

# Xbrane Biopharma AB (publ)

Org.nummer: 556749-2375 | Year end report 2016

## October - December

Net sales 532 503 (83 736) SEK

Net sales growth 536 %

Total income 2 582 607 (599 747) SEK

Earnings before tax -10 099 892 (-5 331 005) SEK

Cash flow from current operations -12 262 437 (-8 980 850) SEK

Earnings per share -2,12 (-2,39) SEK

## January - December

Net sales 2 490 117 (392 859) SEK

Net sales growth 534 %

Total income 4 689 201 (943 326) SEK

Earnings before tax -33 288 662 (-11 844 786) SEK

Cash flow from current operations -39 481 391 (-12 386 674) SEK

Earnings per share -7,00 (-5,18) SEK

The board of directors propose that no dividends shall be paid out for 2016

## About Xbrane Biopharma

Xbrane Biopharma is a biotechnology company specialized in the development and production of biosimilars and long acting injectables. The goal is to make affordable difficult-to-manufacture pharmaceuticals to the global population based on unique technology platforms that allow cost efficient production. Xbrane has a patented protein production platform with up to 8x higher yield compared to standard systems in E.coli and world leading

competence within development and production of microsphere based pharmaceuticals with long acting effect in the body. Xbranes headquarter is based in Stockholm and the Company has research and development facilities in Sweden and Italy. Xbrane is listed on Nasdaq First North since February 3 2016 under the ticker XBRANE. For more information, please visit [www.xbrane.com](http://www.xbrane.com).



# CEO COMMENTS

Dear Shareholders, Xbrane has during 2016 executed on its business plan and delivered on the promised milestones.

Much of our focus for Spherotide centred in 2016 around the validation of the production process and analytical methods in order to obtain GMP (Good Manufacturing Practice) certificate for our production facility in Italy. In October AIFA (the Italian Medicines Agency) inspected the facility with positive results and Xbrane obtained the GMP certificate in February 2017. The approval means that Xbrane will deliver its first GMP quality batch to a value of 7 million SEK to our partner Pooyesh Darou in the Middle East in March 2017.

We are now preparing for the pivotal phase III study for Spherotide which will begin this year. The study will form the basis for marketing authorization in Europe and the US for the 1 month formulation, which is expected to occur 2019. For the 3-month formulation, we will this year do scale up of the production to commercial scale in order to be able to initiate the clinical study during 2018. Regarding planning for sales and marketing of Spherotide we have signed an agreement with the pharmaceutical company BioAvenir in Israel and is in the final stages of signing the final agreement with a partner in China. We will also do a formal process for out-licensing of Spherotide in Europe, which we plan to complete in the third quarter of this year. This deal is expected to be in line with the deal with our Chinese partner and will co-finance the clinical study.

For Xlucane much of our focus during 2016 centred around optimization of the production process in pilot scale in our laboratory in Solna and the development of analytical methods for the biosimilarity study vs. the originator product. We could in February 2017 conclude the biosimilarity study based on a number of batches of Xlucane produced in pilot scale compared to a number of commercial batches of the originator product that showed no significant differences in Xlucane compared to the originator product. These results give us full comfort for upcoming clinical trials and significantly enhances Xlucane's value for out-licensing partners. This biosimilarity study was also a prerequisite for the request for scientific advice meetings with EMA (European Medicines Agency) and FDA (Federal Drug Administration in the US) that we will go through during 2017.

We will also during the year work with the scale-up of production to commercial scale with our contract manufacturer Biotechpharma, prepare for the pivotal clinical phase I / III study that we intend to initiate in the

beginning of 2018 as well as out-licensing of global (excl. Iran) rights to partner (s). Our two competitors out-licensed the exclusive rights to their corresponding products for more than Euro 100 million. An out-licensing deal of Xlucane can therefore be of significant value for Xbrane.

During 2017, we look forward to accomplish and communicate about the following important milestones:

- Results from the comparative study of Spherotide 1-month formulation and the originator product in mini-pigs.
- Results from comparative in-vivo studies of Spherotide 3-months formulation and the originator product.
- Delivery of the first GMP quality batch of Spherotide to a value of SEK 7 million to our partner in the Middle East and additional deliveries during the year as sales are ramping up.
- Signing of final agreement with our Chinese partner for the sale and marketing of Spherotide in China.
- Establishment of partnership for sales and marketing of Spherotide in Europe.
- Initiated pivotal phase III clinical trial in Europe for Spherotide 1-month formulation.
- Establishment of partnership for sales and marketing of Xlucane globally (excluding Iran).
- Launch of Xlucane in Iran through our local partner.

Thank you for your continued support,



Martin Åmark



# BUSINESS DESCRIPTION AND STRUCTURE

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

Xbranes leading long acting injectable is Spherotide. Spherotide is a microsphere based formulation with the active substance triptorelin used primarily in the treatment of prostate cancer, endometriosis and uterine

fibroids. Depending on the regulatory approval process, Spherotide is planned to be launched in Iran in 2017 and in Europe in 2019. Xbranes leading biosimilar is Xlucane, a ranibizumab biosimilar (originator drug Lucentis) that is used in the treatment of various eye diseases, primarily wet form of age-related macular degeneration. Xlucane is planned for launch in Iran towards the end of 2017 and in rest of the world 2020 and onwards.

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

## Ownership

Xbrane had a total of around 489 shareholders according to public share register and nominee list distributed on 4,755,546 shares 2016-12-31. The ten largest shareholders as of 2016-12-31 are shown in the table below.

Name	Number of shares	Ownership (%)
Serendipity Ixora AB	1 220 810	25,67
Försäkringsaktiebolaget Avanza pension	237 706	5,00
Nordnet Pensionsförsäkring AB	156 166	3,28
Michael Löfman	146 000	3,07
Clearstream banking	122 460	2,58
Jan-Willem De Gier	114 900	2,42
Christer Skogum	111 800	2,35
Martin Åmark	110 490	2,32
Swedbank försäkring	97 526	2,05
Siavash Bashiri	86 730	1,82
<b>Total 10 largest shareholders</b>	<b>2 404 588</b>	<b>50,56</b>
<b>Total other shareholders</b>	<b>2 350 958</b>	<b>49,44</b>
<b>Total</b>	<b>4 755 546</b>	<b>100,00</b>

Xbrane completed in January 2016 an IPO (Initial Public Offering) of 2,360,000 new shares which led to dilution of existing shareholders.

## Significant events during the fourth quarter 2016

- AlFA inspected the Spherotide production facility with positive results.
- Xbrane received scientific advice regarding the regulatory and clinical strategy for Spherotide from the German Regulatory Authority, BfArM.
- Xbrane signed a non-binding term-sheet with a Chinese pharmaceutical company regarding out-licensing of Spherotide in China.
- Xbrane out-licensed the rights for sales and marketing of Spherotide to Bioavenir in Israel.
- Xbrane appointed Anders P. Wiklund as a strategic advisor.

### Significant events earlier during 2016

- Xbrane concluded an IPO (initial public offering) raising in total SEK 100.3 million before transaction costs spread over 2.36 million shares and approximately 1300 shareholders.
- Xbrane signed an agreement for sales and marketing of its leading Ranibizumab biosimilar, Xlucane, to be launched in the Iranian market through the Swiss bio-pharmaceutical company Helvetic Biopharma.
- Xbranes share were listed at Nasdaq First North 3rd of February.
- Xbrane reached the first milestone in the agreement with Helvetic Biopharma regarding commercialization of Xlucane in Iran which included completing satisfactory comparative in vitro characterization of Xlucane vs. the originator product.
- Xbrane completed establishment of a new state of the art laboratory for biosimilar development in Solna.
- Xbrane signed an agreement with the Lithuanian contract manufacturer Biotechpharma for production of Xlucane under GMP conditions.
- Xbrane reached the second milestone in the contract with Helvetic Biopharma regarding commercialization of Xlucane in Iran which included successful technology transfer for commercial production of Xlucane to local production site.
- Xbrane submitted the GMP application for the Spherotide production facility to AIFA, the Italian Medicines Agency.
- Xbrane produced and sold the first GMP quality batch of Spherotide to a value of SEK 7 million, to be delivered to its partner in the Middle East, as the GMP approval of the facility is obtained.
- Oxford Nanopore Technologies licensed Xbrane Biopharma's protein production technology.

### Consolidated net sales and profit for the period

Amounts in SEK	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Net sales	532 503	83 736	2 490 117	392 859
Earnings before interest and tax	-10 163 387	-5 034 665	-33 221 759	-11 550 797
Number of shares end of period	4 755 546	2 230 290	4 755 546	2 230 290
Earnings per share	-2,12	-2,39	-7,00	-5,18

#### Fourth Quarter

Net sales for the fourth quarter reached SEK 533 thousand (84) and consisted primarily of license revenues for Spherotide from Bioavenir and for Xbranes protein production technology from Oxford nanopore. Other operating income amounted to SEK 2 050 thousand (516) and consisted primarily of an EU grant and a tax credit in the Italian subsidiary.

Operating profit during the fourth quarter amounted to SEK -10 163 thousand (-5 035). Employee benefits amounted to SEK -2 265 thousand (-1 250). Other external expenses reached SEK -7 515 thousand (-2 715), and consisted mainly of in-vivo studies on Spherotide SEK 422 thousand, analysis and scale-up of production of Xlucane of SEK 2 251 thousand, clinical and regulatory advice SEK 650 thousand and other. Depreciation and amortization corresponded to SEK 2 390 thousand (1 395).

#### Full Year

Net sales for the full year reached SEK 2 490 thousand (393) and relates mainly to licensing revenues from out-licensing of Xlucane in Iran. Other operating income for the full year amounted to SEK 2 199 thousand (550).

Operating profit for the full year amounted to SEK -33 222 thousand (-11 551). Employee benefits summed to 9 410 thousand (4 139). Other external expenses amounted to SEK 18 562 thousand (6 632) and consisted mainly of the analysis and the scaling up of production of Xlucane SEK 3 818 thousand, in-vivo studies for Spherotide SEK 857 thousand, regulatory- and clinical consulting fees SEK 1 574 thousand.

## Group cash flow and financial situation

### Fourth Quarter

The change in cash during the fourth quarter added up to SEK -12 585 thousand (-127). The equity ratio was 91 percent (63). Cash flow from operating activities amounted to SEK -12 262 thousand (-8 981). Investments totaled SEK 105 thousand (0) for intangible assets, and SEK -257 thousand (1 166) for tangible assets.

### Full Year

Cash flow from operating activities amounted to SEK -39 481 thousand (-12 387). Investments amounted to SEK -3 232 thousand (0) for intangible assets and SEK -8 899 thousand (-1 146) for tangible assets. The IPO during the first quarter of 2016 raised SEK 100.3 million before transaction costs. The rights issue was distributed on 2.36 million shares and approximately 1300 shareholders.

### Significant events after the period

- Xbrane received GMP approval of Spherotide production facility in Italy from AIFA (Italian Medicines Agency).
- Xbrane announced positive biosimilarity data on Xlucane.

### Planned significant milestones during 2017

- Results from the comparative study of Spherotide 1-month formulation and the originator product in mini-pigs.
- Results from comparative in-vivo studies of Spherotide 3-months formulation and the originator product.
- Delivery of the first GMP quality batch of Spherotide to a value of 7 million SEK to our partner in the Middle East and additional deliveries during the year as sales are ramping up.
- Signing of final agreement with our Chinese partner for the sale and marketing of Spherotide in China.
- Establishment of partnership for sales and marketing of Spherotide in Europe.
- Initiated pivotal phase III clinical trial in Europe for Spherotide 1-month formulation.
- Establishment of partnership for sales and marketing of Xlucane globally (excluding Iran).
- Launch of Xlucane in Iran through our local partner.

## Risks and uncertainties

The main risks to the business are related to:

- Time delays in the process of launching Xlucane and Spherotide, primarily related to the establishment of production, clinical trials and market approval.
- Potential discrepancies in safety and efficacy in comparison with the respective originator drugs in clinical trials for Xlucane and Spherotide.
- Establishment of agreements with commercialization partners for sales and marketing of Xlucane and Spherotide.

A more detailed review of operational risks is available in the prospectus approved January 4, 2016 and is available on [www.xbrane.com](http://www.xbrane.com).

## Organization and employees

Xbrane in Sweden has a laboratory with focus on the development of Biosimilars. Xbrane has modern equipment for small-scale fermentation, purification and characterization of proteins. Xbrane had 10 employees as of December 31st 2016 in Sweden. Xbrane have recruited another person who assumed his post in early January 2017. Xbrane acquired in 2015 the Italian company Primm Pharma who's in charge of development and production of microsphere products. Primm Pharma had 4 employees at the end of December 2016 and has headquarters in Milano.

## Share information

Xbranes share capital at the end of the quarter was SEK 1 066 thousand, divided on 4 755 546 shares. The par value of all shares is SEK 0.224, and the shares have equal rights to the company's assets and earnings. Xbranes share was listed on Nasdaq First North the 3rd of February 2016. The number of shareholders as of December 31st 2016 was 489 according to public share register and nominee list. As of December 31 2016 the share closed at SEK 40.5, which gave the company a market capitalization of SEK 192.6 million.

## Transactions with closely related stakeholders

Closely related stakeholders are defined as employees and directors of Xbrane. Overall during the year, members of the board of directors for Xbrane, have invoiced SEK 606 thousand.

Among the liabilities of Primm Pharma as per the 31st of december 2016 there is a liability of SEK 2 706 thousand to Primm Pharms CEO.

Xbrane purchased services during the year from Juno Ekonomi AB (reg no: 556834-0235) related to accounting and administration services for SEK

486 thousand. Juno Ekonomi AB is owned by 100 percent by Sdiptech AB (reg no: 556672- 4893). Sdiptech AB is owned to 76 percent of Serendipity Group AB (reg. no.: 556799-6813) which is owned by 50 percent by Saeid Esmailzadeh who is the chairman of the board of directors of Xbrane.

Xbrane purchased during the year services from Serendipity Communications AB (reg. no.: 556967-7981) for SEK 92 thousand. Serendipity Communications AB is owned by 80 percent by Sdiptech AB (reg no: 556672-4893). Sdiptech AB is owned by 76 percent by Serendipity Group AB (reg. no.: 556799-6813) which is owned by 50 percent by Saeid Esmailzadeh who is the chairman of the board of directors of Xbrane.

In order to secure working capital until the IPO was completed Xbrane took on the 8th of October 2015 a loan of SEK 10 million from Serendipity Ixora AB (publ) reg. no.: 556863-3977. The loan carried 12 percent interest and was fully repaid on January 20th 2016.

#### **Annual General Meeting**

The annual general meeting will be held on May 18th 2016. The announcement will be made public through a press release and published in the Swedish newspaper Svenska Dagbladet and published on Xbranes website [www.xbrane.com](http://www.xbrane.com).

#### **Certified Adviser**

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

#### **Dividend**

The board of directors and the CEO propose that no dividends shall be distributed for the financial year 2016-01-01--2016-12-31. The board of directors propose that the company's accumulated losses shall be carried forward.

#### **Financial Calendar**

Year-end report	February 27 2017
Capital-Markets day	March 7 2017
Annual Report	April 28 2017
Annual General Meeting	May 18 2017
Interim Report January-March	May 18 2017
Interim report April-June	August 28 2017
Interim report July-Sep	November 27 2017

#### **For further information**

Martin Åmark, CEO, + 46 76-309 37 77, [martin.emark@xbrane.com](mailto:martin.emark@xbrane.com)





# FINANCIAL INFORMATION

## Accounting principles

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

## Consolidated income statement

Amounts in SEK	Notes	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net sales	1	532 503	83 736	2 490 117	392 859
Other operating income	2	2 050 104	516 011	2 199 084	550 467
<b>Operating expenses</b>					
Raw material and consumables	3	-488 348	-256 615	-1 180 067	-256 615
Other external expenses	4	-7 514 762	-2 715 005	-18 562 463	-6 632 497
Personnel expenses		-2 264 750	-1 250 286	-9 409 836	-4 138 606
Depreciation and amortization	5	-2 390 283	-1 394 532	-8 539 334	-1 441 338
Other expenses		-87 850	-17 974	-219 259	-25 067
<b>Earnings before interest and tax</b>		<b>-10 163 387</b>	<b>-5 034 665</b>	<b>-33 221 759</b>	<b>-11 550 797</b>
<b>Financial items</b>					
Financial income, other		89 635	-	137 645	424
Financial expenses, other		-26 141	-296 340	-204 549	-294 413
<b>Earnings before tax</b>		<b>-10 099 892</b>	<b>-5 331 005</b>	<b>-33 288 662</b>	<b>-11 844 786</b>
<b>Earnings before tax</b>		<b>-10 099 892</b>	<b>-5 331 005</b>	<b>-33 288 662</b>	<b>-11 844 786</b>
Tax		-	-	-	-
<b>Earnings</b>		<b>-10 099 892</b>	<b>-5 331 005</b>	<b>-33 288 662</b>	<b>-11 884 786</b>

## Consolidated balance sheet

Amounts in SEK	Notes	2016-12-31	2015-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	6	57 367 926	57 873 338
Tangible assets		16 581 154	10 023 994
Financial assets, rent deposits	7	634 700	-
<b>Total fixed assets</b>		<b>74 583 780</b>	<b>67 897 332</b>
<b>Current assets</b>			
<b>Receivables</b>			
Inventory	8	2 496 875	160 913
Other Recievables	9	9 691 081	4 584 725
<b>Cash and bank balances</b>		<b>31 338 378</b>	<b>2 687 560</b>
<b>Total current assets</b>		<b>43 526 334</b>	<b>7 433 198</b>
<b>TOTAL ASSETS</b>		<b>118 110 114</b>	<b>75 330 530</b>



## Equity and liabilities

Amounts in SEK	Notes	2016-12-31	2015-12-31
<b>Equity</b>			
Share capital		1 066 127	500 000
Other capital		162 923 655	73 182 031
Translation difference	10	-374 021	-3 147 111
Earned income including net result		-56 314 387	-23 025 725
<b>Total equity</b>		<b>107 301 374</b>	<b>47 509 195</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Other provisions		638 744	353 004
<b>Total provisions</b>		<b>638 744</b>	<b>353 004</b>
<b>Long term liabilities</b>			
Liabilities to credit institutions		-	-
Other long term debt	11	4 285 617	4 063 676
<b>Total long term liabilities</b>		<b>4 285 617</b>	<b>4 063 676</b>
<b>Current liabilities</b>			
Accounts payable		2 363 641	4 762 519
Other current liabilities	12	3 520 739	18 642 136
<b>Total current liabilities</b>		<b>5 884 380</b>	<b>23 404 655</b>
<b>Total equity and liabilities</b>		<b>118 110 115</b>	<b>75 330 530</b>

## Consolidated cash flow statement

Amounts in SEK	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
<b>Current operations</b>				
Earnings before income and tax	-10 163 386	-5 034 665	-33 221 759	-11 550 797
Adjustments for items not included in cash flow				
Depreciation	2 390 282	1 394 532	8 539 334	1 441 338
Other items	-196 543	-	-55 207	-
Interest recieved	89 636	-2 037	137 645	424
Interest paid	-26 140	-294 303	-204 549	-294 413
Paid taxes	-	-	-	-4671
<b>Cash flow from current operations before change in working capital</b>	<b>-7 906 150</b>	<b>-3 936 473</b>	<b>-24 804 535</b>	<b>-10 408 119</b>
Changes in working capital				
Decrease/increase in accounts recievables	294 172	-39 459	-1 329 793	-164 635
Decrease/increase in inventory	372 345	-160 913	-2 335 962	-160 913
Decrease/increase in other current assets	-2 866 885	-2 220 456	-3 776 564	-1 928 582
Decrease/increase in accounts payables	-887 029	299 162	-2 398 878	513 488
Decrease/increase in provisions	64 985	-	285 740	-
Decrease/increase in other current liabilities	-1 333 874	-2 922 711	-5 121 398	-237 913
<b>Cash flow from current operations</b>	<b>-12 262 437</b>	<b>-8 980 850</b>	<b>-39 481 391</b>	<b>-12 386 674</b>
<b>Investing activities</b>				
Purchase of tangible fixed assets	-256 681	-1 146 335	-8 898 808	-1 146 335
Purchase of intangible fixed assets	105 151	-	-3 232 193	-
Investments in subsidiaries	-	-	-	19 473
Rent deposits	-	-	-634 700	-
Decrease/increase in goodwill	-	-	-	-
<b>Cash flow from investing activities</b>	<b>-151 530</b>	<b>-1 146 335</b>	<b>-12 765 701</b>	<b>-1 126 862</b>
<b>Cash flow from financing activities</b>				
New share issue	-19 810	-	90 675 967	-
Repayment of loans	-150 979	-	221 940	-
Repayment of loans (from Serendipity Ixora)	-	10 000 000	-10 000 000	10 000 000
<b>Cash flow from financing activities</b>	<b>-170 788</b>	<b>10 000 000</b>	<b>80 897 908</b>	<b>10 000 000</b>
<b>Cash flow for the period</b>	<b>-12 584 756</b>	<b>-127 185</b>	<b>28 650 816</b>	<b>-3 513 536</b>
<b>Change in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of period	43 923 133	2 814 744	2 687 561	6 201 096
Cash and cash equivalents at end of period	31 338 377	2 687 561	31 338 377	2 687 561
<b>Change in cash and cash equivalents</b>	<b>-12 584 756</b>	<b>-127 183</b>	<b>28 650 816</b>	<b>-3 513 536</b>

## Consolidated statement of changes in equity

Amount in SEK	Notes	Share capital	Other capital	Translation difference	Earned income including net results	Total equity
Equity Jan 1 2016		500 000	73 182 031	-3 147 111	-23 025 725	47 509 195
New share issue		536 482	89 771 268	-	-	90 307 750
Bonus issue		-	-	-	-	-
Convertible note	13	29 645	-29 645	-	-	-
Translation difference		-	-	2 773 090	-	2 773 090
Total comprehensive income for the period		-	-	-	-33 288 662	-33 288 662
Equity as of 31 December 2016		1 066 127	162 923 655	-374 021	-56 314 387	107 301 374

## Income statement, Parent company

Amounts in SEK	Notes	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net sales	1	532 503	83 736	2 490 117	392 859
Other operating income	2	633 115	6 314	644 881	40 770
<b>Operating expenses</b>					
Raw material and consumables		-16 524	-42 686	-40 551	-42 686
Other external expenses	4	-6 412 352	-1 414 451	-16 111 879	-5 331 943
Personnel expenses		-1 554 257	-1 088 585	-6 504 337	-3 976 905
Depreciation and amortization	5	-377 483	-18 132	-1 205 789	-64 938
Other expenses		-60 280	-4 229	-134 970	-11 322
Earnings before interest and tax		-7 255 277	-2 478 033	-20 862 527	-8 994 165
<b>Financial items</b>					
Financial income, other		89 258	-	135 569	127
Financial expenses, other		-47	-269 122	-64 312	-266 899
Earnings before tax		-7 166 066	-2 747 155	-20 791 270	-9 260 937
Earnings before tax		-7 166 066	-2 747 155	-20 791 270	-9 260 937
Tax		-	-	-	-
Earnings		-7 166 066	-2 747 155	-20 791 270	-9 260 937

## Balance sheet, Parent company

Amounts in SEK	Notes	2016-12-31	2015-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets		6 111 521	158 723
Tangible assets		88 335 486	62 775 435
Financial assets, rent deposits	7	634 700	-
<b>Total fixed assets</b>		<b>95 081 707</b>	<b>62 934 158</b>
<b>Current assets</b>			
<b>Receivables</b>			
Other receivables	10	2 553 858	1 567 389
<b>Cash and cash equivalents</b>		<b>30 511 999</b>	<b>2 197 148</b>
<b>Total current assets</b>		<b>33 065 857</b>	<b>3 764 537</b>
<b>TOTAL ASSETS</b>		<b>128 147 564</b>	<b>66 698 695</b>

## Equity and liabilities

Amounts in SEK	Notes	2016-12-31	2015-12-31
<b>Equity</b>			
Share capital		1 066 127	500 000
Other capital		163 609 625	72 018 491
Earned income including net result		-40 069 605	-19 278 336
<b>Total equity</b>		<b>124 606 147</b>	<b>53 240 155</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		1 923 219	1 467 552
Other current liabilities	12	1 618 198	11 990 988
<b>Total current liabilities</b>		<b>3 541 417</b>	<b>13 458 540</b>
<b>Total equity and liabilities</b>		<b>128 147 564</b>	<b>66 698 695</b>

## Cash flow statement, Parent company

	2016-10-01	2015-10-01	2016-01-01	2015-01-01
Amounts in SEK	2016-12-31	2015-12-31	2016-12-31	2015-12-31
<b>Current operations</b>				
Earnings before income and tax	-7 255 277	-2 478 033	-20 862 527	-8 994 165
Adjustments for items not included in cash flow				
Depreciation	377 483	18 132	1 205 789	64 938
Other items	-	-	-	-
Interest recieved	89 258	-2 334	135 569	127
Interest paid	-47	-266 789	-64 312	-266 899
Paid taxes	4 671	4 671	-	-
<b>Cash flow from current operations before change in working capital</b>	<b>-6 783 912</b>	<b>-2 724 353</b>	<b>-19 585 481</b>	<b>-9 195 999</b>
<b>Changes in working capital</b>				
Decrease/increase in accounts recievables	294 172	-39 459	-1 329 793	-164 635
Decrease/increase in other current assets	-37 287	-1 053 528	349 033	-1 053 528
Decrease/increase in accounts payables	-613 421	1 061 851	455 667	1 353 725
Decrease/increase in provisions	-	-214 326	-264 242	-
Decrease/increase in other current liabilities	547 018	-	-114 258	-
Decrease/increase in other current liabilities	-	-964 975	-	1 719 823
<b>Cash flow from current operations</b>	<b>-6 593 431</b>	<b>-3 934 790</b>	<b>-20 489 074</b>	<b>-7 340 615</b>
<b>Investing activities</b>				
Purchase of tangible fixed assets	-195 748	-91 097	-7 158 587	-91 097
Investments in subsidiaries	-5 194 410	-6 572 235	-25 560 051	-6 572 235
Rent deposits	-	-	-634 700	-
<b>Cash flow from investing activities</b>	<b>-5 390 158</b>	<b>-6 663 332</b>	<b>-33 353 338</b>	<b>-6 663 332</b>
<b>Cash flow from financing activities</b>				
New share issue	-	-	92 157 263	
Repayment of loans (from Serendipity Ixora)	-	10 000 000	-10 000 000	10 000 000
<b>Cash flow from financing activities</b>	<b>-</b>	<b>10 000 000</b>	<b>82 157 263</b>	<b>10 000 000</b>
<b>Cash flow from financing activities</b>	<b>-11 983 589</b>	<b>-598 122</b>	<b>28 314 851</b>	<b>-4 003 947</b>
<b>Change in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of period	42 495 587	2 795 271	2 197 148	6 201 096
Cash and cash equivalents at end of period	30 511 999	2 197 148	30 511 999	2 197 148
<b>Change in cash and cash equivalents</b>	<b>-11 983 588</b>	<b>-598 122</b>	<b>28 314 851</b>	<b>-4 003 947</b>

# NOTES

## Accounting principles

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

## Note 1 Net sales

### The Group & Parent Company

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

Accumulated net sales in 2016 consist mainly of license revenues for the commercialization of Xlucane in Iran of SEK 1 886 thousand, license revenues for Xbranes protein production technology of SEK 199 thousand, license revenues for Spherotide in Israel of SEK 270 thousand, and service projects.

## Note 2 Other operating income

### The Group & Parent Company

Accumulated other operating income in 2016 mainly consists of a tax credit for Primm Pharma under a separate program instituted in Italy for the promotion of research intensive companies. For the parent company, the corresponding amount of SEK 544 thousand in the form of EU grants.

## Note 3 Raw materials and supplies

### The Group & Parent Company

Costs for raw materials and supplies amounted to SEK 1 180 thousand (257) and relates to supplies related to the production of Spherotide.

## Note 4 Other external expenses

### The Group & Parent Company

Accumulated other external expenses in 2016 amounted to SEK 18 562 thousand (6 632) and consisted mainly of the analysis and the scaling up of production of Xlucane SEK 3 818 thousand, development of microsphere based products under R&D service agreement with Primm SEK 2 856 thousand, in-vivo studies for Spherotide SEK 857 thousand, regulatory- and clinical consulting fees SEK 1 574 thousand, laboratory consumables SEK 1 623 thousand, expenses related to finance, administration and legal SEK 1 279 thousand.

## Note 5 Depreciation and amortization

### Group

Tangible assets and intangible assets that are depreciated are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. In 2016, no impairment has been identified.

The acquisition of Primm Pharma s.r.l. was completed on September 30th 2015, amortization of goodwill started in the fourth quarter of 2015. Goodwill is amortized over ten years in agreement with the rules of Swedish K3 and the Annual Accounts Act. Goodwill is depreciated for the fifth time in the fourth quarter of 2016. Total amortization for the fourth quarter of 2016 amounted to SEK 1 361 thousand, and for the full year 2016 SEK 5 446 thousand. The excess of depreciation relates to the depreciation of tangible fixed assets, mainly production equipment for the subsidiary and laboratory equipment for the parent company, as well as capitalized development costs for the subsidiary.

## Note 6 Intangible assets

### Group

Intangible assets consist primarily of goodwill related to the acquisition of Primm Pharma s.r.l. The goodwill is amortized for the fifth time in the fourth quarter of 2016. The accumulated depreciation amounted to SEK 6 807 thousand. The remaining portion of the record that does not relate to goodwill relating to capitalized development costs and construction in progress in Primm Pharma s.r.l.

### Parent

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



#### **Note 7 Financial assets, rental deposits**

##### **Group and Parent Company**

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

#### **Note 8 Inventories**

##### **Group and Parent Company**

The inventory of Primm Pharma S.r.l. amounts per the fourth quarter of 2016 to SEK 2 497 thousand. The inventory consists of raw materials, consumables and GMP quality batches of Spherotide which are expected to be delivered to the partner in Iran to a value of SEK 7 million during the first quarter of 2017.

#### **Note 9 Other receivables**

##### **Group and Parent Company**

Other receivables consist mainly of tax receivables of SEK 4 867 thousand, prepaid expenses and deferred income of SEK 2 977 thousand and receivables from customers of SEK 1 499 thousand.

#### **Note 10 Translation difference**

##### **Group**

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

##### **Parent**

Translation difference are not applicable to the parent company.

#### **Note 11 Other long-term liabilities**

##### **Group**

Long-term liabilities consist mainly of a liability to Primm Pharma's CEO in SEK 2 706 thousand and a lease on a fixed asset in the production plant for Spherotide outside Naples in Italy of SEK 1 196 thousand.

##### **Parent**

The parent company has no long-term liabilities as of the closing date.

#### **Note 12 Other current liabilities**

##### **Group**

Other current liabilities consisted mainly of payables SEK 2 364 thousand, unsettled tax liabilities of SEK 94 thousand and accrued expenses and deferred income for SEK 3 065 thousand.

##### **Parent**

The balance consists mainly of payables of SEK 1 923 thousand, monthly social security contributions and withholding tax to the Swedish Tax Office.

#### **Note 13 Convertible**

##### **Group and Parent Company**

In September 2016, the Board of Directors decided to convert SEK 5 619 900 of the outstanding convertible to shares in Xbrane Biopharma AB. The conversion of the convertible to shares registered with the Companies Registration Office in October, 2016.

# ASSURANCE

The Board of Directors and the CEO assures that this interim report gives a true and fair view of the operations, financial position and results and describes significant risks and uncertainties that Xbrane Biopharma and the companies included in the Group face.

Stockholm, 27 februari 2017

.....  
**Saeid Esmailzadeh**

Chairman of the board

.....  
**Alessandro Sidoli**

Member of the board

.....  
**Peter Edman**

Member of the board

.....  
**Maris Hartmanis**

Member of the board

.....  
**Karin Wingstrand**

Member of the board

.....  
**Martin Åmark**

CEO

.....  
**Giorgio Chirivi**

Member of the board

# MORE INFORMATION

## Financial Calendar

Year-end report	February 27 2017
Capital-Markets day	March 7 2017
Annual Report	April 28 2017
Annual General Meeting	May 18 2017
Interim Report January-March	May 18 2017
Interim report April-June	August 28 2017
Interim report July-Sep	November 27 2017

## For further information

Martin Åmark, VD	Mail: <a href="mailto:martin.emark@xbrane.com">martin.emark@xbrane.com</a>
Telefon: + 46 76-309 37 77	<a href="http://www.xbrane.com">www.xbrane.com</a>

