5	(63%)
Total Parent Company	**9**	**5**	**(56%)**	**8**	**5**	**(63%)**
SUBSIDIARIES						
Sweden	0	0	(0%)	0	0	(0%)
Group total	**9**	**5**	**(56%)**	**8**	**5**	**(63%)**

Gender distribution in management

	Of whom, women	
	2022	2021
PARENT COMPANY		
Board of Directors	17 %	17 %
Other senior executives	33 %	67 %
GROUP TOTAL		
Board of Directors	17 %	17 %
Other senior executives	33 %	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	2022			2021		
	Other senior executives (9 individuals)	Other employees	Total	Other senior executives (9 individuals)	Other employees	Total
Salaries and other remuneration						
Sweden	8,233	4,271	12,504	6,970	3,585	10,555
(of which, bonus and similar)	1,161	–	1,161	1,121	–	1,121
Total Parent Company	**8,233**	**4,271**	**12,504**	**6,970**	**3,585**	**10,555**
(of which, bonus and similar)	1,161	–	1,161	1,121	–	1,121
Social-security costs[1]	3,695	4,009	7,704	4,061	2,161	6,221
[1] of which, pension costs	1,825	2,182	4,007	1,964	964	2,928

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

SEK thousands	2022	2021
	Other senior executives (9 individuals)	Other senior executives (9 individuals)
Salaries and other remuneration	8,233	6,970
(of which, bonus and similar)	1,161	1,121
Pension costs	1,825	1,964

The Chairman of the Board, Michael Shalmi, has also received consultant fees in 2022 of SEK 1,275 thousand (1,800). Board member Aleksandar Danilovski has also received consultant fees in 2022 of SEK 589 thousand (427). Board member Axel Glasmacher has also received consultant fees in 2022 of SEK 177 thousand (195). Board member Elaine Sullivan has also received consultant fees in 2022 of SEK 67 thousand (88).

Remuneration of senior executives

Guidelines adopted at the Annual General Meeting on May 19, 2022

These guidelines encompass remuneration of senior executives. Senior executives are defined as the President & CEO and other members of Group management. The guidelines apply to remuneration agreed, and changes made to existing agreed remuneration, after the guidelines was adopted by the 2022 AGM. The guidelines do not cover remuneration resolved by the AGM.

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

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

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

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

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

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

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

Forms of remuneration, etc.

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

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

Pension benefits are to comprise defined-contribution schemes. For the President & CEO, the pension premium is not to exceed 35 percent of the fixed annual salary. For other senior executives, the pension premium is to not exceed 25 percent of fixed annual salary.

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

Termination of employment

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

Criteria for awarding variable cash payments, etc.

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

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

Salary and terms of employment

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

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

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

Deviation from the guidelines

The Board may only approve temporary deviation from the guidelines, partially or entirely, in individual cases with particular grounds and when deviation is necessary to

satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As specified above, the duties of the Board include preparing for decisions on remuneration issues, which also includes decisions regarding deviations from the guidelines.

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

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

The company has not approved any deviations from the guidelines for remuneration adopted by the 2022 AGM.

Incentive program

PLAN 2020/2024 – employees of Active

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

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

The conditions for 2020 consisted of business-related, companywide and financial goals. The business-related goals consist of (i) starting treatment of the first patient in the second dose group in part A of the phase Ib/II study with tasquinimod in multiple myeloma, (ii) completing documentation of laquinimod to enable phase initiation In study in eye indication during the second half of 2021 and (iii) complete review of external certification of the regulatory documentation for laquinimod and tasquinimod. The company-wide and financial goals consist of (i) launching a new investor strategy and implementing a capital market day before the end of 2020 and (ii) implementing the business activities planned for 2020 to a cost budget decided by the Board. A right will be exercised provided that the participant has kept its own original Saving Shares and has maintained its employment within Active Biotech up to and including 31 December the year in which the investment in Savings Shares was made.

The targets for 2021 consist of business-related and companywide goals. The business-related goals relate to the preclinical and clinical project development. The clinical study objectives for 2021 are defined as (i) present top-line safety data from phase Ib/IIa study with tasquinimod in multiple myeloma (ii) dosing of the first subject in a phase I safety study with laquinimod in eye drop formulation. The preclinical goals for 2021 are defined as (i) publishing a manuscript with preclinical tasquinimod results in a reputable scientific journal (ii) presenting complementary in-vivo results for laquinimod in a neovascular experimental model.

The company-wide goals for 2021 are linked to strenghtening of the companies clinical organization and reach out to potential commercial partners for tasquinimod and laquinimod.

The goals for 2022 consist of business-related and companywide goals. The business-related goals relate to the clinical and preclinical project development. The clinical study goals for 2022 are defined as (i) start of clinical study with tasquinimod in Myelofibrosis (ii) present data from the dose escalation study of tasquinimod in Multiple Myeloma (iii) complete phase I study of laquinimod eye drops in healthy subjects (iv) sign an agreement for ophthalmology with an academic partner for the start of phase II studies in 2023. The pre-clinical goals for 2022 are defined as (i) publish pre-clinical data for Multiple Myeloma in an academic journal (ii) complete a pre-clinical plan for Myelofibrosis (iii) present pre-clinical data from at least one in vivo ocular neovascularization model (iv) complete a preclinical uveitis/neovascularization plan.

The company-wide goal for 2022 is linked to securing the company's continued financing.

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

For the year 2022, 2021 and 2020 saving shares, performance shares and costs are shown in the tables below.

Year 2022	Saving shares	Allotment of performance shares	Recalculation due to new share issue	IFRS2 cost (SEK thousand) [1]	Social security cost, calculated (SEK thousand)
President & CEO	40,000	40,000	48,640	111	17
Executive management	45,733	45,733	55,611	127	20
Other employees	126,348	126,348	153,639	350	53
Total	**212,081**	**212,081**	**257,890**	**588**	**90**

1. Fair value at the time of allotment on 31 March 2022 = SEK 1,140 / share right. No market terms are linked to the earnings terms. No expected dividend has been included in the calculation.

Year 2021	Saving shares	Allotment of performance shares	IFRS2 cost (SEK thousand) [1]	Social security cost, calculated (SEK thousand)	Social security cost, actual (SEK thousand)
President & CEO	20,000	20,000	56	16	7
Executive management	20,000	20,000	56	16	5
Other employees	43,000	43,000	120	34	15
Total	**83,000**	**83,000**	**232**	**66**	**27**

1. Fair value at the time of allotment on 31 March 2021 = SEK 1,398 / share right. No market terms are linked to the earnings terms. No expected dividend has been included in the calculation.

Year 2020	Saving shares	Allotment of performance shares	Recalculation due to new share issue	IFRS2 cost (SEK thousand)[1]	Social security cost, calculated (SEK thousand)	Social security cost, actual (SEK thousand)
President & CEO	25,000	25,000	30,000	130	30	14
Executive management	30,000	30,000	36,000	156	36	13
Other employees	42,500	42,500	51,000	272	62	24
Total	**97,500**	**97,500**	**117,000**	**558**	**128**	**51**

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

In order to ensure delivery of shares under the program, the annual general meeting resolved to issue not more than 2,524,000 warrants for subscription and subsequent transfer of shares to the participants in the incentive program, whereupon the Company's share capital may be increased by not more than approximately SEK 13,034. All warrants were subscribed for by Active Biotech's fully owned subsidiary, Active Security Trading AB. Each warrant entitles to subscription for one new share in the Company during the period commencing the date on which the issue resolution is registered with the Swedish Companies Registration Office, which was made on 29 June 2020, up to and including 31 December 2023. The subscription price is approximately SEK 0.005 per share.

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

BOARD PLAN 2020/2023

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

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

For the year 2020 and 2021 saving shares, performance shares and costs are shown in the tables below.

For the year 2020 and 2021 saving shares, performance shares and costs are shown in the tables below.

	Year	Saving shares	Maximum performance shares	Recalculation due to new share issue	IFRS2 cost (SEK thousand)	Social security cost (SEK thousand)
Board members	2020	264 256	264 256	385 602	143[1]	0
	2021	215 000	215 000	261 440	28[2]	13
	2022	0	0	0	0	0
Total		**479 256**	**479 256**	**647 042**	**171**	**13**

[1)] Fair value at the time of allocation on 30 June 2020 has been calculated by a Monte Carlo simulation. Estimated fair value per 2020-06-30 = 1.29 / share right. Expected volatility = 69% and risk-free interest rate = -0.24%. No expected dividend has been included in the calculation. [2)] Fair value at the time of allocation on 30 June 2021 has been calculated by a Monte Carlo simulation. Estimated fair value per 2021-06-30 = 0.64 / share right. Expected volatility = 27% and risk-free interest rate = -0.17%. No expected dividend has been included in the calculation.

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

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

Loans to senior executives

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

Post-retirement benefits

Defined-benefit plans

Retirement pension and family pension obligations for salaried workers in Sweden are secured through insurance with Alecta, which is a multi-employer, defined-benefit plan. For the 2021 and 2020 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 1.0 M (0.8) and for 2022 the premiums will amount to SEK 0.6 M. Alecta's surplus can be allocated to the policyholders and/or the insured. At year-end 2021, Alecta's surplus at the collective funding ratio amounted to 172 percent (148). The collective funding ratio comprises the market value of Alecta's assets as a percentage of insurance obligations based on Alecta's actuarial calculations, which do not conform to IAS 19. Active Biotech's share of total savings premiums for ITP2 with Alecta amounted to 0.00425 percent for 2021 and the share of the total actively insured in ITP2 amounted to 0.00176 percent in December 2021.

Remuneration and other benefits during 2022

SEK thousands	Basic salary/Board fee	Variable remuneration	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board, Michael Shalmi [2]	500	–	–	–	60	–	560
Board member Aleksandar Danilovski [3]	200	–	–	–	18	–	218
Board member, Axel Glasmacher [4]	200	–	–	–	10	–	210
Board member, Uli Hacksell [1]	200	–	–	–	5	–	205
Board member, Elaine Sullivan [5]	200	–	–	–	–	–	200
Board member, Peter Thelin [1]	200	–	–	–	18	–	218
CEO, Helén Tuvesson	2,310	693	300	825	128	–	4,256
Other senior executives (2 individuals)	3,262	468	300	400	147	–	4,577
Total	**7,072**	**1,161**	**600**	**1,225**	**386**	**–**	**10,444**

[1] Apart from Board fees, no additional remuneration was paid. [2] Michael Shalmi has also received consultant fees in 2022 of SEK 1,275 thousand. [3] Aleksandar Danilovski has also received consultant fees in 2022 of SEK 589 thousand. [4] Axel Glasmacher has also received consultant fees in 2022 of SEK 177 thousand. [5] Elaine Sullivan has also received consultant fees in 2022 of SEK 67 thousand.

Remuneration and other benefits during 2021

SEK thousands	Basic salary/Board fee	Variable remuneration	Salary exchange	Pension costs	Financial instruments	Other remuneration	Total
Chairman of the Board, Michael Shalmi [2]	500	–	–	–	21	–	521
Board member Aleksandar Danilovski [3]	200	–	–	–	7	–	207
Board member, Axel Glasmacher [4]	200	–	–	–	5	–	205
Board member, Uli Hacksell [1]	200	–	–	–	3	–	203
Board member, Elaine Sullivan [5]	200	–	–	–	–	–	200
Board member, Peter Thelin [1]	200	–	–	–	9	–	209
CEO, Helén Tuvesson	2,045	876	300	889	72	–	4,182
Other senior executives (2 individuals)	2,304	245	330	445	72	–	3,396
Total	**5,849**	**1,121**	**630**	**1,334**	**189**	**–**	**9,123**

[1] Apart from Board fees, no additional remuneration was paid. [2] Michael Shalmi has also received consultant fees in 2021 of SEK 1,800 thousand. [3] Aleksandar Danilovski has also received consultant fees in 2021 of SEK 427 thousand. [4] Axel Glasmacher has also received consultant fees in 2021 of SEK 195 thousand. [5] Elaine Sullivan has also received consultant fees in 2021 of SEK 88 thousand.

NOTE 5: NET FINANCIAL ITEMS

	Group		Parent Company	
SEK thousands	2022	2021	2022	2021
Interest income				
- Other interest income	49	–	48	–
Net gain on financial assets and liabilities measured at fair value through profit or loss				
- Held for trading: Short-term investments	–	–	–	–
Net exchange-rate changes	–	15	–	15
Financial income/Interest income and similar items	**49**	**15**	**48**	**15**
Interest expenses				
- Interest expenses relating to finance leases	–206	–25	–	–
Other interest expenses	–	–1	–	–1
Net loss on financial assets and liabilities measured at fair value through profit or loss				
Held for trading: Short-term investments	–319	–32	–320	–32
Net exchange-rate changes	–10	–	–10	–
Financial expenses/Interest expenses and similar items	**–535**	**–58**	**–330**	**–33**
Net financial expense	**–486**	**–43**	**–282**	**–18**
Of which:				
Interest income from instruments measured at amortized cost	–	–		
Interest expenses from instruments measured at amortized cost	–206	–26		
Exchange-rate differences that impacted earnings				
Exchange-rate differences that impacted operating loss	18	143	18	143
Financial exchange-rate differences	–10	15	–10	15
Total	**8**	**158**	**8**	**158**

NOTE 6: TAXES

Recognized in profit or loss

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
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	–	–	–	–
Deferred tax income attributable to sale of property	–	–	–	–
Total recognized tax expense/income	**–**	**–**	**–**	**–**
Reconciliation of effective tax				
Loss before tax	–58,372	–49,825	–38,221	–49,884
Tax on the Parent Company according to current rate	12,025	10,264	7,874	10,276
Non-deductible expenses	–307	–259	–307	–259
Non-taxable revenues	–	164	4,120	164
Increase in loss carryforwards without equivalent capitalization of deferred taxes	–11,687	–10,181	–11,687	–10,181
Increase/decrease in temporary differences for which deferred tax is not recognized	–31	12	–	–
Recognized effective tax	**–**	**–**	**–**	**–**

Due to the Group's activities with considerable research and development costs, it is not liable for tax. At the end of 2022, the Group's accumulated loss carryforwards amounted to SEK 3,303 M and was attributable to the Group's Swedish companies. The Parent Company's loss carryforwards amounted to SEK 3,302 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 3,303 M (3,246).

NOTE 7: INTANGIBLE FIXED ASSETS

Patent

SEK thousands	Group	Parent company
Acquisition value		
Opening balance, January 1, 2021	–	–
Closing balance, December 31, 2021	**–**	**–**
Opening balance, January 1, 2022	–	–
Acquisition of patent	245	245
Closing balance, December 31, 2022	**245**	**245**
Depreciation and impairment losses		
Opening balance, January 1, 2021	–	–
Closing balance, December 31, 2021	**–**	**–**
Opening balance, January 1, 2022	–	–
Closing balance, December 31, 2022	**–**	**–**
Carrying amounts		
January 1, 2021	–	–
December 31, 2021	–	–
January 1, 2022	–	–
December 31, 2022	245	245

NOTE 8: EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Equipment, tools, fixtures and fittings recognized based on cost method

SEK thousands	Group	Parent company
Acquisition value		
Opening balance, January 1, 2021	3 004	3 004
Disposal	–	–
Closing balance, December 31, 2021	**3 004**	**3 004**
Opening balance, January 1, 2022	3 004	3 004
Disposal	–290	–290
Closing balance, December 31, 2022	**2 714**	**2 714**
Depreciation and impairment losses		
Opening balance, January 1, 2021	–3 004	–3 004
Disposal	–	–
Closing balance, December 31, 2021	**–3 004**	**–3 004**
Opening balance, January 1, 2022	–3 004	–3 004
Disposal	290	290
Closing balance, December 31, 2022	**–2 714**	**–2 714**
Carrying amounts		
January 1, 2021	–	–
December 31, 2021	–	–
January 1, 2022	–	–
December 31, 2022	–	–

NOTE 9: LEASES

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

Right-of-use assets

SEK thousands	Properties	Vehicles	Total
Opening balance, January 1, 2022	550	395	945
Acquisition	7,081	0	7,081
Disposal	–268	0	–268
Depreciation for the year	–1,304	–190	–1,494
Closing balance, December 31, 2022	6,059	205	6,264

Lease liabilities

SEK thousands	Properties	Vehicles	Total
Current	1,425	181	1,606
Non-current	4,394	38	4,432
Lease liabilities included in the statement of financial position, Dec 31, 2022	**5,819**	**219**	**6,038**

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

Breakdown of amounts recognized in earnings

SEK thousands	Group 2022	Group 2021
Depreciation of right-of-use assets	–1,494	–1,280
Interest on lease liabilities	–206	–25
Variable lease payments not included in the measurement of the lease liability	–12	24
Costs for low-value leases	–148	–136

Amount recognized in statement of cash flows

SEK thousands	Group 2022	Group 2021
Total cash flows relating to leases	1,922	1,127

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

Description of the Group's rental agreements

Lease of property

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

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

Lease of company cars

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

Lease of computers and other office equipment

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

NOTE 10: OTHER RECEIVABLES

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
VAT	301	412	301	412
Other receivables	46	39	46	39
Total	**347**	**451**	**347**	**451**

NOTE 11: PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
Prepaid rent	0	336	411	336
Prepaid insurance	266	292	266	292
Prepaid patenting expenses	694	516	694	516
Prepaid new issue costs	–	–	–	–
Other prepaid expenses and accrued income	417	390	424	390
Total	**1,377**	**1,534**	**1,795**	**1,534**

NOTE 12: SHAREHOLDERS' EQUITY

Share capital Ordinary shares

Thousands of shares	2022	2021
Issued at January 1	217,942	145,236
Cash issue	46,945	72,736
Issued at December 31 – paid	**264,887**	**217,972**

Allocation of profit/loss

SEK	
Share premium reserve	45,277,037
Profit brought forward	24,943,187
Loss for the year	–38,221,206
Total	**31,999,018**

At December 31, 2022, the registered share capital comprised 264,886,797 ordinary shares with a quotient valueof SEK 0.005164. Holders of ordinary shares are entitled to dividends determined successively and the shareholding entitles the holder to voting rights at the Annual General Meeting of one vote per share.

Other capital contributed

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

Reserves

Revaluation reserve

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

Profit/loss brought forward including loss for the year

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

Dividend

The Board of Directors proposes that no dividend be paid for the 2022 fiscal year.

Capital management

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

Parent Company's shareholders' equity

Restricted funds

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

Unrestricted equity

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

Share premium reserve

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

Profit/loss brought forward

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

NOTE 13: EARNINGS PER SHARE

	Before dilution		After dilution	
SEK	2022	2021	2022	2021
Earnings per share	–0.25	–0.23	–0.25	–0.23

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 2022 was based on loss for the year attributable to the Parent Company's ordinary shareholders amounting to a loss of SEK 58,372 thousand (loss: 49,825) and on a weighted average number of shares outstanding during 2022 totaling 233,651,579 (213,909,190). The two components were calculated in the following manner:

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

SEK thousands	2022	2021
Loss for the year attributable to the Parent Company's shareholders	–58,372	–49,825

Weighted average number of outstanding ordinary shares, before dilution

Thousands of shares	2022	2021
Total number of ordinary shares at January 1	217,972	145,236
Effect of new share issues	15,611	68,572
Effect of incentive program Plan 2020/2024	69	101
Weighted average number of ordinary shares during the year, before dilution	**233,652**	**213,909**

Earnings per share after dilution

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

NOTE 14: INTEREST-BEARING LIABILITIES

Interest-bearing liabilities, Group

SEK thousands	2022	2021
Long-term liabilities		
Lease liability	4,432	226
Total	**4,432**	**226**
Short-term liabilities		
Short-term portion of lease liabilities	1,606	760
Total	**1,606**	**760**

NOTE 15: OTHER SHORT-TERM LIABILITIES

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
Personnel tax at source	236	255	236	255
Total	**236**	**255**	**236**	**255**

NOTE 16: ACCRUED EXPENSES AND DEFERRED INCOME

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
Accrued vacation liability, including social-security costs	2,200	2,302	2,200	2,302
Accrued employer's contributions	103	108	103	108
Other accrued personnel costs	640	661	640	661
Accrued Board fees, including social-security costs	1,258	1,286	1,258	1,286
Accrued bonus	1,320	1,249	1,320	1,249
Accrued auditors' fees	300	300	300	300
Accrued employer´s contributions incentive program	168	69	168	69
Accrued consultance fees	381	–	381	–
Other items	322	153	322	153
Total	**6,692**	**6,128**	**6,692**	**6,128**

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

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

Group 2022

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	376	–	–	376
Short-term investments	–	39,497	–	39,497
Cash and bank balances	2,299	–	–	2,299
Total	**2,675**	**39,497**	**–**	**42,172**
Long-term interest-bearing liabilities	–	–	4,432	4,432
Short-term interest-bearing liabilities	–	–	1,606	1,606
Accounts payable	–	–	3,528	3,528
Total	**–**	**–**	**9,566**	**9,566**

Group 2021

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	–	–	–	–
Short-term investments	–	50,816	–	50,816
Cash and bank balances	2,318	–	–	2,318
Total	**2,319**	**50,816**	**–**	**53,135**
Long-term interest-bearing liabilities	–	–	226	226
Short-term interest-bearing liabilities	–	–	760	760
Accounts payable	–	–	2,761	2,761
Total	**–**	**–**	**3,747**	**3,747**

Disclosure regarding the determination of fair value

Group 2022

SEK thousands	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		39,497		39,497

Group 2021

SEK thousands	Level 1	Level 2	Level 3	Total
Short-term investments – on a par with cash and cash equivalents		50,816		50,816

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 2022

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	376	–	–	376
Short-term investments	–	39,497	–	39,497
Cash and bank balances	2,113	–	–	2,113
Total	**2,489**	**39,497**	**–**	**41,986**
Accounts payable	–	–	3,528	3,528
Total	**–**	**–**	**3,528**	**3,528**

Parent Company 2021

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	–	–	–	–
Short-term investments	–	50,816	–	50,816
Cash and bank balances	2,132	–	–	2,132
Total	**2,133**	**50,816**	**–**	**52,949**
Accounts payable	–	–	2,761	2,761
Total	**–**	**–**	**2,761**	**2,761**

NOTE 18: FINANCIAL RISKS AND FINANCIAL POLICIES

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

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

Interest-rate risk

Interest-rate risk relating to cash and cash equivalents

The Group's liquidity, which amounted to SEK 41,796 thousand (53,134) at December 31, was invested at a floating interest rate, which fluctuated between -5.0 and 3.0 percent (-1.6 and 1.3) during the year. Liquidity risk is defined as the risk that the Group could experience problems in fulfilling its obligations associated with financial liabilities. For its short-term planning, the Group has a rolling 12-month liquidity plan that is regularly updated. For its medium-term planning, future revenue and expense flows are regularly forecast based on the anticipated development phase of the projects. In addition, a long-term liquidity forecast is presented to the Board on a regular basis.

Interest-rate risk relating to borrowings

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

Sensitivity analysis: A change in the interest rate of plus/minus 1 percentage point would impact net interest income in the amount of plus/minus SEK 0.4 M (0.7).

Financing risk

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

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

Group 2022

SEK thousands	Nominal amount original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and longer
Lease liabilities, SEK		6,038	134	268	1,204	1,432	1,467	1,533	–	–
Accounts payable, SEK		994	782	212	–	–	–	–	–	–
Accounts payable, EUR	EUR 121 thousand	1,351	1,351	–	–	–	–	–	–	–
Accounts payable, USD	USD 113 thousand	1,183	1,183	–	–	–	–	–	–	–
Total		**9,566**	**3,450**	**480**	**1,204**	**1,432**	**1,467**	**1,533**	**–**	**–**

Group 2021

SEK thousands	Nominal amount original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and longer
Lease liabilities, SEK		986	63	127	570	191	35	–	–	–
Accounts payable, SEK		1 738	1 618	120	–	–	–	–	–	–
Accounts payable, EUR	EUR 99 thousand	1 009	1 009	–	–	–	–	–	–	–
Accounts payable, USD	USD 2 thousand	14	14	–	–	–	–	–	–	–
Total		**3 747**	**2 704**	**247**	**570**	**191**	**35**	**–**	**–**	**–**

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 2022, foreign currencies accounted for 0 percent of revenues while the equivalent figure for operating expenses was 32 percent.

Sensitivity analysis: A change in exchange rates of plus/minus ten percent would impact the Group's earnings in the amount of plus/minus SEK 1.5 M (1.4) in relation to EUR and plus/minus SEK 0.4 M (0.2) in relation to USD.

Credit risks

The Group is exposed to the risk of not receiving payment from customers. The Group's credit risks are marginal for its operating activities, since the business has a low invoicing level due to the fact that the business activities currently comprise mainly research and development.

The credit risk for receivables related to payments from concluded partnership agreements is considered low. Credit losses or impairment of possible credit losses were charged against earnings in the amount of SEK 0.0 M (0.0).

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.

NOTE 19: PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Pledged assets

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
Other collateral provided and pledged assets				
Pension insurances	61,454	57,363	61,454	57,363
Total pledged assets	**61,454**	**57,363**	**61,454**	**57,363**

NOTE 20: GROUP COMPANIES

Holdings in subsidiaries

SEK thousands	Corp. Reg. No.	Registered office	No. of shares/percentage	Nominal value	Carrying amount, Dec. 31, 2022	Carrying amount, Dec. 31, 2021
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	2022	2021
Cost, January 1	40,550	40,550
Accumulated cost, December 31	**40,550**	**40,550**
Impairment, January 1	–50	–50
Impairment for the year	–	–
Accumulated impairment, December 31	**–50**	**–50**
Carrying amount, December 31	**40,500**	**40,500**

NOTE 21: SUPPLEMENTARY DATA TO THE CASH-FLOW STATEMENT

SEK thousands	Group		Parent Company	
	2022	2021	2022	2021
Interest paid and dividends received				
Interest received	49	–	48	–
Interest paid	–	–1	–	–1
Total	**49**	**–1**	**48**	**–1**
Adjustments for non-cash items				
Depreciation/amortization and impairment of assets	1,495	1,278	–	–
Share-based payments that are settled with equity instruments, IFRS2	690	284	690	284
Total	**2,185**	**1,562**	**690**	**284**
Transactions not involving payment				
Acquisition of assets through finance leases	–	–		
Cash and cash equivalents				
Cash and cash equivalents consist of the following components:				
Cash and bank balances	2,299	2,318	2,113	2,132
Short-term investments	39,497	50,816	39,497	50,816
Total	**41,796**	**53,134**	**41,610**	**52,948**

Reconciliation of liabilities deriving from financing activities, Group

SEK thousands	Opening balance, Jan. 1, 2022	Cash flows	Changes that do not affect cash flow		Closing balance, Dec. 31, 2022
			New leases	Exchange-rate differences	
Lease liabilities	986	–1,762	6,814	–	6,038
Total liabilities deriving from financing activities	**986**	**–1,762**	**6,814**	**–**	**6,038**

SEK thousands	Opening balance Jan. 1, 2021	Cash flows	Changes that do not affect cash flow		Closing balance, Dec. 31, 2021
			New leases	Exchange-rate differences	
Lease liabilities	2,001	–1,015	–	–	986
Total liabilities deriving from financing activities	**2,001**	**–1,015**	**–**	**–**	**986**

NOTE 22: IMPORTANT ESTIMATES AND ASSESSMENTS

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

Financing

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

The available liquidity can fund continued operations through 2023 and Active Biotech will therefore require access to further growth capital to maintain progress of its unpartnered project portfolio. Various sources of financing are being explored, including partnering the company's development programs, directed share issuances to new investors as well as rights issue to current investors. Given the current macro-economic uncertainties and the projected developments of the company's project portfolio, the Board has decided to keep all options open for the time being. As the company within the next 12 months has additional financing needs that has not yet been secured, the Board is continuously working on evaluating various financing options to ensure continued operation. It is the Board´s assessment that the company has good prospects at securing future financing, however the absence of assurance at the time of submission of this report means that there is a significant uncertainty factor regarding the company´s ability to continue operation.

NOTE 23: EVENTS AFTER THE BALANCE-SHEET DATE

- Pre-clinical data with tasquinimod was published in Journal of Immunotherapy for Cancer in January 2023
- Active Biotech confirmed the positive safety profile of laquinimod eye drops on January 30, 2023
- On April 19, 2023 Active Biotech announced that NeoTX presented interim results from the phase Ib trial with naptumomab in combination with the checkpoint inhibitor durvalumab at the American Association for Cancer Research (AACR) annual meeting

The war in Ukraine

At the beginning of 2022, the situation between Russia and Ukraine deteriorated sharply which has created great uncertainty. The market reactions on the development have been strongly negative, which is shown through significant price drops in the stock markets, including the Swedish. In addition, the United States and Europe have imposed economic sanctions on Russia.

Active Biotech has no operations in Russia or Ukraine and has so far not been affected in any material way. However, it cannot be completely ruled out that the macro-economic uncertainty created in the financial markets, might have an impact on Active Biotech's possibilities for future financing of the operations. If such an impact on the operation is expected to arise, Active Biotech will provide updates as necessary.

Impact of COVID-19

With regards to the prevailing situation for COVID-19, it is still uncertain how global measures against COVID-19, and prioritization of health care resources, may affect timelines of project and the ongoing and planned clinical activities might be delayed with possible implications on the financing risks. Active Biotech will continue to monitor the clinical trials and provide updates as needed.

NOTE 24: RELATED-PARTY TRANSACTIONS

Close relationships

With regard to the Group's and Parent Company's subsidiaries, see Note 20. The composition of the Board and information relating to senior executives is presented on pages 39 and 40.

Related-party transactions

Apart from the remuneration concerning Board fees presented in Note 4, the Chairman of the Board Michael Shalmi received consultant fees of SEK 1,275 thousand in 2022, board member Aleksandar Danilovski received consultant fees of SEK 589 thousand in 2022, board member Axel Glasmacher received consultant fees of SEK 177 thousand in 2022 and board member Elaine Sullivan received consultant fees of SEK 67 thousand in 2022. No other transactions with shareholders or members of the Board took place during the year.

For information concerning transactions with key individuals in managerial positions, see Note 4.

No transactions between the Parent Company and other Group companies have taken place during the year 2021. During 2022, the parent company received a dividend of SEK 20 million from the subsidiary Active Forskaren 1 KB. The Parent Company's receivables and liabilities relative to the subsidiaries as per December 31, 2022 are presented in the Parent Company's balance sheet.

NOTE 25: INFORMATION RELATING TO THE PARENT COMPANY

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

The address of the head office is Scheelevägen 22, SE-223 63 Lund, Sweden. The consolidated financial statements for the 2022 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 26, 2023. 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 24, 2023.

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 26, 2023
The Board of Directors of Active Biotech AB (publ)

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

Helén Tuvesson
President & CEO

We submitted our Audit Report on April 26, 2023
KPMG AB

Linda Bengtsson
Authorized Public Accountant

Auditor's Report

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

Report on the Annual Accounts and Consolidated Accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Active Biotech AB for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 41-90 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 2022 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 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

BASIS FOR OPINIONS

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

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the Directors' Report and section Outlook for 2023 and the subheading Financing and going concern, which indicates that the Company requires access to further growth capital to maintain progress of its unpartnered project portfolio, that the Company has has additional financing needs that has not yet been secured and that the Board is continuously working on evaluating various financing options. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Except for the issue described in section "Material uncertainty related to going concern", we have determined that there are no other key audit matters of the audit that we need to communicate in the auditor's report.

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 pages1-33, 39-40 and 97-98. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

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

AUDITOR'S RESPONSIBILITY

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

Report on Other Legal and Regulatory Requirements

AUDITOR'S AUDIT OF THE ADMINISTRATION AND THE PROPOSED APPROPRIATIONS OF PROFIT OR LOSS

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 for the year 2022 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

OOur 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.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Active Biotech AB for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Active Biotech AB 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

KPMG AB, Box 227, 201 22 , Malmö, was appointed auditor of Active Biotech AB by the general meeting of the shareholders on the 19 May 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1999.

Malmö, April 26, 2023

KPMG AB

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Linda Bengtsson

Authorized Public Accountant

Summary of Financial Development

Alternative performance measures and definitions

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

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

SEK M	2022	2021	2020	2019	2018
Income statement					
Net sales	–	–	6.7	8.4	20.1
Operating expenses	–57.9	–49.8	–39.0	–40.7	–49.9
(of which, depreciation/amortization)	–1.5	–1.3	–1.3	–0.9	–0.4
Operating loss	**–57.9**	**–49.8**	**–32.3**	**–32.3**	**–29.8**
Net financial items	–0.5	0.0	0.1	–1.8	–7.0
Loss before tax	**–58.4**	**–49.8**	**–32.2**	**–34.1**	**–36.9**
Tax	–	–	–	–	–
Loss for the year	**–58.4**	**–49.8**	**–32.2**	**–34.1**	**–36.9**
Balance sheet					
Intangible assets	0.2	–	–	–	–
Tangible fixed assets	6.3	0.9	1.9	3.2	1.3
Financial fixed assets	0.4	0.0	0.0	0.0	0.0
Other current assets	2.5	2.8	4.1	4.1	275.6
Cash and cash equivalents	41.8	53.1	26.2	59.7	25.6
Total assets	**51.0**	**56.8**	**32.2**	**67.0**	**302.4**
Shareholders' equity	34.5	46.7	22.1	53.8	87.9
Interest-bearing provisions and liabilities	6.0	1.0	2.0	3.3	204.4
Non interest-bearing provisions and liabilities	10.5	9.1	8.1	9.9	10.1
Total shareholders' equity and liabilities	**51.0**	**56.8**	**32.2**	**67.0**	**302.4**
Condensed cash-flow statement					
Cash flow from operating activities before changes in working capital	–56.2	–48.3	–30.3	–33.3	–36.4
Changes in working capital	1.3	2.1	–1.9	–2.5	–4.2
Cash flow from investing activities	–0.2	–	–	275.0	–
Cash flow from financing activities	43.8	73.1	–1.3	–205.1	41.0
Cash flow for the year	**–11.3**	**26.9**	**–33.5**	**34.1**	**0.4**
Key figures					
Equity/assets ratio, %	68	82	69	80	29
Earnings per share (SEK)	–0.25	–0.23	–0.19	–0.24	–0.27
Dividends (SEK)	0	0	0	0	0
Research and development costs (SEK M)	–42.8	–34.5	–25.5	–28.5	–39.3
Average number of employees	9	8	10	12	16
Salary expenses, incl. social-security costs (SEK M)	–20.6	–17.6	–18.3	–18.2	–19.8
Number of shares at end of period (thousands)	264,887	217,972	145,236	145,236	145,236

Annual General Meeting

The Annual General Meeting of Active Biotech AB (publ) is to be held on Wednesday, May 24, 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 Monday, May 15, 2023, and (b) notify the company of their intention to participate in the Meeting not later than Wednesday, May 17.

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 Wednesday, May 17, 2023. 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. Marie Rosengren, Scheelevägen 22, SE-223 63 Lund, Sweden, by telephone on +46 (0)46 19 20 00 or by e-mail to marie.rosengren@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.

Contact Information

Active Biotech AB
(publ)

Scheelevägen 22, SE-223 63 Lund, Sweden
+46 (0)46-19 20 00, www.activebiotech.com

Helén Tuvesson
President and CEO

+46 (0)46-19 21 56
helen.tuvesson@activebiotech.com

Hans Kolam
Chief Financial Officer

+46 (0)46-19 20 44
hans.kolam@activebiotech.com

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Active Biotech AB (publ)
Scheelevägen 22
SE-223 63 Lund, Sweden
+46 (0)46 19 20 00
www.activebiotech.com

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