

Xbrane Biopharma AB (publ)

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- » Net sales SEK 4,514 thousand (1,032)
- » Total income SEK 4,700 thousand (1,108)
- » Earnings before tax SEK -9,388 thousand (-7,557)
- » Cash flow from current operations SEK -6,907 thousand (-8,842)
- » Earnings per share before dilution SEK -1.87 (-1.63)

About Xbrane Biopharma

Xbrane is a commercial phase Swedish biopharmaceutical company specialized in biosimilars and long acting injectables. Xbrane has world leading expertise in developing generics for long acting injectable drugs and proprietary high-yield protein expression technology for the development of biosimilars. Xbranes's headquarter is located in Solna outside of Stockholm and the company's in-house research and development facilities are in Sweden and Italy.

Xbrane is listed at Nasdaq First North since February 3rd, 2016 under the name XBRANE and Avanza Bank AB is Xbrane's Certified Adviser.

For more information see www.xbrane.com.



CEO COMMENTS

Dear Shareholders,

Xbrane's goal is to make biosimilars and generics of today's expensive, critical and difficult-to-manufacture original drugs available at a significantly lower cost to the world's population. We believe this is an equally important task as developing completely original drugs. We enable adequate treatment even for those who currently do not have the financial resources and we realize savings for both patients and public and private healthcare providers.

The launch of Spherotide in the Middle East is a first step in realizing our goal. Spherotide, sold and marketed by our partner under the brand Microrelin®, is now the most cost effective hormone treatment against prostate cancer and endometriosis in the Middle East. We are convinced that Spherotide will contribute positively to the Middle East health care and lead to savings for both patients and the public healthcare budget. However, this is only the first step in a long journey together with partners to launch both Spherotide and Xlucane globally and to develop and launch more important biosimilars and generics drugs.

There are many indications that there is a great interest from stakeholders for companies such as Xbrane. New regulations and stricter interpretation of existing regulations are ongoing, especially with the aim of increasing the use of biosimilars which has high cost-saving potential. Recently, the Supreme Court of the United States decided to favor the biosimilar and generics company Sandoz against original manufacturer Amgen, a court judgment that could lead to a faster release of biosimilars in the future. The use of biosimilars is also increasing rapidly. For example, for the biological drug Filgrastim, biosimilars have taken over 85% market share 8 years after launching the first biosimilars in Europe and in the US where the first biosimilar was approved in 2015, penetration is increasing steadily.

Xbrane is well positioned for this market development. Unlike the manufacture of traditional generic drugs, biosimilars offers an opportunity to create a cost advantage through unique technologies. This is exactly what Xbrane does through our patented production technology that has been proven to lead to significant cost advantages compared to standard production systems in the *E.coli* host cell. From the long-term perspective, we believe that cost-efficiency will be one of the key competitive advantages for biosimilar developers and manufacturers.

The great interest in biosimilars is also noted among investors in the capital market. Several biosimilar companies have recently raised hundreds of million dollars or Euros in the market to finance their biosimilar development.

As the only Swedish listed biosimilar company, we have seen an increasing interest for Xbrane. We are pleased to see that the number of shareholders increases every month and we hope that both old, new and potential future shareholders will choose to join us on the exciting journey we have ahead of us. To make Xbrane available for institutional investors the board of Xbrane has now decided to initiate the process of listing the Company's shares on the regulated stock market Nasdaq OMX Main list with Carnegie Investment Bank AB as financial adviser.

In the operational update in this report, the highlights and coming events for Spherotide and Xlucane are presented in more detail. Out-licensing activities to commercial partners will be the most significant milestones in the near future and the outcome will determine how clinical studies will be financed. A potential need for capital injections for the company will be dictated by if and when and to which terms out-licensing agreements for Xlucane and Spherotide are reached, how sales of the latter in Iran proceeds as well as other strategic investments in the product portfolio.

Negotiation of out-licensing Spherotide for China is progressing in the right direction, even if slightly delayed compared to original time schedule. We hope to sign a final agreement with our partner during this year. We are also in negotiations with a number of potential partners for the out-licensing of both Spherotide and Xlucane in different regions, but with a focus on Europe. As previously announced, overall commercial terms are agreed upon with a couple of potential partners who are currently undergoing an active evaluation of the products. Global exclusive rights for comparable products to Xlucane have earlier been out-licensed for license revenue of more than EUR 100 million plus royalty revenues for sales of products. With comparable products it is reasonable to expect an out-licensing for Xlucane in the same size.

Thank you for your continued support,

Martin Åmark

Martin Åmark



Business description

Xbrane Biopharma is a biotechnology company that develops and manufactures biosimilars and long-acting injectable drugs. The goal is to make accessible difficult-to-manufacture pharmaceuticals to the global population based on unique technology platforms that allow cost efficient production. Xbrane has a patented protein production platform with up to 8 times higher yield compared to standard systems in *E.coli* and world leading competence within development and production of microsphere based pharmaceuticals with long acting effect in the body.

Xbrane's leading product in the long-term injectable drug segment is Spherotide. Spherotide is a long-acting formulation with the active substance triptorelin, used mainly in the treatment of prostate cancer, endometriosis, breast cancer and myoma. The originator drug that Spherotide addresses has a total annual sales of approximately USD 500 million for all its formulations .

Xbrane's leading product in the biosimilar segment is Xlucane. Xlucane is a ranibizumab biosimilar (originator drug Lucentis®) used in the treatment of various eye diseases, mainly wet form of age-related macular degeneration. Lucentis® has annual sales of approximately USD 3.2 billion.

Organization

The Xbrane Group consists of the parent company, Xbrane Biopharma AB, and the Italian wholly-owned subsidiary, Primm Pharma s.r.l., acquired on September 30, 2015. The parent company is focused on research and development of biosimilars with Xlucane as a leading product, while Primm Pharma is focused on long-term injectable with Spherotide as the leading product. Primm Pharma owns production facilities for Spherotide outside Naples in Italy.

Ownership

As per June 30, 2017, Xbrane had a total of approximately 1,160 shareholders distributed on 5,940,270 shares. The ten largest shareholders as of 2017-06-30 are shown in the table below^{1,2}.

Name	Number of shares	Ownership (%)
Serendipity Ixora AB	1,266,780	21.33%
Försäkringsaktiebolaget Avanza pension	337,923	5.69%
Nordnet Pensionsförsäkring AB	204,855	3.45%
Active Invest-Sweden AB	163,934	2.76%
Michael Löfman	160,000	2.69%
Per Granath	114,754	1.93%
Swedbank försäkring	112,500	1.89%
Christer Skogum	111,800	1.88%
Martin Åmark	110,490	1.86%
Jan-Willem De Gier	102,860	1.73%
Total 10 largest shareholders	2,682,962	45.17%
Total other shareholders	3,257,308	54.83%
Total	5,940,270	100.00%

¹ Based on complete public share register of directly owned and nominee registered shareholders. Source: Modular Finance.

² Paolo Sarmientos increased his number of shares to 327,295 through the conversion of the convertible loan on the 16th of June, 2017. The shares were delivered to his account on the 4th of July, 2017, therefore he's not represented on the shareholder list above.

Significant events for the period

- » Xbrane presented positive comparative in-vivo efficacy data on Spherotide
- » Xbrane recruited Susanna Helgesen as new CFO / Head of Investor Relations
- » Xbrane raised SEK 20 million in a private placement with Carnegie Investment Bank AB as financial adviser
- » Xbrane launched a long term incentive program for its employees

Significant events after the period

- » Spherotide was granted market authorization in Iran
- » The Board announces its intention to initiate the process of listing the Company's shares at Nasdaq OMX's Main list

Operational update

Spherotide

Xbrane's partner Pooyesh Darou was recently granted marketing authorization in Iran for Spherotide 1-month formulation, and the product is now sold and marketed under the name Microrelin®. So far, Xbrane has sold and delivered two batches of Spherotide, thus generating revenues of a total of SEK 11 million in the first two quarters. According to the plan, Xbrane will deliver another batch for the remainder of the year. Xbrane is currently evaluating, with its partner, the ability to get market approval for the product in neighboring countries in the Middle East based on the approval in Iran.

Xbrane is currently in the final stages of the development of Spherotide 3-months formulation, after which the production process will scale up to commercial scale in the same production facility where the 1-month formulation is produced.

To achieve market authorization for Spherotide in Europe and in the US, a pivotal phase III study for each formulation is required where the effect, in terms of hormone levels in the patients after treatment, is studied and compared to the originator product. Xbrane has received scientific advice

from the German authorities, Bundesinstitut für Arzneimittel und Medizinprodukte, BfArM, and the Food and Drug Administration, FDA, in the United States regarding the design of these clinical studies and is currently carrying out final preparations to be able to initiate the study on the 1-month formulation. Xbrane's goal is to have concluded an agreement with one or more commercialization partners before initiating the clinical study, and thereby fully or partially finance the clinical program for Spherotide. A couple of pharmaceutical companies are currently conducting evaluation of Spherotide for this purpose.

In order to achieve market authorization for Spherotide in China, local clinical studies are required based on the approved product in Europe. Therefore, local clinical trials cannot be initiated until Spherotide has been granted market authorization in Europe. Xbrane is in the final stages of negotiations with a commercialization partner for the product in China.

Xlucane

Xbrane has developed the pilot scale production process for Xlucane and has demonstrated positive in vitro biosimilarity data on the basis of an analysis package consisting of over 20 analytical methods in accordance with European Medicines Agency, EMA, and FDA guidelines. Xbrane has discussed the analytical package and received scientific advice regarding the continued pre-clinical and clinical development of Xlucane from both EMA and FDA. Xbrane is currently carrying out the process of scale up of the production process to commercial scale together with its contract manufacturer BiotechPharma in Lithuania. After successful scale up and demonstration of positive in vitro biosimilarity data on the basis of a number of Xlucane batches produced at commercial scale, the clinical study can be initiated.

Xbrane intends to conduct a pivotal phase I / III study in patients with wet form of age-related macular degeneration, where the effect in terms of visual improvement with Xlucane is compared to the originator drug Lucentis®. As for Spherotide, Xbrane's goal is to conclude an agreement with one or more commercialization partners before the clinical trial is initiated, in order to fully or partially finance the study.

Group net sales and earnings during the period

	2017-04-01	2016-04-01	2017-01-01	2016-01-01	2016-01-01
Amounts in Swedish kronor (SEK)	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
Net sales	4,514,227	1,032,017	11,353,791	1,885,774	2,490,117
Earnings before interest and tax	-9,306,224	-7,438,257	-19,411,104	-12,968,477	-33,221,759
Number of shares end of period	5,940,270	4,623,314	4,755,546	4,623,314	4,755,546
Average number of shares	5,030,095	4,623,314	4,755,546	3,715,262	3,492,918
Earnings per share before dilution	-1.87	-1.63	-4.20	-5.81	-14.90
Earnings per share after dilution	-1.87	-1.63	-4.08	-2.81	-6.99

The Group's net sales for the quarter amounted to SEK 4,514 thousand (1,032) and refers to the second batch of Spherotide delivered to the company's partner in the Middle East. Other operating income amounted to SEK 186 thousand (76) and concerns primarily license income and tax concessions for Italian subsidiary.

The Group's operating profit amounted to SEK -9,306 thousand (-7,539). Number of employees has increased during the quarter from 13 to 18. Salaries and employee benefits amounted to SEK 3,784 thousand (2,893) och which SEK 317 thousand accounted for non-cash provision for incentive programs. For more information see note 5. Other external expenses reached SEK 6,722 thousand (2,860) and is described in note 4.

Costs for raw materials and consumables amounted to SEK 393 thousand (459) and relates to consumables related to the production of Spherotide.

Depreciation and amortizations corresponded to SEK 2,405 thousand (2,419) of which SEK 1,408 thousand (1,350) refers depreciation of goodwill.

Group cash flow and financial position

The Group's cash and bank accounts amounted to SEK 32,365 thousand (56,694) by the end of the period. The equity ratio was 88 percent (90). Cash flow from current operations after changes in working capital amounted to SEK -6,907 thousand (-8,842).

Cash flow from investing activities corresponded to SEK -206 thousand (-3,050). Cash flow from investing activities in tangible assets amounted to SEK -80 thousand (-1,792) and for investments in intangible assets the amount was SEK -179 thousand (950).

On May 24, the Company, with the authorization of the 2017 Annual General Meeting, issued 655,738 new shares in a private placement directed to four investors. Carnegie acted as financial advisor in the placement that brought in SEK 20 million before issuing costs. The

subscription price was set at SEK 30,50 per share, a discount of approximately 7.5% current market price.

On June 16, 40 percent of the convertible loan from the acquisition of Primm Pharma in 2015 was converted to 528,986 newly issued Xbrane shares. The terms for converting are based on the achievement of six (6) milestones, of which milestone I was reached and converted during the fourth quarter of 2016. In 2017, milestones II and III were reached and converted as above. By the end of the period, 50 percent of the convertible loan had thus been converted and the remaining convertible loan amounted to SEK 28,102 thousand. The conversion has no impact on the Company's cash flow.

On June 14, the Company launched a long-term incentive program designed as a share saving program for its employees. The program covers all employees in the Group where each employee can invest a maximum of SEK 150 thousand. By the end of the period the cost of the program was estimated to SEK 21,694 thousand, of which SEK 317 thousand was expensed during the quarter. For more information see Note 5.

The Annual General Meeting 2017 decided on a share issue to employees of a total of 16,500 shares to par value as part of an earlier incentive program. By the end of the period, the shares were not yet registered but booked as "Not registered share capital".

Risks and uncertainties

The main risks to the business are related to:

- » Cost increase and delays in the process of launching Spherotide and Xlucane
- » Potential discrepancies in safety and efficacy in comparison with the respective originator drugs in clinical trials for Xlucane and Spherotide

A more detailed review of operational risks is available in the Annual Report for 2016 available on www.xbrane.com.

Organization and employees

Xbrane is headquartered in Solna, outside of Stockholm, Sweden, where the Company also has a laboratory for research and development of biosimilars. The company has modern equipment for small scale fermentation, purification and simpler characterization of proteins. In 2015, Xbrane acquired the Italian company Primm Pharma s.r.l., located in Milan, which develops and manufactures microspheres. By the end of the period the company had 18 employees, of which 14 were located in Sweden and 4 in Italy.

Share information

By the end of the period Xbrane's share capital amounted to SEK 1,333 thousand (1,036), divided on 5,940,270 shares. The par value of all shares is SEK 0.224, and all the shares have equal rights to the Company's assets and earnings. Since February 3, 2016, Xbrane's share are listed on Nasdaq First North. The number of shareholders as of June 30, 2017 was approximately 1,160 according to public share register and nominee list*. As of June 30, 2017, the share closed at SEK 34.90 equivalent to a market capitalization of SEK 207 million for the Company.

Transactions with closely related stakeholders

Closely related stakeholders are defined as employees and directors of Xbrane.

Since December 31, 2015, the company has a debt to the CEO of the Italian subsidiary Primm Pharma that on the balance sheet date amounted to SEK 2,736 thousand.

Certified Adviser

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

* Source: Modular Finance

FINANCIAL INFORMATION

Accounting principles

In the interim report for the second quarter of 2017 Xbrane has used the same accounting principles and calculation methods as in the latest annual report. The interim report for the Group and the Parent Company have been prepared in accordance with the Annual Accounts Act and the Listing Agreement for First North.

Consolidated Income Statement

Amounts in Swedish kronor (SEK)	Notes	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Net sales	1	4,514,227	1,032,017	11,353,791	1,885,774	2,490,117
Other operating income	2	185,502	76,216	325,814	83,250	2,199,084
Operating expenses						
Raw material and consumables	3	-339,369	-459,027	-2,676,465	-554,114	-1,180,067
Other external expenses	4	-6,776,646	-2,859,823	-15,850,177	-5,687,293	-18,562,463
Personnel expenses	5	-3,783,655	-2,892,878	-6,909,635	-4,671,795	-9,409,836
Depreciation and amortization	6	-2,405,406	-2,419,348	-4,711,082	-3,958,424	-8,539,334
Other expenses		-700,878	-16,105	-943,351	-65,875	-219,259
Earnings before interest and tax		-9,306,224	-7,538,948	-19,411,104	-12,968,477	-33,221,759
Financial items						
Financial income		18,039	31,023	18,039	31,780	137,645
Financial expenses		-99,370	-49,062	-128,611	-150,509	-204,549
Result after financial items		-9,387,555	-7,556,986	-19,521,676	-13,087,206	-33,288,662
Earnings before tax		-9,387,555	-7,556,986	-19,521,676	-13,087,206	-33,288,662
Tax		-	-	-	-	-
Earnings		-9,387,555	-7,556,986	-19,521,676	-13,087,206	-33,288,662

Consolidated balance sheet

Amounts in Swedish kronor (SEK)	Notes	2017-06-30	2016-06-30	2016-12-31
ASSETS				
Fixed assets				
Intangible assets	7	54,546,895	59,233,621	57,367,926
Tangible assets		14,782,144	16,125,899	16,581,154
Financial assets	8	634,700	634,700	634,700
Total fixed assets		69,963,739	75,994,219	74,583,780
Current assets				
Receivables				
Inventory	9	1,618,331	2,804,995	2,496,875
Accounts receivable	10	8,459,388	-	1,499,241
Other receivables	11	7,061,161	4,994,104	8,191,840
Cash and bank		32,365,484	56,693,752	31,338,378
Total current assets		49,504,365	64,492,851	43,526,334
TOTAL ASSETS		119,468,104	140,487,071	118,110,114
EQUITY AND LIABILITIES				
Equity				
Share capital		1,332,733	1,036,482	1,066,127
Not registered share capital		3,795	-	-
Other capital		181,460,034	162,953,300	162,923,655
Translation difference	12	582,862	-1,385,399	-374,021
Earned income including net result		-77,806,988	-36,112,930	-56,314,387
Total equity		105,572,437	126,491,453	107,301,374
Liabilities				
Provisions				
Other provisions		785,006	492,958	638,744
Total provisions		785,006	492,958	638,744
Long term liabilities				
Liabilities to credit institutions		328,770	-	383,795
Other long term debt	14	3,760,211	4,453,618	3,901,822
Total long term liabilities		4,088,981	4,453,618	4,285,617
Current liabilities				
Accounts payable		5,972,390	3,128,886	2,363,641
Other current liabilities	15	3,049,290	5,920,156	3,520,739
Total current liabilities		9,021,680	9,049,042	5,884,380
Total equity and liabilities		119,468,104	140,487,071	118,110,115

Consolidated cash flow statement

	2017-04-01	2016-04-01	2017-01-01	2016-01-01	2016-01-01
Amounts in Swedish kronor (SEK)	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
Current operations					
Earnings before income and tax	-6,629,759	-7,538,947	-16,734,639	-12,968,476	-33,221,759
<i>Adjustments for items not included in cash flow</i>					
- Depreciation	2,405,406	2,419,348	4,711,082	3,958,424	8,539,334
- Other items	-2,270,508	-	-2,440,496	-	-
Interest recieved	15	31,023	15	31,780	137,645
Interest paid	-99,370	-49,062	-128,611	-150,509	-204,549
Paid taxes	-	-	-	-	-
Cash flow from current operations before change in working capital	-6,594,216	-5,137,638	-14,592,650	-9,128,781	-24,749,328
Changes in working capital					
Decrease/increase in accounts recievables	-1,377,230	-1,032,014	-6,960,147	-1,032,014	-1,329,793
Decrease/increase in inventory	643,218	208,732	878,544	-2,644,082	-2,335,962
Decrease/increase in other current assets	798,109	1,223,794	1,130,679	622,634	-3,776,564
Decrease/increase in accounts payables	174,972	-2,491,958	3,608,749	-1,633,633	-2,398,878
Decrease/increase in provisions	78,459	73,848	146,262	139,954	285,740
Decrease/increase in other current liabilities	-630,131	-1,686,692	-471,450	-2,721,981	-5,121,398
Cash flow from current operations after changes in working capital	-6,906,819	-8,841,927	-16,260,012	-16,397,904	-39,426,184
Investing activities					
Purchase of tangible fixed assets	-80,016	-1,792,399	613,842	-6,991,368	-8,855,000
Purchase of intangible fixed assets	-179,932	-950,005	-271,221	-2,802,945	-3,232,193
Rent deposits	-	-634,700	-	-634,700	-634,700
Decrease/increase in goodwill	-	326,726	-	-252,611	-
Cash flow from investing activities	-259,949	-3,050,378	342,620	-10,681,624	-12,721,893
Cash flow from financing activities					
New share issue	17,003,795	-	17,003,796	90,695,776	90,576,952
Repayment of loans	72,628	-23,567	-59,298	389,941	221,940
Repayment of loans (from Serendipity Ixora)	-	-	-	-10,000,000	-10,000,000
Cash flow from financing activities	17,076,423	-23,567	16,944,498	81,085,717	80,798,892
Cash flow for the period	9,909,655	-11,915,872	1,027,106	54,006,189	28,650,816
Change in cash and cash equivalents					
Cash and cash equivalents at beginning of period	22,455,828	68,609,622	31,338,378	2,687,561	2,687,561
Cash and cash equivalents at end of period	32,365,484	56,693,750	32,365,484	56,693,750	31,338,377
Change in cash and cash equivalents	9,909,655	-11,915,872	1,027,106	54,006,189	28,650,816

Consolidated statement of changes in equity

Amounts in Swedish kronor (SEK)	Notes	Share capital	Not registered share capital	Other capital	Translation difference	Earned income including net results	Total equity
Equity Jan 1 2017		1,066,127	-	162,923,655	-374,021	-56,314,387	107,301,374
New share issue		146,885	-	16,853,115	-	-	17,000,000
Ongoing share issue		-	3,795	-	-	-	3,795
Conversion of convertible note	13	118,493	-	-118,493	-	-	-
Reservation of incentive program		-	-	237,541	-	-	237,541
Translation difference		1,228	-	1,801,757	956,883	-2,208,466	551,403
Total comprehensive income for the period		-	-	-	-	-19,521,676	-19,521,676
Equity as of 30 June 2017		1,332,733	3,795	181,697,575	582,862	-78,044,529	105,572,437

Income statement, Parent company

Amounts in Swedish kronor (SEK)	Notes	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Net sales	1	70,125	1 032,017	70,124	1,885,774	2,490,117
Other operating income	2	138,640	8,503	229,886	15,472	644,881
Operating expenses						
Raw material and consumables		-	-7,836	-78,512	-17,565	-40,551
Other external expenses	4	-3,467,804	-2 135,074	-8,828,220	-5,419,835	-16,111,879
Personnel expenses	5	-2,996,292	-1 762,360	-5,150,948	-3,191,322	-6,504,337
Depreciation and amortization	6	-337,320	-304,136	-601,182	-468,342	-1,205,789
Other expenses		-24,229	-312	-24,229	-37,892	-134,970
Earnings before income and tax		-6,616,881	-3 169,197	-14,383,081	-7,233,708	-20,862,527
Financial items						
Financial income		18,030	30,182	18,030	30,305	135,569
Financial expenses		-1,937	2,421	-1,939	-64,036	-64,312
Earnings after financial items		-6,600,789	-3,136,594	-14,366,991	-7,267,440	-20,791,270
Earnings before tax		-6,600,789	-3,136,594	-14,366,991	-7,267,440	-20,791,270
Tax		-	-	-	-	-
Earnings		-6,600,789	-3,136,594	-14,366,991	-7,267,440	-20,791,270

Balance sheet, Parent company

Amounts in Swedish kronor (SEK)	Notes	2017-06-30	2016-06-30	2016-12-31
ASSETS				
Fixed tangible assets		4,930,047	5,581,028	6,111,521
Financial assets				
Shares in subsidiaries		92,182,196	78,360,101	88,335,486
Other non-current receivables	8	634,700	634,700	634,700
Total financial assets		92,816,896	78,994,801	88,970,186
Current assets				
Receivables				
Other current receivables	11	837,928	1,913,520	2,553,858
Cash and cash equivalents		31,872,518	54,582,416	30,511,999
Total current assets		32,710,446	56,495,936	33,065,857
TOTAL ASSETS		130,457,389	141,071,765	128,147,564
EQUITY AND LIABILITIES				
Equity				
Share capital		1,331,505	1,036,482	1,066,127
Not registered share capital		3,795	-	-
Other capital	13	180,344,247	163,639,270	163,609,626
Earned income including net result		-54,199,056	-26,545,775	-40,069,605
Total equity		127,480,491	138,129,978	124,606,148
Liabilities				
Current liabilities				
Accounts payable		1,741,303	2,457,883	1,923,219
Other current liabilities	15	1,235,595	483,908	1,618,198
Total current liabilities		2,976,898	2,941,791	3,541,417
Total equity and liabilities		130,457,389	141,071,768	128,147,565

Cash flow statement, Parent company

	2017-04-01	2016-04-01	2017-01-01	2016-01-01	2016-01-01
Amounts in Swedish kronor (SEK)	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
Current operations					
Earnings before income and tax	-6,616,881	-3,169,197	-14,383,082	-7,233,708	-20,862,527
<i>Adjustments for items not included in cash flow</i>					
- Depreciation	337,320	304,136	601,182	468,342	1,205,789
- Other items	255,566	-	255,566	-	-
Interest recieved	5	30,182	5	30,305	135,569
Interest paid	-1,937	2 421	-1,939	-64,036	-64,312
Paid taxes	-4,487	-1 557	-6,044	-3,114	-
Cash flow from current operations before change in working capital	-6,030,414	-2,834,015	-13,534,313	-6,802,212	-19,585,481
Changes in working capital					
Decrease/increase in accounts recievables	239,168	-1,032,017	1,499,241	-1,032,017	-1,329,793
Decrease/increase in other current assets	149,225	539,862	222,733	685,883	349,033
Decrease/increase in accounts payables	157,859	-330,630	-181,916	990,331	455,667
Decrease/increase in provisions	-	-	-	-264,242	-264,242
Decrease/increase in other current liabilities	-525,621	-109,082	-382,604	-1,239,725	-114,258
Cash flow from current operations after changes in working capital	-6,009,783	-3,765,882	-12,376,859	-7,661,981	-20,489,074
Investing activities					
Purchase of tangible fixed assets	-23,332	-1,300,338	580,292	-5,890,647	-7,158,587
Investments in subsidiaries	-975,340	-3,816,697	-3,846,710	-15,584,666	-25,560,051
Rent deposits	-	-634,700	-	-634,700	-634,700
Cash flow from investing activities	-998,672	-5,751,735	-3,266,418	-22,110,013	-33,353,338
Cash flow from financing activities					
New share issue	17,003,795	-3	17,003,795	92,157,260	92,157,263
Repayment of loans (from Serendipity Ixora)	-	-	-	-10,000,000	-10,000,000
Cash flow from financing activities	17,003,795	-3	17,003,795	82,157,260	82,157,263
Cash flow for the period	9,995,340	-9,517,620	1,360,518	52,385,265	28,314,851
Change in cash and cash equivalents					
Cash and cash equivalents at beginning of period	21,877,178	64,100,033	30,511,999	2,197,148	2,197,148
Cash and cash equivalents at end of period	31,872,518	54,582,416	31,872,518	54,582,416	30,511,999
Change in cash and cash equivalents	9,995,340	-9,517,617	1,360,519	52,385,268	28,314,851

NOTES

Accounting principles

The Groups consolidated financial statement is prepared using the purchase (accounting) method. The acquisition date is the date when control is obtained. Identifiable assets and liabilities are measured initially at their fair values at the acquisition date. The minority share of the net assets acquired is valued at fair value. Goodwill is the difference between the acquired identifiable net assets at the date of acquisition and the acquisition cost, including the value of the minority interest, and are initially measured at the acquisition cost. Transactions between Group companies are fully eliminated. Subsidiaries in other countries prepares its annual accounts in foreign currency. At consolidation the entries for these companies' balance sheets and income statements are translated at the closing rate and the spot rate on the date at which each business event took place. The resulting exchange differences are recognized in accumulated translation differences in the equity.

The numbers in the notes refers to the Group if nothing else is stated.

Note 1 Net sales

Revenue is recognized when the income can be calculated in a reliable way and when essentially all risks and rights associated with ownership have been transferred to the buyer, which normally occurs in connection with delivery.

Net sales for the period amounted to SEK 4,514 thousand (1,032) and relates to sales of Spherotide to the Company's partner in the Middle East.

Amounts in Swedish kronor (SEK)

Net sales	Group	Parent Company
Sales of Spherotide	4 400 102	-
Other	114 125	70 125
Total	4 514 227	70 125

Note 2 Other operating income

Other operating income amounted to SEK 185 thousand (76) and primarily relates to licenses income for Xbrane's protein expression technology and tax reliefs for the Italian subsidiary, Primm Pharma, according to specially established programs in Italy to promote research-intensive companies.

Amounts in Swedish kronor (SEK)

Other external expenses	Group	Parent Company
Licence income for protein expression technologi	148 932	148 932
Tax reliefs	46 863	-
Currency gain/loss	-10 292	-10 292
Total	185 502	138 640

Note 3 Raw materials and supplies

Costs for raw materials and consumables amounted to SEK 339 thousand (459) and refers to production cost of Spherotide.

Note 4 Other external expenses

Other external expenses amounted to SEK 6,777 thousand (2,860) and relates to the following items:

Amounts in Swedish kronor (SEK)

Other external expenses	Group	Parent Company
Regulatory and clinical consulting	1 024 463	591 730
Production costs - Spherotid	1 889 200	215 240
Consumables	203 536	203 536
Development costs of other microspheroidal pharmaceuticals	720 541	-
Rent and other cost for premises	416 505	289 594
IR, PR and share related costs	186 718	186 718
Consultancy fees	1 097 815	932 445
- Accounting services	81 607	9 553
- Auditors	195 650	195 650
- Board member fees	31 420	31 420
- Legal consultancy	14 440	14 440
- Other consultancy fees	774 698	681 382
Travel and representations	297 977	158 587
Software applications	136 164	136 164
Other costs and services	803 727	753 790
Total	6 776 646	3 467 804

Note 5 Personnel expenses

In June 2017, the Company launched a long-term incentive program designed as a share saving program for all employees. The term for the program is 2017-2019 and it is designed as a share savings program where the employee's participation requires an investment in Xbrane shares, the so-called savings shares, up to a value of SEK 150,000 before end of February 2018. By the end of the program in 2020 the participants are offered, if approved by the AGM 2020, to purchase as many shares as they participate with in the program at par value or alternatively receive a cash amount equivalent to such a value up to a certain amount. For the latter alternative the program will be a form of synthetic option linked to the savings shares acquired by the respectively employee. The targets set by the Company are defined as objectives for the products Spherotide and Xlucane, and relate to the development, implementation and result from clinical studies, market approval, out licensing and sales.

The incentive program is booked in the parent company in accordance with IFRS 2. At the balance sheet date, the cost of the program was estimated at SEK 21,694 thousand, of which SEK 317 thousand was expensed during the quarter. The cost of the program will be adjusted on a quarterly basis.

Amounts in Swedish kronor (SEK)

Personnel expenses	Group	Parent Company
Salaries and personnel expenses	3,466,645	2,679,282
Incentive program	317,010	317,010
Total	3,783,655	2,996,292

Note 6 Depreciation and amortization

Tangible assets and intangible assets that are depreciated are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is made by the amount at which the asset's carrying amount exceeds its recoverable amount. No impairment need has been identified during the second quarter.

SEK 1,408 thousand of the depreciation for intangible assets was attributable depreciation of goodwill from the acquisition of Primm Pharma s.r.l. as of September 30, 2015, which is depreciated over a 10-year period in accordance with the regulations K3 and the Annual Accounts Act.

Depreciation for the Parent Company relates to laboratory equipment that is depreciated over five years. Other fixtures and equipment are written-off in five and three years respectively.

Amounts in Swedish kronor (SEK)

Depreciation and amortization	Group	Parent Company
Depreciation of tangible assets	-631,215	-337,320
Depreciation of intangible assets	-1,774,192	-
- Goodwill	-1,407,632	-
- Other intangible assets	-366,560	-
Total	-2,405,406	-337,320

Note 7 Intangible assets

Intangible fixed assets amounts to SEK 54,547 thousand (59,233) and consist primarily of goodwill attributable to the acquisition of Primm Pharma amounting to SEK 46,542 thousand. Goodwill is amortized for the eight time during the second quarter of 2017. The accumulated depreciation amounts to SEK 9,791 thousand. Remaining intangible assets amounts to SEK 8,005 thousand and relates to capitalized development costs and ongoing facilities in Primm Pharma.

Amounts in Swedish kronor (SEK)

Intangible assets	Group	Parent Company
Balanced development costs	8,004,622	-
Goodwill	46,542,273	-
Total	54,546,895	-

Note 8 Other non-current receivables

The parent company has a rental deposit related to its office and laboratory premises at Nordea totalling SEK 635 thousand booked as rental deposit.

Note 9 Inventories

By the end of the period the inventory value in Primm Pharma amounted to SEK 1,618 thousand (2,805). The Parent Company did not have any inventories.

Note 10 Accounts receivables

Accounts receivable amounted to SEK 8,459 thousand and relates to payment of Spherotide to the company's partner Pooyesh Darou in Iran. At the balance sheet date, no accounts receivable were due.

The parent company had no accounts receivable on the balance sheet date.

Note 11 Other receivables

Amounts in Swedish kronor (SEK)

Other receivables	Group	Parent Company
Current tax receivables	5,416,707	11,753
Other receivables	490,688	490,688
Prepaid expenses and accruals	1,153,766	335,487
Total	7,061,161	837,928

Note 12 Translation difference

Translation differences are attributable to the Italian subsidiary and primarily the goodwill arising on acquisition.

Translation differences are not applicable to the parent company.

Note 13 Equity

The acquisition of Primm Pharma in 2015 was financed by the issue of a convertible loan classified as equity. The convertibles held by Primm Pharma's former owner initially amounted to SEK 56 million and can be converted to shares corresponding to the subscription price of SEK 42.5. The convertible loan is recognized as equity, as it will always be converted into shares and thus will not involve any cash payment for the company. During Q2, 40% of the convertible loan was converted to shares when the second and third milestones were met.

The conversion to shares occurs following the fulfillment of the following milestones in the commercialization of Spherotide. If a milestone is not met within the predetermined timeframe, the corresponding portion of the convertible amount will be cancelled.

The milestones are as follows:

July 2016:	Submission of the application to obtain GMP approval of the production facility outside of Naples to the Italian Medicines Agency. Corresponds to 10 percent of convertible value. (Converted)
December 2016:	GMP-approval of the production plant outside Naples from the Italian Medicines Agency. Corresponds to 20 percent of convertible value. (Converted)
July 2017:	Sales initiated in Iran. Corresponds to 20 percent of convertible value. (Converted)

March 2018:	Sales corresponding to 200,000 doses of Spherotide realized. Corresponds to 25 percent of convertible value.
July 2018:	Bioequivalence study for the approval of Spherotide in the EU conducted with positive results. Corresponding 15 percent of convertible value.
March 2020:	Sales corresponding to 1 million doses of Spherotide realized. Corresponds to 10 percent of convertible value.

Note 14 Other long-term liabilities

Long-term liabilities for the subsidiary consist of a debt to Primm Pharma's CEO Paolo Sarmientos amounting to SEK 2,736 thousand. The debt relates to accrued severance pay under Italian law to be repaid upon termination of employment.

In addition there is lease on a fixed asset in the production plant for Spherotide outside Naples in Italy.

Amounts in Swedish kronor (SEK)

Long term liabilities	Group	Parent Company
Debt to Primm Pharma's CEO	2,736,082	-
Financial leasing of Freeze dryer	1,352,898	-
Total	4,088,981	-

Note 15 Other current liabilities

Amounts in Swedish kronor (SEK)

Accrued expenses and pre-paid revenue	Group	Parent Company
Current tax liabilities	58,611	-
Other current liabilities	644,250	529,233
Accrued expenses and pre-paid revenue	2,346,429	706,362
Total	3,049,290	1,235,595

ASSURANCE

The Board of Directors and the Managing Director hereby certify that this interim report gives a true and fair view of the company's and the Group's operations, position and results, as well as the significant risks and uncertainties faced by the company and the companies that are part of the Group.

Stockholm, August 31, 2017

.....
Saeid Esmailzadeh

Chairman of the board

.....
Alessandro Sidoli

Member of the board

.....
Peter Edman

Member of the board

.....
Maris Hartmanis

Member of the board

.....
Karin Wingstrand

Member of the board

.....
Martin Åmark

CEO

.....
Giorgio Chiviri

Member of the board

Financial calendar

Interim Report Jul-Sep	November 13, 2017
Year-end report	February 28, 2018

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