Interim report April – June 2018

XBRANE BIOPHARMA

Pioneering biosimilar development

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For more information

Martin Åmark, CEO
martin.amark@xbrane.com

Susanna Helgesen, CFO/IR
susanna.helgesen@xbrane.com

+46 76-309 37 77
www.xbrane.com

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 second quarter in summary

Financial summary second quarter 2018

» Revenues amounted to SEK 4,532 thousand (4,444).
» Gross margin amounted to 18% (31).
» Other income amounted to SEK 722 thousand (256).
» EBITDA amounted to SEK -30,453 thousand (-6,897).
» R&D expenses amounted to SEK -27,965 thousand (5,919) representing 87% (69) of total operating expenses.
» Profit for the period amounted to SEK -31,993 thousand (-7,961).
» Earnings per share of SEK -5.13 SEK (-1.58).
» Cash and cash equivalents by the end of the period amounted to SEK 19,255 thousand (32,365).

Financial summary first half year 2018

» Revenues amounted to SEK 13,148 thousand (11,284).
» Gross margin amounted to 21% (26).
» Other income amounted to SEK 14 396 thousand (396).
» EBITDA amounted to SEK -37,796 thousand (-14,693).
» R&D expenses amounted to SEK -48,225 thousand (-13,830) representing 88% (77) of total operating expenses.
» Profit for the period amounted to SEK -40,909 thousand (-16,686).
» Earnings per share of SEK -6.56 SEK (-3.41).

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 during the second quarter 2018

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

Significant events after the period

» A co-development agreement was signed with STADA for Xlucane. The co-development deal means that the parties will split expenses for development, marketing and distribution as well as revenues equally. At signing of the agreement, Xbrane received 7.5 MEUR in up-front payment.

Letter from the CEO

Dear shareholders,

In July 2018 we signed a co-development agreement with the German generics and biosimilar company STADA for the continued development and commercialization of Xlucane. This deal verifies the quality, reduces the risk and significantly increases the potential of the development program. We are very happy and proud to have STADA as a partner for Xlucane!

Co-development agreement with STADA
STADA is a German generics and biosimilar company with approx. € 2 billion in turnover and 10,000 employees. The company has a presence in over 30 countries globally and long experience from the development, sales and marketing of biosimilars. The co-development agreement with STADA means that Xbrane receives an up-front payment of €7.5 million at signing and that the companies share development expenses and profits generated from sales of the product 50/50. Xbrane will be responsible for development and manufacturing the product while STADA will be responsible for sales and marketing. The agreement covers Europe, the United States and a variety of markets in the Middle East and North Africa as well as in the Asia Pacific region.

Development of Xlucane
The development of Xlucane is proceeding according to plan. Xbrane, at the time of writing, together with its contract manufacturer BiotechPharma, has produced six commercial scale batches of Xlucane and all have demonstrated high analytical similarity compared to the originator product based on a panel of over 30 analytical methods in accordance with EMA (European Medicines Agency) and FDA (US Food and Drug Administration) requirements. Xbrane is now preparing for the upcoming pivotal Phase I / III study with Xlucane. An experienced global CRO (Contract Research Organization) has been selected and has during Q2 initiated the preparatory work with selection of sites for the study. The design of the study is agreed with regulatory authorities in Europe (EMA) and the United States (FDA). The clinical trial application is expected to be submitted by the end of this year and the first patient is expected to be included in Q1 2019.

Xbrane also has an active dialogue with the regulatory authorities regarding the requirements for the full MAA (Marketing Authorization Application). We are very pleased that EMA has selected Xbrane and our product candidate Xlucane to participate in their pilot program for tailor-made scientific advice for biosimilar development programs, established in February 2017. Through this program, Xbrane is given the opportunity for deeper scientific and regulatory advisory discussions with EMA than what otherwise would have been the case. This significantly reduces the risk for delays during the MAA process.

Development of Spherotide
The development of Spherotide is proceeding and we are currently making final preparations for the pivotal phase III studies for the 1-month product. Xbrane plans to conduct one clinical trial in prostate cancer patients and one in endometriosis patients. The objective with the studies is to demonstrate equivalent suppression of testosterone and estradiol respectively compared to the originator product. Xbrane's ambition is to, in addition to existing co-operation agreements, conclude an agreement with a commercialization partner for Europe before initiating these clinical trials. We are optimistic to accomplish this as we currently are in far-gone discussions and negotiations with a couple of potential partners.

Sales of Spherotide in the Middle East
Sales of Spherotide in the Iran during Q2 2018 amounted to SEK 4.5 million. Thus, Xbrane has generated revenues of SEK 13.1 million by 2018. In 2017, sales amounted to SEK 21 million of which about half went to patients and half to building of inventory amongst distributors and pharmacies. The ambition for the full year of 2018 is to reach higher sales than 2017 which we, considering the first two quarters, should be able to reach.

Financial situation
At the end of Q2, Xbrane had a cash position of SEK 19.3 million and a remaining unutilized credit facility from Serendipity Group of SEK 15 million. This together with expected income, particularly the up-front payment from STADA of €7.5 million, constitutes the foundation for further financing of the development of the products.

In order to secure full and long term financing of our part of the upcoming clinical trials for Xlucane and Spherotide, our goal is to close further licensing deals, especially in China for Xlucane and Europe for Spherotide. Should there still be a funding gap, Xbrane will turn to the capital markets. In order to be able to target institutional investors going forward, we are now going through the process of listing Xbrane's shares on Nasdaq main market. We submitted the application beginning of 2018 and we expect to complete the transition during this year.

We are looking forward to an exciting continuation of this year and we are working with intensity and energy to reach success with our product candidates and being able to make accessible cost-efficient pharmaceutical products to the global population.

Thank you for your continued support,

Martin Åmark
CEO

»The STADA deal verifies the quality, reduces the risk and significantly increases the potential of the development program.«

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 billion[1 &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 formulations[3] .

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 June 30, 2018, Xbrane had a total of approximately 2,600 shareholders distributed on 6,329,239 shares. The ten largest shareholders by the end of this report's period are shown in the table below[1].

Name	No. of shares	Ownership, %
Serendipity Group AB	683,329	10.80%
Paolo Sarmientos	420,713	6.65%
Försäkringsaktiebolaget Avanza pension	288,648	4.56%
Nordnet Pensionsförsäkring AB	179,550	2.84%
Swedbank försäkring	139,070	2.20%
Martin Åmark	111,890	1.77%
Christer Skogum	111,800	1.77%
Alessandro Sidoli	97,662	1.54%
Michael Löfman	87,390	1.38%
Siavash Bashiri	87,294	1.38%
10 largest shareholders in total	**2,207,346**	**34.88%**
Summary others	**4,121,893**	**65.12%**
Total outstanding shares	**6,329,239**	**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 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 six 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. Xbrane has entered into a co-development agreement with STADA for the continued development and commercialization of Xlucane in Europe, US and a variety of markets in Middle East and North Africa as well as in the Asia Pacific region. Xbrane also signed a letter of intent with CR Pharma in Q4 2017 regarding collaboration for the Chinese market.

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.

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 two clinical studies, 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

LEADING PRODUCT CANDIDATES

SPHEROTIDE

Spherotide is a long-acting injectable drug with the active substance triptorelin and is 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 down in 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). The 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.

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 Xbrane's 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.

Xbrane carefully studies the situation that is emerging with the re-introduced sanctions from the US towards Iran and how this potentially can impact Xbrane. Pharmaceutical products are typically excluded from these sanctions, thus it is more on the financials system that affects the ability to conduct financial transactions with companies in Iran. Xbrane maintains a close dialogue with its partner in Iran to minimize the impact on the company's activities.

Financial summary for the Group

Amounts in SEK thousand	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Revenues	4,532	4,444	13,148	11,284	20,771
Research and development expenses (R&D)	-27,965	-5,919	-48,225	-13,830	-37,982
R&D expenses as % of total operating expenses	87%	69%	88%	77%	79%
Operating profit	-31,714	-7,879	-40,109	-16,575	-44,718
EBITDA	-30,453	-6,897	-37,796	-14,693	-40,726
Profit for the period	-31,993	-7,961	-40,909	-16,686	-44,935
Cash and cash equivalents	19,255	32,365	19,255	32,365	7,903
Equity ratio, %	44%	89%	44%	89%	80%
Number of shares end of period before dilution	6,329,239	4,755,546	6,329,239	4,755,546	5,956,770
Number of shares end of period after dilution*	6,329,239	4,755,546	6,329,239	4,755,546	5,956,770
Average number of shares before dilution	6,235,098	5,030,095	6,235,098	4,893,579	5,425,656
Average number of shares after dilution*	6,235,098	5,030,095	6,235,098	4,893,579	5,425,656
Earnings per share before dilution	-5.13	-1.58	-6.56	-3.41	-8.28
Earnings per share after dilution*	-5.13	-1.58	-6.56	-3.41	-8.28

** Dilution is not considered at negative earnings per shares. The outstanding convertible loan at 30 June 2018 represents 330,593 shares if it would be converted. Warrants for Board of Directors and management would at conversion correspond to 141,785 shares. Warrants for Share saving program for employees would at conversion correspond to 330,593 shares. In total this sums up to 664,716 shares at conversion.*

Financial overview

The Group's result for the period
April – June 2018

The Group's revenue amounted to SEK 4,532 thousand (4,444) and refers to revenue from sales of Spherotide. Cost of goods sold amounted to SEK 3,726 thousand (3,062) 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 18% (31) during the period, is expected to increase with increased production.

Other operating income amounted to SEK 722 thousand (256) and refers primarily to exchange-rate gains on operating receivables and liabilities. Selling and distribution expenses amounted to SEK 432 thousand (346) and refers primarily to salaries. Administrative expenses amounted to SEK 4,730 thousand (3,227) and the increase compare to previous period primarily concerns an expanded administrative department as well as costs associated with the planned listing on the stock exchange main market. Research and development expenses amounted to SEK 27,965 thousand (5,919) of which SEK 24,805 thousand (3,968) refers to Xlucane and SEK 3,160 thousand (1,951) 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 of Xlucane, and preparations for clinical trials that contributed to the increased cost. All development costs are expensed. Other operating expenses amounted to SEK 115 thousand (24), primarily due to exchange rate losses on receivables and liabilities from operating activities.

The number of employees has during the period remained at 23.

The Groups operating result amounted to SEK -31,714 thousand (-7,879).

Net financial items amounted to SEK -279 thousand (-81) and consist of financial expenses primarily interest for credit facility as well as leases.

Profit for the period amounted to SEK -31,993 thousand (-7,961).

The Group's cash flow for the period April – June 2018
Cash flow from operating activities amounted to SEK -17 303 thousand (-6 906).

Cash flow from investing activities amounted to SEK -662 thousand (-260) and consisted of investments in property, plant and equipment.

Cash flow from financing activities amounted to SEK 18,110 thousand (17,076) and relates to increase in borrowings of SEK 15,000 thousand (73) and amortization of leases of total SEK -139 thousand (-), issue of new shares and warrants net amounted to SEK 2,548 thousand (17,004) respectively SEK 701 thousand (-).

The Group's result for the period January – June 2018
The Group's revenue amounted to SEK 13,148 thousand (11,284) and refers to revenue from sales of Spherotide. Cost of goods sold amounted to SEK 10,322 thousand (8,380) 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 21% (26) during the period, is expected to increase with increased production.

Other operating income amounted to SEK 14,396 thousand (396) and refers primarily to one of potential many milestone payments for the outlicensing of Spherotide to the Chinese market. Selling and distribution expenses amounted to SEK 871 thousand (787) and refers primarily to salaries. Administrative expenses amounted to SEK 7,682 thousand (5,234) and the increase compare to previous period primarily concerns an expanded administrative department as well as costs associated with the planned listing on the stock exchange main market. Research and development expenses amounted to SEK 48,225 thousand (13,830) of which SEK 42,355 thousand (10,268) refers to Xlucane and SEK 5,870 thousand (2,357) 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 of Xlucane, and preparations for clinical trials that contributed to the increased cost. All development costs are expensed. Other operating expenses amounted to SEK 553 thousand (24), primarily due to exchange rate losses on receivables and liabilities from operating activities.

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

The Groups operating result amounted to SEK -40,109 thousand (-16,575).

Net financial items amounted to SEK -800 thousand (-111) and consist of financial expenses primarily interest for credit facility as well as leases.

Profit for the period amounted to SEK -40,909 thousand (-16,686).

The Group's cash flow for the period January – June 2018
Cash flow from operating activities amounted to SEK -26,218 thousand (-16,260).

Cash flow from investing activities amounted to SEK -683 thousand (-343) and consisted of investments in property, plant and equipment.

Cash flow from financing activities amounted to SEK 37,975 thousand (16,944) and relates to increase in borrowings of SEK 35,000 thousand and amortization of loan and leases of total SEK -274 thousand (-), issue of new shares and warrants net amounted to SEK 2,548 thousand (17,004) respectively SEK 701 thousand (-).

The Groups financial situation
The Group's cash and cash equivalents by the end of the period amounted to SEK 19,255 thousand (32,365). During the period, the Company has taken up SEK 35,000 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 15,000 thousand is expected to finance the Group's current costs for the remaining part of the 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 outslicensing to partners, through loans or equity. The management actively evaluates different financing options.

The equity ratio was 44 percent (89).

Account receivables amounted to SEK 8,022 thousand (5,417) on the balance sheet date and refers to the Company's distribution partner in the Iran.

Trade and other payables and deferred income/revenue amounted to SEK 14,304 thousand (5,972) respectively SEK 16,286 thousand (2,346) by the end of the period. The increase can be explained by a more costly phase of the development programme of Xlucane including test production and preparations for the clinical trials.

Intangible assets
Intangible assets amount to SEK 6,258 thousand (6,294) and relates to capitalized development costs. No expenses has been capitalized during 2018.

The Group's changes in equity
During the second quarter a share issue directed to the Board of Directors brought in net SEK 2,548 thousands. Also warrants were issued to the Board of Directors and management amounting to SEK 701 thousand. Both issues where set at market conditions where subscription price for the shares corresponded to the volume weighted ten days average price before decision on issue and the warrants where priced in accordance to Black and Scholes option pricing model.

The Parent company's result for the period April – June 2018
The Parent Company, whose business focuses on biosimilars with the leading product candidate Xlucane, has not reported any revenues or cost of goods sold during the period.

Other operating income amounted to SEK 670 thousand (244) and relates primarily to exchange-rate gains on operating receivables and liabilities. The Parent company reports no sales and distribution expenses. Administrative expenses amounted to SEK 3,818 thousand (2,833) 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 stock exchange main market. Research and development expenses amounted to SEK 24,805 thousand (3,968), 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, and preparations for clinical studies that contributed to the increased cost. Other operating expenses amounted to SEK 184 thousand (24) and refers primarily to exchange-rate losses on operating receivables and liabilities.

The number of employees has remained 15 during the period.

The Parent company's operating result amounted to SEK -28,137 thousand (-6,580).

Net financial items amounted to SEK -259 thousand (21) and refers primarily to interest for the credit facility.

Profit for the period amounted to SEK -28,396 thousand (-6,601).

The Parent company's cash flow for the period April – June 2018
Cash flow from operating activities amounted to SEK -29,475 thousand (-6,010).

Cash flow from investing activities amounted to SEK -15 thousand (-999) and relates to investment in tangible assets. Cash flow from financing activities amounted to SEK 28,249 thousand (17,004), and relates to new loan from the credit facility of total SEK 15,000 thousand that the company received from the largest shareholder Serendipity Group, a loan of SEK 10,000 thousand issued by the subsidiary Primm Pharma and issue of new shares and warrants net amounted to SEK 2,548 thousand (17,004) respectively SEK 701 thousand (-).

The Parent company's result for the period January – June 2018
The Parent Company, whose business focuses on biosimilars with the leading product candidate Xlucane, has not reported any revenues or cost of goods sold during the period.

Other operating income amounted to SEK 14,351 thousand (318) and relates primarily to one of potentially many mmilestone payments for the outlicensing of Spherotide to the Chinese market. The Parent company reports no sales and distribution expenses. Administrative expenses amounted to SEK 5,909 thousand (4,391) 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 stock exchange main market. Research and development expenses amounted to SEK 42,355 thousand (10,268), 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, and preparations for clinical studies that contributed to the increased cost. Other operating expenses amounted to SEK 13,665 thousand (24) and refers primarily to the re-invoice of the milestone for the Chinese Spherotide agreement and exchange-rate losses on operating receivables and liabilities.

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

The Parent company's operating result amounted to SEK -47,578 thousand (-14,365).

Net financial items amounted to SEK -763 thousand (-2) and refers primarily to interest for the credit facility.

Profit for the period amounted to SEK -48,341 thousand (-14,367).

The Parent company's cash flow for the period January – June 2018
Cash flow from operating activities amounted to SEK -31,448 thousand (-12,377).

Cash flow from investing activities amounted to SEK -6,706 thousand (-3,266) and relates to investment in tangible assets. Cash flow from financing activities amounted to SEK 48,249 thousand (17,004), and relates to loan from

the credit facility of total SEK 35,000 thousand that the company received from the largest shareholder Serendipity Group in late 2017, a loan of SEK 10,000 thousand issued by the subsidiary Primm Pharma, as well as new share issue of shares and warrants that net amounted to SEK 2,548 thousand (17,004) respectively SEK 701 thousand.

Parent company's financial position
The Parent company's cash and bank amounted to SEK 16,744 thousand (31,873) by the end of the period.

Trade and other payables and deferred income/revenue amounted to SEK 7,561 thousand (1,741) respectively SEK 14,329 thousand (706) by the end of the period. The increase can be explained by a more costly phase of the development programme of Xlucane including test production and preparations for the clinical trials.

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 1,419 thousand (1333), divided on 6,329,239 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 by the end of the period amounts to approximately 2,600. As of June 30, 2018, the share closed at SEK 43.40 equivalent to a market capitalization of SEK 275 million.

Share savings program for employees
The Annual General Meeting 24 May 2018 decided to approve the long term incentive program for employees, also referred to as Share savings program 2017 and 2018. To secure delivery of the shares it was decided to issue 192,338 warrants. The cost for the Company's share savings program therefore only amounts to social security expenses which amounted to SEK 41 thousand for the secodn quarter and total SEK 201 thousand for the first half of the year. .

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 30 June 2018 amounted to SEK 3,459 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 the second 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 122 thousand. The cost for the first half of the year amounts to SEK 243 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.

On 30 June 2018, the company had utilized SEK 35,000 thousand of the credit facility issued by Serendipity Group AB in late 2017. Interest for the second quarter amounted to SEK 375 thousand and the equivalent amount for the first half year amounted to SEK 750 thousand.

As of 30 June 2018, the Parent company Xbrane had a loan of SEK 10,000 thousand issued by the subsidary Primm Pharma. Interest for the second quarter as well as the first six months amounted to SEK 12.5 thousand.

During Q2 the Parent company Xbrane invoiced the subsidiary Primm Pharma SEK 56.2 thousand for administrative services related to the outlicensing of Spherotide to the Chinese market.

Annual general meeting
Annual General Meeting was held on May 24, 2018.

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 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Revenues	2	4,532	4,444	13,148	11,284	20,771
Cost of goods sold		-3,726	-3,062	-10,322	-8,380	-15,829
Gross profit		**806**	**1,382**	**2,826**	**2,904**	**4,942**
Other income	2	722	256	14,396	396	2,515
Selling and distribution expenses		-432	-346	-871	-787	-1,381
Administrative expenses		-4,730	-3,227	-7,682	-5,234	-11,567
Research and development expenses		-27,965	-5,919	-48,225	-13,830	-37,982
Other expenses		-115	-24	-553	-24	-1,245
Operating profit	2	**-31,714**	**-7,879**	**-40,109**	**-16,575**	**-44,718**
Finance income		-	18	-	18	0
Finance costs		-279	-99	-800	-129	-217
Net finance costs	2	**-279**	**-81**	**-800**	**-111**	**-217**
Profit before tax		**-31,993**	**-7,961**	**-40,909**	**-16,686**	**-44,935**
Income tax expense		-		-	-	
Profit for the period		**-31,993**	**-7,961**	**-40,909**	**-16,686**	**-44,935**
Profit attributable to:						
Owners of the Company		-31,993	-7,961	-40,909	-16,686	-44,935
Non-controlling interest		-				
Total comprehensive income for the period		**-31,993**	**-7,961**	**-40,909**	**-16,686**	**-44,935**
Earnings per share						
- Basic earnings per share (SEK)		-5.13	-1.58	-6.56	-3.41	-8.28
- Diluted earnings per share (SEK)*		-5.13	-1.58	-6.56	-3.41	-8.28
Number of outstanding shares at the end of the reporting period						
- Basic earnings per share		6,329,239	4,755,546	6,329,239	4,755,546	5,956,770
- Diluted earnings per share*		6,329,239	4,755,546	6,329,239	4,755,546	5,956,770
Average number of outstanding shares						
- Basic earnings per share		6,235,098	5,030,095	6,235,098	4,893,579	5,425,656
- Diluted earnings per share*		6,235,098	5,030,095	6,235,098	4,893,579	5,425,656

** Dilution is not considered at negative earnings per shares. The outstanding convertible loan at 30 June 2018 represents 330,593 shares if it would be converted. Warrants for Board of Directors and management would at conversion correspond to 141,785 shares. Warrants for Share saving program for employees would at conversion correspond to 330,593 shares. In total this sums up to 664,716 shares at conversion.*

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Profit for the period	-31,993	-7,961	-40,909	-16,686	-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	1,070	26	5,083	167	2,218
Comprehensive income for the period	**1,070**	**26**	**5,083**	**167**	**2,218**
Total comprehensive profit attributable to:					
- Owners of the Company	-30,923	-7,934	-35,826	-16,519	-42,716
- Non-controlling interest	-	-	-	-	-
Total comprehensive income for the period	**-30,923**	**-7,934**	**-35,826**	**-16,519**	**-42,716**

Consolidated statement of financial position

Amounts in SEK thousand	2018-06-30	2017-06-30	2017-12-31
ASSETS			
Goodwill	60,689	56,333	57,360
Intangible assets	6,258	6,294	6,297
Property, plant and equipment	17,983	16,301	18,569
Trade and other receivables	635	635	635
Non-current assets	**85,565**	**79,563**	**82,860**
Inventories	4,185	1,618	3,065
Currents tax assets	8,274	8,459	8,043
Trade and other receivables	8,022	5,417	8,072
Prepayments	1,239	1,154	1,018
Other recievables	-	491	-
Cash and cash equivalents	19,255	32,365	7,903
Current assets	**40,975**	**49,504**	**28,100**
TOTAL ASSETS	**126,540**	**129,067**	**110,960**
EQUITY			
Share capital	1,419	1,333	1,335
Unregistered share capital	-	4	-
Share premium	182,806	181,460	179,874
Reserves	6,946	787	1,862
Retained earnings	-135,576	-68,389	-94,667
Equity attributable to owners of the Company	**55,595**	**115,194**	**88,405**
Non-controlling interests	**-**	**-**	**-**
TOTAL EQUITY	**55,595**	**115,194**	**88,405**
LIABILITES			
Loans and borrowings	35,902	329	1,119
Provisions	3,953	4,523	3,545
Non-current liabilities	**39,855**	**4,852**	**4,664**
Trade and other payables	14,304	5,972	10,541
Other current liabilities	499	703	863
Deferred income/revenue	16,286	2,346	6,488
Current liabilities	**31,090**	**9,022**	**17,892**
TOTAL LIABILITIES	**70,944**	**13,873**	**22,555**
TOTAL EQUITY AND LIABILITIES	**126,540**	**129,067**	**110,b960**

Consolidated statement of cash flows

Amounts in SEK thousand	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Cash flows from operating activities					
Profit for the period before tax	-31,992	-6,552	-40,909	-16,686	-44,935
Adjustments for items not included in cash flow	1,428	-42	3,121	2,094	3,803
Paid income taxes	-	-	-	-	-
	-30,564	**-6,594**	**-37,788**	**-14,592**	**-41,131**
Increase (-)/Decrease (+) of inventories	-802	643	-917	879	-568
Increase (-)/Decrease (+) of trade and other receivables	5,172	-579	360	-5,829	-7,441
Increase (-)/Decrease (+) of trade and other payables	8,891	-377	12,127	3,284	12,292
Cash flows from current operations	**-17,303**	**-6,906**	**-26,218**	**-16,260**	**-36,848**
Cash flow from investing activities					
Acquisition of property, plant and equipment	-662	-80	-683	614	-3,347
Development expenditure	-	-180	-	-271	-
Cash flows from investing activities	**-662**	**-260**	**-683**	**343**	**-3,347**
Cash flow from financing activities					
Proceeds from issue of share capital	2,549	20,004	2,549	20,004	20,004
Transaction costs related to share issue	-1	-3,000	-1	-3,000	-3,019
Proceeds from issue of warrants	701	-	701	-	-
Proceeds from loan and borrowings	15,000	73	35,000	-	-
Repayment of borrowings	-	-	-19	-59	-
Payment of finance lease liability	-139	-	-255	-	-257
Cash flows from financing activities	**18,110**	**17,076**	**37,975**	**16,944**	**16,728**
Cash flows for the period	145	9,910	11,075	1,027	-23,468
Cash and cash equivalents at beginning of period	18,930	22,456	7,903	31,338	31,338
Effect of movements in exchange rates on cash held	180	-	277	-	33
Cash and cash equivalents at end of period	**19,255**	**32,366**	**19,255**	**32,366**	**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	-	-	-	-40,909	-40,909	-	-40,909
Other comprehensive income for the period	-	-	5,084	-	5,084	-	5,084
Total comprehensive income for the period	**-**	**-**	**5,084**	**-40,909**	**-35,825**	**-**	**-35,825**
Issue of ordinary shares	9	2,540	-	-	2,549	-	2,549
Conversion of convertible notes	74	-74	-	-	-	-	-
Issue of warrants	-	701	-	-	701	-	701
Share savings program	-	-235	-	-	-235	-	-235
Balance at 30 June 2018	1,419	182,806	6,946	-135,576	55,595	-	55,595

Amounts in SEK thousand	Share capital	Un-registered 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	-	-	-	-	-16,686	-16,686	-	-16,686
Other comprehensive income for the period	-	-	-	167	-	167	-	167
Total comprehensive income for the period	**-**	**-**	**-**	**167**	**-16,686**	**-16,519**	**-**	**-16,519**
Issue of ordinary shares	147	-	16,853	-	-	17,000	-	17,000
Ongoing not registered share issue	-	4	-	-	-	4	-	4
Conversion of convertible notes	118	-	-118	976	-1,971	-995	-	-995
Adjust.	1	-	1,802	-	-	1,803	-	1,803
Balance at 30 June 2017	1,333	4	181,460	787	-68,389	115,194	-	115,194

Consolidated statement of changes in equity cont.

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 convertible notes	118	-118	-	-	-	-	-
Equity-settled share-based payment	-	235	-	-	235	-	235
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 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Revenues	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**
Other income	670	244	14,351	318	838
Administrative expenses	-3,818	-2,833	-5,909	-4,391	-9,841
Research and development expenses	-24,805	-3,968	-42,355	-10,268	-27,326
Other expenses	-184	-24	-13,665	-24	-1,169
Operating profit	**-28,137**	**-6,580**	**-47,578**	**-14,365**	**-37,498**
Financial items					
Financial income	-	-18	-	0	0
Financial expenses	-259	-3	-763	-2	-56
Net finance costs	**-259**	**-21**	**-763**	**-2**	**-56**
Profit before tax	**-28,396**	**-6,601**	**-48,341**	**-14,367**	**-37,553**
Income tax expense	-	-	-		
Profit for the period	**-28,396**	**-6,601**	**-48,341**	**-14,367**	**-37,553**

Parent company statement of comprehensive income

Amounts in SEK thousand	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Profit for the period	-28,396	-6,601	-48,341	-14,367	-37,553
Other comprehensive income for the period	-	-	-	-	
Total comprehensive income for the period	**-28,396**	**-6,601**	**-48,341**	**-14,367**	**-37,553**

Balance Sheet, Parent company

Amounts in SEK thousand	2018-06-30	2017-06-30	2017-12-31
ASSETS			
Fixed assets			
Property, plant and equipment	5,834	4,930	6,725
Financial fixed assets			
Shares in group comapnies	100,783	92,182	94,092
Other non-current receivables	635	635	635
Total financial fixed assets	101,418	92,817	94,727
Total fixed assets	**107,252**	**97,747**	**101,451**
Current assets			
Current receivables			
Trade and other receivables	56	-	-
Receivables from group company	-	-	4,178
Other recievables	1,012	502	278
Prepayments	1,109	335	814
Total current receivables	2,177	838	5,269
Cash and bank	16,744	31,873	6,483
Total current assets	**18,921**	**32,710**	**11,752**
TOTAL ASSETS	**126,173**	**130,457**	**113,204**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1,419	1,332	1,335
Un-registered share capital	-	4	-
Unrestricted equity			
Share premium	183,492	180,582	180,560
Retained earnings	-77,623	-40,070	-40,070
Profit for the period	-48,341	-14,367	-37,553
Total equity	**58,947**	**127,480**	**104,273**
Non-current liabilities			
Non-current intereast bearing liabilities	35,000	-	-
Total non-current liabilities	**35,000**	**-**	**-**
Current liabilities			
Loan to group company	10,000	-	-
Trade and other payables	7,561	1,741	3,359
Other current liabilities	336	529	760
Deferred income/revenue	14,329	706	4,812
Total current liabilities	**32,225**	**2,977**	**8,931**
TOTAL LIABILITIES AND EQUITY	**126,173**	**130,457**	**113,204**

Cash flow statement, Parent company

Amounts in SEK thousand	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Cash flows from operating activities					
Earnings before income and tax	-28,396	-6,625	-48,341	-14,391	-37,553
Adjustments for items not included in cash flow	817	593	1,267	857	1,684
Paid income taxes	-	2	-	-	-
	-27,579	**-6,030**	**-47,075**	**-13,534**	**-35,869**
Increase (-)/Decrease (+) of trade and other receivables	148	388	3,093	1,722	-2,716
Increase (-)/Decrease (+) of trade and other payables	-2,045	-368	12,532	-565	5,312
Cash flow from current operations	**-29,476**	**-6,010**	**-31,452**	**-12,377**	**-33,273**
Investing activities					
Investments in subsidiaries	-	-976	-6,691	-3,847	-5,757
Acquisition of property, plant and equipment	-15	-24	-15	580	-1,985
Cash flow from investing activities	**-15**	**-999**	**-6,706**	**-3,266**	**-7,742**
Financing activities					
New share issue	2,549	20,004	2,549	20,004	20,004
Transaction costs related to share issue	-1	-3,000	-1	-3,000	-3,019
Issue of warrants	701	-	701	-	-
Repayment of loan	25,000	-	45,000	-	-
Cash flow from financing activities	**28,249**	**17,004**	**48,249**	**17,004**	**16,985**
Cash flow for the period	-1,242	9,995	10,095	1,361	-24,030
Cash and cash equivalents at beginning of period	17,950	21,878	6,483	30,512	30,512
Effect of movements in exchange rates on cash held	36	-	167	-	-
Cash and cash equivalents at end of period	**16,744**	**31,873**	**16,744**	**31,873**	**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 Injectibles".

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 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Revenues per segment					
Biosimilars	-	-	-	-	-
Long-acting injectible drugs	4,566	4,444	26,319	11,284	22,447
Non-allocated	689	256	1,225	396	838
Total revenue	**5,255**	**4,700**	**27,545**	**11,680**	**23,285**
Operating profit of loss per segment					
Biosimilars	-24,160	-3,675	-41,669	-9,975	-27,326
Long-acting injectible drugs	-2,778	-789	9,071	-1,367	-5,419
Administration and non-allocated profit	-4,775	-3,717	-7,511	-5,234	-11,973
Operating profit or loss	**-31,713**	**-8,180**	**-40,109**	**-16,575**	**-44,718**
Net finance costs					
Biosimilars	-	-	-	-	-
Long-acting injectible drugs	-12	-18	-26	-37	-69
Administration and non-allocated profit	-267	-63	-774	-73	-147
Total	**-279**	**-82**	**-800**	**-111**	**-217**
Profit before tax	**-31,993**	**-7,961**	**-40,909**	**-16,686**	**-44,935**
Depreciation					
Biosimilars	439	665	878	586	1,362
Long-acting injectible drugs	771	272	1,337	1,217	1,333
Administration and non-allocated profit	50	45	98	79	35
Total	**1,260**	**982**	**2,312**	**1,882**	**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 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Gross result	806	1,382	2,826	1,522	4,942
Divided by revenues	4,532	4,444	13,148	6,840	20,771
Gross margin	18%	31%	21%	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 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Operating profit or loss	-31,714	-7,879	-40,109	-8,696	-44,718
Depreciation, depletion and amortization	-1,260	-982	-2,312	-1,882	-3,992
EBITDA	-30,453	-6,897	-37,796	-6,814	-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 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	2017 Q1-Q4
Research and development expenses	-27,965	-5,919	-48,225	-13,830	-37,982
Divided by total operating expenses minus depreciation, depletion and amortization	-31,982	-8,535	-55,019	-17,993	-48,182
Research and development expenses as a percentage of operating expenses	87%	69%	88%	77%	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	2018-06-30	2017-06-30	2017-12-31
Total equity	55,595	115,194	55,595
Divided by total assets	126,540	129,067	126,540
Equity ratio	44%	89%	44%

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, 24 August 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 Chirivì
Board member

Martin Åmark
CEO

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