

Interim report January - March 2018



Pioneering biosimilar development

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Financial calendar

Annual general meeting	24 May 2018
Q2 report	24 August 2018
Q3 report	16 November 2018
Year-end report	28 February 2019

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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 more information see www.xbrane.com.

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The quarter in summary

Financial summary first quarter 2018

- » Revenues amounted to SEK 8,616 thousand (6,840).
- » Gross margin amounted to 23% (22).
- » Other income amounted to SEK 13,674 thousand (140).
- » EBITDA amounted to SEK -7,344 thousand (-7,796).
- » R&D expenses amounted to SEK 20,260 thousand (7,911) representing 84% (76) of total operating expenses.
- » Profit for the period amounted to SEK -8,916 thousand (-8,725).
- » Earnings per share of SEK -1.50 SEK (-1.83).
- » Cash and cash equivalents by the end of the first quarter of SEK 18,930 thousand (22,456).

Significant events during the first quarter 2018

- » Serendipity Group became the largest shareholder after Serendipity Ixora distributed its Xbrane shares to its shareholders.
- » Xbrane entered into a licensing agreement with CR Pharma for the sale and marketing of Spherotide in China.

Significant events after the period

- » Anders Tullgren was elected Chairman of the Board by the extraordinary general meeting 3 April.
- » A directed issue of total 41,857 shares and 141,785 warrants was conducted and subscribed by members of the board and the management.





»We work with full intensity and energy to achieve success with our product candidatess and to make accessible cost efficient pharmaceutical products to the world's population.«

Letter from the CEO

Our goal for the year is still to advance the development of our products towards the most important markets, Europe and US, through out-licensing sales and marketing rights as well as initiate confirmatory clinical trials.

Dear shareholders,

During the first quarter of 2018, we have advanced the development of both Xlucane and Spherotide in preparation to be able to initiate confirmatory clinical trials. This involves continuous production and comparative analysis of commercial-scale batches to verify that we have a reproducible production process that results in a product with high analytical similarity with the respective originator product. Furthermore, we have an ongoing dialogue with regulatory authorities and conduct preparations together with selected CROs for the respective studies. We maintain our goal that is to out-license sales and marketing rights to commercialization partners for both products for the most important markets, which are Europe and US, before initiating confirmatory clinical trials.

Agreement with CR Pharma signed

In early February 2018, Xbrane entered into a license agreement with China Resources Pharmaceutical (CR Pharma) for the commercialization of Spherotide in China. Under the agreement, CR Pharma obtains exclusive rights for the sales and marketing of Spherotide for a high single-digit USD million license fee paid on signing and milestones up until marketing authorization in China. The first milestone payment of SEK 13.5 million considering the signing of the agreement was booked as other income in the first quarter of 2018.

The sale of Spherotide is moving forward

The sale of Spherotide continues according to plan and during 2017 the sales amounted to SEK 21 million. Of this sales volume, approximately half has been sold to end-customers, and about half constitutes inventory at distributors and pharmacies. Sales to end-customers is growing steadily month by month and is now at a level that is in line with the annual sales of 2017. The ambition is therefore to reach at least as high sales in 2018 as in 2017. During the first quarter of 2018, we had sales of SEK 8.6 million which was a good start of the year.

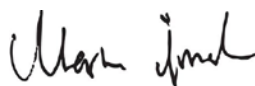
Financial situation

In the first quarter of 2018, Xbrane had research and development expenses of SEK 20,260 thousand, of which SEK 17,550 thousand related to Xlucane and SEK 2,710 thousand to Spherotide. These expenses are mainly related to production and comparative analysis of batches on a commercial scale. By the end of 2017, Xbrane received a credit facility of SEK 50 million from the largest shareholder Serendipity

Group, of which SEK 20 million has currently been utilized. The cash at the balance sheet date of SEK 18,930 thousand together with the remaining SEK 30 million of the credit facility is currently financing the company. As previously communicated, to fund the confirmatory clinical trials required for Europe and the US for Xlucane and Spherotide, our goal is to carry out additional out-licensing deals. We are very confident of succeeding in this as a number of companies are well advanced in the evaluation processes of the products. Should there be a funding gap for the confirmatory clinical trials after out-licensing, Xbrane will turn to the capital markets. In order to be able to attract institutional investors in the future, we are now going through the listing process for Nasdaq's main list. We conducted preparatory work during last year and submitted the application in early 2018.

We look forward to an exciting continuation of the year and work with full intensity and energy to achieve success with our product candidates and make accessible cost efficient pharmaceutical products to the world's population.

Thank you for your continued support,



Martin Åmark
CEO

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 candidate 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 SEK 28 billion¹ &².

Xbrane's leading product candidate 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 SEK 4.5 billion for all its formulations³.

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 candidate, while Primm Pharma is focused on long-term injectable with Spherotide as the leading product candidate. Primm Pharma owns its production line for Spherotide located outside Naples in Italy.



References:

- 1) Source: Novartis Annual Report 2017
- 2) Source: Roche Annual Report 2017
- 3) Source: IMS Health

Shareholders

As per March 31, 2018, Xbrane had a total of approximately 2,740 shareholders distributed on 5,956,770 shares. The ten largest shareholders by the end of this report's period are shown in the table below¹.

Name	No. of shares	Ownership, %
Serendipity Group AB	683,329	11.47%
Försäkringsaktiebolaget Avanza pension	307,663	5.16%
Paolo Sarmientos	260,544	4.37%
Nordnet Pensionsförsäkring AB	193,339	3.25%
Michael Löfman	133,711	2.24%
Swedbank försäkring	120,070	2.02%
Martin Åmark	111,890	1.88%
Christer Skogum	111,800	1.88%
Siavash Bashiri	87,294	1.47%
Jan-Willem De Gier	84,083	1.41%
10 largest shareholders in total	2,093,723	35.15%
Summary others	3,863,047	64.85%
Total outstanding shares	5,956,770	100.00%



References:

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

Operational update

Xlucane

Xbrane has finalized the development of the production process of Xlucane and has been able to demonstrate very high similarity to the originator product on the basis of a panel of over 30 in vitro analytical methods in accordance with the guidelines from EMA and FDA. Xbrane has successfully completed the scale up of the production process to commercial scale together with its contract manufacturer BiotechPharma in Lithuania. Xbrane has so far produced two batches at a commercial scale and will produce several additional batches during 2018. These batches will provide the basis for an updated in-vitro biosimilarity analysis as well as material for the planned pivotal confirmatory clinical study.

The pivotal confirmatory clinical study will involve approximately 500-600 patients with the wet form of age-related macular degeneration. The primary objective of the study is to evaluate the effect in terms of visual acuity in Xlucane compared to the originator product

Lucentis®. Xbrane has acceptance for the study design from both EMA and FDA and the study will be able to support Marketing Authorization for Xlucane even for the additional indications for which the originator product is approved: macular edema and diabetes retinopathy.

Xbrane currently has commercialization partners for Xlucane in Iran (Helvetic Biopharma, sister company of Pooyesh Darou). A number of major pharmaceutical companies are conducting detailed evaluations of the product, including CR Pharma, with which a letter of intent was signed Q4 2017 for the Chinese market. Xbrane's goal is to conclude an agreement with at least one commercialization partner before the clinical study is initiated and through that fully or partially finance the study.

Spherotide

Focus in the development work is still on preparations for pivotal confirmatory clinical studies for Europe and the US for the 1-month formulation. Xbrane intends to initiate

LEADING PRODUCT CANDIDATES



SPHEROTIDE

Spherotide is a long-acting injectable drug with the active substance triptorelin and used primarily in the treatment of prostate cancer, breast cancer, endometriosis and myoma. The drug is based on encapsulation of the active substance in biodegradable microspheres that break into the body after injection and creates a long-term effect. Spherotide is the world's first generic of long-term triptorelin (original drug Decapeptyl® / Pamorelin® / Trelstar®) which sells approximately SEK 4.5 billion annually.



XLUCANE

Xlucane is a ranibizumab biosimilar (original drug Lucentis®) used in the treatment of age-related macular degeneration (AMD), diabetes related macular edema (DME) and retinal venous occlusion (RVO). original product generated 2017 annual sales of SEK 28 billion and will lose its patent protection 2020 in the United States and 2022 in Western Europe.

two clinical studies in 2018, one in prostate cancer patients and one in endometriosis patients. Both are pivotal and the one in endometriosis patients will also be able to support marketing authorizations for the additional indications for which the original drug is used in women; uterine fibroids and breast cancer. The studies will include approximately 200 and 150 patients, respectively, and the purpose is to study the effect, in terms of hormone levels in patients after treatment, compared to the originator product. Furthermore, Xbrane is in the final stage of the development of Spherotide 3-month formulation, after which a scale up of the production process will take place in the same production facility where the 1-month formulation is produced. Thereafter, a pivotal Phase III clinical trial in prostate cancer patients will be conducted.

Xbrane currently has commercialization partners for Spherotide in China (CR Pharma), South Korea (BL&H), Israel (Bioavenir) and Iran (Pooyesh Darou). In July 2017, Spherotide received market approval in Iran under its trademark Microrelin® through its local partner. Market approval in China and Israel will be based on the EU approved product, while market approval in South Korea may be obtained in parallel with the approval process in the EU. In order to achieve market approval for Spherotide in China, local clinical studies are also required, which will be implemented and funded by Xbranes partner in China.

A couple of major pharmaceutical companies are currently conducting an evaluation of Spherotide, primarily for Europe, which is the largest potential market for the product. The goal is to finance the clinical program with licensing revenues from commercialization partners.

Xbrane produces Spherotide in a production line installed within the premises of the pharmaceutical company ICI in Italy. Xbrane owns the production line and all related equipment but production is carried out under an agreement with Finchimica, ICI's parent company, at an agreed unit cost. Xbrane has been informed that Finchimica's subsidiary ICI is subject to a reconstruction procedure due to financial difficulties. The reconstruction procedure is carried out under Italian law and decision on a reconstruction plan by ICI's creditors is expected to be taken in 2018. Xbrane has taken steps to ensure that the supply of Spherotide continues without any material interference including increasing the safety stock of the product.



Financial summary for the Group

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Net revenues	8,616	6 840	20,771
Research and development expenses (R&D)	-20,260	-7 911	-37,982
R&D expenses as % of total costs	84%	76%	79%
Operating profit	-8,396	-8 696	-44,718
EBITDA	-7,344	-7 796	-40,726
Profit for the period	-8,916	-8 725	-44,935
Cash and cash equivalents	18,930	22 456	7,903
Equity ratio, %	64%	88%	80%
Number of shares end of period before dilution	5,956,770	4 755 546	5,956,770
Number of shares end of period after dilution*	5,956,770	4 755 546	5,956,770
Average number of shares before dilution	5,956,770	4 755 546	5,425,656
Average number of shares after dilution*	5,956,770	4 755 546	5,425,656
Earnings per share before dilution	-1.50	-1,83	-8.28
Earnings per share after dilution*	-1.50	-1,83	-8.28

* Dilution is not considered at negative earnings per shares. The outstanding convertible loan at 31 March 2018 represents 661,207 shares if it would be converted. Dilution from share savings program is calculated according to the Treasury Stock method and corresponds to 3,885 shares.



Financial overview

The Group's result for the period

January – March 2018

The Group's revenue amounted to SEK 8,616 thousand (6,840) and refers to revenue from sales of Spherotide. Cost of goods sold amounted to SEK 6,596 thousand (5,318) and consists of raw materials, manufacturing costs from contract manufacturer, leasing costs for production equipment, personnel costs and depreciation. Both raw materials and manufacturing costs are affected by economies of scale, which means that the gross margin, which amounted to 23% (22) during the period, is expected to increase with increased production.

Other operating income amounted to SEK 13,674 thousand (140) and refers primarily to one of potentially many milestone payments for the out-licensing of Spherotide to the Chinese market. Selling and distribution expenses amounted to SEK 439 thousand (440) and refers primarily to salaries. Administrative expenses amounted to SEK 2,952 thousand (2,006) and the increase compare to previous period primarily concerns an expanded administrative department as well as costs associated with the planned move to the main list. Research and development expenses amounted to SEK 20,260 thousand (7,911) of which SEK 17,550 thousand (6,300) refers to Xlucane and SEK 2,710 thousand (1,611) refers to Spherotide. The cost increase is due to the development of Xlucane is proceeding and has intensified. Particularly it is the production of test batches from the contract manufacturer in Lithuania, and preparations for clinical trials that contributed to the increased cost. All development costs are expensed. Other operating expenses amounted to SEK 438 thousand (-), primarily due to exchange rate losses on receivables and liabilities from operating activities.

The number of employees increased during the period from 20 to 23.

The Groups operating result amounted to SEK -8,396 thousand (-8,696).

Net financial items amounted to SEK -521 thousand (-29) and consist of financial expenses primarily interest for credit facility as well as leases.

Profit for the period amounted to SEK -8,916 thousand (-8,725).

The Group's cash flow for the period

January – March 2018

Cash flow from operating activities amounted to SEK -8 914 thousand (-9 353).

Cash flow from investing activities amounted to SEK -21 thousand (603) and consisted of investments in property, plant and equipment.

Cash flow from financing activities amounted to SEK 19,865 thousand (-132) and relates to increase in borrowings of 20,000 TSEK and amortization of loan and leases of total SEK -135 thousand (-132).

The Groups financial position

The Group's cash and cash equivalents by the end of the period amounted to SEK 18,930 thousand (22,456). During the period, the Company has taken up SEK 20,000 thousand in loan from the credit facility that the company received by the end of 2017. Current cash position, working capital and estimated income together with the unutilized credit facility of SEK 30,000 thousand is expected to finance the Group's current costs for the next 12 months. For expanded and planned investments in the company's research and development projects, larger capital is required that can either be financed through milestone payments from outlicensing to partners, through loans or equity. The management actively evaluates different financing options.

The equity ratio was 64 percent (88).

Account receivables amounted to SEK 12,558 thousand (8,072) on the balance sheet date and refers to the Company's distribution partner in the Middle East.

Intangible assets

Intangible assets amount to SEK 6,381 thousand (6,748) and relates to capitalized development costs. No expenses has been capitalized during 2018.

The Group's changes in equity

No changes in equity has occurred due to share issues.

The Parent company's result for the period

January – March 2018

The Parent Company, whose business focuses on biosimilars with the leading product candidate Xlucane, has not reported any net sales or cost of goods sold during the period.

Other operating income amounted to SEK 13,681 thousand (74) and relates primarily to milestone payment for the outlicensing of Spherotide to the Chinese market. The Parent company reports no sales and distribution expenses. Administrative expenses amounted to SEK 2,091 thousand (1,558) and the increase compared to the previous period was primarily related to an expanded administrative department and costs associated with the planned listing at the main market. Research and development expenses amounted to SEK 17,550 thousand (6,300), and the cost increase that occurred during the quarter is due to the development of Xlucane is proceeding and has intensified. Particularly it is the production of test batches from the contract manufacturer in Lithuania, and preparations for clinical studies that contributed to the increased cost. Other operating expenses amounted to SEK 13,481 thousand (-) and refers primarily to re-invoicing the milestone payment from CR Pharma that was booked as other income, as well as exchange-rate losses on operating receivables and liabilities.

The number of employees decreased during the period from 16 to 15.

The Parent company's operating result amounted to SEK -19,441 thousand (-7,785).

Net financial items amounted to SEK -504 thousand (19) and refers primarily to interest for the credit facility.

Profit for the period amounted to SEK -19,945 thousand (-7,766).

The Parent company's cash flow for the period January – March 2018

Cash flow from operating activities amounted to SEK -1,973 thousand (-6,367).

Cash flow from investing activities amounted to SEK -6,691 thousand (-2,268) and relates to shareholdings contribution to subsidiaries.

Cash flow from financing activities amounted to SEK 20,000 thousand (-), and relates to new loan from the credit facility of total SEK 50,000 thousand that the company received from the largest shareholder Serendipity Group in late 2017.

Parent company's financial position

The Parent company's cash and bank amounted to SEK 17,950 thousand (21,877) by the end of the period.

Parent company's changes in equity

The same changes as stated in the Group's changes in equity are valid for the Parent Company.

Share information

By the end of the period Xbrane's share capital amounted to SEK 1,335 thousand (1,066), divided on 5,956,770 shares (4,755,546). 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 December 31, 2017 was approximately 2,740 according to public share register and nominee list*. As of March 31, 2018, the share closed at SEK 62.50 equivalent to a market capitalization of SEK 373 million.

Share savings program for employees

Cost for the Company's share savings program amounted to SEK 160 thousand during the period. In total the program is estimated to cost the company SEK 1,590 thousand. Maximum number of shares that could be issued from the program amounts to 19,534 corresponding to a maximum dilution of 0.3%.

Risks and uncertainty factors

Risks and uncertainty factors are described in the Annual report for 2017 that is available on the Company's website.

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 fermentation, purification and 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 23 employees, of which 15 were located in Sweden and 8 in Italy.

Transactions with closely related stakeholders

Closely related stakeholders are defined as management and directors of the Board of Xbrane as well as their related parties as well as companies where the above mentioned has a leading position or has an ownership connection.

Since 31 December 2015, a provision is booked in the Italian subsidiary Primm Pharma for its CEO/Head of long-acting injectable drugs Paolo Sarmientos that on 31 March 2018 amounted to SEK 3,358 thousand. The provision refers to a one time payment for when the employment expires and is non-interest bearing and in accordance with Italian legislation.

During first quarter of 2018, Primm Pharma s.r.l. has acquired administration and accounting services and rented premises from Primm s.r.l. for an amount of SEK 121 thousand. Primm s.r.l. is owned by 56 percent of Paolo Sarmientos, CEO/Head of long-acting injectable drugs of Primm Pharma, and 10 percent by Alessandro Sidoli, member of Xbrane's Board.

During the first quarter of 2018 Xbrane has utilized SEK 20,000 thousand of the credit facility issued by Serendipity Group AB in late 2017. Interest for the period amounted to SEK 375 thousand.

Annual general meeting

Annual General Meeting will be held on May 24, 2018. Notice has been published through a press release, in Svenska Dagbladet and published on Xbrane's website www.xbrane.com.

Certified adviser

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

Audit

This report has not been reviewed by Company's auditors.

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	Notes	2018 Q1	2017 Q1	2017 Q1-Q4
Revenues	2	8,616	6,840	20,771
Cost of goods sold		-6,596	-5,318	-15,829
Gross profit		2,020	1,522	4,942
Other income	2	13,674	140	2,515
Selling and distribution expenses		-439	-440	-1,381
Administrative expenses		-2,952	-2,006	-11,567
Research and development expenses		-20,260	-7,911	-37,982
Other expenses		-438	-	-1,245
Operating profit	2	-8,396	-8,696	-44,718
Finance income		-	-	0
Finance costs		-521	-29	-217
Net finance costs	2	-521	-29	-217
Profit before tax		-8,916	-8,725	-44,935
Income tax expense		-	-	-
Profit for the period		-8,916	-8,725	-44,935
Profit attributable to:				
Owners of the Company		-8,916	-8,725	-44,935
Non-controlling interest		-	-	-
Total comprehensive income for the period		-8,916	-8,725	-44,935
Earnings per share				
- Basic earnings per share (SEK)		-1.50	-1.83	-8.28
- Diluted earnings per share (SEK)*		-1.50	-1.83	-8.28
Number of outstanding shares at the end of the reporting period				
- Basic earnings per share		5,956,770	4,755,546	5,956,770
- Diluted earnings per share*		5,956,770	4,755,546	5,956,770
Average number of outstanding shares				
- Basic earnings per share		5,956,770	4,755,546	5,425,656
- Diluted earnings per share*		5,956,770	4,755,546	5,425,656

* Dilution is not considered at negative earnings per shares. The outstanding convertible loan at 31 March 2018 represents 661,207 shares if it would be converted. Dilution from share savings program is calculated according to Treasury Stock method and corresponds to 3,885 shares.

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Profit for the period	-8,916	-8,725	-44,935
Other comprehensive income			
Items that have been transferred and can be transferred to profit for the period			
Reclassification of foreign currency translation differences	4,013	141	2,218
Comprehensive income for the period	4,013	141	2,218
Total comprehensive profit attributable to:			
- Owners of the Company	-4,904	-8,584	-42,716
- Non-controlling interest	—	—	—
Total comprehensive income for the period	-4,904	-8,584	-42,716

Consolidated statement of financial position

Amounts in SEK thousand	2018-03-31	2017-03-31	2017-12-31
ASSETS			
Goodwill	59,942	55,618	57,360
Intangible assets	6,381	6,748	6,297
Property, plant and equipment	18,162	16,569	18,569
Trade and other receivables	635	635	635
Non-current assets	85,119	79,569	82,860
Inventories	3,320	2,262	3,065
Currents tax assets	8,508	5,168	8,043
Trade and other receivables	12,558	7,082	8,072
Prepayments	1,697	2,202	1,018
Other receivables	-	490	-
Cash and cash equivalents	18,930	22,456	7,903
Current assets	45,012	39,659	28,100
TOTAL ASSETS	130,131	119,228	110,960
EQUITY			
Share capital	1,335	1,066	1,335
Share premium	180,004	164,725	179,874
Reserves	5,875	-179	1,862
Retained earnings	-103,583	-60,702	-94,667
Equity attributable to owners of the Company	83,630	104,910	88,405
Non-controlling interests	-	-	-
TOTAL EQUITY	83,630	104,910	88,405
LIABILITIES			
Loans and borrowings	21,031	354	1,119
Provisions	3,797	4,487	3,545
Non-current liabilities	24,828	4,841	4,664
Trade and other payables	14,441	5,797	10,541
Other current liabilities	466	540	863
Deferred income/revenue	6,765	3,139	6,488
Current liabilities	21,672	9,477	17,892
TOTAL LIABILITIES	46,501	14,318	22,555
TOTAL EQUITY AND LIABILITIES	130,131	119,228	110,960

Consolidated statement of cash flows

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Cash flows from operating activities			
Profit for the period before tax	-8,916	-10,134	-44,935
Adjustments for items not included in cash flow	1,693	2,136	3,803
Paid income taxes	-	-	-
	-7,223	-7,998	-41,131
Increase (-)/Decrease (+) of inventories	-115	235	-568
Increase (-)/Decrease (+) of trade and other receivables	-4,812	-5,250	-7,441
Increase (-)/Decrease (+) of trade and other payables	3,236	3,660	12,292
Cash flows from current operations	-8,914	-9,353	-36,848
Cash flow from investing activities			
Acquisition of property, plant and equipment	-21	694	-3,347
Development expenditure	-	-91	-
Cash flows from investing activities	-21	603	-3,347
Cash flow from financing activities			
Proceeds from issue of share capital	-	-	20,004
Transaction costs related to share issue	-	-	-3,019
Proceeds from loan and borrowings	20,000	-	-
Repayment of borrowings	-41	-132	-
Payment of finance lease liability	-94	-	-257
Cash flows from financing activities	19,865	-132	16,728
Cash flows for the period	10,930	-8,883	-23,468
Cash and cash equivalents at beginning of period	7,903	31,338	31,338
Effect of movements in exchange rates on cash held	96	-	33
Cash and cash equivalents at end of period	18,930	22,456	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 2018	1,335	179,874	1,862	-94,667	88,405	-	88,405
Total comprehensive income for the period							
Profit for the period	-	-	-	-8,916	-8,916	-	-8,916
Other comprehensive income for the period	-	-	4,013	-	4,013	-	4,013
Total comprehensive income for the period	-	-	4,013	-8,916	-4,904	-	-4,904
Accrual share savings program	-	129	-	-	129	-	129
Balance at 31 March 2018	1,335	180,004	5,875	-103,583	83,630	-	83,630

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	-	-	-	-8,725	-8,725	-	-8,725
Other comprehensive income for the period	-	-	141	-	141	-	141
Total comprehensive income for the period	-	-	141	-8,725	-8,584	-	-8,584
Adj. for earlier IPO expenses	-	1,802	36	-2,245	-407	-	-407
Balance at 31 March 2017	1,066	164,726	-180	-60,703	104,910	-	104,910

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
Total comprehensive income for the period	-	-	2,219	-44,935	-42,716	-	-42,716

Transactions with owners of the Company

Contributions and distributions

Issue of ordinary shares	151	16,835	-	-	16,985	-	16,985
- Issue of shares	151	19,853	-	-	20,004	-	20,004
- Transaction costs	-	-3,019	-	-	-3,019	-	-3,019
Equity-settled share-based payment	-	235	-	-	235	-	235
Issue of convertible notes	118	-118	-	-	-	-	-
Total transactions with owners of the Company	269	16,951	-	-	17,220	-	17,220
Balance at 31 December 2017	1,335	179,874	1,862	-94,667	88,405	-	88,405

Income statement, Parent company

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Revenues	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Other income	13,681	74	838
Administrative expenses	-2,091	-1,558	-9,841
Research and development expenses	-17,550	-6,300	-27,326
Other expenses	-13,481	-	-1,169
Operating profit	-19,441	-7,785	-37,498
Financial items			
Financial income	-	18	0
Financial expenses	-504	1	-56
Net finance costs	-504	19	-56
Profit before tax	-19,945	-7,766	-37,553
Income tax expense	-	-	-
Profit for the period	-19,945	-7,766	-37,553

Parent company statement of comprehensive income

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Profit for the period	-19,945	-7,766	-37,553
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-19,945	-7,766	-37,553

Balance Sheet, Parent company

Amounts in SEK thousand	2018-03-31	2017-03-31	2017-12-31
ASSETS			
Fixed assets			
Property, plant and equipment	6,272	5,244	6,725
Financial fixed assets			
Shares in group companies	100,783	91,207	94,092
Other non-current receivables	635	635	635
Total financial fixed assets	101,418	91,842	94,727
Total fixed assets	107,690	97,086	101,451
Current assets			
Current receivables			
Trade and other receivables	-	239	-
Receivables from group company	-	-	4,178
Other receivables	898	497	278
Prepayments	1,427	486	814
Total current receivables	2,326	1,222	5,269
Cash and bank	17,950	21,877	6,483
Total current assets	20,276	23,099	11,752
TOTAL ASSETS	127,966	120,185	113,204
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1,335	1,066	1,335
Unrestricted equity			
Share premium	180,690	163,610	180,560
Retained earnings	-77,623	-40,070	-40,070
Profit for the period	-19,945	-7,766	-37,553
Total equity	84,457	116,840	104,273
Non-current liabilities			
Non-current interest bearing liabilities	20,000	-	-
Total non-current liabilities	20,000	-	-
Current liabilities			
Trade and other payables	4,739	1,583	3,359
Other current liabilities	378	735	760
Deferred income/revenue	18,391	1,026	4,812
Total current liabilities	23,509	3,345	8,931
TOTAL LIABILITIES AND EQUITY	127,966	120,185	113,204

Cash flow statement, Parent company

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Cash flows from operating activities			
Earnings before income and tax	-19,945	-7,766	-37,553
Adjustments for items not included in cash flow	450	264	1,684
Paid income taxes	-	-2	-
	-19,495	-7,504	-35,869
Increase (-)/Decrease (+) of trade and other receivables	2,945	1,334	-2,716
Increase (-)/Decrease (+) of trade and other payables	14,577	-197	5,312
Cash flow from current operations	-1,973	-6,367	-33,273
Investing activities			
Investments in subsidiaries	-6,691	-2,871	-5,757
Acquisition of property, plant and equipment	-	604	-1,985
Cash flow from investing activities	-6,691	-2,268	-7,742
Financing activities			
New share issue	-	-	20,004
Transaction costs related to share issue	-	-	-3,019
Repayment of loan	20,000	-	-
Cash flow from financing activities	20,000	-	16,985
Cash flow for the period	11,336	-8,635	-24,030
Cash and cash equivalents at beginning of period	6,483	30,512	30,512
Effect of movements in exchange rates on cash held	131	-	-
Cash and cash equivalents at end of period	17,950	21,877	6,483

Notes

Note 1 Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and applicable provisions in the Annual Accounts Act. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The Group applies IFRS as from July 1, 2017 and the comparative figures for 2016 have been recalculated. Bridges for the IFRS conversion are available on the Company's website. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, the General Board of Accounting Board and the Council for Financial Reporting Recommendations. Accounting principles for the Parent Company has been converted to IFRS and bridges for the conversion are available on the Company's website.

The accounting and valuation principles that apply to the company are described in the Annual report for 2017 that is available on the company's website.

Note 2 Segment reporting

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 Injectables".

In addition there are certain revenues and expenses which are classified as "Non-allocated" 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.

Report of revenue, operating profit and profit before tax per segment

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Revenues per segment			
Biosimilars	-	-	-
Long-acting injectible drugs	22,150	6,840	22,447
Non-allocated	140	140	838
Total revenue	22,290	6,980	23,285
Operating profit of loss per segment			
Biosimilars	-17,509	-6,300	-27,326
Long-acting injectible drugs	11,849	-578	-5,419
Administration and non-allocated profit	-2,736	-1,517	-11,973
Operating profit or loss	-8,396	-8,396	-44,718
Net finance costs			
Biosimilars	-	-	-
Long-acting injectible drugs	-14	-19	-69
Administration and non-allocated profit	-507	-10	-147
Total	-521	-29	-217
Profit before tax	-8,916	-8,725	-44,935
Depreciation			
Biosimilars	439	261	1,362
Long-acting injectible drugs	566	605	1,333
Administration and non-allocated profit	48	34	35
Total	1,052	900	2,730

Alternative performance measures

The Company presents certain financial measures in the interim report that are not defined in accordance with IFRS. The Company believes that these measures provide valuable supplementary information to investors and the company's management as they enable evaluation of the company's performance. Since not all companies calculate financial measurements in the same way,

these are not always comparable to measurements used by other companies. These financial measures should therefore not be seen as replacement for measures that are defined in accordance with IFRS. The tables below show measurements that are not defined in accordance with IFRS.

Gross margin

Gross margin is calculated as gross result divided by revenues. Gross result is calculated as revenues minus cost of goods sold.

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Gross result	2,020	1,522	4,942
Divided by revenues	8,616	6,840	20,771
Gross margin	23%	22%	24%

EBITDA

Shows the business's earning ability from current operations without regard to capital structure and tax situation and is intended to facilitate comparisons with other companies in the same industry.

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Operating profit or loss	-8,396	-8,696	-44,718
Depreciation, depletion and amortization	-1,052	-900	-3,992
EBITDA	-7,344	-7,796	-40,726

Research and development expenses as a percentage of operating expenses

Research and development expenses as a percentage of operating expenses show how much of the operating expenses that relates to research and development. This is calculated by dividing research and development expenses with total operating expenses excluding depreciation, depletion and amortization. Total operating expenses comprise of selling and distribution expenses, administrative expenses, research and development expenses and other operating expenses.

Amounts in SEK thousand	2018 Q1	2017 Q1	2017 Q1-Q4
Research and development expenses	-20,260	-7,911	-37,982
Divided by total operating expenses minus depreciation, depletion and amortization	-23,037	-9,458	-48,182
Research and development expenses as a percentage of operating expenses	88%	84%	79%

Equity ratio

Equity ratio is the proportion of assets funded by equity to show the company's long-term ability to pay, ie equity through total assets.

Amounts in SEK thousand	2018-03-31	2017-03-31	2017-12-31
Total equity	83,630	104,910	88,405
Divided by total assets	130,131	119,228	110,960
Equity ratio	64%	88%	80%

Assurance

The Board of Directors and the CEO hereby certify that this interim report provides a true and fair view of the Parent Company and the Group's operations, position and results and describes significant risks and uncertainties faced by the company and the companies that are part of the Group.

Stockholm, 14 May 2018

Anders Tullgren
Chairman of the Board

Saeid Esmaeilzadeh
Board member

Peter Edman
Board member

Maris Hartmanis
Board member

Karin Wingstrand
Board member

Alessandro Sidoli
Board member

Giorgio Chirivi
Board member

Martin Åmark
CEO

