



Xbrane Biopharma AB (publ)

556749-2375 | Interim report July – September 2016

About Xbrane Biopharma

Xbrane Biopharma is a biotechnology company specialized in the development and production of biosimilars and long acting injectables. The goal is to make affordable 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 8x 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. Xbranes headquarter is based in Stockholm and the Company has research and development facilities in Sweden and Italy. Xbrane is listed on Nasdaq First North since February 3 2016 under the ticker XBRANE. For more information, please visit www.xbrane.com.

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- **Net sales** SEK 71 840 (129 988)
 - **Total income** SEK 137 570 (136 884)
 - **Earnings before tax** SEK -10 101 565 (-4 098 610)
 - **Cash flow from current operations** SEK -10 568 437 (-1 034 775)
 - **Earnings per share before dilution** SEK -2,18 (-18,39)
 - **Earnings per share after dilution** SEK -2,18 (-18,39)



MESSAGE FROM THE CEO

Dear Shareholders,

Xbrane has during the third quarter of 2016 continued to execute on its business plan and has delivered the promised milestones according to time plan.

The development of Spherotide is proceeding according to plan. Beginning of August we submitted the application to AIFA, the Italian Medicines Agency, for GMP (Good Manufacturing Practice) approval of our production facility in Italy. In October AIFA inspected the facility with positive results. Only minor deviations were identified and are currently being addressed and reported back to AIFA. GMP approval of the production facility is expected for Q1 2017 after which we can deliver our first commercial batch to a value of 7 MSEK to our partner in the Middle East. In September we met with BfArM, the German Federal Institute for Drugs and Medical Devices, to get scientific input and advice to our regulatory and clinical strategy regarding the coming submission of a MAA (Marketing Authorization Application) for Spherotide in EU. Based on the advice we can now confirm our strategy and the design of the clinical study we plan to initiate during 2017. We are also currently performing a comparative study of Spherotide and the originator drug in mini-pigs to generate data to be used to optimize and size of the planned clinical study.

The development of Xlucane is also proceeding according to plan. During the quarter we have developed analytical methods and performed comparative analysis, according to EMA and FDA guidelines, to demonstrate biosimilarity, i.e. high equivalence, vs. the originator drug Lucentis. The analytical methods are developed and validated together with our contract manufacturer Biotechpharma and will also be used in quality control of commercial batches of Xlucane. We are also preparing for scientific advice meetings with both EMA and FDA to confirm our regulatory and clinical strategy as well as design of the clinical trial planned to be initiated during 2017.

We are also intensifying the dialogues and negotiations with potential sales and marketing partners. We signed a non-binding term-sheet with a Chinese pharmaceutical company for sales and marketing of Spherotide in China. We are in advanced stage negotiations with several additional partners in other regions for both Spherotide and Xlucane.

During the remainder of the year and during Q1 2017 we are looking forward to finalize and communicate on the following important milestones:

- Complete the comparative study of Spherotide and original product in mini-pigs
- Obtain GMP approval for the Spherotide production facility in Italy
- Deliver the first commercial batch of Spherotide to a value of SEK 7 million to our partner in the Middle East
- Complete and obtain results from the biosimilarity analysis according to EMA and FDA guidelines on Xlucane
- Complete the deal with our Chinese partner for the sale and marketing of Spherotide in China
- Establish additional partnerships with partners around the world

Martin Åmark
Martin Åmark



BUSINESS DESCRIPTION AND STRUCTURE

Xbrane Biopharma is a biotechnology company specialized in the development and production of biosimilars and long acting injectables. The goal is to make affordable 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 8x 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.

Xbranes leading long acting injectable is Spherotide. Spherotide is a microsphere based formulation with the active substance triptorelin used

primarily in the treatment of prostate cancer, endometriosis and uterine fibroids. Spherotide is planned to be launched in Iran in 2017 and in Europe in 2019. Xbranes leading biosimilar is Xlucane, a ranibizumab biosimilar (originator drug Lucentis) that is used in the treatment of various eye diseases, primarily wet form of age-related macular degeneration.

Xbrane owns since 30 September 2015 the Italian subsidiary Primm Pharma srl, which focuses on development and production of long acting injectables and the product Spherotide. Primm pharma owns fixed assets related to the production facility for Spherotide outside of Naples in Italy.

Ownership

Xbrane had a total of around 487 shareholders distributed on 4,623,314 shares 2016-09-30. The ten largest shareholders as of 2016-09-30 are shown in the table below¹.

Name	Number of shares	Ownership (%)
Serendipity Ixora AB	1 220 810	26,41%
Försäkringsaktiebolaget Avanza pension	220 279	4,76%
Nordnet Pensionsförsäkring AB	177 374	3,84%
Jan-Willem De Gier	119 000	2,57%
Christer Skogum	111 800	2,42%
Martin Åmark	110 490	2,39%
Siavash Bashiri	86 730	1,88%
Kjell Beijers 80-årsstiftelse	86 000	1,86%
Michael Löfman	75 000	1,62%
Robur Försäkring	50 900	1,10%
Handelsbanken Liv	56 300	1,22%
Total 10 largest shareholders	2 314 683	50,07%
Total other shareholders	2 308 631	49,93%
Total	4 623 314	100,00%

Significant events during third quarter 2016

- Xbrane submitted GMP approval application for its Spherotide production facility in Italy to AIFA, the Italian Medicines Agency
- Xbrane finalized production of and sold first batches of Spherotide to a value of SEK 7 million, to be delivered upon GMP approval of the facility to the partner in Middle East
- Oxford Nanopore Technologies licensed Xbrane Biopharma's protein production technology

Significant events after the second quarter

- AIFA performed an inspection of Xbranes Spherotide production facility in Italy with positive outcome
- Xbrane signed a non-binding term-sheet with a large Chinese pharmaceutical company for sales and marketing of Spherotide in China

¹ Based on full ownership register of directly registered and nominee shareholders

Group net sales and earnings during the period

Amounts in SEK	2016-07-01	2015-07-01	2016-01-01	2015-01-01	2015-01-01
	2016-09-30	2015-09-30	2016-09-30	2015-09-30	2015-12-31
Net sales	71 840	129 988	1 957 614	309 123	392 859
Earnings before interest and tax	-10 089 896	-4 101 049	-23 058 372	-6 516 132	-11 550 797
Number of shares end of period	4 623 314	223 029	4 623 314	223 029	2 230 290
Average number of shares	4 623 314	223 029	4 623 314	223 029	2 230 290
Earnings per share before dilution	-2,18	-18,39	-10,34	-29,22	-5,18
Earnings per share after dilution	-2,18	-18,39	-4,99	-29,22	-5,18

Consolidated net sales for the third quarter of 2016 amounted to SEK 72 thousand (130). Accumulated net sales during 2016 amounted to SEK 1,958 thousand and is related mainly to milestone payments from Helvetic Biopharma in the commercialisation process of Xlucane in Iran. Other operating income amounted to SEK 66 thousand (7) and related mainly to the utilization of a tax credit in Primm Pharma s.r.l.

Consolidated earnings before interest and tax during the third quarter amounted to SEK -10,090 thousand (-4,101). Personnel expenses amounted to SEK -2,473 thousand (-1,084). Other external expenses amounted to SEK -5,360 thousand (-3,137) and relate to service providers, particularly regarding analysis and production of Xlucane and in-vivo studies of Spherotide (-2,845), consumables to the laboratory (-307), facilities (-171), administrative and legal services (-377), research and development of long acting injectables that Xbrane has in its portfolio which takes place under a development agreement with the company Primm (-701) and other expenses (-959). Expenses for raw material and consumables amounted to SEK -138 thousand and relate to material used in the production of Spherotide at Primm Pharma s.r.l. Depreciation and amortization amounted to SEK -2,191 thousand (-16) and relates to amortization of goodwill of SEK -1,350 thousand and amortization and depreciation of intangible and tangible assets.

Group cash flow and financial situation

Cash and cash equivalents at the end of the period amounted to SEK 43,923 thousand (2,815). The equity ratio was 90 percent (73). Cash flow from operating activities was SEK -10 568 thousand (-1,035) for the quarter.

In the third quarter, total investments amounted to SEK 534 thousand (0) for intangible assets and SEK 1,651 thousand (19) for tangible assets.

Risks and uncertainties

The main risks to the business are related to:

- Cost increases and delays in the process of obtaining GMP approval for the production facility for Spherotide outside of Naples in Italy.
- Delays in the process of launching Xlucane in Iran, primarily related to delays in establishment of production, clinical trials and marketing authorization.
- Potential differences in safety and efficacy in comparison with the respective original drugs in clinical trials for Xlucane and Spherotide

A more detailed review of the risks to the business are available in the annual report published April 28, 2016 and is available on www.xbrane.com.

Organization and employees

Xbrane has in Sweden a laboratory where focus is on the development of biosimilars. We have state of the art equipment for pilot-scale fermentation, purification and characterization of proteins. Xbrane had as of September 30 2016 10 employees in Sweden. Xbrane acquired in 2015 the Italian company Primm Pharma responsible for the development and production microsphere based products. Primm Pharma had 4 employees as of 30 September 2016 and has headquarters in Milan.

Share Information

Xbranes share capital amounted to SEK 1,036 thousand at the end of the quarter divided into 4,623,314 shares. The quota value of all shares is 0,224, and they all have equal rights to the company's assets and earnings. The Xbrane share was listed on Nasdaq First North on February 3 2016 and the number of shareholders in Xbrane amounted as of September 30 2016 to 487. As of September 30 2016 the closing price of the Xbrane share was

SEK 41,2, which gave the company a market capitalization of SEK 190 million.

Transactions with closely related stakeholders

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

Among Primm Pharma liabilities as of 30 September 2016 is a liability to Primm Pharma's CEO amounting to SEK 2,724 thousand and a liability to the company Primm s.r.l. amounting to SEK 1,837 thousand. Both of these liabilities arised from the acquisition of Pharma Primm.

Xbrane purchased during the quarter services from Juno Ekonomi AB (Reg No: 556834-0235) related to accounting and administration for SEK 162 thousand. Juno Ekonomi AB is 100 percent owned by Sdiptech AB (Reg No: 556672- 4893). Sdiptech AB is owned by 76 percent of the Serendipity Group AB (Reg. No: 556799-6813) which is owned by 50 percent of Saeid Esmailzadeh who is the chairman of the board of Xbrane.

Certified Adviser

Xbranes Certified Adviser at Nasdaq First North is Avanza Bank AB.

FINANCIAL INFORMATION

Accounting principles

In the interim report for the third quarter of 2016 the same accounting principles and calculation methods are used as in the latest annual report. With the acquisition of Primm Pharma consolidated accounts was established for the first time the third quarter of 2015. The interim report for the Group and the Parent Company has been prepared in accordance with the Annual Accounts Act and the Listing Agreement for First North.

Consolidated income statement

Amounts in SEK	Notes	2016-07-01 2016-09-30	2015-07-01 2015-09-30	2016-01-01 2016-09-30	2015-01-01 2015-09-30	2015-01-01 2015-12-31
Net sales	1	71 840	129 988	1 957 614	309 123	392 859
Other operating income	2	65 730	6 896	148 980	34 456	550 467
Operating expenses						
Raw material and consumables	3	-137 605	-	-691 719	-	-256 615
Other external expenses	4	-5 360 408	-3 137 384	-11 047 701	-3 917 492	-6 632 497
Personnel expenses		-2 473 291	-1 084 200	-7 145 086	-2 888 320	-4 138 606
Depreciation and amortization	5	-2 190 628	-15 602	-6 149 051	-46 806	-1 441 338
Other expenses		-65 534	-747	-131 409	-7 093	-25 067
Earnings before interest and tax		-10 089 896	-4 101 049	-23 058 372	-6 516 132	-11 550 797
Financial items						
Financial income, other		16 230	2 439	48 010	2 461	424
Financial expenses, other		-27 899	-	-178 408	-111	-294 413
Earnings before tax		-10 101 565	-4 098 610	-23 188 770	-6 513 782	-11 844 786
Earnings before tax		-10 101 565	-4 098 610	-23 188 770	-6 513 782	-11 844 786
Tax		-	-	-	-	-
Earnings		-10 101 565	-4 098 610	-23 188 770	-6 513 782	-11 884 786

Consolidated balance sheet

Amounts in SEK	Notes	2016-09-30	2015-09-30	2015-12-31
ASSETS				
Fixed assets				
Intangible assets	6	59 389 809	63 845 371	57 873 338
Tangible assets	7	17 183 831	9 622 573	10 023 994
Financial assets, rent deposits	8	634 700	-	-
Total fixed assets		76 573 639	73 467 944	67 897 332
Current assets				
Inventory	9	2 869 219	-	160 913
Other receivables	10	7 118 368	205 707	4 584 725
Cash and bank balances		43 923 136	2 814 744	2 687 560
Total current assets		53 910 723	3 020 451	7 433 198
TOTAL ASSETS		131 119 063	76 488 395	75 330 530

Equity and liabilities

Amounts in SEK	Notes	2016-09-30	2015-09-30	2015-12-31
Equity				
Share capital		1 036 483	100 900	500 000
Unregistered share capital	14	29 645	-	-
Other capital		162 923 655	73 581 131	73 182 031
Translation difference	11	228 140	-	-3 147 111
Earned income including net result		-46 214 497	-17 694 721	-23 025 725
Total equity		118 003 426	55 987 310	47 509 195
Liabilities				
Provisions				
Other provisions		573 759	298 056	353 004
Total provisions		573 759	298 056	353 004
Long term liabilities				
Liabilities to credit institutions		-	-	-
Other long term liabilities	12	4 436 596	5 584 840	4 063 676
Total long term liabilities		4 436 596	5 584 840	4 063 676
Current liabilities				
Accounts payable		3 250 670	4 463 357	4 762 519
Other current liabilities	13	4 854 613	10 154 832	18 642 136
Total current liabilities		8 105 282	14 618 189	23 404 655
Total equity and liabilities		131 119 063	76 488 395	75 330 530

Consolidated cash flow statement

Amounts in SEK	Notes	2016-07-01 2016-09-30	2015-07-01 2015-09-30	2016-01-01 2016-09-30	2015-01-01 2015-09-30	2015-01-01 2015-12-31
Current operations						
Earnings before interest and tax		-10 089 897	-4 101 049	-23 058 373	-6 516 132	-11 550 797
Adjustments for items not included in cash flow						
- Depreciation		2 190 628	15 602	6 149 052	46 806	1 441 338
- Other items		393 947	-	141 336	-	-
Interest recieved		16 230	2 439	48 010	2 461	424
Interest paid		-27 899	-	-178 408	-110	-294 413
Paid taxes		-	-	-	-4 671	-4671
Cash flow from current operations before change in working capital		-7 516 991	-4 083 008	-16 898 384	-6 471 646	-10 408 119
Changes in working capital						
Decrease/increase in accounts recievables		-591 951	-31 427	-1 623 965	-125 176	-164 635
Decrease/increase in inventory		-64 224	-	-2 708 306	-	-160 913
Decrease/increase in other current assets		-1 532 313	154 882	-909 679	291 874	-1 928 582
Decrease/increase in accounts payables		121 784	269 183	-1 511 849	214 326	513 488
Decrease/increase in provisions		80 801	-	220 755	-	-
Decrease/increase in other current liabilities		-1 065 543	2 655 595	-3 787 524	2 684 798	-237 913
Cash flow from current operations		-10 568 437	-1 034 775	-27 218 953	-3 405 824	-12 386 674
Investing activities						
Purchase of tangible fixed assets		-1 650 759	19 473	-8 642 127	19 473	-1 146 335
Purchase of intangible fixed assets		-534 399	-	-3 337 344	-	-
Rent deposits		-	-	-634 700	-	19473
Decrease/increase in goodwill		-	-	-	-	-
Cash flow from investing activities		-2 185 158	19 473	-12 614 171	19 473	-1 126 862
Cash flow from financing activities						
New share issue		-	-	90 695 777	-	-
Repayment of loans		-17 021	-	372 919	-	-
Repayment of loans (from Serendipity Ixora)		-	-	-10 000 000	-	10 000 000
Cash flow from financing activities		-17 021	-	81 068 696	-	10 000 000
Cash flow for the period		-12 770 616	-1 015 302	41 235 572	-3 386 351	-3 513 536
Change in cash and cash equivalents						
Cash and cash equivalents at beginning of period		56 693 750	3 830 046	2 687 561	6 201 096	6 201 096
Cash and cash equivalents at end of period		43 923 133	2 814 744	43 923 133	2 814 744	2 687 561
Change in cash and cash equivalents		-12 770 616	-1 015 302	41 235 572	-3 386 351	-3 513 536

Consolidated statement of changes in equity

Amounts in SEK	Notes	Share capital	Unregistered share capital	Other capital	Translation difference	Earned income including net result	Total equity
Equity Jan 1 2016		500 000	-	73 182 031	-3147111	-23 025 725	47 509 195
New share issue		536 482	-	89 771 268	-	-	90 307 750
Bonus issue		-	-	-	-	-	-
Conversion of the convertible	14	-	29 645	-29 645	-	-	-
Translation difference		-	-	-	3 375 251	-	3 375 251
Total comprehensive income for the period		-	-	-	-	-23 188 772	-23 188 772
Equity Jun 30 2016		1 036 482	29 645	162 923 654	228 140	-46 214 497	118 003 425

The new share issue during the first quarter of 2016 raised SEK 100,3 million before transaction costs. The share issue was distributed on 2,36 million shares and approximately 1300 shareholders.

In the equity is included a convertible note for a total of SEK 56 million to Primm Pharma's former owners. As a result of the issued convertible note a maximum of 1 322 428.24 shares can be issued based on fulfilment of milestones related to the commercialization of Spherotide.

Income statement, Parent company

Amounts in SEK	Notes	2016-07-01 2016-09-30	2015-07-01 2015-09-30	2016-01-01 2016-09-30	2015-01-01 2015-09-30	2015-01-01 2015-12-31
Net sales	1	71 840	129 988	1 957 614	309 123	392 859
Other operating income		-3 706	6 896	11 766	34 456	40 770
Operating expenses						
Raw material and consumables		-6 462	-	-24 027	-	-42 686
Other external expenses	4	-4 279 692	-3 137 384	-9 699 527	-3 917 492	-5 331 943
Personnel expenses		-1 758 758	-1 084 200	-4 950 080	-2 888 320	-3 976 905
Depreciation and amortization	5	-359 964	-15 602	-828 306	-46 806	-64 938
Other expenses		-36 800	-747	-74 690	-7 093	-11 322
Earnings before interest and tax		-6 373 542	-4 101 049	-13 607 250	-6 516 132	-8 994 165
Financial items						
Financial income, other		16 006	2 439	46 311	2 461	127
Financial expenses, other		229	-	-64 265	-111	-266 899
Earnings before tax		-6 357 307	-4 098 610	-13 625 204	-6 513 782	-9 260 937
Earnings before tax		-6 357 307	-4 098 610	-13 625 204	-6 513 782	-9 260 937
Tax		-	-	-	-	-
Earnings		-6 357 307	-4 098 610	-13 625 204	-6 513 782	-9 260 937

Balance sheet, Parent company

Amounts in SEK	Notes	2016-09-30	2015-09-30	2015-12-31
ASSETS				
Fixed assets				
Tangible assets	7	6 293 256	85 758	158 723
Shares in group companies		83 141 076	56 203 200	62 775 435
Financial assets, rent deposits	8	634 700	-	-
Total fixed assets		90 069 032	56 288 958	62 934 158
Current assets				
Other receivables	10	2 805 034	182 527	1 567 389
Cash and cash equivalents		42 495 587	2 795 271	2 197 148
Total current assets		45 300 620	2 977 798	3 764 537
TOTAL ASSETS		135 369 652	59 266 756	66 698 695

Equity and liabilities

Amounts in SEK	Notes	2016-09-30	2015-09-30	2015-12-31
Equity				
Share capital		1 036 482	100 900	500 000
Unregistered share capital	14	29 645	-	-
Other capital		163 609 625	72 417 591	72 018 491
Earned income including net result		32 903 539	-16 531 181	-19 278 336
Total equity		131 772 213	55 987 310	53 240 155
Liabilities				
Current liabilities				
Accounts payable	13	2 536 640	328 154	1 467 552
Other current liabilities		1 060 799	2 951 292	11 990 988
Total current liabilities		3 597 439	3 279 446	13 458 540
Total equity and liabilities		135 369 652	59 266 756	66 698 695

Cash flow statement, Parent company

		2016-07-01	2015-07-01	2016-01-01	2015-01-01	2015-01-01
Amounts in SEK	Notes	2016-09-30	2015-09-30	2016-09-30	2015-09-30	2015-12-31
Current operations						
Earnings before interest and tax		-6 373 542	-4 101 049	-13 607 250	-6 516 132	-8 994 165
Adjustments for items not included in cash flow						
Depreciation		359 964	15 602	828 306	46 806	64 938
Other items						
Interest recieved		16 006	2 439	46 311	2 461	127
Interest paid		-229	-	-64 265	-110	-266 899
Paid taxes		-1 557	-	-4671	-4 671	-
Cash flow from current operations before change in working capital		-5 999 358	-4 083 008	-12 801 569	-6 471 646	-9 195 999
Changes in working capital						
Decrease/increase in accounts recievables		-591 951	-31 427	-1 623 965	-125 176	-164 635
Decrease/increase in other current assets		-299 563	154 882	386 320	-	-1 053 528
Decrease/increase in accounts payables		78 757	269 183	1 069 088	291 874	1 353 725
Decrease/increase in provisions		-	-	-264 242	214 326	-
Decrease/increase in other current liabilities		578 449	2 655 595	-661 276	-	-
Decrease/increase in other current liabilities		-	-	-	2 684 798	1 719 823
Cash flow from current operations		-6 233 666	-1 034 775	-13 895 643	-3 405 824	-7 340 615
Investing activities						
Purchase of tangible fixed assets		-1 072 192	-	-6 962 839	-	-91 097
Investments in subsidiaries		-4 780 975	-	-20 365 641	-	-6 572 235
Rent deposits		-	-	-634 700	-	-
Cash flow from investing activities		-5 853 167	-	-27 963 180	-	-6 663 332
Cash flow from financing activities						
New share issue		-	-	92 157 263	-	-
Repayment of loans (from Serendipity Ixora)		-	-	-10 000 000	-	10 000 000
Cash flow from financing activities		-	-	82 157 263	-	10 000 000
Cash flow		-12 086 833	-1 034 775	40 298 440	-3 405 824	-4 003 947
Change in cash and cash equivalents						
Cash and cash equivalents at beginning of period		54 582 420	3 830 046	2 197 148	6 201 096	6 201 096
Cash and cash equivalents at end of period		42 495 587	2 795 271	42 495 587	2 795 271	2 197 149
Change in cash and cash equivalents		-12 086 833	-1 034 775	40 298 440	-3 405 825	-4 003 947

NOTES

Accounting principles

In the interim report the same accounting principles and calculation methods are used as in the recently published annual report. With the acquisition of Primm Pharma consolidated accounts was established for the first time the third quarter of 2015. The comparative figures for the third quarter therefore relate to the Group. 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.

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.

Note 1 Net sales

The Group & Parent Company

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

Net sales consists in the third quarter of license payment from Oxford Nanopore Technologies for September.

Accumulated revenue up to 30 September 2016 relates to milestone payments according to the agreement with the customer Helvetic Biopharma to commercialize Xlucane in Iran.

Note 2 Other operating income

Group

Other operating income includes the utilization of a tax credit by Primm Pharma under a separate program instituted in Italy for the promotion of research intensive companies.

Note 3 Raw material and consumables

Group

The cost of raw material and consumables that amounted to SEK -138 thousand relates to the production of the Spherotide in Primm Pharma s.r.l.

Note 4 Other external expenses

Group

Other external expenses amounted to SEK -5,360 thousand (-3,137) and relate to service providers, particularly regarding analysis and production of Xlucane and in-vivo studies of Spherotide (-2,845), consumables to the laboratory (-307), facilities (-171), administrative and legal services (-377), research and development of long acting injectables that Xbrane has in its portfolio which takes place under a development agreement with the company Primm (-701) and other expenses (-959).

Note 5 Depreciation and amortization

Group

Tangible fixed assets and intangible assets that are amortized are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. During the third quarter of 2016 no impairment was identified.

The acquisition of Primm Pharma was completed September 30 2015 and the amortization of goodwill began during the fourth quarter of 2015. Goodwill is amortized over ten years in agreement with the K3 regulation and the Annual Accounts Act. The goodwill is amortized for the fourth time in the third quarter of 2016, total amortization for the period amounted to SEK 1,351 thousand.

As the production of Spherotide began during the second quarter of 2016 Primm Pharma depreciation of related tangible assets in the production facility for Spherotide is done for the second time during the third quarter of 2016 to a value of SEK 788 thousand. The remainder of depreciation and amortization relates to tangible assets and capitalized development costs in Primm pharma.

Parent

Depreciation refers to the depreciation of laboratory equipment that is estimated to have an economic lifetime of three years.

Note 6 Intangible assets

Group

Intangible assets consist primarily of goodwill related to the acquisition of Primm Pharma. The goodwill is amortized for the fourth time in the third quarter of 2016. The accumulated depreciation amounted to SEK 5,465 thousand. The remaining portion that does not relate to goodwill relates to capitalized development costs and construction in progress.

Parent

The parent company has no intangible assets as of the closing date.

Note 7 Tangible assets

Group

Tangible assets in the Group increased by SEK 7,561 thousand since same period during last year of which SEK 6,911 thousand relates to purchase of laboratory equipment in the parent company and the remainder relates to activation of laboratory equipment, inventory and construction in progress in Primm Pharma.

Note 8 Financial assets, rental deposits

The Group & Parent Company

The parent company has during the second quarter of 2016 moved into a new facility and thus paid a rent deposit to Nordea amounting to SEK 635 thousand.

Note 9 Inventories

The Group & Parent Company

The inventory of Primm Pharma as of 30 September 2016 amounted to SEK 2,869 thousand. It consists of raw materials (SEK 709 thousand), consumables (SEK 17 thousand) and the Spherotide batches (SEK 2,143 thousand) which are expected to be delivered to partner in Iran at a value of SEK 7 million during first quarter of 2017.

Note 10 Other receivables

The Group & Parent Company

Other receivables consist of accounts receivables (SEK 1,793 thousand), VAT receivable (SEK 2,461 thousand), prepaid expenses (SEK 1,596 thousand) and the tax credit in Primm Pharma (SEK 1,268 thousand).

Note 11 Translation difference

Group

The translation differences is attributable to the Italian subsidiary and primarily the goodwill that arised as a result of the acquisition.

Parent Company

Translation differences are not attributable for the parent company.

Note 12 Other long-term liabilities

Group

Long-term liabilities consist mainly of a liability to Primm Pharma's CEO of SEK 2,724 thousand and a lease on a fixed asset in the production facility for Spherotide.

Note 13 Other current liabilities

Group

Other current liabilities consist mainly of a liability of SEK 1,837 thousand to Primm, a liability that Primm Pharma had at the time of the acquisition. The remainder consist of liabilities to the Swedish tax agency related to social expenses and tax of SEK 389 thousand and accrued expenses and deferred revenues of SEK 2,558 thousand.

Parent Company

The item consists mainly of monthly social security contributions and withholding tax to the Tax Agency (SEK 239 thousand).

Note 14 Unregistered share capital

The Group & Parent company

In September 2016, the board decided to convert 5 619 900 SEK of the convertible to share capital in Xbrane Biopharma AB. The share capital was registered in October 2016.

ASSURANCE

The Board of Directors and the CEO assure that this interim report gives a true and fair view of the business activities, financial position and operating results and describes significant risks and uncertainties that the company and the companies included in the Group face.

Stockholm, November 21 2016

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Saeid Esmailzadeh

Chairman of the board

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Alessandro Sidoli

Member of the board

.....
Peter Edman

Member of the board

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Maris Hartmanis

Member of the board

.....
Karin Wingstrand

Member of the board

.....
Martin Åmark

CEO

.....
Giorgio Chirivi

Member of the board

FINANCIAL CALENDAR

Financial calendar

Year end report

February 2017

Further information

Martin Åmark, CEO

Mail: martin.amark@xbrane.com

Phone: + 46 76-309 37 77

www.xbrane.com



Xbrane Biopharma AB | Banvaktsvägen 22 | 17148 | Solna | Sweden
www.xbrane.com