

Active Biotech AB

Interim Report January – June 2018

Second quarter in brief

- The company's partner NeoTX presented new preclinical data for ANYARA at the AACR Annual Meeting in Chicago
- The rights issue in April brought the company SEK 47.1 M

Events after the end of the period

- The company announced that the Phase II LEGATO-HD trial evaluating efficacy and safety of laquinimod in Huntington's disease (HD) did not meet its primary endpoint to slow the progression of the disease. However, the secondary endpoint, reduction of brain atrophy, was met. Laquinimod showed excellent safety in the study
- The company is initiating a scientific collaboration with the Wistar Institute in Philadelphia, PA, around tasquinimod to support future clinical development in multiple myeloma

Financial summary

SEK M	Apr–Jun		Jan–Jun		Full year
	2018	2017	2018	2017	2017
Net sales	5.7	5.1	10.5	9.8	20.2
Operating loss	-7.3	-23.1	-15.9	-37.7	-102.5
Loss after tax	-9.1	-24.4	-19.3	-40.2	-108.8
Earnings per share (SEK)	-0.07	-0.20	-0.15	-0.33	-0.89
Cash and cash equivalents (at close of period)			45.6	47.7	25.2

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The report is also available at www.activebiotech.com.

Comments from the CEO

In April, at the prestigious American Association for Cancer Research (AACR) scientific conference in Chicago, our partner NeoTX was selected to present new data for ANYARA. An extensive preclinical program shows that ANYARA, a tumor-targeted immunotherapy, can enhance the efficacy of other immunotherapies, such as PD-1 checkpoint inhibitors, in various cancer models. Despite the success of the last few years in checkpoint therapy of cancer, only a small portion of the patients respond to treatment. ANYARA recognizes and binds to a protein on the tumor cell, and can therefore direct activating immune cells to the tumor, which leads to tumor cell death. The preclinical data presented at the AACR indicates that ANYARA could potentially increase the clinical benefit of checkpoint therapy for patients that either not respond at all, or respond poorly, to anti-PD1 treatment. Preparations for a clinical trial in which ANYARA is combined with a PD-1 inhibitor are ongoing. The start of the trial is planned for late autumn 2018.

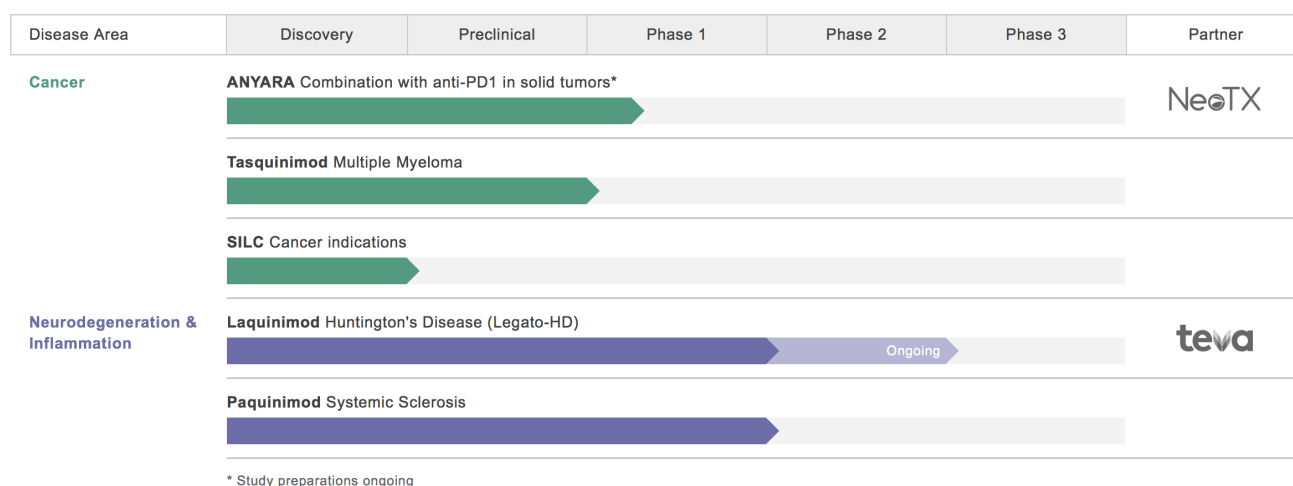
During 2014 the LEGATO-HD Phase II trial was initiated to evaluate laquinimod as a potential treatment for Huntington's disease, a severely disabling, inherited neurodegenerative disease for which the need is great for effective treatment to slow its progress. Top-line data from the trial was presented at the end of July this year, but unfortunately the primary endpoint to slow the disease progression, measured using the UHDRS-TMS scale after 12 months of treatment as compared to study start, was not achieved. At the same time, laquinimod displayed a clear and significant efficacy on reduced brain atrophy, indicating that laquinimod could have an effect on the disease process in Huntington's disease. As in previous studies, laquinimod showed excellent safety. The ongoing full analysis of study data is important for the understanding of the significance of the effect of brain atrophy and the possible link to a clinical effect on the disease. Teva will present the trial results at future medical congresses, and the results will also be published in scientific journals.

In order to strengthen Active Biotech's research and development of tasquinimod in multiple myeloma, the company has established a highly valuable scientific partnership with assistant professor Yulia Nefedova's research group at the Wistar Institute in Philadelphia, PA.

The rights issue previously decided on was carried out during the quarter and generated proceeds of SEK 47.1 M, which enabled continued support of our partner collaborations, the possibility to conclude new partner discussions, and continued work on ensuring value growth in the other projects.

Projects

[Active Biotech's project portfolio](#) primarily includes projects for the development of drugs for the treatment of neurodegenerative diseases and cancer.



Laquinimod

[Laquinimod](#) is a once-daily oral, investigational, CNS-active immunomodulator with a novel mechanism of action being developed for neurodegenerative diseases. Active Biotech has an agreement with the Israeli company [Teva Pharmaceutical Industries Ltd](#) (Teva) since 2004 covering the development and commercialization of laquinimod.

The global clinical development program that evaluated laquinimod in relapsing remitting multiple sclerosis (RRMS) includes three completed Phase III trials: ALLEGRO, BRAVO and CONCERTO. The results from the CONCERTO trial were communicated in May 2017 and the primary endpoint of time to three-month confirmed disability progression (CDP), as measured by the Expanded Disability Status Scale (EDSS), was not met. Other trial results show that secondary relapse-related endpoints and MRI parameters were achieved, in line with previous studies. The excellent clinical safety profile of laquinimod 0.6 mg daily, which has been previously studied with over 14,000 patient-years of exposure, was confirmed in the CONCERTO trial. Based on the results of CONCERTO, Teva, as previously announced, does not intend to continue the development of laquinimod in RRMS. Complete data will be published in a scientific journal.

In April 2015, the first patient was enrolled in the ARPEGGIO study, a randomized placebo-controlled Phase II trial evaluating laquinimod in primary progressive multiple sclerosis (PPMS). Results from the study were communicated at the beginning of December 2017 and the primary endpoint, brain atrophy, as defined by percent brain volume change (PBVC) from baseline to week 48, was not met after daily oral doses of 0.6 mg laquinimod. Likewise, the secondary endpoint, time to confirmed disability progression (CDP), was not met. There was, however, a reduction in new T2 lesions observed in patients treated with laquinimod 0.6 mg, suggesting an effect on inflammation of CNS even in patients with PPMS. The clinical safety profile of laquinimod 0.6 mg daily in PPMS patients resembled the safety profile demonstrated in patients with RRMS. Teva presented data from the Phase II trial of laquinimod in primary progressive MS — the ARPEGGIO trial — at the Annual Meeting of the American Academy of Neurology (AAN) in Los Angeles in April.

In light of the clinical results of the MS trials, Teva has decided, following a comprehensive program, to end the development of laquinimod in MS.

Development of laquinimod for the treatment of Huntington's disease (HD), a rare neurodegenerative disease, is ongoing. Laquinimod has been granted Orphan Drug Designation for this indication by the FDA. The LEGATO-HD clinical Phase II trial, which evaluates daily doses of laquinimod as a potential treatment for patients with Huntington's disease, is ongoing. The primary endpoint for LEGATO-HD is change from baseline in the Unified Huntington's Disease Rating Scale-Total Motor Scale (UHDRS-TMS) after 12 months of treatment versus placebo.

Events during the second quarter

Teva presented data from the Phase II trial of laquinimod in primary progressive MS — the ARPEGGIO trial — at the AAN Annual Meeting in Los Angeles in April

Events after the end of the period

The company announced that the Phase II LEGATO-HD trial evaluating efficacy and safety of laquinimod in Huntington's disease (HD) did not meet its primary endpoint to slow the progression of the disease. However, the secondary endpoint, reduction of brain atrophy, was met. Laquinimod showed excellent safety in the study

ANYARA

[ANYARA](#) is a tumor-targeting superantigen (TTS) compound that increases the immune system's capacity to identify and kill tumors. Active Biotech has had an agreement with [NeoTX Therapeutics Ltd](#) (NeoTX) since 2016 covering the development and commercialization of ANYARA.

Clinically, the development of ANYARA has mainly focused on cancer forms with a high medical need. Positive data was reported from Phase I studies relating to lung cancer, renal cell cancer and pancreatic cancer, where ANYARA

was studied both as a single agent (monotherapy) and in combination with an established tumor therapy – docetaxel (Taxotere®) – in patients with advanced cancer. The results showed that ANYARA was well tolerated both as monotherapy and in combination with docetaxel, and increased the immune system's capability to recognize tumors. A Phase II/III trial of ANYARA in combination with interferon alpha in renal cell cancer demonstrated a favorable safety profile, but did not achieve its primary endpoint of showing prolonged overall survival (OS) in the intention to treat (ITT) population.

In April 2018, NeoTX presented new preclinical data at the American Association for Cancer Research (AACR) scientific conference. The data presented demonstrates a synergistic anti-tumor effect when ANYARA is combined with a PD-1 checkpoint inhibitor in several different tumor models that normally have poor or no response to PD-1 inhibition. The planned clinical trial will be carried out in combination with an PD-1 checkpoint inhibitor, a combination strategy in line with ANYARA's mode of action and supported by preclinical data.

Events during the second quarter

NeoTX presented new preclinical data for ANYARA at the AACR Annual Meeting in Chicago

Tasquinimod

[Tasquinimod](#) is an orally active immunomodulatory compound that affects the tumor's ability to grow and spread.

Tasquinimod was primarily developed for the treatment of prostate cancer and has completed Phase I-III clinical trials. The results from the 10TASQ10 Phase III trial with tasquinimod in prostate cancer showed that treatment with tasquinimod reduced the risk of radiographic cancer progression or death compared to placebo in patients with metastatic castration resistant prostate cancer who have not received chemotherapy. However, the treatment with tasquinimod did not extend overall survival, and development in prostate cancer was discontinued. Tasquinimod has a unique mode of action and demonstrates highly favorable results in preclinical models for multiple myeloma, a rare form of blood cancer with a high medical need. Patents for the treatment of this cancer form with tasquinimod were granted in Europe and the US, giving tasquinimod patent protection until 2035. Tasquinimod has Orphan Drug Status for the treatment of multiple myeloma in the US (2017).

Active Biotech is seeking a collaboration partner with the right expertise for the further development of tasquinimod within this indication.

Events after the end of the period

The company is initiating a scientific collaboration with the Wistar Institute in Philadelphia, PA, around tasquinimod to support future clinical development in multiple myeloma

Paquinimod

[Paquinimod](#) is a quinoline compound developed primarily for the treatment of systemic sclerosis, a rare disease of the connective tissue with an extensive medical need. Paquinimod has been granted orphan medicinal product status in the EU (2011) and Orphan Drug Status in the US (2014).

A clinical Phase I program to establish clinical dose, tolerability and pharmacokinetics has been carried out with paquinimod in healthy subjects and patients. An exploratory clinical study in patients with systemic sclerosis has been concluded and the results demonstrated a favorable safety profile and effects on disease-related biomarkers in line with paquinimod's mode of action. The next step in clinical development is to confirm these effects in a controlled Phase II trial to subsequently perform a pivotal study in this patient group.

Active Biotech is seeking a collaboration partner for the further development of paquinimod.

SILC

[SILC \(S100A9 Inhibition by Low molecular weight Compounds\)](#) is a preclinical immuno-oncology project focused on S100A9 as the target molecule for the treatment of cancer. S100A9 is expressed in the tumor microenvironment and is involved in the development of cancer through recruitment and activation of specific immune cells that drive the development of cancer. Small compounds that block the function of S100A9 represent a new therapeutic alternative to help the body's own immune system fight cancer. Chemical libraries of substances have been screened for binding to the target molecule and lead substances with good properties for further development have been identified. Three international patent applications have been filed for the purpose of obtaining patent protection for three, chemically unrelated substance groups. To date, patents have been granted for two patent families in Europe and the US.

Active Biotech is seeking a collaboration partner for the further development of the project.

Financial information

Comments on the Group's results for the period January – June 2018

Net sales amounted to SEK 10.5 M (9.8) and included service and rental revenues.

The operation's research and administration expenses amounted to SEK 26.4 M (47.5), of which research expenses totaled SEK 20.9 M (29.8), equivalent to a 30-percent reduction in expenses. During the reporting period, the company's research operations solely comprised activities aimed at supporting projects and patents for previously out-licensed projects, and activities to improve the conditions for identifying partners for the tasquinimod, paquinimod and SILC projects. The out-licensed projects, laquinimod, ANYARA and RhuDex, are financed in full by the relevant partners.

The operating loss for the period amounted to SEK 15.9 M (loss: 37.7). The year-on-year improvement in earnings is attributable in full to cost reductions carried out in operations. Administrative expenses totaled SEK 5.5 M (14.4), the net financial expense for the period to SEK 3.5 M (expense: 3.6) and the loss after tax to SEK 19.3 M (loss: 40.2).

Comments on the Group's results for the period April – June, 2018

Net sales amounted to SEK 5.7 M (5.1) and included service and rental revenues.

The operation's research and administration expenses amounted to SEK 13.0 M (28.1), of which research expenses amounted to SEK 10.4 M (14.6). The company's research operations comprise solely activities aimed at supporting projects and patents for previously out-licensed projects, as well as commercial activities to identify partners for the paquinimod, tasquinimod and SILC projects.

The operating loss for the period amounted to SEK 7.3 M (loss: 23.1). Administrative expenses totaled SEK 2.6 M (10.2), the net financial expense for the period to SEK 1.7 M (expense: 1.8) and the loss after tax to SEK 9.1 M (24.4).

Cash flow, liquidity and financial position, Group, for the period January – June 2018

Cash and cash equivalents at the end of the period amounted to SEK 45.6 M, compared with SEK 25.2 M at the end of 2017.

Cash flow for the period was SEK 20.5 M (neg: 30.0), of which cash flow from operating activities totaled a negative SEK 23.5 M (neg: 27.0). Cash flow from financing activities totaled SEK 44.0 M (neg: 3.0), of which the issue of 48,412,460 shares carried out during the period generated proceeds of SEK 47.1 M after issue expenses.

Investments

Investments in tangible fixed assets amounted to SEK 0.0 M (0.0).

Comments on the Parent Company's results and financial position for the period January – June 2018

Net sales for the period amounted to SEK 12.4 M (12.2) and operating expenses to SEK 31.7 M (53.6). The Parent Company's operating loss for the period was SEK 19.2 M (loss: 41.4). Net financial income amounted to SEK 0.0 M (neg: 0.1) and the loss after financial items was SEK 19.2 M (loss: 41.5). Cash and cash equivalents including short-term investments totaled SEK 42.8 M at the end of the period, compared with SEK 21.2 M at the start of the year.

Comments on the Parent Company's results and financial position for the period April – June 2018

Net sales for the period amounted to SEK 6.2 M (6.0) and operating expenses to SEK 15.7 M (29.4). The Parent Company's operating loss for the period was SEK 9.5 M (loss: 23.3). Net financial income for the period amounted to SEK 0.0 M (loss: 0.1) and the loss after financial items was SEK 9.5 M (loss: 23.4).

Shareholders' equity

Consolidated shareholders' equity at the end of the period amounted to SEK 105.5 M, compared with SEK 77.7 M at the end of the preceding year.

The number of shares outstanding at the end of the period totaled 145,236,480. At the end of the period, the equity/assets ratio for the Group was 32.6 percent, compared with 25.6 percent at year-end 2017. The corresponding figures for the Parent Company, Active Biotech AB, were 89.0 percent and 78.8 percent, respectively.

Organization

The average number of employees during the reporting period was 17 (17), of which the number of employees in the research and development organization accounted for 8 (8). At the end of the period, the Group had 16 employees.

Outlook, including significant risks and uncertainties

The partnership agreements with Teva and NeoTX continue to have a decisive impact on the company's future revenues and financial position. NeoTX is expected to initiate the clinical development of ANYARA in combination with an immunostimulating PD-1 inhibitor in the second half of 2018.

At the end of June 2018, the company had a total of SEK 45.6 M in cash and cash equivalents. The sales process for the company's property in Lund is ongoing but has not yet been finalized. Available cash and cash equivalents, existing and new partnership agreements and anticipated liquidity from the sale of the property are intended to finance operations.

A research company such as Active Biotech is characterized by a high operational and financial risk, since the projects in which the company is involved are at the clinical phase, where a number of factors have an impact on the likelihood of commercial success. In brief, the operation is associated with risks related to such factors as pharmaceutical development, competition, advances in technology, patents, regulatory requirements, capital requirements, currencies and interest rates. A detailed account of these risks and uncertainties is presented in the Directors' Report in the 2017 Annual Report. 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.

Consolidated profit and loss	Apr-Jun		Jan-Jun		Full Year
SEK M	2018	2017	2018	2017	2017
Net sales	5,7	5,1	10,5	9,8	20,2
Administrative expenses	-2,6	-10,2	-5,5	-14,4	-20,2
Research and development costs	-10,4	-14,6	-20,9	-29,8	-49,4
Other operating expenses	–	-3,3	–	-3,3	-53,3
Operating profit/loss	-7,3	-23,1	-15,9	-37,7	-102,5
Net financial items	-1,7	-1,8	-3,5	-3,6	-7,4
Profit/loss before tax	-9,1	-24,9	-19,3	-41,3	-109,9
Tax	–	0,6	–	1,1	1,1
Net profit/loss for the period	-9,1	-24,4	-19,3	-40,2	-108,8
Comprehensive profit/loss attributable to:					
Parent Company shareholders	-9,1	-24,4	-19,3	-40,2	-108,8
Non-controlling interest	–	–	–	–	–
Net profit/loss for the period	-9,1	-24,4	-19,3	-40,2	-108,8
Comprehensive profit/loss per share before dilution (SEK)	-0,07	-0,20	-0,15	-0,33	-0,89
Comprehensive profit/loss per share after dilution (SEK)	-0,07	-0,20	-0,15	-0,33	-0,89

Statement of profit and loss and consolidated comprehensive income	Apr-Jun		Jan-Jun		Full Year
SEK M	2018	2017	2018	2017	2017
Net profit/loss for the period	-9,1	-24,4	-19,3	-40,2	-108,8
Other comprehensive income					
Items that can not be reclassified into profit or loss					
Change in revaluation reserve	–	1,8	–	3,6	3,6
Taxes attributable to other comprehensive income	–	-0,4	–	-0,8	-0,8
Total comprehensive profit/loss for the period	-9,1	-23,0	-19,3	-37,4	-106,0
Total other comprehensive profit/loss for the period attributable to:					
Parent Company shareholders	-9,1	-23,0	-19,3	-37,4	-106,0
Non-controlling interest	–	–	–	–	–
Total comprehensive profit/loss for the period	-9,1	-23,0	-19,3	-37,4	-106,0
Depreciation/amortization included in the amount of	0,1	2,9	0,3	5,8	6,1
Investments in tangible fixed assets	–	–	–	–	–
Weighted number of outstanding common shares before dilution (000s)	136 903	122 256	129 620	122 256	122 256
Weighted number of outstanding common shares after dilution (000s)	136 903	122 256	129 620	122 256	122 256
Number of shares at close of the period (000s)	145 236	96 824	145 236	96 824	96 824

Consolidated statement of financial position	Jun 30		Dec 31
SEK M	2018	2017	2017
Tangible fixed assets	1,4	2,5	1,7
Long-term receivables	0,0	0,0	0,0
Total fixed assets	1,4	2,5	1,7
Current receivables	5,0	7,4	5,2
Assets held for sale	271,8	321,8	271,8
Cash and cash equivalents	45,6	47,7	25,2
Total current assets	322,4	376,9	302,1
Total assets	323,8	379,4	303,8
Shareholders equity	105,5	146,3	77,7
Long-term liabilities	0,2	207,3	0,3
Current liabilities	218,1	25,9	225,8
Total shareholders equity and liabilities	323,8	379,4	303,8

Consolidated statement of changes in shareholders equity		Jun 30		Dec 31
SEK M		2018	2017	2017
Opening balance		77,7	182,6	182,6
Loss for the period		-19,3	-40,2	-108,8
Other comprehensive income for the period		–	2,8	2,8
<i>Comprehensive profit/loss for the period</i>		-19,3	-37,4	-106,0
Transfer from revaluation reserve		–	1,1	1,1
New share issue		47,1	–	–
Balance at close of period		105,5	146,3	77,7

Condensed consolidated cash-flow statement		Jan-Jun		Full Year
SEK M		2018	2017	2017
Loss after financial items		-19,3	-41,3	-109,9
Adjustment for non-cash items, etc.		0,3	5,8	56,6
Cash flow from operating activities before changes in working capital		-19,0	-35,6	-53,3
Changes in working capital		-4,5	8,5	6,9
Cash flow from operating activities		-23,5	-27,0	-46,4
New share issue		47,1	–	–
Loans raised/amortization of loan liabilities		-3,2	-3,0	-6,1
Cash flow from financing activities		44,0	-3,0	-6,1
Cash flow for the period		20,5	-30,0	-52,5
Opening cash and cash equivalents		25,2	77,7	77,7
Closing cash and cash equivalents		45,6	47,7	25,2

Key figures		Jun 30		Dec 31
		2018	2017	2017
Shareholders equity, SEK M		105,5	146,3	77,7
Equity per share, SEK		0,73	1,51	0,80
Equity/assets ratio in the Parent Company		89,0%	88,2%	78,8%
Equity/assets ratio in the Group		32,6%	38,5%	25,6%
Average number of annual employees		17	17	17

The equity/assets ratio and equity per share are presented since these are performance measures that Active Biotech considers relevant for investors who wish to assess the company's capacity to meet its financial commitments. The equity/assets ratio is calculated by dividing recognized shareholders' equity by recognized total assets. Equity per share is calculated by dividing recognized shareholders' equity by the number of shares.

Consolidated profit and loss		2014				2015				2016				2017				2018	
SEK M		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net Sales		2,1	2,7	2,6	2,9	2,9	3,2	5,2	5,0	3,9	3,9	4,1	7,1	4,7	5,1	5,1	5,4	4,8	5,7
Administration expenses		-4,5	-5,3	-3,7	-3,5	-5,3	-4,7	-3,8	-4,2	-4,4	-4,1	-3,5	-3,9	-4,1	-10,2	-2,5	-3,3	-2,9	-2,6
Research and development costs		-56,9	-55,3	-54,6	-55,1	-55,0	-68,7	-23,6	-29,0	-15,6	-14,3	-11,7	-16,7	-15,2	-14,6	-9,1	-10,4	-10,5	-10,4
Other operating expenses		–	–	–	–	–	–	–	–	–	–	–	–	–	-3,3	–	-50,0	–	–
Operating profit/loss		-59,2	-57,9	-55,7	-55,6	-57,4	-70,1	-22,2	-28,2	-16,1	-14,5	-11,1	-13,5	-14,6	-23,1	-6,5	-58,4	-8,5	-7,3
Net financial items		-1,5	-0,3	-1,5	-1,9	-1,1	-1,8	-1,8	-2,1	-1,3	-1,6	-1,9	-1,9	-1,8	-1,8	-1,9	-1,8	-1,7	-1,7
Profit/loss before tax		-60,8	-58,2	-57,2	-57,6	-58,5	-71,9	-23,9	-30,3	-17,4	-16,1	-13,0	-15,4	-16,4	-24,9	-8,4	-60,1	-10,2	-9,1
Tax		0,6	0,6	0,6	0,6	0,6	0,6	0,6	-10,4	0,6	0,6	0,6	0,6	0,6	0,6	–	–	–	–
Net profit/loss for the period		-60,2	-57,7	-56,6	-57,0	-58,0	-71,4	-23,4	-40,8	-16,8	-15,5	-12,4	-14,8	-15,8	-24,4	-8,4	-60,1	-10,2	-9,1

Active Biotech Parent Company - Income Statement, condensed		Apr-Jun		Jan-Jun		Full Year
SEK M		2018	2017	2018	2017	2017
Net Sales		6,2	6,0	12,4	12,2	23,4
Administration expenses		-2,7	-14,4	-5,7	-22,6	-36,6
Research and development costs		-13,0	-15,0	-26,0	-31,0	-57,1
Other operating expenses		—	—	—	—	-56,3
Operating profit/loss		-9,5	-23,3	-19,2	-41,4	-126,6
<i>Profit/loss from financial items:</i>						
Interest income and similar income-statement items		0,0	0,0	0,0	0,0	0,0
Interest expense and similar income-statement items		0,0	-0,1	0,0	-0,1	-0,2
Profit/loss after financial items		-9,5	-23,4	-19,2	-41,5	-126,8
Tax		—	—	—	—	—
Net profit/loss for the period		-9,5	-23,4	-19,2	-41,5	-126,8
Statement of comprehensive income parent company						
Net profit/loss for the period		-9,5	-23,4	-19,2	-41,5	-126,8
Other comprehensive income		—	—	—	—	—
Total comprehensive profit/loss for the period		-9,5	-23,4	-19,2	-41,5	-126,8

Active Biotech Parent Company - Balance sheet, condensed		Jun 30		Dec 31
SEK M		2018	2017	2017
Goodwill		—	56,5	—
Tangible fixed assets		—	0,5	—
Financial fixed assets		40,5	40,6	40,5
Total fixed assets		40,5	97,5	40,5
Current receivables		7,4	15,5	5,4
Short-term investments		37,7	39,7	19,7
Cash and bank balances		5,1	3,8	1,5
Total current assets		50,2	59,0	26,5
Total assets		90,7	156,6	67,0
Sareholders equity		80,7	138,1	52,8
Current liabilities		10,0	18,5	14,2
Total equity and liabilities		90,7	156,6	67,0

Any errors in additions are attributable to rounding of figures.

Note 1: Accounting policies

The interim report of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable parts of the Annual Accounts Act. The interim report of the Parent Company has been prepared in accordance with Chapter 9 of the Annual Accounts Act. For the Group and the Parent Company, the same accounting policies and accounting estimates and assumptions were applied in this interim report as were used in the preparation of the most recent annual report.

IFRS 9 Financial Instruments that entered into force as of January 1, 2018 will not have a material impact on the financial statements since the company's short-term investments have a term of less than three months from the date of acquisition and are exposed to only an insignificant risk of fluctuation in value, since the amount of accounts receivable is insignificant and other receivables essentially comprise VAT receivables from the Swedish government, and since the Group does not apply hedge accounting or have any outstanding derivative instruments.

IFRS 15 Revenue from Contracts with Customers that entered into force as of January 1, 2018 will not have any material impact on the financial statements since revenues essentially comprise research services and other services that are recognized as revenue as they are performed and for which IFRS 15 is not deemed to have an impact, and rental revenues from the property, which is encompassed by IAS 17/IFRS 16 and for which no material services are deemed to be needed to be allocated from rental revenue and recognized in accordance with IFRS 15. The Group also has partner agreements with Teva and NeoTX regarding future one-time payments and royalty income. The introduction of IFRS 15 will not affect the recognition of these revenues from these agreements.

The company's property is classified as "Assets held for sale." The implication of this is that its carrying amount will be recovered primarily through its sale and not through its use. An asset is classified as held for sale if it is available for immediate sale in its current condition and based on customary conditions, and it is highly likely that a sale will be completed. The property is recognized on a separate line under current assets in the statement of financial position. Upon initial classification as an asset held for sale, the property was recognized at fair value with deductions for selling expenses. Subsequent changes in value, both gains and losses, are recognized in profit or loss.

Note 2: Fair value of financial instruments

	Jun 30, 2018	Dec 31, 2017
SEK M	Level 2	Level 2
Short-term investments	37,7	19,7

The fair value of financial assets and liabilities essentially corresponds to the carrying amount in the balance sheet. For more information, refer to Note 17 in the 2017 Annual Report. No significant changes have occurred in relation to the measurement made at December 31, 2017.

Legal disclaimer

This financial report includes statements that are forward-looking and actual results may differ materially from those anticipated. In addition to the factors discussed, other factors that can affect results are developments in research programs, including clinical trials, the impact of competing research programs, the effect of economic conditions, the effectiveness of the company's intellectual patent protection, obstacles due to technological development, exchange-rate and interest-rate fluctuations, and political risks.

Financial calendar

Interim reports 2018: November 15, 2018

Year-end report 2018: February 14, 2019

The reports will be available from these dates at www.activebiotech.com.

Lund, August 9, 2018

Active Biotech AB (publ)

Mats Arnhög
Chairman

Magnhild Sandberg-Wollheim
Board member

Peter Sjöstrand
Board member

Peter Thelin
Board member

Helén Tuveßon
President and CEO

This interim report is unaudited.

Active Biotech AB (publ) (NASDAQ Stockholm: ACTI) is a biotechnology company with focus on neurodegenerative/inflammatory diseases and cancer. Laquinimod, an orally administered small molecule with unique immunomodulatory properties, is in development for neurodegenerative diseases in partnership with Teva Pharmaceutical Industries Ltd. ANYARA, an immunotherapy, is in development for cancer indications in partnership with NeoTX Therapeutics Ltd. Furthermore, commercial activities are conducted for the tasquinimod, paquinimod and SILC projects. Please visit www.activebiotech.com for more information.

This information is information that Active Biotech is obligated to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. This information was submitted for publication, through the agency of the contact person set out above, at 08:30 a.m. CET on August 9, 2018.