BRANE BIOPHARMA

Science for high quality biosimilars

Annual and Sustainability Report 2023

FINANCIAL CALENDAR

Annual report 2023	March 27, 2024
Annual General Meeting	May 2, 2024
Interim report January-March 2024	May 16, 2024
Interim report January-June 2024	July 17, 2024
Interim report January-September 2024	October 24, 2024

FOR FURTHER INFORMATION

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Contents

Xbrane - a world-leading developer of biosimilars

- **XBRANE BIOPHARMA AB** is a biotechnology company that develops biosimilars, i.e. follow-up drugs on already approved biological drugs that can be introduced at a lower price after the patent expires on the original drug.
- **XBRANE** has a patented platform technology that leads to a lower production cost of biological drugs compared to competing systems.
- **XBRANE** has a team with expertise in taking biosimilars from cell-line to approval with long collective experience in drug development.
- **XBRANE** has its headquarters and development lab at Campus Solna, just outside Stockholm. Since September 2019, Xbrane has been listed on Nasdaq Stockholm, with the ticker XBRANE.

BUSINESS CONCEPT

Xbrane develops and manufactures biosimilars of difficult-to-manufacture and often very expensive biological original drugs.

VISION

To become a world-leading scientifically-based biosimilar developer of cost-effective drugs for which there is a significant medical need.

OUR OBJECTIVE

To contribute to everybody having equal opportunities for health.

OUR VALUES

→ Impossible is nothing

→ Beat yesterday

→ Make it happen

→ We win as one

The year in brief

By the end of the year, Ximluci® was available on

12

markets

Ximluci® generated

SEK 210 M

in income during 2023

3

new patents

36

new patent applications

Q1

- In February, the Medicines & Healthcare products Regulatory Agency (MHRA) granted marketing authorization for Ximluci® (ranibizumab) in the UK.

Q2

- Xbrane's first product, Ximluci® was launched in several European markets through a strategic collaboration with STADA. Developed and manufactured in Europe, Ximluci® is the sixth biosimilar marketed in Europe by STADA, and the first to treat eye diseases.
- In April, Xbrane applied for marketing authorization approval for Ximluci® to the US Food & Drug Administration, FDA, (the US counterpart to the Swedish Medicines Agency).
- At the end of April, a framework agreement was signed with the English National Health Service (NHS) in the UK regarding the supply of Ximluci®.
- With the support of the authorization from the Annual General Meeting on May 4, 2023, the company carried out a directed share issue in May of around SEK 125 m at a subscription price of SEK 73.1 per share. In connection with this, a binding agreement was signed with CVI Investments Inc. regarding financing through convertible bonds of SEK 250 million.
- In mid-June, the US FDA announced that it had accepted the application for marketing authorization (known as a BLA) for Ximluci® (biosimilar candidate for Lucentis® (ranibizumab)). The official regulatory process began with a target decision date of April 21, 2024 (Biosimilar User Fee Amendment (BsUFA) date).

Q3

- In July, it was announced that STADA and Xbrane had agreed to terminate the commercial license agreement for North America with their former partner, Bausch + Lomb.
- In August, Xbrane updated its ambition to achieve a positive operating cash flow on a monthly basis before the end of Q1 2025.

Q4

- In November, it was announced that the company was focusing its development portfolio and ending the development of Xtrudane™ (biosimilar candidate for Keytruda®). A cost-saving scheme expected to generate around SEK 50 m in annual savings has been introduced.
- In December, it was announced that three new patents had been approved by the Swedish Intellectual Property Office (PRV).

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

- In January, a rights issue worth around SEK 343 m, was announced consisting of shares and warrants. At full utilization of warrants, Xbrane will receive up to SEK 78 million approximately. The rights issue was approved at an extraordinary general meeting on February 22, 2024. The purpose of the rights issue is primarily to finance preparatory activities for the launch of Ximluci® in the US, the launch of Ximluci® PFS, production of clinical material for BIIB801, development and production of clinical material for Xdivane™, general corporate purposes and prepayment in cash of the next six amortizations of convertible bonds to CVI, Investments Inc. The final outcome of the rights issue showed that 29,325,411 units, corresponding to about 98.4 percent of the issue, were subscribed for, with and without the support of unit rights . No guarantee obligations therefore needed to be invoked. Through the issue, proceeds of around SEK 337.2 m were added before deductions of issue costs. In addition, a directed offset issue of 33,402,483 shares was resolved to guarantors in the rights issue, with the same subscription price as in the rights issue. The shares were registered and funds received during March, which is why the effects in the balance sheet and cash flow will be visible in the upcoming interim report for Q1, 2024.
- Ximluci® was launched in three additional markets.

FINANCIAL SUMMARY FOR THE GROUP

	2023	2022
Revenue, SEK 000s	238,729	57,618
Research and development expenses, SEK 000s	–305,783	–199,648
R&D expenses as a percentage of operating expenses	82%	82%
Operating loss, SEK 000s	–322,164	–166,217
EBITDA, SEK 000s	–288,428	–149,640
Loss for the period, SEK 000s	–388,172	–172,513
Cash and cash equivalents, SEK 000s	65,402	193,994
Equity ratio, %	26%	62%
Earnings per share before dilution, SEK	–13.52	–6.75
Earnings per share after dilution, SEK	–13.52	–6.75
Number of employees on the balance sheet date	93	79

Chairman of the Board's letter

2023 was the year when our first biosimilar Ximluci® was launched in Europe, but at the same time a year when we struggled with slower than anticipated sales uptake. As a consequence we had to reduce our cost base and subsequently launch a rights issue. Our long-term belief in the huge market potential in biosimilars and our commitment to become a leading global biosimilar developer remains. We are now fully focused on getting to positive cash-flow in q1 2025 and to accelerate the growth of the company for the future.

Dear shareholders

Xbrane operates within the biosimilar market which is one of the fastest growing segments in the pharmaceutical industry. Biosimilars generated sales of over USD 29 bn in 2023, and the market is expected to grow by 17.8 percent annually through 2028, corresponding to USD 67 bn, see page 18. This rapid growth for biosimilars is driven by the rapid expansion of the market for precise and highly effective biological drugs, and now accounts for around 40 percent of all drug sales. More and more of these products, often huge sellers with tens of billions of Swedish kroner in sales, are losing their patent protection, opening up a large potential market for biosimilars. At the same time, trust in biosimilars has increased among doctors and patients. This means that biosimilars can take up to 70 percent of an original product's market share 3 years after its patent expires. They generate great value to society in terms of increased availability of important medicines for many more patients, as well as significant healthcare savings. Xbrane is therefore focusing on a very large global and commercially attractive market.

Ximluci® is the first biosimilar to be launched in the eye segment and hence requires more efforts in training all stakeholders including doctors, payers and patients than recent biosimilar launches in oncology and immunology, especially in Europe. It is all about making them comfortable in the rigorous regulatory process ensuring equivalent efficacy and safety to the originator product. Hence, sales uptake in Europe has been slower than anticipated, however our long-term view on the potential for Ximluci® remains and particularly including the market in US which has been more receptive to Lucentis® biosimilars so far.

Xbrane has demonstrated that it has the capabilities to take biosimilars all the way from cell-line development to approval and commercial launch. We have also demonstrated the value in our patented platform technology that has enabled us to be the only known global developer of a biosimilar candidate to Cimzia®, a EUR 2b difficult-to-manufacture, niched, rheumatoid arthritis and psoriasis drug. I believe that the company has the foundation to become a leading biosimilar developer globally and we clearly have the ambition to broaden our development portfolio when the time is right, based on our unique platform technology. However, our focus currently lies in reaching a positive cash-flow in Q1 2025, but to achieve our long-term vision for the company we need to deliver on all our critical milestones in 2024.

Thank you for your support in building Xbrane.

Anders Tullgren
Chairman of the Board

CEO's letter

2023 was a year characterized by both successes and setbacks. We became a commercial company when we launched Ximluci®, Xbrane's Lucentis® biosimilar for the treatment of serious eye diseases, on the European market in March, together with our partner STADA. However, after the summer it was necessary to reassess the sales trajectory when it was clear that sales were not proceeding as planned. Measures were taken to increase market activities and to optimize the manufacturing plan.

Dear shareholders,

STADA is continuing to introduce Ximluci® in Europe, and Ximluci® is now available in 15 European countries corresponding to about 40 percent of the European market worth around EUR 5 billion[1]. During Q4, Ximluci® had a market share of close to 1 percent of the ranibizumab (Lucentis biosimilar) market of about EUR 300 m with growth of around 25 percent in sales to end customers compared to Q3 2023. The profit generated has steadily increased but are still low due to continued significant investments in sales and marketing. Xbrane receives half of the profits generated.

We are actively working together with STADA to increase the number of eye clinics that use Ximluci®, for example through joint training activities, and the feedback from the ophthalmologists has been positive so far.

Furthermore, we plan to launch Ximluci® in a pre-filled syringe in Q1 2025, which we expect will lead to a further positive effect on sales. In parallel, we are working closely with STADA to secure a commercialization partner for the US and to start preparing for a launch. Sales in the US are expected to make a significant contribution to revenues in 2025. Lucentis® biosimilars have performed well in the US so far with sales of USD 60 million in Q4 2023. Xbrane submitted a Biological License Application to the FDA for Ximluci® in April 2023. The application was validated in June and the review process began with a decision date of April 2024.

The development of BIIB801 (Cimzia® biosimilar candidate) continues with a focus on manufacturing clinical material in 2024, after which Biogen Inc will take on further development. The Biogen deal is expected to generate revenue from the sales of the previously mentioned clinical material and milestone payments. Both activities are planned to be completed in 2024 and thus the development budget for this program will be reduced. To our knowledge BIIB801 is the only Cimzia® biosimilar candidate currently in development. Global sales of Cimzia® were EUR 2 bn in 2023 and continues to grow given its niche position as the only TNF inhibitor safe for pregnant and breastfeeding women.

Another important decision was to focus our development portfolio on Xdivane™ (Opdivo® biosimilar), which is the first immuno-oncology product to go off-patent and where the competitive position looks favorable. For Xdivane™, we have recently successfully scaled up the production process internally and thereby demonstrated scalability, which reduces the risks for our future production of clinical material. In light of this, we are actively discussing out-licensing with several counterparties and we are working hard to close a deal during 2024. Meanwhile, we continue the upscaling of the manufacturing process with the selected contract manufacturer and to manufacture clinical material to enable the start of the clinical study in 2025.

> "2023 provided both ups and downs. We entered a commercial phase with the European launch of Ximluci®, but sales have not met expectations. We have made the necessary structural changes, and provided that we reach the next milestones, 2024 will be a pivotal year for Xbrane."

During the autumn, we focused on measures that would ensure long-term financial sustainability for the company in achieving a positive cash flow as soon as possible. By focusing our product portfolio and having introduced a cost savings scheme, we expect annual savings of SEK 50 m when it is fully implemented, which is expected in Q3 2024.

2024 is a pivotal year for Xbrane with a focus on the following key deliverables:

- Support STADA in growing sales of Ximluci® in Europe
- FDA approval with the subsequent launch of Ximluci® in the US together with a selected commercialization partner
- Support sales of a pre-filled syringe of Ximluci® in Europe and launch in the US during Q1 2025
- Successfully upscale the manufacturing process for BIIB801 to manufacture and sell clinical material to Biogen Inc, which is expected to generate revenue as well as milestone payments from Biogen Inc in accordance with the existing agreement
- Out-licensing Xdivane™ to a global commercialization partner

Thank you for your continued support.

Solna, March 27, 2024

Martin Åmark
CEO

Our objective - to contribute to health equality for everyone

Xbrane is a purpose-driven organization and our objective, to promote access to cost-effective drugs, is part of everything we do. Biological drugs are very effective in treating a number of serious medical conditions that affect many people. At the same time, biological drugs are expensive and only a fraction of the world's population has access to them.

Our purpose is clear – to be able to contribute to health equality for everyone. If there is a treatment, it should be available to everyone who needs it. By applying the latest science, Xbrane can develop cost-effective biological drugs at a lower price. This makes the treatment available to more people.

Why invest in Xbrane?

Xbrane – a world-leading developer of biosimilars

Platform-based developer of biosimilars at the lowest possible production cost

- A patented development platform to ensure a low production cost.
- Commercial agreement with major global pharmaceutical companies: STADA Arzneimittel AG and Biogen Inc.

Our first proprietary product, Ximluci®, was launched in Europe in Q1 2023, and by the end of Q1 2024, it will be available in 15 countries.

- Ximluci® (biosimilar to Lucentis®) was launched in Q1 2023 and competes in a market worth around EUR 5 bn in Europe.
- The company applied for a Biologics License Application (BLA) in the US in April 2023, with a decision on possible approval and subsequent launch in the US in 2024.

Attractive portfolio with more candidates to be launched when the patents expire on the original drugs.

- BIIB801 is, as far as we know, the only biosimilar candidate in development for the TNF inhibitor Cimizia® , which has annual sales of more than EUR 2 bn.
- Portfolio of two biosimilar candidates in oncology addressing a combined annual peak sales of the reference products totaling EUR 22 bn for which we are discussing out-licensing.

Our strategic platform

Our strategic platform

Our objective – to contribute to health equality for everyone

What we do, see page 11

- Develop biosimilars up to market authorization
- Uses partners for manufacturing, marketing and sales

How we make a difference, see page 12

Apply our patented platform technology to

- reduce production costs,
- shorten preclinical development and
- create products with a high similarity to the reference product

Our strategic focus areas in the medium term

- Create value for patients and society with Ximluci®.
  See page 13
- Optimize the value of our development portfolio.
  See page 14
- Develop and expand our platform technology.
  See page 15

Our goals in the short- to medium-term

- Increase sales growth of Ximluci® in Europe through active marketing efforts together with our partner STADA and development of the pre-filled syringe.
- FDA approval with subsequent launch of Ximluci® in the US together with our chosen commercialization partners.
- Launch pre-filled syringe for Ximluci® in Europe in Q1 2025.
- Scale up BIIB801 by producing clinical material for sales to Biogen Inc. which is expected to generate revenue as well as milestone payments from Biogen Inc. Support the initiation of clinical studies.
- Out-license Xdivane™ to global commercialization partner
- Cash flow positive in Q1 2025.

Our route to a positive cash flow

Xbrane's goal is to reach a positive cash flow in the first quarter of 2025. Xbrane's revenue model consists of revenues from sales as well as out-licensing of products and drug candidates. The cash flow is also affected positively by cost sharing, as is the case with Ximluci®.

Revenue source	Means	Revenue form	Our short-term plans
Product sales	Xbrane offers a finished drug product with market approval for sales and marketing partners in different geographic markets	Transfer price or profit sharing	• Support STADA for continued market penetration of Ximluci® in Europe, including launching a pre-filled syringe in Q1 2025 • FDA approval of Ximluci® in the US and contract with chosen commercialization partner including milestone payments
License revenue	Xbrane out-licenses a product or technology to a partner prior to market approval. The partner is responsible for commercialization in different geographic markets.	Typically, license revenue broken down into milestones and royalties from signing to market approval	• Successful upscaling of the manufacturing process for BIIB801 to manufacture and sell clinical material to Biogen Inc, at which point Biogen takes over development and costs as per the agreement
Cost sharing	**Means**	**Lower costs in the form of**	
Cost sharing from partnership agreements	A partner shares development costs	An agreed portion of development costs is invoiced to the partner	• Agreement with global commercialization partner for co-financing of development costs for Xdivane™

What we do - long-term strategic path choice

WHICH BIOSIMILARS ARE WE DEVELOPING?

Xbrane uses the following criteria to introduce new biosimilar candidates into its portfolio:

Launching as soon as possible after patent expiration:
Rapid launch after the patent for the reference drug expires is critical, especially when there is competition from other biosimilars. Xbrane therefore carefully studies patent applications for potential reference products and initiates the development of biosimilar candidates at least seven years before the main patents expire in Europe and the US.

Large addressable market:
In order to justify the investment required to take a biosimilar candidate all the way to market authorization, the reference product needs expected sales of over EUR 1 bn upon the patent's expiry. As there is always uncertainty surrounding a pharmaceutical product's development and future competition, Xbrane prefers to initiate the development of biosimilar candidates' reference drugs that already sell for over EUR 1 bn when development begins.

Medical need:
There must be a significant medical need based on limited availability of the reference drug due to high pricing. There is then a significant opportunity for our products to make a difference, which is the purpose of Xbrane's business. Otherwise, the company is open to all therapeutic areas.

Benefit from platform technology:
Xbrane selects biosimilar candidates that are the best fit for the company's platform technology. These must be products where Xbrane will be able to achieve the greatest advantage in productivity and thus production cost compared to the competition. As the development capacity increases, more candidates will undergo cell-line development. Selection of products will then be made based on the increased productivity and quality Xbrane's platform technology can provide.

WHICH GEOGRAPHIC MARKETS DO WE ADDRESS?

Xbrane focuses its development on meeting regulatory requirements from the EU and from the US. However, the ambition is, on the basis of approval from either the EU or the US, and together with commercialization partners, to make the products available in as many parts of the world as possible.

WHERE IN THE VALUE CHAIN SHOULD XBRANE BE?

Xbrane can carry out the development of a biosimilar all the way from cell-line to market authorization.

- Preclinical development takes place largely in-house.
- In the clinical development, Xbrane works with selected Contract Research Organizations (CROs)
- For clinical and commercial manufacturing, we collaborate with carefully selected Contract Manufacturer Organizations (CMOs)
- For the commercialization of the products, Xbrane signs partnerships with major pharmaceutical companies that sell and market the products. These partnerships are typically signed towards the end of preclinical development, after analytical similarity has been demonstrated. In this way, Xbrane can obtain meaningful co-financing of the more costly clinical development from partners.

Product	Original drug	Primary indication	Estimated annual sales of original drug[1)]	Patent expiry of original drug	Development phase
Ximluci®	Ranibizumab (Lucentis®)	Wet age-related macular degeneration, diabetes-related eye damage and retinal vein occlusion.	EUR 2 bn[1)]	2022 (Europe) 2020 (USA)	Launch phase
BIIB801	Certolizumab pegol (Cimzia®)	Rheumatoid arthritis, axial spondylarthrosis, psoriatic arthritis and psoriasis.	EUR 2 bn[2)]	2024 (USA) 2025 (Europe)	Preclinical phase
Xdivane™,	Nivolumab (Opdivo®)	Melanoma, lung cancer, kidney cell cancer, head and neck cancer and bladder and urinary tract cancer.	EUR 13 bn[2)]	2026–2031 depending on country	Preclinical phase
Xdarzane™,	Daratumumab (Darzalex®)	Multiple melanoma.	EUR 9 bn[2)]	2029–2031 depending on country	Preclinical phase
			EUR 26 bn[1,2)]		

Source:
1) Novartis Annual Report 2023, Roche Annual Report 2023
2) Evaluate Pharma; "Originator Peak Sales Estimate 2026".

How we make a difference

Xbrane's main competitive advantage, i.e. what we believe we do better than our competitors, is to achieve great productivity in the protein expression system, which leads to low production cost. This is thanks to Xbrane's patented platform technology.

XBRANE CONTINUES TO INVEST in developing its platform technology. Our platform technology is what allows us to develop products with low production costs, something that we believe will play an increasingly important role in the biosimilar market. To our knowledge, Xbrane is, for example, the only biosimilar developer that can develop a biosimilar of the reference drug Cimzia®, partly because of the molecule's complexity and partly because very high productivity is required to make the product commercially viable.

Our platform technology is also developed to achieve as much analytical similarity as possible with the reference drug to reduce uncertainty, which must be ensured through clinical studies. In this way, we can be at the forefront of pushing the industry towards acceptance by authorities to approve biosimilars on the basis of a phase I clinical study alone, something that the MHRA (the Medicines and Healthcare products Regulatory Agency in the UK) has already agreed to.

Xbrane's strategic focus areas for the next three years

Continue to create value for patients and society with Ximluci®.

See page 13

Optimize the value of the development portfolio.

See page 14

Develop and strengthen our platform technology.

See page 15

In addition to these strategic focus areas, Xbrane is actively working

- to maintain a strong corporate culture and to
- further streamline our ways of working, for example by increasing expertise to establish productive long-term collaborations and improve our project management model.

Create value for patients and society with Ximluci®

Ximluci®, our Lucentis® biosimilar, has been approved and is being launched in Europe creating a great opportunity for us to generate value for patients and society as a whole.

In the coming years, we will put significant focus on this by:

→ Reducing production costs
Through continuous improvements to the production chain in the coming years, we will be able to reduce the production cost of Ximluci®. This is critical in order to maintain the competitiveness of the product and to be constantly able to offer the most cost-effective treatment option to patients and healthcare providers.

→ Introducing a pre-filled syringe
Ximluci® has been approved as a package consisting of the product filled in a vial. The reference product Lucentis® has two packages of the product, a vial and a pre-filled syringe. The pre-filled syringe has certain advantages for the eye clinic, mainly in terms of time consumption. Xbrane has been working for some time with a pre-filled syringe with the aim of being able to bring it to market with our partners in 2025.

→ Launching the product on more markets
Xbrane is working on getting Ximluci® approved in the US in 2024. Together with STADA, Xbrane is also exploring other markets, for example the Middle East, where the marketing authorization application has been submitted to the authorities in Saudi Arabia. More applications will be submitted in the region.

Strategic goal

→ Optimize the value of Ximluci® to contribute to health equality for everyone

Optimize the value of other biosimilar candidates

It is of the utmost importance that we maintain the schedules in the development programs we are running and succeed in bringing our products to market shortly after the patent expires on the respective reference product.

We are focused on success in both the development of new products and in upscaling our biosimilar candidates to finished products in production in accordance with the schedule.

Critical areas of expertise are primarily within cell culture, purification and analysis of proteins, process development and GMP production, as well as clinical and regulatory areas of expertise.

Over the next two years, the development portfolio will focus on the following important milestones:

Clinical studies

- → Upscale BIIB801 by manufacturing clinical materials for sale to Biogen Inc. and support the initiation of clinical studies.
- → Upscale the production process for Xdivane™ and start clinical study.

Production process

- → Establish production processes for Xdarzane™.

Out-license

- → Out-license the oncology portfolio to a commercialization partner to obtain partial funding for its clinical development.

Strategic goal

- → Successfully increase the value of our existing development portfolio.
- → Begin the development of new biosimilar candidates from a cash flow positive position.

Develop and improve our platform technology

To continue to be a competitive developer of biosimilars in the long-term, we must continue to develop and expand our platform technology. We will invest in the following initiatives with the aim of being able to develop biosimilars with lower production costs, high similarity, and an effective development process.

Cell line development and vector design

- We will continue to develop our library of proprietary host cell lines that we have optimized for high productivity in combination with the vector that we introduce into the host cells that instructs the cells to make the target protein of interest. This vector contains, in addition to the specific gene that instructs the production of the target protein, various DNA sequences that favor productivity and quality in the manufactured protein. In recent years we have developed a number of different genetic and technical solutions which we have patented.
- We will primarily work with further development of host cell lines and vectors applicable for proteins expressed in Chinese Hamster Ovary mammalian cells, (CHO) as we believe they will have the greatest application in future programs.

Continuous manufacturing

- Xbrane is working actively on establishing internal expertise and equipment to be able to develop products with a perfusion process, and by extension with the ambition of developing a platform for a fully continuous process including the purification process. Process technologies such as perfusion can be important for certain products from a cost perspective. Perfusion means that the manufacturing process runs continuously for a longer time than in a sequential batch-after-batch process and that the target protein is gradually emptied out of the bioreactor in which the cells are cultivated.

Analytical similarity for reduced clinical trials

- Xbrane is investing in new, more precise analytical tools to identify minor potential differences between the biosimilar candidate and the reference product earlier in the development process. This is so we can address even smaller potential differences as early as possible and be able to create a comprehensive and precise analytical comparative package for discussion with authorities in connection with the need for comparative clinical studies.
- The ambition is to be at the forefront of being able to obtain approval for biosimilars in Europe and the US with as limited clinical studies as possible.

Strategic goal

- Efficiently develop biosimilars with low production cost and high similarity.

Read more about our platform technology on pages 19–20.

Biosimilars and development

What is a biosimilar?

Biological pharmaceuticals are highly effective protein drugs that are manufactured in living cells. Biosimilars can increase a patient's access to these drugs by typically being 20-40 percent cheaper than their reference drugs.

Through the development of recombinant DNA technology in the late 1970s, biological pharmaceuticals emerged. Since then, biologicals have revolutionized the treatment of serious diseases such as diabetes, MS, cancer, and more recently, arthritis as well as skin and eye diseases.

The proteins that make up active substances (APIs) in biologicals are much larger and more complex than the small molecules produced usually by chemical synthesis.

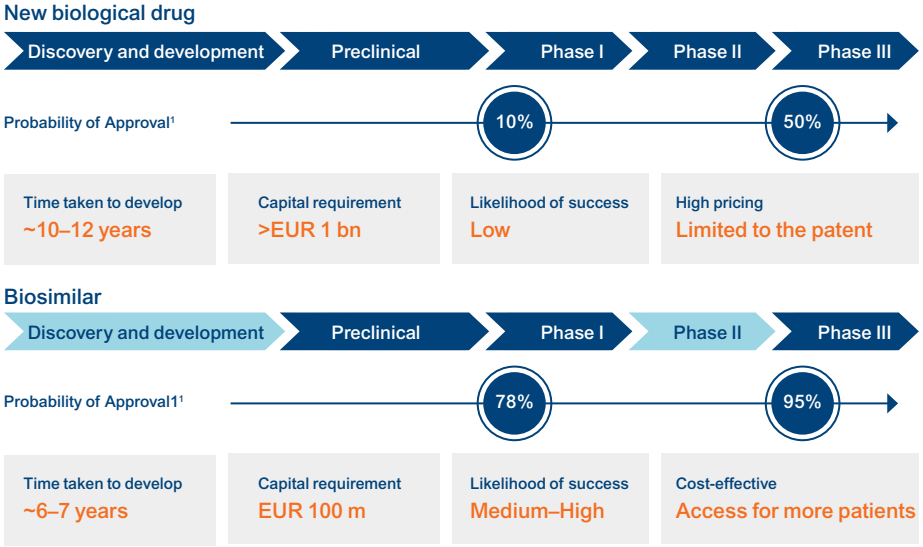
Biosimilars are similar to the biological reference product.

Biosimilars are approved medicines that are similar to a biological reference product in terms of quality, safety and efficacy. They are approved in highly regulated markets such as the EU and US through strict legislation and can be launched after the original reference products' patent protection has expired.

The development of biosimilars requires extensive expertise in protein expression, purification and analysis methods, as well as clinical and regulatory know-how.

	BIOLOGICAL DRUG	SMALL MOLECULE DRUGS
Obtained	By using active substance or purified material of biological origin (living cells)	Through chemical synthesis
Complexity	Active substances are large and complex. The substance in Ximluci® has a mass of 48,000 Daltons	Usually small simple molecules, e.g., 180 Daltons in mass for acetylsalicylic acid in Aspirin®
Which means	More complicated to produce	Relatively easy to produce
Alternative when patent expires	BIOSIMILAR which fulfills the same function but is not identical to the reference drug	GENERIC has an identical active substance as the original drug
Demands from pharmaceutical authorities	Very large. The manufacturer must guarantee that the biosimilar's quality, safety and efficacy are comparable to the biological reference product in preclinical studies	Very large. Generics need to prove that they are exactly the same as the original

Biosimilars – a quick and cost-effective route to market with a significantly lower risk than a new biological drug



1) Informa Pharma's Biomedtracker database, based on 108 tracked biosimilar development programs and over 10,000 novel product development programs, The Path Towards a Tailored Clinical Biosimilar Development, Martin Schiestl et al

Complex development and manufacturing

Due to the size, complex structure and living cell systems, the development and manufacture of biosimilars requires a lot of time, work and expertise. The basic principle in the development of biosimilar pharmaceuticals is the similarity to the established reference medicine. The manufacturer must be able to guarantee that the biosimilar's quality, safety and efficacy are comparable to the biological reference product. This is done using a solid comparative analysis based on a large number of laboratory tests at the preclinical phase. Provided that high analytical similarity has been demonstrated preclinically, the clinical phase can be initiated. Typically, a phase I study is conducted in healthy volunteers where safety and pharmacokinetics compared to the reference product are studied, after which a phase III study can be conducted where safety and efficacy are studied in a well-targeted patient population. Developing a biosimilar typically takes about 7 years and requires an investment of around EUR 100 m. However, the risk is significantly lower than when developing new medicines. Historically, about 95 percent of the biosimilar candidates entered into a phase III study have received approval in the EU and/or the US.

The biosimilars market

The biosimilars market generated USD 29.4 bn in 2023 and is expected to grow 17.8 percent annually up to 2028.

The biosimilars market generated USD 29.4 bn in 2023 and is expected to grow 17.8 percent annually up to 2028, driven by patents expiring on major biological drugs, increased use as patient and physician trust increases, and a strong push by purchasers to move toward the most cost-effective option.

Market penetration of biosimilars

Biosimilars have historically taken over 70 percent market share in terms of volume of the respective reference drugs in Europe over three years. The graphs below on the right show how the market share in volume for the biosimilars together, compared to the reference drug, increases over time after launch. The curves become steeper and steeper for the later launches, which illustrates how the confidence in using biosimilars among doctors and patients increases over time and that the pressure in the form of regulations, procurement and incentives, which push towards using the most cost-effective alternative, increases from payers of the drugs.

We have also seen that the reception of biosimilars in the US in recent years has come to reflect the picture in Europe. We expect this to continue in the future as confidence in the use of biosimilars among doctors and patients increases in the US combined with further regulations favoring biosimilars. For example, the incentives for the use of biosimilars increased in October 2022 after the introduction of the "Inflation reduction act". Payments to doctors using biosimilars increased from 6 percent to 8 percent of the reference drug's average sales price.

Biosimilars increase availability and provide major savings

The number of treatment days per capita has increased in Europe as a result of the launch of more cost-effective biosimilars across all classes of drugs where biosimilars have been introduced. For example, for TNF inhibitors (mainly used in the treatment of rheumatoid arthritis and psoriasis), the number of treatment days per capita has doubled after the launch of the first biosimilar in the field. It is remarkable that the high prices of biological medicines limit availability so greatly even in Europe.

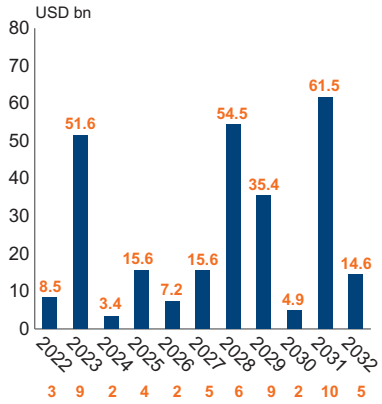
Biosimilars lead to significant cost savings in healthcare that can be used to offer new and more effective treatments, increase staff and reduce care queues. In the US, biosimilars are expected to generate savings of over USD 100 bn over the period 2020–2024.

Source:

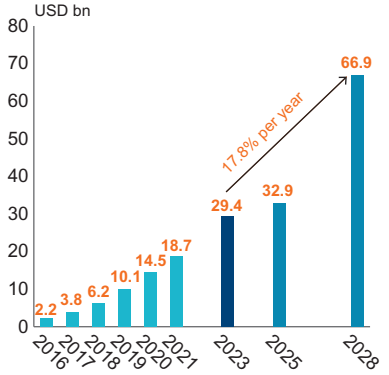
https://www.mckinsey.com/industries/life-sciences/our-insights/three-imperatives-for-r-and-d-in-biosimilars

https://www.marketsandmarkets.com/Market-Reports/biosimilars-40.html

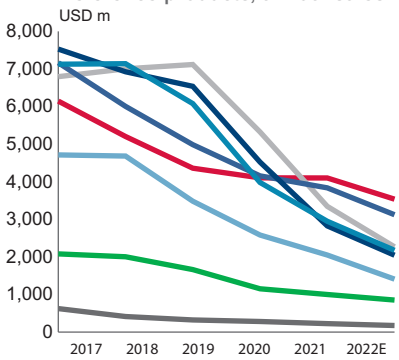
Biological drugs with a total of >USD 260 bn in annual global sales will lose their exclusivity over the next 10 years



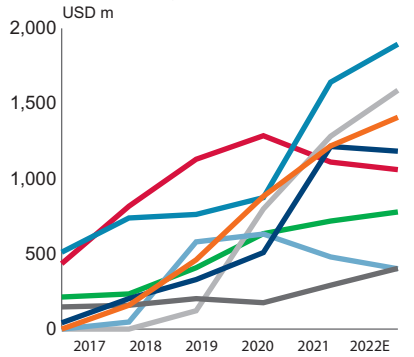
Global sales of biosimilars are expected to grow by 17.8% per year until 2028



Reference products, annual sales



Biosimilars, annual sales



Epoetin alfa | Insulin glargine | Bevacizumab | Infliximab
Pegfilgrastim | Filgrastim | Rituximab | Trastuzumab

After the latest launches, biosimilars have taken +70% market share in volume compared to their reference product in the EU and the US after just three years. Low discounts enable high margins (80–85% for biosimilars versus 95% for reference products). Biosimilars realize significant savings for healthcare systems.

Source: https://www.mckinsey.com/industries/life-sciences/our-insights/three-imperatives-for-r-and-d-in-biosimilars
https://www.marketsandmarkets.com/Market-Reports/biosimilars-40.html

Our platform technology

Xbrane's patented platform technology has a significantly greater productivity than standard technologies, enabling lower production costs. During the year, we continued to develop our technology further.

IN BIOLOGICAL DRUGS, including biosimilars, the active component is protein, which can be manufactured in different types of host cells. Xbrane manufactures its biosimilars in two different types of host cells:

- E. coli bacterial cells (Escherichia coli)
- CHO mammalian cells (Chinese Hamster Ovary cells)

Our technical platform provides greater productivity

In the protein expression of E. coli bacteria, a technology is used based on Xbrane's patented platform technology LEMO™ (LEss is MOre), which has shown up to twelve times greater productivity than standard technologies in a number of academic studies.

The technology is based on a promoter system, which makes it possible to regulate the production intensity in the host cells very precisely. In standard systems, the production intensity is preset at a very high level. Being able to regulate the intensity makes it possible to set the optimal level for each target protein and thus avoid toxic effects such as misfolding of the target protein and downgraded production in host cells as a result of a high workload. Combined with advanced molecular biology design, where the cells have been genetically reprogrammed to perfectly fit the LEMO™-based system, this leads to greater productivity, i.e., a greater amount of high-quality target protein per liter of culture media. Xbrane's proprietary system for E. coli is used for both Ximluci® and BIIB801 (Cimzia® Biosimilar).

Continued development of the platform for CHO cells

Progress with the company's products has meant that more resources have been able to put into the research and development of our technological platform, which has resulted in 13 approved patents and more than 40 patent applications in recent years. Most of these patents relate to expanding the platform for manufacturing in CHO cells.

CHO cells are a significantly more advanced cell type compared to E. coli, which is why optimization of CHO cells is more complicated. Xbrane works both internally and in collaboration with a number of leading companies in the further development of CHO cells to further improve the cells' ability to manufacture biosimilars. We have seen a significant improvement in the productivity of our CHO cell-based product candidates Xdivane™ (Opdivo® biosimilar) and Xdarzane™ (Darzalex® Biosimilar) compared to established developers.

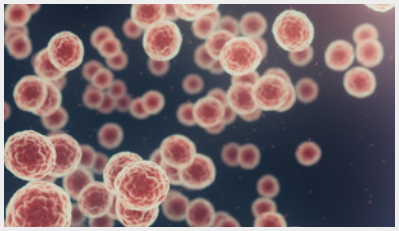
Increased productivity and quality

Xbrane's researchers are currently developing and optimizing a number of different DNA constructs that lead to significantly better production efficiency in CHO cells. These DNA constructs can be used as "plug-and-play" for the different biosimilar candidates that are produced in CHO cells. This will give Xbrane a continued competitive advantage today and in the future.

In addition to the purely molecular biological improvements of host cells and expression tools, Xbrane's research and development team is constantly working to improve the processes for growing cells, increasing productivity, purifying the target protein, and analyzing and characterizing the produced target protein. We will therefore be able to increase productivity and quality for our biosimilars in our future portfolio.

Advantages of our platform technology

Library of different types of cells + **Technologies to increase the cell's ability** + **Methods within process and analysis**



Library of developed cell lines, which, for example, remove genes that affect the quality of proteins.

Technologies that increase productivity and quality, e.g. LEMO™, Rhames, TI_S/TIR sequences, gene code optimization.

Specific production processes and world-class analytical methods and instruments, e.g. Perfusion technology, medium development, purification, HDX-LC-MS.

Lower production costs

Up to 50% greater productivity

High biosimilarity

One product approved by the EU

Short development time

>1.5 years to developed process

13 approved patents and 48 patent applications

Product portfolio

Ximluci® for the treatment of eye diseases was launched in 2023

Ximluci® was launched by Xbrane's partner STADA Arzneimittel AG (STADA) in Q1 2023, and by the end of the year, Ximluci® was available in 12 European markets.

XIMLUCI® IS A BIOSIMILAR to the reference drug Lucentis® (ranibizumab) and an anti-VEGF (vascular endothelial growth factor) for the treatment of retinal vascular diseases, which are a common cause of blindness. The wet form of macular degeneration occurs when defective blood vessels form under the retina. The blood vessels bleed and leak fluid, causing swelling and leading to significant vision loss and image distortion. If not treated in time, a scar forms under the macula and the central field of vision, including detailed vision, risks being lost.

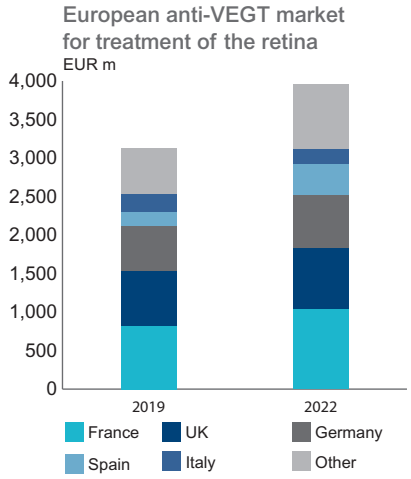
Ximluci® is approved in Europe for the treatment of wet age-related macular degeneration (wet AMD), diabetic macular edema (DME), diabetic retinopathy (PDR), retinal vein occlusion (RVO) and visual impairment due to cordial neovascularization (CNV) in adults.

An extensive comparative analytical study and a phase 3 clinical study demonstrated equivalent efficacy and comparable safety to the reference product Lucentis®. The phase 3 clinical trial conducted in 2021 included 582 patients with wet age-related macular degeneration. The study's primary endpoint was the change in visual acuity (BCVA) from baseline to week 8 of treatment. The efficacy measure was met when the adjusted treatment differences between the two products were within the predefined equivalence margin.

Market for Ximluci®

Wet AMD affects an estimated 7 million people in Europe, with around 500,000 new patients each year[1] and a market turnover of over EUR 12 bn per year. The product therefore targets a significant market. The market has also grown by 8–10 percent in recent years.

We also expect further growth for Xbrane in connection with more cost-effective biosimilars coming to market, as there is still a large proportion of untreated and undertreated patients due to high drug costs and limited subsidies. The majority of affected people in developing countries go untreated. There is a great medical need for these treatments, not only in developing countries, but also in Europe and the United States.



Source
1) Prevalence and incidence of age-related macular degeneration in Europe: a systematic review and meta-analysis British Journal of Ophthalmology (bmj.com)

XIMLUCI® FOR THE TREATMENT OF EYE DISEASE

Wet age-related macular degeneration and diabetes-related eye diseases affect the macula, the central area of the retina, and macular degeneration causes a gradual loss of central vision. The most common form is age-related macular degeneration, which, after cataracts, is by far the leading cause of visual impairment in people over 70 and one of the leading disease-related causes of blindness.

Reference products

Ximluci® addresses a market totaling around EUR 13 bn[1] per year. In addition to Lucentis®, the drugs Eylea®, Beuovo, Vabysmo and Susvimo (ranibizumab implants) are also used. The drug Avastin®, a VEGFa inhibitor approved for the treatment of certain cancer indications, is also used off-label, due to Avastin®'s lower cost per treatment.

Launching in collaboration with STADA Arzneimittel AG (STADA)

In 2022, Ximluci® received a positive opinion from the European Medicines Agency's (EMA's) Committee for Medicinal Products for Human Use (CHMP). The European Commission subsequently granted Ximluci® marketing authorization throughout the EU, paving the way for the launch of Ximluci® in Europe.

Xbrane signed an agreement with STADA back in 2018 (see the fact box below on the right) according to which STADA has been granted the commercial rights to Ximluci® in all territories included in the agreement, which includes Europe, the US, several countries in the Middle East and North Africa (MENA) and selected markets in Asia Pacific (APAC).

This means that the marketing authorization for Ximluci® is held by STADA and is valid in all 27 EU member states, as well as Iceland, Norway and Liechtenstein. Ximluci® was launched by Xbrane's partner STADA Arzneimittel AG (STADA) in Q1 2023, and by the end of the year, Ximluci® was available in 12 European markets. Through the partnership with STADA, Xbrane gains access to STADA's experienced, clinically knowledgeable sales force and key-account management team, extensive sales and marketing expertise throughout Europe as a top-four player in both generic and over-the-counter medicines.

Application for Biologics License Agreement in the US

Xbrane is working to get Ximluci® approved in the US in 2024 and launched in the US in early 2025. Ximluci® is expected to be approved first as a vial of the active substance, from which the ophthalmologist extracts the product into a syringe for injection into the eye. Xbrane is also developing Ximluci® as a prefilled syringe, for which additional approval will be sought in the future.

Source:
1) Evaluate Pharma; "Originator Peak Sales Estimate 2026".

STADA
Caring for People's Health

About STADA Arzneimittel AG

STADA Arzneimittel AG is headquartered in Bad Vilbel, Germany. The company focuses on a strategy in three areas: generics, specialty drugs and non-prescription consumer healthcare products. STADA Arzneimittel AG sells its products in around 120 countries. In the 2023 financial year, STADA's Group turnover was EUR 3,734.8 m and earnings before interest, taxes, depreciation and amortization (EBITDA) was EUR 802 m. As of December 31, 2023, STADA employed 11,466 people. Ximluci® is the sixth approved biosimilar in STADA's Specialty Care portfolio.

BIIB801 for the treatment of rheumatoid arthritis, psoriasis, Crohn's disease and axial spondylitis

BIIB801's production process with ongoing upscaling. Xbrane will manufacture clinical material that will be sold to Biogen Inc., with whom Xbrane has signed a development and commercialization agreement.

BIIB801

BIIB801 is a biosimilar candidate to certolizumab pegol (original drug Cimzia®), a TNF alpha inhibitor used in the treatment of rheumatoid arthritis, psoriasis, Crohn's disease and axial spondylitis. Common to these diseases is that they are autoimmune diseases, which means that they are caused by the body's own immune system attacking healthy tissue in the body.

Lifetime treatment

Autoimmune diseases are chronic diseases and the need for treatment can therefore be lifelong. Treatment is typically started with immunosuppressive drugs such as methotrexate, which slows down the inflammation. When this is no longer enough, TNF-alpha inhibitors are introduced.

TNF-alpha is a signal protein that the white blood cells send out when they detect an inflammation to notify and activate other cells that play important roles in the immune system. By binding to and inhibiting the signaling protein, TNF-alpha inhibitors can slow down the immune system and thereby relieve several autoimmune diseases.

Biosimilars have increased availability and provided major savings for healthcare systems

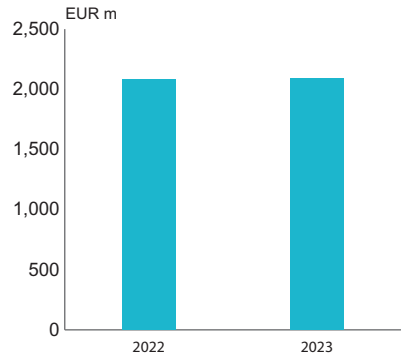
There are five approved original drugs in the TNF-alpha inhibitor class, Cimzia®, Humira®, Enbrel®, Simponi® and Remicade®. In Europe, patents have expired for Humira®, Enbrel® and Remicade®. As a result, eleven biosimilars have been launched. Biosimilars that have been introduced in Europe for Humira®, Enbrel® and Remicade® have collectively over time driven down the price by 22 percent and driven up the number of treatment days per capita by 90 percent, thus having a major impact both in terms of savings for the healthcare systems and increased accessibility[4]. The biosimilars have had a major impact as biosimilars of Humira® had reached a 35 percent volume market share in Europe, 12 months after launch, while biosimilars of Remicade® and Enbrel® had taken 67 percent and 50 percent volume market share respectively a couple of years after launch. As the treatment cost per patient for Cimzia® is approximately SEK 100,000 annually in Europe and SEK 500,000 in the US, it is important to introduce biosimilars to generate savings and increase availability.

Cimzia® successful

CIMZIA®'s sales have continued to grow over the past five years, and in 2023 reached a new record of SEK 23 bn[2], despite increased competition from biosimilars of several of the other TNF-alpha inhibitors. The main reason is that Cimzia® is the only TNF-alpha inhibitor clinically proven to be safe for use by pregnant and lactating women. This is an important segment of the market, as around 10 percent of those diagnosed with rheumatoid arthritis and 20 percent of those diagnosed with psoriasis are women under the age of 40[3].

BIIB801 is, to our knowledge, the only biosimilar candidate of Cimzia® in development globally. One of the reasons is believed to be that Cimzia® is a difficult-to-manufacture product where the productivity of the production system, i.e., the number of grams per liter of fermentation media produced, is critical in order to reach a commercially viable production cost and to be able to manufacture sufficient volumes in existing production scales worldwide. Xbrane has succeeded in this thanks to its patented platform technology.

Sales of CimizaCimiza®



Production and marketing

BIIB801's production process is being upscaled and after that clinical material will be manufactured. An agreement has been signed with AGC Biologics Inc. for the manufacture of BIIB801 for upcoming clinical studies. In 2024, Xbrane will manufacture clinical material that will be sold to Biogen Inc., with whom Xbrane has signed a development and commercialization agreement. According to the agreement, Biogen Inc. receives full global rights to the product. Xbrane is responsible for the pre-clinical development and Biogen will take over and drive and finance the clinical development. The agreement means that Biogen made an up-front payment of USD 8 m in 2022 and will pay an additional USD 80 m in development and sales-based payments, as well as royalties on sales.

Sources:
1) Research and markets Global Tumor Necrosis Factor (TNF) Inhibitors Market 2018-2026: A $181.13 Billion Market Opportunity by 2026
2) UCB Annual Report 2023
3) Vital Signs: Prevalence of Doctor-Diagnosed Arthritis and Arthritis-Attributable Activity Limitation – United States, 2013–2015, Incidence and Risk Factors for Psoriasis in the General Population
4) The Impact of Biosimilar Competition in Europe, IQVIA December 2020

Product candidates for the treatment of cancer

A number of biosimilar candidates for the treatment of cancer are being developed, the closest being Xdivane™ and Xdarzane™. The market for reference drugs here is currently estimated to amount to around EUR 22 bn[1]. Xbrane started the development of Xdivane™ in 2021 to enter the competitive but attractive field of checkpoint inhibitors. In addition to a team with proven development capabilities, Xbrane has access to its own platform for protein production, which enables cost-effective processes.

Xdivane™

XDIVANE™ is a biosimilar candidate to nivolumab (reference drug Opdivo®), a PD1 inhibitor for the treatment of various types of cancer, which had sales of around SEK 93 bn[2] in 2023. Opdivo® is expected to lose its patent protection during 2026–2031 depending on the country. The pilot-scale production process for Xdivane™ has been completed and work on upscaling for the selected contract manufacturer is continuing. Clinical material will be produced in 2024.

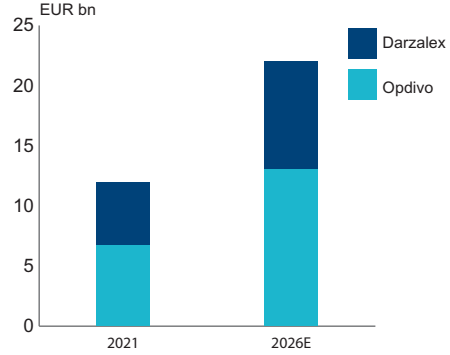
Xdarzane™

XDARZANE™ is a biosimilar candidate to the reference product Darzalex® (daratumumab), a monoclonal antibody targeting CD38 for the treatment of multiple myeloma (MM).

Darzalex® was approved by the FDA in 2015 for the treatment of MM after three previous therapies, but the approval was later extended to include Darzalex® as a first-line treatment option. Darzalex®'s good treatment effects have also translated into great commercial success as global sales exceeded USD1 bn in the second year of commercialization and sales of around SEK 101 bn[3] in 2023. Darzalex® was initially developed by Genmab and is now jointly marketed by Genmab and Johnson. Darzalex®'s patent protection is expected to expire in 2029-2031 depending on the country.

Xdarzane™ is at the preclinical development stage with a focus on developing a cost-effective production process and demonstrating a biochemical similarity to the original drug. After that, upscaling with a production partner will follow, after which the product can begin clinical trials.

Combined annual expected peak sales of reference products



Sources:
1) Evaluate Pharma; "Originator Peak Sales Estimate 2026". BMS Year-end report 2022
2) 2022-2023 Product Sales Summary BMS
3) Johnson & Johnson Year-end report 2023

Patent protection

Xbrane is an innovative company that invests significantly in research and development, which is why strategic patents to protect our technologies and products are essential. A growing patent portfolio strengthens the company's brand. Xbrane's most important regions for the protection of intellectual property rights (IP's) are Europe and the USA, but applications may also be made in other countries.

Expanding patent portfolio

The expanding patent portfolio will facilitate the implementation of commercially important initiatives such as licensing and strategic business partnerships or alliances for commercializing biosimilars and biosimilar production platforms.

Xbrane plans to file patent applications that protect a wide range of technologies, from protein production and protein purification to novel formulations of biosimilars.

The most important regions for patents are Europe and the US, but patent applications may also be filed in Canada, China, South Korea, India, Japan and Australia if the company's products and methods are thought to have a market there. Other international patent applications may also be involved.

Xbrane's LEMO™ technology platform is patent protected in Europe and the US until 2029. Between 2020 and 2022, these two patents, originally filed in 2009, have been complemented with 13 further patents as well as 46 applications "harvested" from four different development programs.

Strengthen the Xbrane brand

The Swedish Intellectual Property Office (PRV) granted eight patents in 2021. Three related to DNA constructs for the regulation of protein production and were co-filed with CloneOpt AB. Five of the patents resulted from the development of Xdivane™ and enables a broadening of the technology platform for high-yield antibody production in mammalian cells. A large part of the upcoming development of the biosimilar candidate Xdarzane™ is based on this platform.

The five Swedish patents were followed up, via an international patent application, with applications in the US, Canada, Europe, India, China, South Korea, Singapore, Australia and Japan in autumn 2022. Patents were granted in Australia and South Korea in Q1 2023.

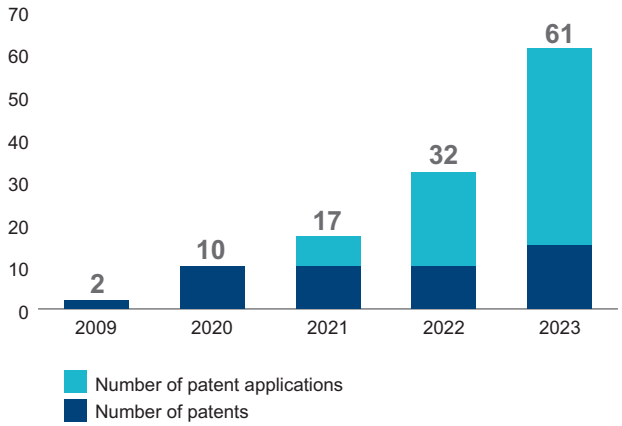
The patent applications protect new DNA sequences in genes that are introduced into host cells and instruct the cells to express the protein of interest. These DNA sequences have resulted in a significant increase in yield and can also be applied to future biosimilar candidates to be expressed in mammalian cells.

A large portion of the rest of the patent applications relate to DNA constructs, host cells and/or methods for producing Xlucane™ and BIB801.

The patent applications to protect Ximluci® were filed during March–May 2023 together with STADA Arzneimittel AG in thirty-two different countries and regions such as the US, Europe, Canada, China, South Korea, India, Japan and Australia as well as MENA and some Latin American countries. In December 2023, PRV granted 3 patents in the BIIB801 program.

The expanding patent portfolio will strengthen Xbrane's brand, protect the company's products and enables more out–licensing of IP in the future.

Number of patents and patent applications (accumulated)



At the end of 2023, Xbrane had a total of 13 approved patents and 48 active patent applications. In 2023, 36 new patent applications were made, 3 patent applications from previous years were approved and 8 applications lapsed.

Patent overview

Pharmaceutical candidate	Description	Summary of patent portfolio	Expiry
Xdivane™ Nivolumab	A patent family that relates to DNA constructs and host cells for the production of nivolumab.	The patent family comprises 5 patents granted in Sweden and 2 additional patents that have been granted in Australia and South Korea. Furthermore, the patent family comprises 9 pending patents in Australia, Europe, Canada, India, Japan, China, Singapore, South Korea and the USA.	2040–2041
Ximluci® Ranibizumab	A first patent family that relates to DNA constructs and host cells for the production of ranibizumab. A second patent family relates to the sterilization of a pre-filled syringe containing ranibizumab.	The first patent family comprises pending patents filed in the following 32 countries and regions: Australia, Bahrain, Brazil, Canada, China, Egypt, Eurasia, Europe, Georgia, India, Indonesia, Israel, Japan, Jordan, Kuwait, Libya, Mexico, Mongolia, New Zealand, Oman, Philippines, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Thailand, Ukraine, USA, United Arab Emirates, Uzbekistan and Vietnam. The second patent family comprises a pending international (PCT) patent application.	2041
BIIB801™ Certolizumab pegol	A patent family that relates to DNA constructs and host cells for the production of certolizumab pegol.	The patent family comprises 3 patents granted in Sweden. Furthermore, the patent family comprises a pending international (PCT) patent application.	2041–2042
Technology			
pLEMO	A patent family that relates to a platform technology for production of proteins.	The patent family comprises a patent that has been granted in the United States as well as a patent that has been granted in Europe and which has been validated in Denmark, France, Germany, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom.	2029
TIS	A patent family that relates to a platform technology for production of proteins in E. coli.	The patent family comprises 3 patents granted in Sweden. Furthermore, the patent family comprises pending patents in USA and Europe.	2040–2041

Our values

Xbrane's values

The common values that unite all our staff are key to our culture and are a natural and integral part of our day-to-day work. Demonstrating and living according to our common values is an essential factor in how we work together and respond to each other every day. Our common values continue to be the core of our company's identity and we are convinced that our culture will continue to be a powerful driving force for Xbrane's future.

XBRANE'S CORE VALUES were jointly developed by all employees in early 2020. Together we came up with four clear values that we felt had made us successful historically. We remain convinced that these will also carry the team forward to new successes and support the challenges of the future.

Shared values in a team can be difficult to see, and the best way is usually to observe concrete actions through which these values are made visible. We strive to be aware of these actions when they occur, which helps to strengthen and affirm our company culture.

The 2023 was a significant milestone for us at Xbrane, and in reflection it becomes clear that our behaviors are not only a mirror of our values, we are convinced that our values are a catalyst for our success. With the belief that nothing is impossible, we take initiative, we improve tomorrow and we do all this together.

Impossible is nothing →
Always believing that everything is possible. Always looking for solutions, even when it appears impossible.

Beat yesterday →
Always looking for improvements. Being innovative and be at the forefront of research.

Make it happen →
Being proactive and making things happen. Being quick and proactive.

We win as one →
Understanding that all skills are needed to succeed. To both celebrate successes together and bear setbacks together. To really work as a team.

Employees, culture and organization

Xbrane is a knowledge-intensive company with a great diversity of employees with different backgrounds and expertise, which contributes to the development of the company. Together, we strive to create a workplace in which each employee feels appreciated and inspired to contribute to the company's collective success.

Employees

At Xbrane, we promote a working environment characterized by mutual respect and collaboration. We work together on equal footing and are aware that everyone in the company is needed to reach our common goals. It is important for us to actively include all employees, which enables a broader perspective and takes all experiences into account. Xbrane is committed to being a learning organization, where learning and development contribute to both personal and professional development. One part of this is that during the year, Xbrane introduced 'work rotation,' which allows employees to grow through new tasks in other departments within the organization.

We believe in the power of learning from one another and collectively broadening our shared skills and perspective. Over the course of the year, several employees took the initiative to share their experiences and knowledge by hosting internal educational sessions at the company. We thereby gained a deeper general knowledge of biosimilar development.

During the past year we worked together as a team to crystallize the key management behaviors that allow everyone at Xbrane to thrive and function as well as possible. The foundations for this were what is important to humans, our results from Great Place to Work, our values and our relationship to the complex world that we find ourselves in.

Culture

The culture at Xbrane is strongly influenced by our shared values. The values and the resulting practices are a natural part of day-to-day work. High-level problem-solving skills, a forward-looking attitude, a willingness to share knowledge and to learn from our mistakes. We also try to celebrate what we achieve together.

Each quarter we measure eNPS (employer Net Promotion Score) to assess employee satisfaction and to identify what is working well and what we can improve together. We are pleased to see strong results in the categories of team spirit, quality of coworkers and the company's overall purpose. Workload is an area we have worked on to achieve a balanced, sustainable work environment. We have an ongoing discussion about the experience of a high workload and how we can attain well-being. We have also discussed stress management and compassion

and had a mindfulness week during which we tried out different exercises and encouraged employees to take care of themselves to promote health and well-being.

Organization

At Xbrane, we often work in cross-functional teams within different projects, which makes it easier to see the big picture and make progress more quickly. The cross-functional teams progressing the biosimilar candidates in our portfolio are staffed by different employees depending on the phase of the biosimilar candidate and the skills needed from cell line development to commercialization. The cross-functional teams have a mandate to make decisions, innovate, solve problems and make changes. They are supported by a steering group with expertise in the relevant function, which provides assistance when needed. This year, we launched our first product, Ximluci®, on the European market, which is a sign that our work in cross-functional teams is successful.

During the year, we had regular workshops in which we involved all employees in looking towards the future of the company. During the spring we had the opportunity to hear from a patient suffering from macular degeneration (the illness that our product Ximluci® treats), which fostered a sense of pride that we can make a difference that directly affects patients' lives.

Great Place to Work®

Xbrane has received the Great Place to Work® certification for the third year in a row. During the year, we have continued to focus on maintaining our robust culture. We have analyzed the year's results and identified what we should maintain and improve at Xbrane. Xbrane is committed to being a purpose-driven organization with strong values, which is reflected in our high Trust Index™ score.

Björn

"What makes me extra proud this year is that we have been able to support commercial manufacturing and continue to expand into new markets. We also implemented an electronic document management system, which will be a very positive change. As a company, we have grown a lot this year and, despite that, managed to maintain the Xbrane spirit. I've worked at Xbrane for three years and the feeling of cohesion is the same. We help each other out, we work as a team and strive towards the same goals, and get equally excited when we get results. That's what's great about working at Xbrane." *Björn, Head of Quality Assurance*

Isabel

"The approval in Europe stands out. It's amazing that we've managed to do this with so few people. With the challenges we've faced, that is a very strong effort. We have also grown as a company and managed to preserve the Xbrane feeling, and we are always fighting to become better together. This hasn't been an easy year, there have been many difficulties along the way, but we still succeeded with something not many people succeed at. Few drugs get approved in Sweden. We shouldn't take that for granted!" *Isabel, Head of Manufacturing Process*

Santhosh

"We came onto the market with our first product. Few drugs get approved to go on the market, and I am proud to be a part of that. We grow every day at Xbrane and learn a lot in our day-to-day work. We plan to move forward and even though we encounter challenges, we solve them together. Sometimes it's easy, sometimes it's hard – you have to accept that. But we always find a way!"

Santhosh, Senior Scientist

The shares and shareholders

XBRANE SHARES have been listed on Nasdaq Mid Cap Stockholm under the short name XBRANE since September 23, 2019. Xbrane's shares were previously listed on Nasdaq First North from February 2016.

The share price fell from SEK 82.1 to SEK 10.0 during 2023. Xbrane's market capitalization at the end of the year was SEK 298 m. In 2023, the highest closing price was SEK 105.00 on January 26, and the lowest was SEK 6.84 on December 5. The turnover of shares (excluding the new issues) amounted to 49.2 million shares worth SEK 1.7 bn.

According to Xbrane's Articles of Association as of December 31, 2023, the share capital shall amount to a minimum of SEK 4,322,465 and a maximum of SEK 17,289,860 divided into a minimum of 19,280,707 shares and a maximum of 77,122,828 shares.

The Company's shares have been issued in accordance with Swedish law. The shares are fully paid and freely transferable. The Company's shares are registered in a CDS register in accordance with the Central Securities Depository and Financial Instruments Account Act (1998:1479). The register is maintained by Euroclear Sweden AB. No share certificates have been issued for the Company's shares.

Share capital

At the end of the year, the total number of outstanding shares in Xbrane was 29,810,364. The Company has only one share class. Each ordinary share gives entitlement to one vote. The increase in the number of shares and votes during 2023 is mainly due to a new issue totaling 1,709,986 shares, as well as an offset issue for the amortization of bonds totaling 515,108 shares. At the end of the year, the share capital was SEK 6,683,068 divided into 29,810,364 shares, with a quota value of around SEK 0.2242 SEK per share.

Shareholders

As of December 31, 2023, Xbrane had around 7,200 shareholders. The number of outstanding shares was 29,810,364. The ten largest shareholders at the end of the period are shown in the table on the next page.

Share capital progression

Year	Event	Quota value	Change in number of shares	Total number of share	Change in share capital	Total share capital
2023	Share subscription	0.2242	79,252	29,810,364	17,767	6,683,068
2023	Offset issue	0.2242	515,108	29,731,112	115,480	6,665,301
2023	New share issue	0.2242	1,709,986	29,216,004	383,355	6,549,821
2022	New share issue	0.2242	2,361,112	27,506,018	529,361	6,166,466
2022	Share subscription	0.2242	105,000,	25,144,906	23,541,	5637,138
2021	New share issue	0.2242	2,817,700	25,039,906	631,689	5,613,597
2021	Share subscription	0.2242	21,791	22,832,104	4,885	4,981,908
2020	New share issue	0.2242	2,919,708	22,200,415	654,558	4,977,023
2020	Share subscription	0.2242	11,709	19,280,707	2,625	4,322,465
2020	New share issue	0.2242	3,853,799	19,268,998	863,968	4,319,840
2019	New share issue	0.2242	2,720,328	15,415,199	609,859	3,455,872
2019	New share issue	0.2242	4,387,747	12,694,873	983,670	2,846,012
2019	New share issue	0.2242	1,977,887	8,307,126	443,415	1,862,342
2018	Conversion of convertible loan	0.2242	330,612	6,329,239	74,119	1,418,927
2018	New share issue	0.2242	41,857	5,998,627	9,384	1,344,808
2017	New share issue	0.2242	16,500	5,956,770	3,699	1,335,425
2017	Conversion of convertible loan	0.2242	528,986	5,940,270	118,591	1,331,725
2017	New share issue	0.2242	655,738	5,411,284	147,007	1,213,134
2016	Conversion of convertible loan	0.2242	132,232	4,755,546	29,644	1,066,127
2016	Share split 10:1	0.2242	2,393,024	4,623,314	536,483	1,036,483
2015	Bonus issue	–	–	2,230,290	399,100	500,000
2015	Share split 10:1	–	–	2,230,290	–	100,900
2015	New share issue	0.4524	1,989	223,029	900	100,900
2014	Share split 10:1	–	–	221,040	–	100,000
2014	New share issue	4.5241	11,052	22,104	50,000	100,000
2013	Reduction of share capital	–	–	11,052	–355,200	50,000
2013	Reduction of share capital	–	–	11,052	–700,000	405,200
2013	Company foundation	100	9,824	11,052	982,400	1,105,200

Ownership structure

Name	No. of shares	Shareholding, %
Systematic Group AB	3,120,298	10.5
Bengt Göran Westman	2,448,379	8.2
STADA Arzneimittel AG	1,570,989	5.3
Avanza Pension	1,459,292	4.9
Håkan Stödberg	1,136,448	3.8
Swedbank Robur Fonder	901,892	3.0
Nordnet Pensionsförsäkring	502,461	1.7
Handelsbanken Fonder	482,144	1.6
Swedbank Försäkring	404,280	1.4
Obadja Aktiebolag	400,000	1.3
Total ten largest shareholders	**12,426,183**	**41.7**
Other Swedish shareholders	**14,072,232**	**47.2**
Other foreign shareholders	**3,311,949**	**11.1**
Total outstanding shares	**29,810,364**	**100**

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

FACTS

DIVIDENDS

The Board of Directors proposes that no dividend be paid for the 2023 financial year.

SHARE ANALYSTS FOLLOWING XBRANE

Pareto Dan Akschuti
Redeye Filip Einarsson

ABOUT XBRANE'S SHARES

Listning	Nasdaq Stockholm
Number of shares	29,810,364
Market cap on closing date	SEK 298
Ticker	XBRANE
ISIN code	SE0007789409

INVESTOR RELATIONS CONTACT

For more information about Xbrane please go to xbrane.com or contact Anette Lindqvist, CFO. anette.lindqvist@xbrane.com

Administration report

The Board of Directors and CEO of Xbrane Biopharma AB (publ), Company registration number 556749-2375, hereby submit the annual report and the group consolidated accounts for the financial year 2023.

About the business

Xbrane Biopharma is a biotechnology company that develops biosimilars. The aim of the Company is to make difficult-to-manufacture pharmaceuticals available to the global population based on unique technology platforms enabling cost-effective production. Xbrane has a patented protein production platform with up to 12 times greater productivity than standard systems for the production of proteins in E. coli host cells.

Xbrane's leading product candidate is Ximluci®, a ranibizumab biosimilar (original drug Lucentis®) used in the treatment of various eye diseases, mainly the wet form of age-related macular degeneration. Xbrane's portfolio of biosimilar candidates is aimed at a market where the reference drugs have annual sales of around EUR 26 bn.

Group structure

The Group's structure is described in the figure below, with information on the Group companies' names, registered offices and organization numbers. Xbrane owned 100 percent of Primm Pharma s.r.l on the balance sheet date. Xbrane is actively working to divest Primm Pharma.

Xbrane Biopharma AB
Reg. office: Solna, Sweden
Org. no.: 556749-2375

Primm Pharma s.r.l.
Reg. office: Milan, Italy
Org. no.: MI2075109

Significant events during the financial year

Marketing authorization for Ximluci® in the UK

In February, the Medicines & Healthcare products Regulatory Agency (MHRA) granted marketing authorization for Ximluci® (ranibizumab) in the UK. STADA launched the product in the UK in Q1 2023.

Ximluci® launched in Europe

By the beginning of April, Ximluci® was launched in the main European markets.

Approval in the US

In April, Xbrane submitted a Biologics License Application (BLA) for Ximluci® to the US Food & Drug Administration, FDA, (the US equivalent to the Swedish Medicines Agency).

Framework agreement with the NHS in the UK

In late April, we were notified that, together with STADA, we had won a framework agreement with the UK's National Health Service (NHS) for the supply of Ximluci®.

New share issue and financing with convertible bonds

As authorized by the AGM held May 4, 2023, in May the company carried out a directed share issue of about SEK 125 m at a subscription price of SEK 73.1 per share. In conjunction with the directed share issue, Xbrane entered a binding agreement with CVI Investments Inc. for financing through convertible bonds of SEK 250 m.

Approval in the US

In mid-June, it was announced that the American FDA accepted the Biologics License Application (sBLA) for Xbrane's biosimilar candidate to Lucentis® (ranibizumab). The official regulatory process can therefore begin, with the target date for a decision on approval set for April 21, 2024 (Biosimilar User Fee Amendment (BsUFA) date).

Terminated license agreement for North America

In July, it was announced that STADA and Xbrane had come to an agreement with their former partner, Bausch + Lomb, to terminate the commercial license agreement for North America

Positive operational cashflow

In August, Xbrane updated its goal of reaching a positive operational cashflow on a monthly basis by the end of Q1 2025.

Cost-saving scheme and focused development portfolio

In November, it was announced that the company was focusing its development portfolio and ending the development of Xtrudane™ (biosimilar candidate for Keytruda®). A cost-saving scheme expected to generate approximately SEK 50 m in annual savings was introduced.

Three approved patents

In December, it was announced that three new patents had been approved by the Swedish Intellectual Property Office (PRV).

Significant events after the end of the financial year

Rights Issue 2024

In January, a rights issue worth around SEK 343 m, was announced consisting of shares and warrants. At full utilization, Xbrane will receive up to SEK 78 million approximately. The rights issue was approved at an extraordinary general meeting on February 22, 2024. The purpose of the rights issue is primarily to finance preparatory activities for the launch of Ximluci® in the US, the launch of Ximluci® PFS, production of clinical material for BIIB801, development and production of clinical material for Xdivane™, general corporate purposes and prepayment in cash of the next six amortizations of convertible bonds to CVI, Investments Inc. The final outcome of the rights issue showed that 29,325,411 units, corresponding to about 98.4 percent of the issue, were subscribed for, with and without the support of unit rights. No guarantee obligations therefore needed to be invoked.

Through the issue, proceeds of around SEK 337.2 m were added before deductions of issue costs. In addition, a directed offset issue of 33,402,483 shares was resolved to guarantors in the rights issue, with the same subscription price as in the rights issue. The shares were registered and funds received during March, which is why the effects in the balance sheet and cash flow will be visible in the upcoming interim report for Q1, 2024.

Financial performance 2023

The Group's results for full-year 2023

The Group's net sales amounted to SEK 238.7 m (57.6) and consist primarily of revenue from product sales of Ximluci® amounting to SEK 209.5 m (0.0). In addition, revenue of SEK 28.4 m (50.9) came from out-licensing. The cost of goods sold is attributable to Ximluci® and amounted to SEK –203.3 m (0.0).

Other operating income amounted to SEK 13.7 m (20.9) and consists primarily of exchange rate gains on operating receivables and liabilities.

Research and development costs amounted to SEK –305,8 m (–199.6). The cost increase was due primarily to the fact that work with BIIB801 intensified during the year and that upscaling of Xdivane™ began. In addition, expenditures are no longer capitalized for Ximluci® after the first quarter of 2023. Development costs for Ximluci® now consist primarily of work on the development of the pre-filled syringe.

Administrative costs amounted to SEK –40.0 m (–31.5). The cost increase is mainly due to increased administration in connection with commercialization.

Other operating expenses amounted to SEK –25.4 m (–13.6) and consist of exchange rate losses on operating receivables and liabilities.

The operating loss was SEK 322.2 m (–166.2). The loss before tax amounted to SEK 322.0 m (–168.5). During the period, no taxable profit arose and thus no tax expense (0.0). The loss after tax from continuing operations amounted to SEK 322.0 m (–168.5). The Group has written down the goodwill attributable to the subsidiary Primm Pharma by SEK –64.6 m. The write-down is included in the item Profit/loss from discontinued operations. The loss for the period amounted to SEK 388.2 m (–172.5). Earnings per share from continuing operations amounted to SEK –11.22 (–6.59) and earnings per share amounted to SEK –13.52 (–6.75).

The Group's cash flow

Cash flow from operating activities amounted to SEK –406.7 m (–193.9). The change in cash flow from operating activities is mainly due to the continued build-up of inventory for Ximluci® and upscaling the production processes with contract manufacturers for Ximluci®, BIIB801 and Xdivane™. In addition, a milestone payment of around SEK 74 m was received in February 2022 from Biogen Inc. regarding the out-licensing of BIIB801. No corresponding milestone payment has been received during the current year.

Cash flow from investment activities amounted to SEK –16.8 m (–60.1) and consisted, among other things, of investments in tangible fixed assets for the internal laboratory and capitalization of research and development costs. The change is mainly explained by the Group no longer capitalizing any development costs attributable to Ximluci® from February 2023.

Cash flow from financing activities amounted to SEK 298.7 m (148.9), which mainly refers to capital additions in the form of new issues, SEK 119.0 m net (156.7), and issued convertible bonds, SEK 193.6 m net (0.0) after amortization.

The Group's financial position

As of December 31, the Group's cash and cash equivalents amounted to SEK 65.4 m (194.0). The Board and CEO assessed that the company's liquidity was not sufficient to finance operations for the next twelve months. A decision was therefore takento carry out a preferential issue of shares and warrants, subject to the subsequent approval of the Annual General Meeting. The rights issue was completed on March 14, 2024 and brought in SEK 337.2 m before transaction costs. Upon full utilization of the warrants, which expire on December 16, 2024, Xbrane will receive additional cash up to SEK 78 m approximately before transaction costs.

The issue is intended to be used for preparatory activities for the launch of Ximluci. in the US, the launch of Ximluci®. PFS, production of clinical material for BIIB801, development and production of clinical material for Xdivane™ according to the strategic plan revised in the autumn 2023. The issue proceeds will also be used for prepayment in cash of the next six (6) amortizations of convertible bonds to CVI, Investments Inc. ("CVI") and general corporate purposes.

The company assesses that an ongoing positive cash flow from operations will be achieved during Q1 2025. However, this assumes that sales of Ximluci® in Europe are accelerated according to plan, that FDA approval is obtained, subsequent agreements with commercialization partners for North America, a successful upscaling of BIIB801, and that agreements with licensing partners of Xdivane™ can be met. These events form essential parts of the company's revised strategic plan, the terms and conditions of which are assessed as probable by the Board and CEO. As the events themselves are uncertain and when they occur is uncertain, additional financing needs may arise until a positive cash flow occurs. The company's ability to obtain additional financing, both in the short- and long-term, if necessary, depends on a number of factors, including the general situation on the financial markets, the company's creditworthiness and the company's ability to increase its indebtedness.

Fixed assets

Fixed assets amounted to SEK 191.8 m (177.0), where the change is largely explained by the capitalization of research and development costs for Ximluci®, which amounted to SEK 99.7 m (102.0). Capitalization of research and development costs began on July 1, 2021, and ended in connection with the commercialization in March 2023. Remaining changes to the item consist of the acquisition of laboratory equipment, machinery, fixtures for office premises and customary monthly depreciation.

Inventory

Inventory amounted to SEK 106.9 m (50.3), which refers to the commercial inventory for Ximluci®.

Prepaid costs and accrued income

Prepaid costs and accrued income amounted to SEK 251.9 m (151.8). Essential items consisted of advance payments to CMO (Contract Manufacturing Organization) of SEK 196.2 m (127.5), of which SEK 45.3 m (19.8) relate to advances for production and SEK 150.9 m (107.7) relate to advance payments to contract manufacturers for development and upscaling. In addition, accrued income amounted to SEK 37.0 m (0.0), which is mainly attributable to product sales of Ximluci®.

Changes in equity

Share capital on the balance sheet date amounted to SEK 6.7 m (6.2). Other capital contributions amounted to SEK 1,428.5 m (1,294.2). The change relates to the rights issue after transaction costs, SEK 118.7 m, offset issue on the amortization of convertible bonds, SEK 12.7, m and share-based payments, SEK 3.0 m. Total equity amounted to SEK 171.3 m (424.9) and the equity ratio was 26 percent (62).

Accrued expenses and prepaid income

Accrued expenses and prepaid income amounted to SEK 216.3 m (200.2) and consisted of advance payments from STADA amounting to SEK 75.4 m (86.9), of which SEK 35.1 m (0.0) is attributable to the commercialization. In addition, the item was mainly affected

by accrued production costs of SEK 39.0 m (12.9) and accrued development costs for projects of SEK 84.2 m (49.1).

Assets held for sale

Xbrane's intention is to continue to work towards a divestment of the subsidiary Primm Pharma. In the Q1 interim report for 2021, Primm Pharma's assets and liabilities were reclassified to "Assets held for sale" and "Liabilities attributable to assets held for sale" respectively, in the consolidated balance sheet. The reclassification created some minor effects on several items in the balance sheet which is expected as Primm Pharma is a smaller part of the Group.

In the income statement, Primm Pharma's results are reported separately as "Profit/loss from discontinued operations". In December 2023, the entire goodwill attributable to Primm Pharma was written-down. This was because the divestment procedure has dragged on, which has increased the uncertainty around the actual time of the divestment. See further under Parent company below. The write-down is reported under "Profit/loss from discontinued operations". Primm Pharma's share of each business is reported in the cash flow under "Of which from discontinued operations".

Impact of the cooperation agreement with STADA on the income statement and balance sheet

The collaboration agreement which began in July 2018 with STADA AG regarding projects for research and development of Ximluci® meant that STADA AG and Xbrane would equally share (50/50) research and development costs attributable to the project. This meant that until June 1, 2021, Xbrane reported its share of 50 percent of the total costs for the project in the income statement. After June 1, 2021, when clinical trials showed that the primary endpoint for efficacy for Ximluci® had been reached, the project was judged to meet the criteria for capitalization of research and development costs and was reported as an intangible asset in the balance sheet and does not affect the income statement. In connection with the commercialization of Ximluci® in March 2023, no additional research and development costs will be capitalized for the project.

Receivables and liabilities attributable to the project are reported in full in Xbrane's balance sheet with a settlement of 50 percent for STADA AG's share. This applies to both the Group and the parent company.

In connection with the first delivery of Ximluci® in 2023, Xbrane also signed a supply agreement with STADA. The agreement means that Xbrane will provide the product for commercialization to STADA and will be reimbursed in accordance with the actual production cost. In accordance with the agreement, Xbrane also has the option of pre-invoicing STADA for future product deliveries.

On the balance sheet date, Xbrane had receivables from STADA amounting to SEK 3.0 m (28.2) as well as accrued expenses and prepaid income from STADA amounting to SEK 75.4 m (86.9), of which SEK 35.1 m (0.0) is pre-invoicing of upcoming product deliveries.

Parent Company's results

The core business of Xbrane, i.e. the development of biosimilars, is conducted in the parent company. Xbrane's intention is still, in accordance with previously taken decisions, to divest the subsidiary Primm Pharma and negotiations are continuing with interested parties. However, a possible sale has become dependent on a reconstruction regarding the contract manufacturer that manufactures the main product Spherotide. As this procedure has dragged on, uncertainty has increased around the actual time if/when the company can complete a divestment of the subsidiary. Xbrane has therefore chosen to write-down access to its reported net assets, in this case Primm Pharma's equity. Write-down for the year amounts to SEK 70.3 m, and the reported value of shares in Primm Pharma after the write-down amounts to SEK 3.8 m as of December 31, 2023. Xbrane previously wrote down the shares in the subsidiary by SEK 49.0 m.

As the parent company forms such a large part of the Group, an account of the parent company's results, financial position and cash flow would not provide any additional information to that described in the report on the Group. Therefore, this is only presented in report format on pages 66–69.

Risks, uncertainties and risk management

The Group's risks, uncertainties and risk management are presented in the Corporate Governance Report. If any of the risks described below were to materialize, this could have extensive adverse effects on the Group's operations, earnings, financial position and prospects.

Also see previous parts of this Annual Report as well as Note 23 Financial risks and risk management.

Organization and employees

Xbrane is headquartered at Campus Solna, outside of Stockholm, Sweden, where the company also has a laboratory for the research and development of biosimilars. The wholly–owned subsidiary, Primm Pharma, is located in Milan, Italy. As mentioned above, the sale of the subsidiary is in progress. On the balance sheet date, the Group had 93 (79) employees, of which 93 (79) in the parent company and 0 (0) in the subsidiary Primm Pharma.

Annual General Meeting

The 2024 Annual General Meeting will be held on Thursday, May 2, 2024, at 16:30, in Inghesalen, Widerströmska Huset, 2nd floor, Karolinska Institute, Tomtebodavägen 18a, 171 65 Solna.

Important milestones for the next 12 months

Some of the key milestones we look forward to delivering in the next 12 months are:

- Active processing of the market with STADA, to achieve faster sales growth for Ximluci® in Europe
- FDA approval with the subsequent launch of Ximluci® in the US together with selected commercialization partners
- Launch a pre-filled syringe of Ximluci® during the first quarter of 2025
- Successfully upscale the manufacturing process for BIIB801 to manufacture and sell clinical material to Biogen Inc, which is expected to generate revenue as well as milestone payments from Biogen Inc in accordance with the existing agreement
- Out-license Xdivane™ to a global commercialization partner

IP

Enhancing our technological platform

Xbrane continues to develop intellectual property protection in the IP portfolio around its technology platform. In 2023, the company filed 36 patent applications, the majority of which protect new DNA sequences in genes that are introduced into host cells and instruct the cells to express the protein of interest. These DNA sequences have resulted in a significant increase in yield and can also be applied to future biosimilar candidates to be expressed in mammalian cells. A large portion of the rest of the patent applications relate to DNA constructs, host cells and/or methods for producing Ximluci® (32 patent applications) and Xdivane™ (two patent applications).

The patent applications for the protection of Ximluci® have been co-filed with STADA Arzneimittel AG. The expanding patent portfolio will strengthen Xbrane's brand, protect our products and enable more out-licensing of IP in the future.

Guidelines for the remuneration of the CEO and other senior executives 2023

Remuneration and terms of employment for senior executives, meaning those who are part of Group management as of December 31, 2023, shall be formulated in accordance with the company's policy for remuneration to senior executives. According to the policy, remuneration and employment conditions should be designed to ensure the company's access to executives with the required skills. Remuneration and benefits for senior managers are prepared by the Remuneration Committee and determined by the Board.

The remuneration shall consist of a fixed basic salary, potential variable remuneration in the form of a short-term cash incentive program, the option to participate in a long-term share savings program, pension provisions, insurance and certain other benefits. The remuneration shall be market-based and competitive and shall be related to the responsibilities and authority of each senior executive. Any variable remuneration shall be related to well-defined set objectives and to the fixed salary and shall be limited to a maximum amount equivalent to two months' gross salary.

Guidelines for the remuneration of the CEO and other senior executives 2024

In accordance with the Board's proposal to the Annual General Meeting (AGM) presented below is a proposal for guidelines for remuneration to the CEO and other senior executives for 2024 and up to the next AGM.

General

The guidelines shall be applied to remuneration that is agreed or in the event of changes in already agreed remuneration after the guidelines have been adopted by the AGM. The guidelines do not cover remuneration decided by the AGM. All possible remuneration paid in shares, warrants, convertibles, or other share-related instruments, such as synthetic options or employee stock options, is thus decided by the AGM.

These guidelines include the CEO and other members of Group management, as well as remuneration other than board fees to board members.

With regard to employment conditions that are subject to rules other than Swedish regulations, appropriate adjustments may be made to comply with such mandatory rules or established local practice, whereby the overall purpose of these guidelines shall be met as far as possible.

Promotion of the Company's business strategy, long-term interest and sustainability through these guidelines

Xbrane's strategy is to develop and manufacture high quality and cost-effective biosimilars based on a unique platform technology and leading expertise. Xbrane is focused on difficult-to-manufacture and niche pharmaceutical products with limited competition from other biosimilar developers.

For more information regarding the Company's business strategy, please see www.xbrane.com.

The guidelines shall contribute to the opportunity to create conditions for the Company to retain and recruit skilled and committed employees in order to successfully implement the Company's business strategy and meet the Company's long-term interests, including sustainability. Furthermore, the guidelines shall encourage an increased interest in the business and earnings development as a whole, and to raise motivation for the senior executives and increase positive cohesion in the Company. The guidelines shall also contribute to good ethics and corporate culture.

In order to achieve the Company's business strategy, the total annual remuneration must be market-based and competitive in the employment market in which the senior executive operates, taking into account the individual's qualifications and experience and that exceptional performance must be reflected in the total remuneration, which these guidelines enable. The Company's ambition is that remuneration should be market-based in comparison with other biotech and Life Science companies listed on Nasdaq Stockholm, which are in a similar phase in terms of maturity and Company size and have a similar financial outlook to Xbrane.

The Company implemented long-term share-related incentive schemes in 2021, 2022 and 2023 in which all employees had the opportunity to participate. These schemes have been adopted by each AGM and are therefore excluded from these guidelines. The long-term share-related incentive scheme proposed by the Board of Directors to the 2024 AGM for adoption, or any other future share-related incentive scheme adopted by the AGM, are excluded for the same reason. For information regarding performance criteria, terms and conditions, and costs for these programs, see the Board information on the Company's website.

Variable cash payments covered by these guidelines are intended to promote the Company's business strategy and long-term interests, including its sustainability.

Forms of remuneration etc.

Remuneration may consist of fixed cash salary, possible variable cash compensation, other customary benefits and pension. The total annual cash remuneration, including pension benefits, must be market-based and competitive in the employment market and in the work area in which the employee operates, taking into account the individual's qualifications and experience and that outstanding achievements are to be reflected in the total remuneration. Fixed cash salary and variable cash remuneration shall be related to the executive's responsibility and authority. The fixed cash salary shall be revised annually.

The fulfillment of criteria for payment of variable cash compensation shall be measurable over a period of one year. The variable cash payment may amount to a maximum of 50 percent of the total fixed cash salary during the measurement period for such criteria. Additional variable cash compensation may be payable in exceptional circumstances, provided that such arrangements are time-limited and made only at the individual level. The purpose of such arrangements must be to recruit or retain executives, or as compensation for extraordinary work in addition to the person's regular duties. Such compensation shall not exceed an amount corresponding to 50 percent of the fixed annual cash salary and shall not be paid more than once per year and per individual. A decision on such remuneration shall be made by the Board of Directors on proposal from the remuneration committee.

Pension benefits, including health insurance, must be defined in contribution schemes with respect to the CEO. Variable cash payments shall not entitle to pension. Pension premiums for defined contribution schemes shall amount to a maximum of 30 percent of the fixed annual cash salary.

For other senior executives, pension benefits, including health insurance, must be defined in contribution schemes unless the employee is covered by defined-benefit pensions under compulsory collective agreement provisions.

Variable cash compensation must be pension-based insofar as this is compelled by compulsory collective agreement provisions applicable to the senior executive. Pension premiums for defined contribution schemes shall amount to a maximum of 30 percent of the fixed annual cash salary.

Other benefits may include life insurance, health insurance and car benefit. Such benefits may amount to a maximum of 10 percent of the fixed annual cash salary.

For executives who are stationed in a country other than their home country, additional remuneration and other benefits may be paid to a reasonable extent, taking into account the particular circumstances associated with such expatriation, whereby the overall purpose of these guidelines is to be met as far as possible. Such benefits may amount to a maximum of 30 percent of the fixed annual cash salary.

If a member of the Board of Directors performs work on behalf of the Company, in addition to the work of the Board, consultancy fees and other remuneration for such work may be payable after special resolution by the Board of Directors, after preparation of the remuneration committee. Such compensation shall be calculated in accordance with these guidelines.

Termination of employment

Upon termination of employment, the notice period may not exceed six months. Fixed cash salary during the notice period and severance pay may not, in total, exceed an amount corresponding to the fixed cash salary for one year. In the event of resignation by a senior executive, the period of notice may not exceed six months.

In addition, compensation for any commitment to restrict competition may be paid. Such remuneration shall compensate for any loss of income and shall only be paid to the extent that the former executive has no right to severance pay. Remuneration shall amount to a maximum of 60 percent of the monthly income at the time of termination and expire during the time limit for the restriction of competition, which shall not exceed 24 months after termination of employment.

Criteria for payment of variable cash compensation etc.

The variable cash remuneration shall be based on and be related to the outcome in relation to predetermined and measurable concrete defined objectives based on the Company's business strategy and the long-term business plan approved by the Board of Directors. The objectives may include financial objectives, either at the Group or unit level, operational objectives as well as objectives for sustainability and social responsibility, employee engagement or customer satisfaction, as well as individualized quantitative or qualitative goals. These objectives must be established and documented annually in order to promote the long-term development of executives. The Company has established financial targets and KPIs based on strategic and business-critical initiatives and projects that ensure fulfillment in accordance with the business plan and business strategy for a sustainable continued business and safeguarding the Company's long-term interests.

Conditions for variable cash compensation should be designed so that the Board of Directors, if particularly difficult economic conditions occur, has the option of limiting or neglecting to issue variable remuneration if such a resolution is deemed unreasonable and incompatible with the Company's responsibility to the shareholders. For annual bonuses, there should be the option of limiting or neglecting to pay variable remuneration, if the board of directors deems it justified for other reasons. The Company must be able to recover, in full or in part, variable cash compensation according to law or agreement subject to any restrictions that may follow.

When the measurable period for fulfillment of the criteria for payment of variable cash compensation has ended, the extent to which the criteria have been met shall be determined. The Board of Directors, after preparation from the remuneration committee, is responsible for the assessment of variable cash remuneration to the CEO, and the CEO is responsible for the assessment of variable cash remuneration to other executives. With respect to financial targets the evaluation shall be based on the Company's latest publicly available financial information.

Salary and terms of employment for employees

In preparing the Board of Directors' proposal for these guidelines, salary and terms of employment for the Company's employees have been taken into account, with respect to information on the employees' total remuneration, the components of the remuneration and the rate of increase and increase over time, when the remuneration committee and the Board of Directors have decided on the evaluation of the reasonableness of these guidelines and the limitations that follow from these.

Preparation, decision-making etc.

Questions regarding cash salary and variable cash remuneration to the CEO and other senior executives are prepared by the remuneration committee and resolved by the Board of Directors and, where applicable, the CEO.

The remuneration committee shall also prepare the Board of Directors' resolution on matters regarding remuneration principles for senior executives, including guidelines for remuneration to senior executives. The remuneration committee shall also monitor and evaluate ongoing and completed programs for variable remuneration for senior executives during the year and follow and evaluate the application of these guidelines for remuneration to senior executives as well as current remuneration structures and remuneration levels in the Company. The CEO or other members of the executive management are not present at the Board of Directors deliberations and resolutions on remuneration-related matters, insofar as they are affected by the resolutions.

The Board of Directors shall prepare proposals for new guidelines at least every four years and submit the proposal for resolution at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. The Board of Directors considers that the guidelines on remuneration to senior executives are proportionate in relation to salary levels, remuneration levels and conditions for other employees in the Group.

Deviations from the guidelines

The Board of Directors shall have the right to deviate from the above guidelines if the Board of Directors considers that, in a particular case, there are special reasons which justify it and an exception is necessary to meet the Company's long-term interests and sustainability, or to ensure the Company's financial viability. Such deviations shall also be approved by the remuneration committee.

An agreement that deviates from the guidelines may be renewed, but any such agreement should be limited in time and not exceed 24 months or an amount that is twice as high as the compensation that the person concerned would have received without any agreement.

Information on deviations Information on deviations from the remuneration guidelines adopted by the AGM for 2023

No deviations have occurred.

Employment contracts

In the event of notice of termination of CEO Martin Åmark, a mutual notice period of six months applies, while the notice period for the rest of Group management is three months. The CEO and other members of Group management are not entitled to severance pay.

Incentive schemes and warrants

For more information on short-term incentive schemes, the warrants scheme for senior executives and the share savings scheme, see Note 4, Employees, staff expenses and remuneration to leading executives.

Short-term incentive scheme 2023

In 2023, the Company had a short-term incentive scheme which included all employees and which provided the opportunity of up to approximately two months' salary in cash payment. The bonus was conditional on certain well-defined group targets being achieved as well as assessment of individual performances. For 2023, 45 percent of the targets for the Parent Company were achieved, but due to prevailing circumstances no bonus will be paid for 2023. The cost of the cash bonus therefore amounted to SEK 0.0 m including social security expenses.

LTIP 2023

At Xbrane's AGM on May 4, 2023, it was decided to adopt a long-term share savings scheme ("LTIP 2023") for all employees, running from 2023–2026. It was decided to issue 690,000 warrants with which the holder can subscribe for new shares at the end of the program. The maximum dilution for the scheme amounts to 2.45 percent of the share capital and votes in the Company.

The costs for the scheme include the estimated value of the shares as well as social security costs for the amounts that the employees are expected to be allocated, which will be expensed on an ongoing basis during the period 2023–2026. The warrants will accrue to the employees who have invested in the share savings scheme without consideration. All employees have had the opportunity to participate in the scheme under the same conditions.

LTIP 2022

At Xbrane's AGM on May 5, 2022, it was decided to adopt a long-term share savings scheme ("LTIP 2022") for all employees, running from 2022–2024. It was decided to issue 540,000 warrants with which the holder can subscribe for new shares at the end of the program. The maximum dilution for the scheme amounts to 2.11 percent of the share capital and votes in the Company.

The costs for the scheme include the estimated value of the shares as well as social security costs for the amounts that the employees are expected to be allocated, which will be expensed on an ongoing basis during the period 2022–2024. The warrants will accrue to the employees who have invested in the share savings scheme without consideration. All employees have had the opportunity to participate in the scheme under the same conditions.

Share saving scheme for employees LTIP 2021

At Xbrane's AGM on May 6, 2021, it was decided to adopt a long-term share savings scheme ("LTIP 2021") for all employees, running from 2021–2023. It was decided to issue 390,000 warrants with which the holder can subscribe for new shares at the end of the program. The maximum dilution for the scheme amounts to 1.76 percent of the share capital and votes in the Company.

The costs for the scheme include the estimated value of the shares as well as social security costs for the amounts that the employees are expected to be allocated, which will be expensed on an ongoing basis during the period 2021–2023. The warrants will accrue to the employees who have invested in the share savings scheme without consideration. All employees have had the opportunity to participate in the scheme under the same conditions.

Proposed distribution of profits

The Board of Directors proposes that the following profit is available for distribution:

Proposed distribution of the Company's profit or loss in SEK 000	
Share premium reserve	1,428,530
Profit/loss brought forward	–969,191
Profit/loss for the year	–391,745
Total	**67,594**
To be carried forward	**67,594**

The Board of Directors proposes that no dividend be paid for the financial year 2023. The Board of Directors proposes that the Company's accumulated profit be carried forward.

The Group's and the parent Company's earnings and position in general are shown in the following income statements and balance sheets as well as cash flow statements and additional information.

Five-year summary

Amounts in SEK 000	2023	2022*	2021	2020	2019**
Net revenues	238,729	57,618	10,709	–	–
Operating profit/loss	–322,164	–166,217	–180,583	–217,436	–186,572
Profit/loss for the year	–388,172	–172,513	–188,376	–226,026	–187,989
Balance sheet total	653,508	690,515	688,427	463,763	338,940
Equity ratio	26%	62%	63%	56%	47%
Earnings per share (continuing operations)	–11.22	–6.59	–7.77	–12.48	–16.48

* Reclassification of revenue for 2022 and 2021 was done in Q4 2022. See Note 2 for more information.
** 2019 has been recalculated due to a correction, see Appendix 1 of the Annual Report 2020 for the effects of the recalculation.

Sustainability report

Sustainability report

About this report

This report describes Xbrane's sustainability work in the areas of environment, social and governance (ESG) during 2023. This is Xbrane's fifth sustainability report. The report describes how sustainability is connected to Xbrane's business operations and how Xbrane manages and operates its sustainability work.

The activities carried out and the targets reached are described for the period January 1, 2023 – December 31, 2023. The report also provides insight into how this work is planned to continue in 2024.

> "Xbrane is built on the fundamental conviction that the right to a healthy life should not depend on where you are born, who your parents are or the size of your wallet. Health should be considered a basic human right, and the opportunity to live a healthy life must be afforded to everyone equally. Xbrane is a manifestation of this idea. A force driven by this fundamental conviction, navigating in harmony with the surrounding ecosystem and the needs of various stakeholders."
>
> Martin Åmark, *CEO of Xbrane*

Sustainability highlights 2023

CONTRIBUTE TO HEALTH EQUALITY

- Launch of Ximluci® in EU
- 3 new inventions included in than 36 new patent applications

BE REGARDED AS A CREDIBLE PLAYER

- UN Global Compacts 10 Principles for sustainable business integrated into the sustainability policy
- eQMS implemented

BE A RESPONSIBLE ACTOR IN SOCIETY

- Supplier evaluation process implemented
- Internal non-recyclable waste reduced

BE AN ATTRACTIVE EMPLOYER

- Great Place to Work certified
- Ranked on Allbright's Green List of equal companies

General

About Xbrane

Xbrane's vision and business concept are directly linked to global sustainability in that we strive to improve access to effective and high-quality drugs at a lower cost to society. Biological drugs are difficult to produce and therefore expensive, and we want to enable more patients to gain access to treatment for serious illnesses. Through our innovations, expertise, engagement, and partners, we make production more cost-effective and put competitive alternatives on the market. This makes biological drugs accessible to more patients with a medical need and limited resources. The added value we want to create will occur through responsibility for the world we live in. We also want to be an attractive employer to attract the leading skills in the industry, because we know that our employees are the basis of everything we do.

Sustainability strategy

Our sustainability work is guided by four focus areas which together summarize and describe the company we want to be. The focus areas include environment and social responsibility as well as governance and regulatory compliance and are linked to the UN's global sustainability goals and Agenda 2030. The company's vision is the company's main contribution to a more sustainable world and leads towards two of the UN's global sustainability goals: No. 3 Good health and well-being, and No. 10 Reduced inequalities. It is important that this does not happen at the expense of people and the environment, but rather contributes to global sustainable development.

Recognition

ETT AV SVERIGES MEST JÄMSTÄLLDA BOLAG 2022 ALLBRIGHT

Allbright's Green List (ranked 23 of 89)

KTH VETENSKAP OCH KONST

Collaborative partner with the Royal Institute of Technology (KTH)

Great Place To Work. Certifierad OKT 2022–OKT 2023 SVERIGE

Great Place to Work certified for the third year in a row

WE SUPPORT UN GLOBAL COMPACT

Participant in UN Global Compact

AMBITION: Through its innovations, Xbrane wants to contribute to more people receiving treatment, at a lower cost to society.

KEY WORDS: Health equality, patient safety and product quality, innovation and research of the highest quality

CONTRIBUTE TO HEALTH EQUALITY

AMBITION: Xbrane wants to take responsibility for the footprint of the business and strives to minimize its negative effects on society.

KEY WORDS: Evaluated suppliers, environmentally-friendly production.

BE A RESPONSIBLE ACTOR IN SOCIETY

VISION

To become a world-leading scientifically-based biosimilar developer of cost-effective drugs for which there is a significant medical need.

BE REGARDED AS A CREDIBLE PLAYER

AMBITION: Xbrane wants to be a predictable and credible player for collaboration and investment.

KEY WORDS: Compliance, transparency towards the stock market, financial stability, anti-corruption and business ethics.

BE AN ATTRACTIVE EMPLOYER

AMBITION: Xbrane wants to offer an attractive and developing workplace for its employees.

KEY WORDS: Good working environment, good company culture.

Focus areas, ESG and UN global sustainability goals

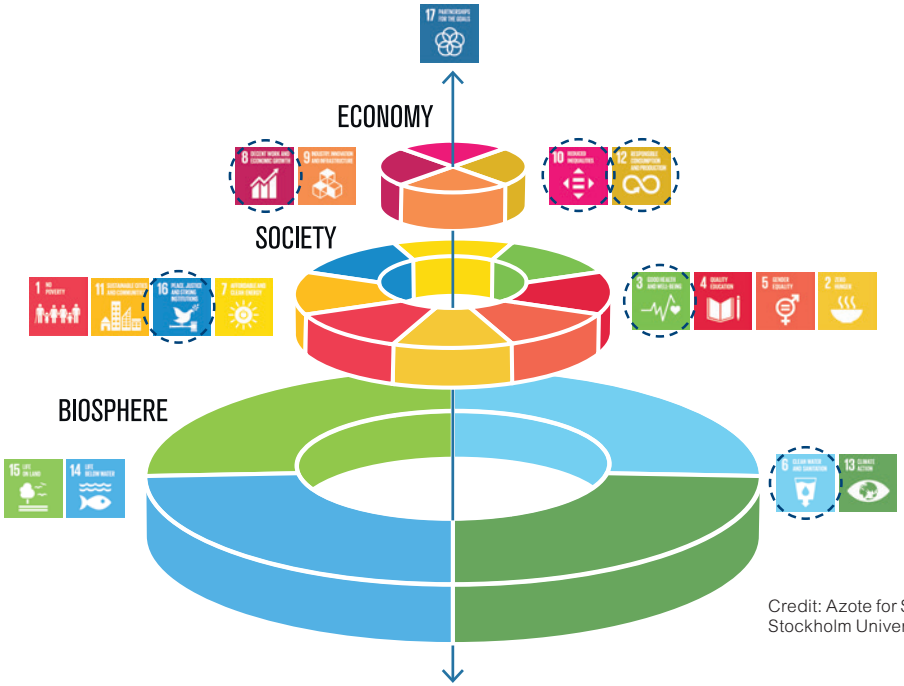
Based on our focus areas, Xbrane is working with a long-term view towards several prioritized global sustainability goals as well as ESG areas with concrete activities to contribute to global sustainable development.

	Contribute to health equality	Be regarded as a credible player	Be a responsible actor in society	Be an attractive employer
Prioritized global sustainability goals	3.8	3.8, 16.5	6.3, 8.4, 12.4	16.7
Environment (E)				
Sustainable supply chains			●	
Sustainable procurement			●	
Climate impact			●	
Waste handling			●	
Sustainable production			●	
Social (S)				
Health equality in society	●			
Investments in research	●			
Labor rights and safe working environment				●
Equality				●
Competence development				●
Governance (G)				
Anti corruption and business ethics		●		
Quality regulations		●		
Sustainability regulations		●		

The global sustainability goals with the highest priority for Xbrane include

- Bring products to market to improve access to medicines (sub-goal 3.8)
- Avoid water pollution from manufacture (sub-goal 6.3)
- Develop resource/material efficient processes (sub-goal 8.4)
- Create responsible waste processes with no release to environment (sub-goal 12.4)
- Honour the code of Conduct in all matters (sub-goal 16.5)
- Create and keep a culture of inclusive decision-making at all levels (sub-goal 16.7)

https://sdgs.un.org



Credit: Azote for Stockholm Resilience Centre, Stockholm University CC BY-ND 3.0

UN Global Compact

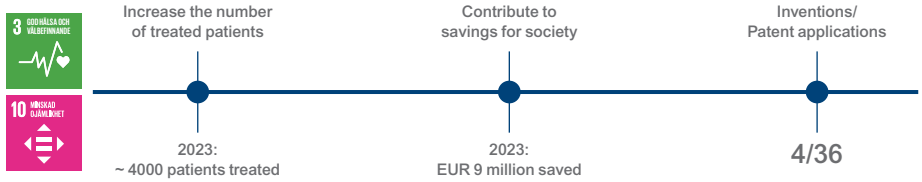
During 2023, Xbrane joined as a participant in the UN Global Compact, a global initiative to bring the business community together and accelerate companies' sustainability work. The UN Global Compact is built on Ten Principles in the areas of human rights, labor rights, climate and anti-corruption. The principles are grounded in the UN's Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration, and the UN's Convention Against Corruption. As a participant, Xbrane commits to apply the Ten Principles to the entirety of its operations and integrate them into business strategies and processes. As a first step, in 2023 Xbrane included the Ten Principles into its sustainability policy as well as its Supplier Code of Conduct.

Management of our sustainability work

Based on our focus areas and the global goals, an annual sustainability plan is drawn up with goals and activities that are continuously evaluated regarding relevance and prioritization. The sustainability work is controlled and monitored by Xbrane's sustainability manager and sustainability core team, while the activities in the plan are owned by the management group. Reports are regularly made to the company's Board. Xbrane works continuously to integrate sustainability work with business operations so that it becomes a natural part of the business.

In 2023, the sustainability work was guided by the established sustainability plan. During the year, the plan has been anchored with the board, management and employees. The company works continuously with ESG reporting in Position Green's platform.

Contribute to health equality



Outcome of activities in 2023

Strategy and challenges:

Xbrane's strategy for contributing to health equality is to develop effective manufacturing processes for biosimilars through innovative research and, through collaboration with partners, to take these products to market. The manufacturing of biological drugs is complex and resource-intensive, which is why it is important for us to invest in our research, drive innovations and work towards constructive collaboration with suppliers and partners. To reach even resource-poor patient groups, we aim to work towards more regions of the world and reach more markets. The goal is for this to result in a savings for society as well as an increased number of patients treated with the drugs we develop. Through its innovative research, Xbrane sees both responsibility and opportunities to promote research and innovations in society in collaboration with academia.

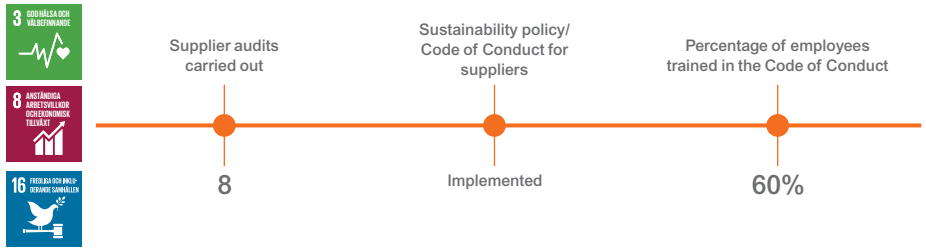
Outcome of activities in 2023

In 2023, Xbrane and its partner STADA launched its first biosimilar, Ximluci®, in 12 EU countries. This contributed to Xbrane delivering product to an estimated 4,000 patients, which can be estimated to have saved society EUR 9 million. Further applications for marketing authorization have been submitted in countries outside the EU, with the goal of reaching more patients. Xbrane has continued to invest in innovative research, which has resulted in 3 inventions covered in 36 patent applications globally during the year, as well as progress in the company's development projects. Collaboration with academia, such as KTH Royal Institute of Technology, Uppsala University and Stockholm University, has continued as part of our education and research strategy.

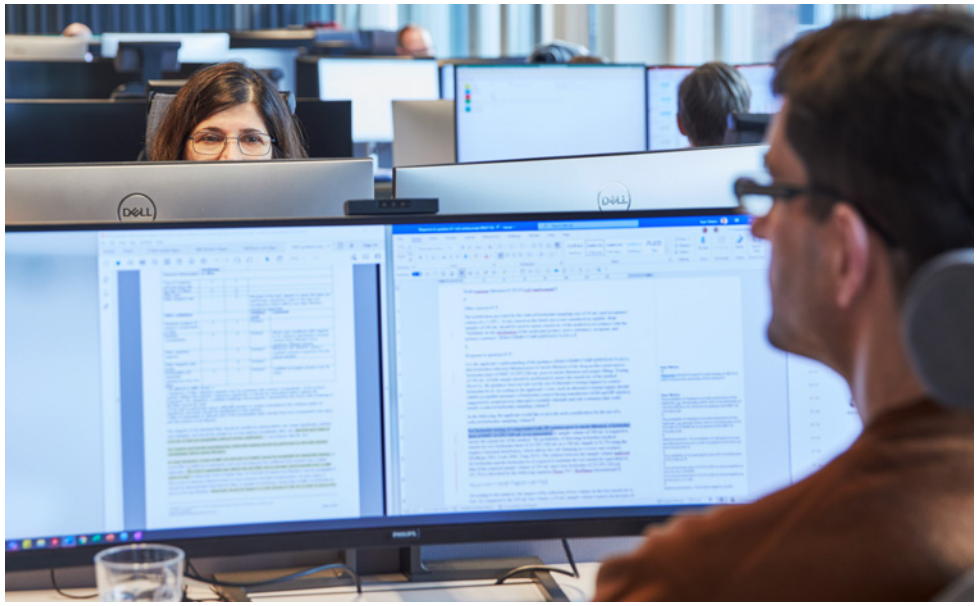
Ambitions for 2024

Through existing and new partnerships, Xbrane will continue its efforts to reach additional markets and patient groups. The company's development projects will be driven by innovative process development and collaboration with academia.

Be regarded as a credible player



Outcome of activities in 2023



Strategy and challenges

The pharmaceutical industry, in which Xbrane operates, is one of the world's most regulated industries where the quality requirements for research, development, production and distribution are very exacting. Quality is fundamental to Xbrane's business and is at the heart of what we do. It guarantees safe and effective treatment throughout a product's life cycle and instils confidence in the patients we want to supply with drugs. A close collaboration with our suppliers and partners is important to achieve the quality we strive for. We also want to work to reduce corruption in the world by conducting ethical business, which includes Xbrane's employees as well as our suppliers and partners.

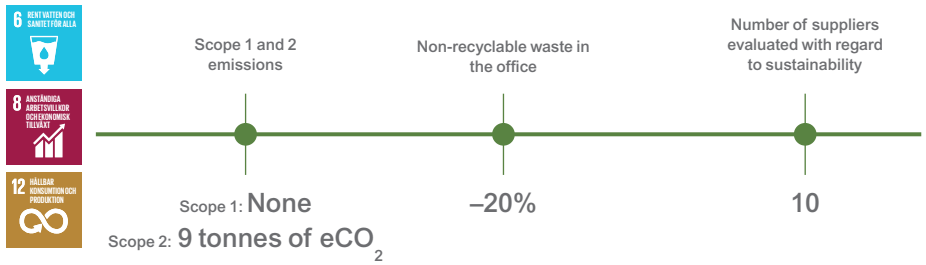
Outcome of activities in 2023

In 2023, Xbrane joined the UN Global Compact, a global network for sustainable business, as a step to clarify the framework for sustainability within the company. With this, work began to integrate the network's Ten Principles for sustainable business into Xbrane's operations, including by implementing a sustainability policy and educating employees and management about it. In order to work toward more sustainable supply chains, a Code of Conduct for Suppliers, with reference to the Ten Principles, was approved and published on the company's website. Annual training in the company's Code of Conduct was conducted, this year with a focus on anti-corruption. During the year, Xbrane conducted eight quality audits of its suppliers and worked actively with said suppliers to fulfil the exacting quality requirements for goods and services. Xbrane also developed its internal quality system by implementing an electronic quality assurance system, electronic Quality Management System (eQMS), as well as to meet the requirements for wholesale distribution authorization from the Swedish Medicines Agency.

Ambitions for 2024

Quality work within the company will continue in order to fulfil the quality requirements placed on Xbrane as a manufacturer of pharmaceutical products. In addition to development of the electronic quality assurance system, preparations will be made to meet the requirements for manufacturing authorization from the Swedish Medicines Agency. In 2024, further training in the Code of Conduct is planned on topics such as ethical business practices and human rights. The number of suppliers who have read and understood the Code of Conduct for Suppliers will be followed up on during the year.

Be a responsible actor in society



Outcome of activities in 2023

Strategy and challenges

Xbrane wants to be a positive force in society, thus taking responsibility for the impact the business makes on society and the environment. Manufacturing biological drugs is resource-intensive, and Xbrane therefore wants to ensure that both the materials involved and waste from production are handled responsibly. The company's manufacturing processes must also ensure quality in terms of the environment regarding e.g. water use, chemical management and waste management, which requires close collaboration with our suppliers. Xbrane also wants to contribute to reducing its greenhouse gas emissions in accordance with the Paris Agreement.

Outcome of activities in 2023

In order to work towards more sustainable supply chains, Xbrane implemented a new process for evaluating current and potential suppliers with regard to business, quality and sustainability. The company has also made improvements to purchasing practices to work towards more sustainable purchasing. With the aim of being able to set scientific climate targets (Science Based Targets), during the year Xbrane has continued to measure its carbon dioxide emissions based on the Greenhouse Gas (GHG) protocol. The company has no Scope 1 emissions, while Scope 2 emissions for 2023 amounted to 9 tonnes of eCO2. For emissions in Scope 3, methods of measurement have improved, and more categories have been included in comparison to the measurements taken in 2022. The company has also improved its internal waste procedures, which resulted in a reduction of non-recyclable waste by 20% in the office during the year. Work has begun towards evaluating our manufacturing processes based on environmental impact and to collect information on the total footprint of the commercial production of Ximluci®.

Ambitions for 2024

Xbrane will continue to implement the supplier evaluation process by evaluating more suppliers from a sustainability perspective and working closely with suppliers to improve outcomes. The plan for the company's climate work will be developed and scientific goals will be set for emission reductions. More focus will be placed on the evaluation of our manufacturing processes from a sustainability perspective.

Be an attractive employer

Outcome of activities in 2023

* Number of leaving employees during the reporting year / Average amount of employees during the reporting year

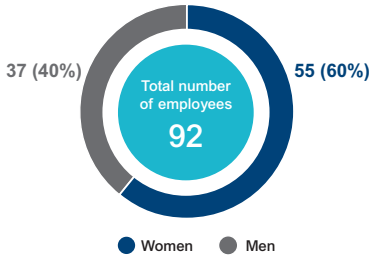
Strategy and challenges

Our employees are Xbrane's greatest asset and offering an attractive workplace with a good working environment is therefore of the utmost importance in order to attract and retain the right skills. We want to prevent absences by actively working with health, safety, and environment in the workplace so that our employees feel safe and valued. Xbrane strives for an inclusive and co-determining culture in a flat organization, where diversity is an asset and where everyone contributes equally towards the common goals.

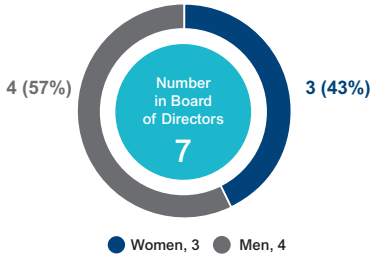
Outcome of activities in 2023

In 2023, Xbrane was certified as a Great Place to Work® for the third year in a row. The degree of satisfaction among employees has been monitored during the year through employee surveys, and actions have been taken based on the results to promote well-being and satisfaction. The low level of absences and employee turnover met the company's goals for the year. The company is characterized by a high degree of equality in the workforce with regard to gender, age, country of origin, and education level. Xbrane was also included on Allbright's Green List of equal companies at number 23 out of 89 listed Swedish companies (out of a total of 361 evaluated). In 2023, the company began introducing Inner Development Goals (IDGs) with a focus on the goal "Collaborating" as a tool for developing employees and the organization. Active focus was also placed on competence development and knowledge sharing within the company by offering employees regular lectures on topics including biosimilar development, patents, quality regulations, sustainability, cognitive development and mindfulness.

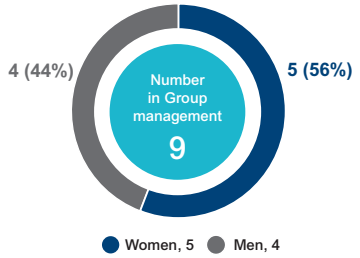
Gender distribution employees



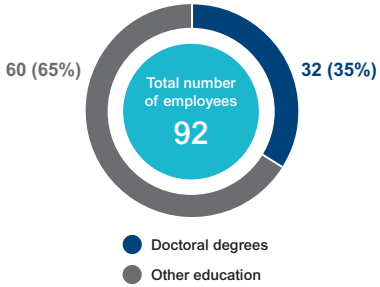
Gender distribution Board



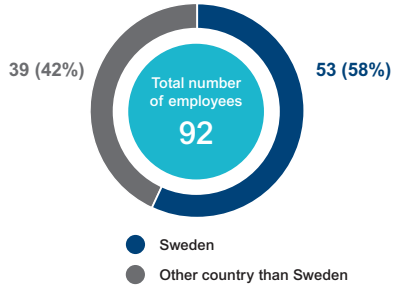
Gender distribution management



Education level



Country of origin



Ambitions 2024

Xbrane will continue working to empower its employees to create satisfaction and engagement. Focus will be placed on activities aimed at continuing to be a Great Place to Work. Competence development and skill sharing will continue within the company, as well as further development of how the company works with Inner Development Goals.

Corporate Governance

Corporate Governance Report 2023

Xbrane Biopharma AB (publ) ("Xbrane" or "The Company") is a public Swedish limited liability Company with its registered office in Solna. The Company's shares are traded on Nasdaq Stockholm (Mid Cap) and are traded under the ticker XBRANE.

Corporate governance in Xbrane is based on current laws (mainly the Companies Act and the accounting regulations), the corporate structure, Nasdaq Stockholm's regulations for issuers, internal guidelines and policies and the Swedish Code of Corporate Governance (the "Code"). The purpose of corporate governance is to create a clear distribution of roles and responsibilities between owners, the Board and management. This Corporate Governance report describes Xbrane's corporate governance, which includes the management and administration of the company's operations and internal controls regarding financial reporting.

Application of the Code and deviations

Xbrane applies the Swedish Code of Corporate Governance (the "Code") without deviations. Information about the code can be found at www.bolagsstyrning.se.

Information on the Company's website

The Company has a special section on its website for corporate governance issues under the heading Corporate Governance.

Examples of external regulations that affect corporate governance:

- Swedish Public Limited Companies
- Accounting legislation, including the Accounting Act and the Annual Accounts Act
- Nasdaq Stockholm's regulations for issuers
- Swedish Code of Corporate Governance (the Code, www.bolagsstyrning.se)

Examples of internal regulations that are important for corporate governance:

- Articles of Association
- The Board's Rules of Procedure (including instructions for the Board's committees)
- CEO instructions
- Corporate Policy
- Guidelines for remuneration to senior executives
- Code of conduct
- Working Environment Policy
- Finance Policy
- Information Policy
- Information Security Policy
- Insider Policy
- Privacy Policy
- IP Policy
- IT Policy
- Financial Handbook
- Employee Handbook
- Guidelines for transactions with related parties
- Sustainability Policy

Articles of Association

According to the Articles of Association, Xbrane is to conduct natural science research and development, conduct sales, own and manage movable and immovable property directly or indirectly through subsidiaries, and conduct compatible operations therewith. Xbrane's Articles of Association can be found in their entirety on Xbrane's website, www.xbrane.se. Changes to Xbrane's Articles of Association are made in accordance with the provisions of the Swedish Companies Act. According to the Articles of Association, the Board of Directors of Xbrane shall consist of a minimum of three and a maximum of ten members. The members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association do not contain any special provisions on the appointment and dismissal of board members, nor any special provisions on amendments to the Articles of Association.

Shares and shareholders

Xbrane's shares are listed on Nasdaq Stockholm. At the end of 2023, the total number of shares was 29,810,364 and the number of shareholders was around 7,200. For information about the Company's major shareholders and ownership structure, see page 33.

Annual General Meeting

The Annual General Meeting (AGM), or, where applicable, Extraordinary General Meeting, is the Company's highest decision-making body where all shareholders who are registered in the share register and who have announced their participation in time are entitled to participate and vote. Shareholders may also be represented by representatives at the AGM. An ordinary share gives the right to one vote at the AGM. There are no restrictions on how many votes each shareholder can cast at a general meeting. Resolutions at the AGM are made by a simple majority, except in cases where the Companies Act sets requirements for a higher proportion of shares represented at the AGM and stated votes. At the AGM, shareholders exercise their voting rights on key issues, such as the establishment of income statements and balance sheets, disposition of the Company's results, granting discharge from liability for the members of the Board and the CEO, principles for appointment of the Nomination Committee, election of the Board members and auditors, remuneration to the Board and auditors and remuneration and guidelines for remuneration to senior executives. The AGM may be held at the company's registered office in Solna or in Stockholm.

Annual General Meeting 2023

At the Annual General Meeting on May 4, 2023, 31 shareholders were represented with a holding of 10,892,646 shares corresponding to 39.6 percent of the total number of shares and votes in the Company. Attorney Carl Svernlöv was elected chairman of the meeting.

At the 2023 AGM, decisions were made, among other things, on:

- Determination of income statement and balance sheet.
- Distribution of profits.
- Determination of fees to the Board and auditor
- Re-election of Ivan Cohen-Tanugi, Peter Edman, Eva Nilsagård, Anders Tullgren, Karin Wingstrand, Mats Thorén, and Kirsti Gjellan as ordinary members.
- Re-election of Anders Tullgren as Chairman of the Board.
- Election of PwC as auditor with authorized auditor Magnus Lagerberg as principal auditor.
- Decision on instructions and rules of procedure for the Nomination Committee.
- Establishing guidelines for remuneration to senior executives.
- Amendment of the Articles of Association by introducing a new provision (§ 10) enabling collection of proxies and postal voting.
- Amendment of the long-term incentive program (LTIP 2022) regarding the conditions for financial and operational performance-based incentives so that the requirement increases regarding total return on the Company's shares earned by Series C and Series D share rights.
- Introduction of long-term incentive program (LTIP 2023) for employees including senior executives.
- Authorization for the Board to decide on one or more occasions until the next Annual General Meeting on the issue of shares, convertibles and/or warrants with or without deviation from shareholders' preferential rights, corresponding to a maximum 10 percent of the Company's share capital after completed issuances based on the number of shares at the time of the general meeting, to be paid in cash, in kind and/or by offsetting.
- Approval of the remuneration report that was presented.

Annual General Meeting 2024

The Annual General Meeting 2024 will be held on Thursday, May 2, 2024, at 16:30, in Inghesalen, Widerströmska Huset, 2nd floor, Karolinska Institute, Tomtebodavägen 18a, 171 65 Solna. For further information about the Annual General Meeting, please refer to Xbrane's website.

Notice of meeting

The Annual General Meeting shall be held within six months from the end of the financial year. In addition to the AGM, shareholders can be called to an Extraordinary General Meeting. According to the Articles of Association, notice of the AGM is given by advertising in Post- och Inrikes Tidningar and by keeping the notice available on the Company's website (www.xbrane.com). That summons issued shall be announced at the same time in Svenska Dagbladet. In order to participate in the Annual General Meeting, shareholders must be entered in the share register kept by Euroclear Sweden AB, no later than five working days before the meeting, and registered with the Company no later than the day specified in the notice. This day may not be a Saturday, Sunday, public holiday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not fall earlier than the fifth weekday before the meeting.

Right to attend the Annual General Meeting

Shareholders whose shares are registered with a nominee at a bank or other nominee must, in order to be eligible to attend the AGM and in addition to informing the Company, request that their shares be temporarily registered in their own name in the share register kept by Euroclear Sweden. Shareholders should inform their nominees well in advance of the record date. Shareholders must also report any assistants in the manner stated above.

Initiatives from shareholders

Shareholders who wish to have a matter dealt with at the AGM must submit a written request to this effect to the Board of Directors. The request should normally be submitted to the Board no later than seven weeks before the AGM.

Nomination Committee

At the 2023 AGM, rules were set for the appointment of the Nomination Committee ahead of the 2024 Annual General Meeting. According to the established rules, the Nomination Committee shall be appointed for the period until a new Nomination Committee is appointed, and consist of three members, appointed by the Company's three largest voting shareholders as of September 30, 2023. The Chairman of the Board shall be a deputy member if necessary. As soon as reasonably possible after the end of the third quarter, the Chairman of the Board shall in a suitable manner contact the three largest owner-registered shareholders in terms of votes in the share register maintained by Euroclear Sweden AB at that time and invite them to, within a reasonable period of time considering the circumstances, which may not exceed 30 days, in writing to the Nomination Committee, name the person the shareholder wishes to appoint as a member of the Nomination Committee. If one of the three largest shareholders does not wish to exercise their right to appoint a member of the Nomination Committee, the next shareholder in line shall be offered the right to appoint a member of the Nomination Committee. In the case that several shareholders abstain from their right to nominate members of the Nomination Committee, the Chairman of the Board will not be required to contact more than eight shareholders, unless this is necessary to form a nomination committee of at least three members.

Unless otherwise agreed by the members, the member appointed by the largest shareholder will be appointed Chairperson of the Nomination Committee.

If a shareholder that has appointed a member of the Nomination Committee during the year ceases to be one of the Company's three largest shareholders, the member appointed by that shareholder must resign from the Nomination Committee. Instead, a new shareholder among the three largest shareholders will have the right to, independently and according to their own discretion, appoint a member of the Nomination Committee. However, no marginal differences in shareholdings and changes in shareholdings that arise later than three months before the AGM shall be the cause for any changes to the composition of the Nomination Committee, unless there are exceptional circumstances.

If a member of the Nomination Committee resigns before the Nomination Committee has fulfilled its obligations for reasons other than those given in the above paragraph, the shareholder who appointed that member has the right to, independently and according to their own discretion, appoint a replacement member.

Based on the above, Oscar Bergman, appointed by Swedbank Robur Fonder, the company's third largest shareholder as of September 30, 2023, resigned from the Nomination Committee. Xbrane's Chairman of the Board, Anders Tullgren, has been in contact with the company's major shareholder but at the time of this report's publication, no new member has been appointed. The Nomination Committee consists until further notice of:

- Saeid Esmaeilzadeh, appointed by Systematic Group AB, the company's largest shareholder
- Bengt Göran Westman, the company's second largest shareholder
- Anders Tullgren, Xbrane's Chairman of the Board, deputy member if necessary.
- Saeid Esmaeilzadeh has been appointed chairman of the Nomination Committee

Board of Directors

After the AGM, the Board is the Company's highest decision-making body It is the Board of Directors who is responsible for the Company's organization and the management of the Company's affairs, for example by setting goals and strategies, securing routines and systems for monitoring the set objectives, continuously assessing the Company's financial situation and evaluating the operational management. Furthermore, it is the Board's responsibility to ensure that correct information is provided to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. The Board also appoints the CEO of the Company and determines salary and other remuneration to him/her based on the guidelines adopted by the meeting.

The Board has its registered office in Stockholm. According to Xbrane's Articles of Association, the Board must consist of a minimum of three (3) and a maximum of ten (10) members. The Board currently consists of seven members elected by the AGM on May 4, 2023. At the end of the financial year, Xbrane's Board of Directors consisted of Chairman Anders Tullgren and the Board members Peter Edman, Eva Nilsagård, Mats Thorén, Ivan Cohen-Tanugi, Karin Wingstrand and Kirsti Gjellan.

Composition of the Board

According to the Swedish Code of Corporate Governance (the "Code"), the majority of the board members elected at the Annual General Meeting are independent in relation to the Company and Company management. In determining whether a member is independent or not, an overall assessment must be made of all the circumstances that may cause the member to question the independence of the member in relation to the Company or Company management. Furthermore, according to the Code, at least two of the members who are independent in relation to the Company and Company management must also be independent in relation to major shareholders. Major shareholders are shareholders who directly or indirectly control ten (10) percent or more of all shares and votes in the Company. To determine a member's independence, the extent of the Board member's direct and indirect relationships with the majority owner must be considered in the assessment. A board member who is an employee or a board member of a Company that is a majority owner is not considered to be independent. All members are independent of the Company, its management and major shareholders.

The work of the Board

The Board follows a written work plan that is reviewed annually and determined at the statutory board meeting. The rules of procedure regulate, among other things, the Board's working methods, duties, decision-making within the Company, the Board's meeting order, the Chairman's duties and the division of work between the Board and the CEO. Instructions regarding financial reporting and instructions to the CEO are also determined at the time of the statutory board meeting.

The work of the Board is also conducted on the basis of an annual presentation plan, which meets the Board's need for information. In addition to board meetings, the Chairman of the Board and the CEO have ongoing dialogue about the management of the Company.

The Board meets according to a predetermined annual plan and shall, in addition to the consistent Board meeting, hold at least six (6) regular board meetings between each Annual General Meeting. In addition to these meetings, extra meetings can be arranged to address issues that cannot be referred to any of the regular meetings.

			Attendance at meetings				Independent	
Member	Position on Board	Board member since	Board	Audit Committee	Transaction Committee	Remuneration Committee	Company	Owner
Anders Tullgren	Chairman	2018	30/30		4/4	3/3	Yes	Yes
Ivan Cohen-Tanugi	Member	2019	28/30		4/4		Yes	Yes
Peter Edman	Member	2015	29/30		4/4		Yes	Yes
Kirsti Gjellan[2]	Member	2022	30/30	9/9			Yes	Yes
Eva Nilsagård	Member	2019	30/30	9/9			Yes	Yes
Mats Thorén	Member	2020	30/30	9/9		3/3	Yes	Yes
Karin Wingstrand	Member	2015	28/30			3/3	Yes	Yes

Chairman of the Board

The task of the Chairman of the Board is to lead the work of the Board and to ensure that this work is conducted efficiently and that the Board fulfils its duties. The Chairman shall, through contacts with the CEO, monitor developments in the Company and ensure that the members of the Board, through the CEO's care, continuously receive the information needed to be able to track the Company's position, financial planning and development. Furthermore, the Chairman shall consult with the CEO on strategic issues and ensure that the Board's decisions are executed effectively.

The Chairman of the Board is responsible for contacts with the owners regarding ownership issues and for conveying the views of the owners to the Board. The Chairman does not participate in the operational work of the Company and is not included in Group management.

Remuneration to the Board

The 2023 Annual General Meeting determined that fees to the Board, for the period up to the end of the next Annual General Meeting, should be paid to a total of SEK 3,220,000. The remuneration to the Chairman of the Board shall amount to SEK 630,000 and each of the other members shall receive SEK 315,000. The remuneration for the Chairman of the Remuneration Committee shall amount to SEK 100,000 and SEK 50,000 for other members. The remuneration for the Chairman of the Audit Committee shall amount to SEK 150,000 and SEK 75,000 for other members. Finally, the remuneration for the Chairman of the Transaction Committee shall amount to SEK 100,000 and SEK 50,000 for other members.

Board committees

The Board of Directors has established three committees, the Audit Committee, the Remuneration Committee and the Transaction Committee. The Board has adopted rules of procedure for all committees.

Audit Committee

The Board has set up an internal Audit Committee. The current Audit Committee consists of Chairman Eva Nilsagård and committee members Mats Thorén, and Kirsti Gjellan.

The Audit Committee works in accordance with instructions adopted by the Board. Its main duties are, without any impact on the Board's responsibilities and duties in general:

- Monitor the Company's financial reporting with respect to the Company's internal control and risk management,

- Keep informed about the audit of the annual accounts and the consolidated accounts,
- Inform the Board of Directors of the results of the audit and of the manner in which the audit contributed to the reliability of the financial reporting and of the function of the committee,
- Review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the Company with services other than auditing services,
- Approve the auditor's advisory services and establish a policy for the auditor's advisory services,
- Assist in the preparation of proposals for the Annual General Meeting's decision on the election of auditors, annually assess the need for an internal audit function and quality-assured year-end report and interim reports before board decisions.

The Audit Committee prepares proposals for the Board of Directors, which then either make decisions on the issues or, if necessary, approve proposals for resolutions by the Annual General Meeting.

Remuneration Committee

The Board has set up an internal Remuneration Committee. The committee includes chairman Anders Tullgren and committee members Mats Thorén and Karin Wingstrand.

The Remuneration Committee prepares proposals for the Board of Directors, which then either make decisions on the issues or, where appropriate, adopt proposals for resolutions to the Annual General Meeting. The Remuneration Committee works in accordance with instructions adopted by the Board. The main tasks of the Remuneration Committee are to:

- Prepare the Board's decisions on matters relating to remuneration principles, remuneration and other terms of employment for Company management.
- Follow and evaluate schemes for variable remuneration to Company management.
- Follow and evaluate the application of the guidelines for remuneration to senior executives as decided by the AGM, as well as the applicable remuneration structures and remuneration levels in the Company.

Transaction Committee

The Board has set up an internal Transaction Committee. The committee includes chairman Anders Tullgren and committee members Peter Edman and Ivan Cohen-Tanugi.

The Transaction Committee prepares proposals for the Board of Directors, which then either make decisions on the issues or, where appropriate, adopt proposals for resolutions to the Annual General Meeting. The main tasks of the Transaction Committee are to:

- Evaluate, assess and provide proposals for transactions, for example, out-licensing, mergers, acquisitions of companies, operations, assets and property.
- Evaluate, assess and propose equity-related transactions, which includes new issues.
- Evaluation of the work of the Board/evaluation of the Board and the CEO. The work of the Board, as well as the CEO's, is evaluated annually in a systematic and structured process. The Nomination Committee is informed of the results of the evaluation.

Auditor

The Company's auditor is appointed by the AGM for the period until the end of the next AGM. The auditor discusses the external audit plan and the management of risks with the Audit Committee. The auditor conducts a review of at least one interim report, audits the annual accounts and consolidated accounts, and reviews the administration of the board and the CEO. The auditor comments on how the corporate governance report has been prepared and whether the information is consistent with the annual and consolidated accounts.

The auditor reports the result of their audit of the annual report, ESEF and the consolidated accounts and their review of the corporate governance report through the audit report and a special opinion on the corporate governance report, which they present to the annual general meeting. In addition, the auditor submits detailed reports on audits performed and his assessment of the Company's internal controls to the Audit Committee at least twice a year and to the Board as a whole once a year.

At the Annual General Meeting on May 4, 2023, PricewaterhouseCoopers AB was elected as the Company's auditor. The principal auditor is Magnus Lagerberg, authorized public accountant and member of FAR, the organization for auditors in Sweden. At the Annual General Meeting, it was also decided that fees to the auditor shall be paid in accordance with customary billing standards and approved invoices. More information regarding the auditor's fees can be found in Note 5.

CEO and Group Management

The Chief Executive Officer (CEO) in his role is subordinate to the Board and has as his main task to manage Xbrane's day-to-day management and the day-to-day operations of the Company. The Board's rules of procedure and instructions for the CEO indicate which issues the Company's Board of Directors shall make decisions about and which decisions fall within the CEO's area of responsibility. The CEO is also responsible for the preparation of reports and the necessary documentation for board meetings and is the rapporteur for the material at board meetings.

At the end of 2023, Xbrane had a management team consisting of nine people: CEO, Chief Financial Officer (CFO), Head of Biosimilars, Head of Manufacturing and Supply Chain, Chief Technology Officer, Head of Human Resources, Head of Regulatory Affairs, and Head of Business Development. During the first quarter of 2024, the management team was reduced to six people. For a more detailed description of Group Management, see page 58–59.

Internal control report

In accordance with the Companies Act and the Code, the Board is responsible for internal control. The Board's report refers to the internal control of the Group's financial reporting. The purpose of Xbrane's systems and processes for internal control and risk management for financial reporting, is to ensure that shareholders can have good confidence in the financial operations and presented reports, including the information in this annual report and all interim reports. The Board's work on internal control is based on a control environment, risk assessment, control activities, information and communication and follow-up. Internal control is a process that is influenced by the Board of Directors, the Company's management and other employees, and designed to provide reasonable assurance that the Company's goals are being met in terms of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Control environment

The Board has overall responsibility for Xbrane's internal control over the financial reporting. In order to create and maintain a functioning control environment, the Board and the Company have adopted a number of policies, guidelines and governance documents that regulate the financial reporting. These mainly consist of the Board's rules of procedure, instructions for the CEO, authorization arrangement and a financial manual containing principles, guidelines and process descriptions for accounting and financial reporting. Finally, the Board of Directors has established an Audit Committee whose main task is to monitor the Company's financial position, to monitor the efficiency of the Company's internal control and risk management, to stay informed about the audit of the annual accounts and the consolidated accounts. The

responsibility for the ongoing work on financial control has been delegated to the Company's CEO, who in turn has delegated to the Company's CFO to have overall responsibility for maintaining sound internal control over the financial reporting.

Risk assessment

Xbrane regularly evaluates financial risks and other risks that may affect operational business and financial reporting. The risk assessment covers the entire Group and is done with the aim of ensuring risk mitigation of potential errors in the financial reporting. Furthermore, new and existing risks are identified, treated and controlled through discussions in the management group, the Board and the Audit Committee.

Control activities

Xbrane has established control activities aimed at preventing, detecting and correcting errors and deviations in financial reporting. The activities include analytical follow-up and comparison of earnings performance, account reconciliations and balance sheet specifications, approval and accounting of business transactions and cooperation agreements, proxy and authorization instructions, and accounting and valuation principles.

Information and communication

As a listed Company on Nasdaq Stockholm, operating in one of the world's most regulated industries – healthcare – Xbrane is subject to strict regulations and monitoring authorities regarding its disclosure and its accuracy. In addition, Xbrane has internal control functions for information and communication that aim to ensure that correct financial and other Company information is communicated to employees and other stakeholders. Financial developments, market developments, the status of Xbrane's development projects and other relevant information, are reported to the Board on a monthly basis. The security of all information that can affect the Company's market value and that such information is communicated externally in a correct manner and at the right time, is of the utmost importance for Xbrane's commitment as a listed Company. For this, Xbrane has strict procedures that ensure compliance with the EU Market Abuse Regulation (MAR). Xbrane's Board of Directors and management have established information and communication paths to ensure completeness and accuracy in financial reporting as well as established governing documents, such as internal policies, guidelines and instructions for information and communication.

Monitoring

Group management conducts monthly earnings and liquidity monitoring with analysis of deviations from the budget and forecast. Xbrane's Swedish finance department conducts monthly checks, evaluations and follow-ups of financial reporting. As a large part of the Company's product development takes place in project form, continuous monitoring of these is done from a financial point of view. The Board of Directors and the Audit Committee review annual accounts and interim reports prior to publication. In particular, the Audit Committee discusses accounting principles, the structure of internal control, risks and other issues related to the reports. The Company's external auditor also participates in these discussions.

Internal audit

Xbrane has no separate internal audit function. The Audit Committee and the Board evaluate the need for such a function, and given the size and structure of the Company, there is not considered a need. The Board monitors internal control, regarding financial reporting, through regular follow-ups together with the Audit Committee.

Board of Directors

ANDERS TULLGREN

Chairman of the Board since 2018.

Chairman of the Remuneration Committee and the Transactions Committee.

Born: 1961

Education: M.Sc. in Pharmaceutical Science, Uppsala University.

Professional experience: Anders has over 35 years of leadership roles in the global pharmaceutical industry in the US, Germany, France, the UK and the Nordic region. Most recently as President of the Intercontinental Region at Bristol Myers Squibb with responsibility for over 30 countries, 5,000 employees and a turnover of over SEK 20 bn.

Other assignments: Chairman of the Board of BerGenBio, Norway and Farmalisto, Colombia Board Member of BrandingScience Ltd, and member of the business development and launch committee of the Norgine board.

Previous assignments (past 5 years): President of the Intercontinental Region, Bristol Myers Squibb. Board member of Trialbee AB, Biotoscana Investments S.A., and Symphogen AS.

Shares: 70,484

Independent of the Company, its management and major shareholders.

IVAN COHEN-TANUGI

Board member since 2019.

Member of the Transaction Committee.

Born: 1961

Education: Medicine doctor, Grenoble School of Medicine. MBA, H.E.C Business School, Paris.

Professional experience: Led the development of Teva's global platform and portfolio for biosimilars from research and development to business development and commercialization, and then the Company's commercial division in the US with a focus on biosimilars, branded generics and niche special products. Acting CEO and Board Member at Kuros Biosciences, CEO and Chairman of Eyevensys Biotechnology and leading positions at Amgen.

Other assignments: Founder and partner at his own consulting company Minerva Life Science GmbH, support and advisor to leaders in biotechnology, medical technology as well as venture capital and private equity.

Previous assignments (past 5 years):

Shares: –

Independent of the Company, its management and major shareholders.

PETER EDMAN

Board member since 2015.

Member of the Transaction Committee.

Born: 1954

Education: Ph. D. in pharmaceutical science and associate professor in Biochemistry, Uppsala University.

Professional experience: Drug development with senior research positions at Orexo, Sobi, Biovitrum, AstraZeneca, Astra and Pharmacia. Previously Associate professor at the Swedish Medical Products Agency, Professor of pharmaceutical formulation and adjunct professor of Drug Delivery at the Faculty of Pharmacy, Uppsala University.

Other assignments: Board member in Stardots AB and Edman Life Science AB.

Previous assignments (past 5 years): Board member of Xintela and Mind the Byte.

Shares: 15,000

Independent of the Company, its management and major shareholders.

KIRSTI GJELLAN

Board member since 2022

Born: 1963

Education: Degree in pharmacy and Ph.D. in pharmaceutical technology from the University of Oslo.

Professional experience: More than 30 years' experience in international pharmaceutical companies including senior positions at AstraZeneca, Pfizer and Sobi. Her most recent roles were as CEO of Pfizer Health AB, Global Head of Internal/External Manufacturing and QA/QC and Global Head of Biological Process Development with Supply Chain at Swedish Orphan Biovitrum AB (Sobi).

Other assignments: Board member of Bio-Works Sweden AB and KTH (Royal Institute of Technology) Stockholm.

Previous assignments (past 5 years): Board member of Vinnova-financed PiiA, SwedenBio, OxThera AB, Pfizer Health AB and Envirotainer AB.

Shares: 2,500

Independent of the Company, its management and major shareholders.

Shareholding at December, 31 2023

EVA NILSAGÅRD

Board member since 2019.

Chair of the Audit Committee.

Born: 1964

Education: B.Sc. in Business Administration and Executive MBA, School of Economics at Gothenburg University.

Professional experience: CEO of Nilsagård Consulting with interim positions as CEO and CFO. Former CFO at Plastal Industry and Vitrolife, Senior Vice President Strategy & Business Development at Volvo Group, and senior positions in finance and business development at Volvo, AstraZeneca and SKF. Previous board assignments in private and listed companies.

Other assignments: Board member and Chairman of the Audit Committee of Addlife, Bufab, Hansa Biopharma, Nimbus, SEK (Swedish Export Credit) and Nanexa, Chairman of Spermosens and board member of eEducation Albert.

Previous assignments (past 5 years): CFO of Plastal Industri and Senior Vice President strategy & business development at Volvo Group Sales & Marketing EMEA. Board member and Chairman of the Audit Committee of IRRAS and Chairman of Diagonal Bio AB.

Shares: 4,000

Independent of the Company, its management and major shareholders.

MATS THORÉN

Board member since 2020.

Member of the Remuneration Committee and the Audit Committee.

Born: 1971

Education: Studied at the Stockholm School of Economics focusing on Accounting and Financial Economics as well as studies in medicine at the Karolinska Institute in Stockholm.

Professional experience: Experience from the financial market, primarily in the Life Science sector both as an analyst and in corporate finance.

Professional investor with his own Company Vixco Capital. Previous board experience from C-Rad AB, Cellartis AB and MIP Technologies AB.

Other assignments: Board member of Arcoma Aktiebolag and Arcoma Incentive AB, board member and CEO of Vixco Capital AB, board member of Herantis Pharma Oyj, FluoGuide A/S, deputy board member of Eggelbertus Holding AB.

Previous assignments (past 5 years): Board member of Nalka Life Science.

Shares: 4,000

Independent of the Company, its management and major shareholders.

KARIN WINGSTRAND

Board member since 2015.

Member of the Remuneration Committee.

Born: 1957

Education: M.Sc. in Pharmaceutical Science, Uppsala University.

Professional experience: Senior positions and project management within regulatory, pharmaceutical and analytical R&D, and clinical development. Previously Vice President and head of global clinical development at AstraZeneca. Senior industrial advisor in the Life Science industry.

Other assignments: Board member of T-bolaget AB, Histolab products AB and Integrum AB.

Previous assignments (past 5 years):Board member of Mevia, Adenovir Pharma, Swecure, Aqilion, Xintela and Targinta. Chair of Mevia.

Shares: 25,480

Independent of the Company, its management and major shareholders.

Shareholding at December, 31 2023

Group management

MARTIN ÅMARK

CEO since 2015

Born: 1980

Education: M.Sc. in Industrial Economics, Linköpings Tekniska Högskola. MBA, INSEAD.

Professional experience: Management consultant at Bain & Co where he worked with Company acquisitions, strategy and organizational work within various industries including pharmaceuticals and life science.

Shares: 189,280

SIAVASH BASHIRI

Head of Biosimilars and Deputy CEO since 2015

Born: 1983

Education: M.Sc. in Molecular Biotechnology, Uppsala University.

Professional experience: Experience within international sales of biotechnical products at Agilent Technologies as well as various roles within business development and sales at IBM and Oriflame. CEO of Xbrane between 2012 and 2015.

Shares: 116,502

ANETTE LINDQVIST

CFO since 2021

Born: 1961

Education: Degree in business administration from the School of Business, Economics and Law at the University of Gothenburg.

Professional experience: Experience of senior business development, audit and global financial roles within research, sales, manufacture and distribution, such as Global Clinical Finance Director at AstraZeneca, Head of Business Control at Swedish Orphan Biovitrum, Global CFO, SVP Finance Getinge Infection, Control & Global CFO Operations & Supply Chain Mölnlycke Healthcare.

Shares: 15,003

Shareholding at December, 31 2023

DINA JURMAN

Head of Clinical Affairs since 2017

Born: 1982

Education: M.Sc. in Biomedicine, Uppsala University.

Professional experience: Possesses all-round experience of clinical trials from startup companies to global pharmaceutical companies and has worked with protein drugs, small molecules as well as advanced therapies and medical technology.

Shares: 420

DAVID VIKSTRÖM

CTO since 2014

Born: 1977

Education: Ph.D. Biochemistry. Stockholm University.

Professional experience: Experience of how to manufacture high quality proteins. Research within expression systems for proteins in E.coli and has published a number of articles in scientific journals. Has worked in research and development at Xbrane since 2010.

Shares: 33,153

ANDERS WALLSTRÖM

Head of Manufacturing and Supply Chain since 2019. Member of Group management since 2020.

Born: 1976

Education: M.Sc. in Biotechnology, Royal Institute of Technology.

Professional experience: Process development, manufacturing and validation of biological products at Sobi and Biovitrum. Extensive experience from managing products through external manufacturing and supply chains. In his last role at Sobi he was end-to-end supply chain director for specialty care products including Kineret® and Orfadin®.

Shares: 13,875

Nina Ivers, Human resoures, **Maris Edebrink**, Regualoiry and **Xiaoli Hu**, Business Development terminated their employment with Xbrane during Q1 2024.

Shareholding at December, 31 2023

Risks and risk management

Uncertainty about future events is a natural feature of all business operations. Future events may have a positive impact on the business and provide opportunities to create increased value or a negative impact through risks, which may have an adverse effect on Xbrane's business.

Risks may be an effect of events or decisions outside of Xbrane's control, but they may also be an effect of mismanagement on the part of Xbrane or our partners. Xbrane works continuously to assess and evaluate the risks the company may be exposed to. Any incident that could affect Xbrane's credibility or lead to a negative impact on Xbrane's performance is important to monitor and minimize.

Risk management

The ability to manage risks is part of Xbrane's governance and control. If possible, the risk is eliminated and undesirable effects are minimized through preventive measures. Alternatively, the risk is transferred through, for example, insurance or agreements. However, some risks cannot be eliminated or transferred but are an active part of business operations.

Risk overview

A number of risk areas have been identified as being particularly critical and are described below. The assessment of the significance of the risk factors listed has been determined on the basis of the probability of their occurrence and the expected scale of their negative effects.

High
Medium
Low

Risks associated with Ximluci®

Risks	Management	Likelihood and effect
Risks associated with US market approval Xbrane has applied for market approval for Ximluci® in the US. Though the product has approval in the EU, this does not mean that market approval in the US is a given. Despite a demonstrated high similarity to the original product in preclinical and clinical data, there is a risk that the authorities will require further data, which could be costly and time-consuming to generate and could delay the timing of market approval. The decision on approval in the US is also dependent on the inspection of procedures and practices of contract manufacturers and their facilities, which will be carried out in the first quarter of 2024. The date for a decision regarding market approval in the US has been set for April 2024.	Xbrane works actively on risk mitigation by maintaining a close and continuous dialogue with the FDA. Xbrane has had several scientific meetings with the FDA to clarify any questions. In addition, Xbrane works with prominent regulatory consultants to ensure development in accordance with current guidelines. Xbrane has also worked actively to help our contract manufacturers to best prepare themselves for upcoming inspections.	
Unclear demand for the product Ximluci® was launched in Europe in April 2023. Even if market approval has been obtained for Ximluci® or in the future for a specific product, there is a partner for sales, marketing measures for the product have been taken and a competitive price is set for the product, there is no guarantee that the product will be successful in terms of sales. For Ximluci®, sales volumes have been adjusted to better reflect the market uptake. There may be a risk that sales revenue will be lower than expected, or entirely non-existent. Should the volumes need to be adjusted further, there is a risk that Xbrane's net income would be diminished.	Together with our partner, STADA, we compete on the market with targeted marketing efforts in the form of education and participation in scientific conferences. We compete with lower production costs, which in the long run results in a better profit margin and improved health economics. Development of a pre-filled syringe is expected to play a crucial role.	
Dependence on distribution partners' commitments and third-party distributors for Ximluci® Xbrane has a global cooperation agreement with STADA for the marketing and distribution of Ximluci®. Together with STADA, the company previously had an agreement with Bausch + Lomb which was mutually terminated by the parties in 2023. STADA and Xbrane are now jointly seeking third-party distributors for North America, Japan, and Latin America, among other regions. The lack of third-party distributors can lead to reduced revenue from sales or expected milestone payments, which could affect Xbrane's profitability and opportunities for growth in the short term.	We have a good, close collaboration with STADA, and STADA sees Ximluci® as a product that can generate good profitability over time. With our current partnership with STADA, Xbrane has good channels for bringing our products to the largest markets.	
Termination of cooperation agreement Since 2017, STADA has largely been owned by two funds: Bain Capital Investors, LLC and Cinven Capital Management. There is a risk that the ownership of STADA could change, for example if STADA were acquired by another pharmaceutical company. This would mean that, through a new ownership structure, STADA could have an overlapping product portfolio, which could lead STADA to decide to terminate the cooperation agreement with Xbrane. Termination of the cooperation agreement can only happen after market approval has been obtained and the full rights to Ximluci® would then revert to Xbrane.	We have a close dialogue with STADA and are following developments carefully.	
Product responsibility Sales of Ximluci® involve product and patient liability.	As STADA is the marketing authorization holder and is releasing the product in Europe, it bears the main product and patient responsibility. They have systems in place to manage this in a reliable way. Both STADA and Xbrane also have standard product insurance in place.	

Risks and risk management, cont'd.

High
Medium
Low

Risks associated with development of the Company's pre-clinical products

Risks	Management	Likelihood and effect
Financing of clinical studies and delays in pre-clinical development Xbrane has three pre-clinical product candidates in ongoing development: BIIB801 (Cimzia® biosimilar), Xdivane™ (Opdivo biosimilar) and Xdarzane™ (Darzalex biosimilar). For BIIB801, the company has a cooperation agreement with Biogen Inc. which is financing the clinical development. For the oncological biosimilar candidates, Xdivane™ and Xdarzane™, the next step in development is to complete the pre-clinical development, followed by the commencement of pivotal clinical studies, partially financed by partners. Any delay in signing an agreement may result in a lack of full funding and delay the commencement of the studies and thus the development of the product.	Xbrane is working intensively to conclude an agreement with a partner that best satisfies the best contractual conditions for Xbrane.	
Delay in the production process of our product candidates Xbrane is in the process of scaling up the production process for the company's biosimilar candidates BIIB801 and Xdivane™. Establishment of the production process involves ensuring a robust process for both fermentation, during which the genetically modified host cell, with the addition of nutrients and oxygen, produces the target protein, and purification, during which remnants from the fermentation process are cleared away and only the target protein remains. Unforeseen technical difficulties may arise during this process which could lead to delays and/or cost increases to the program.	Xbrane is actively working with contract manufacturers AGC Biologics and Biogen Inc. to identify and address weaknesses in the process from an upscaling perspective. Xbrane has established an analytical lab with the best analytical instruments and has high quality personnel in the analytical team. The proximity between process development and analysis leads to quick feedback on analytical similarity and the option of quick modifications to the process. This minimizes developmental delays.	
Agreements with commercialization partners Xbrane's earnings are, among other things, dependent on Xbrane succeeding in concluding further agreements for the distribution of pre-clinical products. The ability to enter into such agreements depends on, among other factors, the existence of commercialization partners that are interested in selling and marketing the product. There is a risk that Xbrane will not succeed in concluding distribution agreements, or that distribution agreements can only be concluded on terms that are disadvantageous to the company. In the case that Xbrane does not succeed in concluding distribution agreements, there is a risk that this will have a negative impact on Xbrane's ability to commercialize its products, thus negatively affecting potential future earnings.	Xbrane develops high quality biosimilars in areas with large markets and where the company has experience in taking products all the way to approval. Xbrane is in active dialogue with potential licensees for its oncology portfolio and is keen to find the best possible contractual partner, even if this may take some time.	

Business-related risks

Risks	Management	Likelihood and effect
Xbrane's ability to manage growth Xbrane is a relatively small company which, as of December 31, 2023, consisted of 93 employees. The company introduced a cost reduction program in November 2023, which will reduce the number of employees to 70–75 employees by the end of the first quarter of 2024. The Company finds itself in a phase in which several of the Company's products are undergoing development so that they can be commercialized, produced and sold on the global pharmaceutical market. Upon approval of the Company's products, high demands will be placed on the board, management, and the Company's operational and financial infrastructure. There is a risk that the above processes will not be designed in a complete and adequate way or that governance, planning, production, sales and management processes cannot be adapted to market development or manage the risks associated with expansion in existing or new markets or jurisdictions.	All planned and expected measures connected to Xbrane's development are followed up regularly by the board and management, and earlier decisions may need to be reassessed as Xbrane's market and products develop. Xbrane must continue to be an attractive employer. Development and monitoring plans, along with market-based and competitive remuneration, contribute to the recruitment and retention of staff.	

Financial risks, see also Note 23

Risks	Management	Likelihood and effect
Financing risk Xbrane needs to finance the development of new biosimilars. Historically, Xbrane has financed its operations through new share issues and out-licensing. The company has historically financed its operations through shareholder contributions, primarily in the form of rights issues and out-licensing, and it is likely that these two will continue to be the primary forms of financing. If these do not prove to be feasible at a later date and shareholders are unwilling to subscribe for new shares, this could force Xbrane to limit its operations, particularly with regard to its pre-clinical programs. After the twelve-month period, further capital may be needed until the Company's first product, Ximluci®, which launched in Europe in April 2023, generates sufficient revenues to finance operations. Xbrane's ability to successfully obtain further financing both in the short and long term depends on a number of factors, including the general situation of the finance markets, Xbrane's creditworthiness and the Company's ability to increase its debt. If the risks related to these conditions occur at the same time as the Company is in need of capital, Xbrane may be forced to accept financing on less advantageous terms. In addition, market disruptions or uncertainty may limit the availability of the capital required to run Xbrane's operations both in the long and short term. There is also a risk that the Company will not succeed in obtaining any financing at all.	A rights issue consisting of shares and warrants of series TO 1 was carried out during Q1 2024. Through the issue, proceeds of around SEK 337.2 m were added before deductions of issue costs . If the warrants are fully exercised, Xbrane will additionally receive up to SEK 78 m approximately. With the proceeds from the issue, and expected revenue generated from other milestones, working capital, will last until 2025, after which Xbrane expects to achieve positive cash flow.	
Exchange rate risk Xbrane is exposed to exchange rate risk as a large part of its costs are in currencies other than Swedish kronor, primarily EUR, CHF, USD and GBP. Future revenues will also be mainly in other currencies.	To date, no hedges have been made for this exposure.	
Credit risk The Group is exposed to a limited credit risk. The credit risk arises mainly from exposure to customers and partners, i.e. the Group not receiving agreed payments or making a loss due to a counterparty's inability to meet its commitment to the Group. The credit risk currently involves the company's partners, currently STADA, not being able to pay the profit share for Ximluci®.	The risk is managed through continuous reconciliation.	

Consolidated statement of profit or loss

Amounts in SEK thousand	Notes	2023	2022
Revenue	2	238,729	57,618
Cost of goods sold		–203,341	–
Gross profit		**35,388**	**57,618**
Other operating income	3	13,707	20,914
Administrative expenses	4, 5, 6	–40,031	–31,538
Research and development expenses	4, 5, 6, 10, 11, 12	–305,783	–199,648
Other operating expenses	3	–25,445	–13,563
Operating profit/loss		**–322,164**	**–166,217**
Financial income	7	2,407	–
Financial expenses	7	–2,270	–2,296
Net financial items		**137**	**–2,296**
Profit/loss before tax		**–322,028**	**–168,513**
Tax	8	–	–
Profit/loss for the year from remaining operations		**–322,028**	**–168,513**
Profit/loss from discontinued operations		–66,144	–4,001
Profit/loss for the year		**–388,172**	**–172,513**
Profit/loss for the year attributable to:			
– Parent company's owners		–388,172	–172,513
– Non-controlling interests		–	–
Profit/loss for the year		**–388,172**	**–172,513**
Earnings per share from remaining operations			
– Before dilution (SEK)		–11.22	–6.59
– After dilution (SEK)		–11.22	–6.59
Earnings per share			
– Before dilution (SEK)	9	–13.52	–6.75
– After dilution (SEK)	9	–13.52	–6.75
Number of outstanding shares at the end of the year			
– Before dilution		29,810,364	27,506,018
– After dilution		29,810,364	27,506,018
Average number of outstanding shares			
– Before dilution		28,705,554	25,569,950
– After dilution		28,705,554	25,569,950

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	2023	2022
Profit/loss for the year	**–388,172**	**–172,513**
Other comprehensive income		
Items that have been transferred to, or can be transferred to, the profit/loss for the year		
Translation differences for the year in continuing operations	–201	5,157
Other net comprehensive income for the year after tax	**–201**	**5,157**
Total comprehensive income for the year	**–388,373**	**–167,356**
Total comprehensive income for the year attributable to:		
– Parent company's owners	–388,373	–167,356
– Non-controlling interests	–	–
Total comprehensive income for the year	**–388,373**	**–167,356**

Consolidated statement of financial position

Amounts in SEK thousand	Notes	2023-12-31	2022-12-31
ASSETS			
Goodwill	10	–	–
Intangible assets	10	99,670	101,995
Tangible assets	11	32,537	34,830
Right of use assets	25	55,663	36,220
Long-term receivables	13	3,945	3,945
Total assets		**191,815**	**176,990**
Inventory	16	106,856	50,260
Accounts receivable - trade	14	–	1,335
Other receivables		34,213	46,121
Prepaid expenses and accrued income	12, 15	251,907	151,827
Cash and cash equivalents	17	65,402	193,994
Assets held for sale	10, 31	3,314	69,987
Total current assets		**461,693**	**513,524**
TOTAL ASSETS		**653,508**	**690,515**

Amounts in SEK thousand	Notes	2023-12-31	2022-12-31
EQUITY	18		
Share capital		6,683	6,166
Other contributed capital		1,428,530	1,294,227
Reserves		10,121	10,322
Retained earnings including profit/loss for the year		–1,273,999	–885,827
Equity attributable to parent company's owners		**171,335**	**424,888**
Non-controlling interests		**–**	**–**
Total equity		**171,335**	**424,888**
LIABILITIES			
Long-term interest-bearing liabilities	19	112,897	–
Leasing liabilities	19, 25	42,711	29,058
Long-term non-interest-bearing liabilities	19	8	–
Total long-term liabilities		**155,616**	**29,058**
Short-term interest- bearing liabilities	19	62,500	–
Accounts payable		30,974	23,297
Other liabilities	20	2,810	2,933
Leasing liabilities	19, 25	13,371	9,162
Accrued expenses and prepaid income	12, 22	216,296	200,239
Liabilities attributable to assets held for sale	31	606	937
Total liabilities		**326,557**	**236,569**
TOTAL LIABILITIES		**482,173**	**265,626**
TOTAL LIABILITIES AND EQUITY		**653,508**	**690,515**

Consolidated statement of changes in equity

Amounts in SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit/loss for the year	Total
Opening equity January 1, 2023	**6,166**	**1,294,227**	**10,322**	**–885,827**	**424,888**
Comprehensive income for the year					
Profit/loss for the year				−388,172	−388,172
Other comprehensive income for the year			−201		−201
Comprehensive income for the year	**0**	**0**	**–201**	**–388,172**	**–388,373**
Transactions with Group's shareholders					
New issue, net	517	131,352	0	0	131,868
New issue	*517*	*132,314*			*132,830*
Transaction costs		*–962*			*–962*
Share savings scheme		2,952			2,952
Total transactions with Group's shareholders	**517**	**134,303**	**0**	**0**	**134,820**
Closing equity December 31, 2023	**6,683**	**1,428,530**	**10,121**	**–1,273,999**	**171,335**

Amounts in SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit/loss for the year	Total
Opening equity January 1, 2022	**5,614**	**1,134,276**	**5,165**	**–713,313**	**431,741**
Comprehensive income for the year					
Profit/loss for the year				–172,513	–172,513
Other comprehensive income for the year			5,157		5,157
Comprehensive income for the year	**–**	**–**	**5,157**	**–172,513**	**–167,356**
Transactions with Group's shareholders					
New issue	551	156,650	–	–	157,201
New issue	*551*	*170,000*			*170,551*
Issue costs		*–13,350*			*–13,350*
Share savings scheme		3,301			3,301
Total transactions with Group's shareholders	**551**	**159,951**	**–**	**–**	**160,502**
Closing equity December 31, 2022	**6,166**	**1,294,227**	**10,322**	**–885,827**	**424,888**

Consolidated statement of cash flows

Amounts in SEK thousand	Notes	2023	2022
Operational activities	29		
Profit/loss for the year		–388,172	–172,513
Adjustment for items not included in the cash flow		100,650	9,327
Tax paid		–	–
Total		**–287,522**	**–163,186**
Increase (–)/Decrease (+) of inventory		–56,596	–50,260
Increase(–)/Decrease (+) of operating receivables		–85,132	1,699
Increase(–)/Decrease (+) of operating liabilities		22,572	17,829
Cash flow from operating activities		**–406,678**	**–193,918**
Of which from discontinued operations		*–645*	*–9,876*
Investment activities			
Acquisition of tangible assets		–6,791	–11,616
Acquisition of intangible assets		–9,978	–48,509
Cash flow from investment activities		**–16,769**	**–60,125**
Of which from discontinued operations		–	–
Financing activities			
Share options redeemed by employees		18	551
New share issue		120,000	170,000
Issue costs		–962	–13,350
Loans raised		225,000	–
Costs of loans raised		–10,617	–
Amortization of loans		–20,833	–
Amortization of leasing liability		–13,909	–8,337
Cash flow from financing activities		**298,696**	**148,864**
Of which from discontinued operations		–	–
Cash flow for the year		**–124,752**	**–105,179**
Cash and cash equivalents reported in assets for sale		645	–53[1]
Cash and cash equivalents at start of the year		193,994	295,180
Exchange rate differences in cash and cash equivalents		–4,485	4,046
Cash and cash equivalents at end of the year		**65,402**	**193,994**

1) See note 32 for further information.

Parent company's income statement

Amounts in SEK thousand	Notes	2023	2022
Revenue	2	238 729	57 618
Cost of goods sold		–203 341	–
Gross profit		**35 388**	**57 618**
Other operating income	3	13 707	20 914
Administrative expenses	4, 5, 6	–41 684	–32 863
Research and development expenses	4, 5, 6, 10 11, 12	–306 299	–199 976
Other operating expenses	3	–25 445	–13 563
Operating profit/loss		**–324 332**	**–167 870**
Profit/loss from financial items			
Financial income	7	2 407	296
Impairment of shares in subsidiary	7	–70 300	–
Financial costs	7	480	–139
Net financial items		**–67 413**	**156**
Profit/loss before tax		**–391 745**	**–167 714**
Tax	8	–	–
Profit/loss for the year		**–391 745**	**–167 714**

Parent company's statement of comprehensive income

Amounts in SEK thousand	Notes	2023	2022
Profit/loss for the period		–391 745	–167 714
Other comprehensive income		–	–
Comprehensive income for the year		**–391 745**	**–167 714**

Parent company's balance sheet

Amounts in SEK thousand	Notes	2023-12-31	2022-12-31
ASSETS			
Assets			
Intangible assets	10	99,670	101,995
Tangible assets	11	32,537	34,830
Financial assets			
Shares in Group companies	28	3,766	74,066
Other long-term receivables	13	3,945	3,945
Total financial assets		**7,711**	**78,011**
Total assets		**139,919**	**214,836**
Current assets			
Current receivables	16	106,856	50,260
Accounts receivable - trade	14	–	1,335
Other receivables		34,213	46,121
Prepayments and accrued income	12,15	254,069	151,827
Total current receivables		**395,139**	**249,543**
Cash and bank	17	65,402	193,994
Total current assets		**460,541**	**443,537**
TOTAL ASSETS		**600,459**	**658,373**

Amounts in SEK thousand	Notes	2023-12-31	2022-12-31
LIABILITIES AND EQUITY			
Equity	**18**		
Restricted equity			
Share capital		6,683	6,166
Fund for development expenditure		99,670	101,995
Unrestricted equity			
Share premium fund		1,428,530	1,294,227
Retained earnings		–969,191	–803,802
Profit/loss for the year		–391,745	–167,714
Total equity		**173,947**	**430,872**
Long-term liabilities			
Long-term interest-bearing liabilities	19	112,897	–
Long-term non interest-bearing liabilities	19	8	–
Total long-term liabilities		**112,905**	**–**
Current liabilities			
Short-term interest-bearing liabilities	19	62,500	–
Liabilities to Group companies	21	1,032	1,031
Accounts payable		30,974	23,297
Other liabilities	20	2,807	2,933
Accrued expenses and prepaid income	12, 22	216,296	200,239
Total current liabilities		**313,608**	**227,501**
TOTAL LIABILITIES		**426,512**	**227,501**
TOTAL LIABILITIES AND EQUITY		**600,459**	**658,373**

Statement of changes in equity for Parent Company

Amounts in SEK thousand	Share capital	Fund for development expenditure	Other contributed capital	Retained earnings	Profit/loss for the year	Total
Opening equity January 1, 2023	**6,166**	**101,995**	**1,294,227**	**–971,516**		**430,872**
Comprehensive income for the year						
Capitalized development expenses		–2,325		2,325		0
Profit/loss for the year					–391,745	–391,745
Other comprehensive income for the year						–
Comprehensive income for the year	**–**	**-2,325**	**–**	**2,325**	**-391,745**	**-391,745**
Transactions with Group's shareholders						
New issue, net	517		131,352			131,868
– New issue	*517*		*132,314*			*132,830*
– Issue costs			*–962*			*-962*
Share savings scheme			2,952			2,952
Closing equity December 31, 2023	**6,683**	**99,670**	**1,428,530**	**-969,191**	**-391,745**	**173,947**

Amounts in SEK thousand	Share capital	Fund for development expenditure	Other contributed capital	Retained earnings	Profit/loss for the year	Total
Opening equity January 1, 2022	**5,614**	**49,672**	**1,134,276**	**–751,479**		**431 741**
Comprehensive income for the year						
Capitalized development expenses		52,323		–52,323		–
Profit/loss for the year					–167,714	–167,714
Other comprehensive income for the year						–
Comprehensive income for the year	**–**	**52,323**	**–**	**–52,323**	**–167,714**	**–**
Transactions with Group's shareholders						
New issue	551		156,650			157,201
– New issue	*551*		*170,000*			*170,551*
– Issue costs			*–13,350*			*–13,350*
Share savings scheme			3,301			3,301
Closing equity December 31, 2022	**6,166**	**101,995**	**1,294,227**	**–803,802**	**–167,714**	**430,872**

Parent company's cash flow statement

Amounts in SEK thousand	Notes	2023	2022
Operational activities	29		
Profit/loss after financial items		–391,745	–167,714
Adjustment for items not included in cash flow		93,144	–565
Tax paid		–	–
Total		**–298,601**	**–168,279**
Increase (–)/Decrease (+) of inventory		–56,596	–50,260
Increase(–)/Decrease (+) of operating receivables		–87,659	–2,004
Increase(–)/Decrease (+) of operating liabilities		22,899	18,776
Cash flow from operational activities		**–419,957**	**–201,767**
Investment activities			
Shareholder contributions		–	–
Acquisition of tangible assets		–6,791	–11,649
Acquisition of intangible assets		–9,978	–52,323
Cash flow from investment activities		**–16,769**	**–63,972**
Financing activities			
Share options redeemed by employees		18	551
New share issue		120,000	170,000
Issue costs		–962	–13,350
Loans raised		225,000	–
Costs of loans raised		–10,617	–
Amortization of loans		–20,834	–13,350
Cash flow from financing activities		**312,605**	**157,201**
Cash flow for the year		**–124,122**	**–108,538**
Cash and cash equivalents at start of the year		193,994	295,180
Exchange rate difference in cash and cash equivalents		–4,470	7,351
Cash and cash equivalents at end of the year		**65,402**	**193,994**

Notes

NOTE 1 Accounting principles

a) Agreement with standards and legislation
The consolidated accounts of Xbrane Biopharma AB (publ) (hereinafter "Xbrane" or "the Group" have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, Financial Accounting Standards Council recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. Xbrane has applied IFRS since July 1, 2017. The 2015 financial year was the first year in which Xbrane prepared consolidated accounts.

The Parent Company applies the same accounting policies as the Group, except in the cases listed below in the section "The Parent Company's accounting policies".

The annual accounts and consolidated accounts were approved for issue by the Board and Chief Executive Officer on March 27, 2024. The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of financial position and the parent company's income statement and balance sheet will be the object of adoption by the Annual General Meeting to be held on May 2, 2024.

(b) Basis of measurement applied in preparing the financial statements
Assets and liabilities are recognized at historical acquisition values, except for certain financial assets and liabilities that are measured at fair value. Financial liabilities measured at fair value are option rights in convertible bonds, deemed to constitute an embedded derivative. Liabilities relating to social security contributions attributable to share-based remuneration are initially measured at fair value at the allocation date.

(c) Functional currency and reporting currency
The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the parent company and the Group. This means that the financial statements are presented in Swedish kronor. All amounts in tables are, unless otherwise stated, rounded to the nearest thousand and in the text the amounts are, unless otherwise stated, rounded to the nearest million.

(d) Assessments and estimates in the financial statements
Preparing financial statements in accordance with IFRS requires the Board of Directors and the management to make accounting assessments and estimates and make assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assessments. Estimates and assessments are regularly revised. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods. Assessments made by the management in application of IFRS which have a significant impact on the financial statements and estimates made which may lead to material adjustments to the financial statements for the subsequent year are described more fully in Note 31.

(e) Material accounting policies applied
The accounting policies indicated below, with the exception of those described more closely, have been applied consistently to all periods presented in the consolidated financial statements. The Group accounting policies have also been consistently applied by the consolidated entities.

(f) Amended accounting policies
The IFRS standards which has changed with implementation from 1 January 2023 has not had any effect on the Group´s financial reporting. The accounting policies for 2023 are unchanged compared with 2022.

(g) New IFRS standards not yet applied
New and amended IFRS standards with future applications are not expected to have a material effect on the company's financial reports.

(h) Classification etc.
Fixed assets essentially consist of amounts expected to be recovered or paid after more than twelve months counting from the balance-sheet date, while current assets essentially consist of amounts expected to be recovered or paid within twelve months counting from the balance-sheet date. Long-term liabilities essentially consist of amounts which the Group, at the end of the reporting period, has an unconditional right to choose to pay later in time than twelve months after the end of the reporting period. If the Group does not have such a right at the end of the reporting period, or a liability is held for trading or a liability is expected to be settled within the normal business cycle, the amount of the liability is recognized as a current liability.

(i) Business segment reporting
A business segment is a part of the Group which undertakes business operations from which it can generate income and incur costs and for which independent financial information is available. Reportable segments are identified based on internal reporting to the company's senior executive decision-maker, which in the Group's case is the CEO. The Group does not divide its operations into different segments, rather, in the internal reporting, the Group comprises one segment. The Group's income is attributable to the parent company in Sweden, and fixed assets are located in Sweden.

(j) Principles of consolidation and business combinations
(I) Subsidiaries
Subsidiaries are entities over which Xbrane Biopharma AB (publ) has a controlling influence. A controlling influence exists if the Parent Company has influence over the object of investment, is exposed to or is entitled to variable return from its investment and can use its influence over the investment to affect the return. In assessing whether a controlling influence exists, account is taken of potential shares carrying entitlement to vote and whether de facto control exists.

Subsidiaries are recognized using the purchase method. This method means that an acquisition of a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis establishes the fair value on the day of acquisition of acquired identifiable assets and taken-over liabilities as well as any non-controlling interests.

In business acquisitions where transferred remuneration, any non-controlling interests and fair value of a previously owned participation (in the case of step-by-step acquisitions) exceed the fair value of acquired assets and taken over liabilities which are recognized separately, the difference is recognized as goodwill.

The parent company has only one subsidiary which is 100% owned in terms of the shares and votes. Therefore, no subsidiaries with non-controlling interests are recognized.

(II) Transactions eliminated upon consolidation
Intra-group receivables and liabilities, income and expenses, as well as unrealized gains or losses arising from intra-group transactions between Group companies, are eliminated in their entirety when preparing the consolidated accounts.

(III) Joint operations
Joint operations are cooperation agreements where Xbrane and partners have the same right to all of the economic benefits related to the operations' assets. Further, the adjustment of liabilities from the joint operation is dependent on the parties' purchase of services and/or goods produced by the operation or capital injection to same. Joint operations are accounted for according to the "proportionate consolidation", which means that the parties account for, in their own financial statement, their share of the assets, liabilities, revenues and costs from the operations.

(k) Foreign currency
(I) Functional currency and reporting currency
The parent company's functional currency is SEK and the subsidiary's functional currency is EUR. Upon Group consolidation, the subsidiary's functional currency is converted into the Group's reporting currency, SEK.

(II) Transactions in foreign currency
Foreign currency transactions are converted into the functional currency using the exchange rate applicable on the transaction date. The functional currency is the currency of the primary economic environment in which the companies operate. Monetary assets and liabilities in foreign currencies are converted into the functional currency using the exchange rate applicable on the balance-sheet date. Gains and losses on exchange arising in conversion are recognized in the net profit or loss for the year. Non-monetary assets and liabilities which are reported at historical cost are converted at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities which are recognized at fair value are converted to the functional currency at the rate prevailing at the time of measurement of fair value.

(III) Financial statements of foreign operations
Assets and liabilities in foreign operations, including goodwill and other Group surpluses and deficits, are converted from the functional currency of the foreign operations, the Euro, to the Group's reporting currency, SEK, at the exchange rate applicable on the balance-sheet date. Income and expenses from foreign operations are converted into SEK at an average rate which represents an approximation of the exchange rates which existed at the time of the transaction concerned. Exchange differences arising in currency conversion of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity, known as translation reserve.

(l) Income

Performance commitments and revenue recognition principles

Revenue is reported when control of the promised goods or services is transferred to the customer in an amount that reflects the compensation that the company has received or expects to receive in exchange for these goods or services. In 2023, the company received its revenue primarily from product sales but also licenses

(I)Sales of goods

Revenue for product sales consists entirely of sales of Ximluc® in accordance with two agreements with STADA, partly a supply agreement and partly a cooperation agreement. Revenue from product sales is reported when the company's performance obligations have been fulfilled, which occurs when control of the product has passed to the buyer in connection with delivery. The transaction price consists of the price the end customer pays with deductions for certain costs in each country according to the cooperation agreement with STADA. As the transaction price cannot be determined with certainty upon delivery, a calculation is made of the estimated revenue. The calculation is based, among other things, on assessed costs according to the cooperation agreement with STADA. Any deviations between the estimated transaction price and the actual price are reported continuously during the subsequent period.

(II)License revenue

License agreements that contain more than one distinct performance obligation are divided and the revenue reported separately. Other performance obligations in the agreement are aggregated into a common, distinct performance obligation. When licensing the Group's intellectual property (IP) to a customer, a distinction is made between two types of licensing with associated distinct performance obligations that affect whether revenue is to be reported at a time or accrued over time:

a) Right to access IP – this agreement requires, or the customer can reasonably expect, that the Group will undertake activities that significantly affect the rights the customer is entitled to, that these activities directly affect the customer and that the activities do not involve the transfer of goods/services to the customer when the activities are carried out. The performance obligation and thus the income is reported over time, usually on a straight-line basis.
b) Right to use IP – the customer only has the right to use the IP in its existing condition at the time when the right was granted to the customer. The performance obligation is fulfilled initially, at one time.

License agreements often include an initial payment as well as payments when certain milestones have been achieved. Reporting of the initial payment depends on the type of licensing applicable according to a) or b) above.

For sales-based royalty income from license agreements that constitute a distinct performance obligation, the Group applies an exception in IFRS 15, which means that royalties are reported as revenue at the later time between the underlying sale taking place and the fulfillment of the associated performance obligation. Revenue is reported as the amount of royalties that the Group is entitled to receive at this time based on actual sales.

Milestone payments for license agreements issued based on sales are reported according to the exception rule at the time when the target has been reached. Other milestone payments are based on obtaining approval for sales in a certain market, and are reported in accordance with the main rule, taking into account the risk of revenue reversal. Therefore, income from such milestones is only reported when approval has been obtained.

(m) Leasing

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a lease agreement. An agreement is, or contains, a leasing agreement if the agreement assigns the right to decide over a certain period of use over an identified asset in exchange for compensation. At the beginning of the lease or when reviewing a lease containing several components – leasing and non-leasing components – the Group distributes the compensation according to the agreement to each component based on the stand-alone price. However, for leasing of buildings and land where the Group is the lessee, the Group has chosen not to distinguish between non-leasing components and recognizes leasing and non-leasing components paid in fixed amounts as a single leasing component.

Leasing agreements where the Group is the lessee

The Group reports a right-of-use asset and a leasing debt on the date of the lease agreement. The right-of-use is initially valued at acquisition value, which consists of the original value of the lease liability with addition for lease payments paid at or before the start date plus any initial direct expenses. The right-of-use asset is written off linearly from the start date to the earliest of the end of the asset's useful life and the end of the lease term, which for the Group is normally the end of the lease term. In rarer cases, when the acquisition value of the right-of-use asset reflects the fact that the Group will utilize an option to purchase the underlying asset, the asset is impaired at the end of the right-of-use period.

The lease liability – which is divided into a non-current and current part – is valued initially at the current value of the remaining lease charges during the assessed lease period. The lease period comprises the non-terminable period with the addition of further periods in the agreement if, on the commencement date, it is considered to be reasonably certain that this option will be utilized.

The lease charges are normally discounted at the Group's average marginal rate of interest on borrowings, which, in addition to the Group's/company's credit risk, reflects the respective lease period, currency and quality of the underlying asset as intended security. In those cases where the implicit rate of interest in the lease agreement can be easily set, this interest rate is used instead.

The lease liability covers the present value of the following charges during an assessed lease period:

- fixed charges, including what are in substance fixed charges
- variable lease charges, index-linked or price-linked ("rate-linked"), initially valued using the index or price ("rate") that applied on the commencement date
- any residual value guarantees that are expected to be paid
- the exercise price for a purchase option that the Group is reasonably sure to exercise, and
- penalty fees that are payable upon termination of the lease agreement for an estimated lease period reflect the fact that such termination will occur.

The value of the liability will increase with the interest cost for each period and is reduced by the lease payments made. The interest cost is calculated as the value of the liability multiplied by the discount rate.

The lease liability for the Group's commercial premises with index-linked rent is calculated on the rent payable at the end of each reporting period. At this point in time, the liability is adjusted to the same extent as the recognized value of the right-of-use asset. The liability and the value of the asset are adjusted correspondingly in conjunction with a reassessment of the lease period. This is done upon expiry of the notice period within the previously assessed leasing period for local leases, or when significant events occur or circumstances change in a significant way that is within the Group's control and affects the current assessment of the leasing period.

The Group presents right-of-use assets which are not classified as investment properties and lease liabilities as separate items in the financial statements.

For lease agreements where the lease term is 12 months or less, or which have an underlying low-value asset, i.e. below SEK 50,000, no right-of-use asset and lease liability are recognized. Lease charges for these lease agreements are recognized as a cost on a straight-line basis over the term of the lease.

(n) Financial income and expenses

Financial income and expenses consist of interest income on bank funds, receivables, interest expenses on loans, other interest expenses that include interest rates on accounts payable, interest expenses on taxes and fees and changes in the fair value of derivative instruments used in financial operations.

Interest income or interest expense is reported using the effective interest rate method on the reported gross value of the asset (when the asset is not credit impaired). The effective interest rate is the interest rate that exactly discounts the estimated future payments received and made during the expected term of the financial instrument to:

- reported gross value of the financial asset, or
- the accrued acquisition value of the financial liability.

(o) Other operating income and operating expenses

Other operating income and operating expenses consist of exchange rate gains and losses on operating receivables from operating activities.

Other operating income and operating expenses arise mainly from the payment, or payment of items in a currency other than the functional currency in the companies

(p) Taxes

Income taxes consist of current tax and deferred tax. No income tax is reported for the Group as no taxable result has arisen.

Deferred tax is calculated according to the balance sheet method based on temporary differences between reported and tax values of assets and liabilities. Temporary differences are not taken into account in Group goodwill, nor for differences that arose on the initial recognition of assets and liabilities that are not business combinations that, at the time of the transaction, do not affect either reported or taxable profit. Furthermore, temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future are also not taken into account.

No deferred tax receivables have been reported on deductible temporary differences and loss deductions as they should only be reported to the extent that it is likely that these will be able to be used.

(q) Financial instruments

(I) Accounting and first valuation

Accounts receivable and issued debt instruments are reported when they are issued. Other financial assets and liabilities are accounted for when the Group becomes part of the instrument's contractual terms.

On initial recognition, a financial asset (except for accounts receivable that do not have a significant financing component) or financial liability is measured at fair value plus, in the case of financial instruments that are not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue. Accounts receivable without a significant financing component are valued at transaction price.

(II) Classification and Subsequent Valuation

Financial assets

On initial recognition, a financial asset is classified as valued at: amortized cost; fair value through other comprehensive income – debt instrument investment; fair value via other comprehensive income – equity investment; or fair value via the result.

Financial assets are not reclassified after the first accounting period, except if the group changes the business model for the management of the financial assets, in which case all affected financial assets are reclassified as of the first day of the first reporting period after the change in business model.

A debt instrument must be valued at fair value through other comprehensive income if it meets both of the following conditions and has not been identified as valued at fair value through profit or loss:

- it is held according to a business model whose goals can be achieved both by obtaining contractual cash flows and selling financial assets, and
- its agreed terms give rise at specific times to cash flows that are only payments of principal amount and interest on the outstanding principal amount.

All financial assets that are not classified as valued at acquisition value or fair value via other comprehensive income are valued at fair value via profit or loss.

Financial liabilities

Financial liabilities are classified at the accrued acquisition value or fair value through profit or loss. A financial liability is classified at fair value through profit

or loss if it is classified as a holding for trading purposes, as a derivative or has been identified as such at the initial recognition date. Financial liabilities measured at fair value through profit or loss are measured at fair value and net gains and losses, including interest expenses, are recognized in profit or loss. Subsequent valuation of other financial liabilities is made at accrued cost using the effective interest rate method. Interest expenses and exchange rate gains and losses are recognized in the income statement. Profits or losses upon removal from the accounts are also recognized in the income statement.

(III) Removal from financial statements (derecognition)

Financial assets

The Group removes a financial asset from the financial reports when the contractual rights to the cash flows from the financial asset cease or if it transfers the right to receive the contractual cash flows through a transaction in which substantially all the risks and rewards of ownership have been transferred or in which the Group does not substantially transfer or retain all the risks and rewards of ownership and it does not retain control over the financial asset.

The Group enters into transactions in which it transfers assets reported in the financial reports but retains all or substantially all of the risks and rewards associated with the transferred assets. In these instances, the transferred assets are removed from the accounts.

Financial liabilities

The Group will remove a financial liability from the financial reports when the commitments specified in the agreement are fulfilled, canceled or terminated. The Group will also remove a financial liability when the contractual terms are modified and the cash flows from the modified debt are significantly different. In that case, a new financial liability is recognized at fair value based on the modified terms.

When a financial liability is derecognized, the difference between the carrying amount that has been removed and the compensation paid (including transferred non-monetary assets or assumed liabilities) is recognized in the profit or loss.

(IV) Offsetting

Financial assets and liabilities are to be offset and reported with a net amount in the financial statements, only when the Group has a legal right to offset the reported amounts and has the intention to settle these posts with a net amount or to simultaneously realize the asset and settle the debt.

(r) Assets held for sale and discontinued operations

Fixed assets, as well as assets and liabilities, are classified by the Group as being held for sale, as if the assets are available immediately for sale in their current condition. The company has drawn up a plan to sell the assets on commercial terms. It is probable that the carrying amount will be generated primarily through a sale transaction rather than through continued use, and the sale is expected to be completed within one year from the date of the first classification.

Assets and liabilities that are classified as held for sale are presented separately as current items in the Group's statement of financial position and are valued at the lower of its carrying amount and fair value, less costs to sell. Tangible fixed assets and intangible assets are not depreciated or depreciated when they are classified as held for sale.

Discontinued operations are excluded from the result of continuing operations and are presented as an individual amount as profit or loss after tax from discontinued operations in the consolidated income statement.

(s) Tangible fixed assets

(I) Owned assets

Tangible fixed assets are reported in the Group at cost less accumulated amortization and potential write-downs. The acquisition value includes the purchase price and expenses directly attributable to the asset to put it in place and in order to be utilized in accordance with the purpose of the acquisition. Accounting policies for impairment are described below.

Tangible fixed assets consisting of parts with different useful lives are treated as separate components of tangible fixed assets.

The recognized value of a tangible fixed asset is derecognized in the financial reports on disposal or divestment or when no future economic benefits are expected from use or disposal/divestment of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the asset's book value amount less direct selling expenses. Profits and losses are recognized as other income/expenses.

(II) Additional expenses

Additional expenses are added to the acquisition value only if it is likely that the future economic benefits associated with the asset will be allocated to the Group and the acquisition value can be calculated reliably. All other additional expenses are recognized as an expense in the period they arise.

An additional expense is added to the acquisition value if the expenditure relates to exchanges of identified components or parts thereof. The cost is also added to the acquisition value if new components are added. Any non-depreciated recognized values of exchanged components, or parts of components, are eliminated and expensed in connection with the exchange. Repairs are expensed on an ongoing basis.

(VI) Depreciation principles

Depreciation occurs on a straight-line basis over the estimated useful life of the asset. Leased assets are also written off over their estimated useful life or, if shorter, over their agreed lease term. The Group applies component depreciation, which means that the estimated useful life of the components is the basis for the depreciation.

Estimated useful lives:	
– machinery and other technical facilities	5–10 years
– fixtures, tools and installations	3–5 years

(t) Intangible assets

(I) Goodwill

Goodwill is valued at acquisition cost minus any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment at least annually, or if there is an indication of a need for impairment.

(II) Research and development

Expenses for research aimed at obtaining new scientific or technical knowledge are recognized as costs when they arise. Expenditure on development, where research results or other knowledge is applied to create new or improved products or processes, is reported as an asset in the financial reports. If the product or process is technically and commercially useful and the Company has sufficient resources to complete the development and then use or sell the intangible asset. The recognized amount includes all directly attributable expenses, for example for materials and services, employee remuneration, registration of a legal right, depreciation of patents and licenses. Other development expenses are reported in profit or loss as an expense when incurred. In the financial reports, reported development costs are stated at cost less accumulated amortization and any write-downs.

(III) Additional expenses

Additional expenses for capitalized intangible assets are reported as an asset in the statement of financial position only when they increase the future economic benefits of the specific asset to which they relate. All other expenses are expensed when they arise.

(u) Inventories

The inventory is reported at the lower of the acquisition value and the net sales value. The acquisition value of finished goods and goods in progress consists of raw materials and other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). The net sales value is the estimated sales price in Operational activities. Through continuous monitoring of the inventory, it is ensured that it is dispatched based on its durability. Inventory write-downs take place as necessary within the framework of normal business operations and are reported in cost of goods sold.

(v) Impairments

The Group's reported assets are assessed at each balance-sheet date to determine if there is an indication of impairment.

(I) Impairment of financial assets

The Group recognize reserves for expected credit losses from financial assets, at accrued acquisition value. Expected credit losses are made up of an estimation of credit losses weighted for probability. Credit losses are valued as the present value of all deficits in cash flows (i.e. the difference between the company's cash flow in accordance with the agreement and the cash flow that the Group is expecting to receive). Expected credit losses are discounted using the effective interest rate on the financial asset. See also Note 23.

(II) Impairment of intangible assets

Intangible assets that have an indefinite useful life, such as goodwill, are tested at least annually for any impairment requirements and when there is an indication of impairment. Assets written off are to be assessed for impairment whenever events or changes in conditions indicate that the carrying amount is not recoverable. An impairment loss is made in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. An impairment loss is immediately recognized in the income statement.

To test the value of intangible fixed assets, the Group uses a probability-adjusted cash flow model.

(III) Reversal of impairments

An impairment loss on assets included in the scope of IAS 36 is reversed if there is both an indication that the need for impairment no longer exists and there has been a change in the assumptions that formed the basis for calculating the recoverable amount. Impairment of goodwill is never reversed, however. A reversal is made only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been reported, less depreciation where applicable, if no impairment has been made.

Previously reported impairments are reversed if the recoverable amount is judged to exceed the carrying amount. However, reversals do not take place with an amount that is greater than the reported value amounts to what it would have been if the write-down had not been reported in previous periods.

(x) Earnings per share

The calculation of earnings per share before dilution is based on the profit or loss for the year at the Group, attributable to the parent company's owners and of the weighted average amount of shares at year end. When calculating the earnings per share after dilution, adjustment is made to the profit and loss and the weighted average share in regard to effects from potential ordinary shares. Potential ordinary shares during the covered period of this report consist of rights to shares (matching and performance shares from the Group's share saving schemes), convertibles and warrants. Potential ordinary shares are only viewed as diluted at periods when it results in a lower profit or increased loss per share. If it leads to a lower earnings per share, the dilution is based on the warrants as a calculation of, the hypothetical quantity of shares that could have

been bought during the time period with the specific exercise price. Shares that could not have been bought will lead to dilution.

Matching shares held by employees on the date of the report also form part of the dilution. Performance shares are also eligible for dilution to the extent that employees have reached performance targets on the date of the report. In order to calculate the effect of the dilution, an exercise price is used, corresponding to the value of the future services as per outstanding share rights, calculated as a remaining cost to be accounted for according to IFRS 2. A potential dilution from the convertible loans is calculated by increasing the number of shares by the total amount of shares that the convertible loan corresponds to.

(y) Employee remuneration
For more information about the current incentive scheme for executive management as well as the share savings scheme, see pages 38–39 in the Administration report as well as Note 4.

(I) Current remuneration
Current employee remuneration is calculated without discounting and reported as costs when the related services are supplied. A provision is reported for the expected cost of bonus payments when the Group has a current legal or informal obligation to make such payments as a result of receiving services from employees and the obligation can be calculated reliably.

(II) Share-related remuneration
Share savings scheme
A share savings scheme enables employees to acquire shares in Xbrane, known as savings shares, and for each invested savings share the employee has the opportunity to acquire one matching share and potentially up to three performance shares at quote value at the end of the scheme. The fair value of matching and performance shares is recognized as a personnel expense with a corresponding increase in equity. The fair value is calculated at the date of allocation and is distributed over the vesting period. The fair value of the matching and performance shares is calculated using a method that takes into account earnings conditions (fulfillment of predetermined targets) and terms of service (the participants are still employees of the Group). The cost recognized corresponds to the fair value of an estimate of the number of matching and performance shares expected to be earned, taking into account the aspects mentioned above. Social security charges attributable to equity-related instruments to employees as compensation for purchased services are expensed over the periods during which the services are performed. The provision for social security contributions is based on the fair value of matching and performance shares at the reporting date.

(z) Convertible debentures
The Group's convertible debentures that can be converted into shares by the counterparty exercising its option right to convert the debt into shares are reported divided into a debt part and an option part. The option right is deemed to constitute an embedded derivative and is valued at fair value over the income statement. The option's initial fair value has been calculated using Black & Scholes and is included in level 2 of the fair value hierarchy. The remaining part of the issue proceeds is allocated to the debt. After the first accounting period, the liability is reported at accrued acquisition value until it is converted or matures. Transaction costs for the convertible debentures have been fully allocated to the debt.

Parent company accounting principles
The parent company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board also apply. RFR 2 means that the parent company in the annual report of the legal entity applies all IFRS and statements adopted by the EU, as far as possible within the framework of the Annual Accounts Act, the Insurance Act and the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to IFRS are to be made.

Differences between the Group's and the parent company's accounting policies The differences between the Group and the parent company's accounting policies are shown below. The following accounting policies for the parent company have been applied consistently to all periods presented in the parent company's financial reports.

Amended accounting principles
Unless otherwise specified below, the parent company's accounting policies have been amended in 2023 as stated above for the Group. The same policies apply to the parent company as to the Group regarding the disclosure of changes in accounting policies (IAS 8.28–31); see above under the Group's amended accounting principles. However, note that this section of the parent company report lists only differences for the Group, which means that the changes listed here are only those that concern the parent company.

Classification and presenting format
The parent company uses the terms balance sheet and cash flow analysis for the reports that in the Group have the titles financial statement and statement of cash flow. Income statement and balance sheet are prepared for the parent company in accordance with the Annual Accounts Act, while the statement of income and other comprehensive income and the statement of changes in equity are based on IAS 1 Presentation of Financial Statements. The differences between the Group's reports that are relevant in the parent company's income statement and balance sheet are accounted for by investments in subsidiaries as non-current assets.

Subsidiaries
Shares in subsidiaries are recognized in the Parent Company in accordance with the acquisition value method. This means that transaction costs are included in the recognized value of holdings in subsidiaries. In the consolidated accounts, transaction costs attributable to subsidiaries are reported directly in the income statement when these arise.

Leases
The parent company does not apply IFRS 16 Leasing Agreements in accordance with the exception found in RFR 2. Leasing fees are reported as a linear cost over the lease period and thus, rights of use and lease liabilities are not reported in balance sheet.

Shareholder contributions
Shareholder contributions implemented are reported within the giving company as an increase of the balance sheet post "Shares in Group companies". Annual impairment testing is conducted, if necessary, during the fiscal year as well to ensure that the value of the shares is reasonable. Shareholder contributions are reported directly against unrestricted equity, at the recipient company.

NOTE 2 Revenue from contracts with customers

	Group		Parent company	
Amounts in SEK m	2023	2022	2023	2022
Net sales				
Outlicensed products	28.4	50.9	28.4	50.9
Product sales	209.5	0.0	209.5	0.0
Contract manufacturing	0.0	3.2	0.0	3.2
Other	0.9	3.6	0.9	3.6
Total	**238.7**	**57.6**	**238.7**	**57.6**
Of which North America	*28.7*	*50.9*	*28.7*	*50.9*

The Group's revenue for 2023 consisted primarily of revenue from product sales from Ximluci®. The Group's revenue for 2022 consisted primarily of net sales from Biogen in the US and Bausch & Lomb.

NOTE 3 Other operating income and operating expenses

Other operating income

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Exchange rate gains on operating receivables/liabilities	13,236	20,914	13,236	20,914
Other	470	–	470	–
Total other operating income	**13,707**	**20,914**	**13,707**	**20,914**

Other operating expenses

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Exchange rate losses on operating receivables/liabilities	–25,445	–13,563	–25,445	–13,563
Other	–	–	–	–
Total other operating expenses	**–25,445**	**–13,563**	**–25,445**	**–13,563**

NOTE 4 Employees, salaries, and senior executives' remuneration

Costs of employees' remuneration

	Group	
Amounts in SEK 000	2023	2022
Salaries and remuneration[1]	76,857	64,635
Social security costs	11,273	11,920
Other personnel expenses	2,306	6,522
Total costs of employees' remuneration	**90,436**	**83,078**

Gender distribution in management

	Proportion of women	
	2023	2022
Parent company		
The Board	43%	43%
Other management	56%	50%
Group		
The Board	43%	43%
Other management[2]	56%	50%

Average number of employees

	2023	of which men	2022	of which men
Parent company	89	44%	68	39%
Subsidiary	–	–	–	–
Group total	**89**	**44%**	**68**	**39%**

Salaries and other payments to senior executives

Group	2023	2022
Amounts in SEK 000	Senior executives (10 persons)	Senior executives (10 persons)
Salaries and other payments[1]	18,213	14,711
– Of which bonus payments and similar	5	905
– Of which remuneration upon termination of employment	318	–
– Of which pension costs	3,559	2,921

Salaries and other payments distributed between senior executives and other employees, as well as social security costs

Group	2023		
Amounts in SEK 000	Senior executives (10 persons)	Other employees	Total
Salaries and other payments[1]	18,213	58,644	76,857
– Of which bonus payments and similar	5	–	5
– Of which remuneration upon termination of employment	318	–	318
– Of which pension costs	3,559	6,856	10,416
Social security cost[1]	4,313	6,960	11,273

Group	2022		
Amounts in SEK 000	Senior executives (10 persons)	Other employees	Total
Salaries and other payments[1]	14,711	49,923	64,635
– Of which bonus payments and similar	905	3 047	3 951
– Of which pension costs	2,969	4,364	7,333
Social security costs[1]	3,111	8,381	11,492

1) Does not include Board costs paid as salary of SEK 3,180 thousand (2,933) and social security costs for these of SEK 999 thousand (1,636).
2) Erik Domines ended his employment with Xbrane in July 2023. After that, senior executives consist of 9 people, of which 4 are men.

NOTE 4 Employees, salaries, and senior executives' remuneration, continued

Salaries and other payments to senior executives, Group, 2023

Amounts in SEK 000	Basic salary, Directors' fees[1]	Remuneration upon termination of employment	Variable remuneration	Pension costs	Share-relatedre-muneration[2]	Total
Chairman of the Board Anders Tullgren	820	–	–	–	–	820
Board member Eva Nilsagård	460	–	–	–	–	460
Board member Peter Edman	360	–	–	–	–	360
Board member Karin Wingstrand	360	–	–	–	–	360
Board member Ivan Cohen-Tanugi	360	–	–	–	–	360
Board member Mats Thorén	435	–	–	–	–	435
Board member Kirsti Gjellan	385	–	–	–	–	385
CEO Martin Åmark	2,588	–	–	695	77	3,360
Deputy CEO Siavash Bashiri	1,402	–	–	384	–	1,786
Other Senior executives (8 persons)	9,929	318	5	2,481	392	13,124
Total	**17,099**	**318**	**5**	**3,559**	**469**	**21,393**

Salaries and other payments to senior executives, Group, 2022

Amounts in SEK 000	Basic salary, Directors' fees[1]	Remuneration upon termination of employment	Variable remuneration	Pension costs	Share-relatedre-muneration[2]	Total
Chairman of the Board Anders Tullgren	800	–	–	–	–	800
Board member Eva Nilsagård	433	–	–	–	–	433
Board member Peter Edman	350	–	–	–	–	350
Board member Karin Wingstrand	350	–	–	–	–	350
Board member Giorgio Chirivi	117	–	–	–	–	117
Board member Ivan Cohen-Tanugi	350	–	–	–	–	350
Board member Mats Thorén	417	–	–	–	–	417
Board member Kirsti Gjellan	250	–	–	–	–	250
CEO Martin Åmark	2,464	–	154	482	1,805	4,906
Deputy CEO Siavash Bashiri	1,166	–	84	384	1,052	2,686
Other Senior executives (8 persons)	9,994	–	666	1,945	1,311	13,916
Total	**16,691**	**–**	**905**	**2,811**	**4,167**	**24,574**

1) Committee fees are included in Board fees and consist of the following amounts: SEK 50,000 (–) to each non-employed member of the remuneration committee and SEK 100,000 (–) to the chairman of the committee who is also not employed; SEK 75,000 (–) to each non-employed member of the audit committee and SEK 150,000 (–) to the chairman of the committee who is also not employed; and SEK 50,000 (–) to each non-employed member of the transaction committee and SEK 100,000(–) to the chairman of the committee who is also not employed.
2) Refers to the cost of the ongoing LTIP schemes in accordance with IFRS 2. Social security payments are not included in the amounts.

Remuneration of senior executives and conditions for termination and severance pay

The Annual General Meeting in May 2023 decided on the following guidelines for determining remuneration and other terms of employment for senior executives. Remuneration to senior executives shall consist of a fixed salary, variable remuneration, the possibility of pension provisions and other customary benefits, as well as the opportunity to participate in long-term incentive schemes. The fixed salary must be market-based and revised annually. The variable remuneration for senior executives in the parent company is maximized to 50 percent of the basic salary. The Board of Directors shall have the right to deviate from the above guidelines if the Board of Directors considers that in a particular case there are special reasons that justify it. During 2023, no deviation from the principles adopted by the Annual General Meeting regarding variable remuneration to senior executives in the Group took place. Senior executives are covered by defined contribution pension plans that are designed to be similar to an ITP1 plan. The defined contribution pension plans may not exceed 30% of the fixed annual salary, which was not the case in 2022. According to the employment contract, the CEO of the parent company has a mutual notice period of six months. If the employment is terminated by the company, the CEO is entitled to compensation during the period of notice. Other senior executives employed by the parent company have mutual notice periods of three months. The exception is for David Vikström, CTO, where the notice period is one month for the company but three months for the employee.

Share savings scheme

As of December 31, 2023, the Company had three ongoing long-term share savings schemes. For more information, see page 38–39 in the Administration report as well as Note 4.

LTIP 2021

LTIP 2021 is a long-term share savings scheme that runs during the period 2021-2023. The scheme means that the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a total of 1,500 shares, acquired before January 31, 2022. For each savings share (1) the employee has acquired, the employee may acquire one (1) matching share and up to three (3) performance shares. The performance of performance shares is based on the fulfillment of the targets set by LTIP 2021 and which are related to the total return on Xbrane's share. In addition, eligibility for shares is conditional on the participant being employed by the Group and all his or her savings shares being allocated to the scheme during the vesting period. At the initiation of the scheme, the matching share was valued at SEK 111.0, performance share no. 1 to SEK 38.2, performance share no. 2 to SEK 29.2, and performance share no. 3 to SEK 24.1. No dividends are expected to be paid during the vesting period. The value of the performance shares considers the probability that the stock return conditions will be met, as calculated by Monte Carlo simulation. Opening number of share rights at financial year 2021 amounted to 390,000 (97,500 matching shares and 292,500 performance shares) and closing number at financial year 2021 amounted to 164,300 (23,790 matching shares and 95,160 performance shares). The costs for the scheme include the value of the shares and social costs for the amounts that the employees are expected to be allocated, which are expensed continuously during the period 2021–2023.

NOTE 4 Employees, salaries, and senior executives' remuneration, continued

LTIP 2022
LTIP 2022 is a long-term share savings scheme that runs during the period 2022-2024. The scheme means that the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a total of 1,500 shares, acquired before January 31, 2023. For each savings share (1) the employee has acquired, the employee may acquire one (1) matching share and up to three (3) performance shares. The performance of performance shares is based on the fulfillment of the targets set by LTIP 2022 and which are related to the total return on Xbrane's share. In addition, eligibility for shares is conditional on the participant being employed by the Group and all his or her savings shares being allocated to the scheme during the vesting period.

At the initiation of the scheme, the matching share was valued at SEK 86.6, performance share no. 1 to SEK 29.8, performance share no. 2 to SEK 22.8, and performance share no. 3 to SEK 18.8. No dividends are expected to be paid during the vesting period. The value of the performance shares considers the probability that the stock return conditions will be met, as calculated by Monte Carlo simulation. Opening number of share rights at financial year 2022 amounted to 135,000 (33,750 matching shares and 101,250 performance shares) and closing number at financial year 2022 amounted to 135,000 (33,750 matching shares and 171,000 performance shares). The costs for the scheme include the value of the shares and social costs for the amounts that the employees are expected to be allocated, which are expensed continuously during the period 2022–2024.

LTIP 2023
LTIP 2023 is a long-term share savings scheme that runs during the period 2023-2026. The scheme means that the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a total of 1,500 shares, acquired during a four-week period after the Annual General Meeting's approval of LTIP 2023. but no later than June 30, 2023. For each savings share (1) the employee has acquired, the employee may acquire one (1) matching share and up to three (3) performance shares. The performance of performance shares is based on the fulfillment of the targets set by LTIP 2023 and which are related to the total return on Xbrane's share. In addition, eligibility for shares is conditional on the participant being employed by the Group and all his or her savings shares being allocated to the scheme during the vesting period.

At the initiation of the scheme, the matching share was valued at SEK 86.9, and the performance share at SEK 35.50. The value of the performance shares considers the probability that the stock return conditions will be met, as calculated by Monte Carlo simulation. The opening number of share rights at financial year 2023 amounted to 690,000 (172,500 matching shares and 517,500 performance shares) and closing number at financial year 2023 amounted to 113,780 (28,445 matching shares and 85,335 performance shares). The costs for the scheme include the value of the shares and social costs for the amounts that the employees are expected to be allocated, which are expensed continuously during the period 2023–2026.

	LTIP2021
Vesting period	Jan 2021 – Dec 2023
Performance targets	Percentage increase in share price
Fair value per share right (SEK)	111.0 and performance shares[1]

	LTIP2022
Vesting period	Jan 2022 – Dec 2024
Performance targets	Percentage increase in share price
Fair value per share right (SEK)	82.1 and performance shares[2]

	LTIP2023
Vesting period	May 2023 – May 2026
Performance targets	Percentage increase in share price
Fair value per share right (SEK)	86.9 and performance shares[3]

1) Performance share no. 1 is valued at SEK 38.2 per share; Performance share no. 2 is valued at SEK 29.2 per share; Performance share no. 3 is valued at SEK 24.1 per share.
2) Performance share no. 1 is valued at SEK 29.8 per share; Performance share no. 2 is valued at SEK 22.8 per share; Performance share no. 3 is valued at SEK 18.8 per share.
3) Performance shares are valued at SEK 35.50 per share:

Group	Accumulated		
Amounts in SEK thousands	Share-related remuneration	Social security costs	Total
2021 – 2023	–4,696	–66	–4,761
2022 – 2024	–2,175	–30	–2,205
2023 - 2026	–1,167	–33	–1,199
Total	**–8,037**	**–128**	**–8,165**

Group	2022		
Amounts in SEK thousands	Share-related remuneration	Social security costs	Total
2020 – 2022	–1,204	–172	–1,376
2021 – 2023	–3,073	–1,008	–4,081
2022 – 2024	–3,040	–348	–3,388
Total	**–7,317**	**–1,528**	**–8,845**

Group	2023		
Amounts in SEK thousands	Share-related remuneration	Social security costs	Total
2020 – 2022	841	725	1,567
2021 – 2023	–1,656	284	–1,372
2022 – 2024	–971	143	–828
2023 – 2026	–1,167	–33	–1199
Total	**–2,952**	**1,119**	**–1,833**

Personnel costs for share-related remuneration

	Group		Parent company	
Amounts in SEK thousands	2023	2022	2023	2022
Costs attributable to share savings scheme	1,833	8,845	1,833	8,845
Total	**1,833**	**8,845**	**1,833**	**8,845**

NOTE 5 Fees and reimbursement of expenses to auditor

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
PricewaterhouseCoopers AB				
Audit assignments	1,345	1,220	1,345	1,220
Audit work in addition to the audit assignments	371	278	371	278
Tax services	–	70	–	70
Other services	–	–	–	–
Total fees and reimbursement of expenses to auditors	**1,716**	**1,568**	**1,716**	**1,568**

NOTE 6 Operating expenses by type of cost

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Raw materials and consumables	46,896	23,641	46,896	23,641
Change in inventory of finished goods and products in progress	203,341	14,570	203,341	14,570
Other external expenses	170,568	94,223	185,065	105,012
Personnel costs	94,614	82,175	94,614	82,175
Depreciation	33,736	16,576	21,406	7,441
Exchange rate losses	25,445	13,563	25,445	13,563
Total	**574,600**	**244,749**	**576,768**	**246,402**

NOTE 7 Net financial items

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Interest income	2,407	296	2,407	296
Financial income	**2,407**	**296**	**2,407**	**296**
Interest charges for leasing	–2,750	–2,452	–	–
Interest charges for non-current liabilities	–15,751	–131	–15,751	–131
Write-down of shares in group companies	–	–	–70,300	–
Changes in liabilites measured at fair value throught profit or loss	16,292	–	16,292	–
Other financial expenses	–61	–8	–61	–8
Financial expenses	**–2,270**	**–2,591**	**–69,820**	**–139**
Net finance costs	**137**	**–2,296**	**–67,413**	**156**

Interest income and costs deriving from financial assets and liabilities are valued at accrued acquisition cost.

NOTE 8 Taxes

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Current tax expense (–)/ tax revenue (+)	–	–	–	–
Tax expense (–) /tax revenue (+) for the year	–	–	–	–
Deferred tax expense (–) / tax revenue (+)	–	–	–	–
Total tax expense reported in the Group	**–**	**–**	**–**	**–**

Reconciliation of effective tax

Amounts in SEK 000	2023	2022
Profit/loss before tax	–322,028	–168,513
Tax at the current rate for the parent company (20.6%)	66,338	34,714
Effect of other tax rates for foreign subsidiaries	–	–
Non-deductible expenses	–26	–58
Non-taxable income	–	–
Deductible issue costs reported in equity	198	–
Increase of loss carry-forwards without corresponding activation of deferred tax	–66,510	–34,656
Tax attributable to prior years	–	–
Reported effective tax	**–**	**–**

Amounts in SEK 000	2023	2022
Parent company		
Profit/loss before tax	–391,745	–167,714
Tax at the current rate for the parent company (20.6%)	80,700	34,549
Non-deductible expenses	–14,508	–58
Non-taxable income	–	–
Deductible issue costs reported in equity	198	–
Increase of loss carry-forwards without corresponding activation of deferred tax	–66,390	34,491
Tax attributable to prior years	–	–
Reported effective tax	**–**	**–**

As of Dec 31, 2023, the accumulated loss carry-forward for the parent company amounted to SEK 1,154,710 thousand (818,806). The accumulated loss has no time limitation regarding right-to-use period. No tax has been charged to other comprehensive income.

As of Dec 31, 2023, the accumulated loss carry-forward for the Group amounted to SEK t1,154,710 thousand (818,806). The accumulated loss has no time limitation regarding right-to-use period. No tax has been charged to other comprehensive income.

NOTE 9 Earnings per share

Earnings per share

	Before dilution		After dilution	
Amounts in SEK 000	2023	2022	2023	2022
Earnings per share	–13.52	–6.75	–13.52	–6.75

The amounts used in numerators and denominators are presented below.

Earnings per share before dilution
Earnings for the year attributable to the parent company's shareholders, before and after dilution.

Amounts in SEK 000	2023	2022
Earnings for the year attributable to the parent company's shareholders, before dilution	–388,172	–172,513
Earnings attributable to the parent company's shareholders, after dilution	–388,172	–172,513

The weighted average number of shares amounted to 28,705,554 (25,569,950), which was affected by new share issues in March and September of the accounting year. The number of outstanding shares at the end of the year was 29,810,364 (27,506,018).

Weighted average number of ordinary shares, before and after dilution

Amounts in SEK 000	2023	2022
Weighted average number of ordinary shares during the year, before dilution	28,705,554	25,569,950
Weighted average number of ordinary shares during the year, after dilution	28,705,554	25,569,950

Instruments which can produce future dilution effect and changes after the balance sheet date
The share scheme for executives, if fully issued, would lead to 1,620,000 new shares, but the dilution effect would depend on the difference between the exercise price and the market share price at the exercise date.

NOTE 10 Intangible assets

Group	Ongoing internally developed intangible assets	
Amounts in SEK m	Development expenses	Total
Accumulated acquisition cost		
Opening balance Jan 1, 2022	**49,672**	**49,672**
Capitalized development expenses	52,323	52,323
Assets held for sale	–	–
Closing balance Dec 31, 2022	**101,995**	**101,995**
Opening balance Jan 1, 2023	**101,995**	**101,995**
Capitalized development expenses	9,978	9,978
Assets held for sale	–	–
Closing balance Dec 31, 2023	**111,973**	**111,973**
Accumulated depreciation and impairment		
Opening balance Jan 1, 2022	**–**	**–**
Assets held for sale	–	–
Depreciation for the year[1]	–	–
Closing balance Dec 31, 2022	**–**	**–**
Opening balance Jan 1, 2023	**–**	**–**
Assets held for sale	–	–
Depreciation for the year[1]	–12,303	–12,303
Closing balance Dec 31, 2023	**–12,303**	**–12,303**
Reported values		
As of Jan 1, 2022	49,672	49,672
As of Dec 31, 2022	101,995	101,995
As of Jan 1, 2023	101,995	101,995
As of Dec 31, 2023	99,670	99,670

1) Depreciation of intangible assets is reported as research and development costs in the income statement.

Intangible assets with finite service lives are stated at cost less amortization and any impairment losses. Intangible assets are amortized systematically over the estimated useful life of the asset. Service life is reviewed at each balance sheet date and adjusted if necessary. Depreciation commences on completion when the product is launched on the market. In determining the depreciable amount of assets, the residual value of the asset is taken into account where appropriate. Development expenditure is capitalized when it meets the criteria of IAS 38 "Intangible Assets". Otherwise, development expenditure is expensed as operating expenses on an ongoing basis.

Impairment testing 2023
Goodwill attributable to Primm Pharma s.r.l amounted to SEK 64.6 m. As the divestment procedure dragged on, which increased the uncertainty around the actual time of divestment, impairment was made of the entire goodwill value. The impairment is reported in the item "Profit/loss from discontinued operations". For further information on assets held for sale, see note 31.

Impairment testing 2022
In the case of impairment testing of goodwill attributable to Primm Pharma s.r.l. the recovery value was calculated based on historical revenue streams and expertise of market opportunities. The value in use was based on expected future compensation income in agreement with discussions with Primm Pharma s.r.l. CEO and CFO who have a close dialogue with stakeholders and previous experience of selling the product in the corresponding markets and expected geographical expansion of the product.

The forecast compensation is expected to increase annually by an average of five percent per year until 2031. The forecast compensation has been discounted using a discount rate that takes into account risk-free interest, market risk and credit risk. The discount rate used was 15.0 percent (15.8) after tax.

The change in the discount rate compared to the previous year is explained by the fact that Primm has been divested and in the wake of the pandemic this meant a slightly increased risk. Data and basis for assumptions made are considered to fall under valuation category 3. For further information on assets held for sale, see note 32. An impairment test regarding the capitalized development costs has been carried out, without any indications that impairment would be required. This as Ximluci® is still under development and thus it is reasonable that there is no write-down need. Furthermore, the obtained market approval of the product in Europe reduces the risk of write-downs. Data and basis for assumptions made are considered to fall under valuation category 3.

Parent company	Ongoing internally developed intangible assets	
Amounts in SEK m	Development expenses	Total
Accumulated acquisition cost		
Opening balance Jan 1, 2022	**49,672**	**49,672**
Capitalized development expenses	**52,323**	**52,323**
Closing balance Dec 31, 2022	**101,995**	**101,995**
Opening balance Jan 1, 2023	**101,995**	**101,995**
Capitalized development expenses	9,978	9,978
Closing balance Dec 31, 2023	**111,973**	**111,973**
Accumulated depreciation and impairment		
Opening balance Jan 1, 2022	**–**	**–**
Closing balance Dec 31, 2022	**–**	**–**
Opening balance Jan 1, 2023	**–**	**–**
Depreciation for the year	–12,303	–12,303
Closing balance Dec 31, 2023	**–12,303**	**–12,303**
Reported values		
As of Jan 1, 2022	49,672	49,672
As of Dec 31, 2022	101,995	101,995
As of Jan 1, 2023	101,995	101,995
As of Dec 31, 2023	99,670	99,670

In June 2021, Ximluci® met the primary endpoint of the Xplore study. The criteria for capitalizing research and development costs were thus met. From July 1, 2021, all development costs for Ximluci® have therefore been capitalized as intangible assets in the balance sheet. The capitalization ended in March 2023 in connection with commercialization. Capitalized expenses for Ximluci® have been written off from March 2023. No further need for impairment is deemed to exist during the 2023 financial year. For further information on capitalized development expenses, see note 31.

NOTE 11 Tangible assets

Group

Amounts in SEK m	Machinery and other technical facilities	Fixtures, tools and installations	Total
Accumulated acquisition cost			
Opening balance Jan 1, 2022	**32,876**	**10,614**	**43,490**
Other acquisitions	9,693	1,688	11,381
Assets held for sale	–	–	–
Closing balance Dec 31, 2022	**42,569**	**12,303**	**54,872**
Opening balance Jan 1, 2023	**42,569**	**12,303**	**54,872**
Other acquisitions	6,609	602	7,211
Assets held for sale	–152	–	–152
Reclassification	253	–253	–
Closing balance Dec 31, 2023	**49,279**	**12,652**	**61,931**
Accumulated depreciation and impairment			
Opening balance Jan 1, 2022	**–9,376**	**–3,493**	**–12,869**
Depreciation for the year	–5,173	–2,268	–7,441
Assets held for sale	–	–	–
Closing balance Dec 31, 2022	**–14,549**	**–5,761**	**–20,310**
Opening balance Jan 1, 2023	**–14,549**	**–5,761**	**–20,310**
Depreciation for the year	–6,869	–2,235	–9,103
Assets held for sale	16	2	18
Closing balance Dec 31, 2023	**–21,401**	**–7,993**	**–29,394**
Reported values			
As of Jan 1, 2022	23,500	7,121	30,621
As of Dec 31, 2022	28,020	6,810	34,830
As of Jan 1, 2023	28,020	6,810	34,830
As of Dec 31, 2023	27,878	4,659	32,537

Parent company

Amounts in SEK m	Machinery and other technical facilities	Fixtures, tools and installations	Total
Accumulated acquisition cost			
Opening balance Jan 1, 2022	**32,876**	**10,614**	**43,490**
Acquisition	9,693	1,688	11,381
Closing balance Dec 31, 2022	**42,569**	**12,303**	**54,872**
Opening balance Jan 1, 2023	**42,569**	**12,303**	**54,872**
Acquisition	6,609	602	7,211
Assets held for sale	–152	–	–152
Reclassification	253	–253	–
Closing balance Dec 31, 2023	**49,279**	**12,652**	**61,931**
Accumulated depreciation and impairment			
Opening balance Jan 1, 2022	**–,9376**	**–3,493**	**–12,869**
Depreciation for the year	–5,173	–2,268	–7,441
Closing balance Dec 31, 2022	**–14,549**	**–5,761**	**–20,310**
Opening balance Jan 1, 2023	**–14,549**	**–5,761**	**–20,310**
Depreciation for the year	–6,869	–2,235	–9,103
Assets held for sale	16	2	18
Closing balance Dec 31, 2023	**–21,401**	**–7,993**	**–29,394**
Reported values			
As of Jan 1, 2022	23,500	7,121	30,621
As of Dec 31, 2022	28,020	6,810	34,830
As of Jan 1, 2023	28,020	6,810	34,830
As of Dec 31, 2023	27,878	4,659	32,537

NOTE 12 Joint operations

Amounts in SEK 000	Xbrane's share
Revenues	–
Expenses[1]	90,261
Assets[1]	3,034
Liabilities[2]	40,308

1) Items shown as gross value
2) See note 22 "Advances from partners" for Xbrane and STADA's total liabilities for the Ximluci® project.

The partnership agreement signed in July 2018 with STADA for Ximluci® means that STADA and Xbrane share equally (50/50) research and development costs for Ximluci®. As a result, Xbrane's reported net research and development costs for Ximluci® amount to 50 percent of the total costs of the project until June 1, 2021. After June 1, 2021, when the primary endpoint was achieved, Ximluci® was deemed to meet the criteria for the capitalization of research and development costs as intangible assets on the balance sheet. As a result, Xbrane's share of research and development costs relating to Ximluci® is not charged to the income statement but is capitalized in the balance sheet. In connection with the commercialization in March 2023, however, no additional expenses are capitalized for the project.

In Xbrane's future balance sheet, receivables and payables related to Ximluci® are recognized in their entirety, i.e. 100 percent. STADA's share is then deducted, i.e. 50 percent of the receivable or debt generated.

NOTE 13 Long-term receivables

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Non-current receivables				
Rental deposit	3,945	3,945	3,945	3,945
Total	**3,945**	**3,945**	**3,945**	**3,945**

NOTE 14 Accounts receivable

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Receivables	–	1,335	–	1,335
Provisions for doubtful trade receivables	–	–	–	–
Total receivables	**–**	**1,335**	**–**	**1,335**

NOTE 15 Prepaid expenses and accrued income

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
CMO (Contract Manufacturing Organization)	196,134	127,496	196,134	127,496
Rent for premises	3,731	2,740	3,731	2,740
CRO (Xplore study)	1,918	11,330	1,918	11,330
Other prepaid expenses	13,158	10,261	15,320	10,261
Accrued income	36,965	–	36,965	–
Total prepaid expenses and accrued income	**251,907**	**151,827**	**254,069**	**151,827**

NOTE 16 Inventory

Inventory
Inventory is reported at the lower of the acquisition value and the net sales value. The acquisition value of finished goods and goods in progress consists of raw materials and other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). The net sales value is the estimated sales price in the current business. Through continuous monitoring of the inventory, it is ensured that it is dispatched based on its durability. Inventory impairments take place, if necessary, within the framework of normal business operations and are reported in cost of goods sold.

Amounts in SEK 000	2023	2022
Goods in progress	106,856	50,260
Total inventory	**106,856**	**50,260**

Determination of acquisition value of inventory
The acquisition value of assets in inventory is determined, among other things, by using contract prices. Volume discounts or other discounts are included in the cost of inventory when it is probable that they have been earned and will accrue to the Company.

See section (u) for the Group's other accounting principles regarding inventories.

Reported amounts in the income statement
During the 2023 financial year ,cost of goods sold has been reported in the income statement at SEK –203,341 thousand (2022 SEK 0). The inventory includes a reserve for obsolete goods of SEK –1,637 thousand (2022 SEK 0).

NOTE 17 Cash and cash equivalents

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Cash and cash equivalents				
Cash and bank	65,402	193,994	65,402	193,994
Carrying amount	**65,402**	**193,994**	**65,402**	**193,994**

NOTE 18 Equity

Type of shares	2023	2022
Issued as of Jan 1	27,506,018	25,039,906
Issue of shares paid in cash	1,709,986	2,361,112
Share options/Targeted share issue	79,252	105,000
Offset issue/Targeted share issue	515,108	–
Issued as of Dec 31	**29,810,364**	**27,506,018**

The Group only has one type of share, known as ordinary shares. As of Dec 31, 2023, the registered share capital comprised of 29,810,364 ordinary shares (27,506,018).

The owners of the ordinary shares are entitled to dividends which are established continuously, and shareholdings entitle to a right of vote at the AGM with one vote per share. All shares have the same rights to the company's remaining net assets.

Dividends
At the Annual General Meeting on May 2, 2024, the Board will propose that no dividend will be paid. There were no dividends in the 2023 financial year or previously.

Group
Translation reserve
The translation reserve includes all exchange rate differences that arise when converting financial statements from foreign operations that have prepared their financial statements in a currency other than that in which the Group's financial statements are presented. The parent company and the Group present their financial statements in Swedish kronor In addition, the translation reserve consists of exchange rate differences which arise when revaluing goodwill.

Parent company
Restricted funds
Restricted funds must not be reduced through distribution of profits.

Unrestricted equity
Together with profit for the year, the following funds constitute unrestricted equity, i.e. the amount that is available for dividends to the shareholders.

Share premium reserve
When shares are issued at a premium, i.e. more is to be paid for the shares than their quote value, an amount equivalent to the amount received in excess of the shares' quote value is transferred to the share premium reserve. From Jan 1, 2006, amounts transferred to the share premium reserve are included in unrestricted equity.

Retained earnings
Retained earnings comprise previous years' retained earnings and earnings after deduction for dividends made during the year.

NOTE 19 Interest-bearing liabilities

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Non-current liabilities				
Convertible bonds	112,897	–	112,897	–
Financial leasing debts	42,711	29,058	–	–
Total non-current liabilities	**155,608**	**29,058**	**112,897**	**–**
Current liabilities				
Convertible bonds	62,500	–	62,500	–
Financial leasing debts	13,371	9,162	–	–
Total current liabilities	**75,871**	**9,162**	**62,500**	**–**

Convertible debentures
On May 26, 2023, Xbrane issued convertible bonds with a nominal value of SEK 250 million. The debentures mature on May 26, 2027 if they have not been amortized or converted to shares at the holder's request before then. The debt is amortized in twenty-four equal installments during the term of the debenture. Xbrane can choose to settle the amortization with cash payments or in shares at 90% of the market price (lowest VWAP during the six trading days before the payment date). The holder of the debenture has the right to advance up to two amortization payments per interest period. The interest rate amounts to 6% until formal approval by the United States Food and Drug Administration (FDA) of the Company's application in connection with its biosimilar candidate for trial to LUCENTIS® (ranibizumab), thereafter the interest rate is 0%. The conversion rate amounts to 125 percent of the offer price at the time of issue. The conversion rate may be adjusted in the event of capital restructuring. During the year, the debt was amortized with a total of SEK 31.2 m, of which SEK 20.8 m was amortized with a cash payment and the remainder with shares. No conversion has taken place during the year. In the balance sheet as of December 31, 2023, the convertible bonds are reported as interest-bearing loans amounting to SEK 175.4 m and SEK 0.0 m as derivatives in the item "long-term non-interest-bearing liabilities".

Terms and repayment periods
Terms and repayment periods for the Group's interest-bearing liabilities are presented in the table below. No securities have been pledged for leasing and convertible loans. No canceled payments or breach of contract occurred in 2023.

				2023		2022	
Amounts in SEK 000	Currency	Nominal interest,%	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
Convertible bonds	SEK	6	Within 4 years	218,750	175,397	–	–
Leasing liabilities	SEK	4.15-6	Within 7 years	66,214	56,083	38,220	38,220
Total interest-bearing liabilities				**284,964**	**231,479**	**38,220**	**38,220**

For further information about leasing liabilities see note 25.

NOTE 20 Other liabilities

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Other current liabilities				
Current liabilities to employees	42	122	42	122
Current liabilities related to VAT, taxes and social security for employees	2,490	2,185	2,490	2,185
Current liabilities to partners	–	626	–	626
Other	278	–	275	–
Total	**2,810**	**2,933**	**2,807**	**2,933**

NOTE 21 Liabilities to Group companies

Amounts in SEK 000	2023	2022
Opening balance Jan 1	**1,031**	**948**
Re-invoiced expenses to subsidiary	–	83
Currency effects	1	–
Closing balance Dec 31	**1,032**	**1 031**

NOTE 22 Accrued expenses and prepaid income

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Salary expenses	4,432	9,902	4,432	9,902
Vacation pay	5,123	4,397	5,123	4,397
Prepaid income from co-development partner[1]	75,408	–	75,408	–
Accrued project costs	84,193	136,063	84,193	136,063
Accrued production costs	38,978	12,857	38,978	12,857
Other accrued expenses	8,161	37,021	8,161	37,021
Total accrued expenses and prepaid income	**216,296**	**200,239**	**216,296**	**200,239**

1) The item refers to prepaid income from the collaboration partner STADA SEK 40.3 m regarding the costs of Ximluci® and advances for future product deliveries of Ximluci® SEK 35.1 m.

NOTE 23 Financial risks and risk management

Through its operations, the Group is exposed to various types of financial risk.
- Liquidity and financing risk
- Credit risk
- Market risk

Framework for financial risk management
The Group's financial policy for managing financial risks has been designed by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for financial activities. Responsibility for the Group's financial transactions and risks is handled centrally by the Group's financial function within the parent company. The overall objective of the financial function is to provide cost-effective funding and to minimize negative effects on the Group's earnings resulting from market risks. The head of the central finance function is the CFO, who reports to the CEO and Board of Directors on an ongoing basis.

Capital management
According to the Finance policy, the Group's financial objective is to be in a good financial position, which contributes to maintaining the confidence of investors, creditors and the market, as well as providing a basis for continued development of business operations and at the same time provide a long-term return to shareholders. The Group has no sales of its drug candidates yet and the financing of the Group's operations is mainly through partnerships and capital from the owners. Until the Group has reached long-term and sustainable profitability, the policy is to maintain a low debt and high equity ratio.

Liquidity risk and going concern
Liquidity risk is the risk that the Group may have problems fulfilling its obligations associated with financial liabilities. The Group has rolling 12-month liquidity planning covering all Group entities. The schedule is updated every month. Liquidity planning is used to manage the liquidity risk and the costs of financing the Group. The goal is that the Group will be able to meet its financial commitments both in terms of gains and losses, without significant unforeseen costs and without risking the Group's reputation. In order to minimize borrowing requirements the Group is using surplus liquidity through cash pools set up by the central finance function. Liquidity risks are managed centrally for the Group by the parent company's finance function.

The Group's current and projected cash flows are continuously monitored to ensure that the company has the financial resources needed to run the business in an optimal way according to the decided plan for the Group and shareholders. As of the balance sheet date, the Group's cash and cash equivalents amounted to SEK 65 m.

The Board and CEO assessed that the company's liquidity was not sufficient to finance operations for the next twelve months. A decision was thus taken to carry out a rights issue of shares and warrants, subject to the subsequent approval of the AGM. The outcome of the rights issue was announced on March 14, 2024 and brought in SEK 337.2 m before transaction costs. Upon full utilization of the warrants, which expire on December 16, 2024, Xbrane will receive additional cash of up to SEK 78 m approximately before transaction costs.

The issue is intended to be used for preparatory activities for the launch of Ximluci® in the US, the launch of Ximluci® PFS, production of clinical material for BIIB801, development and production of clinical material for Xdivane™ according to the strategic plan revised in autumn 2023. The issue proceeds will also be used for prepayment in cash of the next six (6) repayments of convertible bonds to CVI Investments Inc. ("CVI") and general corporate purposes.

The company estimates that a continual positive cash flow from operations will be achieved during Q1 2025. However, this assumes that sales of Ximluci® in Europe are accelerated according to plan, that FDA approval is obtained with subsequent agreements with commercialization partners for North America, a successful upscaling of BIIB801, and that agreements with licensing partners of Xdivane™ can be met. These events form essential parts of the company's revised strategic plan, the terms and conditions of which are assessed as probable by the Board and CEO. As the events themselves are uncertain and when they occur is uncertain, additional financing needs may arise until a positive cash flow occurs. The company's ability to obtain additional financing, both in the short- and long-term, depends on a number of factors, including the general situation on the financial markets, the company's creditworthiness and the company's ability to increase its indebtedness. If the risks related to these circumstances occur at the same time as the company is in need of capital, Xbrane may be forced to take up financing on less favorable terms. In addition, market disturbances or uncertainty may limit the availability of the capital required to run Xbrane's operations both in the long- and short -term. See the Administration report under the heading Group's financial development on page 35 and Financing risk on page 61 for more information.

Group

Credit facilities

Amounts in SEK 000	2023 Nominal value
Available cash and cash equivalents	65 402
Liquidity reserve	65 402

Credit risk
The Group's financial operations entail exposure to credit risks. It is primarily counterparty risks in connection with receivables from counterparties arising from the sale of goods and licenses as well as from partners. At the balance sheet date, there were no overdue or written down receivables (SEK 0.0 m as of December 31, 2023).

Credit risks for receivables from customers and partners
The risk that the Group's customers and partners do not fulfill their obligations, i.e. that receivables are not received, constitutes a customer credit risk. In accordance with IFRS 9, a credit loss provision is made at the first accounting date. Individual assessments are then made, which are based on a number of factors, estimates, assumptions about future conditions and macroeconomic aspects. A change in these estimates and assumptions could have a significant effect on the valuation of existing accounts receivable. For more information, see page 34 of the Administration report.

Credit risks for cash and cash equivalents
Balances with banks are placed at banks with a credit rating of A or higher and are available on request. Considering the short term and the high credit-worthiness of the counterparties, the credit risk in these balances is considered to be low and the expected credit losses are deemed negligible.

Credit risk for other receivables
Other receivables mainly relate to receivables from the tax authorities in Sweden and UK, thus the credit risk in these balances is considered to be low and expected credit losses are considered negligible.

Group account receivables

Amounts in SEK 000	2023	2022
SEK	–	–
EUR	–	1,335
USD	–	–
Total	**–**	**1,335**

Market risk
According to IFRS, market risk is divided into three different types, currency risk, interest rate risk and other price risks. The market risk that mainly affects the Group consists of currency risks. The Board, the CEO and CFO continuously review changes in the risk picture and the need for currency instruments. Interest rate risk and price risk are not considered to have a material impact on the Group, hence there is no presentation in table form.

Maturity structure financial liabilities – undiscounted cash flows

		2023					
Amounts in SEK 000	Currency	Total	< 1 mth	1–3 mth	3 mth –1 yr	1–5 yr	>5 yr
Convertible bonds	SEK	218,750	10,417	10,417	41,667	156,250	
Accounts payable	SEK	7,905	7,905				
Accounts payable	EUR	10,921	10,921				
Accounts payable	USD	1,903	1,903				
Accounts payable	CHF	8,624	8,624				
Accounts payable	GBP	1,619	1,619				
Leasing liabilities	SEK	66,214	1,596	3,160	12,710	45,323	3,425
Other current liabilities	SEK	2,810	2,810				
Total		**318,748**	**45,797**	**13,577**	**54,376**	**201,573**	**3,425**

Maturity structure financial liabilities – undiscounted cash flows

		2022					
Amounts in SEK 000	Currency	Total	< 1 mth	1–3 mth	3 mth –1 yr	1–5 yr	>5 yr
Loan from owner	SEK	–	–	–	–	–	–
Accounts payable	SEK	7,930	7,930	–	–	–	–
Accounts payable	EUR	10,122	12,357	–2,235	–	–	–
Accounts payable	USD	1,344	1,344	–	–	–	–
Accounts payable	CHF	3,840	3,840	–	–	–	–
Accounts payable	GBP	60	60	–	–	–	–
Leasing liabilities	SEK	38,220	743	2,251	6,168	29,058	–
Other current liabilities	SEK	2,306	2,306	–	–	–	–
Other current liabilities	USD	626	626	–	–	–	–
Total		**64,450**	**29,207**	**16**	**6,168**	**29,058**	**–**

NOT 23 Financial risks and risk management, continued

Currency risk
The Group is exposed to an exchange rate risk when the Group has a significant part of its income and expenses in other currencies than the reporting currency. Exchange rate fluctuations can have both positive and negative effects on the company's profit and loss, equity, and competitiveness.

Transaction exposure derives from fluctuations in the exchange rate in net cash flow from operating transactions in other currencies than the accounting currency. Such changes have a continuous effect on profit and loss as well as the balance sheet throughout the year. Xbrane is exposed to currency risk on transactions in the sense that there is a mix between the currencies in which sales purchase receivables and payables are denominated and the respective reporting currencies of the Group companies. The accounting currency of Group companies is primarily SEK and EUR. Transactions are primarily conducted in SEK and EUR and to a certain extent in USD. The costs incurred by Xbrane during the financial year are mainly in EUR and USD. A simulated fluctuation of the EUR and USD by +/– 10 percent against the SEK would show an effect on the Group's operating profit of SEK 1,916 thousand (13,826) and SEK 1,483 thousand (1,334) respectively.

Group

	2023		2022	
Amounts in SEK 000	USD	EUR	USD	EUR
Cash and cash equivalents	1,916	2,338	490	626
Accounts receivable	–	–	–	122
Accounts payable	189	981	129	909
Total	**2,105**	**3,319**	**619**	**1,657**

NOTE 24 Valuation of financial assets and liabilities at fair value and division into categories

Group financial instruments are valued either at accrued acquisition value or fair value depending on how the instrument is classified according to IFRS 9. Items which have been the object of valuation at fair value are derivative instruments. Other items have been valued at accrued acquisition value.

The recognized value of non-interest-bearing asset and liability items such as accounts receivable, other receivables, cash and cash equivalents, non-current interest-bearing liabilities, current interest-bearing liabilities, accounts payable, other liabilities and accrued expenses and prepaid income with a remaining maturity of less than six months is assumed to reflect a fair approximation of fair value. The tables below show the recognized values compared with the estimated fair value per type of financial asset and liability.

Group	2023				
Amounts in SEK m	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable	–	–	–	–	–
Other receivables	–	34,213	–	34,213	34,213
Cash and cash equivalents	–	65,402	–	65,402	65,402
Total	–	**99,615**	–	**99,615**	**99,615**
Interest-bearing liabilities	–	–	175,397	175,397	175,397
Other non-current liabilities	8	–	–	8	8
Accounts payable	–	–	30,974	30,974	30,974
Other liabilities	–	–	2,810	2,810	2,810
Accrued expenses	–	–	216,296	216,296	216,296
Total	**8**	–	**425,476**	**425,484**	**425,484**

Group	2022				
Amounts in SEK m	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable	–	1,335	–	1,335	1,335
Other receivables	–	46,121	–	46,121	46,121
Cash and cash equivalents	–	193,994	–	193,994	193,994
Total	**–**	**241,450**	**–**	**241,450**	**241,450**
Other non-current liabilities	–	–	–	–	–
Accounts payable	–	–	23 ,297	23,297	23,297
Other liabilities	–	–	2,933	2,933	2,933
Accrued expenses	–	–	200,239	200,239	200,239
Total	**–**	**–**	**226,469**	**226,469**	**226,469**

NOT 24 Valuation of financial assets and liabilities at fair value and division into categories, continued

Parent company

	2023				
Amounts in SEK m	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable					
Other receivables	–	34,213	–	34,213	34,213
Cash and cash equivalents	–	65,402	–	65,402	65,402
Total	–	**99,615**	–	**99,615**	**99,615**
Interest-bearing liabilities	–	–	175,397	175,397	175,397
Non-current liabilities	8	–	–	8	8
Accounts payable	–	–	30,974	30,974	30,974
Liabilities to group companies	–	–	1,032	1,032	1,032
Other liabilities	–	–	2,807	2,807	2,807
Accrued expenses	–	–	216,296	216,296	216,296
Total	**8**	–	**425,476**	**425,484**	**425,484**

Parent company

	2022				
Amounts in SEK m	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable	–	1,335	–	1,335	1,335
Other receivables	–	46,121	–	46,121	46,121
Cash and cash equivalents	–	193,994	–	193,994	193,994
Total	**–**	**241,450**	**–**	**241,450**	**241,450**
Non-current liabilities	–	–	–	–	–
Accounts payable	–		23,297	23,297	23,297
Liabilities to group companies	–		1,031	1,031	1,031
Other liabilities	–		2,933	2,933	2,933
Accrued expenses	–		200,239	200,239	200,239
Total	–		227,501	227,501	227,501

Fair value
The Group's financial instruments subject to fair value measurement are its convertible bonds. The option right in the convertible bond is deemed to constitute an embedded derivative and is valued at fair value over the income statement. The option's initial fair value has been calculated using Black & Scholes and is included in level 2 in the fair value hierarchy. The remaining part of the issue proceeds is allocated to the debt and after the first accounting period, the liability is reported at accrued acquisition value until it is converted or matures. The table below shows the different valuation levels of the financial assets and financial liabilities recognized at fair value in the consolidated balance sheet. The division of the determination of fair value is based on the three levels below.

Level 1: Listed prices in an active market for identical assets or liabilities.
Level 2: Other observable data for the asset or liability other than quoted prices included in Level 1, either directly, i.e. as price quotes or indirectly, i.e. obtained from price quotes.
Level 3: Data for the asset or liability that is not entirely based on observable market data.

The total value of the currency derivatives held shows a negative value at the balance sheet date. During 2023, no transfers were made between the different valuation levels.

Amounts in SEK 000	2023 Level 2	2022 Level 2	2023 Level 3	2022 Level 3
Financial assets				
Other current receivables	–	–	–	–
Total financial assets	–	**–**	–	**–**
Financial liabilities				
Interest-bearing liabilities	175,397	–	–	–
Other long-term liabilities	8	–	–	–
Other current liabilities	–	–	–	–
Total financial assets	**175,405**	**–**	–	**–**

NOTE 25 Leasing

The Group leases several types of assets including premises and machinery/equipment. No leasing agreements contain covenants or other restrictions in addition to the security of the leased asset

Leasing liabilities

Amounts in SEK 000	2023	2022
Current leasing liabilities	13,371	9,162
Long-term leasing liabilities	42,711	29,058
Leasing liabilities included in the consolidated financial statement	**56,083**	**38,220**

For maturity analysis of leasing liabilities, see Note 23 in the section on liquidity.

Right-of-use assets 2023

Amounts in SEK 000	Premises	Machinery	Total
Opening balance Jan 1, 2023	**32,332**	**3,888**	**36,220**
Acquisitions	22,455	9,317	31,772
Depreciation and write downs during the year	–7,892	–4,438	–12,330
Closing balance Dec. 31, 2023	**46,895**	**8,768**	**55,663**

Right-of-use assets 2022

Amounts in SEK 000	Premises	Machinery	Total
Opening balance Jan 1, 2022	**36,974**	**5,129**	**42,133**
Acquisitions	5,722	2,354	8,076
Assets held for sale	–4,368	–485	–4,853
Depreciation and write downs during the year	–5,996	–3,140	–9,136
Closing balance Dec. 31, 2022	**32,332**	**3,888**	**36,220**

NOTE 25 Leasing, continued

Extension and termination options
Certain lease agreements contain extension options or termination options which the Group can exercise or not exercise for up to a year before the end of the non-terminable lease period. Wherever possible, the Group seeks to include such options in new leasing agreements as it contributes to operational flexibility. The options can only be exercised by the Group, not by the lessor. Whether it is reasonably certain that an extension option will be exercised is determined on the commencement date of the lease agreement. The Group examines whether it is reasonably certain that an extension option will be exercised if an important event occurs or there are material changes in circumstances that are within the control of the Group.

The Group's leases for office premises consist mainly of non-cancelable periods of 7 years, which are extended for a further three years if the Group does not terminate the lease nine months before the end of the lease term. Regarding offices, the Group assessment in the majority of cases is that the agreements will not be extended beyond the first term, i.e. the lease period is normally assessed to be just one term. The reported leasing liability for these agreements totals SEK 47,889 thousand.

The Group's leasing agreement for machinery consists mainly of non-cancelable periods of 3–5 years, which after the end of the period fall to the Group. The reported leasing liability for these agreements totals SEK 8,193 thousand.

During the year, there has been no use of options or similar in respect of the lease liabilities/assets not previously included in the lease liabilities. Significant changes may occur in the future if a reassessment of the lease period regarding any of the Group's significant property agreements should occur.

Amount stated in the profit or loss IFRS 16

	Group	
Amounts in SEK 000	2023	2022
Depreciation of right-of-use assets	12,330	9,136
Interest expenses on leases	2,750	2,452
Variable leasing expenses excluded from the valuation of the leasing liability	–	–
Short-term lease expenses	–	–
Expenses for leases of low value, not short-term leases of low value	89	279
	15,169	**11,817**

Amount presented in the consolidated cash flow statement

	Group	
Amounts in SEK 000	2023	2022
Amount presented in the consolidated cash flow statement	**16,749**	**8,337**

The above cash flow includes both amounts for leasing contracts that are reported as leasing liabilities, as well as amounts paid for variable leasing fees, short-term leases and leases of low value.

NOTE 26 Distribution of the company's profit or loss

Proposed distribution of the Company's profit or loss

Amounts in SEK 000	
Share premium reserve	1,428,530
Profit/loss brought forward	–969,191
Profit/loss for the year	–391,745
Total	**67,594**
To be carried forward	67,594

NOTE 27 Transactions with closely related parties

Group

Amounts in SEK 000	Year	Goods/ services transactions	Interest costs	Interest income	Liabilities as of Dec 31
Relationship					
Other closely related parties	2023	–	–	–	–
Other closely related parties	2022	–	–	–	–

The parent company has a close relationship with its subsidiary, see Note 32.

Parent company

Amounts in SEK 000	Year	Goods/ services transactions	Interest costs	Interest income	Liabilities as of Dec 31
Relationship					
Group company	2023	–	–	–	1,032
Other closely related parties	2023	–	–	–	–
Group company	2022	83	–	–	1,031
Other closely related parties	2022	–	–	–	–

Transactions with related parties are priced on market terms. Remuneration to senior executives and board members appears in note 4.

Transactions with closely related parties
Closely related parties include the Group's management, board members and their relatives, as well as companies where the above mentioned have a leading position or have an ownership connection.

During the 2023 financial year, a capital acquisition was carried out, but no related parties participated in subscribing for shares.

NOTE 28 Group companies

Group

Holdings in subsidiaries	Subsidiary's registered office, country	Ownership, %
Primm Pharma s.r.l.	Italy	100

Parent company

Amounts in SEK 000	2023	2022
Accumulated acquisition cost		
Opening balance Jan 1	123,097	123,097
Shareholder equity contribution	–	–
Closing balance Dec 31	**123,907**	**123,097**
Accumulated revaluations		
Opening balance Jan 1	–	–
Closing balance Dec 31	**–**	**–**
Accumulated impairment		
Opening balance Jan 1	–49,031	–49,031
Impairment	–70,300	–
Closing balance Dec 31	**–119,331**	**–49,031**
Reported value Dec 31	**3,766**	**74,066**

NOTE 29 Specifications for cash flow statements

Adjustments for items not included in the cash flow
Adjustments for items that are not included in the cash flow amounted to SEK 100.7 m (9.3) in the Group's cash flow, which consists of impairment of goodwill SEK 64.6 m (0), depreciation SEK 33.7 m (16.6) and other adjustments SEK 2.4 m (–7.3).

Cash and cash equivalents

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Following items included in cash flow				
Cash and bank balances	65,402	193,994	65,402	193,994
Total on balance sheet	65,402	194,994	65,402	193,994
Total on cash flow statement	**65,402**	**194,994**	**65,402**	**193,994**

Paid interest and dividends received

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Interest received	2,407	296	2,407	296
Interest paid	–7,579	–2,591	–4,828	–139
Total interest and dividends received	**–5,172**	**–2,296**	**–2,422**	**156**

Unutilized credits

	Group		Parent company	
Amounts in SEK 000	2023	2022	2023	2022
Unutilized credits	–	–	–	–

Changes in liabilities attributable to financing activities in 2023

Group	Changes in non-cash-flow items						
Amounts in SEK 000	Opening balance 2023	Changes in cash flow items	Revaluation to fair value/interest expenses	Translation gains/losses	Conversion of credit facility into shares	New leases	Closing balance 2023
Convertible bonds	–	193,550	–7,728	–	–10,417	–	175,405
Leasing liabilities	38,220	–13,909	–	–	–	31,772	56,083
Liabilities attributable to financing activities	**38,220**	**179,641**	**–7,728**	–	**–10,417**	**31,772**	**231,488**

1) The convertible bond is presented in the item long-term and current interest-bearing liabilities and long-term interest-bearing debt in the balance sheet. See note 19.

Changes in liabilities attributable to financing activities in 2022

Group	Changes in non-cash-flow items						
Amounts in SEK 000	Opening balance 2022	Changes in cash flow items	Reclassification	Translation gains/losses	Conversion of credit facility into shares	New leases	Closing balance 2022
Non-current liabilities	–	–	–	–	–	–	–
Current liabilities	–	–	–	–	–	–	–
Leasing liabilities	44,381	–8,337	–	61	–	2,115	38,220
Liabilities attributable to financing activities	**44,381**	**–8,337**	**–**	**61**	**–**	**2,115**	**38,220**

NOTE 30 Events after the balance sheet date

Significant events after the end of the financial year
- In January, a rights issue worth around SEK 343 m, consisting of shares and warrants, was announced. If the warrants were fully exercised, Xbrane will receive up to an additional SEK 78 m The rights issue was approved at an extraordinary general meeting on February 22, 2024. The purpose of the rights issue is primarily to finance preparatory activities for the launch of Ximluci® in the US, the launch of Ximluci® PFS, production of clinical materials for BIIB801, development and production of clinical materials for Xdivane™, general corporate purposes and prepayment in cash of the next six (6) repayments of convertible bonds to CVI Investments Inc. The final outcome of the rights Issue showed that 29,325,411 units, corresponding to around 98.4 percent of the rights Issue, were subscribed for with and without the support of unit rights. No guarantee obligations therefore needed to be invoked. Through the rights Issue, proceeds of around SEK 337.2 m were added before deductions of issue costs . In addition, it was decided on a directed offset issue of 33,402,483 shares to guarantors in the rights issue, with the same subscription price as in the rights issue. The shares were registered and the funds received during March, hence the effects in the balance sheet and cash flow will only be visible in the upcoming interim report for January-March 2024.
- Ximluci® has been launched on a further three markets.

NOTE 31 Significant estimates and assessments

The management has discussed with the Audit Committee the development, selection and information in relation to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Important sources of uncertainty in the estimates
The sources of uncertainty in the estimates indicated below refer to aspects which entail a significant risk that the value of assets or liabilities might need to be adjusted significantly during the forthcoming financial year.

Impairment testing of goodwill and shares in subsidiaries
When calculating the recovery value of cash generating units to assess any impairment of goodwill and shares in subsidiaries, a number of assumptions regarding future circumstances and estimates of parameters have been made. A presentation of these can be found in Note 10. As stated in the description in the note, changes in the conditions for these assumptions and estimates during 2023 could have a material effect on the value of goodwill and shares in subsidiaries, related to the subsidiary Primm Pharma. Goodwill attributable to the operations in Primm Pharma was written down to 0 during 2023.

Capitalization of development expenses for Ximluci®
According to note 1, Accounting principles, expenditure on development is reported as an asset when the product or process is technically or commercially useful and that the company has sufficient resources to complete the development and then use or sell the intangible asset. The company has assessed that all criteria for capitalization of the development expenses of Ximluci® have been achieved from July 2021. The assessment of the criteria for capitalization is based on the following:

Market approval in Europe was obtained in November 2022. The production process of Ximluci® is fully validated and key supply agreements are in place. Ximluci® met the primary endpoint of the pivotal phase III study Xplore. The product is expected to have a significant value in the market. The reference product Lucentis® is estimated to have a turnover of around EUR 2 billion. Ximluci® is one of three known competing biosimilar candidates to Lucentis®. Ximluci® met the primary endpoint in Xplore (95% CI around the change in BCVA at week 8, compared to Lucentis®, is within the pre-defined equivalence margin as agreed with the EMA), and, as judged by Xbrane, there were no clinically meaningful differences in secondary efficacy and safety measures compared to Lucentis®. As of March 2023, no further development expenses were capitalized for Ximluci®. Capitalized expenses amounted to SEK 99.7 m as of the balance sheet date and are written off over 10 years. Sales of Ximluci® during 2023 amounted to SEK 209.5 m with a positive gross profit. According to sales forecasts, sales and gross profit are expected to continue to increase in the coming years. No need for impairment is therefore deemed to exist.

Assets held for sale and classification of discontinued operations
An ongoing assets sale has not yet led to a sale in the past year. Since the divestment has dragged on and therefore increased uncertainty around the actual time and price, the shares in Primm Pharma have been written down. The classification as "assets held for sale" is, however, unchanged as the company's intention is still for the sale to take place. The company is offering the assets and operations at a commercial price adapted to new events that have occurred during the initial period of the sale process.

Amounts in SEK 000	
Net revenues	–
Cost of goods sold	–
Gross profit	**–**
Operating expenses	
Other operating income	218
Selling and distribution expenses	–
Administrative expenses	–769
Research and development expenses	–861
Other operating expenses	–
Operating profit/loss	**–1,412**
Financial income	
Financial expenses	–10
Net finance costs	**–10**
Earnings before income and tax	**–1,423**
Income tax expense	–104
Profit for the period from continuing operations	**–1,526**

Amounts in SEK 000	
Other intangible fixed assets	1,934
Total fixed assets	**1,934**
Accounts receivable	
Prepaid expenses and accrued income	1
Other receivables	210
Receivables from subsidiaries/parent company	1,032
Cash and cash equivalents	1,165
Total assets[1]	**4,343**
Equity	**3,736**
Accounts payable	**–**
Other current liabilities	1
Accrued expenses and prepaid income	605
Total current liabilities	**606**
Total liabilities[1]	**606**

1) The amounts show Primm Pharma on its own and do not include group-wide surplus values linked to Primm Pharma (see also note 10).

NOTE 32 Information about the Parent Company

Xbrane Biopharma AB (publ), Corp ID no. 556749-2375, is a Swedish registered limited company with its registered office in Solna. The parent company's shares are registered on Nasdaq Stockholm. The address of the head office is Retzius väg 8, 171 65 Solna, Sweden. The consolidated financial statements for 2022 consist of the parent company and its subsidiary, together with the named Group. The Group also includes Primm Pharma s.r.l., Corp ID no. MI - 2075109 with registered office in Milan, Italy. As of the balance sheet date, it is classified as an "Asset held for sale".

Signatures

The income statement and balance sheet will be presented to the AGM on May 2, 2024, for adoption. The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with IFRS and give a true and fair view of the Group's financial position and results. The annual financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results. The Administration Report for the Group and parent company provides a fair review of the development of the Group and the parent company's operations, position and results and describes significant risks and uncertainty factors that the parent company and the companies included in the Group face.

Solna, March 27, 2024

Anders Tullgren
Chairman of the Board

Eva Nilsagård
Board member

Peter Edman
Board member

Mats Thorén
Board member

Karin Wingstrand
Board member

Kirsti Gjellan
Board member

Ivan Cohen-Tanugi
Board member

Martin Åmark
CEO

Our audit report was presented on March 27, 2024
PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Xbrane Biopharma AB (publ), corporate identity number 556749-2375

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Xbrane Biopharma AB (publ) for the year 2023 except for the corporate governance statement on pages 50–59 and the sustainability report on pages 40-49. The annual accounts and consolidated accounts of the company are included on pages 34–88 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of December 31 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 50-59 and the sustainability report on pages 40-49. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the consolidated statement of profit or loss and the consolidated statement of financial position for the group and the income statement and balance sheet for the parent company.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Emphasis of matter

We would like to draw attention to the information in the management report under the heading Group's financial position and Note 23, section liquidity risk and going concern. According to the information provided, it is stated that the company is projected to have funding until the first quarter of 2025, assuming that the significant events on which the company's revised strategic plan is based are fulfilled. However, as these events are partially or entirely beyond the company's control, there are significant uncertainties that may cast doubt on the company's ability to continue its operations. Our statement is not modified in this regard.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalized expenses for development The group's reported value as of December 31, 2023 for capitalized development expenses amounts to SEK 100 million (SEK 102 million). The item refers to expenses for the development of Ximluci® and is significant from a financial reporting perspective. Important estimates and judgments include, among other things, that the requisites for capitalization are met. When assessing the need for write-downs, the group has had to assess a number of factors such as, for example, future cash flows. Due to the degree of assessments, we have judged that capitalized expenditure for development work is a particularly significant area in the audit. In the company's note 1, Accounting principles and in note 10, it appears how the company has reported and valued the balance sheet item. Note 31 shows the significant assessments for accounting purposes that the company has made.	Our audit has, among other things, included the following audit efforts: • We have evaluated management's assumptions related to the criteria for capitalization of development expenses related to Ximluci® being met • We have tested capitalized expenses during the year through random sampling and recalculation of the year's amortization • We have reviewed the company's analysis of any indication of the need for write-downs • We have reviewed and assessed the content of the information provided in the financial reports

Key Audit Matter	How our audit addressed the Key Audit Matter
Product sale The group's reported net turnover regarding product sales amounts to SEK 210 million and is significant from a financial reporting perspective. The revenue relating to product sales is reported in its entirety in connection with Xbrane having fulfilled its performance obligation, which occurs in connection with the delivery of products to the collaboration partner STADA. The transaction price consists partly of compensation for delivered goods, partly of compensation based on the price STADA's end customer pays with deductions for certain costs. As the transaction price cannot be determined with certainty upon delivery, a calculation of the revenue is made based on the company's best assessment of the expected future outcome. This circumstance, together with the materiality of the record, makes this a significant area for our audit. The company's accounting principles for revenue appear on pages 71 and 72 of the annual report.	Our audit has, among other things, included the following audit efforts: • We have created an understanding of the group's revenue recognition processes and evaluated them • We have reviewed contract terms and the performance commitment that the company has identified • We have randomly tested a selection of the transactions to make sure that these are correctly reported and carried out a counterparty confirmation • We have analyzed and reviewed the model for calculating the transaction price and assessed the reasonableness of the assumptions and data that the company used for its assessment. • We have reviewed and assessed the content of the information provided in the financial reports.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33 and 92-93. The other information also consists of the remuneration report that we obtained before the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Xbrane Biopharma AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Xbrane Biopharma AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50-59 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

PricewaterhouseCoopers AB, 113 97, was appointed auditor of Xbrane Biopharma AB (publ) by the general meeting of the shareholders on the 6 May 2021 and has been the company's auditor since the 6 May 2021.

Stockholm 27 March 2024

PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Alternative key indicators

The Group presents certain financial key indicators in the Annual Report that are not defined according to IFRS. The company considers that these key indicators provide valuable supplementary information to investors and the company's management as they enable evaluation of the company's performance. As not all companies calculate financial key indicators in the same way, they are not always comparable with key indicators that are used by other companies. These financial key indicators should therefore not be viewed as a replacement for key indicators that are defined according to IFRS. The tables below present key indicators that are not defined according to IFRS.

Gross margin
Gross margin is an indicator that the Group considers important for understanding the profitability of the products. It is calculated as gross profit in relation to revenue. The gross margin is revenue minus the cost of goods sold.

Amounts in SEK 000	2023	2022
Gross profit	35,388	–
Divided by revenue	238,729	–
Gross margin	**15%**	**–**

EBITDA
EBITDA is an indicator that the Group considers relevant to investors who wish to understand profit generation before investments in fixed assets. EBITDA shows the operation's earning power from operational activities without taking into account capital structure and tax situation, with the aim of facilitating comparisons with other companies in the same industry.

Amounts in SEK 000	2023	2022
Operating profit/loss	–322,164	–166,217
Depreciation and impairment	33,736	–16,576
EBITDA	**–288,428**	**–149,640**

Research and development expenses as a percentage of operating expenses
The company's direct expenses for research and development relate to expenses for personnel, materials and external services. Research and development expenses as a percentage of operating expenses show how great a proportion of the business expenditure relates to research and development. This is calculated by dividing research and development expenses by total business expenditure. Total business expenditure comprises selling expenses, administrative expenses, research and development expenses and other operating expenses.

Amounts in SEK 000	2023	2022
Research and development expenses	–305,783	–199,976
Operating expenses	–371,259	–244,749
Research and development expenses as a percentage of operating expenses	**82%**	**82%**

Equity ratio
The equity ratio is an indicator the Group considers relevant to investors seeking to understand the distribution between equity and liabilities. The equity ratio represents the proportion of assets funded by equity to show the company's long-term payment capacity, that is, equity divided by total assets.

Amounts in SEK 000	2023	2022
Total equity	171,335	424,888
Divided by total liabilities	653,508	690,515
Equity ratio	**26%**	**62%**

Shareholder information

Annual General Meeting 2024
The Annual General Meeting of Xbrane Biopharma AB (publ) will be held on May 2, 2024, at 17.30 at Inghesalen, Widerströmska Huset, 2nd floor, Karolinska Institute, Tomtebodavägen 18a, 171 65 Solna The Company's Board has decided that this year's Annual General Meeting will be held within the traditional framework. However, shareholders will have the option to vote by proxy. Shareholders who wish to have a matter dealt with at the Annual General Meeting must report it no later than March 1, 2024, to the Chairman of the Board, Anders Tullgren, at valberedning@xbrane.com.

To participate
Shareholders who want to participate in the meeting must be registered in the share register kept by Euroclear Sweden AB on April 23, 2024. Registration must be made no later than 25 April 2024 in one of the following ways:
- by post to: Baker & McKenzie Advokatbyrå, Elsa Sefastsson, Box 180, 101 23 Stockholm
- by e-mail: elsa.sefastsson@bakermckenzie.com

When registering, shareholders must state:
- Name
- Social security number/corporate identity number
- Daytime address and telephone number
- Number of shares
- Details of any agent/assistant where appropriate

Nominee registered shares
Shareholders who have their shares registered in the name of a nominee at a bank or other manager must, to be entitled to participate in the Annual General Meeting, register their shares in their own name, so that the person in question is registered in the share register kept by Euroclear Sweden AB on April 23, 2024. Shareholders who wish to register their shares in their own name should notify the nominee in good time before this date. Such registration can be temporary.

Agents
Shareholders who are to be represented through an agent must issue written and dated power of attorney for the agent. If the power of attorney is issued by a legal entity, a certified copy of a registration certificate or corresponding "certificate" for such legal entity must be attached. Power of attorney applies for one year from issuance or the longer period of validity set out on the power of attorney, though a maximum of five years.
Certificate of registration shall indicate the circumstances which apply on the date of the general meeting of shareholders and should in any event not be older than one year at the time of the Annual General Meeting. The original power of attorney plus any certificate of registration should be submitted by letter to the company to the address indicated above in good time before the meeting.

The form for power of attorney is available on the Company's website www.xbrane.com and can also be sent to shareholders who so request.

Contact information
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Phone: +46 760 34 67 33
E-mail: info@xbrane.com
Website: xbrane.com

Produktion: Xbrane i samarbete med Addira **Foto:** Peter Philips

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