Annual Report 2018

XBRANE BIOPHARMA

Pioneering biosimilar development

Financial calendar

Interim report Jan-March	14 May 2019
Annual General Meeting	16 May 2019
Interim report April-June	23 August 2019
Interim report July-Sep	15 November 2019
Year-end report	28 February 2020

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About Xbrane Biopharma

Xbrane Biopharma AB is a biotechnology company which develops, manufactures and produces commercial biosimilars. Xbrane has a patented protein production platform for development of biosimilars and world-leading expertise within biosimilars. Xbrane's head quarter is located in Solna, just outside Stockholm, and the company has research and development facilities in Sweden and in Italy. Xbrane has been listed on Nasdaq First North since 3 February 2016 with the ticker XBRANE. Avanza Bank AB is Xbrane's Certified Adviser.

For further information, please visit www.xbrane.com.

Xbrane Biopharma AB (publ)
Org. no.: 556749-2375

This report is a translation of the original version in Swedish.

The year in brief

SEK 120 million

In 2018, the Company had total revenue of SEK 120 million.

2700

The number of shareholders increased by 12 percent during the year and amounted to 2,700 on the balance sheet date.

78 %

Research and development expenses constituted 78 percent of total operating expenses

Financial summary for the Group

Amounts in SEK thousands	2018	2017
Revenue	20,485	20,771
Research and development expenses (R&D)	-85,827	-37,982
R&D expenses as a percentage of operating expenses	78%	79%
EBITDA	-6,079	-41,988
Operating result	-11,415	-44,718
Profit or loss for the period	-13,236	-44,935
Cash and cash equivalents	100,972	7,903
Equity ratio %	33%	80%
Number of shares at the end of the period before dilution	6,329,239	5,956,770
Number of shares at the end of the period after dilution	6,329,239	5,956,770
Average number of shares before dilution	6,213,927	5,425,656
Average number of shares after dilution	6,213,927	5,425,656
Earnings per share basic (SEK)	-2.13	-8.28
Earnings per share diluted (SEK)	-2.13	-8.28

Q1

» Out-licensing of Spherotide to China Resources Pharmaceuticals (CR Pharma) for sales and marketing in China.

» Serendipity Group becomes the largest shareholder in Xbrane after Serendipity Ixora distributes its shareholding to its shareholders.

Q2

» Anders Tullgren is elected new Chairman of the Board at the Extraordinary General Meeting of 3 April 2018.

»2018 was a fantastic year for Xbrane, as we signed a co-development agreement with STADA and filed an application with the FDA to begin our phase III trial of Xlucane. We have begun 2019 strongly and I am looking forward to lots of positive developments during the year.«

Siavash Bashiri, Head of Biosimilars

»The co-development agreement we signed with STADA during 2018 not only provides financing for half of the development costs of Xlucane, but importantly marks the beginning of what will hopefully be a long and extensive collaboration with a very strong, global commercialisation partner«

Susanna Helgesen, CFO

Q3

» Co-development agreement signed with STADA Arzneimittel AG ("STADA") for Xlucane, with STADA acquiring 50 percent of the project. The agreement means that the parties will share development, marketing and distribution expenses and income equally in the future.

» Product portfolio update presented with a strategic focus on biosimilars.

»Now that Xlucane has gone into clinic, Xbrane's growing research team is very enthusiastic about the opportunity to continue work on the four other biosimilar candidates we have in the pipeline.«

David Viklund, CTO

Q4

» Presents results of in-vivo study demonstrating equivalent tolerability and pharmacokinetic profile for Xlucane equivalent to Lucentis®.

» Files initial application with the FDA (Food and Drug Administration in US) for the initiation of clinical trial with Xlucane.

»Following intensive preparation work ahead of the Company's first clinical phase III trial, we were able to file the application with the FDA on schedule just before the turn of the year. This year, I am looking forward to leading the Xplore trial, which is currently under way, with the first patients already recruited and receiving treatment.«

Dina Jurman, Head of Clinical affairs

Xbrane – our history

2008 – 2015

Xbrane is founded

Development and commercialisation of protein production system and launch of the OptiXpress service with some of the world's largest pharmaceuticals companies as customers.

The Company realigns its operations from having been a service company with a protein production system to developing its own biosimilars using this system. This results in the founding of the "Biosimilars" segment, with Xlucane as the leading product candidate.

Changes name from Xbrane BioScience to Xbrane Biopharma

2016

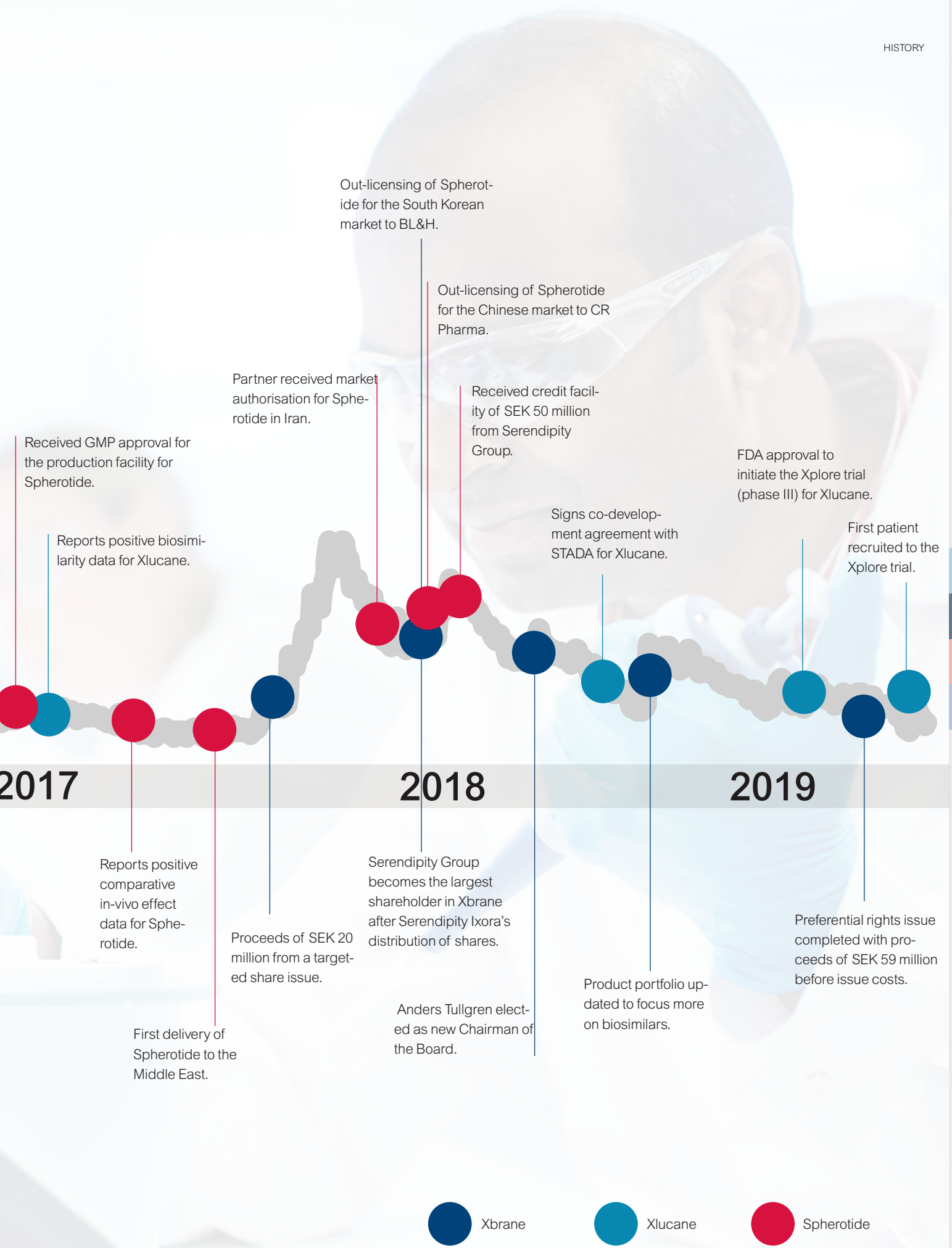
Out-licensing of Spherotide for the Iranian market to Pooyesh Darou

Xbrane acquires Primm Pharma s.r.l.

The Company's shares are listed on the Nasdaq First North and the company raises SEK 100 million in a share issue.

Inauguration of a new laboratory for biosimilar development in Solna.

Out-licensing of Spherotide for the Israeli market to BioAvenir.


Out-licensing of Spherotide for the South Korean market to BL&H.
Out-licensing of Spherotide for the Chinese market to CR Pharma.
Partner received market authorisation for Spherotide in Iran.
Received credit facility of SEK 50 million from Serendipity Group.
Received GMP approval for the production facility for Spherotide.
Reports positive biosimilarity data for Xlucane.
Signs co-development agreement with STADA for Xlucane.
FDA approval to initiate the Xplore trial (phase III) for Xlucane.
First patient recruited to the Xplore trial.
2017
2018
2019
Reports positive comparative in-vivo effect data for Spherotide.
First delivery of Spherotide to the Middle East.
Proceeds of SEK 20 million from a targeted share issue.
Serendipity Group becomes the largest shareholder in Xbrane after Serendipity Ixora's distribution of shares.
Anders Tullgren elected as new Chairman of the Board.
Product portfolio updated to focus more on biosimilars.
Preferential rights issue completed with proceeds of SEK 59 million before issue costs.
Xbrane
Xlucane
Spherotide

CEO's comments

Dear shareholders,
As we now leave 2018 behind us, we can confirm that this year was the most successful year in Xbrane's history! We generated total revenue of SEK 120 million from co-development and out-licensing agreements as well as from sales of Spherotide. Furthermore, we reached important milestones for the Company, especially the signing of agreements with STADA and CR Pharma and the timely development of Xlucane for initiation of the pivotal phase III trial during early 2019.

What we do is important
Biological drugs have been a major success for the treatment of patients in several different areas. Lucentis® and Eylea® have provided significant improvements in the vision of patients with age-related macular degeneration. Opdivo® and Keytruda® have cured cancer that was previously incurable. Humira®, Cimzia® and other TNF inhibitors have enabled patients with rheumatoid arthritis to live pain-free lives. The problem, however, has been the limited access to these drugs because of their high cost. In the US, biological drugs account for 40 percent of drug costs but only 2 percent of the population have access to the products. Biosimilars are incredibly important in addressing this problem and in increasing accessibility by providing more cost-effective alternatives. It is important to develop new drugs that offer improved treatment but we believe it is just as important to make existing treatments available to a wider section of the population.

Phase III trial of Xlucane (Xplore) initiated
The first patient has now been recruited to the Xplore trial in the US. A total of 150 clinics worldwide have been included in the trial and so far everything is going according to plan for the recruitment of around 600 patients during 2019. We expect to be able to present results on the primary end point, improved vision comparative to the originator drug Lucentis®, during the second quarter of 2020.

In parallel with the clinical trial, we are preparing, together with STADA, for the launch of Xlucane. The patent on the original drug Lucentis® expires during the first quarter of 2022 in Europe, which coincides with the planned launch of Xlucane. The competitive situation continues to look very promising, as Xbrane is one of three companies with a biosimilar of Lucentis® in clinical phase for launch in Europe and the US. This is a very favourable situation considering that Lucentis® has annual sales of SEK 35 billion[1, 2] and, according to our estimates during 2018, only 1.5 out of 18 million individuals affected by these serious eye diseases receives treatment with approved drugs (Lucentis® or Eylea®).

The way forward for Spherotide is becoming clearer
China has recently implemented major changes with regard to regulatory requirements for medicines. An important change for Xbrane is that it is now possible to include patients in China in global clinical trials that provide the basis for registration. This also applies to products classified as equivalent hybrids in Europe and 505(b)(2) in the US, which is the case for Spherotide. Xbrane is therefore planning to conduct a phase III trial for Spherotide 3.75 mg (one-month formulation) in endometriosis patients in China and selected European countries. The trial will form the basis for registration in both Europe and China and will be co-financed by Xbrane's partner in China, CR Pharma. The preparatory work for the trial is under way.

Active development of the pre-clinical biosimilars portfolio
Xbrane is actively working on the pre-clinical development of biosimilars for Oncaspar®, Cimzia® and Opdivo®. To achieve success as a biosimilar developer, it is absolutely critical to choose the right products to develop. Oncaspar® and Cimzia® are two niche biological drugs with annual sales of approximately SEK 2 billion[3] and SEK 14 billion[4] respectively. We expect no or limited competition from other biosimilar developers on these products.

We consider Xbrane to be capable of delivering a significant cost advantage for these products with our patented *E.coli*-based production technology. Opdivo® is a leading biological immuno-oncology drug with annual sales of around SEK 54 billion[5]. Beginning development on a biosimilar for Opdivo® is an important strategic step for Xbrane. It involves broadening the technology platform

1) Novartis Year-end report 2018
2) Roche Year-end report 2018
3) Shire Year-end report 2018
4) UCB Year-end report 2018
5) BMS Year-end report 2018

»As we now leave 2018 behind us, we can confirm that this year was the most successful year in Xbrane's history!«

in order to cover production in mammalian cells, in which Opdivo® is produced. Xbrane has secured the technology and expertise required by entering into important collaborations with partners and recruiting personnel with significant experience

Strengthening the development team
In recent months, Xbrane has completed the strategic recruitment of new members to its research and development team. Through these recruitments we have added critical expertise and experience from other prominent pharmaceuticals companies within regulatory strategy, supply chain and quality, protein characterisation, process development and cell line development. At the time of publication of this annual report, there are now 32 employees at Xbrane and I believe that we have the skills and the internal resources required to implement our strategy and plans for the coming years, above all, when it comes to achieving market approval for Xlucane and Spherotide, as well as driving the development of our pre-clinical portfolio forward.

Financial position
Earlier this year, Xbrane made a preferential rights issue, which generated proceeds for the company of SEK 43 million after transaction costs and after the conversion of SEK 8 million of an outstanding loan from Serendipity Group. Most of this capital is invested in the ongoing clinical trial for Xlucane.

As previously communicated, there was a total capital requirement of around SEK 150–175 million for Xbrane's share of the financing of the trial. Following the preferential rights issue, there remains a capital requirement of SEK 100–125 million for the financing of the clinical trial. In order to cover this capital requirement, Xbrane is actively working on the out-licensing of available territories for Xlucane (China) and Spherotide (Europe) and on meeting institutional investors who are interested in participating in the build up of Xbrane in the longer term. Xbrane has recently participated at capital market days held by DnB in New York, Jefferies in London and Redeye and Vator Securities in Stockholm. In connection with this, the process for listing on the Nasdaq main list continues, with the remaining step being to ensure that the aforementioned capital requirement, which extends over the next 12 month-period, is covered in full.

I would like to thank all existing shareholders and new shareholders who have joined us recently for your belief in us and what Xbrane wants to achieve. We have complete confidence that we will successfully cover the Company's capital requirement and conduct the Xplore trial according to schedule so that clinical data can be reported during the second quarter of 2020.

Thank you for your continued support.

Martin Åmark
CEO

Business concept and objectives

Xbrane develops and manufactures biosimilars of difficult-to-manufacture and often very expensive originator drugs. Xbrane uses unique technology platforms and in-depth knowledge to manufacture biosimilars where few other developers are successful. The patented production technology in *E.coli* delivers a significant cost benefit, enabling Xbrane to offer its biosimilar products at a lower cost than the originator drug. For patients who do not have access to the originator drug for cost reasons, Xbrane's lower price level can be crucial in terms of whether the patient can be offered a treatment. Our business is based on our belief that if a treatment exists, it should be available to everyone.

Vision

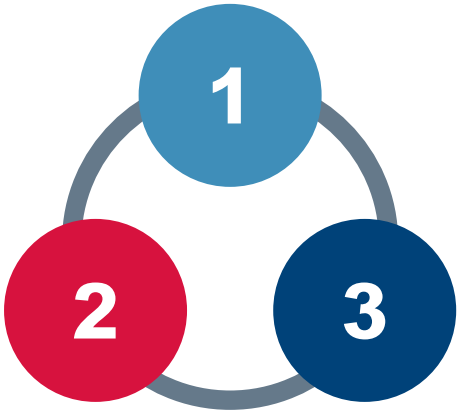
To become a world-leading biosimilar developer and lead innovation of cost-effective development and production of biosimilars.

Business concept

To develop and manufacture cost-effective biosimilars to biological drugs.

Strategy

Xbrane's strategy is to develop and manufacture high quality and cost-effective biosimilars based on unique technology platforms and leading expertise. Xbrane is focused on difficult-to-manufacture and niche pharmaceutical products with limited competition from other biosimilar developers. Based on its technology platforms, Xbrane will have a significant competitive advantage in relation to originator drugs and other biosimilar companies by having the lowest production cost within each market.



Xbrane's strategy is built on three cornerstones

1. Leading expertise and unique technology platforms

It is of the outmost importance for Xbrane's long-term success to develop leading expertise within the areas that are critical for development and production of difficult-to-manufacture biosimilars. Critical areas of expertise that Xbrane is establishing are primarily within fermentation, purification and analysis of proteins, development and GMP-production, as well as clinical and regulatory areas of expertise. We continuously strengthen our technological platforms during the development of our products. We widen our library of internally developed cell lines, methods for fermentation and purification as well as critical analytical methods. All this is the basis for successful development of high quality and cost-effective biosimilars.

2. High quality and cost-effective biosimilars

Xbrane selects products to develop after a thorough analysis of the sales and profitability potential among different products and also of where the strength in Xbrane's technology platforms can be fully utilised. The focus for the development is to develop products which meet the high level of regulatory requirements for quality at the lowest possible production cost. Xbrane's patented technology constitutes the basis for cost-effective production, but the focus is also on other aspects that affect cost such as fermentation and purification protocol, selection of contract manufacturer and administration system.

3. Establish networks of locally strong sales and distribution partners

Xbrane is gradually developing a network of local and regional collaborative partners for sales and marketing of its products. The aim is to use this network to enable launch of the leading product candidates Xlucane and Spherotide as well as additional products over time. It is critical for Xbrane to establish partners that have a strong local presence and that can realize the full sales potential of the respective products in their market.

Portfolio of product candidates

Xlucane

Xlucane is a ranibizumab biosimilar (originator drug Lucentis®) which is used in the treatment of age-related macular degeneration (AMD), diabetic macular edema (DME), diabetic retinopathy and retinal vein occlusion (RVO). The originator product generated annual sales during 2018 of SEK 35 billion[1, 2] and will lose its patent protection in June 2020 in the US and during first quarter 2022 in Europe. Xbrane has completed the development of the production process for Xlucane on a commercial scale and has been able to demonstrate a high level of similarity compared with the originator drug Lucentis® on the basis of a panel of over 30 in-vitro analysis methods in accordance with guidelines from the EMA (European Medicines Agency) and the FDA.

Xlucane has also demonstrated equivalent tolerability and pharmacokinetic profile equivalent to Lucentis® in vivo, in a study of 16 rabbits. Xbrane has signed a co-development agreement with STADA on the development and commercialisation of Xlucane in Europe, the US and a number of markets in the Middle East and the Asia-Pacific region. Under the agreement, Xbrane and STADA will share equally (50/50) the future development costs for Xlucane as well as the earnings generated through sales. Xbrane is responsible for the development of the product until it achieves market authorization, while STADA is responsible for sales and marketing.

In April 2019, Xbrane initiated the phase III trial that provides the basis for registration and which will comprise some 600 patients with wet age-related macular degeneration. The primary objective of the trial is to evaluate efficacy in terms of improved visual acuity with Xlucane compared with the originator drug Lucentis®. Data from the primary endpoint of the trial is expected to be reported during second quarter 2020.

Product portfolio

Product	Biosimilar to	Primary indication	Sales originator drug, 2018 (SEK billion)	Patent expire date for originator drug	Phase of development
Xlucane	Ranibizumab (Lucentis®)	Wet age-related macular degeneration, Diabetic related eye injury, Retinal vein occlusion.	35[1,2]	2022 (Europe) 2020 (US)	FDA and the central ethical committee in US accepted in January 2019 Xbrane's application to initiate the Xplore trial. Phase III trial initiated in April 2019.
Xcimzane	Certolizumab pegol (Cimzia®)	Rheumatoid arthritis, Axial spondyloarthritis, Psoriatic arthritis, Psoriasis Crohn disease.	14[3]	2024 (Europe and US)	Pre-clinical phase
Xoncane	Pegaspargase (Oncaspar®)	Acute lymphocytic leukemia.	2[4]	Expired	Pre-clinical phase
Spherotide	Triptorelin (Decapeptyl®)	Prostate cancer, Breast cancer, Endometriosis, Fibroids.	4[5]	Expired	Pre-clinical phase for Europe and US, Market approval and ongoing sales for Middle East.
Xdivane	Nivolumab (Opdivo®)	Skin cancer, Lung cancer, Renal cell carcinoma, Head- and neck cancer, Bladder and urinary tract cancer.	54[6]	2026-2030 dependent on country	Pre-clinical phase

1) Novartis Year-end report 2018.
2) Roche Year-end report 2018.
3) UCB Year-end report 2018.
4) Shire Year-end report 2018.
5) https://www.iqvia.com/en/institute/reports/advancing-biosimilar-sustainability-in-europe
6) BMS Year-end report 2018

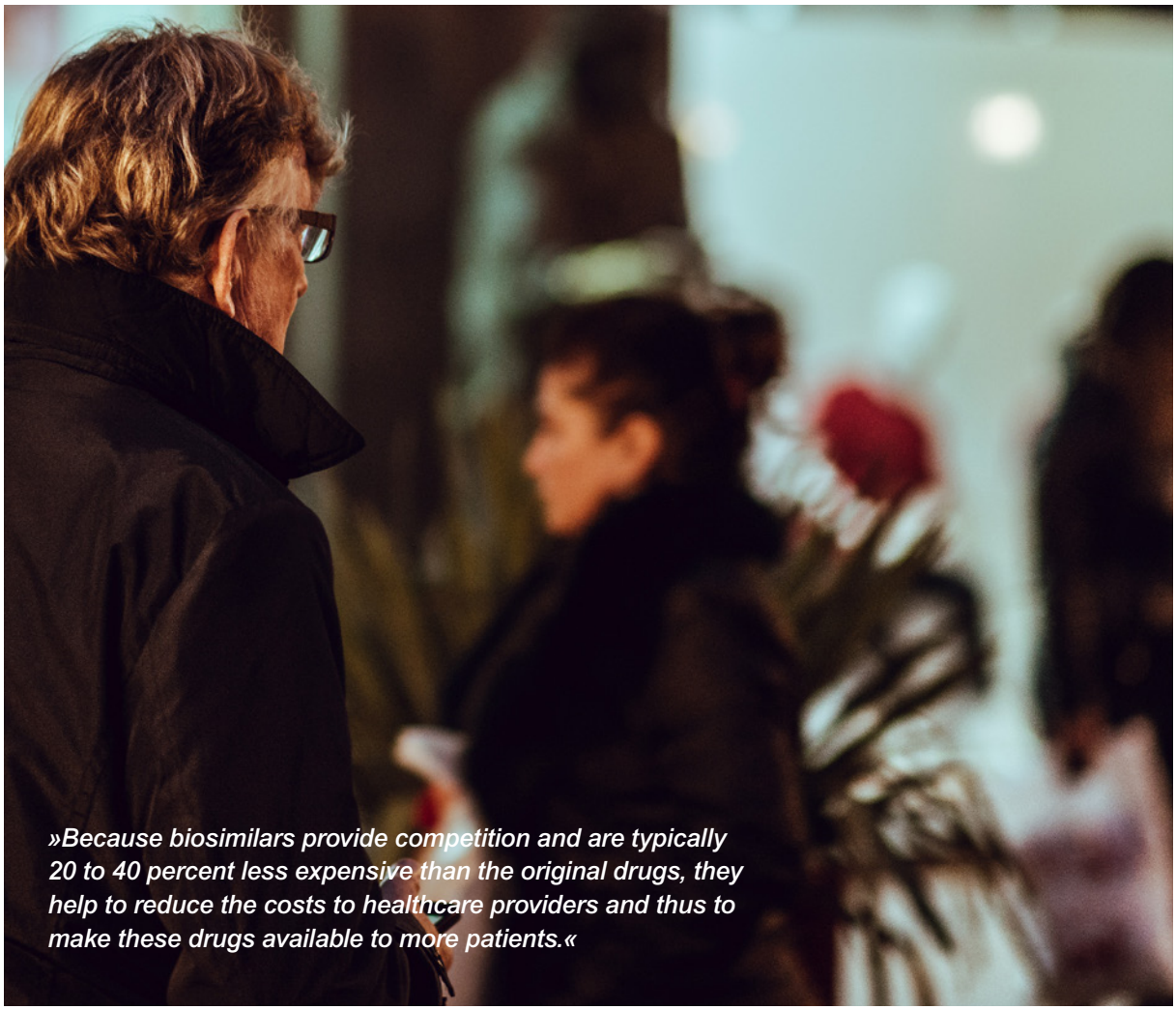
The market for biosimilars

What are Biological drugs?
Biological drugs are highly-effective protein drugs produced in living cells. With the advent of recombinant DNA technology in the late 1970s, biologics emerged as a new source of medicines. Since then biological drugs have revolutionized the treatment of serious disease such as diabetes, multiple sclerosis, cancer, and more recently, also arthritis, skin and eye diseases.

The size and complexity of the proteins which constitute active pharmaceutical ingredients (APIs) in biological drugs is much higher compared with ordinary small molecules which are produced through chemical synthesis. A small molecule, such as Aspirin, has a weight of 180 Daltons compared with ranibizumab, the active pharmaceutical ingredient in Lucentis®, which has a mass of 48,000 Daltons.

What are Biosimilars?
Biosimilars are approved pharmaceuticals that are similar to a biological reference product in terms of quality, safety and efficacy. They are approved in highly regulated markets such as the EU and the US via stringent regulatory pathways following loss of exclusivity of their originator reference products. Development of biosimilars requires deep expertise in protein expression, purification, analytics as well as clinical and regulatory aspects.

Development and manufacturing of Biosimilars
Because of the size, the structural complexity, and the living cell systems they are derived from, the development and production of biosimilars demand a great deal of time, effort and expertise. The reverse engineering of these drugs is made even more difficult because of the natural variations which occur in these biological molecules.



The essential principle in the development of any biosimilar drug is similarity with the established reference drug. To achieve this threshold, the producer of the biosimilar must ensure that the drug quality, safety and efficacy are comparable to the biological reference product. A small molecule can be characterized and compared in-vitro with the original molecule and shown to be an exact copy. This is not the case for proteins where different analytical methods have to be used to characterize the protein and demonstrate a high a likeness, or biosimilarity, compared with the originator drug as possible. The time it takes to complete the development of a biosimilar is, on average, six to seven years. Because of the great challenges involved in developing and producing biosimilars, there are only a very limited number of companies in the world with the know-how and capabilities to develop and produce these new-generation drugs, particularly if it comes to meet the strict regulatory standards in Europe and in US.

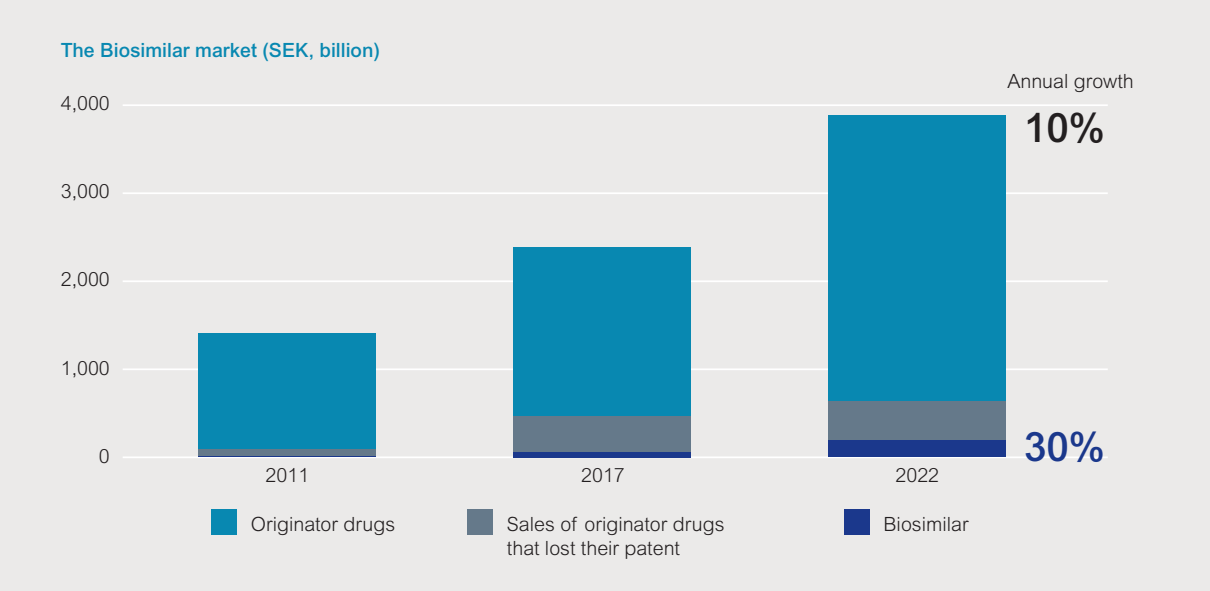
Regulatory approval of Biosimilars

While EU began to lay out the regulatory approval process for biosimilars already in 2004/2005, the governing framework in US has only been in place since late 2010. The first biosimilar was approved in EU in 2006, whereas it took nine more years until the US approved the first biosimilar in 2015.

Biosimilar drugs require a far greater investment of time and effort to gain regulatory approval than conventional generic drugs. To attain regulatory approval, the producer of the biosimilar must demonstrate similar quality, safety and efficacy, of the biosimilar and the original biopharmaceutical. This is proven by intensive analytical testing and clinical studies.

The market for Biosimilars

While biopharmaceuticals are remarkably effective at treating serious diseases, they are at the same time often very costly, posing a financial burden for the healthcare systems even of wealthy developed countries. Because biosimilars provide competition and are typically 20-40 percent less expensive than the original drugs, they help to reduce the costs to healthcare providers and thus to make these drugs available to more patients. We estimate that, up until 2022, biological drugs with combined annual revenue of some EUR 100 billion will lose their patent protection[1]. The global market for biosimilar drugs is estimated to grow by 30 percent[2] the coming years.



1) https://www.iqvia.com/en/institute/reports/advancing-biosimilar-sustainability-in-europe
2) Biosimilars: Global Markets, April 2018, BCC Research

The market for Xlucane

Lucentis®, with the active pharmaceutical ingredient ranibizumab, is used to treat wet age-related macular degeneration and other eye diseases such as diabetic retinopathy, diabetic macular edema, myopic choroidal neovascularisation and macular edema following retinal vein occlusion. These diseases affect the macula which is the central area of the retina, responsible for central, high-resolution, colour vision. The degeneration of the macula results in a gradual loss of the central vision. The most common cause of macular degeneration is old age and thus, it is known as age-related macular degeneration. It is, next to cataracts, the second most common cause of loss of eyesight in the elderly over 70 and is one of the leading causes of blindness. There are two different forms of age-related macular degeneration, dry and wet. The wet form results from abnormal blood vessel formation under the retina. These abnormal blood vessels may leak fluid or blood, which results in swelling, gradual loss of vision and vision distortion. If it is not treated in time, a scar develops under the macula, increasing the risk of the loss of the central vision.

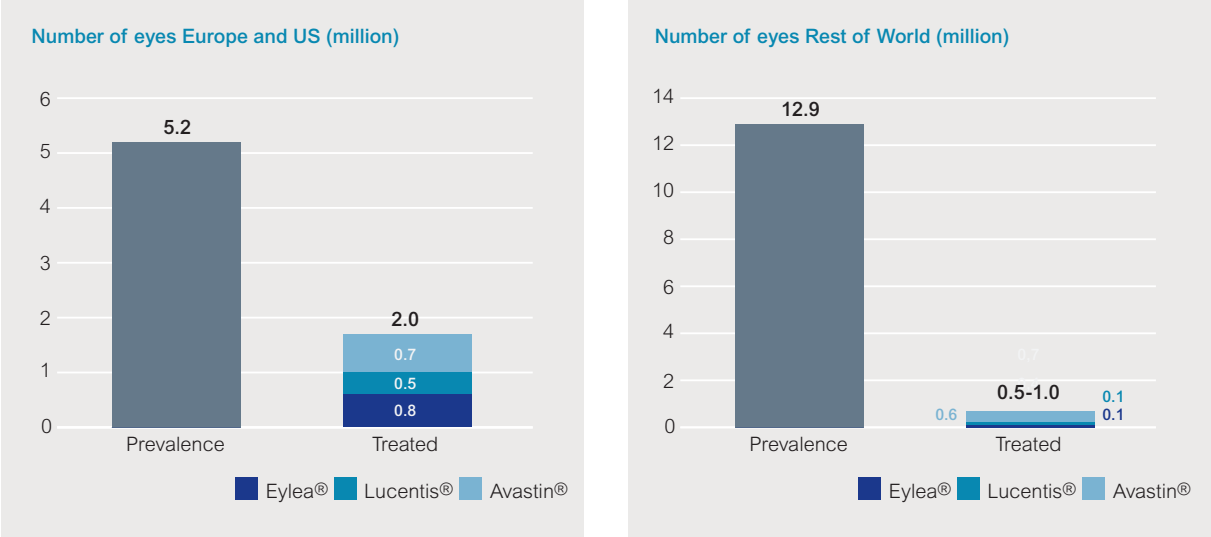
The wet form of age-related macular degeneration and diabetes-related macular edema affect about 18 million individuals globally[1]. The company estimates that about 1.5 million patients[2] during 2018 undergo treatment for these diseases with approved VEGF inhibitors for ophthalmological use in Europe and USA whilst the majority of individuals in the rest of the world go untreated.

Treatments

The leading treatment for wet age-related macular degeneration is with VEGF inhibitors which are injected into the vitreous chamber where it binds to the growth factor, VEGF-A, and inhibits the growth of the abnormal blood vessels, thus preventing the loss of eyesight. The approved VEGF inhibitors used for the treatment of these eye diseases are Lucentis® and Eylea®. On average, patients are given 4-6 doses per year of Lucentis® and Eylea®[3] which cost about SEK 7,000 and SEK 16,000 per dose on average in Europe and in USA respectively[4]. VEGF inhibitors for the treatment eye diseases generated global sales of about SEK 94 billion in 2018, where about SEK 35 billion came from the sales of Lucentis® whilst SEK 59 billion came from Eylea®[5,6,7]. Apart from these, another drug, Avastin®, a VEGF inhibitor used for the treatment of certain cancers, is also used in some regions due to its cost advantage.

Xbrane has set a sales target of SEK 3.5 billion for Xlucane three years after its launch, where about SEK 1 billion would be generated as license income to Xbrane after production, sales cost and profit-sharing with partners.

1) Epidemiology of age-related macular degeneration (AMD): associations with cardiovascular disease phenotypes and lipid factors Katie L. Pennington and Margaret M.DeAngelis. Antiangiogenic drugs in the management of ocular diseases: Focus on antivascular endothelial growth factor Yukio Sassa and Yasuaki Hata Epidemiology of diabetic retinopathy, diabetic macular edema and related vision loss Ryan Lee, Tien Y. Wong, and Charumathi Sabanayagam.
2) Based on number of doses sold on an annual basis from IQVIA as well as average annual number of doses per patient.
3) Annual report 2017, Swedish makularegistret.
4) IMS Health.
5) Novartis Year-end report 2018
6) Regeneron Year-end report 2018
7) Roche Year-end report 2018
8) Based on the amount of sold doses on an annual basis from IQVIA, as well as average amount of doses per patient and year. Including an estimated amount of patient that receive the treat with Avastin.



Prevalence and treatment of wet age-related macular degeneration (AMD) and diabetic macular edema (DME)

Facts:

Indications: wet age-related macular degeneration (wet AMD), diabetic retinopathy (DR), diabetic macular edema (DME), myopic choroidal neovascularisation (mCNV), macular edema following retinal vein occlusion (RVO).

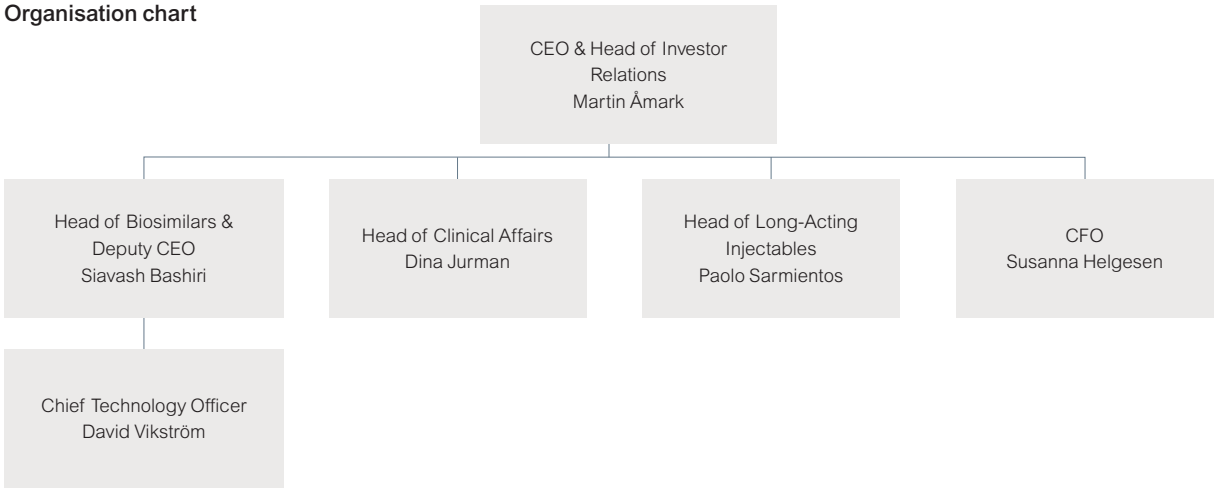
Prevalence: 18 million individuals (wet AMD, DME)[1]

Treated patients: 2.5 – 2.7 million patients

Market 2018: SEK 94 billion[4,5,6]

Organisation and employees

Organisation chart



Xbrane is a knowledge-intensive company and its employees constitute its most important asset and the key to the Company's success. As a growth company within biotech, Xbrane is characterised by innovation and entrepreneurship.

Xbrane had 28 employees on the balance sheet date, 19 of them at the head office and research laboratory in Solna and 9 at the Italian subsidiary in Milan. Xbrane has a diverse range of employees, with over 11 nationalities and languages, cultures and skills which extend over a large number of areas within research and development and production engineering.

Although Xbrane is a small company in terms of the number of employees, the company has developed a structure where the skills that are critical to the company are to be found among its employees. For other support functions, such as regulatory advice, contract manufacturing, etc., the Company has chosen to engage external consultants and collaborative partners, with the aim of securing access to additional expertise and in order to minimise costs and maintain the desired level of flexibility. Such an organisational structure enables resources to be allocated as needed and allows the right expertise to be brought in at the right time.

17%

The company´s employees own a total of 17% of Xbrane´s outstandig shares.

Just over half of the Group's employees were women in 2018 and women represented 33 percent of the Group management.

Xbrane's working method is results-oriented with annual group targets that the Group works towards. Individual targets are set in relation to the Group's overall targets and are reviewed annually. Setting clear targets for both the Company and employees establishes an environment where our employees feel that job satisfaction, engagement and personal development are a priority.

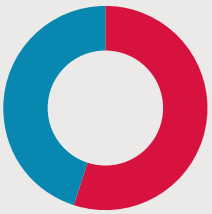
Every employee has a training plan, where the aim is continuing professional development to ensure that the company has the expertise required for each task. All employees undergo a company-wide training programme. This programme includes a general orientation in the company's operations and processes, rules and regulations, quality system and security-related issues.

Shareholding and share savings program

50 percent of employees participated in the Company's share savings programme, LTIP 2018, which was launched in 2018, with a total subscription rate of 35 percent. Further information about the share savings program is available in the administration report as well as in note 5.

A clear majority of the company's employees owns shares in Xbrane and in total the company's employees owned approximately 17 percent of the Company's outstanding shares on the publication date of this annual report.

Gender distribution employees

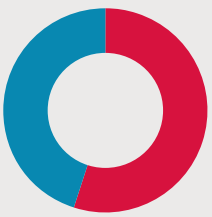


As of 31 december 2018
Women – 15
Men – 13

Gender distribution management

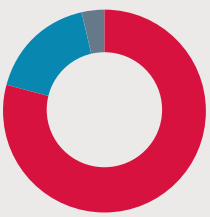
As of 31 december 2018
Women – 2
Men – 4

Educational level



As of 31 december 2018
PhD – 16
Other university education– 11

Personnel distribution



As of 31 december 2018
R&D – 22
Administration – 5
Sales – 1

Chairman of the Board's comments

Dear shareholder,

When I was appointed Chairman of the Board in April 2018, we launched a strategic review of Xbrane. We quickly realised the need to focus operations in order to achieve true specialist expertise within one area. Following this review, the Board decided in September 2018 that Xbrane's future strategic focus should be on developing biosimilars rather than long-acting generic products. Xbrane therefore decided to broaden and accelerate the development of our biosimilars portfolio. In the field of biosimilar development, Xbrane has a unique, patented technology platform, cutting-edge expertise, as demonstrated by the co-development agreement signed with STADA in July 2018, and a leading product candidate with huge commercial potential in the form of Xlucane. The biosimilar market is also an attractive one, with relatively low development risk, strong growth and the opportunity for large profits. We still believe in our leading long-acting generic product, Spherotide, and we are determined to develop the product further, but our strategic focus will be on biosimilars in our pre-clinical product portfolio.

With a defined strategic focus on biosimilars, we have a clear ambition to become a world-leading developer. We must therefore build up expertise across a broad product portfolio and so extend our technology platform from production in *E.coli* host cells to mammalian cells. This is a step we are currently taking and which makes the development of Xdivane (nivolumab (Opdivo®) biosimilar) particularly important. Opdivo® is an immuno-oncology product that has revolutionised the treatment of many different types of cancer in recent years. I know the market for Opdivo® very well as I was responsible for its launch in many parts of the world. This is a product that today has annual sales of SEK 54 billion[1] and which will continue to grow until the main patents expire between 2026-2030 dependent on country. Xbrane is among the first in the world to develop a biosimilar for Opdivo® and we are confident that we will be able to make a meaningful difference for cancer patients all over the world with a more cost-effective alternative.

I believe we have a very strong foundation for moving on to the next stage, particularly with Xlucane and the partnership with STADA, our cost-effective technology platform, our expertise and our pre-clinical portfolio. I have complete confidence that together with STADA we will be able to launch Xlucane on schedule in 2022. Xlucane targets a huge medical demand where only a small part of the patients can access treatment. We feel full comfort that we together with our partners will reach our sales target of SEK 3.5 billion three years after launch. I am convinced that within a few years, Xbrane will be one of the world's leading biosimilar developers, driving innovation with cost-effective development and production.

Thank you for your continued support,

Anders Tullgren
Chairman of the Board

1) Bristol-Myers Squibb Year-end report 2018

Board of directors

Anders Tullgren

Chairman of the Board since 2018

Member of Remuneration Committee and Transactions Committee.

Born: 1961

Education:M. Sc. in Pharmaceutical Science, Uppsala University.

Professional experience: Over 30 years' experience of the global pharmaceutical industry in leadership roles in the US, Germany, France and the Nordic region. Most recently as President of the Intercontinental Region at Bristol Myers Squibb with responsibility for over 30 countries, 5,000 employees and a turnover of over SEK 20 billion.

Other assignments: Board member of Biotoscana Investments S.A., Symphogen AS and Branding Science Ltd.

Previous assigments (past five years): President of the Intercontinental Region, Bristol Myers Squibb, board member of Trialbee AB

Shares: 45,695

Warrants: 49,285

Independent in relation to the Company, management and major shareholders.

Saeid Esmaeilzadeh

Board member since 2018,

former Chairman of the Board 2008-2018.

Chairman of Remuneration Committee and Transaction Committee.

Has declined re-election at the Annual General Meeting 2019.

Born: 1974

Education: Adj. Prof. in Materials Chemistry

PhD from Stockholm University in 2000. Became Sweden's youngest associate professor in 2002.

Professional experience: Has received numerous awards and distinctions for his research and initiatives as an entrepreneur.

Other assignments: Chairman of the board of Build-r AB. Board member of Diamorph AB (publ), Sdiptech AB (publ), Serendipity Group AB, IRRAS AB, Nextseal AB, Almi Invest GreenTech AB, Dr. Saeid AB, Tillito AB och Sdip A AB. Deputy board memner of Serendip Invest AB, Leonova CONSULTING AB, Swecure Europe AB, Swecure IPR AB, Serendipity Innovations AB, DynaSeal LCT AB and Serendipity Ventures AB.

Previous assigments (past five years): Chairman of the board of S. Professional AB. Board member of Swedish Pharma Aktiebolag, Vascuring AB, Episurf Medical AB, Slutplattan DOLIA 97844 AB, Juno Ekonomi AB, Premune AB (publ), Swecure AB (publ), Abera Bioscience AB, Nextmune MC AB, Nextmune HoldCo AB, Serendipity Ixora AB (publ), Auremune AB, Premune IPR AB, Intelligent Art AB, Sista versen 42619 AB (f.d. Serendipity Tretton37 AB) and Nextmune AB. Deputy board member of OrganoClick AB. Serendipity ATS AB, Voff Science AB, VZL Vilande AB och Sdip Stucco AB. External signatory in Stockholms Hiss- & Elteknik Aktiebolag.

Shares: 994,293 (43,971 directly, 950,322 indirectly)

Not independent in relation to the Company, management and major shareholders.

Giorgio Chiriví

Board member since 2016.

Member of Audit Committee and Remuneration Committee.

Born: 1961

Education: M. Sc. in Economics and business administration, University Luigi Bocconi, Italy.

Professional experience: Background within auditing but has worked within investment banking for the last 30 years. Long career as a board member with directorships in over 15 companies during the past 20 years.

Other assignment: Head of SMEs Strategic Coverage at UBI Corporate & Investment Banking. Board member of Axxam SpA. Member of investingcommittee of Azimut Libera Impresa (private equity fund).

Shares: 4,500

Warrants: 3,000

Independent in relation to the Company, management and major shareholders.

Peter Edman

Board member since 2015.

Member of Transaction Committee.

Born: 1954

Education: Ph. D. in Pharmacy and associate professor in Biochemistry, Uppsala University.

Professional experience: Long experience of drug development with a number of senior research positions within Orexo, Sobi, Biovitrum, AstraZeneca, Astra and Pharmacia. Previously Associate professor at the Swedish Medical Products Agency and Professor at Faculty of Pharmacy, Uppsala University.

Other assignment: Member of the board of Edman Life Science AB.

Previous assigments (past five years): Chef Scientific Officer in Orexo AB, Head of R&D and Senior scientific advisor for Orexo AB and Board member of Biolipox AB and Mind the Byte (Privatly owned company in Spain).

Shares: 10,500

Warrants: 2,250

Independent in relation to the Company, management and major shareholders.

Alessandro Sidoli

Board member since 2016.

Member of Transaction Committee

Has declined re-election at the Annual General Meeting 2019.

Born: 1959

Education: : M. Sc. in Biology

Professional experience: Background as biology researcher with involvement and directorships within biochemical industry organisations, and founder of Italian Association of Business Angels for Biotech

Other assignment: CEO of Axxam SpA and IMAX Discovery GmbH. Member of management at Rare Partners. Deputy CEO and Chairman of the Board in Italian Angels for Biotech as well as Board member in Federchimica (national agency for chemical industry in Italy).

Previous assigments (past five years): Board member inExternautics SpA as well Chairman of Assobiotec (national agency for biotech development in Italy)/Federchimica.

Shares: 76,885

Warrants: 3,000

Convertibles: 13,221

Independent in relation to the Company, management and major shareholders.

Maris Hartmanis

Board member since 2015.

Member of Audit Committee and Remuneration Committee.

Born: 1953

Education: Ph. D. in Science and associate professor in Biochemistry.

Professional experience: Long experience in the Life Science industry with senior positions as CEO and R&D Manager, as well as directorships. Wide ranging experience from small start-ups to large global organisations.

Other assignment: Chairman of the board and CEO of Hartmanis & Partners AB. Board member of BioLamina AB and XSpray Pharma AB (publ).

Previous assigments (past five years): CEO of Medivir Aktiebolag. Board member and CEO of BioPhausia AB. Board member of Vitrolife AB, Karolinska Institutet Innovations AB, Glycovisc Biotech AB, Medivir Personal AB, Cross Pharma AB, Altesse AB and Astor Pharma AB. Holder in Hartmind (privatly owned firm).

Share: 10,000

Warrants: 2,250

Independent in relation to the Company, management and major shareholders.

Karin Wingstrand

Board member since 2015.

Member of Audit Committee

Born: 1957

Education: M. Sc. in Pharmaceutical Science.

Professional experience: Long and solid experience of the international pharmaceuticals industry with senior positions within regulatory, pharmaceutical and analytica R&D, project management and clinical development. Vice President and head of global clinical development at Astra Zeneca.

Other assignment: Board member of Mevia AB, T-bolaget AB, Aqilion AB, Winkon Holding AB and Xintela AB.

Previous assigments (past five years): Board member in Swecure AB (publ) and Adenovir Pharma AB

Shares: 16,868

Warrants: 3,000

Independent in relation to the Company, management and major shareholders.

Management

Martin Åmark
CEO since 2015. Head of Investor Relations since 2019.
Born: 1980
Educatiom: M. Sc. in Industrial Economics as well as an MBA
Previous assigments: Background as management consultant at Bain & Co where he was involved for eight years with company acquisitions, strategy and organisational work within various industries including pharmaceuticals and life science.
Shares: 129,394
Warrants: 24,000
Independent in relation to the Company, management and major shareholders.

Siavash Bashiri
Head of Biosimilars and Deputy CEO since 2015
Born: 1983
Education: M. Sc. in Molecular Biotechnology
Previous assigmentsr: Experience within international sales of pharmaceutical products at Agilent Technologies as well as various roles within business development and sales at IBM and Oriflame. CEO of Xbrane between 2012 and 2015..
Shares: 100 330
Warrants: 7 000
Independent in relation to the Company, management and major shareholders.

Susanna Helgesen
CFO since 2017
Born: 1985
Education: M. Sc. in Business Administration.
Previous assigments: Background as equity research analyst. Different positions at listed global energy companies. Most recently as CFO at Dome Energy AB.
Shares: 10,000
Warrants: 24,000
Independent in relation to the Company, management and major shareholders.

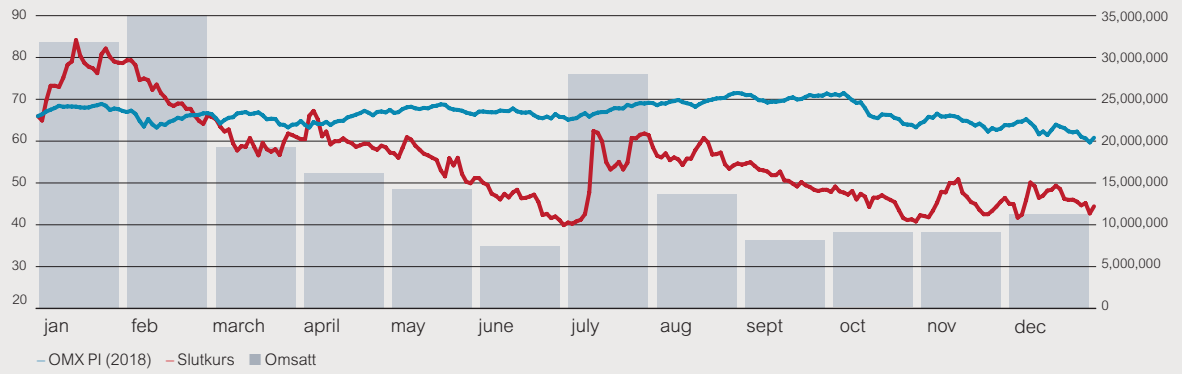
Paolo Sarmientos
Head of long-acting injectables since 2015
Born: 1957
Education: Ph.D. in Biochemistry.
Previous assigments Over 25 years' experience of senior positions within the pharmaceutical industry including companies such as Pfizer, Genetica and Menarini. CEO and co-founder of Primm S.r.l.
Shares: 395,919
Convertibles: 74,054
Independent in relation to the Company, management and major shareholders.

David Vikström
CTO since 2014
Born: 1977
Edcuation: Ph. D. Biochemistry
Previous assigmentsr: Almost 15 years' experience of how to manufacture high quality proteins. Research within expression systems for proteins in *E.coli* and has published a number of articles in scientific journals. Has worked in research and development at Xbrane since 2010.
Shares: 29, 993
Warrants: 24,000
Independent in relation to the Company, management and major shareholders.

Dina Jurman
Head of Clinical Affairs since 2017
Born: 1982
Education: M. Sc. in Biomedicine.
Previous assigments: 12 years' experience within the pharmaceutical and biotechnology industries, most recently as Director Clinical Operations at a full service CRO. Possesses all-round experience of clinical trials from start-up companies to global pharmaceutical companies and has worked with protein drugs, small molecules as well as advanced therapies and medical technology.
Shares: 420
Independent in relation to the Company, management and major shareholders.

The share and ownership structure

Share price development



Average value of daily turnover for the Xbrane share on Nasdaq First North in 2018 amounted to SEK 821 thousand (1,490). The average turnover volume per day amounted to 13,930 shares during 2018 at Nasdaq First North.

General information

The Xbrane share (STO:XBRANE) has been listed on Nasdaq First North Stockholm under the company name Xbrane Biopharma since 3 February 2016. Xbrane's market cap at year-end was SEK 290 million. The share price has increased by 8 percent since being listed in February 2016. The highest closing price per share during 2018 was SEK 84,17 on 15 January 2018 and the lowest was SEK 39,91 on 7 June 2018. According to Xbrane's articles of association, as of 31 December 2018, the share capital must constitute a minimum of SEK 500,000 and a maximum of SEK 2,000,000, distributed over a minimum of 2,200,000 shares and a maximum of 8,800,000 shares. The Company's shares have been issued in accordance with Swedish law and are nominated in SEK. The shares are fully paid and freely transferable. The Company's shares are registered in a CSD register in accordance with the Central Securities Depository and Financial Instruments Accounts Act (1998:1479). The register is kept by Euroclear Sweden AB. No share certificates have been issued for the company's shares.

Share Capital

The total number of outstanding shares in Xbrane amounted to 6,329,239 by the end of the year. The company only has one share class. Each ordinary share gives entitlement to one vote. The increase in number of shares and votes during 2018 is due to a new issue of 41,857 shares and a conversion of convertible loan of 330,612 shares. Share capital by the end of the year amounted to SEK 1,419 thousand, distributed over 6,329,239 shares with a quote value of about SEK 0.2242 per share.

Year	Event	Quote value	Change in numbers of shares	Total number of share	Change in share capital	Total share capital
2018	Conversion of convertible loan	0,2242	330 612	6 329 239	74 119	1 418 927
2018	New share issue	0,2242	41 857	5 998 627	9 384	1 344 808
2017	New share issue	0,2242	16 500	5 956 770	3 699	1 335 425
2017	Conversion of convertible loan	0,2242	528 986	5 940 270	118 591	1 331 725
2017	New share issue	0,2242	655 738	5 411 284	147 007	1 213 134
2016	Conversion of convertible loan	0,2242	132 232	4 755 546	29 644	1 066 127
2016	Share split 10:1	0,2242	2 393 024	4 623 314	536 483	1 036 483
2015	Bonus issue	-	-	2 230 290	399 100	500 000
2015	Share split 10:1	-	-	2 230 290	-	100 900
2015	New share issue	0,4524	1 989	223 029	900	100 900
2014	Share split 10:1	-	-	221 040	-	100 000
2014	New share issue	4,5241	11 052	22 104	50 000	100 000
2013	Decrease in share capital	-	-	11 052	-355 200	50 000
2013	Decrease in share capital	-	-	11 052	-700 000	405 200
2013	Company foundation	100	9 824	11 052	982 400	1 105 200

Shareholders

As of 31 December 2018, Xbrane had a total of approximately 2,700 shareholders. The number of outstanding shares amounted to 6,329,239. The ten largest shareholders at the end of the year are presented below[1].

Name	Number of shares	Capital, %
Serendipity Group AB	683 329	10,80%
Paolo Sarmientos	395 919	6,26%
Försäkringsaktiebolaget Avanza pension	343 879	5,43%
Nordnet Pensionsförsäkring AB	193 060	3,05%
Swedbank försäkring	140 070	2,21%
Martin Åmark	111 890	1,77%
Christer Skogum	111 800	1,77%
Siavash Bashiri	87 294	1,38%
Jan-Willem De Gier	84 083	1,33%
Magnus Tillberg	77 000	1,22%
10 largest shareholders in total	**2 228 324**	**35,21%**
Other shareholders	4 100 915	64,79%
Total	**6 329 239**	**100,00%**
Shares by outstanding warrants	324 571	
Total outstanding shares including warrants	**6 653 810**	

1) Modular Finance. Based on complete list of shareholders comprising directly registered and nominee registered shareholders.

Dividend
The Board of Directors proposes that no dividend be paid for the financial year 2018.

Equity reseach analysts

Nordea	Dan Johansson
Vator Securities	Lars Hevreng
Edison	John Savin

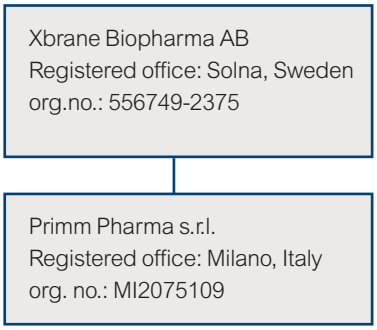
About the Xbrane share

Listing venue	Nasdaq First North
Number of shares	6,329,239
Market cap year-end 2018	SEK 291 million
Ticker	XBRANE
ISIN code	SE0007789409

Investor relations contact
For further information about Xbrane, please visit xbrane.com or contact
Martin Åmark, Head of Investor Realations
+46 763 09 37 77

Administration report

The Board of Directors and Chief Executive Officer of Xbrane Biopharma AB (publ), company registration number 556749-2375, hereby present the Annual Report for the financial year 1 January 2018 to 31 December 2018.



Xbrane own 100 percent of Primm Pharma s.r.l..

Group structure
The Group's structure is illustrated in the diagram above, with details of each Group company's name, registered office and company registration number, as well as Xbrane's participating interest in the subsidiary.

About the business
Xbrane Biopharma is a biotechnology company that develops biosimilars. The aim of the company is to make difficult-to-manufacture pharmaceuticals available for the global population based on unique technology platforms which enable cost-effective production. Xbrane has a patented protein production platform with up to 12 times[1] higher productivity compared with standard systems in *E.coli* production.

Xbrane's leading product candidate within the biosimilar segment is Xlucane. Xlucane is a ranibizumab biosimilar (originator drug Lucentis®) which is used in the treatment of various eye diseases, principally the wet form of age-related macular degeneration. Xbrane also has a pre-clinical product portfolio with a total of five products in development. Of these, Spherotide is furthest along the development process

Significant events during the financial year
Xlucane
Co-development agreement with STADA
In 2018, Xbrane signed a co-development agreement with STADA regarding the development of Xlucane. Under the agreement, Xbrane received a payment of EUR 7.5 million on the signing of the agreement. Xbrane and STADA will share equally the development costs and future earnings relating to the sale of Xlucane. Xbrane will be responsible for the development of the product until the market approval applications have been submitted to the EMA and FDA and also for providing the completed pharmaceutical product. STADA will then hold the market approval and will be responsible for selling and marketing the product.

In-vivo study
In an in-vivo study comprising 16 New Zealand white rabbits, Xlucane demonstrated tolerability and a pharmacokinetic profile in both the serum and the vitreous body of the eye equivalent to the reference product Lucentis®.

Clinical trial application
Xbrane has submitted its first national clinical trial application to the FDA in the US for the initiation of the Xplore trial, which relates to Xlucane. The Xplore trial is a phase III trial that is designed to confirm the biosimilarity in terms of safety, efficacy and immunogenicity of Xlucane compared with Lucentis®. The phase III trial will also form the basis of the market approval application. The trial is being conducted by Syneos, which is a global operator within CRO with extensive experience in ophthalmology.

Spherotide
Out-licensing agreement with CR Pharma for Spherotide in China
Xbrane and CR Pharma signed an out-licensing agreement at the beginning of 2018 which gives CR Pharma exclusive sales and marketing rights for Spherotide in China. Xbrane received a licence fee of USD 1.6 million on the signing of the agreement. Similar licence fees will be received as agreed milestones are reached, up until market approval for Spherotide is achieved in China. CR Pharma is responsible for financing the local clinical trials necessary for market approval in China.

Italian contract manufacturer ICI
At the beginning of 2018, Xbrane announced that its contract manufacturer ICI was the subject of corporate restructuring, owing to financial difficulties. In December 2018, ICI agreed a reconstruction plan with its creditors, which has since been approved by the court in Naples. ICI is now executing in accordance with this plan.

Group
Updated strategic focus
In September 2018, the Board of Directors decided to shift the strategic focus of the Company's product portfolio to biosimilars. This was prompted in part by the agreement entered into with STADA, which validates the

1) Wagner et.al. Escherichia coli for membrane protein overexpression.

quality and commercial viability of Xbrane's technology platform and Xbrane's expertise within the development of biosimilars. Combined with the attractiveness and profitability profile of biosimilars in the market, this has prompted the shift in company strategy. As a result of the company's strategic focus of capital and resources on biosimilars, the continued development of generic long-acting injectables, other than Spherotide, will only be pursued if additional resources become available.

Election of new Chairman of the Board of Directors
The Extraordinary General Meeting on 3 April 2018 elected Anders Tullgren as Chairman of the Board of Xbrane Biopharma. Anders Tullgren has been employed in the pharmaceutical industry for 30 years with numerous international management assignments within big pharma companies.

Issue of warrants and shares
Following the decision of the Extraordinary General Meeting on 3 April 2018, the following directed issues of shares and warrants were made:

- 32,857 shares issued at a subscription price of SEK 60.87 per share and 49,285 warrants with maturity in 2021 priced according to the Black-Scholes option pricing model to the Chairman of the Board Anders Tullgren.
- A total of 9,000 shares issued at a subscription price of SEK 61.04 per share and a total of 13,500 warrants with maturity in 2021 priced according to the Black-Scholes option pricing model were issued to the following board members: Maris Hartmanis, Peter Edman, Karin Wingstrand, Alessandro Sidoli and Giorgio Chiriví.
- A total of 79,000 warrants with maturity in 2022 priced according to the Black-Scholes option pricing model were issued to the following persons from Group management: Martin Åmark, Susanna Helgesen, Siavash Bashiri and David Viklund.

Significant events after the end of the financial year
Acceptance of initiation of Xlucane clinical trial
Xbrane announced acceptance of initiation of Xlucane clinicial trial in the US at the begining of 2019.

New Head of IR
Martin Åmark, CEO of Xbrane Biopharma AB, is the Head of IR for Xbrane as of february 14th, as current Head of IR and CFO, Susanna Helgesen, will be on parental leave on a part-time basis for a period. During the parental leave, Susanna Helgesen will remain as CFO. The finance team has also been expanded with a Group Financial Controller.

Declined re-election to the board
Xbrane Biopharma AB (publ) ("Xbrane") has today been informed by the Nomination Committee that Alessandro Sidoli and Saeid Esmaeilzadeh have declined re-election at the Annual General Meeting (AGM) 2019.

Payment of accounts receivable from Iran
The subsidiary in Italy has after the end of the financial year 2018 received payment for the total amount of accounts receivables related to the distribution partner in Iran.

Preferential rights issue
A preferential rights issue that was conducted in March 2019 generated SEK 59 million before transaction cost to Xbrane. Further, Serendipity Group settled part of its outstanding loan to Xbrane which after the preferential rights issue amounted to SEK 37 million. The maturity of the loan has been extended with one year to 30 June 2020.

First patient dosed in the phase III-study Xplore.
The first patient has been included and dosed in our Xplore trial, under April 2019. The trial is proceeding according to plan and recruitment of patients is expected to be completed during this year.

Xbrane announces sales target for the company's lead product Xlucane
Xbrane's target is to reach €350 million in annual net sales three years after the product launch. This renders approximately €100 million in annual license income for Xbrane, after deduction of production and sales related expenses and profit sharing with STADA.

Five year summary

Amounts in SEK thousands	2018	2017	2016	2015	2014
Revenue	20,485	20,771	-	-	190
Operating result	-11,415	-44,718	-27,567	-10,348	-2,574
Profit/loss for the period	-13,236	-44,935	-27,769	-10,642	-2,572
Total assets	252,885	110,960	124,694	76,394	6,689
Equity ratio %	33%	80%	91%	-8%	94%
Earnings per share	-2.13	-8.28	-6.16	-4.78	-11.60

Xbrane Accelerates Development of Xdivane – A Nivolumab (Opdivo®) Biosimilar
The Company has successfully established a mammalian cell based technological platform and accelerate the development of Xdivane, a biosimilar of the PD-1 inhibitor Nivolumab (Opdivo®) as the first product of this platform. Xbrane remains committed to expand its innovative technology platforms to further address the unmet needs in the market.

Environment, ethics and responsibility
Xbrane works actively with corporate responsibility and sustainability issues. These issues comprise areas which principally relate to ethical questions, environmental and work environment matters, issues of a social nature and transparency in relation to shareholders.

Xbrane's contribution to society lies in offering critical medical treatments for people all over the world at a lower cost than the originator drug. In this way, Xbrane works to lower the cost for the patient and so make existing treatments available to a larger population, something that is of particular importance in developing countries. Xbrane operates in an industry where ethical and regulatory aspects are of major importance in how the business is configured. The Company is consequently continuously engaged in these issues with the objective of always meeting the set requirements by a good margin.

Xbrane's environmental policy is to include environmental considerations as a natural component in the company's operations. Xbrane has both internal and external contract manufacturing, which means that environmental and sustainability perspectives are incorporated in both internal and external manufacturing. The Company's main suppliers are certified and fulfil the requirements in terms of ethical issues as well as environmental and work environment issues.

Being transparent and giving shareholders and stakeholders full insight into the company has the highest priority for Xbrane. Current and relevant information will therefore always be available on the company's website under Investors Relations. Stakeholders and owners can access clear, complete and reliable information here that meets the shareholders' needs, irrespective of their level of expertise. Communication with shareholders and stakeholders takes place via the website, newsletters and press releases. Xbrane's structured board work ensures that Corporate Responsibility issues are dealt with and are on the Group management's agenda.

The Group´s Result
Revenue
Consolidated revenue amounted to SEK 20,485 thousand (20,771), pertaining to revenues from sales of Spherotide.

Gross margin
Cost of goods sold amounted to SEK -15,907 thousand (-15,829) and consist of raw material, production cost from contractor, leasing fees for production equipment, salaries as well as depreciation. The gross margin amounted to 22 percent (24).

Other operating income
Other operating income amounted to SEK 99,742 thousand (2,515). The increase is primarily due to two larger revenues from co-operation and out-licensing agreements where SEK 77,325 thousand pertained to the up-front payment received when entering the co-development agreement with STADA for Xlucane and SEK 13,375 thousand for one of the potential several milestone payments for the license agreements with CR Pharma regarding Spherotide.

Operating expenses
Selling and distribution expenses decreased and amounted to SEK -933 thousand (-1,381) consisting of personnel expenses. Administration expenses amounted to SEK -23,347 thousand (-11,567), and the increase compared to last year relating primarily to expenses associated with a larger administration department and expenses related to the planned market listing.

Research and development expenses amounted to SEK -85,827 thousand (-37,982), of which SEK -74,272 thousand (-27,326) pertained to biosimilars, primarily Xlucane, and SEK -11,555 thousand (-10,656) to long-acting injectable drugs, that being Spherotide exclusively. The increase that has occurred is attributable to development work, primarily for Xlucane, has reached a more cost-intensive phase as the preparations for the clinical trial is ongoing. During the year, all development expenses has been charged to the income statement. Other operating expenses amounted to SEK -5,629 thousand (-1,245), primarily comprising exchange losses on accounts receivables and payables.

Operating profit/loss
Consolidated operating loss amounted to SEK -11,415 thousand (-44,718).

Net financial items
Net financial items amounted to SEK -1,700 thousand (-217) and refer entirely to financial expenses consisting primarily of interest expenses for credit facilities and leases.

Profit/loss before and after tax
Loss before tax amounted to SEK -13,115 thousand (-44,935). Income tax amounted to SEK -121 thousand (-) and relates to the subsidiary.

Loss for the year after tax amounted to SEK -13,236 thousand (-44,935).

Other comprehensive income
Other comprehensive income for the year amounted to SEK 3,686 thousand (2,218) and relates to translation differenses of foreign subsidaries.

Consolidated cash flow
Cash flow from operating activities amounted to SEK 46,707 thousand (-36,848). The change of operating receivable and payables can vary widely, as a result of the re-invoicing to STADA concerning the development expenses for Xlucane as well as expenses for the clinical trial. Change in operating receivables and liabilities amounted to SEK -46,360 thousand (-7,441) and SEK 103,509 thousand (12,292) respectively.

Cash flow from investing activities amounted to SEK -1,598 thousand (-3,347), comprising investments in property, plant and equipment.

Cash flow from financing activities amounted to SEK 47,730 thousand (16,728) and pertains to loans raised of SEK 45,000 thousand (-), amortization of loans and leasing liabilities of SEK -131 thousand (-) and SEK -377 thousand (-257) respectively, issue of shares and warrants that raised SEK 2,549 thousand (20,004) and SEK 701 thousand (-) respectively, as well as transaction expenses of SEK -12 thousand (-3,019) for the share issue.

Financial position and going concern
Consolidated cash and cash equivalents at the end of the year amounted to SEK 100,972 thousand (7,903). During the year, the Company raised loans of SEK 45,000 thousand from the credit facility it acquired from its largest shareholder, the Serendipity Group, at the end of 2017. After the conducted preferential rights issue, there is a continued capital need for approximately 100-125 million SEK. At the preferential rights issue, that was carried out after closing date of 2018, parts of the loan to owners was converted to shares. After the conversion to shares, the used credit facility was reduced and amounted to 37 million SEK. For further information see *"Preferential right issue"* at page 29 as well as in note 32. The expiry date of the loan was also changed after the closing date of 2018 and should now be repaid, at the latest, in June 2020. The Company is assessing various financing options with their financial advisors and keeping a dialogue with investors.

Equity ratio
The equity ratio amounted to 33 percent (80).

Non-current receivables amounted to SEK 8,871 thousand (635) and consisted primarily of a pre-payment to the CRO (Contract Research Organization) conducting the clinical trial for Xlucane.

As per the balance sheet date, accounts receivables amounted to SEK 10,489 thousand (8,072) and pertained mainly to receivables from the Company's distribution partner in Iran. See page 47 for more information about the effect of the implementation of IFRS 9 that affect write downs of accounts receivables. According to the Company's current assessment, no specific write down has been done for the receivables from Iran taking the country specific risk due to US's ongoing sanctions into consideration. See page 33 for description of risks and uncertainties concerning the sanction for Iran. After the end of the financial year 2018, the total amount of receivables towards Iran has been received.

Prepaid expenses and accrued income amounted to SEK 34,240 thousand (1,018), pertaining primarily prepayment of expenses for Xlucane.

Non-current, non-interest-bearing liabilities amounted to SEK 4,118 thousand (-) and pertain to a liability to STADA for its share of the prepayment to the CRO described above. Accounts payable amounted to SEK 30,908 thousand (10,541) with the increase being explained by the fact that Xlucane has reached a more cost intensive phase of the development program, including test production and preparing for clinical trials. Accrued expenses and prepaid income amounted to SEK 83,970 thousand (6,488) where prepayments from STADA for their share of future expenses for Xlucane amounted to SEK 58,131 thousand.

Intangible assets
Intangible assets amounted to SEK 5,772 thousand (6,297) and consist of capitalized development expenditures. No development expenditures have been capitalized during 2018. Goodwill amounted to SEK 59,838 thousand (57,360) and changes from last year is entirely attributable to changes in exchange rate.

Changes in equity
In the second quarter, a new share issue was implemented directed at certain Board members, raising at net SEK 2,537 thousand. Warrants were also issued to certain Board members and members of management, raising SEK 701 thousand. Both issues were implemented on market terms, with the subscription price for the shares corresponding to the volume weighted average share price ten days prior to decision to implement the issue, and

the warrants were priced in accordance with the Black and Scholes option pricing model. Expenses for share savings programs had effect of SEK 978 thousand.

Parent Company income statement

Revenue

The Parent Company, whose operations solely comprise biosimilars with the leading product candidate, Xlucane, has reported no revenue or costs for goods sold during the financial year.

Other operating income

Other operating income amounted to SEK 97,149 thousand (838), of which SEK 77,325 thousand pertained to the up-front payment received when entering the co-development agreement with STADA for Xlucane, SEK 13,375 thousand for one of the potential several milestone payments for the license agreements with CR Pharma regarding Spherotide, SEK 4,681 thousand for exchange rate gains on operating receivables and remaning SEK 1,768 thousand for other license income and intra-Group income.

Operating expenses

Administration expenses amounted to SEK -19,074 thousand (-9,841), with the increase compared to previous year relating primarily to an expanded administrative department, expenses associated with entering the agreements with STADA and CR Pharma and expenses associated with the Company's planned market listing. Research and development expenses amounted to SEK -75,257 thousand (-27,326), with the increase primarily relates to production of test batches of Xlucane and preparations for the clinical trial. During the year, all development expenses has been charged to the income statement.

Other operating expenses amounted to SEK -18,192 thousand (-1,169) and primarily pertains re-invoicing of income for the Spherotide agreement in China to the subsidiary as well as exchange losses on accounts receivables and payables.

Operating profit/ loss

Operating loss amounted to SEK -15,375 thousand (-37,498).

Net financial items

Net financial items amounted to SEK -1,690 thousand (-56) and pertain entirely to financial expenses consisting of interest expenses.

Profit/ loss for the year

The loss after taxes for the year amounted to SEK -17,065 thousand (-37,553).

Risks, uncertainties and risk management

If any of the risks described below were to materialise, this could entail extensive adverse effects on the Group's operations, earnings, financial position and prospects.

Clinical trials

Xbrane has initiated a clinical trial for Xlucane and plans to initiate a trial for Spherotide. The aim of the clinical trials is to confirm the similar efficacy and safety of the products compared with the respective originator drugs. The risk with a clinical trial is that similarity with the originator drug cannot be proven and thereby market approval cannot be achieved which would have a significant negative affect both financially and operationally for the Company.

Based on a panel with a large number of analytical methods, Xlucane has demonstrated a very high similarity with the originator drug. Xlucane has demonstrated identical primary structure (amino acid sequence), no identified differences in higher structure and very high similarity in terms of functionality and purity. The functionality is of particular importance where the binding capacity for the growth factor VEGFa is measured in-vitro. As this is the mechanism of action in the drug, the high similarity in the functionality of Xlucane compared with the originator drug provides additional reassurance. The principal aim of the clinical trial is to confirm that Xlucane has the same effect in terms of improving the vision of patients as the originator drug.

Spherotide has an identical active substance to the originator drug, the peptide triptorelin, which Xbrane procures from a leading European manufacturer. The microspheres in which Xbrane encapsulates the active ingredient has in-vitro demonstrated very high similarity in its release pattern, size and structure compared with the originator drug. In addition, Spherotide has demonstrated suppression of testosterone production similar to that of the originator drug in mini-pigs. This is also the primary objective of the clinical trials, to demonstrate suppression of testosterone production similar to that of the originator drug, though in human beings.

Xbrane takes active measures to minimise the risk in relation to clinical trials. This is done principally by ensuring as high a similarity as possible in its products compared with the originator drugs through a large number of in-vitro analytical methods as well as in-vivo studies. In addition to this, Xbrane maintains a close dialogue with the regulatory authorities in order to ensure that the trials include all aspects required to achieve regulatory approval. Xbrane also takes active measures to ensure the quality of the service providers with which Xbrane chooses to work, including that of the clinicians involved in the clinical trials.

Regulatory approval
To be able to market and sell products, approval must be obtained from the authority responsible in the respective country. Xbrane cannot guarantee that such regulatory approval will be received to the extent required to enable future objectives to be achieved. Xbrane's objective is to be able to submit the application for marketing authorisation approval in Europe and the US during 2021 for Xlucane. Xbrane works actively to mitigate risk by maintaining a close and ongoing dialogue with the most important authorities, for example, FDA (US), EMA/BfArM/MHRA (Europe), CFDA (China) and PMDA (Japan). Xbrane also works with prominent regulatory consultants to ensure that development is in accordance with current guidelines.

Partners
The Group is dependent on, and will continue to be dependent on, collaborations with a range of partners in order to produce, market and sell its current product candidates and to develop product candidates for the future. The Group's business is therefore largely dependent on external partners. If these partners do not fulfil their contractual obligations or do not meet expected deadlines, or if there is inadequate quality or precision in the work performed, ongoing and planned sales activities and product development may be adversely affected. The principal partners with which Xbrane works are contract manufacturers, commercialisation and development partners. Biotechpharma is the contract manufacturer for Xlucane and STADA is the commercialisation partner. Other partners are service providers within analysis, in-vivo studies, regulatory consultancy services and clinical trials. The risk exposure is greatest in relation to collaborative partners that are expensive and time-consuming to replace, such as contract manufacturers and sales and marketing partners. Xbrane takes active measures to mitigate the risk in relation to these partners.

Unforeseen production stoppages disrupting the value chain
The sale of Spherotide is dependent on the production plant in Naples, Italy. The production line owned by Xbrane's subsidiary Primm Pharma s.r.l. is installed within a production facility owned by the Italian pharmaceutical company ICI. ICI has been the subject of a reconstruction process owing to financial difficulties. In December 2018, ICI agreed a reconstruction plan with its creditors, which has since been approved by the court in Naples and ICI is now executing in accordance with this plan. There is still a risk that ICI's financial difficulties could affect Xbrane's ability to manufacture products at the production plant to the extent that Xbrane and its customers expect. If all or part of the production plant were to be unavailable for use or need to be closed down in the future, this may prevent or interrupt the production and distribution of Xbrane's products. Interruptions to production can also damage Xbrane's reputation among existing and potential customers, which can lead to a deterioration in customer relations and lower sales. To the extent that unforeseen production interruptions, damage to property or other events that disrupt the value chain are not fully covered by insurance, this may also have a significant adverse effect on the Company's business, financial position or results.

Sanctions against Iran
In 2018, the US reinstated sanctions against Iran, although pharmaceuticals are excluded from these sanctions. There is a risk, however, that existing sanctions may be extended or that new sanctions may be imposed. This could affect the possibility of importing and exporting pharmaceuticals to and from Iran. There is also a risk that other collaborative partners could choose to terminate or not initiate collaboration with Xbrane in light of the fact that Xbrane has sales in Iran. The reintroduced and possibly extended sanctions against Iran may have a negative impact on the Company's operations, financial position or results.

There is also a risk that Xbrane will not receive payment in relation to sales in Iran. This is because monetary transactions with Iran have become more difficult, despite the exclusion of pharmaceuticals from the sanctions. Monetary transactions are now accepted by most European banks only through authorised local banks in foreign currency exchanged via the Iranian central bank. This may change, however, in the event of changes to sanctions. There is also a risk that the bank institution which Xbrane currently uses will not accept monetary funds within the Group from Iran, forcing Xbrane to change bank institution.

Delay of product launch
Delays in the development programmes can lead to delays in launching product candidates, which in turn can have an adverse impact on their sales potential and the possibility of entering into sales and marketing agreements with potential partners. The development programmes are currently running according to plan and the risk of potential delays is therefore greatest during the next phase, the confirmatory clinical trials.

Sales-related risk
It is difficult to predict the market's acceptance of a new product. Even if market approval is obtained, a partner for sales and marketing is established and a competitive price is set, there is no guarantee of successful sales. Factors which can lead to sales not achieving the objectives set are development of the competitive situation, potential new drugs with superior effect and/or safety profile coming onto the market, or other changes in the treatment strategy for the illnesses against which the drugs are used.

Financing risk
As previously communicated, Xbrane has a capital requirement to cover their part of the ongoing clinical study Xplore with Xlucane. After the financial year 2018 a preferential share issue was conducted . After the preferential share issue there is a continued capital need of SEK 100-125 million. To cover this capital requirement the company are looking to out-licensing the currently non-licensed territory for Xlucane (China) and Spherotide (Europe), as well as an active discussion with institutional investor. At the preferential share issue conducted after the financial year of 2018, parts of the loan from Serendipity was converted into shares. The utilized credit facility amount to SEK 37 million after the conversion and the expiry date for the loan has been extended after the end of the financial year 2018. Repayment is due by June 2020 at the latest. Even if the Company feels comfort that the capital need will be covered, there is the risk that the remaining capital requiremen is not available to the Company at acceptable terms or not available at all.

Key personnel
Xbrane is dependent on a number of key employees, including the senior management and other employees with specialist expertise within the Company's field of business. The Company's future development and success is dependent on its ability to recruit and retain such key employees. Xbrane actively works to ensure it provides competitive remuneration and to offer attractive programmes which create long-term incentives to make a positive contribution to the Company's development. All members of the management team own shares and/or warrants in the Company and 50 percent of the employees participated in the share savings program for 2018.

Credit risk
Xbrane is currently exposed to limited credit risk. The credit risk arises principally through exposure to customers, in other words where the Group does not receive payments as agreed or makes a loss as a result of a counterparty's inability to meet its undertakings in relation to the Company. The principal risk is related to the Company's partner in Iran, which currently accounts for all of the Company's sales. Xbrane is actively working to examine changes which would adjust this partner's ability to pay and to improve the payment terms. See also Note 25 concerning credit risk.

Organisation and employees
Xbrane has its head quarters in Solna, outside Stockholm, Sweden, which is also where the laboratory for the research and development of biosimilars is located. The Company has modern equipment for the small-scale fermentation, purification and characterisation of proteins. In 2015, Xbrane acquired the Italian company Primm Pharma s.r.l., which has its head office in Milan and develops and produces microsphere products. The company had 28 employees on the balance sheet date, 19 of which are located in Sweden and 9 in Italy.

Annual General Meeting
The Annual General Meeting will be held on 16 May 2019. Notification to attend will be announced through a press release as well as in Svenska Dagbladet and on Xbrane's website, www.xbrane.com.

Certified adviser
Xbrane's Certified Adviser at Nasdaq First North is Avanza Bank AB.

Proposed distribution of profits
The Board of Directors proposes that the following profit is available for distribution:

Proposed distribution of Company profit or loss in SEK thousands	
Share premium reserve	184,693
Profit/loss brought forward	-77,623
Profit/loss for the year	-17,065
Total	90,005
Carried forward to new account	90,005

The earnings and position in general of the Group and the Parent Company are shown in the following income statements and balance sheets, as well as cash flow statements and additional information.

Dividend
The Board of Directors proposes that no dividend be paid for the financial year 01/01/2018–31/12/2018. The Board of Directors proposes that the Company's accumulated loss be carried forward.

The Group's future development
Xlucane
The main focus during 2019 will be on conducting the ongoing phase III trial relating to Xlucane. The preparation of market applications for the EMA and FDA will also be important. The aim is to launch the product together with STADA at the beginning of 2022.

Spherotide
The focus is to initiate a pivotal phase III trial in endometriosis patients together with the Company's Chinese partner, CR Pharma, as well as partnering up with an European partner.

The Group works actively to expand its portfolio of pre-clinical biosimilars with development of production processes in pilot scale in the laboratory in Solna, to prove analytical similarity towards the originator drug and then

complete scale up to commercial scale. Thereafter the Company aim to partnering up with commercialisation partners and initiate clinical trials. The Group has today 32 employees and will need grow even more in order to advance several paralleled development programs into phase III.

During the beginning of 2019, a preferential right issue, described on page 29 and in Note 32, was completed. After the completed right issue there is an additional capital need of approximately SEK 100-125 million.
In order to close the financial gap, the Company works actively without-licensing of Xlucane and Spherotide. Ongoing discussions with institutional investors are also a part of the work of raising capital.

The Company has applied for a listing on Nasdaq OMX's main list and is hoping to be able to complete the change of listing venue during 2019. This is primarily as a step towards being able to attract institutional capital.

Guidelines for remuneration of the CEO and other senior executives

Remuneration

Remuneration and terms of employment for senior executives, which refers to those who are part of the Group management as at 31 December 2018, will be determined in accordance with the company's policy for the remuneration of senior executives. According to this policy, the above will be structured in such a way as to secure the company's access to senior executives with the right expertise. The remuneration and benefits for senior executives are prepared by the Remuneration Committee and decided on by the Board of Directors.

The remuneration shall comprise fixed salary, any variable remuneration in the form of a short-term incentive programme, the opportunity to participate in a long-term share savings programme plus other benefits, including eligible pension provision. The remuneration shall be at the market rate, competitive and commensurate with the respective senior executive's level of responsibility and authority. Any variable remuneration must be linked to well-defined objectives and to the fixed salary and must also be limited to a maximum amount equivalent to two months' salary (gross).

Contract of employment

In the event of notice of termination of the employment of CEO Martin Åmark, a mutual notice period of six months shall apply, while the notice period for the rest of the Group management is between one and three months. Paolo Sarmientos, Head of Long-Acting Injectables, is entitled to severance pay in accordance with Italian legislation. The severance pay is not to be equated with a Swedish severance pay, since current provisions are made during the employment for all employees in Italy. The provision is entitled to the employee at the time the employment expires. CEO or other senior executives are not entitled to severance pay.

Share savings program for employees
LTIP 2017

The Company launched a long-term share savings program ("LTIP 2017") during 2017, which is available to all employees in Sweden and Italy and covers the period 2017–2019. The Company has guaranteed the programme by resolving at the Annual General Meeting on 24 May 2018 to issue 19,538 warrants. The maximum dilution for the programme is 0.31 percent of the share capital and votes in the Company.

The cost of the program include the warrants that is estimated to be distributed to the employees and social security expenses for those amounts which are expensed on an ongoing basis during the period 2017–2019. All employees have had the opportunity to participate in the program on the same terms and 57 percent of employees have chosen to participate in the program.

LTIP 2018

At the Annual General Meeting of Xbrane on 24 May 2018, it was decided to approve a long-term share-based incentive program ("LTIP 2018") for all employees in both Sweden and Italy. LTIP 2018 will be implemented during 2018–2020 and is designed as a share savings program, where the participation of the employee requires an investment in Xbrane's shares, referred to as the savings shares, up to a total of 2,200 shares for senior executives and up to a total of 1,500 shares for other employees, before the end of February 2019.

The Company has guaranteed the program by resolving at a Annual General Meeting on 24 May 2018 mandate to issue 172,800 warrants that can be converted to shares by the end of the program. The maximum dilution for the program is 2.66 percent of the share capital and votes in the Company. The cost of the program include the warrants estimated to be distributed to the employees and social security expenses for those amounts, which are expensed on an ongoing basis during the period 2018–2020.

Short-term incentive program

The Company has a short-term incentive program which covers all employees and offers a cash payment of up to two months' salary. The bonus is conditional on achieving certain well-defined group objectives as well as, in some cases, individual objectives. For 2018, 58 percent of the defined group objectives were achieved and the cost of the cash bonus amounted to SEK 873 thousand.

Consolidated statement of profit or loss

Amounts in SEK thousand	Notes	2018	2017
Revenue	2,3	20,485	20,771
Cost of goods sold		-15,907	-15,829
Gross profit		**4,578**	**4,942**
Other income	2,3	99,742	2,515
Selling and distribution expenses	5,7	-933	-1,381
Administrative expenses	5,6,7	-23,347	-11,567
Research and development expenses	5,7,13	-85,827	-37,982
Other expenses	4	-5,629	-1,245
Operating profit		**-11,415**	**-44,718**
Finance income	8	44	0
Finance cost	8	-1,744	-217
Net finance cost		**-1,700**	**-217**
Profit before tax		**-13,115**	**-44,935**
Income tax expense	9	-121	-
Profit for the year		**-13,236**	**-44,935**
Profit attributable to:			
- Owner's of the Company		-13,236	-44,935
- Non-controlling interest		-	-
Profit for the year		**-13,236**	**-44,935**
Earnings per share			
- Basic earnings per share (SEK)	10	-2.13	-8.28
- Diluted earnings per share (SEK)	10	-2.13	-8.28
Number of outstanding shares by the end of the period			
- Before dilution		6,329,239	5,956,770
- After dilution		6,329,239	5,956,770
Average number of outstanding shares			
- Before dilution		6,213,927	5,425,656
- After dilution		6,213,927	5,425,656

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	Notes	2018	2017
Profit for the year		-13,236	-44,935
Other comprehensive income			
Items that have been transferred or can be transferred to profit for the year			
Foreign currency translation differences for the year		3,686	2,218
Other comprehensive income for the year		**3,686**	**2,218**
Comprehensive income for the year		**-9,551**	**-42,716**
Comprehensive income for the year attributable to:			
- Parent Company's owners		-9,551	-42,716
- Non-controlling interest		-	-
Comprehensive income for the year		**-9,551**	**-42,716**

Consolidated statement of financial position

Amounts in SEK thousand	Notes	2018-12-31	2017-12-31
ASSETS			
Goodwill	11	59,838	57,360
Intangible assets	11	5,773	6,297
Property, plant and equipment	12	16,744	18,569
Non-current receivable	15	8,871	635
Non-current assets		**91,226**	**82,860**
Inventories	16	5,525	3,065
Current tax assets		10,427	8,043
Trade and other receivables	17	10,489	8,072
Other receivables		5	-
Prepaid expenses and accrued income	18,13	34,240	1,018
Cash and cash equivalents	19	100,972	7,903
Current assets		**161,659**	**28,100**
TOTAL ASSETS		**252,885**	**110,960**
EQUITY	20		
Share capital		1,419	1,335
Share premium		184,007	179,874
Reserves		5,548	1,862
Retained earnings		-107,903	-94,667
Equity attributable to owners of the company		**83,070**	**88,405**
Non-controlling interest		-	-
Total equity		**83,070**	**88,405**
LIABILITIES			
Non-current interest-bearing liabilities	21	41	1,119
Non-current non-interest-bearing liabilities		4,118	-
Provisions	22	4,275	3,545
Total non-current liabilities		**8,433**	**4,664**
Current interest-bearing liabilities	21	45,561	-
Accounts payables		30,908	10,541
Current tax liabilities		123	-
Other liabilities		820	863
Accrued expenses and prepaid income	24,13	83,970	6,488
Total current liabilities		**161,382**	**17,892**
TOTAL LIABILITIES		**169,816**	**22,555**
TOTAL EQUITY AND LIABILITIES		**252,885**	**110,960**

Consolidated statement of cash flows

Amounts in SEK thousand	Notes	2018	2017
Cash flows from operational activities	31		
Profit for the period before tax		-13,115	-44,935
Adjustment for items not included in cash flow		4,953	3,803
Paid income tax		-	-
		-8,162	**-41,131**
Increase(-)/Decrease (+) in inventories		-2,280	-568
Increase(-)/Decrease (+) in operating receivables		-46,360	-7,441
Increase(-)/Decrease (+) in operating liabilities		103,509	12,292
Cash generated from operating activities		**46,707**	**-36,848**
Cash flow from investing activities			
Acquisition of property, plant and equipment		-1,598	-3,347
Cash flow from investing activities		**-1,598**	**-3,347**
Cash flow from financing activities			
New share issue		2,549	20,004
Transaction expense		-12	-3,019
Warrants issue		701	-
Loans raises		45,000	-
Amortization of loan		-131	-
Amortization of lease liability		-377	-257
Cash flow from financing activities		**47,730**	**16,728**
Cash flow for the period		92,839	-23,468
Cash and cash equivalents at January 1		7,903	31,338
Exchange rate differences in cash and cash equivalents		230	33
Cash and cash equivalents at 31 December		**100,972**	**7,903**

Consolidated statement of changes in equity

Amounts in SEK thousand	Share capital	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2017	**1,066**	**162,924**	**-357**	**-49,733**	**113,901**	**-**	**113,901**
Total comprehensive income for the period							
Profit for the period	-	-	-	-44,935	-44,935	-	-44,935
Other comprehensive income for the period	-	-	2,219	-	2,219	-	2,219
Comprehensive income for the year	**-**	**-**	**2,219**	**-44,935**	**-42,716**	**-**	**-42,716**
Transactions with group shareholders							
Contributions from and distributions to shareholders							
New share issue	151	16,835	-	-	16,985	-	16,985
- Issue of ordinary shares	*151*	*19,853*	-	-	*20,004*	-	*20,004*
- Transaction expenses	-	*-3,019*	-	-	*-3,019*	-	*-3,019*
Share savings program	-	235	-	-	235	-	235
Conversion of debentures	118	-118	-	-	-	-	-
Total contributions from and distributions to shareholders	**269**	**16,951**	**-**	**-**	**17,220**	**-**	**17,220**
Balance at 31 December 2017	**1,335**	**179,874**	**1,862**	**-94,667**	**88,405**	**-**	**88,405**

Amounts in SEK thousand	Share capital	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2018	**1,335**	**179,874**	**1,862**	**-94,667**	**88,405**	**-**	**88,405**
Total comprehensive income for the period							
Profit for the period	-	-	-	-13,236	-13,236	-	-13,236
Other comprehensive income for the period	-	-	3,686	-	3,686	-	3,686
Comprehensive income for the year	**-**	**-**	**3,686**	**-13,236**	**-9,551**	**-**	**-9,551**
Transactions with group shareholders							
Contributions from and distributions to shareholders							
New share issue	9	2,528	-	-	2,537	-	2,537
- Issue of ordinary shares	*9*	*2,540*	-	-	*2,549*	-	*2,549*
- Transaction expenses	-	*-12*	-	-	*-12*	-	*-12*
Conversion of debentures	74	-74	-	-	-	-	-
Warrants issue	-	701	-	-	701	-	701
Share savings program	-	978	-	-	978	-	978
Total contributions from and distributions to shareholders	**84**	**4,132**	**-**	**-**	**4,216**	**-**	**4,216**
Balance at 31 December 2018	**1,419**	**184,007**	**5,548**	**-107,903**	**83,070**	**-**	**83,070**

Income statement for Parent Company

Amounts in SEK thousand	Notes	2018	2017
Revenue	2,3	-	-
Cost of goods sold		-	-
Gross profit		**-**	**-**
Other income	2,3	97,149	838
Administrative expenses	5,6,7	-19,074	-9,841
Research and development expenses	5,7,13	-75,257	-27,326
Other expenses	4	-18,192	-1,169
Operating profit		**-15,375**	**-37,498**
Financial items			
Finance income	8	-	-
Finance expenses	8	-1,690	-56
Net finance costs		**-1,690**	**-56**
Profit before tax		**-17,065**	**-37,553**
Income tax expense	9	-	-
Profit for the period		**-17,065**	**-37,553**

Parent Company statement of comprehensive income

Amounts in SEK thousand	Notes	2018	2017
Profit for the period		-17,065	-37,553
Other comprehensive income for the period		-	-
Comprehensive income for the period		**-17,065**	**-37,553**

Balance sheet for Parent Company

Amounts in SEK thousand	Notes	2018	2017
ASSETS			
Fixed assets			
Property, plant and equipment	12	5,014	6,725
Financial fixed assets			
Shares in group companies	30	100,783	94,092
Other non-current receivables	15	8,871	635
Total financial fixed assets		**109,654**	**94,727**
Total fixed assets		**114,667**	**101,451**
Current assets			
Current receivables			
Trade and other receivables	17	196	-
Receivables from group company	14	-	4,178
Other receivables		1,018	278
Prepaid expenses and accrued income	18,13	33,596	814
Total current receivables		**34,810**	**5,269**
Cash and bank	19	100,380	6,483
Total current assets		**135,190**	**11,752**
TOTAL ASSETS		**249,857**	**113,204**
EQUITY AND LIABILITIES			
Equity	20		
Restricted equity			
Share capital		1,419	1,335
Unrestricted equity			
Share premium		184,693	180,560
Retained earnings		-77,623	-40,070
Profit for the period		-17,065	-37,553
Total equity		**91,424**	**104,273**
Non-current liabilities			
Non-current non-interest-bearing liabilities		4,118	-
Total non-current liabilities		**4,118**	-
Current liabilities			
Current interest-bearing liabilities	21	45,000	
Liabilities to Group companies	23	3,042	
Accounts payables		23,709	3,359
Other liabilities		630	760
Accrued expenses and prepaid income	24,13	81,934	4,812
Total current liabilities		**154,316**	**8,931**
TOTAL LIABILITIES AND EQUITY		**249,857**	**113,204**

Statement of changes in equity for Parent Company

	Restricted equity	Unrestricted equity			
Amounts in SEK thousand	Share capital	Share premium	Retained earnings	Profit for the year	Total equity
Balance at 1 January 2017	**1,066**	**163,610**	**-19,278**	**-20,791**	**124,606**
Profit for the year	-	-	-	-37,553	-37,553
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	**-**	**-**	**-**	**-37,553**	**-37,553**
Contributions and distributions	-	-	-20,791	20,791	-
Issue of ordinary shares	151	16,835	-	-	16,985
- Issue of shares	*151*	*19,853*	-	-	-
- Transaction costs	-	*-3,019*	-	-	-
Conversion of debentures	118	-118	-	-	-
Share savings program	-	235	-	-	235
Balance at 31 December 2017	**1,335**	**180,560**	**-40,070**	**-37,553**	**104,273**

	Restricted equity	Unrestricted equity			
Amounts in SEK thousand	Share capital	Share premium	Retained earnings	Profit for the year	Total equity
Balance at 1 January 2018	**1,335**	**180,560**	**-40,070**	**-37,553**	**104,273**
Profit for the year	-	-	-	-17,065	**-17,065**
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	**-**	**-**	**-**	**-17,065**	**-17,065**
Contributions and distributions	-	-	-37,553	37,553	-
Issue of ordinary shares	9	2,528	-	-	2,537
- Issue of ordinary shares	*9*	*2,540*	-	-	*2,549*
- Transaction expenses	-	*-12*	-	-	*-12*
Conversion of debentures	74	-74	-	-	-
Warrants issue	-	701	-	-	701
Share savings program	-	978	-	-	978
Balance at 31 December 2018	**1,419**	**184,693**	**-77,623**	**-17,065**	**91,424**

Parent Company's cash flow statement

Amounts in SEK thousand	Notes	2018	2017
Cash flows from operating activities	28		
Profit for the period before tax		-17,065	-37,553
Adjustments for items not included in cash flow		6,927	1,685
Paid income tax		-	-
		-10,138	**-35,869**
Increase(-)/Decrease (+) of trade and other receivables		-38,319	-2,716
Increase(-)/Decrease (+) of trade and other payables		99,962	5,312
Cash flow from current operations		**51,505**	**-33,273**
Investing activities			
Investments in subsidiaries		-6,691	-5,756
Acquisition of property, plant and equipment		-110	-1,985
Cash flow from investing activities		**-6,801**	**-7,742**
Financing activities			
New share issue		2,549	20,004
Transaction costs related to share issue		-12	-3,019
Warrants issue		701	-
Loans raised		55,000	-
Amortization of loan		-6,958	-
Cash flow from financing activities		**51,280**	**16,985**
Cash flow for the year		95,984	-24,029
Cash and cash equivalents at beginning of period		6,483	30,512
Exchange rate differences in cash and cash equivalents		-2,087	-
Cash and cash equivalents at end of year		**100,380**	**6,483**

Notes

NOTE 1 Accounting principles

(a) Agreement with standards and legislation

The consolidated accounts of Xbrane Biopharma AB (publ) (hereinafter "Xbrane" or "the Group" have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, Financial Accounting Standards Council recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. Xbrane has applied IFRS since 1 July 2017. The 2015 financial year was the first year in which Xbrane prepared consolidated accounts.

The Parent Company applies the same accounting policies as the Group, except in the cases listed below in the section "The Parent Company's accounting policies".

The annual accounts and consolidated accounts were approved for issue by the Board and Chief Executive Officer on 25 April 2019. The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of financial position and the Parent Company's income statement and balance sheet will be the object of adoption by the Annual General Meeting to be held on 16 May 2019.

(b) Basis of measurement applied in preparing the financial statements

Assets and liabilities are recognized at historical cost, while the financial assets and liabilities are recognized as amortized cost. In the financial year of 2017, the provisions regarding termination benefits for employees in subsidiaries was measured at present value through profit or loss. In 2018 the provisions were not recognized at present value. Liabilities of social costs regarding the share-based remuneration program are measured initially at fair value at the start of the program.

(c) Functional currency and reporting currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise stated, are rounded to the nearest thousand.

(d) Assessments and estimates in the financial statements

Preparing financial statements in accordance with IFRS requires the Board of Directors and the management to make accounting assessments and estimates and make assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates and assessments.

Estimates and assumptions are regularly revised. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Assessments made by the management in application of IFRS which have a significant impact on the financial statements and estimates made which may lead to material adjustments to the financial statements for the subsequent year are described more fully in Note 32.

(e) Material accounting policies applied

The accounting policies indicated below, with the exception of those described more closely, have been applied consistently to all periods presented in the consolidated financial statements. The Group accounting policies have also been consistently applied by the consolidated entities.

(f) Amended accounting policies

(i) Amended accouting policies occasioned by new or amended IFRS standards.

A description is presented below of the changed accounting principles that the Group has implemented from 1 January 2018. Other changes of IFRS standards effective as of 1 January 2018 have not had any material effect on the Group's financial statement.

(ii) IFRS 9 Financial instruments

IFRS 9 replaced the former IAS 39 and gathered all the aspects of accounting for financial instruments, updated classifications, valuations, impairment as well as disclosure of financial instruments. Classification and valuation of the financial instruments should according to IFRS 9 be based on the entities business model as well as the assets contractual cash flows. The standard presented an impairment model based on expected credit losses rather than occurred losses, which demands a more timely accounting of credit losses. The classifications in IAS 39 has been replaced with three categories in which valuation are presented as fair value or as amortized cost. The transition to IFRS 9 Financial instruments as of 1 January 2018 has resulted in changed accounting principles. According to the transitional rules in IFRS 9 p.7.2.15, the comparative figures has not been recalculated and therefore the previous accounting principles of IAS 39 Financial instruments: Accounting and valuation, are still applicable for the comparative figures.The transition did not create any material impact on the Groups accounting, as only accounts receivables was affected by the transition. The effect at accounts receivables was that reservation for credit losses was recognized earlier, according to the new impairment model, which did not had any material impact of on the financial statements of the Group, which is explained by a few customer receivables historically and that the Group is still in a development phase where minor customer receivables are established and thus it does not create a significant effect on the accounts. The Group has not any material liabilities valued at present value through profit and loss and no hedging conditions. To the extent the parent company applies IFRS 9, the transition has not had any material effect on the financial statements.

Classification of financial assets

From 1 January 2018 the Group classify its financial assets according to IFRS 9 with the following categorizes:

- Financial assets presented at fair value through profit and loss,
- Financial assets presented at fair value through other comprehensive income,
- Financial assets presented at accrued acquisition value.

The new categories did not have any material effect on the Group's accounting. The Group has currently only assets recognized to amortized costs. The classification is due to the Group's

business model as well as the contractual terms regarding the assets' cash flows.

In compliance with IAS 39, the valuation category "Loans – and accounts receivable" was applied until 2018. The assets that was categorized in the above category, fulfills the criteria to be classified as "Financial assets accounted for as amortized cost", in accordance with IFRS 9. There is no difference in the valuation between the previous and the new category.

Impairment
The Group presents accruals for expected credit losses for financial assets, valued to amortized cost. The accrual for credit loss is valued to an amount corresponding to the excepted credit losses for the whole period of the receivable.

(iii) IFRS 15 Revenue from contracts with customers
IFRS 15 Revenue from contracts with customers is a comprehensive standard that determines the accounting measures of the character, size and time regarding revenue from contracts with customers. The standard replaces the former IAS 18 Revenue, IAS 11 Entrepreneur contract and IFRIC 13 Customer Loyalty program. Revenue according to IFRS 15 is reported when the customer receives control of the goods or service sold rather than when the significant risks and benefits have been transfered to the customer. IFRS 15 Revenue from contracts with customers has been applied during financial year 2018 and for the comparative year, the IAS 18 Revenue has been applied and the comparative figures has thereby not been recalculated. The aggregated effect of the transition to IFRS 15 amounted to SEK 0 thousand and had no effect on the financial statements, due to the similarity of the new accounting principles compared to the previous.

(g) New IFRS standard not yet applied
Below is the new or changed IFRS and statements regarding the interpretation of IFRS which will be reinforced at the next coming financial year. The changes have been deemed to possibly have an effect on the Group's accounting in the future but has not been subject to early adoption as this financial report was prepared.

IFRS 16 Leasing agreements
IFRS 16 Leasing agreements are replacing the previous IAS 17 Leasing agreements and IFRIC 4 determining Whether an arrangement contains a Lease and related agreements. The standard is mandatory from 1 January 2019. The new standard indicates that all contracts which fulfills the definition of a leasing agreement, except contracts of maximal 12 months duration and with lesser value, as an asset and liability in the financial statements. Leasing agreements that earlier has been classified as operational agreements will thereby be accounted for in the balance sheet with the effect that the current operating costs, leasing cost for the period, will be replaced with amortization and interest expense in the profit and loss. Xbrane is implementing the standard from the financial year starting at 1January 2019, with the simplified transition method. As an operational lessee, the effect relates primarily to office premises and car rental contracts with the effect that total assets, operating profit and financial costs increases as well as the related cash flows moves from the operational activities to financing activities. The opening effect on the Group's balance sheet as of 1 January 2019 is estimated to SEK 3,665 thousand, consisting of one leasing asset as well as a leasing liability, within the balance sheet. The equity has not been affected. Amortization and interest expenses for 2019 is estimated to SEK 1,399 thousand and SEK 83 thousand respectively. Future leasing expenses has been calculated with the weighted average interest rate for the Group's loan, amounting to 2,6 percent and has been valued to the agreements actual maturity.

(h) Classification etc.
Non-current assets essentially consist of amounts expected to be recovered or paid after more than twelve months counting from the balance-sheet date, while current assets essentially consist of amounts expected to be recovered or paid within twelve months counting from the balance-sheet date. Long-term liabilities essentially consist of amounts which the Company at the end of the reporting period has an unconditional right to choose to pay later in time than twelve months after the end of the reporting period. If the Company does not have such a right at the end of the reporting period, or a liability is held for trading or a liability is expected to be settled within the normal business cycle, the amount of the liability is recognised as a current liability.

(i) Business segment reporting
A business segment is a part of the Group which undertakes a business operation from which it can generate income and incur costs and for which independent financial information is available. The profit or loss of an operating segment is further followed up by the company's senior executive decision-makers to evaluate the profit or loss and to be able to allocate resources to the operating segment. See Note 3 for a further description of the classification and presentation of operating segments.

(j) Principles of consolidation and business combinations
(i) Subsidiaries
Subsidiaries are entities over which Xbrane Biopharma AB (publ) has controlling influence. Controlling influence exists if the Parent Company has influence over the object of investment, is exposed to or is entitled to variable return from its investment and can use its influence over the investment to affect the return. In assessing whether a controlling influence exists, account is taken of potential shares carrying entitlement to vote and whether de facto control exists.

Subsidiaries are recognised using the purchase method. This method means that an acquisition of a subsidiary is regarded as a transaction by which the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis establishes the fair value on the day of acquisition of acquired identifiable assets and taken-over liabilities as well as any non-controlling interests. Transaction expenditure, with the exception of transaction expenditure attributable to the issuing of capital instruments or debt instruments which arises is recognised directly in profit or loss for the year.

In business combinations where transferred remuneration, any non-controlling interests and fair value of a previously owned participation (in the case of acquisitions with different milestone payments) exceed the fair value of acquired assets and taken-over liabilities which are recognised separately, the difference is recognised as goodwill. When the difference is negative, 'acquisition at low price', this is recognised directly in profit or loss for the year.

Transferred remuneration in connection with the acquisition does not include payments relating to settlement of previous business relationships. Settlements of this type are usually recognised in profit or loss.

Contingent purchase considerations are valued at fair value at the date of acquisition. In cases where the contingent purchase consideration is classified as an equity instrument, no revalua-

tion is made and settlement is made within equity. For other contingent purchase considerations, these are revalued at fair value at each time of reporting and the change is recognised in profit or loss for the year.

Acquisition of non-controlling interests
The Parent Company has only one subsidiary which is owned with 100 percent of the shares and votes. No subsidiaries with non-controlling interest are therefore recognised.

(ii) Transactions eliminated upon consolidation
Intra-Group receivables and liabilities, income and expenses, as well as unrealised gains or losses arising from intra-Group transactions between Group companies, are eliminated in their entirety when preparing the consolidated accounts.

(iii) Joint operations
Joint operations are cooperation agreements were Xbrane and STADA has the same right to all of the economical benefit related to the operations assets. Further, the adjustment of the liabilities from the joint operation depending on the parties costs from the operation or capital injection, are the same. Joint operations are accounted for according to the "proportionate consolidation", which means that the parties accounts for, in their own financial statement, their part of the assets, liabilities, revenues and costs from the operations.

(k) Foreign currency

(i) Functional current and reporting currency
The Parent Company's reporting currency is SEK and the subsidiary's functional currency is EUR. At consolidation of the Group, the subsidiary functional currency is translated to the Group reporting currency, SEK.

(ii) Transactions in foreign currency
Foreign currency transactions are translated into the functional currency using the exchange rate existing on the transaction date. The functional currency is the currency of the primary economic environment in which the companies operate. Monetary assets and liabilities in foreign currencies are translated into the functional currency using the exchange rate existing on the balance-sheet date. Gains and losses on exchange arising in translation are recognised in net profit for the year. Non-monetary assets and liabilities which are reported at historical cost are translated at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities which are recognised at fair value are translated to the functional currency at the rate prevailing at the time of measurement of fair value.

(iii) Financial statements of foreign operations
Assets and liabilities in foreign operations, including goodwill and other Group surpluses and deficits, are translated from the functional value of the foreign operation euro to the Group's presentation currency, Swedish kronor, at the exchange rate prevailing on the balance-sheet date. Income and expenses in a foreign operation are translated to Swedish kronor at an average rate which represents an approximation of the exchange rates which existed at the time of the transaction concerned. Exchange differences arising in currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component of equity, known as translation reserve.

(l) Income

With the implementation of the new reporting standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers, on 1 January 2018, the Group has new accounting policies for the current year relative to the comparison year. Revenue recognition for 2018 onwards follows the policies below.

(i) Sale of goods
Revenue from the sale of goods is recognised in the profit and loss for the period when control over the goods passes to the purchaser. Revenue is not recognised where it is likely that the economic benefits will not accrue to the Group. There is no revenue recognition where there is significant uncertainty with regard to payment, associated costs or risk of returns and where the seller remains involved in the day-to-day management usually associated with ownership. Revenue is recognised at the fair value of what has been received or is expected to be received, less discounts provided.

(ii) Sale of licences
License revenue refers to Xbrane's patented platform for protein production and license right for sales and marketing of the Group's products. License revenue from sales and marketing derives from entered partnership which gives the partner right to sell and marketing the products. This includes an initial payment which is accounted for in full, when signing the contract, because Xbrane does not have any further commitments regarding the exclusive right for the client to sale and marketing the product. Xbrane are through partnerships entitled to license compensation when the agreed upon targets has been reach. These compensations will be accounted for in full when the agreed upon targets has been reached.

(iii) Income from government subsidies/grants
Government subsidies and grants without any conditions are accounted for as revenue when the claim from the government has been received. Other government subsidies, and grants are accounted for in the report of financial statement as an accrued income until there is no reasonable doubt that the Group will receive the subsides/ grants and that the Group will fulfill the terms connected to the subsides/ grants. These are then accrued systematically over the profit and loss for the year, in the same periods as the cost arises, for which the subsides/ grants are made to compensate for.

(m) Leasing

(i) Operating leases
Expenses paid for operating leases are reported in the income statement on a straight-line basis over the leasing period. Benefits obtained in connection with the signing of a lease are reported in the income statement as a decrease in lease charges on a straight-line basis over the time of the lease. Variable charges are recognised as an expense in the periods in which they arise.

(ii) Financial leases
Minimum leasing charges are divided between interest expense and amortization on the outstanding liability. The interest is divided over the lease period so that an amount corresponding to a fixed interest rate on the liability recognised during each period is attributed to each accounting period. Variable charges are recognised as an expense in the periods in which they arise.

(n) Financial income and expenses

Financial income consists of interest income on invested funds.

Finance cost consist of interest expenses on loans and other interest expenses which comprise penalty interest on trade payables and interest expenses for taxes and charges.

Exchange rate gains and losses on operating receivables are recognised as other operating income and other operating expenses.

(o) Taxes

Income tax consists of current tax and deferred tax. Income tax is reported in the year's result except when the underlying transaction is reported in other comprehensive income or in equity, where the associated tax effect is reported in other comprehensive income or equity.

Current tax is tax to be paid or received for the current year, with the application of the tax rates that are established or established in practice as of the balance sheet date. Adjustments of tax paid attributable to previous periods are also included in current tax.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the reported and taxable values of assets and liabilities. Temporary differences are not considered in Group goodwill, nor for difference arising on initial recognition of assets and liabilities that are not business combinations which at the time of the transaction do not affect either reported or taxable profit. Further, neither are such temporary differences as are attributable to participations in subsidiaries or associated companies that are not expected to be reversed in the foreseeable future taken into account. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice as of the balance sheet date.

Deferred tax assets concerning non-deductible temporary differences and tax-loss carryforwards are only reported to the extent that it is likely that it will be possible for these to be used. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

Any additional income tax arising on payment of dividend is recognised at the same time as when the dividend is recognised as a liability.

(p) Financial instruments

IFRS 9 has been applied for the current financial year while IAS 39 has been applied for the comparative figures of 2017. In case that the two principles are deviating from each other, explanation will be described. The Groups financial assets and liabilities are made of long-term receivables, long-term non-interest receivables, account receivables, other receivables, cash, long-term interest-bearing liabilities, short-term interest-bearing liabilities, accounts payables and short-term liabilities. The Group does not have any derivate instruments.

(i) Initial recognition

Financial assets and liabilities are accounted for when the Company becomes part of the instrument's contractual terms. A receivable is booked when the Group has performed according to the contractual terms and there is a payment obligation towards the counterparty to make a payment, even if the invoice not yet has been sent. Accounts receivable will be accounted for in the balance sheet when the invoice has been sent. A liability will be accounted for when the counterparty has performed according to the contractual terms and there is an obligation to make a payment, even if the invoice not yet has been received. Accounts payable are accounted for when the invoice has been received.

Financial instrument are accounted for at the first time as fair value as well as, for an asset or financial liability which are not accounted for by fair value in the profit and loss, transaction costs which are directly attributable to the acquisition or emission of an financial asset or liability. Transaction cost for financial assets and liabilities which are accounted for as fair value at the profit and loss are expensed in the statement of other comprehensive income. According to IFRS 9, a provision is made for the expected credit losses at the first accounting recognition.

(ii) Financial assets – Classification and measurement in accordance with IFRS 9, which is applied from 1 January 2018 onwards

The group classifies and measures its financial assets in the category of amortised cost.

Financial assets measured at amortised cost

Assets held in order to collect contractual cash flows and where these cash flows comprise solely the principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted in the event of any expected credit losses. Interest income from these financial assets is recognised using the effective interest method and is included in financial income. The Group's financial assets measured at amortised cost comprise non-current accounts receivable, non-current non-interest-bearing receivables, accounts receivable, other receivables and cash and cash equivalents.

Accounts receivable

Accounts receivable are non-derivative financial assets with amounts assignable to customers in relation to goods or services sold in operating activities. They have fixed or determinable payments, are not listed on an active market and generally fall due within 30 days and are therefore classified as current assets. Accounts receivable are recognised at the amount that is expected to be received, i.e. net after credit loss allowances, initially at fair value and subsequently at amortised cost using the effective interest method, as the group holds accounts receivable in order to collect contractual cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and, where applicable, short-term liquid investments maturing within three months of the acquisition date and which can easily be converted to a known amount and are exposed only to an insignificant risk of fluctuations in value.

(iii) Financial assets – Classification and measurement in accordance with IAS 39, which is applied to comparison periods prior to 1 January 2018

The Group classifies and measures its financial assets in the category of loan receivables and accounts receivable.

Loans and accounts receivable

Accounts receivable are financial assets that do not constitute a derivative, that have fixed payments or payments that can be determined and that are not listed on an active market. Accounts receivable are recognised at the amount at which it is expected they will be received, i.e. after a deduction for doubtful receivables.

(iv) Derecognition of financial assets

Financial assets are removed from the balance sheet when the rights in the contract has been materialized, expire or the Group loses the control of the rights. The same principle applies for a part of a financial asset. The difference between the accounted value for the full, or parts of the financial liability that has been repaid or transferred to another party and the compensation that has been paid, including transferred assets which are not cash or liabilities, are accounted for in the profit and loss. When the terms of the financial liability are renegotiated, but not terminated in the balance sheet, then an revenue or a loss are accounted for in the profit and loss. The revenue or the loss are calculated as the difference between the original contract terms of the

cash flow and the modified discounted cash flows to the original effective interest rate.

(v) Financial liabilities – Classification and valuation
Financial liabilities valued at amortized cost (valued at accrued acquisition value)
Other financial liabilities at Group level are valued at fair value at the first accounting date and thereafter at amortized cost using the effective interest method. There are no financial liabilities recognized at fair value at Group level. Other financial liabilities consist of long-term interest-bearing liabilities, short-term interest-bearing liabilities, accounts payables and current liabilities.

Accounts payables
Accounts payables relates to obligations to pay for goods and services that have been acquired in the daily operations of suppliers. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are reported as non-current liabilities. Accounts payable are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Borrowings
Borrowings are initially recognized at fair value, net after transaction costs. Borrowing is subsequently reported at amortized cost and any difference between the amount received and the repayment amount is reported in the profit for the year distributed over the loan period, applying the effective interest method. Borrowings are classified as current liabilities unless The Group has unconditional right to postpone payment of the debt at least 12 months after the end of the reporting period.

(vii) Offsetting financial instruments
Financial assets and liabilities are offset and reported with a net amount in the balance sheet, only when there is a legal right to offset the reported amounts and an intention to settle them with a net amount or to simultaneously realize the asset and settle the debt. The legal right may not be dependent on future events and it must be legally binding on the Company and the counterparty both in the normal business operations and in the case of suspension of payments, insolvency or bankruptcy.

(viii) Impairment of financial assets according to IFRS 9 applied from 1 January 2018
Assets reported at amortized cost.
The Group assesses the future expected credit losses that are linked to assets recognized at amortized cost. The Group reports a credit reserve for such expected loan losses at each reporting date. For accounts receivable, the Group applies the simplified approach for credit provisions, valuing the provision corresponding to the expected loss over the entire life of the accounts receivable. The Group are using the same procedure for long-term accounts receivable, the provision will correspond to the expected loss over the entire life of the accounts receivable. In order to calculate the expected loan losses, accounts receivable have been categorized based on credit risk and overdue days. Expected credit losses are reported at the item selling expenses in the year's profit and loss for the Group. The expected credit loss has been based on historical sales over a 12-month period and future macroeconomic factors are also accounted for.

(ix) Impairment of financial assets according to IAS 39 for the comparative figures before 1 January 2018.
At the ending at every reporting period, the Company evaluates if there is any objective evidence that a financial asset or group of assets are in need for an impairment. Objective evidence are observable circumstances which has occurred and have a negative impact on the possibility to recover the acquisition value. The Company classifies accounts receivable as doubtful receivable when they are overdue with 60 days. The receivables need of impairment is based upon historical knowledge about bad debt at similar receivables. The accounts receivable with a need for impairment is accounted for as the current value of future expected cashflows. Receivables with short term does not get discounted.

(q) Issued convertible loan
Convertible loans could be converted to shares if the counterpart exercise their option to convert the convertible loan to shares. The conversion could only be conducted if the agreed upon targets has been reached within the predetermined timetable. The Groups convertible loans holds no repayment obligation for the Group, it only contains a right for the holder of the instrument to convert to newly issued shares if the targets have been met and within the predetermined timetable. Therefore, the issued capital is accounted for in full within the equity of the Group. The conversion will be carried out to a predetermined rate. If the targets are not achieved within the agreed upon timetable, the conversion right will be lost as well as the associated part of the convertible loan. The amount that will be added if the targets are not achieved will remain within the Groups equity without any new shared issued.

(r) Tangible fixed assets
(i) Owned assets
Property, plant and equipment is reported in the Group at cost less accumulated amortisation and potential write-downs. The acquisition value includes the purchase price and expenses directly attributable to the asset to put it in place and in order to be utilised in accordance with the purpose of the acquisition. Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time in order to complete the intended use or sale are included in the acquisition value. Accounting policies for impairment are described below.

Tangible fixed assets consisting of parts with different useful lives are treated as separate components of property, plant and equipment.

The recognised value of a tangible fixed asset is derecognised in the statement of financial position on disposal or divestment or when no future economic benefits are expected from use or disposal/divestment of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the asset's book value amount less direct selling expenses. Profits and losses are recognised as other income/expense.

(ii) Leased assets
Leasing agreements are classified as either financial or operating leasing. Financial leasing exists when the economic risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, it is classified as an operating leasing.

Assets hired under finance agreements are reported as non-current assets in the statement of financial position and are initially valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the conclusion of the agreement. The obligation to pay future leasing fees is reported as long-term and current liabilities. The leased assets are depreciated over the asset's useful life, while the lease payments are reported as interest and amortisation of the liabilities.

(iii) Additional expenses
Additional expenses are added to the acquisition value only if it is likely that the future economic benefits associated with the asset will be allocated to the Company and the acquisition value can be calculated reliably. All other additional expenses are recognised as an expense in the period they arise.

An additional expense is added to the acquisition value if the expenditure relates to exchanges of identified components or parts thereof. The cost is also added to the acquisition value if new components are added.

Any non-depreciated recognised values of exchanged components, or parts of components, are eliminated and expensed in connection with the exchange. Repairs are expensed on an ongoing basis.

(vi) Principles for depreciation
Depreciation takes place on a straight-line basis over the estimated useful life of the asset.

Leased assets are also written off over the estimated useful life or, if shorter, over the agreed lease term.

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

Estimated useful lives;

- machinery and other technical facilities	5-10 years
- fixtures, tools and installations	3-5 years

(s) Intangible assets

(i) Goodwill
Goodwill is valued at acquisition cost minus any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment at least annually.

(ii) Research and development
Expenses for research aimed at obtaining new scientific or technical knowledge are recognised as costs when they arise.

Development costs, where research results or other knowledge are applied to achieve new or improved products or processes, are recognised as an asset in the statement of financial position if the product or process is technically and commercially useful and the company has sufficient resources to pursue development and then use or sell the intangible asset. The recognised amount includes all directly attributable expenses, for example for materials and services, employee remuneration, registration of a legal right, depreciation of patents and licenses.

Other development expenses are reported in profit or loss as an expense when incurred. In the statement of financial position, reported development costs are stated at cost less accumulated amortisation and any write-downs.

(iii) Additional expenses
Additional expenses for capitalised intangible assets are recognised as an asset in the statement of financial position only as they increase the future economic benefits of the specific asset to which they relate. All other expenses are expensed when they arise.

(vi) Depreciation principles
Depreciation is recognised in profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indeterminate. The useful lives are reassessed at least annually.

Goodwill and other intangible assets with an indefinite useful life or which are not yet ready to be used are tested for impairment annually, and as soon as indications arise that the asset in question has decreased in value. Intangible assets with determinable useful lives are depreciated from the time they are available for use. The estimated useful lives are:

- Capitalised development expenses	5–7 years.

(t) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is calculated using the first-in, first-out method (FIFO) and includes expenses incurred in the acquisition of inventory assets and transportation of these to their current location and condition. For manufactured goods and ongoing work, the acquisition value includes a reasonable proportion of indirect costs based on normal capacity.

Net realizable value is the estimated selling price in current operations, after deduction of estimated costs of completion and to achieve a sale.

(u) Impairments

The Group's reported assets are assessed at each balance-sheet date to determine if there is an indication of impairment.

(i) Impairment of financial assets
Impairment of financial assets is described in accounting principles (p) Financial instruments.

(ii) Impairment of intangible assets
Intangible assets that have an indefinite useful life, such as goodwill or capitalised development costs where depreciation has not yet begun, are tested at least annually for any impairment requirements and when there is an indication of impairment. Assets written off are to be assessed for impairment whenever events or changes in conditions indicate that the carrying amount is not recoverable. An impairment loss is made in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. An impairment loss is recognised immediately in the income statement.

To test the value of intangible fixed assets, the Group uses a probability-adjusted cash flow model. Valuation of ongoing development projects is calculated by estimating net present value of estimated future cash flows and adjusting for probability to take account of the development risk.

(iii) Reversal of impairments
An impairment of assets that falls under the regulations of IAS 36, will be reversed if the impairment need do not exist any further. As well as there has been a change in the assumptions for which the recoverable value was based upon. Though, impairment of goodwill will never be reversed. A reverse is only made to the extent that the assets accounted value after reversal do not exceed the accounted value the assets would had have, with the deduction of amortization if attributable, if no impairment had been carried out. Earlier accounted impairment will be reversed if the recoverable value exceeds the booked value. A reversal could not be made with an amount that would exceed the booked amount if an impairment had not been conducted in previous periods.

(v) Earnings per share

The calculation of earnings per share before dilution are based on the profit or loss for the year at the Group, attributable to the parent company's owners and of the weighted average amount of shares at the year end. When calculating the earnings per share after dilution, adjustment is made to the profit and loss and the weighted average share in regards to effects from potential common stocks. Potential common stocks during the covered period of this report are made of rights to shares (matching and performance shares from the Groups share saving program), convertibles and warrants. Potential common stocks are only viewed as diluted at periods when it results in a lower profit or increased loss per share. If it leads to a lower earnings per share, the dilution are based on the warrants as a calculation of, theoretically, how many shares that could have been bought during the time period with the specific exercise price. Those shares that could not have been bought, will lead to dilution. The matching shares which are hold by the employees on the date of the report is also part of the dilution. The performance shares are also part of the dilution if the terms if the employees has reached the performance targets at the date of the report. In order to calculate the effect from the dilution, a exercise price is used, which corresponds to the value of the future services as per outstanding share rights, calculated as a remaining cost to be accounted for according to IFRS 2. A potential dilution from the convertible loans are calculated by increasing the number of shares with the total amount of share that the convertible loan corresponds to. Due to the Groups convertible loan in full are made of equity, there is not any interest in the profit and loss that could be returned to the numerator.

(w) Employee benefits

(i) Short-term benefits

Short-term employee benefits are calculated without discount and are reported as costs when the related services are obtained. A provision is reported for the expected cost of bonus payments when the Group has a current legal or informal obligation to make such payments as a result of receiving services from employees and the obligation can be calculated reliably.

(ii) Share-based payments

Share Savings Program

A share savings program enables employees to acquire shares in the Company, known as savings shares, and for each invested savings share the employee has the opportunity to acquire one matching share and potentially up to three performance shares at quote value when the programme ends. The fair value of matching and performance shares is recognised as a personnel expense with a corresponding increase in equity. The fair value is calculated at the date of allocation and is distributed over the vesting period. The fair value of the matching and performance shares is calculated using a method that takes into account earnings conditions (fulfilment of predetermined targets) and terms of service (the participants are still employees of the Company). The cost recognised corresponds to the fair value of an estimate of the number of matching and performance shares that are expected to be earned, taking into account the aspects mentioned above. Social security charges attributable to equity-related instruments to employees as compensation for purchased services are expensed over the periods during which the services are performed. The provision for social security contributions is based on the fair value of matching and performance shares at the reporting date.

Warrants program

Regarding the warrants that has been directed towards board members and Group management, the warrants have been aquired by the participants themselves and there has been no cost for the Group. See note 5 for more information about the different share-based programs.

(x) Provisions

A provision differs from other liabilities because of the uncertainty about the payment date or amount to adjust. A provision is reported in the statement of financial position when there is an existing legal or informal obligation as a result of an event occurring and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made at the amount that is a best estimate of what is required to settle the existing obligation on the balance sheet date. Where the effect of current payment is significant, provisions are calculated by discounting the expected future cash flow to an interest rate before tax reflecting current market assessments of the money's time value and, if applicable, the risks associated with the debt.

Non-recurring compensation for employees on termination of employment

The provisions accounted for in the subsidiary, Primm Pharma s.r.l concerns one-time compensations to all employees upon future termination of employment. The provisions that was made during 2017 was discounted to present value, according to IFRS. For 2018, there has not been any discounting to present value, regarding the one-time compensations.

Parent Company's accounting policies

The Parent Company has prepared its annual report according to the Annual Accounts Act (1995: 1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board also apply. RFR 2 means that the parent company in the annual report of the legal entity applies all IFRS and statements adopted by the EU, as far as possible within the framework of the Annual Accounts Act, the Insurance Act and the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to IFRS are to be made.

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

The differences between the Group and the Parent Company's accounting policies are shown below.

The following accounting policies for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial reports.

Changed accounting policies

Unless otherwise specified below, the Parent Company's accounting policies changed in 2018 as stated above for the Group. The same policies apply to the Parent Company as for the Group regarding the disclosure of Changed Accounting Policies (IAS 8.28-31); see above under the Group's changed accounting policies.

However, note that this section of the Parent Company report lists only differences for the Group, which means that the changes listed here are only those that concern the Parent Company.

Classification and presenting format
The Parent Company uses the terms balance sheet and cash flow analysis for the reports that in the Group have the titles financial statement and statement of cash flow. Income statement and balance sheet are prepared for the Parent Company in accordance with the Annual Accounts Act, while the statement of income and other comprehensive income and the statement of changes in equity are based on IAS 1 Presentation of Financial Statements. The differences between the Group's reports that are relevant in the Parent Company's income statement and balance sheet are accounted for by investments in subsidiaries as non-current assets.

Subsidiaries
Shares in subsidiaries are recognised in the Parent Company in accordance with the acquisition value method.

This means that transaction costs are included in the recognised amount of holdings in subsidiaries.

In the consolidated accounts, transaction costs attributable to subsidiaries are reported directly in the income statement when these arise.

NOTE 2 Distribution of income

Income per significant category	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Revenue				
Sales of goods[1]	*20,485*	*20,771*	-	-
	20,485	**20,771**	**-**	**-**
Other income				
Sales from licensing revenues and royalties[2]	*92,468*	*774*	*92,468*	*774*
Government grants	*2,463*	*1,673*	-	-
Exchange rate gains	*4,686*	*64*	*4,681*	*64*
Other	*126*	*3*	-	-
Total	**99,742**	**2,515**	**97,149**	**838**
Total income	**120,227**	**23,285**	**97,149**	**838**

1) The net sales are in full revenue from contract with customers.
2) License revenue of SEK 2,067 thousands from the protein production platform, which refers to a specific period, are accrued over the contract period. License revenue of SEK 90,401 thousand from the fulfilment of milestones are recognized as revenue when the milestone has been achieved

The Groups revenues from biosimilars are from one counterparty with their seat in Europe.The Groups revenue from long term injectables derives from a client in the middle east as well as another client in Asia.

Amounts in SEK thousand	**Full year 2018**			
Income per region	Biosimilars	Long-acting injectibles	Administration and unallocated earnngs	**Group**
Middle East	-	20,485	-	**20,485**
Asia	-	13,076	-	**13,076**
Europe	77,860	2,463	5,918	**86,241**
US	-	-	425	**425**
Total	**77,860**	**36,023**	**6,344**	**120,227**
Income per category				
Pharmaceuticals	-	20,485	-	**20,485**
Milstone payments from partners	77,325	13,076	-	**90,401**
Services and other	535	2,463	6,344	**9,341**
Total	**77,860**	**36,023**	**6,344**	**120,227**

Amounts in SEK thousand	**Full year 2017**			
Income per region	Biosimilars	Long-acting injectibles	Administration and unallocated earnings	**Group**
Middle East	-	20,771	-	**20,771**
Asia	-	-	-	**-**
Europe	-	1,676	369	**2,046**
US	-	-	469	**469**
Total	**-**	**22,447**	**838**	**23,285**
Income per category				
Pharmaceuticals	-	20,771	-	**20,771**
Milstone payments from partners	-	-	-	**-**
Services and other	-	1,676	838	**2,515**
Total	**-**	**22,447**	**838**	**23,285**

NOTE 3 Operating segment

An operating segment is a part of a group which conducts operations, from which it can generate revenues and incur expenses, and for which separate financial information is available. An operating segment's results are reviewed by the company's chief operating decision makers, who make decisions on the allocation of resources to the segment and assess its long- and short-term financial results. The operating segment reports in a way that corresponds with the internal reporting that is submitted to the operation's chief decision makers. CEO who are responsible for allocating resources and evaluating the operating segment's results, are the chief operating decision makers who make strategic decisions.

The division into operating segments is based on the different pharmaceutical products that Xbrane develops and sells. The following operating segments have been identified:

- "Biosimilars"
- "Long-acting Injectibles".

The segment "Biosimliar" include the operations of Xlucane as well as the pre-clinical biosimilars portfolio. The second segment "Long term injectables" includes the operations of Spherotide and the last segment "Administration and other unallocated result" includes the remaining parts of the business and thereby for the most administration related posts.

In addition there are certain revenues and expenses which are classified as "unallocated" or of "administrative character" and comprise the Parent Company's non-core business"Out-licensing of protein expression system" as well as overheads for the Group which concern group-wide administration, board of directors, costs associated with stock-exchange listing, investor relations etc.

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Income per segment				
Biosimilars	77,860	-	77,860	-
Long-acting injectables	36,023	22,447	13,375	-
Unallocated revenues	6,344	838	5,914	838
Total income	**120,227**	**23,285**	**97,149**	**838**
Result per segment				
Biosimilars	3,497	-27,326	3,497	-27,326
Long-acting injectables	-27,462	-5,419	-	-
Administration and unallocated earnings	12,550	-11,973	-18,871	-10,172
Operating profit	**-11,415**	**-44,718**	**-15,375**	**-37,498**
Finance income				
Biosimilars	-	-	-	-
Long-acting injectables	-	-	-	-
Administration and unallocated earnings	44	-	-	-
Total financial income	**44**	**-**	**-**	**-**
Finance expenses				
Biosimilars				
Long-acting injectables	-	-69	-	-
Administration and unallocated earnings	-1,744	-147	-1,690	-56
Total Financial cost	**-1,744**	**-217**	**-1,690**	**-56**
Net financial items	**-1,700**	**-217**	**-1,690**	**-56**
Profit before tax	**-13,115**	**-44,935**	**-17,065**	**-37,553**

NOTE 3 Operating segment, cont.

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Investments[1]				
Biosimilars	110	2,892	110	2,892
Long-acting injectables	1,488	1,257	-	
Total	**3,616**	**6,166**	**2,128**	**4,909**
Depreciation				
Biosimilars	1,788	1,362	1,788	1,362
Long-acting injectibles	3,482	1,333	-	-
Services and other	66	35	32	10
Total	**5,336**	**2,730**	**1,821**	**1,372**

1) Includes both immaterial and material assets

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Fixed assets[1]	22,517	24,865	5,014	6,725
Total	**22,517**	**24,865**	**5,014**	**6,725**

1) Includes both immaterial and material assets

NOTE 4 Other expenses

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Re-invoiced out-licening fee to subsidiary	-	-	-13,375	-
Exchange losses on trade receivables and payables	-4,284	1,169	-4,275	1,169
Impairment of receivables	-879	-	-542	-
Other	-466	76	-	-
Total other expenses	**-5,629**	**1,245**	**-18,192**	**1,169**

NOTE 5 Employees, salaries and senior executive's remuneration

Expenses for employee remuneration

Group

Amounts in SEK thousands	**2018**	**2017**
Salaries and payments etc.	17,188	11,735
Payments on termination of employment[1]	454	149
Social security expenses	3,948	2,664
Other personnel expenses	686	1 018
Total	**22,276**	**15,566**

1) Statutory norn-recuring payment to employees in Italy which is paid when employment is terminated.

Average number of employees	**2018**	**of which men**	**2017**	**of which men**
Parent Company	14	52%	14	57%
Subsidiaries	9	33%	4	75%
Group total	**23**	**43%**	**18**	**61%**

NOTE 5 Employees, salaries and senior executive's remuneration, cont.

Gender distribution	2018 Proportion of women	2017 Proportion of women
Parent Company		
Board	14%	17%
Other senior executives	40%	40%
Group		
Board	14%	17%
Other senior executives	33%	29%

Salaries and other payments distributed between senior executives and other employees, as well as social security expenses

Parent Company	2018			2017		
Amounts in SEK thousands	Senior executives (5 persons)	Other employees	Total	Senior executives (5 persons)	Other employees	Total
Salaries and other payments[1]	5,804	4,991	10,795	4,559	4,798	9,357
- Of which bonus payments and similar.	*556*	*318*	*873*	*456*	*538*	*995*
- Of which pension expenses	*428*	*281*	*709*	*93*	*164*	*258*
Social security expenses [1]	1,255	1,324	2,579	996	1,169	2,164

1) Excluding director's fees paid as salary of 800 TSEK (-) and social contribution costs of 253 TSEK(-).

Group	2018	2017
Amounts in SEK thousands	Senior executives (7 persons)	Senior executives (7 persons)
Salaries and other payments	8,987	5,320
- Of which bonus payments and similar	*651*	*559*
- Of which pension expenses	432	*100*

Salaries and other remuneration to senior executives, Group, 2018

Amounts in SEK thousands	Basic salary, directors' fees	Variable re-muneration	Pension expenses	Share-related remuneration	Payments on termination of employment**	Total
Chairman of the Board of Directors (fr o m 3 apr) Anders Anders Tullgren	175	-	-	-	-	175
Chairman of the Board of Directors (t o m 3 apr) Saeid Esmaeilzadeh	125	-	-	-	-	125
Board member Maris Hartmanis	137	-	-	-	-	137
Board member Peter Edman	137	-	-	-	-	137
Board member Karin Wingstrand	137	-	-	-	-	137
Board member Giorgio Chivirí	137	-	-	-	-	137
Board member Alessandro Sidoli	137	-	-	-	-	137
CEO Martin Åmark	1,074	124	133	71	-	1,402
Deputy CEO Siavash Bashiri	978	120	116	115	-	1,329
Other senior executives (5)	4,162	383	183	317	-	5,045
Total	**7,197**	**627**	**432**	**502**	**-**	**8,759**

NOTE 5 Employees, salaries and senior executive's remuneration, cont.

Salaries and other remuneration to senior executives, Group, 2017

Amounts in SEK thousands	Basic salary, directors' fees[1]	Variable remunera-tion	Pension expenses	Share-related remunera-tion	Payments on termination of employ-ment[2]	Total
Chairman of the Board of Directors Saeid Esmaeilzadeh	100	-	-	-	-	100
Board member Maris Hartmanis	163	-	-	-	-	163
Board member Peter Edman	163	-	-	-	-	163
Board member Karin Wingstrand	163	-	-	-	-	163
Board member Giorgio Chiviri	163	-	-	-	-	163
Board member Alessandro Sidoli	163	-	-	-	-	163
CEO Martin Åmark	919	93	-	-	-	1,012
Deputy CEO Siavash Bashiri	953	93	-	-	-	1,046
Other senior executives (3)	3,268	288	100	188	103	3,947
Total	**6,055**	**474**	**100**	**188**	**103**	**6,919**

1) In accordance with the principle that the company should be result-neutral in payment of director's fees, regardless of whether they are paid as salary or invoiced as a fee, board members who have selected to invoice via companies have the option of invoicing the difference for these amounts as a supplement to the fee. The amounts relate to adjustment for this for 2016 and 2017 and amounts to SEK 63 thousand. For 2018 the amount is SEK 12 thousand per board member. The amount above is including social cost

2) Provision relates to statutory one-off payment to personnel in Italy which is paid when employment is terminated.

Remuneration of senior executives and conditions for termination and severance pay

The Annual General Meeting in May 2018 decided on the following guidelines for determining remuneration and other terms of employment for senior executives. Remuneration to senior executives shall consist of fixed salary, variable remuneration, the possibility of pension provision and other customary benefits, as well as the opportunity to participate in long-term incentive programs. The fixed salary must be market-based and revised annually. The variable remuneration for senior executives in the parent company is maximized to 50 per cent of the basic salary. The Board of Directors shall have the right to deviate from the above guidelines if the Board of Directors considers that in a particular case there are special reasons that justify it. During 2018, no deviation from the principles adopted by the Annual General Meeting regarding variable remuneration to senior executives in the Group took place. Senior executives are covered by defined contribution pension plans, in accordance with the ITP1 plan. The defined contribution pension plans may not exceed 30 per cent of the fixed annual salary, which is not the case in 2018. For employees of the Italian subsidiary, the defined contribution pension plans are not covered, but have a provision made annually until termination of employment, in accordance with Italian legislation.

According to the employment contract, the CEO of the parent company has a mutual notice period of 6 months. If the employment is terminated by the company, the CEO is entitled to compensation during the period of notice. Other senior executives employed by the parent company have mutual notice periods of 1-3 months. For employees of the Italian subsidiary there is no termination period.

Loans to senior executives

There are no loans to senior executives within the Xbrane Group.

Share-based remuneration

At the Extraordinary General Meeting on April 3, 2018, the following warrant program was decided:

Warrants Series Series I 2018/2021

The elected chairman Anders Tullgren was offered to subscribe for up to a maximum of 49,285 warrants. All warrants were subscribed by Anders Tullgren at a price corresponding to the market value of the options calculated in accordance with the Black & Scholes valuation model. At the time of allocation, the valuation was SEK 5.91 / option. When calculating the warrants market value, the following factors has been used; share price of 60,8672 SEK/share; exercise price 91 SEK/ share, Volatility 33,52 percent, expected dividend of 0 SEK/ share, risk free interest of -0,44 percent as well as a duration of 3 years. Each warrant entitles the holder to subscribe for one new share during the period from April 1, 2021 to May 31, 2021. In the event that all outstanding warrants are exercised, the number of shares in the Company will increase by 49,285 shares and the share capital by approximately 11,049. 00 SEK. If all outstanding warrants in the warrants program series In 2018/2021 are used, it will result in a dilution of approximately 0.77 per cent of the share capital and votes in the Company.

Warrants Series II 2018/2021

Issue of a maximum of 15,000 warrants to the five Board members who were registered in Xbrane at the time of the AGM (excluding Saeid Esmaeilzadeh), which gave the Board members the right to subscribe for a maximum of 3,000 warrants each. A total of 13,500 warrants were subscribed by the subscribers at a price corresponding to the market value of the options calculated in accordance with the Black & Scholes valuation model. At the time of allocation, the valuation was SEK 5,8797 / option. When calculating the warrants market value, the following factors has been used; share price of 60,8672 SEK/share; exercise

price 91 SEK/ share, Volatility 33,52 percent, expected dividend of 0 SEK/ share, risk free interest of -0,44 percent as well as a duration of 3 years. Each warrant entitles the holder to subscribe for one new share during the period from April 1, 2021 to May 31, 2021. In the event that all outstanding warrants are exercised, the number of shares in the Company will increase by 13,500 shares and the share capital by approximately SEK 3,026.70. If all outstanding warrants in the warrants program series II 2018/2021 are used, it will result in a dilution of approximately 0.21 per cent of the share capital and votes in the Company.

Warranty Series III 2018/2022
Issue of a maximum of 96,000 warrants to Group Management consisting of up to four positions to subscribe between 6,000 and 24,000 warrants, whereby the President was offered to subscribe for a maximum of 24,000 warrants and the other a maximum of 24,000 warrants, totaling a maximum of 96,000 warrants. A total of 79,000 warrants were subscribed for by the subscribers at a price corresponding to the market value of the options calculated in accordance with the Black & Scholes valuation model. At the time of allocation, the valuation was SEK 4.18 / option. When calculating the warrants market value, the following factors has been used; share price of 60,8672 SEK/ share; exercise price 121,73 SEK/ share, Volatility 33,52 percent, expected dividend of 0 SEK/ share, risk free interest of -0,44 percent as well as a duration of 3 years. Each warrant entitles the holder to subscribe for one new share during the period from April 1, 2022 to May 31, 2022. In the event that all outstanding warrants are exercised, the number of shares in the Company will increase by 79,000 shares and the share capital by SEK 17,711.8 If all outstanding warrants in the warrants program 2018/2022 are used, it will result in a dilution of approximately 1.23 per cent of the share capital and votes in the Company. As of December 31, 2018, 141,785 warrants had been allocated and acquired on market terms.

Incentive program
As of December 31, 2018, the company has two ongoing long-term incentive programs.

2017
For the LTIP (Long-term incentive program) 2017, the Company has secured a mandate to issue shares in regard to the program at the Annual General Meeting on May 24, 2018. A decision was also taken to issue 19,538 warrants to be converted into shares at the end of the program. The market value of the warrants at December 31, 2018 amounted to SEK 897 thousand. The program will last during 2017–2019 and is designed as a share savings program in which the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, to a value of up to SEK 150,000 before the end of February 2018. For each savings share (1) the employee has acquired, the employee may acquire one (1) so-called matching share and up to one (1) so-called performance share to quota value. The outcome of the performance shares is based on the fulfillment of the goals related to the development, implementation and results of clinical studies, market approval, out-licensing and sales of the products Spherotide and Xlucane. Entitling of shares is furthermore conditional on the participant being employed by the Group and that all of its investment shares are allocated to the program during the vesting period. The maximum dilution for the program amounts to 0.31 per cent of the share capital and votes in the Company. Costs for the program include the value of the shares and expected social security contributions. Provisions are made on an ongoing basis during the period 2017–2019. All employees have had the opportunity to participate in the program on the same terms.

2018
LTIP (Long-term incentive program) 2018 last during the period 2018-2020. The company has secured a mandate to issue shares for the program at the Annual General Meeting on May 24, 2018. A decision was also taken to issue 19,538 warrants to be converted into shares at the end of the program. The market value of the warrants relating to the program amounted to SEK 2,101 thousand at December 31, 2018. The program is designed as a share savings program in which the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a total of 2,200 shares for senior executives and up to a total of 1,500 shares for other employees, before the end of February 2019. For each savings share (1) the employee has acquired, the employee may acquire one (1) so-called matching share and up to three (3) so-called performance shares for quota value. The outcome of performance shares is based on the fulfillment of the goals set by LTIP 2018 which are related to total return on shares, fulfillment of certain milestones for the Company, and fulfillment of certain milestones for the Subsidiary.

Entitling of shares is furthermore conditional on the participant being employed by the Group and that all of its investment shares are allocated to the program during the vesting period. The maximum dilution for the program amounts to 2.66 percent of the share capital. Costs for the program include the value of the shares and expected social security contributions. Provisions are made on an ongoing basis during the period 2017–2019. All employees have had the opportunity to participate in the program on the same terms.

Personnel expenses for share-related remuneration

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Expenses attributable to share savings program	1,190	313	1,190	313
Expenses attributable to equity-regulated bonus program	-	120	-	120
Total	**1,190**	**432**	**1,190**	**432**

NOTE 6 Fees and reimbursement of expenses to auditors

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
KPMG AB				
Audit assignment	650	375	650	375
Audit work in addition to the audit assignment	329	656	329	656
Tax advice	78	-	78	-
Other services	608	-	608	-
Other auditors				
KPMG s.r.l.				
Audit assignment	181	107	-	-
Audit work in addition to the audit assignment	-	324	-	324
Total	**1,846**	**1,462**	**1,665**	**1,355**

NOTE 7 Operating costs by category

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Raw materials and consumables	1,527	611	-	-
Change in inventory of finished goods and products in progress	-39	-39	-	-
Other external expenses	84,972	32,606	90,126	23,301
Personnel expenses	22,277	15,566	16,301	12,493
Depreciation	2,715	2,261	1,821	1,372
Exchange rate losses	4,284	1,169	4,275	1,169
Total	**115,736**	**52,174**	**112,523**	**38,336**

NOTE 8 Net financial items

Group	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Interest income	44	0	-	-
Financial income	**44**	**0**	**-**	**-**
Interest charges for leasing	-45	-69	-	-
Interest charges for long-term liabilities	-1	-60	-	-45
Interest charges for current liabilities	-1,699	-	-1,690	-11
Other financial expenses	0	-87	-	-
Financial expenses	**-1,744**	**-217**	**-1,690**	**-56**
Net financial income/expense	**-1,700**	**-217**	**-1,690**	**-56**

Interest income and costs deriving from financial assets and liabilities are valued to amortized cost.

NOTE 9 Taxes

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Current tax expense (-)[/Tax revenue (+)]				
Tax expense [/tax revenue] for the year	-121	-	-	-
Deferred tax expense (-)[/Tax revenue (+)]	-	-	-	-
Total tax expense reported in the Group	**-121**	**-**	**-**	**-**

Reconciliation of effective tax

Group

Amounts in SEK thousands	**2018**	**2017**
Profit before tax	-13,115	-44,935
Tax at the current rate for the Parent Company	2,885	9,886
Effect of other tax rates for foreign subsidiaries	-715	-
Non-deductible expenses	-386	557
Non-taxable income	280	-
Increase in loss carry-forward without equivalent activation of deferred tax	-1,506	-10,442
Tax attributable to prior years	-679	-
Reported effective tax	**-121**	**-**

Parent Company

Amounts in SEK thousands	**2018**	**2017**
Profit/loss before tax	-17,065	-37,553
Tax at the current rate for the Parent Company	3,754	8,262
Non-deductible expenses	-131	214
Non-taxable income	-	-
Increase in loss carry-forward without equivalent activation of deferred tax	-3,386	-8,467
Tax attributable to prior years	-261	-
Reported effective tax	**-**	**-**

As of 31/12/2018, accumulated loss carry-forward for the Parent Company amounted to SEK 93 386 thousand.
As of 31/12/2018, accumulated loss carry-forward for the Subsidiary amounted to SEK 16 233 thousand.

No tax has been charged to other comprehensive income.
None of the above accumulated loss has any time limitation regarding of use.

NOTE 10 Earnings per share

Earnings per share	Before dilution		After dilution	
Amounts in SEK thousands	2018	2017	2018	2017
Earnings per share	-2.13	-8.28	-2.13	-8.28

The amounts used in numerators and denominators are presented below.

Earnings per share before dilution (SEK)

Earnings for the year attributable to the Parent Company's ordinary shareholders, before and after dilution

Amounts in SEK thousands	2018	2017
Earnings for the year attributable to the Parent Company's shareholders	-13,236	-44,935
Earnings for the year attributable to the Parent Company's ordinary shareholders, before dilution	-13,236	-44,935

Weighted average number of shares amounted to 6 213 927 (5 425 656), which has been affected by new share issues in april current year as well as conversion of convertible loan. The number of outstanding shares at the end of the year was 6 329 239 (5 956 770).

Weighted average number of ordinary shares, before and after dilution	2018	2017
Weighted average number of ordinary shares during the year, before dilution	6,213,927	5,425,656
Weighted average number of ordinary shares during the year, after dilution	6,213,927	5,425,656

Instruments which can produce future dilution effect and changes after the balance sheet date
At the closing day, the entity had outstanding convertible loans, which would at a potential conversion correspond to 132,233 shares. The warrants from the share program for the employees, if fully issued, would lead to 192,338 new shares. The dilution effect would depend on the difference between the exercise price and the market share price at the exercise date.

NOTE 11 Intangible assets

Group

Amounts in SEK thousands	Internally developed Intangible assets Development expenses	Acquired Intangible assets Goodwill	Total
Accumulated historical cost			
Opening balance 1 January 2017	**7,502**	**55,713**	**63,215**
Exchange differences for the year	131	1,647	1,778
Closing balance 31 December 2017	**7,634**	**57,360**	**64,993**
Opening balance 1 January 2018	**7,634**	**57,360**	**64,993**
Exchange differences for the year	330	2,478	2,808
Closing balance 31 December 2018	**7,964**	**59,838**	**67,801**
Accumulated depreciation and impairment			
Opening balance 1 January 2017	**-557**	**-**	**-557**
Depreciation for the year	-752	-	-752
Exchange rate differences	-27	-	-27
Closing balance 31 December 2017	**-1,337**	**-**	**-1,337**
Opening balance 1 January 2018	**-1,337**	**-**	**-1,337**
Depreciation for the year	-780	-	-780
Exchange rate differences	-74	-	-74
Closing balance 31 December 2018	**-2,191**	**-**	**-2,191**
Reported values			
As of 01/01/2017	6,945	55,713	62,658
As of 31/12/2017	6,297	57,360	63,656
As of 01/01/2018	6,297	57,360	63,656
As of 31/12/2018	5,773	59,838	65,610

NOTE 11 Intangible assets cont.

Impairment tests for cash generated units containing goodwill
Goodwill consists in its entirety of the subsidiary Primm Pharma s.r.l.

Group	Carrying amount	Carrying amount
Amounts in SEK thousands	**2018-12-31**	**2017-12-31**
Primm Pharma s.r.l.	59,838	57,360
Total Goodwill	**59,838**	**57,360**

Primm Pharma s.r.l.
No impairments of intangible assets had been made as of the balance sheet date of 31 December 2018.

The impairment test for Primm Pharma s.r.l. was based on estimation of value in use. This value derives from cash flow estimates based on the business forecast up to 2035 which was ratified by the management. The reason that a longer forecast period than five years has been selected is that the principal product candidate that Primm develops is not expected to be launched on the European and Chinese market until 2021 and is subsequently estimated to take up to about eight years before peak sales are achieved. In the light of this, a longer forecast period of 17 years better serves the purpose. The cash flows are estimated according to what the projected global market is like for the originator drug and how great a degree of penetration the company can achieve with its generics of the originator drug. The estimated cash flows have been estimated at present value with a discount rate of 27% before tax. The assumptions that are important in the eighteen year business forecast are described in the table below.

Important variables	Method for estimating values
Market share and growth	The market is estimated on the basis of current sales of the originator drug based on external sales data and growth is expected to be in line with inflation. When the company's product or another generic is launched, they are expected to take market shares from the estimated market for the originator drug. How large a share of the market the company's generics achieve is calculated on the basis of estimated degree of penetration. The degree of penetration is expected to be in line or somewhat higher than the average generic penetration in the respective country.
Sales price	The sales price that the company receives is estimated on the basis of the discount in relation to the originator drug that the product is expected to be sold for in the market, as well as after sharing the revenue with distribution and marketing partners.
Production cost	Production cost is based on the management's estimates of future costs based on current production cost per dose produced as well as which scale benefits can be achieved when production increases.
Fixed costs	Fixed costs for Primm Pharma's operation comprise personnel expenses, premises and administrative expenses and are based on the management's estimated costs for the next 4 years and thereafter based on an annual incremental increase of about 5%.
Out-licensing	Out-licensing takes place to partners which account for sales and marketing of the product in different geographic markets. Milestone payments from some of the partnerships can generate revenues and also pay for parts of the development expenses and clinical studies.
Discount interest rate	The discount rate is calculated through a number of assumptions about capital structure, the market's risk premium, beta value, risk-free interest, small company premium, liquidity premium, company-specific risk, cost of capital and effective tax rate.

The recoverable amoun for Primm Pharma exceeds the reported value. The values that are used in the value in use calculations and the changed values that lead to the recoverable amount being the same as the reported value are as follows:

Variable	Assumed value	Changed value
Market share	20-80% degree of penetration	14% degree of penetration
Sales price	27-70% of the originator drug	22% of the originator drug
Cost of goods sold	1-month product[1] 3-months product[1]	Increases by 45% Increases by 94%
Discount interest rate	21% after tax	31% after tax

1) The product comes in two different types and has different impact on the production cost.

NOTE 12 Tangible assets

Group

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Total
Accumulated historical cost			
Opening balance 1 January 2017	**12,195**	**8,180**	**20,375**
Other acquisitions	2,593	1,556	4,149
Reclassification of assets	6,219	-6,219	-
Disposals	-	-637	-637
Exchange rate differences	309	22	331
Closing balance 31 December 2017	**21,316**	**2,902**	**24,218**
Opening balance 1 January 2018	**21,316**	**2,902**	**24,218**
Adjustments from previous year	296	-	296
Adjustments of opening balance	**21,613**	**2,902**	**24,515**
Other acquisitions	1,443	155	1,598
Exchange rate differences	649	35	684
Closing balance 31 December 2018	**23,705**	**3,092**	**26,796**
Accumulated depreciation and impairment			
Opening balance 1 January 2017	**-1,046**	**-1,455**	**-2,501**
Depreciation for the year	-2,837	-252	-3,089
Disposals	-	79	79
Exchange rate differences	-54	-6	-60
Closing balance 31 December 2017	**-3,936**	**-1,634**	**-5,650**
Opening balance 1 January 2018	**-3,936**	**-1,634**	**-5,650**
Adjustments from previous year	-1,171	1,175	5
Adjustments of opening balance	**-5,107**	**-459**	**-5,645**
Depreciation for the year	-3,629	-600	-4,229
Exchange rate differences	-164	-94	-258
Closing balance 31 December 2018	**-8,899**	**-1,153**	**-10,131**

Reported values

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Total
As of 01/01/2017	11,150	6,725	17,875
As of 31/12/2017	17,380	1,268	18,569
As of 01/01/2018	17,380	1,268	18,569
As of 31/12/2018	14,805	1,939	16,744

Reported value for financially leased assets amounts to SEK 1,462 thousand (2,309).

NOTE 12 Tangible assets, cont.

Parent Company

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Total
Accumulated historical cost			
Opening balance 1 January 2017	**-**	**7,437**	**7,437**
Other acquisitions	1,081	1,811	2,892
Reclassification of assets	6,219	-6,489	-270
Disposals	-	-637	-637
Closing balance 31 December 2017	**7,300**	**2,122**	**9,422**
Opening balance 1 January 2018	**7,300**	**2,122**	**9,422**
Adjustments from previous year	-5	-	-5
Acquisition	-	110	110
Closing balance 31 December 2018	**7,295**	**2,232**	**9,527**
Accumulated depreciation and impairment			
Opening balance 1 January 2017	**-**	**-1,325**	**-1,325**
Depreciation for the year	-1,245	-126	-1,371
Closing balance 31 December 2017	**-1,245**	**-1,452**	**-2,697**
Opening balance 1 January 2018	**-1,245**	**-1,452**	**-2,697**
Depreciation for the year	-1,362	-455	-1,817
Adjustment from previous year	-1,175	1,175	-
Closing balance 31 December 2018	**-3,782**	**-732**	**-4,513**

Reported values

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Total
As of 01/01/2017	-	6,112	6,112
As of 31/12/2017	6,055	670	6,725
As of 01/01/2018	6,055	670	6,725
As of 31/12/2018	3,513	1,500	5,014

NOTE 13 Co-development

Since the co-development agreement with STADA was entered in July 2018, research and development expenses for Xlucane are accounted for as net expenses in the profit and loss statement, which means 50 percent of the expenses for the total project. At the balance sheet, the assets and liabilities attributable to the project are accounted for in full (i.e. 100 percent) and then STADA's share of these (i.e. 50 percent) are accounted for as an asset or liability between Xbrane and STADA. This means that the balance sheet has expanded as a result of the STADA agreement while research and development expenses in the profit and loss statement has decreased with 50 percent. This concerns both the Consolidated Group financials and the Parent Company.

Amounts in SEK thousands

2018-12-31	Xbranes share
Revenue	-
Operating costs	40,555
Assets	30,005
Liabilities	15,003

NOTE 14 Receivables at group companies

Parent company

Amounts in SEK thousands	2018-12-31	31/12/2017
Acumulateed historical cost		
Opening balance 1 Januray	4,178	-
Costs for external services are re-invoiced to the subsidiary	-	4,178
Repayment of loan	-4,178	-
Closing balance 31 december	**-**	**4,178**

NOTE 15 Non-current receivables

	Group		Parent Company	
Amounts in SEK thousands	**2018-12-31**	**2017-12-31**	**2018-12-31**	**2017-12-31**
Non-current receivabless				
Non-current receivables (rent deposit)	635	635	635	635
Deposit to CRO concerning clinical trial	8,236	-	8,236	-
Total non-current receivalbles	**8,871**	**635**	**8,871**	**635**

NOTE 16 Inventories

Group

Amounts in SEK thousands	2018-12-31	2017-12-31
Raw materials and consumables	5,525	3,065
Work in progress	-	-
Finished products and goods for resale	-	-
	5,525	**3,065**

The Parent Company has no inventory.

NOTE 17 Receivables

	Group		Parent Company	
Amounts in SEK thousands	**2018-12-31**	**2017-12-31**	**2018-12-31**	**2017-12-31**
Receivables	11,376	8,072	738	-
Provisions for doubtful trade receivables[1]	-886	-	-542	-
Total	**10,489**	**8,072**	**196**	**-**

1) In accordance with current accounting principles (IFRS 9), the required write-downs have been made of existing accounts receivable. For the financial year of 2017, IAS 39 was applied.

NOTE 18 Prepaid expenses and accrued income

	Group		Parent Company	
Amounts in SEK thousands	**2018-12-31**	**2017-12-31**	**2018-12-31**	**2017-12-31**
Rent	285	273	285	273
Leases	143	19	143	19
Other	33,812	726	33,168	522
Total prepaid expenses and accrued income	**34,240**	**1,018**	**33,596**	**814**

NOTE 19 Cash and cash equivalents

	Group		Parent Company	
Amounts in SEK thousands	**2018-12-31**	**2017-12-31**	**2018-12-31**	**2017-12-31**
Cash and cash equivalents				
Cash and cash equivalents	100,972	7,903	100,380	6,483
Carrying amount	*100,972*	*7,903*	*100,380*	*6,483*

Deposits at the bank are placed at banks with credit rating A or higher and are available at demand. Taken in account, the short duration and the counter parties high credit rating, the credit risk at the deposits are low and the expected credit loses is deemed to be insignificant.

NOTE 20 Equity

Type of shares	Ordinary shares	
	2018	**2017**
Issued as of 1 January	5,956,770	4,755,546
Issue of shares paid in cash	41,857	655,738
Conversion of convertible loan to shares	330,612	528,986
Issue in respect of incentive program for 2016	-	16,500
Issued as of 31 December	**6,329,239**	**5,956,770**

The Group only has one type of share, so-called ordinary shares.

As of 31 December 2018, the registered share capital comprised 6,329,239 ordinary shares (5,956,770).

The owners of the common shares are entitled to dividend which are established continuously, and the holding of share entitles to a right of vote at the general meeting with one vote per share. All shares have the same rights to the entities remaining net assets.

In 2015, Xbrane acquired Primm Pharma Srl. The acquisition was financed through issuing a convertible loan, which are classified as equity, see note 1, chapter (q). The convertible loan is possessed by Primm Pharma previous owner and was initially valued to 56 million SEK, with the right to convert to shares at a price of 42,5 SEK/ share at the rights issue. Under a time period ending at 2020, provided that six different milestones tied to the commercialization of Spherotide are reached.

Dividends

At the annual general meeting at the 16th of May 2019, the board will propose that there should not be any dividend paid. There have been no dividends at the financial year of 2018 and none under the previous financial years.

Group

Translation reserve

The translation reserve includes all exchange rate differences that arise when converting financial statements from foreign operations that have prepared their financial statements in a currency other than that in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in Swedish kronor. Further, the translation reserve consists of exchange rate differences which arise when revaluing goodwill.

Parent Company

Restricted funds

Restricted funds must not be reduced through distribution of profits.

Unrestricted equity

Together with profit for the year, the following funds constitute unrestricted equity, i e the amount that is available for dividends to the shareholders.

Share premium reserve

When shares are issued at a premium, i e more is to be paid for the shares than their par value, an amount equivalent to

NOTE 20 Equity cont.

the amount received in excess of the shares' quote value is transferred to the share premium reserve. From 1 January 2006, amounts transferred to the share premium reserve are included in unrestricted equity.

Retained earnings
Retained earnings comprise previous years' retained earnings and earnings after deduction for dividends made during the year.

NOTE 21 Interest-bearing liabilities

The following provides information about the company's contractual terms in relation to interest-bearing liabilities. For further information about the company's exposure to interest rate risk and risk of exchange rate fluctuations, refer to note 25.

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Non-current liabilities				
Bank loans	12	273	-	-
Financial leasing debts	29	846	-	-
Total non-current liabilities	**41**	**1,119**	**-**	**-**
Current liabilities				
Bank loans	140	-	-	-
Financial leasing debts	422	-	-	-
Loan from owner	45,000	-	45,000	-
Total current liabilities	**45,561**	**-**	**45,000**	**-**

Terms and repayment periods
Terms and repayment periods for the Group's interest-bearing liabilities are presented in the table below. No securities have been pledged for financial leasing and bank loans.

				2018		2017	
Amounts in SEK thousands	**Currency**	**Nominal interest rate**	**Maturity**	**Nom. value**	**Reported value**	**Nom. value**	**Reported value**
Bank loan	EUR	4,55%	31 January 2020	151	151	273	273
Financial leasing liabilities	EUR	5,90%	17 January 2020	451	451	846	846
Loan from owner	SEK	3,00%	21 June 2019	45,000	45,000	-	-
Total interest-bearing liabilities				**45,602**	**45,602**	**1,119**	**1,119**

Financial leasing liabilities
The Group has a financial lease relating to a freeze dryer which is used in production of drugs in the subsidiary. Financial leasing liabilities fall due for payment as below:

Group	**Minimum leasing fees**	**Interest**	**Capital amount**	**Minimum leasing fees**	**Interest**	**Capital amount**
Amounts in SEK thousands	**2018**	**2018**	**2018**	**2017**	**2017**	**2017**
Within one year	447	25	422	-	-	-
Between one and five years	31	2	29	896	50	846
Later than 5 years	-	-	-	-	-	-
Total	**477**	**27**	**451**	**896**	**50**	**846**

NOTE 22 Provisions

Group

Amounts in SEK thousands	2018	2017
One-off payment on termination of employment	4,275	3,545
Total	**4,275**	**3,545**

As of 31 December 2018, the Parent Company had no provisions.

Group one-off payment on termination of employment

Amounts in SEK thousands	2018	2017
Opening balance 1 januari	3,545	3,182
Provisions made dureing the period	454	282
Amounts off-set during the period	-6	-
Exchange rate differences	176	-
Change in discounted amount during the period	106	80
Reported value at the end of the period	**4,275**	**3,545**

One-off payment on termination of employment refers to employees in Primm Pharma s.r.l. in accordance with Italian legislation. The expected period for outflow is estimated at 5 years.

NOTE 23 Liabilities to subsidiary

Parent company

Amounts in SEK thousands	2018-12-31	2017-12-31
Opening balance 1 januari	-	-
Re-invoiced expenses to subsidiary	3,042	-
Closing balance 31 december	**3,042**	**-**

NOTE 24 Accrued expenses and prepaid income

	Group		Parent Company	
Amounts in SEK thousands	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Payroll expenses	2,086	899	1,611	797
Holiday pay	1,167	1,205	1,104	1,205
Interest expenses	1,545	45	1,545	45
Prepaid income	1,911	1,945	468	371
Prepaid income from Co-development Partner Stada[1]	58,131	-	58,131	-
Other accumulated expenses	19,129	2,394	19,075	2,394
Total	**83,970**	**6,488**	**81,934**	**4,812**

1) Prepayments from the cooperation partner STADA, regarding their part of the joint costs from the development of Xlucane.

NOTE 25 Financial risks and risk management

Through its operations, the Group is exposed to various types of financial risks.
- Liquidity risk
- Interest risk
- Credit risk
- Exchange risk
- Financing risk

Framework for financial risk management
The Group's financial policy for managing financial risks has been designed by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for financial activities. Responsibility for the Group's financial transactions and risks is handled centrally by the Group's financial function within the Parent Company. The overall objective of the financial function is to provide cost-effective funding and to minimize negative effects on the Group's earnings resulting from market risks. The head of the central finance function is the CFO, who reports to the CEO and Board of Directors on an ongoing basis.

Liquidity risk and going concern
Liquidity risk is the risk that the Group may have problems fulfilling its obligations associated with financial liabilities. The Group has rolling 12-month liquidity planning covering all Group entities. The schedule is updated every month. The Group's forecasts covering 3 years include liquidity planning in the medium term. Liquidity planning is used to manage the liquidity risk and the costs of financing the Group. The goal is that the Group will be able to meet its financial commitments both in terms of gains and losses, without significant unforeseen costs and without risking the Group's reputation. The Group's policy is to minimize borrowing requirements by using surplus liquidity within the Group through cash pools set up by the central finance function. According to the financial policy, there should always be enough cash and cash and equivalents as well as guarantied credits in order to cover the need of the upcoming 12 months cash requirements. After the end of the financial year 2018, a share rights issue was carried out under the first quarter of 2019. After the conducted share rights issue, there is a continued capital need for approximately 100-125 million SEK. At the share rights issue, that was carried out after closing date of 2018, parts of the loan to the owners was converted to shares. After the conversion to shares, the used credit facility was reduced and amounted to 37 million SEK. The expire date of the loan was also changed after the closing date of 2018 and should now be repaid, at the latest, in June 2020. The entities financial liabilities on the closing date amounted to 45,602 thousand SEK and the maturity structure of the liabilities are showed in the table (Maturity structure financial liabilities) below.

Credit facilities

Amounts in SEK thousands	Nominal value	Utilized	Available
Credit facility, Maturity June 2019	50,000	45,000	5,000
Total	**50,000**	**45,000**	**5,000**
Available cash and cash equivalents	100,972	-	100,972
Liquidity reserve	**150,972**	**-**	**105,972**

Maturity structure financial liabilities – undiscounted cash flows

		2018						2017					
Amounts in SEK thousands	Currency	Total	< 1 m	1-3 m	3 m - 1 y	1-5 y	>5 y	Total	< 1 m	1-3 m	3 m - 1 y	1-5 y	>5 y
Bank loan	EUR	151	11	23	105	12	-	273	-	-	-	273	-
Loan from owner	SEK	45,000				45,000							
Account payables		30,908	26,014	4,893	2	-	-	10,541	10,541	-	-	-	-
Financial leases liability	EUR	451	37	75	309	29	-	846	-	-	-	846	-
Total		**76,510**	**26,062**	**4,991**	**416**	**45,041**	**-**	**11,659**	**10,541**	**-**	**-**	**1,119**	**-**

In addition to the above, interest payments on loans from owners amounting to SEK 675 thousands with maturity during the first half of 2019 are added. However, the loan has been renegotiated after the balance sheet date, see above.

No settled payments or breach of contract occurred in 2018.

NOTE 25 Financial risks and risk management, cont.

Interest risk
The interest risk is one part of the market risk, that are divided into 3 different categorizes according to IFRS; Interest, currency and price risks. The market risks that mostly affects the Group is the currency and interest risk. At present, the CEO and the Board consider that the financial market risks the company is exposed to, interest rate risk and currency risk are limited. Regarding the interest risk, the Group have during the financial year used the credit facility but CEO and the board still argues that this only is a limited risk, due to the minor interest cost in the profit and loss. At the balance date, there are no other crucial interest risks at the Group, except the previous credit facility. The Board, CEO and CFO continuously monitor changes in the risk profile and the need for price hedging instruments.

Credit Risk
The Group's financial operations entail exposure to credit risks. It is primarily counterparty risks in connection with receivables on counterparties arising from the sale of goods and licenses. At the balance sheet date, there were receivable that was over due or written down, amounting to SEK 886 thousand.

Credit risks in accounts receivable
The credit risk is explained as the risk that the Groups customers do not fulfill their obligations, in order words, payment from the client won't be received, which makes out the credit risk. According to IFRS 9, a credit reservation is made at the first recognition in the accounts.There are also individual assessment being made, based upon several different factors, estimations, assumptions of future macroeconomic aspects. A change in any of these aspects could have essential effect of the evaluation of the current accounts receivable. The entity has on the closing date of 2018 most of their accounts receivable towards distributors in Iran. Due to the ongoing sanctions against Iran, impairment of the account's receivable has been made within the Group amounting to 886 thousand SEK. See also the information in note 17, accounts receivable.

Group	2018
Amounts in SEK thousands	
Opening balance 1 januari	-
Provisions for doubtful trade receivables	-886
Receivables written off during the period non-recoverable	-
Reversed unused amount	-
Resolution of discounting effect	-
Closing balance 31 december	**-886**

Amounts in SEK thousands	2018-12-31	2017-12-31
SEK		
EUR	10,265	8,072
USD	224	
Total	**10,489**	**8,072**

Financing risk
According to the Board's policy, the Group's financial objective is to maintain a good financial position, which helps to maintain investor confidence, creditors' and market confidence and provide a foundation for further development of business operations; while the long-term return generated to the shareholders is satisfactory. Until the Company has achieved long-term and sustainable profitability, the company's policy is to maintain low debt and high equity.

NOTE 25 Financial risks and risk management, cont.

Exchange risk
The Group is exposed for a exchange rate risk due the subsidiary are using another currency then the functional currency (SEK). Exchange rate fluctuation could create both positive and negative effect at the entities profit and loss, equity as well as competitiveness. The Group has not used any hedging instruments, derivates or similar instrument during the financial year 2018. The translations differences that has occurred during 2018, has been presented at the other comprehensive income at the Group.The currency risk is divided into two different categories, conversion exposure and transaction exposure.

Conversion exposure exists when recalculating the subsidiaries balance sheet and the profit and loss to the Groups functional currency. When performing a simulated fluctuation of the EUR with +/- 10 percent compared to SEK, it should then have an effect on the Groups balance sheet of 3,259 thousand SEK (2,014 thousand SEK) respectively 391 thousand SEK (375 thousand SEK) at the profit and loss at the subsidiary.

The transaction exposure derives from fluctuations at the exchange rate in the net cash flow from operating transactions from other currencies then the accounting currency. Such changes do have an affect the profit and loss as well as the balance sheet continuously during the year. Xbrane is mostly exposed towards exchange rates at transactions where there is a mix of currencies in which the sales, purchase, receivables and liabilities are accounted for and the different accounting currency. The accounting currency is primarily SEK and EUR. The transactions are primarily conducted in the currency of SEK, EUR and some part in USD. The costs that Xbrane has continuously during the financial year, is mostly in EUR and USD. When performing a simulated fluctuation of the EUR and USD with +/- 10 percent compared to SEK, it should then have an effect on the Groups operating profit of 11,704 thousand SEK (1,102 thousand SEK) respectively 976 thousand SEK (69 thousand SEK).

Group[1]	**2018-12-31**		**2017-12-31**	
Amounts in SEK thousands	**USD**	**EUR**	**USD**	**EUR**
Cash and cash equivalents	3	15,540	2,420	1,813
Receivables	229	10,744	-	8,072
Bank loan	-	602	-	273
Payables	1,799	14,047	24	12,265
Total	**2,031**	**40,932**	**2,443**	**22,423**

1) All amounts in SEK thousands

NOTE 26 Valuation of financial assets and liabilities

According to IFRS 7.25 all the different financial assets or financial liabilities should show information about fair value of the classification's assets and liabilities in a way that enables comparison with book value. Fair value is the value at the evaluation date that would be received if an asset would be sold or an transfer of a debt through a transaction made between to market participants. According to IFRS 7.26 information about the fair value should only be reported as a netted, if the net accounting is conducted through the statement of the financial position. Book value at the accounts receivable, other receivable, cash, accounts payable other liabilities are deemed to be a good approximation of fair value.

Group	2018-12-31					
Amounts in SEK thousands	Financial assets valued at amortized cost	Financial liabilities valued at amortized cost	Total booked value	Fair value	Non-finincial assets and liabilities	Total statement of finincial position
Non-current interest-bearing receivalbles	-	-	-	-	-	-
Accounts receivables	10,489	-	10,489	10,489	-	10,489
Other receivalbes	5	-	5	5	-	5
Cash and cash equivalents	100,972	-	100,972	100,972	-	100,972
Total	**111,466**	**-**	**111,466**	**111,466**	**-**	**111,466**
Non-current interest-bearing liabilities	-	41	41	41	-	41
Other non-current liabilities	-	4,118	4,118	4,118	-	4,118
Current interest-bearing liabilities	-	45,561	45,561	45,561	-	45,561
Accounts payables	-	30,908	30,908	30,908	-	30,908
Other liabilites	-	820	820	820	-	820
Total	**-**	**81,448**	**81,448**	**81,448**	**-**	**81,448**

Group	2017-12-31					
Amounts in SEK thousands	Loan and accounts receivables	Other fnancial liabilities	Total booked value	Fair value	Non-finincial assets and liabilities	Total statement of finincial position
Non-current interest-bearing receivalbles	-	-	-	-	-	-
Accounts receivables	8,072	-	8,072	8,072	-	8,072
Other receivables	-	-	-	-	-	-
Cash and cash equivalents	7,903	-	7,903	7,903	-	7,903
Total	**15,975**	**-**	**15,975**	**15,975**	**-**	**15,975**
Non-current interest-bearing liabilities	-	1,119	1,119	1,119	-	1,119
Other non-current liabilities	-	-	-	-	-	-
Current interest-bearing liabilities	-	-	-	-	-	-
Accounts payables	-	10,541	10,541	10,541	-	10,541
Other liabilities	-	863	863	863	-	863
Total	**-**	**12,523**	**12,523**	**12,523**	**-**	**12,523**

NOTE 26 Valuation of financial assets and liabilities, cont.

Parent company	2018-12-31					
Amounts in SEK thousands	Financial assets valued at amortized cost	Financial liabilities valued at amortized cost	Total booked value	Fair value	Non-finincial assets and liabilities	Total statement of finincial position
Accounts receivables	196	-	196	196	-	196
Other receivables	1,018	-	1,018	1,018	-	1,018
Cash and cash equivalents	100,380	-	100,380	100,380	-	100,380
Total	**101,398**	**-**	**101,398**	**101,398**	**-**	**101,594**
Accunts payables	-	23 709	23 709	23 709	-	23 709
Liabilitis to subsidiary	-	3 042	3 042	3 042	-	3 042
Other liabilities	-	630	630	630	-	630
Total	**-**	**27,381**	**27,381**	**27,381**	**-**	**27,381**

Parent company	2017-12-31					
Amounts in SEK thousands	Loan and accounts receivables	Other financial liabilities	Total boo-ked value	Fair value	Non-finincial assets and liabilities	Total statement of finincial position
Accounts receivables	4,178	-	4,178	4,178	-	4,178
Other receivables	278	-	278	278	-	278
Cash and cash equivalents	6,483	-	6,483	6,483	-	6,483
Total	**10,939**	**-**	**10,939**	**10,939**	**-**	**10,939**
Accounts payables	-	3,359	3,359	3,359	-	3,359
Liabilities to subsidiary	-	-	-	-	-	-
Other liabilities	-	760	760	760	-	760
Total	**-**	**4,119**	**4,119**	**4,119**	**-**	**4,119**

NOTE 27 Distribution of the Company's profit or loss

Proposed distribution of the Company's profit or loss

Amounts in SEK thousands	
Share premium reserve	184,693
Profit/loss brought forward	-77,623
Profit/loss for the year	-17,065
Total	**90,005**
To be carried forward:	90,005

NOTE 28 Transactions with closely related parties

The Parent Company has a relationship with its subsidiaries, see note 34.

Group

Amounts in SEK thousands	Year	Purchase of goods/ services from affiliates	Interest costs	Provision for affiliates as of 31 December
Relationship				
Subsidiary	2018	13,212[1]	125	3,042
Other closely related parties	2018	726	1,500	48,638
Other closely related parties	2017	930	45	3,157

1)One-off payment on termination of employment refers to employees in Primm Pharma s.r.l. in accordance with Italian legislation.

Parent Company

Amounts in SEK thousands	Year	Purchase of goods/ services from affiliates	Sales of goods and services	Interest costs	Liabilities as of 31 december
Relationship					
Subsidiary	2018	12,170	1,042	125	3,042
Other closely related parties	2018	42	-	1,500	45,000
Other closely related parties	2017	348	-	45	-

Transactions with closely related parties are priced on market terms.

Remuneration to senior executives and Board of Directors is presented in Note 5.

Transactions with closely related parties
Closely related parties include the Group's management, boardmembers and their relatives, as well as companies where theabove mentioned have a leading position or have an ownership connection. Since 31st of December 2015 there is a provision for the Italian subsidiary Primm Pharma's CEO/ Head of Long-Acting Injectables which on the balance sheet date of 31 December 2018 amounted to SEK 3,638 thousand. The provision relates to one-off payment on termination of employment in accordance with Italian legislation and is not interest-bearing.

During 2018 ubtil 31st of december, Primm Pharma s.r.l. has purchased administration and accounting services , and also rented premises from Primm s.r.l. at a cost of SEK 684 thousand. Primm s.r.l. is 56 procent percent owned by Paolo Sarmientos, CEO/ Head of Long-Acting Injectables for Primm Pharma, and 10 per cent by Alessandro Sidoli, member of Xbrane's board of directors.

On the balance sheet date 31st of december 2018 Xbrane utilized SEK 45,000 thousand of the credit facility issued end of 2017 by Serendipity Group AB. The interest charged during 2018 amounted to SEK 1,500 thousand at closing date 31st of December.

On the balance sheet date, 31 December 2018, the parent company Xbrane had a loan of SEK 3,042 thusand issued by the subsidiary Primm Pharma. Interest in 2018 until December 31st amounted to SEK 125 thousand. In 2018 until December 31st, the Parent Company, Xbrane, invoiced the subsidiary Primm Pharma SEK 56 thousand for administrative services related to the agreement for the out-licensing of Spherotide to the Chinese market and further invoiced a total of SEK 4,209 thousand of external costs relating to Primm Pharma. Of which SEK 3,224 thousand related to re-invoicing of operatig expenses reserved for the financial statements in 2017. Primm Pharma has in turn re-invoiced Xbrane Biopharma SEK 377 thousand for external costs relating to Xbrane. During 2018 until 31st of december Xbrane acquired consultancy services from Edman Life Science AB, for the amount of SEK 42 thousand inkluding travelling costs. Edman Life Science is owned by Peter Edman who is a member of Xbrane's board of directors.

NOTE 29 Group companies

Holdings in subsidiary companies	Subsidiary's registered office, country	Equity interest in %
Primm Pharma s.r.l.	Italy	100

Parent Company

Amounts in SEK thousands	2018	2017
Accumulated historical cost		
Opening balance	94,092	88,335
Shareholder contribution made	6,691	5,756
Closing balance 31 December	**100,783**	**94,092**
Accumulated revaluations		
Opening balance	-	-
Closing balance 31 December	**-**	**-**
Accumulated impairment		
Opening balance	-	-
Closing balance 31 December	**-**	**-**
Reported value 31 December	**100,783**	**94,092**

NOTE 30 Specifications for cash flow statements

Cash and cash equivalents	Group		Parent Company	
Amounts in SEK thousands	**2018-12-31**	**2017-12-31**	**2018-12-31**	**2017-12-31**
Following items included in cash flow				
Cash and cash equivalents	100,972	7,903	100,380	6,483
Carrying amount balancesheet	100,972	7,903	100,380	6,483
Carrying amount cash flow	**100,972**	**7,903**	**100,380**	**6,483**

Paid interest and dividends received	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Interest received	169	-	-	-
Interest paid	-369	-95	-190	-11

Adjustments for items not included in cash flow	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Depreciation	4,323	3,992	1,821	1,372
Expenses related to share savings program	978	313	978	313
Other	-348	-501	4,129	-
Total items not included in cash flow	**4,953**	**3,803**	**6,927**	**1,685**

NOTE 30 Specifications for cash flow statements, cont.

Transactions non-cash item	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Conversion of convetible loan into shares	22,481	22,482	22,481	22,482

Cash flows in operational activities divided according to operating segment[1]	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Biosimilars	72,067	-23,045	72,067	-23,045
Long-acting Injectables	-36,210	-1,683	-	-
Administration and unallocated	10,850	-12,120	-20,561	-10,228
Total cash flows in operating activities	**46,707**	**-36,848**	**51,505**	**-33,273**

Cash flows in investing activities divided according to operating segment[1]	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Biosimilars	-77	-1,985	-77	-1,985
Long-acting Injectables	-1,488	-1,362	-6,691	-5,756
Administration and unallocated	-33	-	-33	-
Total cash flows in investing activities	**-1,598**	**-3,347**	**-6,801**	**-7,742**

Cash flows in financing activities divided according to operating segment[1]	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Biosimilars	-	-	-	-
Long-acting Injectables	-3,550	-257	-	-
Administration and unallocated	51,280	16,985	51,280	16,985
Total cash flows in financing activities	**47,730**	**16,728**	**51,280**	**16,985**

Investments	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Investments	-1,598	-3 347	-6,801	-7,742
Total investments	**-1,598**	**-3 347**	**-6,801**	**-7,742**

Unutilized credits	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Unutilized credits amount to	5,000	50,000	5,000	50,000

1) See also note 3 regarding cash flow as per segment

NOTE 30 Specifications for cash flow statements, cont.

Changes in liabilities attributable to financing activities in 2018

Group		Changes in non-cash items					
Amounts in SEK thousands	Opening balance 2018	Changes in cash items	Reclassification	Translation gains/losses	Changes in fair value	New leases	Lease amortizations	Closing balance 2018
Non-current liabilities	273	-131	-136	6				12
Current liabilities		45,000	561					45,561
Leasing liabilities	845	-377	-458	18				28
Liabilities attributable to financing activities	**1,119**	**44,492**	**-32**	**24**	**0**	**0**	**0**	**45,602**

Changes in liabilities attributable to financing activities in 2017

Group		Changes in non-cash items					
Amounts in SEK thousands	Opening balance 2017	Changes in cash-items	Reclassification	Translation gains/losses	Changes in fair value	New leases	Lease amortizations	Closing balance 2017
Non-current liabilities	384	0		-111				273
Current liabilities								0
Leasing liabilities	1,342	-257		-240				845
Liabilities attributable to financing activities	**1,726**	**-257**	**0**	**-351**	**0**	**0**	**0**	**1,118**

NOTE 31 Events after the balance sheet date

Acceptance of initiation of Xlucane clinical trial
Xbrane announced acceptance of initiation of Xlucane clinicial trial in the US at tte beginning of 2019.

New Head of IR
Martin Åmark, CEO of Xbrane Biopharma AB, is the Head of IR for Xbrane as of february 14th, as current Head of IR and CFO, Susanna Helgesen, will be on parental leave on a part-time basis for a period. During the parental leave, Susanna Helgesen will remain as CFO. The finance team has also been expanded with a Group Financial Controller.

Declined re-election to the board
Xbrane Biopharma AB (publ) ("Xbrane") has today been informed by the Nomination Committee that Alessandro Sidoli and Saeid Esmaeilzadeh have declined re-election at the Annual General Meeting (AGM) 2019.

Payment of accounts receivable from Iran
The subsidiary in Italy has after the end of the financial year 2018 received payment for the total amount of accounts receivables related to the distribution partner in Iran.

Rights issue
A rights issue that was conducted in March 2019 generated SEK 59 million before transaction cost to Xbrane. Further, Serendipity Group settled part of its outstanding loan to Xbrane which after the share rights issue amounted to SEK 37 million. The maturity of the loan has been extended with one year to 30 June 2020.

First patient dosed in the phase III-study Xplore.
The first patient has been included and dosed in our Xplore trial, under April 2019. The trial is proceeding according to plan and recruitment of patients is expected to be completed during this year.

NOTE 32 Significant estimates and assessments

The management has discussed with the Audit Committee the development, selection and information in relation to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Important sources of uncertainty in the estimates
The sources of uncertainty in the estimates indicated below refer to aspects which entail a significant risk that assets' or liabilities' value might need to be adjusted significantly during the forthcoming financial year.

Impairment testing of goodwill
When calculating cash generative units' recovery value for assessment of any impairment of goodwill, several assumptions regarding future circumstances and estimates of parameters have been made . There is an account of them in note 11. As is clear from the description in note 11, changes in the conditions for these assumptions and estimates during 2018 could have a material effect on the value of goodwill for the subsidiary Primm Pharma.

Impairment testing of accounts receivable
Impairment requirements regarding accounts receivable are based partly on the number of days that the receivable has been due (according to resolved internal financial guidelines and based on the required adopted regulations). Or when objective evidence arises that there is a risk of not receiving payment for the claim, an individual assessment is established. The individual assessment that is made is based on several estimates and assumptions about future conditions. A change in these estimates and assumptions could have a significant effect on the valuation of existing accounts receivable. See also statement of accounts receivable in note 17.

NOTE 33 Information about the Parent Company

Xbrane Biopharma AB (publ), Corp ID no. 556749-2375, is a Swedish-registered limited company with registered office in Solna. The Parent Company's shares are registered on NASDAQ First North Stockholm. The address of the head quarter is Banvaktsvägen 22, 171 48 Solna. The consolidated financial statements for 2018 consist of the Parent Company and its subsidiary, together with the named Group. The Group also includes Primm Pharma, Corp ID no. MI - 2075109 with registered office in Milan, Italy.

Signatures

The income statement and balance sheet will be presented to the AGM on May 16, 2019 for adoption. The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with IFRS and give a true and fair view of the Group's financial position and results. The annual financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the Parent Company's financial position and results. The Administration Report for the Group and Parent company provides a fair review of the development of the Group and the Parent Company's operations, position and results and describes significant risks and uncertainty factors that the Parent Company and the companies included in the Group face.

Stockholm 25 April 2019

Anders Tullgren
Chairman

Saeid Esmaeilzadeh
Director

Peter Edman
Director

Maris Hartmanis
Director

Karin Wingstrand
Director

Giorgio Chivirí
Director

Alessandro Sidoli
Director

Martin Åmark
CEO

Our audit report was presented on 25 April 2019
KPMG AB

Duane Swanson
Authorised Public Accountant

Auditor's report

This report is a translation of the original version in Swedish.

To the general meeting of the shareholders of Xbrane Biopharma AB (publ), corp. ID no. 556749-2375.

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Xbrane Biopharma AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 28-79 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flows 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 statement of comprehensive income and statement of financial position for the group.

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.

Materialy uncertainty related to going concern
Without qualifying our opinion above, we bring to your attention the information in the adminstrtion report (page 31 and note 25) which notes that the company will need additional financing and that the Board is evaluating various alternatives. No additional financing has been finalized as of the date of this report and indicates the existence of a material uncertainty as to the company's ability to continue as a going concern.

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

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

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Xbrane Biopharma AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

Stockholm 25 April 2019
KPMG AB

Duane Swanson
Authorised Public Accountant

Annual General Meeting

2019 Annual General Meeting

Annual General Meeting in Xbrane Biopharma AB (publ) will be held on Thursday 16 May 2019 at 17.30 in Baker & McKenzie Advokatbyrå's premises, Vasagatan 7, 101 23 Stockholm

To participate

Shareholders who want to participate in the meeting must be registered in the share register kept by Euroclear Sweden AB on 10 May 2019. Registration is to be made no later than 10 May 2019 in one of the following ways:

- via website, www.xbrane.com
- by telephone: +46 708 27 86 36
- by post: Xbrane Biopharma AB (publ), "Annual General Meeting", Bankvaktsvägen 22, 171 48 Solna

When registering, shareholders must state:

- name
- social security number/corporate identity number
- daytime address and telephone number
- number of shares
- where appropriate details of any agent/assistant

Nominee registered shares

Shareholders who have their shares registered in the name of a nominee at a bank or other manager must, to be entitled to participate in the general meeting of shareholders, register heir shares in their own name, so that the person in question is registered in the share register kept by Euroclear Sweden AB on 10 May 2019. Shareholders who wish to register their shares in their own name should notify the nominee in good time before this date. Such registration can be temporary.

Agents

Shareholders who are to be represented through an agent must issue written and dated power of attorney for the agent. If the power of attorney is issued by a legal entity, a certified copy of a registration certificate or corresponding "certificate" for such legal entity must be attached. Power of attorney applies for one year from issuance or the longer period of validity set out on the power of attorney, though a maximum of five years. Certificate of registration shall indicate the circumstances which apply on the date of the general meeting of shareholders and should in any event not be older than one year at the time of the annual general meeting. The original power of attorney plus any certificate of registration should be submitted by letter to the company to the address indicated above in good time before the meeting. Form for power of attorney is available on the Company's website www.xbrane.com and can also be sent to shareholders who so request.

Contact information

Xbrane Biopharma AB (publ)
171 48 Stockholm, Sweden
Visitors: Banvaktsvägen 22, 171 48 Solna
Tel: +46 708 27 86 36
E-mail: info@xbrane.com
Website: www.xbrane.com

Alternative key indicators

The company presents certain financial key indicators in the Annual Report that are not defined according to IFRS. The company considers that these key indicators provide valuable supplementary information to investors and the company's management as they enable evaluation of the company's performance. As not all companies calculate financial key indicators in the same way, they are not always comparable with key indicators that are used by other companies. These financial key indicators should therefore not be viewed as a replacement for key indicators that are defined according to IFRS. The tables below present key indicators that are not defined according to IFRS.

Gross margin
The gross margin is calculated as gross result in relation to the net sales. The gross margin is net sales minus cost of goods sold.

Amounts in SEK thousands	2018	2017
Gross profit	4,578	4,942
Divided by net sales	20,485	20,771
Gross margin	**22%**	**24%**

EBITDA
Shows the operation's earning power from operational activities without taking into account capital structure and tax situation, with the aim of facilitating comparisons with other companies in the same industry.

Amounts in SEK thousands	2018	2017
Operating profit	-11,415	-44,718
Depreciation	-5,336	-2,730
EBITDA	**-6,079**	**-41,988**

Research and development expenses as a percentage of operating expenses.
The company's direct expenses for research and development relate to expenses for personnel, materials and external services. Research and development expenses as a percentage of business expenditure show how great a proportion of the business expenditure relates to research and development. This is calculated by dividing research and development expenses by total business expenditure minus depreciation and write-downs. Total business expenditure comprises selling expenses, administrative expenses, research and development expenses and other business expenses.

Amounts in SEK thousands	2018	2017
Research and development expenses	-85,827	-37,982
Divided by operating expenses minus depreciation and write-downs	-110,400	-48,182
Research and development expenses as a percentage of operating expenses.	**78%**	**79%**

Equity Ratio
The equity ratio is a measure the Group considers relevant to investors seeking to understand the distribution between equity and liabilities. The equity ratio represents the proportion of assets funded by equity to show the Company's long-term payment capacity, that is equity divided by total assets.

Amounts in SEK thousand	2018-12-31	2017-12-31
Total Equity	83,070	88,405
Divided by total assets	252,885	110,960
Equity ratio	**33%**	**80%**

Glossary

BfArM – German Federal Institute for Drugs and Medical Devices (Bundesinstit für Arzneimittel und Medizinprodukte).

Biosimilar – The term biosimilar was introduced in law in 2004 and is a biologic drug that is similar to an approved biologic drug (the biological reference drug). In order for a biosimilar drug to be approved, it must be comparable with the reference drug in terms of chemical properties (e g molecular structure and impurities), biologic activity, and it must also have similar properties in terms of pharmacokinetics and pharmacodynamics as well as equal safety and efficacy.

CFDA – China Food and Drug Administration.

Diabetes-related macular edema (DME) – Macular edema results in fluid collecting in the outer layer of the macula in the middle of the retina. Cyst-like blisters are formed, which can cause macular depression or holes. The edema may be associated with background illnesses, but often appears in patients with diabetes.

Diabetic retinopathy (DME) – A change in the blood vessel in the retina, e g. bleeding, which can occur amongst diabetes patients.

EMA – European Medicines Agency

Endometriosis – Endometriosis involves the endometrium growing outside of the uterus. Roughly one in ten people who menstruate have this disease.

FDA – US Food and Drug Administration.

Generic – Generic drugs are medically interchangeable drugs with the same function, quality and safety as an original drug. A generic drug can be sold at a lower price since the production has limited costs for research and development. In 2018, generic medicines make up 60% of the volume and 19% of the value on the Swedish pharmaceutical market.

GMP certification – Certification that the production is performed according to good manufacturing practices.

In-vitro – a term that refers to studying a living microorganism, cell or biomolecule outside of its normal biological context.

MHRA – UK Medicines and Healthcare products Regulatory Agency.

Myoma – Myoma are muscle nodules that can develop inside or outside of the uterus.

PMDA – Japanese Pharmaceuticals and Medical Devices Agency.

Retinal venous occlusion (RVO) – RVO is a blood clot (thrombosis) in one of the eye's blood vessels (a vein). This is a common vascular disease, which if left untreated, can lead to blindness.

Statistical power – Indicates the risk taken in a study of making a so-called type 2 error, i.e. in the case of equivalency tests, of accepting the hypothesis that there is a difference between the drugs even if there isn't. With a statistical strength of 90%, there is a 10% risk of making a type 2 error.

VEGF-A – Vascular endothelial growth factor which, among other things, stimulates the growth of abnormal blood vessels in patients with AMD, DME and RVO.

VEGF-inhibitors – Drugs that act by binding to VEGF-A and thereby inhibit its ability to stimulate growth of e g abnormal blood vessels in the eye.

Age-related macular degeneration (AMD) – Changes in the macula due to aging, also called age-related macular degeneration (AMD), is condition that results in permanent damage to the macula. The first changes that a person notices is that the vision becomes blurred, straight lines become crooked and some letters disappear when you try reading. Colors often become less clear than normal. The central field of vision is weakened, but the peripheral vision is retained. Macular degeneration is the most common cause of blindness or serious vision impairment in the developed world. If the disease is allowed to continue, the patient loses central vision, but maintains a certain amount of peripheral vision.

XBRANE BIOPHARMA

Xbrane Biopharma AB | Banvaktsvägen 22, 171 48 Solna, Sweden | www.xbrane.com