Annual Report 2021

BRANE BIOPHARMA

Science for high quality biosimilars

Financial calendar

Annual General Meeting	May 5, 2022
Interim report January–March 2022	May 5, 2022
Interim report January–June 2022	July 22, 2022
Interim report January–September 2022	October 28, 2022
Year-end report 2022	February 17, 2023

For further information

Martin Åmark
Chief Executive Officer (CEO)
martin.amark@xbrane.com
+46 76-309 37 77

Anette Lindqvist
Chief Financial Officer / Investor Relations (CFO / IR)
anette.lindqvist@xbrane.com
+46 76-325 60 90

www.xbrane.com

About Xbrane Biopharma

Xbrane Biopharma AB develops biological drugs based on a patented platform technology that provides signifi-cantly lower production costs compared to competing systems. Xbrane has a portfolio of biosimilar candidates addressing SEK 332 bn in annual sales of the respective reference drugs, with the leading biosimilar candidate under registration in Europe. Xbrane's head office is in Solna, just outside Stockholm. Xbrane is listed on Nasdaq Stockholm under the ticker XBRANE.

For further information, please visit www.xbrane.com.

Xbrane Biopharma AB (publ)
Org. nummer: 556749-2375

The year in brief

SEK 380 m

Xbrane raised SEK 380 m in capital to finance research and development of its biosimilar portfolio.

1

STADA submitted an application for market approval for Xlucane™ to the European Medicines Agency (EMA) wich was validated shortly after.

12

Twelve new patent applications were submitted. The Swedish Patent and Registration Office also granted the Company eight new patents.

2

Xbrane initiated the development of two new biosimilar candidates for the reference products Keytruda® and Darzalex®.

Financial summary for the Group

Amounts in SEK thousands	2021	2020
Revenue	–	–
Research and development expenses (R&D)	–160,619	–197,284
R&D expenses as a percentage of oper-ating expenses	82	84
EBITDA	–168,366	–217,436
Operating result	–180,583	–213,066
Profit or loss for the period	–188,376	–226,026
Cash and cash equivalents	295,180	243,139
Equity ratio %	63	56
Number of shares at the end of the period before dilution	25,039,906	22,200,415
Number of shares at the end of the period after dilution	25,039,906	22,200,415
Average number of shares before dilution	23,593,291	18,113,313
Average number of shares after dilution	23,593,291	18,113,313
Earnings per share basic (SEK)	–7.77	–12.48
Earnings per share diluted (SEK)	–7.77	–12.48

Q1

- Xbrane renegotiates intellectual property licensing agreement with Vaxiion Therapeutics.
- Anette Lindqvist takes over as Chief Financial Officer & Head of Investor Relations and Erik Domines takes the position of General Counsel. Both are part of Group management.
- Xbrane establishes a new laboratory for biosimilar development at Campus Solna.

Q2

- The Company holds a virtual capital markets day and expresses its ambition to generate a positive monthly operational cash flow through the net income from the primary product candidate Xlucane™ as well as to start one new development project per year.
- The biosimilar candidate Xlucane™ achieves the primary endpoint of efficacy and demonstrates equivalent efficacy to that of the reference drug Lucentis® in an interim analysis of the ongoing phase III equivalency trial Xplore.
- The Company carries out a directed share issue of SEK 380 m.

Q3

- Xbrane's partner STADA applies for market authorization approval of Xlucane™.
- The directed share issue of SEK 380 m is registered and liquidity is obtained. After the share issue, the total number of shares and votes amounts to 25,039,906. Xbrane's authorized share capital amounts to SEK 5,613,598.
- Xbrane is certified as a Great Place to Work® by the institution Great Place to Work®.

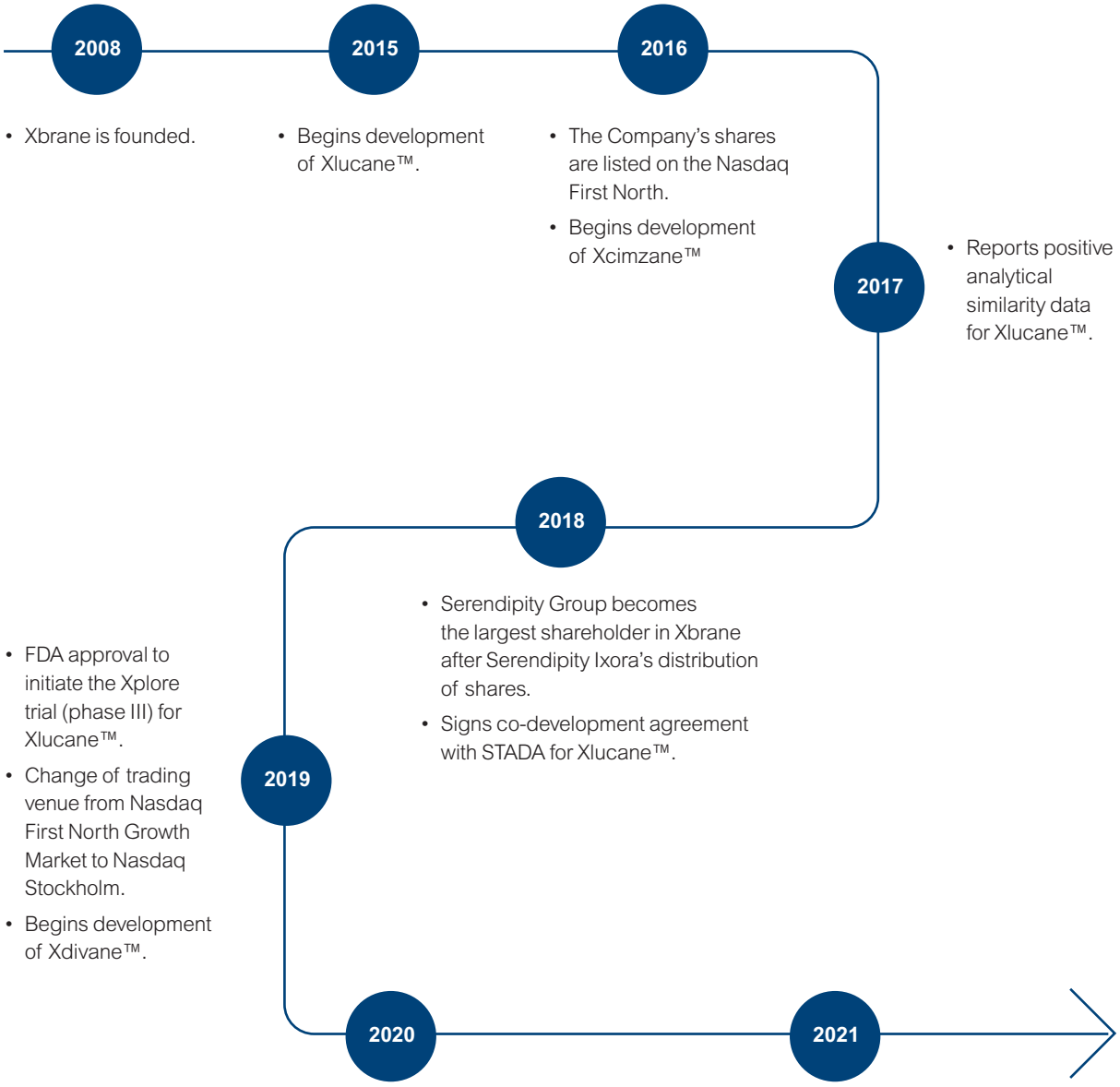
Q4

- Xbrane enters into a partnership with AGC Biologics to scale up the established manufacturing process for the product candidate Xcimzane™.
- The Company is granted six new patents by the Swedish Intellectual Property Office (PRV).
- Xbrane announces that the Company has started development of two new biosimilar candidates for the reference products Keytruda® and Darzalex®.
- Starting January 3, 2022, the Company's shares will be transferred to Nasdaq Stockholm's Mid Cap segment.

»The positive interim results from the large Xlucane™ phase III trial represent yet another significant milestone for Xbrane in becoming a world-leading biosimilar developer.«

Anders Tullgren
Chairman of Xbrane's Board of Directors

Xbrane – our history



»Agreement with Biogen confirms Xbrane as a global leader biosimilar developer«

CEO's letter

Dear shareholders,
2021 was a big year for Xbrane and we reached several key milestones.

- Together with our partner, STADA, we applied to the EMA for market approval of our leading product candidate Xlucane™.
- Established the pilot-scale process for the product candidate Xcimzane™ and began upscaling in partnership with AGC Biologics and laid the groundwork for bringing on Biogen as a development and commercialization partner.
- Began development of two new product candidates for the reference products Keytruda® and Darzalex® which, together with Xdivane™, make up an oncology portfolio with SEK 278 bn in annual sales.
- Established our new, expanded lab in Solna biosimilar development.
- Applied for 12 new patents and received approval for 8 patents.
- Became certified as a Great Place to Work®.

Launch of Xlucane™ approaches
The application for marketing authorization approval of Xlucane™ was submitted by our partner STADA to the EMA in September and the agency's validation soon was received thereafter. The approval process thereby formally begun in late September and is expected to take up to 12 months, depending on the time needed to answer questions throughout the process. As previously communicated the corresponding application to the United States Food and Drug Administration (FDA) will be published when the application is validated by the FDA, which is expected to occur in end of April 2022 .

This application will be based on the clinical data from Xplore that we recently compiled and shared. In parallel with the registration process, we have secured production capacity with our suppliers for commercial manufacturing of Xlucane™ in order to reach our goal of generating income, in the form of profit sharing from our partners, of EUR +100m annually three years after launch. The market for VEGFa-inhibitors for ophthalmological use rose in 2021 to SEK 119 bn and grew by 14 percent during the year. We continue to see a great need for more cost-effective treatment alternatives and look forward to soon being able to make our contribution to this with Xlucane™.

This year we established the production process for Xcimzane™ at pilot scale and began upscaling in partnership with AGC Biologics for manufacturing of materials for planned clinical trials and subsequent commercial use. Throughout the year we laid the groundwork to enter into an agreement with Biogen as a commercialization partner, an agreement which was finalized in February 2022. We feel that Biogen is an ideal partner for the commercialization of Xcimzane™ as they have a highly complementary product portfolio and a wealth of knowledge and experience concerning TNF-alpha inhibitors. In accordance with the agreement with Biogen, Xbrane will be responsible for running the pre-clinical development, after which Biogen will take over operating and financing the remaining development, including clinical trials. Biogen will pay USD 8 m up front and a further USD 80 m in development and sales-based payments, in addition to royalties on the sales. Though investment in the pre-clinical phase is limited, the deal is thought to be particularly attractive in terms of return on invested capital. Furthermore, the deal

with Biogen allows Xbrane to focus on what we do best, namely, applying our patented platform technology to the development of cost-effective production processes for biosimilar candidates, as well as freeing up resources for our new product candidates. The deal represents a business model we will strive for with future products as well.

Development of our platform technology and associated IP portfolio

During the year we have expanded our platform technology and strengthened IP protection with eight new patents approved and a further twelve patent applications submitted. Five of the approved patents represent a broadening of our original technology platform, from production of proteins in host cells of the form *E. coli* to mammalian cells. The patent protects new DNA sequences we have used as part of how we instruct the host cells to produce the protein of interest. This resulted in a significant increase in productivity and thereby reduction in the expected production costs of Xdivane™. This is incredibly important for us, as a large portion of our future portfolio of biosimilars will be produced in mammalian cells.

Portfolio of biosimilar candidates within oncology

This year we have worked on process development for Xdivane™ and started the development of two new biosimilar candidates – Xtrudane™ (reference product Keytruda®) and Xdarzane™ (reference product Darzalex®). Together, these biosimilar candidates make up an oncology portfolio addressing the reference products' annual sales of SEK 278 bn in 2021. This is an important investment for us and an opportunity to make a real difference by making these critical cancer treatments available to more patients.

Great Place to Work®

We are also very pleased that Xbrane has been certified as a Great Place to Work®. We strive to be a purpose-driven organization with strong values, as reflected in our high Trust Index™. This is an important foundation for the Company's future success and for the achievement of our ambition of being the most attractive employer in our field.

Important milestones over the next 12-month period

We find ourselves in a very exciting position ahead of the market approval and launch of Xlucane™. Below are some of the most important milestones we look forward to delivering on in the next 12 months:

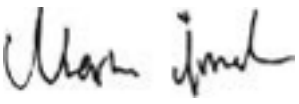
- Apply for US marketing authorization approval for Xlucane™
- Finalize agreements with additional partners for the sale and marketing of Xlucane™
- Obtain marketing authorization approval and launch Xlucane™ in Europe
- Scale up the production process for Xcimzane™ and prepare for beginning of clinical trials

In making our significant agreement with Biogen, Xbrane has been given further external validation of our unique patented platform technology for the development of cost-effective biological drugs and established ourselves as one of the world's leading developers of biosimilars. It has also allowed us to strengthen our pipeline with two new biosimilar candidates for leading oncological drugs with current total sales of SEK 210 bn.

2021 was an exciting and significant year for Xbrane. During the year, the Xplore study was completed and despite the pandemic was fully recruited with 580 patients. The Xplore study met the primary endpoint and application of marketing authorization in the EU was submitted shortly after. This is a remarkable achievement and I want to sincerely thank all our employees and partners for outstanding efforts during the year.

Thank you for your continued support.

Solna, March 31, 2022



Martin Åmark
Chief Executive Officer

Business concept and objectives

Xbrane develops and manufactures biosimilars of difficult-to-manufacture and often very expensive originator medicines. Xbrane uses its patented platform technology and in-depth knowledge to manufacture biosimilars where few other developers are successful.

The patented platform technology delivers significant cost benefits, enabling Xbrane to offer its biosimilar products at a lower cost than the originator drug. For patients who do not have access to the originator drug for cost reasons, Xbrane's lower pricing can be crucial in terms of whether the patient can be offered a treatment. Our business is based on our belief that if a treatment exists, it should be available to everyone.

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

Mission
To develop and manufacture cost-effective biosimilars to difficult-to-manufacture drugs.

What are biosimilars?
Biosimilars are approved drugs that are similar to a biological reference product in terms of quality, safety and efficacy. Biosimilars can be developed and manufactured when the patent protection of a drug expires.

A purpose-driven journey

Xbrane is a purpose-driven organization. Our common pursuit of the equal right of all human beings permeates everything we do.

Biological drugs are very effective in treating a number of serious medical conditions that affect many people, such as eye diseases like age-related macular degeneration, autoimmune diseases such as rheumatoid arthritis and psoriasis, and cancer. At the same time, biological drugs are expensive and only a fraction of the world's population has access to them. For example, the cost of medicines for treatment with Opdivo® and Keytruda®, which revolutionized the treatment of previously incurable cancer, is over SEK 1 m per patient per year. Biological drugs in the US account for 40 percent of drug costs but are given to only 2 percent of the population. Patients' debt burden is increasing, and more and more people are being forced to live under financial stress after fighting and surviving cancer.

At Xbrane, we think this situation is unacceptable. *Our purpose is clear – to be able to contribute to equal opportunities for health for the whole world's population. If there is a treatment, it should be available to everyone who needs it.*

We apply the latest science to develop as cost-effective biological drugs as possible. When the patents are based on the reference drugs we have used in our development work, we can introduce biosimilars at a lower price. This makes the treatment available to more people.

Developing biological drugs is an intellectually challenging and risky activity, where many parts have to fall into place and unforeseen things can always happen. This is exactly what makes it so meaningful to us at Xbrane. Our journey is a purpose-driven adventure and we are privileged to be part of it.

Xbrane's values

Xbrane has a strong culture with common values working as an integral part of our everyday lives. The work of evaluating the values that unite the company and lead our daily work, was done jointly by all employees in early 2020. As a growing and learning organization, we work continuously with dialogue and evaluation to keep our culture alive.

Mutual values in a team can be difficult to see, and when it comes to trying to understand oneself, it is often best to try and see actual action and derive the underlying values from them. We saw such an action pattern and felt mainly during the development of Xlucane™, that we expressed it as "Impossible is nothing". We thought this slogan had come from our team until we discovered that it is a quote from Muhammed Ali which was then used by Adidas. However, we did not feel that we had any problem using an expression, already used by another Company. After all, our business concept is based on building on existing research, science and products. In the same spirit, we decided on four clear values that we felt, based on our mutual behavior, especially when faced with difficult challenges, made us successful historically, and should carry the team forward towards new adventures.

Impossible is nothing
To always believe that it is possible. To always look for solutions, even when it seems impossible.

Beat yesterday
To always try to make things better. To be innovative. To be at the absolute forefront of research.

Make it happen
To be proactive and make things happen. To be quick and agile.

We win as one
To really work as a team. To understand that all skills are needed to succeed with a complex drug program. To celebrate success together. To bear adversity and failure together.

Strategy

Xbrane's strategy is to develop and manufacture high-quality, cost-effective biosimilars based on a unique platform technology and leading expertise. Xbrane focuses on difficult-to-manufacture and niche pharmaceutical products where we believe we have a competitive advantage over other biosimilar developers.

Based on its platform technology, Xbrane will have a significant competitive advantage in relation to originator drugs and other biosimilar companies, by having the lowest production cost within each market

Xbrane's strategy is built on three cornerstones

1

Leading expertise and unique platform technology

It is of the utmost importance for Xbrane's long-term success to develop leading expertise within the areas that are critical for development and production of difficult-to-manufacture biosimilars. Critical areas of expertise that Xbrane is establishing are primarily within fermentation, purification and analysis of proteins, development and GMP production, as well as clinical and regulatory areas of expertise.

During the development of our products, we continuously strengthen our technological platform and work actively with the IP portfolio around the platform. We are expanding our libraries of proprietary cell lines, fermentation and purification methods, and critical analytical methods. All this is the basis for the successful development of high-quality and cost-efficient biosimilars.

2

Developing high-quality and cost-effective biosimilars

Xbrane selects products to develop after a thorough analysis of the sales and profitability potential among different products and also of where the advantage of Xbrane's platform technology can be fully utilized. The focus for the development is to develop products which meet the high level of regulatory requirements for quality at the lowest possible production cost. Xbrane's patented platform technology is the basis for cost-effective production, but the focus is also on other aspects that affect cost, such as fermentation and purification protocols, selection of contract manufacturer and administration systems.

3

Establishing networks of locally strong sales and distribution partners

Xbrane is gradually developing a network of local and regional collaborative partners for sales and marketing of its products. The aim is to use this network to enable the launch of the leading product candidate Xlucane™ as well as additional products over time. It is critical for Xbrane to establish partners that have a strong local presence and that can realize the full sales potential of the respective products in their market.

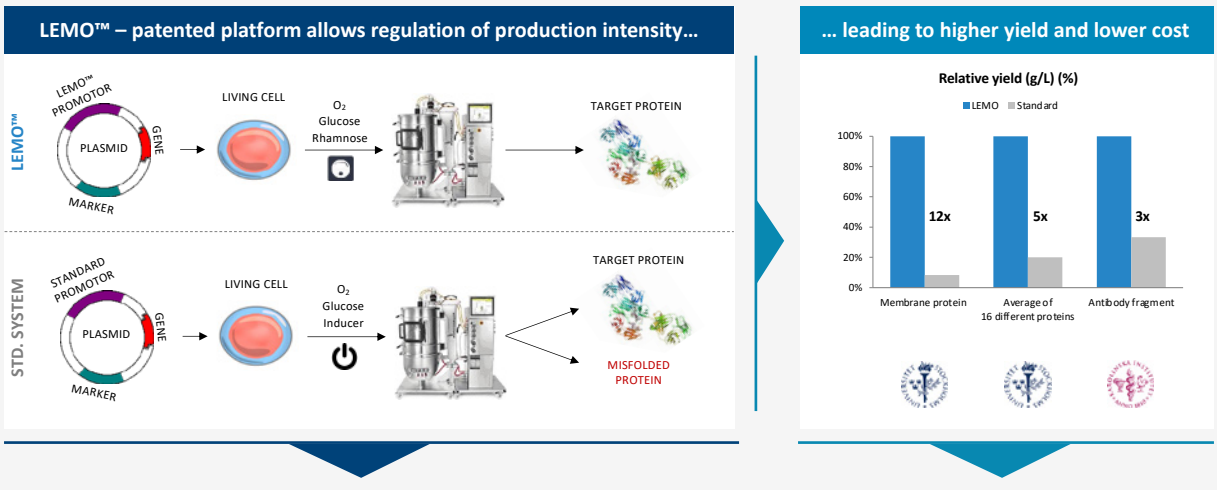
Technological platform

Xbrane's patented platform technology has shown a significantly higher yield than standard technologies in a number of academic studies, which enables lower production costs.

In biological drugs, including biosimilars, the active component is protein, which can be produced in different types of host cells. Xbrane manufactures its biosimilars in two different types of host cells: the bacterial cells *E. coli* and the mammalian cells CHO, respectively. The production of *E. coli* bacteria uses a technology based on Xbrane's patented platform technology LEMO LE (LEss is MOre)[1], which has shown up to twelve times higher yield 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 host cells.

Therefore, LEMO™ differs from standard systems, where the production intensity is pre-set to a very high level. Being able to control 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 termination of production in host cells due to excessive workloads. In combination with advanced molecular biological design, where the cells have been genetically reprogrammed to fit perfectly with the LEMO-based system, this leads to higher productivity, i.e. a greater amount of high-quality target protein per liter of fermentation media.

Advances with the Company's main product Xlucane™ has meant greater research and development resources for Xbrane's platform technology, resulting in eight approved patents in 2021, in addition to the two patents already approved. A number of these patents relate to extending the platform for expression in mammalian cells, where Xbrane™ has seen a significant improvement in yield compared to established developers during the development of the product candidate Xdivane™. 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 culturing cells, increasing productivity, purifying the target protein and analyzing and characterizing the target protein produced. The Company sees clear improvements in terms of productivity and quality for our biosimilars in the future portfolio.



Allows for regulation of production intensity thereby maximizing the amount of target protein

Up to 80 percent cost reduction for drug substance

Sources:
1) Wagner et.al. – Escherichia coli for membrane protein overexpression, September 2008.

Portfolio of product candidates

Xbrane has a portfolio of five active product candidates for a range of treatment areas. This includes a number of serious eye diseases, several different types of cancer and, among others, rheumatoid arthritis, psoriasis and Crohn's disease. Of the candidates, Xlucane™ is the closest to market approval.

Xlucane™

Xlucane™ is a biosimilar candidate for ranibizumab (original drug Lucentis®), a VEGFa-inhibitor, and it is used to treat a number of serious eye diseases: wet age-related macular degeneration (AMD), diabetic macular edema (DME), diabetic retinopathy (DR) and retinal vein occlusion (RVO). The VEGFa-inhibitors market had sales of more than SEK 119 bn[1,2,3] in 2021 and grew by more than 14 percent[1,2,3] this year.

In April 2019, Xbrane started the registration-based phase III trial, Xplore, a randomized, double-blind multicenter trial to assess the efficacy, safety, pharmacokinetics and immunogenicity of Xlucane™ for patients with wAMD compared with Lucentis®. The trial's primary measure of efficacy was the change in Best Corrected Visual Acuity (BCVA) at week eight. wAMD patients were randomized (1:1) and received monthly intravitreal injections of Xlucane™ or the reference product Lucentis® for one year. The trial, which was carried out in 15 countries at approximately 140 clinics, was fully recruited with 583 patients in November 2020, despite the ongoing pandemic.

Xlucane™ met the primary endpoint of efficacy in Xplore and showed equivalent efficacy measured in vision improvement at week eight after beginning treatment compared with the reference product Lucentis®. According to Xbrane's assessment, no clinically significant differences between Xlucane™ and Lucentis® could be observed in secondary measures of efficiency and safety.

Xbrane has signed a co-development agreement with STADA on the development and commercialization of Xlucane™ in Europe as well as a number of markets in the Middle East and the Asia-Pacific region. In 2020, Xbrane and STADA also signed an agreement with Bausch + Lomb that will commercialize Xlucane™ in North America.

STADA submitted an application for market approval to the EMA in September 2021.

Xcimzane™

Xcimzane™ is a biosimilar to certolizumab pegol (original drug Cimzia®), a TNF inhibitor used primarily in the treatment of rheumatoid arthritis and psoriasis. The market for TNF inhibitors had sales of around SEK 365 bn[4] in 2021 and Cimzia® SEK 19 bn[5] in 2021. Cimzia® patent protection is expected to expire in 2024 in the US and 2025 in Europe.

Xcimzane™ is now undergoing pre-clinical development, and a cost-efficient production process has been established. As the next step in production and upscaling, an agreement has been made with AGC Biologics to produce Xcimzane™ ahead of upcoming clinical trials. Xbrane has entered into a development and commercialization agreement with Biogen, in which Biogen receives full global rights to the product. The agreement requires that Biogen pay USD 8 m up front and a further USD 80 m in development and sales-based payments, in addition to royalties on the sales.

Xdivane™

Xdivane™ is a biosimilar to nivolumab (original drug Opdivo®), a PD1-inhibitor for the treatment of various cancers with sales of around SEK 68 bn[6] in 2021. Opdivo® patent protection is expected to expire during 2026–2031, depending on the country.

Xdivane™ is undergoing pre-clinical development with a focus on developing a cost-efficient production process and demonstrating biochemical similarity to the original drug. When this step is completed, upscaling with a production partner will follow, after which the product can be taken into clinical trials.

Sources:
1) Novartis Annual Report 2021
2) Roche Annual Report 2021
3) Regeneron Year-end report 2021
4) Research and markets Global Tumor Necrosis Factor (TNF) Inhibitors Market 2018-2026: A $181.13 Billion Market Opportunity by 2026
5) UCB Annual Report 2021
6) BMS Year-end report 2021
7) Merck Year-end report 2021

Xtrudane™

Xtrudane™ is a biosimilar candidate for pembrolizumab (original drug Keytruda®), a PD1-inhibitor for the treatment of various cancers with sales of around SEK 155 bn[7] in 2021. Keytruda® patent protection is expected to expire during 2029–2031, depending on the country. Xtrudane™ is undergoing pre-clinical development with a focus on developing a cost-efficient production process and demonstrating biochemical similarity to the original drug. When this step is completed, upscaling with a production partner will follow, after which the product can be taken into clinical trials.

Xdarzane™

Xdarzane™ is a biosimilar candidate for daratumumab (original drug Darzalex®), an antibody that binds to CD38 for the treatment of multiple myeloma with sales of around SEK 55 bn[7] in 2021. Darzalex® patent protection is expected to expire during 2029–2031, depending on the country.

Xdarzane™ is undergoing pre-clinical development with a focus on developing a cost-efficient production process and demonstrating biochemical similarity to the original drug. When this step is completed, upscaling with a production partner will follow, after which the product can be taken into clinical trials.

Xoncane™

Xoncane™ is a biosimilar to pegaspargase (original drug Oncaspar®), used in treatment for acute lymphatic leukemia. In 2018, sold for about SEK 3 bn[8]. Xbrane is not actively developing Xoncane™ at present but is seeking a partner that can drive the development forward.

Spherotide

Spherotide is a long-acting formulation of triptorelin, a GnRH analog used in the treatment of prostate cancer, endometriosis, fibroids and breast cancer. The rights to Spherotide are owned by Xbrane's subsidiary Primm Pharma.

Xbrane is not actively developing Spherotide at present but is working to divest Primm Pharma.

Product portfolio

Product	Original drug	Primary indication	Estimated sales of originator drug	Patent expiry of original drug	Development phase
Xlucane™	Ranibizumab (Lucentis®)	Wet age-related macular degeneration, diabetes-related eye damage and retinal vein occlusion.	SEK 33bn [1,2,3]	2022 (Europe) 2020 (USA)	Registration phase
Xcimzane™	Certolizumab pegol (Cimzia®)	Rheumatoid arthritis, axial spondylarthrosis, psoriatic arthritis, psoriasis and Crohn's disease.	SEK 19bn [4]	2024 (USA) 2025[9] (Europe)	Preclinical phase
Xdivane™	Nivolumab (Opdivo®)	Melanoma, lung cancer, kidney cell cancer, head and neck cancer and bladder and urinary tract cancer.	SEK 68 bn [5]	2026–2031 depending on country	Preclinical phase
Xtrudane™	Keytruda®	Brain cancer, melanoma, lung cancer, kidney cell cancer, head and neck cancer and bladder and urinary tract cancer.	SEK 155bn[6]	2029–2031 depending on country	Preclinical phase
Xdarzane™	Darzalex®	Multipelt Meylom	SEK 55bn[7]	2029-2031 depending on country	Preclinical phase
Products where no further development is being carried out					
Xoncane™	Pegaspargase (Oncaspar®)	Acute lymphocytic leukemia.	SEK 3bn[8]	Expired	Preclinical phase
Spherotide	Triptorelin (Decepeptyl®)	Prostate cancer, breast cancer, endometriosis and fibroids.	SEK 5bn[9]	Expired	Preclinical phase

Sources:
1) Novartis Annual Report 2021
2) Roche Annual Report 2021
3) Regeneron Year-end report 2021
4) UCB Annual Report 2021
5) BMS Year-end report 2021
6) Merck Year-end report 2021
7) Johnson & Johnson Year-end report 2021
8) SERVIER Group financial year 2020 / 2021
9) Ipsen Year-end report 2021

Patent protection

An expanding patent portfolio provides opportunities to enter into strategic partnerships and strengthens the Xbrane brand. The most important regions for the protection of intellectual property (IP) are Europe and the US, but applications may also be made in other countries.

As Xbrane is an innovative Company that invests significantly in R&D, our goal is to file strategically important patent applications to protect its core technologies and products.

Expanding patent portfolio

The expanding patent portfolio will facilitate the implementation of our business strategies, such as licensing and strategic business partnerships or alliances to commercialize biosimilars and biosimilar production platforms.

Xbrane plans to file patent applications that protect a wide range of technologies, from protein production and 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 our products and methods have a market there. We are also applying for international patents to have further strategic alternatives in a large number of countries.

Xbrane's LEMO™ platform technology is patent protected in Europe and the US until 2029. In 2020 and 2021, the two patents which were filed in 2009 were complemented with a total of 23 pending patent applications "harvested" from five different development programs. Eleven of these patent applications were filed in 2020 and four of them were followed up in 2021 with international patent applications which provide provisional protection in 153 countries.

Strengthen the Xbrane brand

The Swedish Intellectual Property Office (PRV) granted eight patents in 2021. Three relate to DNA constructs for regulation protein production and were co-filed with CloneOpt AB. Five of the patents resulted from the development of Xdivane™ and form the foundation for the emerging high-yield expression platform in mammalian cells upon which Xbrane will base much of its upcoming development of biosimilar candidates.

The patent applications protect certain novel sequences in the gene construct introduced in the host cells, instructing them to express the target protein. These DNA sequences have resulted in a significant increase in yield and can be applied for future biosimilar candidates expressed in mammalian cells. The rest of the patent applications relate primarily to DNA constructs, host cells and/or methods of producing Xlucane™ (2 patent applications) and Xcimzane™ (8 patent applications). The patent applications for the protection of Xlucane™ have been co-filed with STADA.

The expanding patent portfolio will strengthen Xbrane's brand, protect our own and our partners' products and enable more outlicensing of IP in the future.

Market for biosimilars

Xbrane operates in the market for biosimilars, that is, approved drugs that are similar to a biological reference product. The biosimilars can be launched when the reference products have lost their patent protection. By 2028, the market is expected to grow to SEK 941 bn[1].

Biological drugs are highly effective protein drugs produced in living organisms. With the advent of recombinant DNA technology in the late 1970s, biologics emerged as a new source of medicines. Since then, biological drugs have revolutionized the treatment of serious disease such as diabetes, multiple sclerosis, cancer, and more recently, also arthritis, skin, and eye diseases.

The proteins which constitute active pharmaceutical ingredients (APIs) in biological drugs are much larger in size and more sophisticated in complexity compared with ordinary small molecules which are produced through chemical synthesis. A small molecule, such as acetylsalicylic acid in Aspirin, for example, has a weight of 180 Daltons compared with ranibizumab, the active pharmaceutical ingredient in Lucentis®, the reference drug for Xbrane's product candidate Xlucane™, which has a mass of 48,000 Daltons.

Biosimilars resemble biological reference products

Biosimilars are approved pharmaceuticals that are highly 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 the US via stringent regulatory pathways following loss of exclusivity of their originator reference products. The development of biosimilars requires extensive expertise in protein expression, purification, analytics as well as clinical and regulatory aspects.

Competitive cost

Because biosimilars provide competition to the brand products and are typically 20–40 percent less expensive than the original drugs, they help to reduce the cost to healthcare providers and thus to make these drugs available to more patients.

Complex development and production

Because of their size, the structural complexity, and the living organism systems they are derived from, the development and production of biosimilars demands a great deal of time, effort and expertise. The reverse engineering of these drugs is made even more difficult because of the natural variations which occur in these biological molecules. The essential principle in the development of any biosimilar drug is similarity with the established reference drug. To achieve this threshold, the producer of the biosimilar must ensure that the drug quality, safety and efficacy are comparable to the biological reference product. A small molecule can be characterized and

Sources:

1) Vantage Market Research *"Biosimilars Market to Reach USD 103.94 Billion by 2028 - Low Priced Biosimilars to Boost the Market Demand"*

compared in-vitro with the original molecule and shown to be an exact copy. This is not the case for proteins where different analytical methods must be used to characterize the protein and demonstrate as high a likeness, or biosimilarity, as possible, compared with the originator drug. The time it takes to complete the development of a biosimilar is, on average, six to seven years. Because of the complexity involved, there are only a very limited number of companies in the world with the know-how and capabilities to develop and produce biosimilars, particularly when it comes to meeting the strict regulatory standards in Europe and the US.

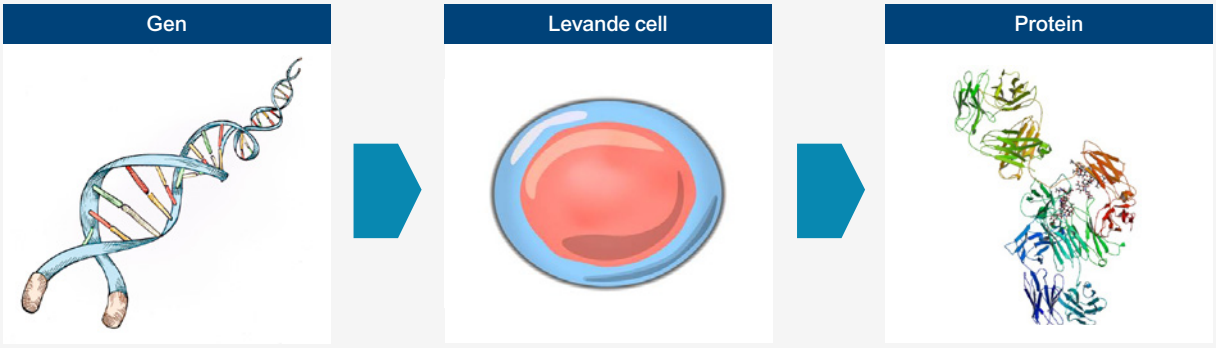
Approval requires similarity

The first biosimilar was approved in the EU in 2006, whereas it took nine more years until the US approved the first biosimilar in 2015. Biosimilar drugs require a far greater investment in terms of time and effort to gain regulatory approval than conventional generic drugs. To obtain regulatory approval, the sponsor of the biosimilar must demonstrate similar quality, safety, and efficacy of the biosimilar to the original biopharmaceutical. This is proven by comprehensive analytical assessments and clinical studies.

Annual growth of 25 percent

While biological drugs are remarkably effective at treating severe diseases, they are at the same time often very costly, posing a financial burden for the healthcare systems of even the wealthy, developed countries. Because biosimilars provide competition to the brand products and are typically 20–40 less expensive than the original drugs, they help to reduce the cost to healthcare providers and thus to make these drugs available to more patients. Until 2026, the biosimilar market is expected to grow to EUR 85 bn with an annual growth of approx. 25 per year[1].

»Because biosimilars provide competition to the brand products and are typically 20–40 percent less expensive than the original drugs, they help to reduce the cost to healthcare providers and thus to make these drugs available to more patients.«



Biological originator drug:	• Gene introduced to cell instructing it to produce target protein	• Separation of the protein as active substance in drug, typically patent protected
Biosimilar:	• Gene instructing cell to produce identical protein as originator product	• Can be demonstrated as highly similar but not identical to originator product, sold at discount post patent expiry

Sources:
1) Mordor Intelligence

Market for Xlucane™

The launch is approaching for Xbrane's main product candidate Xlucane™ for the treatment of eye diseases. The medical need is huge. Xbrane estimates that the product will generate net revenue of around SEK 1 bn after deductions for costs and profit sharing.

Xlucane™ is Xbrane's biosimilar candidate for treatment of wet age-related macular degeneration and diabetes related eye diseases. These diseases affect the macula, which is the central area of the retina, resulting in a gradual loss of the central vision. The most common cause of macular degeneration is old age and next to cataracts, it is the second most common cause of impaired vision among people over 70 and is one of the leading disease-related causes of blindness. The wet form of macular degeneration results from abnormal blood vessel formation under the retina. These abnormal blood vessels may leak fluid or blood, which results in swelling, gradual loss of vision and vision distortion. If it is not treated in time, a scar develops under the macula increasing the risk of the loss of the central vision, including detail vision.

High medical need

Xbrane estimates that the wet form of age-related macular degeneration and diabetes-related macular edema affect about 18 million individuals globally[1].

The Company estimates that about 2.5 million patients undergo treatment for these diseases with approved VEGFa-inhibitors for ophthalmic use in Europe and the US. These are injected into the eye's vitreous chamber and inhibits the growth of the abnormal blood vessels that cause vision loss.

The majority of affected individuals in developing countries go untreated. There is a high unmet medical need for these treatments, not only in developing countries but also in Europe and the US.

Reference products and potential

The approved VEGFa-inhibitors used for the treatment of these eye diseases are Lucentis® and Eylea®. On average, patients are given 4–6 doses per year of Lucentis® and Eylea® which cost about SEK 7,000 and SEK 16,000 per dose on average in Europe and in the US respectively[3]. VEGFa-inhibitors for the treatment of eye diseases generated global sales of about SEK 119 bn[4,5,6] in 2021, of which about SEK 33 bn[4,5] came from the sales of Lucentis® and about SEK 85 bn[6] came from Eylea®. Apart from these, another drug, Avastin®, a VEGFa-inhibitor used for the treatment of certain cancers, is also used in some regions due to its lower treatment cost.

Xbrane expects that Xlucane™ will generate net income to Xbrane amounting to SEK 1 bn, after deduction of production costs, sales and marketing cost at partners as well as split of revenue according to co-development agreements.

Facts:

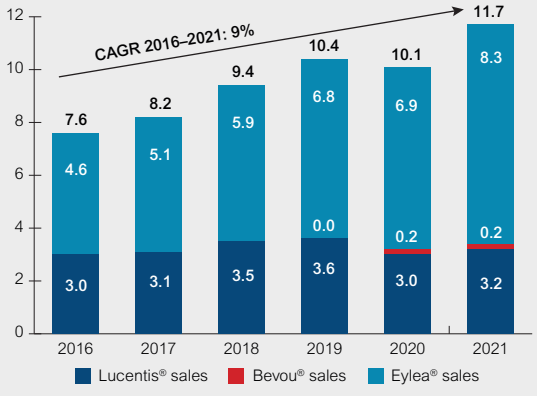
Indications: Eye diseases: wet age-related macular degeneration (Wet AMD), diabetic macular edema (DME), proliferative diabetic retinopathy (PDR) and retinal vein occlusion (RVO).

Prevalence: 18 million patients (Wet AMD, DME)[1]

Treated patients in Europe and US: 2.5 million patients[7]

Market 2021: SEK 119 bn[4,5,6]

On label VEGFa inhibitors Ophtalmic use (€b)



Sources:
1) Epidemiology of age-related macular degeneration (AMD): associations with cardiovascular disease phenotypes and lipid factors Katie L. Pennington and Margaret M.DeAngelis. Antiangiogenic drugs in the management of ocular diseases: Focus on antivascular endothelial growth factor Yukio Sassa and Yasuaki Hata Epidemiology of diabetic retinopathy, diabetic macular edema and related vision loss Ryan Lee, Tien Y. Wong, and Charumathi Sabanayagam.
2) Annual Report 2019, Swedish Macular Register.
3) IQVIA interim report April – June 2019
4) Novartis Annual Report 2021
5) Roche Annual Report 2021
6) Regeneron Year-End Report 2021
7) Xbrane's internal analysis based on production, sales, pricing on the market and number of treatments.

Market for Xcimzane™

With Xcimzane™, Xbrane is developing a new product for the treatment of autoimmune diseases. Xcimzane™ is a biosimilar to Cimzia®, which is clinically proven to be safe for use by pregnant and breastfeeding women. The patents for Cimzia® expire in 2024 in the US and 2025 in Europe, and Xcimzane™ is the only known biosimilar under development.

Xcimzane™ is a biosimilar candidate for the drug Cimzia®, a TNF inhibitor used to treat rheumatoid arthritis, psoriasis, Crohn's disease and ankylosing spondylitis (AS). The common factor in these 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.

Lifelong treatment

Autoimmune diseases are chronic diseases, and most patients suffer from the conditions will need lifelong treatment. Treatment typically starts with immunosuppressant drugs such as methotrexate which delays the inflammation, but when this is no longer sufficient, TNF inhibitors are used.

TNF is a signaling 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 signal protein, TNF inhibitors can slow down the immune system and thus alleviate several autoimmune diseases.

There are five approved original drugs in the TNF inhibitors class: Cimzia®, Humira®, Enbrel®, Simponi® and Remicade®, of which patents have expired in Europe for Humira®, Enbrel® and Remicade®, and 11 biosimilars have been launched as a result. In total, the TNF inhibitors pharmaceutical class have a turnover of around SEK 365 billion annually[1], of which Cimzia® accounts for SEK 19 bn[2].

Cimzia® is a success

Over the past five years, sales of Cimzia® have increased by around 23 percent per year despite increased competition from biosimilars on several of the other TNF inhibitors. The main reason behind this is that Cimzia® is the only TNF inhibitor that is clinically proven to be safe for use by pregnant and breastfeeding women. This is an important segment of the market, as about 10 of those developing rheumatoid arthritis and 20 percent of those developing psoriasis are women under the age of 40[3].

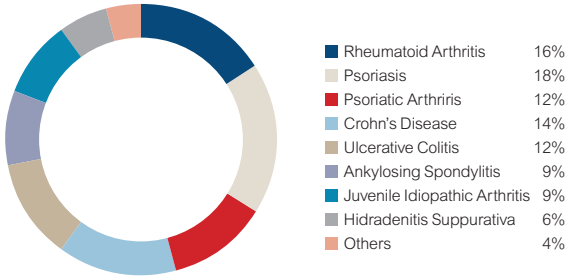
Biosimilars introduced in Europe for Humira®, Enbrel® and Remicade® have, for all these products over time, driven down the price by 22 percent and increased the number of treatment days per capita by 90 percent and thus had a major impact on both savings for the health and healthcare system and accessibility[4]. The biosimilars had a major impact as biosimilars for Humira® had attained a 35 percent market share in Europe 12 months after launch, while biosimilars for Remicade® and Enbrel® had reached 67 percent and 50 percent market share respectively a couple of years after launch. As the treatment cost per patient for Cimzia® is approximately SEK 100,000 per year in Europe and SEK 500,000 in the US, it is important to introduce biosimilars to generate savings and increase availability.

Xcimzane™ is the only candidate

The patents for Cimzia® expire in 2024 in the US and 2025 in Europe. To our knowledge, Xcimzane™ is the only biosimilar candidate being developed globally for Cimzia®. One reason for this is that Cimzia® it is a difficult-to-manufacture product where the productivity of the production system, i.e., number of grams per liter of fermentation media produced, is critical to achieve a commercially viable production cost and to be able to produce sufficient volumes on an existing production scale worldwide. Xbrane has succeeded in this thanks to its patented technological platform.

Xcimzane™ is a biosimilar candidate for the drug Cimzia®, a TNF inhibitor used to treat rheumatoid arthritis, psoriasis, Crohn's disease and ankylosing spondylitis (AS). The common factor in these is that they are "autoimmune diseases", which means that they are caused by the body's own immune system running amok and attacking healthy tissue in the body.

Global market share of TNF inhibitor drugs (proportion of users) 2018 (%)[1]



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 2021
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 Europé, IQVIA December 2020

Market for Xdivane™, Xtrudane™ och Xdarzane™

Several biosimilar candidates are being developed for the treatment of cancer, the closest being Xdivane™, Xtrudane™ and Xdarzane™. The market for the reference drugs is currently estimated at around SEK 278 bn[2,3,4].

Xdivane™ & Xtrudane™ (anti-PD-1)
Xbrane has initiated the development of Xdivane™ and Xtrudane™ to gain a foothold in the competitive yet attractive space of checkpoint inhibitors. In addition to the proven developmental capabilities of the team, Xbrane also has its proprietary protein production technology, which creates the most cost-efficient processes. As the patent cliff of the original drugs Opdivo® and Keytruda® occurs mainly between 2029–2031 in major territories, Xbrane expects to be able to bring the products to market in conjunction with the patent expiration.

Xdivane™ is a biosimilar candidate for BMS's original drug Opdivo® (nivolumab). Studies are ongoing in multiple cancer types. BMS has partially compensated for this through continued growth in other indications (melanoma, renal cancer), as well as use in adjuvant setting of melanomas. The global sales of Opdivo® are projected to reach SEK 68 bn in 2021[2] and USD 12.8 bn in 2025.

Xtrudane™ is a biosimilar candidate for MSD's Keytruda® (pembrolizumab), an anti-PD-1 monoclonal antibody. Like Opdivo®, Keytruda® has been approved for multiple indications with many additional studies ongoing. To date, Keytruda® has been approved in 18 tumor indications and is dominant in 1st line lung cancer. Keytruda® is expected to continue to hold majority share in lung cancer, and it also has strong positions in melanoma, bladder cancer, RCC, and SCCHN. Looking at longer term, new indications, including use in adjuvant settings, are expected to drive solid growth of this product. In 2021, Keytruda® has reached global sales of SEK 155 bn[3]. This is expected to grow to USD 21.2 bn in 2025.

Xdarzane™ (anti-CD38)
Xdarzane is a biosimilar candidate for the reference product Darzalex® (daratumumab), a monoclonal antibody targeting CD38 for the treatment of multiple myeloma (MM). Darzalex® was first approved in 2015 by the FDA for the treatment of MM following three prior therapies, but thereafter expanded its label to front line treatment of MM. The good treatment effects of Darzalex has also been translated to a great commercial success as the global sales reached >USD 1 bn in the second year of its commercialization. Darzalex® was initially developed by Genmab and is now jointly marketed by Genmab and Johnson & Johnson worldwide.

Patent protection for Darzalex® will end around 2030 in the major territories, which gives Xbrane a sufficient time margin for Xdarzane™ to reach the market when the patent expires. In 2021, Darzalex® reached global sales of SEK 55 bn[4].

Sources:
1) Grand view research
2) BMS Year-end report 2021
3) Merck Year-end report 2021
4) Johnson & Johnson Year-end report 2021
5) Vital Signs: Prevalence of Doctor-Diagnosed Arthritis and Arthritis-Attributable Activity Limitation – United States, 2013–2015,
6) Incidence and Risk Factors for Psoriasis in the General Population
7) The Impact of Biosimilar Competition in Europé, IQVIA December 2020

Employees, culture and organization

Great diversity and a high level of expertise are what characterize Xbrane's employees, who are often driven by doing a public good and working with innovative technology. A strong Company culture is the result of clear values. During the year, a new way of working was introduced which incorporates cross-functional teams and hybrid project management.

Xbrane is a knowledge-intensive Company, and its employees represent different nationalities and languages, cultures and skills which extend over a large number of areas within research and development and production engineering. This diversity is a strong contributing factor to the Company's development. Over the past year, 22 new employees have been hired, and in total we now have 58 people working towards the continued success of the business.

Within Xbrane we work together on an equal footing, in the same direction and towards the same goal. A key principle is to involve all employees so that we can learn from one another's perspectives and experiences. In this way, we safeguard the Company's collective intelligence. Xbrane strives to be a learning organization, where each employee has an individual development plan with objectives for both professional and personal growth.

A major reason why employees choose Xbrane is the Company's overall objective of making pharmaceutical treatment possible for more patients – ultimately, to perform a social good. Other reasons are the opportunity to work with innovative technology, use their innovation and problem-solving skills, and to take part in building the Company.

Xbrane aims to be a safe and health-promoting workplace, an ambition that also forms an integral part of our sustainability work. Please refer to page 46.

The Company's goal of balanced gender distribution was almost fulfilled in 2021, with a distribution of 59 percent women and 41 percent men. Xbrane was also included in Allbright's Green List as one of 67 publicly traded Swedish companies with gender equality (out of a total 347 evaluated).

In 2021, Xbrane received the certification of Great Place to Work®, after its first application.

Culture

As a growth Company in biotech, Xbrane is characterized by innovation and entrepreneurship, and a clear majority of our employees hold shares in the Company. Xbrane has a strong culture, which is the result of clear shared values. Our values and the behaviors associated with them are a

natural part of day-to-day operations. Employees give each other positive feedback on behaviors that are in line with the Company values, which helps to strengthen the culture. Innovation and collaboration are the core of Xbrane's business.

We measure our eNPS, (employer Net Promotion Score) every quarter to gauge employee satisfaction and strive to actively process the results together to achieve the best effects. In 2021, Xbrane was certified as a Great Place to Work®, which attests to our effort to maintain a good organizational culture.

Great Place to Work®

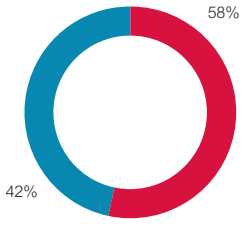
We are very pleased that Xbrane has been certified as a Great Place to Work®. We strive to be a purpose-driven organization with strong values, as reflected in our high Trust Index™. This is an important foundation for the Company's future success and for the achievement of our goal of being the most attractive employer in our field.

Organization

In 2021 we changed our organizational structure with the aim of clarifying the Company's workflow. A new program management role was introduced to lead cross-functional teams from the start of a new product's development to commercialization. Collaboration within the organization, both in the cross-functional teams and among the functional teams, is essential to the Company's success.

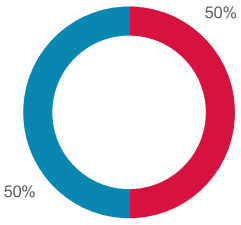
During the year we also introduced a new project management model based on hybrid project management, in which traditional project management is combined with an agile and flexible way of working. This model makes it possible to quickly identify which preventive measures need to be taken. Employees with different skills and perspectives help and learn from one another to find the best solution to drive the project forward. The cross-functional teams have a mandate to make decisions, be innovative, solve problems and implement changes. They are supported by a steering committee with expertise in the respective function that can provide assistance when needed.

Gender distribution employees



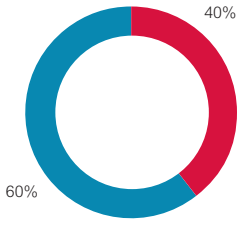
Women – 34
Men – 24

Gender distribution management



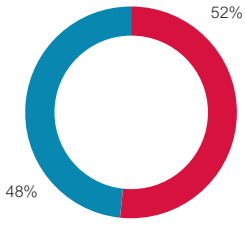
Women – 5
Men – 5

Educational level



Ph.D – 23
Other education – 35

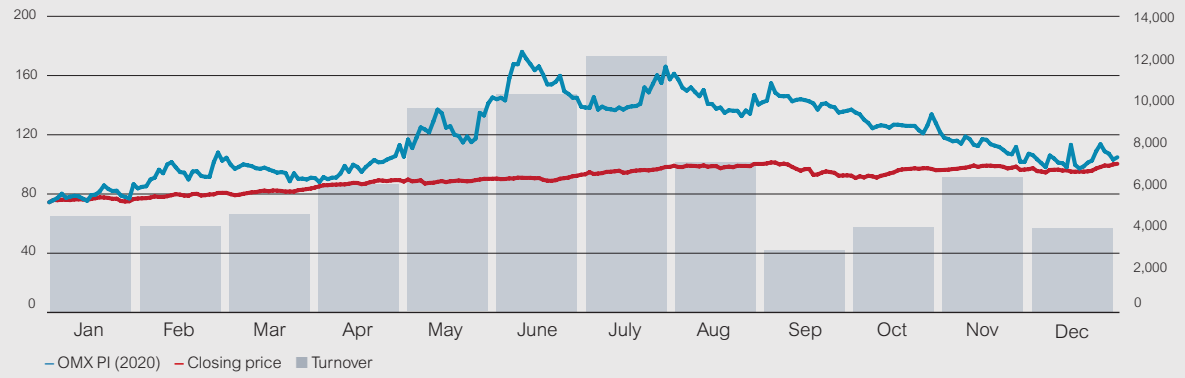
Country of birth



Sweden – 30
Country other than Sweden – 28

The shares and ownership structure

Share price development and turnover



Average value of daily turnover for Xbrane's shares on Nasdaq Stockholm in 2021 amounted to SEK 4,432,000 (3,256,000). The average turnover volume per day in 2021 amounted to 52,011 shares.

General information

Xbrane's shares have been listed on Nasdaq Stockholm since September 23, 2019, under the XBRANE ticker. Xbrane's shares were previously listed on Nasdaq First North from February 2016. The share price rose from SEK 75.80 to SEK 104.80 during 2021. Xbrane's market capitalization at the end of the year was SEK 2,624 m. In 2021, the highest closing price was SEK 176.00 on June 14 and the lowest was SEK 75.40 on January 15. The turnover of shares (excluding the new issues) amounted to 13.2 million shares worth SEK 1,618 m. According to Xbrane's Articles of Association as of December 31, 2021, 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 and are listed in Swedish kronor. 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.

Year	Event	Quota value	Change in number of shares	Total number of shares	Change in share capital	Total share capital
2021	New share issue	0.2242	2,817,700	25,039,906	631,689	5,613,597
2021	Share subscription	0.2242	21,791	22,832,204	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

Share capital

At the end of the year, the total number of outstanding shares in Xbrane was 25,039,906 shares. 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 2021 is mainly due to a new issue totaling 2,817,700 shares. At the end of the year, the share capital was SEK 5,613,597divided into 25,039,906 shares, with a quota value of around SEK 0.2242 per share.

Shareholders

As of December 31, 2021, Xbrane had around 6,200 shareholders. The number of outstanding shares was 25,039,906. The ten largest owners at the end of the year are shown in the table below[1].

Name	Number of shares	Ownership, %
Serendipity Group	3,177,367	12.7
Swedbank Robur Fonder	2,429,322	9.7
Bengt Göran Westman	2,020,531	8.1
Futur Pension	1,590,447	6.4
STADA Arzneimittel AG	1,570,989	6.3
TIN Fonder	1,435,000	5.7
Avanza Pension	895,719	3.6
Swedbank Försäkring	362,098	1.4
Nordnet Pensionsförsäkring	345,257	1.4
Lancelot Asset Management AB	340,000	1.4
10 largest shareholders, total	**14,166,730**	**56.6**
Other Swedish shareholders	**8,386,575**	**33.5**
Other foreign shareholders	**2,486,601**	**9.9**
Total outstanding shares	**25,039,906**	**100.0**

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

Dividend

The Board of Directors proposes that no dividend be paid for the financial year 2021.

Equity analysts

Pareto	Dan Akschuti
Redeye	Filip Einarsson

About Xbrane's shares

Listing	Nasdaq Stockholm
Number of shares	25,039,906
Market cap on closing date	SEK 2,624 m
Ticker	XBRANE
ISIN code	SE0007789409

Investor relations contact

For more information about Xbrane please go to xbrane.com or contact Anette Lindqvist, CFO/IR +46 (0) 76 325 60 90.

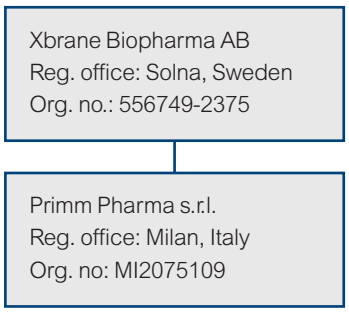
Administration report

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 financial year 2021.

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 patented platform technologies enabling cost-effective production. Xbrane has a patented protein production platform with up to 12 times[1] higher productivity compared with standard systems in *E.coli* production.

Xbrane's leading product candidate is Xlucane™, 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 SEK 332 bn[2].



Group structure

The Group's structure is described in the figure above, 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.

Significant events during the financial year

Renegotiation of license agreements

In early January 2021, Xbrane renegotiated an existing intellectual property license agreement with Vaxiion Therapeutics.

Established a new laboratory

In March, Xbrane established a new development laboratory for biosimilars at Campus Solna outside Stockholm.

Virtual capital markets day

In May, Xbrane held a virtual capital markets day. The Company announced its aim of generating a positive operating cash flow on a monthly basis through the net income from Xlucane™ at the end of 2023/beginning of 2024, and to initiate a new development project per year.

Interim analysis of Top-line data from the Xplore study

During June, top-line data was obtained from an interim analysis of the ongoing Phase III equivalence study Xplore for Xlucane™. Xlucane™ reached the primary endpoint and demonstrated equivalent efficacy with the reference drug Lucentis® in alteration of Best Corrected Visual Acuity (BCVA)) at the eighth week of treatment. The Company confirmed its intention to submit a marketing authorization application to the European Medicines Agency (EMA) during Q3, based on the interim results.

Marketing authorization application

In September, the Company's partner STADA submitted a marketing authorization application for Xlucane™ to the EMA, which was later validated by the agency.

Great Place to Work®

Xbrane Biopharma was officially certified as a Great Place to Work® by the Great Place to Work® institute.

Cooperation agreement with AGC Biologics

In October, Xbrane signed a cooperation agreement with AGC Biologics. The agreement concerns the scaling up of the existing manufacturing process for the product candidate Xcimzane™, manufacturing the majority of commercial scale batches for future phase 1 and phase 3 studies, and comparative quality studies (CAA) to demonstrate biosimilarity, as required for the marketing authorization application.

Eight new patents

In 2021, the Company was granted eight new patents by the Swedish Intellectual Property Office (PRV).

Initiated development of two new biosimilar candidates

In December, the Company announced that it had started development of two new biosimilar candidates for the reference products Keytruda® and Darzalex®, respectively. Together with the development of Xdivane™, a biosimilar candidate for Opdivo®, this forms a biosimilar portfolio in oncology corresponding to SEK 278 bn in annual sales of the reference products.

Sources:
1) Wagner et.al. Escherichia coli for membrane protein overexpression.
2) See Portfolio of Product Candidates, p.14

Transfer to Mid Cap
In December, it was announced that the Company's shares would be transferred to Nasdaq Stockholm's Mid Cap segment from January 3, 2022.

Changes in Group management
Anette Lindqvist took over as Chief Financial Officer & Head of Investor Relations in early January 2021. Erik Domines took over as General Counsel in March 2021.

New share issue in 2021
In June, Xbrane carried out a directed new share issue that raised a total of SEK 380 m before transaction costs. The subscription price was SEK 135.0 per share. Transaction costs amounted to SEK 24.2 m and included financial and legal advice. Investors in the private placement included TIN Fonder, Swedbank Robur Fonder, Lancelot Assets Management and the Serendipity Group. Through the new share issue, the number of shares increased by 2,817,700 shares to 25,039,906 shares.

Covid-19- pandemic
Management followed the development of the Covid-19 pandemic in 2021 and has taken the necessary measures to comply with the guidelines from local authorities, with the safety of the patients and clinical staff as the first priority.

Long-term market outlook unaffected
Based on available information at the time of publication of this Annual Report, Xbrane estimates that the long-term market outlook for its product candidates is largely unchanged and therefore expects to continue with its programs as planned.

Impact on operational work
In 2021, a large part of the Company's employees worked from home. This essentially has had no material impact on day-to-day operations.

Significant events after the end of the financial year
Commercialization and licensing agreement with Biogen
In February, an agreement was signed with Biogen Inc. on developing and commercializing Xcimzane™, a biosimilar candidate for the reafference drug Cimzia®. According to the agreement, Xbrane will be responsible for the preclinical development, after which Biogen will take over and run and finance remaining development, including clinical studies. Biogen will pay an up-front fee of USD 8 m and another USD 80 m in development and sales payments as well as royalties on future sales.

Complete top-line data from the Xplore study
In February, complete top-line data was published from the Xplore clinical equivalence study for Xlucane™, a biosimilar candidate for Lucentis®. According to Xbranes assessment, Xlucane™. met the primary outcome measure and no clinically meaningful differences were observed regarding secondary efficacy and safety measures.

Primm Pharma's positive cash flow
Furthermore, the Company announced in February that its subsidiary Primm Pharma had a positive cash flow through royalties from the outlicensing of IP and production equipment to its production partner ICI. Attempts to divest the subsidiary continue although the ongoing due diligence negotiations with the prospective buyer New FaDem have been paused.

Financial performance 2021
The Group's results for full-year 2021
From Q1 2021, the subsidiary Primm Pharma is reported as an "asset held for sale." This means that Primm Pharma's revenues and expenses are reported net in a separate item – "Profit/loss from discontinued operations." This also has a minor effect on previously reported periods, which means that all comparative figures and notes linked to the data have been adjusted. The effect that arises is not considered to be significant as Primm is a minor part of the Group.

The Group's revenue amounted to SEK 0.0 m (0.0) and cost of goods sold amounted to SEK -0.0 m (-0.0). Other operating income amounted to SEK 15.6 m (17.6) and mainly relates to license income from the out-licensing of the American and Canadian rights for Xlucane™ to Bausch + Lomb, which will accrue over two years, from June 2020 to May 2022. Other operating income also includes license income from non-core operations as well as exchange rate gains on operating receivables and liabilities.

Administrative expenses amounted to SEK -31.4 m (-26.5). The change relates to planned growth in the organization and non-recurring costs connected with moving to new premises. Research and development costs amounted to SEK -160.6 m (-197.3). These mainly relate to Xlucane™ and start-up costs for Xcimzane™. The biggest cost-drivers were the regulatory work and the establishment of a production chain for Xlucane™. The Xplore study was fully recruited at the end of 2020 and positive top-line data was announced at the interim read-out in June 2021, when Xlucane™ reached the primary endpoint for efficacy. Therefore, the criteria for capitalization of research and development costs considered to be met, and from July 1, 2021, and onwards all development costs for Xlucane™ have been capitalized as intangible fixed assets in the balance sheet, which for the full year amounted to SEK 49.7 m (0.0). No retroactive capitalization has been made regarding the development costs before 1 July 2021.

The total expenditure of research and development costs for the full year amounted to SEK -210.4 m (-197.3). The capitalization of development costs also has an effect on the comparative figures for research and development

costs, decreased considerably compared to with previous periods.

Other operating expenses amounted to SEK -4.1 m (-11.2) and consist of exchange rate losses on operating receivables and liabilities.

The operating loss amounted to SEK 180.6 m (-217.4). The loss before tax amounted to SEK -183.2 m (-218.1). In 2021, there was no taxable profit and thus no tax expense (0.0). The loss after tax for the period was SEK 188.4 m (-226.0) and earnings per share SEK -7.77 (-12.48). The Board of Directors proposes that no dividend be paid for the financial year 2021.

The Group's cash flow

Cash flow from operating activities amounted to SEK -219.6 m (-238.4). Changes in operating receivables and operating liabilities amounted respectively to SEK -61.1 m (-51.3) and SEK 22.7 m (32.7), Changes in working capital can vary greatly between periods, mainly as a result of re-invoicing to STADA for development work for Xlucane™. The development work includes costs for the clinical study Xplore, establishing a production chain and regulatory work.

Cash flow from investment activities amounted to SEK -77.4 m (-3.9) and consisted partly of investments in tangible fixed assets in research and development. The Company has invested SEK -6.8 m to begin the scaling up of drug substances. Furthermore, investments have been made in laboratory equipment, machinery and equipment for the new premises. From July 1, 2021, development costs for Xlucane™ have been reported as intangible fixed assets, which for the full year had an effect on cash flow of SEK -49.7 m (0.0). No retroactive capitalization has been made regarding the development costs before 1 July 2021.

Cash flow from financing activities amounted to SEK 349.4 m (322.7). This item mainly includes the net payment of the directed share issue in June, where the shares were registered and payment was not received until the beginning of July, as well as amortization of leasing liabilities.

The Group's financial position

Assets held for sale

Xbrane's intention is continuing to work towards a divestment of the subsidiary Primm Pharma. In the Q1 report, 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 from a number of items in the balance sheet and the significant change that was demonstrated related to the item "Goodwill" as described below. Other balance sheet items for the Group showed a minor effect from the reclassification, 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." The reclassification gives the effect that Primm Pharma's previous income and expenses have been reversed and reported net as "Profit/loss from discontinued operations." This also has an effect on previously reported periods, which is why comparative figures no longer correspond to previous reports. A consequence of this is that notes have also been adjusted and the segment "Long-acting injectable drugs" (notes 2 and 3) no longer exists. In the cash flow, Primm Pharma's share of each activity is reported in the item "Of which from discontinued operations."

Intangible assets

Intangible assets amounted to SEK 49.7 m (4.1) and relate to capitalized development expenses.

The Xplore study regarding the product candidate Xlucane™ was fully recruited at the end of 2020 and positive top-line data was announced at the interim read-out in June 2021, when Xlucane™ reached the primary endpoint for efficacy. Thus, the criteria for capitalization of Xbranes total research and development costs were met, and from 1 July 2021, all development costs for Xlucane™ have been capitalized as intangible fixed assets in the balance sheet. Goodwill amounted to SEK 0.0 m (58.5), and changes from the previous year are entirely due to the work of divesting Primm, which entails a different classification of Primm's shares in the Group. See the above text regarding Primm's handling by the Group.

Tangible fixed assets

Tangible fixed assets amounted to SEK 30.6 m (8.2) on the balance sheet date. During the year, new acquisitions amounted to SEK 3.9 m (3.9), impairment to SEK 2.8 m (1.7), write-downs to SEK 0.0 m (0.0) and translation differences to -0.2 m (-0.2).

Right of use assets

Right of use assets relate to leases and leasing of premises and laboratory equipment and amounted to SEK 43.2 m (6.0) on the balance sheet date. The increase relates to the new lab that was inaugurated in March 2021 and provides greater opportunities for developing future biosimilars.

Long-term receivables

Long-term receivables amounted to SEK 4.0 m (12.6) and consisted mainly of an advance payment to the Contract Research Organization (CRO), which is conducting the clinical study for Xlucane™. As the clinical study is fully recruited and is now in a less cost-driving phase, advance payments have decreased.

Other receivables
Other receivables amounted to SEK 8.4 m (7.0) and mainly relate to tax-related receivables.

Accounts receivable
Accounts receivable amounted to SEK 41.9 m (51.4) and relate to the receivable from the partner STADA. The receivable was settled in its entirety immediately after the balance sheet date.

Prepaid costs and accrued income
Prepaid costs and accrued income amounted to SEK 147.0 m (73.0), of which SEK 0.0 m (28.1) related in the comparative period to purchases and packaging costs of reference medicines for the ongoing phase III study, and SEK 25.2 m (36.4) related to the advance payment to the CRO that is carrying out the clinical study. SEK 87.7 m relates to the advance payments to the Contract Manufacturing Organization (CMO), of which SEK 76.5 m is for materials for future upscaling activities. This is because the expected delivery times have been extended with our suppliers and because advance payments are now common due to Covid-19. SEK 25.4 m relates to an advance regarding cooperation with AGC to establish a manufacturing process and upscaling batches. The remaining SEK 8.7 m (8.5) relates to other prepaid expenses and accrued income.

Cash and cash equivalents
On the balance sheet date, cash and cash equivalents amounted to SEK 295.2 m (243.1). In June 2021, Xbrane carried out a directed share issue that raised SEK 380 m before transaction costs. The subscription price was SEK 135.0 per share. Transaction costs of SEK 24.2 m included financial and legal advice. Investors in the private placement included TIN Fonder, Swedbank Robur Fonder, Lancelot Assets Management, and the Serendipity Group. The number of shares increased by 2,817,700 to 25,039,906.

Equity
The share capital on the balance sheet date amounted to SEK 5.6 m (5.0). Other contributed capital amounted to SEK 1,134.3 m (773.7) and during the period was affected by the directed issue in June and reserved share-based payments to employees of SEK 4.5 m (1.3). Total equity amounted to SEK 431.7 m (257.7). The equity/assets ratio was 63 percent (56).

Leasing liabilities
Long-term interest-bearing leasing liabilities amounted to SEK 36.5 m (4.0). Short-term interest-bearing leasing liabilities amounted to SEK 7.9 m (2.3). The increase is explained by moving into the new lab and an expanded machinery pool.

Long-term non-interest-bearing liabilities
Long-term non-interest-bearing liabilities amounted to SEK 0.5 m (8.3) and relate to a long-term part of the accrued income from Bausch + Lomb.

Other provisions
Other provisions amounted to SEK 0.0 m (4.8) and in the previous year related to a one-off remuneration upon termination of employment in the subsidiary Primm Pharma, in accordance with Italian legislation.

Accounts payable
Accounts payable amounted to SEK 41.4 m (29.6). The increase is due to an expanding business.

Accrued expenses and prepaid income
Accrued expenses and prepaid income amounted to SEK 159.4 m (155.9) and mostly relate to advance payments from STADA for Xlucane™ of SEK 95.4 m (104.7). Furthermore, SEK 43.2 m (30.8) relates to work done that has not yet been invoiced, regarding the Xlucane™ project. The remaining part relates to other items, amounting to SEK 20.8 m (20.4).

Impact on the results and balance sheet of the collaboration agreement with STADA
Since the collaboration agreement with STADA for Xlucane™ was concluded in July 2018, Xbrane's net costs for research and development of Xlucane™ have been reported in the results, i.e. 50 percent of the total costs for the project. After July1, 2021, when the primary endpoint was achieved, Xlucane™ was deemed to have met the criteria for capitalization of research and development costs as intangible fixed assets in the balance sheet. Assets and liabilities attributable to the development of Xlucane™ are reported in their entirety, i.e. 100 percent, and then STADA's share of these, i.e. 50 percent, is reported as the receivable or liability arising between Xbrane and STADA. This applies to both the Group and the parent Company. On the balance sheet date, Xbrane had a long-term non-interest-bearing liability to STADA amounting to SEK 0.0 m (4.0) and accrued expenses and prepaid income from STADA amounting to SEK 95.4 m (104.7).

Parent Company's results
Xbrane's core business is conducted in the parent Company. The Group has during the year continued the divestment process of the subsidiary Primm Pharma. During the year, shareholder contributions were sent to Primm Phamra amounting to SEK 10.6 m which has been written down immediately.

As the parent Company constitutes such a large part of the group, a text statement for the parent Company's results, financial position and cash flow does not provide any further information than that described in the report on the Group. Therefore, this is presented only in report format on pages 54–57.

Risks, uncertainties and risk management
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. See also Note 24 Financial risks and risk management.

Regulatory approval
In order to be able to sell and market products, approval must be obtained from the responsible authority in each country. Xbrane cannot guarantee that such regulatory approval will be obtained to the extent required to achieve future objectives. Xbrane's partner STADA submitted an application for market approval in Europe in September 2021, for Xlucane™. The application for market approval in the US is submitted as of March 31, 2022. Xbrane works actively with risk mitigation by having close and continuous consultations with the most important authorities, e.g. FDA (US), EMA (Europe), CFDA (China) and PMDA (Japan). Furthermore, Xbrane works with prominent regulatory consultants to ensure development in accordance with current guidelines.
• The Company assesses the risk as medium.

Partners
Dependence on distribution partner commitments
The Group is dependent on, and will continue to be dependent on, collaboration with various partners to sell and market its current product candidates and develop and finance future product candidates. The Group's operations are thus largely dependent on external partners, especially when the projects go from pre-clinical phase to clinical phase. If these partners do not fulfill their obligations under the agreement, do not meet expected deadlines, or if the quality or accuracy of work performed is insufficient, ongoing and planned sales activities as well as product development may be adversely affected. The Company has, for example, a global collaboration agreement with STADA for marketing and distributing Xlucane™. The Company is dependent on STADA fulfilling its obligations including financing linked to the collaboration agreement and of STADA being successful in the sale and marketing of Xlucane™ in the countries where STADA alone plans to sell and market the product. In addition, Xbrane is dependent on STADA being successful in establishing partnerships with other distributors in other countries. For the US and Canada, the Company is dependent on the partner Bausch + Lomb fulfilling its commitments in terms of the sales and marketing of Xlucane™.
• The Company assesses the risk as low.

Third-party distributor for Xlucane™
Regarding Xlucane™, STADA is the commercialization partner for the largest markets outside China. Together with STADA, Xbrane is looking for a third-party distributor for, among others, the Japan and LATAM. If Xbrane, and in some cases Xbrane and STADA, do not succeed in attracting commercialization partners/third-party distributors in the relevant markets, this could mean that Xlucane™ cannot be sold in these markets as the Company does not currently have an established commercialization and distribution function.
• The Company assesses the risk as low.

Divestment of Primm Pharma
In February 2021, Xbrane entered into a non-binding term-sheet with the Italian pharmaceutical Company, New FaDem, regarding the acquisition of Primm Pharma. However, work on the due diligence negotiations with the intended buyer New FaDem were suspended during the latter part of 2021. The work to divest Primm is progressing. Aspects that could affect the outcome is partly the current turmoil in the world, macroeconomic factors, etc.
• The Company assesses the risk as medium

Suppliers, contract manufacturers and CROs' ability to fulfill their obligations
The Group is dependent on, and will continue to depend on, suppliers, contract manufacturers and CROs to be able to develop and produce their product candidates and to conduct their operations. The risk exposure is greatest with parties who are time and cost-intensive to pay, such as contract manufacturers. Xbrane works actively with risk mitigation against these through close collaboration and active consultations.

If these or another supplier fail to fulfill its contractual obligations, do not meet expected deadlines, or if the quality or accuracy of the work performed is if the quality or accuracy of the work performed is insufficient, ongoing and planned sales activities as well as product development may be adversely affected.
• The Company assesses the risk as low

Product launch
Delay of product launch of Xlucane™ and pre-clinical product candidates
Research and development, both in progress and in the future, form the basis of Xbrane's operations. The Company intends to develop new products within its business area and further develop the current products. Xbrane's future success depends on the Company's ability to develop current and new products that meet market requirements.

Delays in development programs can lead to delays in the launch of product candidates, which in turn can negatively affect their sales potential as well as the ability to conclude sales and marketing agreements with potential partners. Currently, the development program for Xlucane™ and the pre-clinical biosimilars is running without critical delays resulting in delayed product launches compared to the original drug's patent expiration.
• The Company assesses the risk as medium.

Sales-related risk
Uncertain demand for the product
It is difficult to predict the market's reception of a new product. Even if market approval is obtained, a partner for sales and marketing is established and a competitive price is set, there is no guarantee of successful sales. Factors that may prevent sales from reaching set targets are that the competitive situation changes, that potential new drugs with a superior effect and/or safety profile are introduced on the market or that there are other changes in the treatment strategy for the diseases that the drugs are used to treat. There is a risk that sales revenues will be less than expected or not at all.
• The Company assesses the risk as low.

Financing risk
Financing of the Company in the short and medium term
On the balance sheet date, cash and cash equivalents amounted to SEK 295.2 m (243.1). Together with the up-front payment from Biogen of USD 8 m and other liquidity-enhancing measures that are deemed possible if necessary, the Board considers that the Group has financing for at least 12 months ahead according to the current business plan, which includes an EMA approval and market launch of Xlucane™.
• The Company considers the risk to be low.

Credit risk
Credit risks from partners and customers
The Group is currently exposed to a limited credit risk. Credit risk arises primarily through exposure to customers and partners, i.e. the Group does not receive payments as agreed or makes a loss due to a counterparty's inability to meet its commitment to the Group. As Xbrane no longer sells Spherotide, the credit risk is currently reduced to whether the Company's partners, currently STADA, would not be able to pay their share of the development costs.
• The Company assesses the risk as low.

Currency risk
Xbrane is exposed to an exchange rate risk as significant elements of production costs are in currencies other than SEK such as EUR and USD.
• The Company assesses currency risk as medium.

The conflict in Ukraine
The company follows closley the geopolitical developments in the world and specifically the ongoing conflict in Ukraine. The company assesses that the ongoing conflict does not affect the company's operations or future prospects. The company currently has no sales, operations, or activity in either Russia or Ukraine. Admittedly, clinics in both Russia and Ukraine participated in the Phase III study Xplore, but the study was finalized and data were collected and stored electronically before the conflict started at the end of February. However, it cannot be ruled out that the company's operations and / or future prospects would be affected by a further escalation of the conflict outside Ukraine's borders.

Organization and employees
Xbrane is headquartered in Solna outside Stockholm, Sweden, where there is also a laboratory for research and development of biosimilars. Xbrane has a wholly-owned subsidiary, Primm Pharma, with operations in Milan, Italy.

The sale of the subsidiary Primm is continuing. On the balance sheet date, the Group had 58 (42) employees, of which 58 (36) were in the parent Company and 0 (6) in the subsidiary Primm.

Annual General Meeting
The Annual General Meeting will be held on May 5, 2022, at 5.30 pm at Baker McKenzies office, Vasagatan 7, Stockholm. Invitation to the meeting will be announced through a press release as well as in Svenska Dagbladet and on Xbrane's website, www.xbrane.com.

The Group's future development
Important milestones in the next 12 months
Below are some of the most important milestones for the next 12 months:
• Apply for US marketing authorization approval for Xlucane™
• Finalize agreements with additional partners for sales and marketing of Xlucane™
• Obtain marketing authorization approval and launch Xlucane™ in Europe
• Scale up the production process for Xcimzane™ and prepare for beginning of clinical trials

Xlucane™
The focus for 2022 is on undergoing the process of obtaining marketing authorization approval for Xlucane™ in Europe and the US and to ensure that a warehouse is built for the launch of the product.

Preclinical products
Xbrane is actively working to develop its portfolio of preclinical biosimilars. With regard to Xcimzane™ (Cimzia® biosimilar), the focus is on scaling up the process of providing the product for clinical testing. For Xdivane™ (Opdivo® biosimilar) the focus is on establishing a production process. The focus for Xdarzane™ and Xtrudane™ is on cell-line development.

IP
Strengthening of the platform technology
Xbrane continued to develop the IP protection of its platform technology in the IP portfolio. In 2021, the Company filed twelve patent applications covering new innovative

aspects that further strengthen Xbrane's competitive advantage in terms of the low production cost of recombinant proteins. Furthermore, Xbrane has established an IP department and expects to file more patent applications in 2022, with the ambition of building a strong IP portfolio.

Guidelines for remuneration of the CEO and other senior executives for 2021

Remuneration and terms of employment for senior executives, which refers to those who are part of the Group management as of December 31, 2021, will be determined in accordance with the Company's policy for the remuneration of senior executives. According to this policy, the above will be structured in such a way as to secure the Company's access to senior executives with the right expertise. The remuneration and benefits for senior executives are prepared by the Remuneration Committee and decided on by the Board of Directors.

Remuneration shall consist of a fixed salary, any variable remuneration in the form of a short-term incentive scheme, the opportunity to participate in a long-term share savings scheme plus other benefits, including eligible pension provision. Remuneration shall be at the market rate, competitive and commensurate with the respective senior executive's level of responsibility and authority. Any variable remuneration must be linked to well-defined objectives and to the fixed salary and must also be limited to a maximum amount equivalent to two months' salary (gross).

Guidelines for remuneration of the CEO and other senior executives 2022

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 2022 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 Annual General Meeting. The guidelines do not cover remuneration decided by the Annual General Meeting. 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 Annual General Meeting.

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 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. Based on its platform technology, Xbrane will have a significant competitive advantage in relation to originator drugs and other biosimilar companies by having the lowest production cost within each market. 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. The guidelines shall further 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 similar financial opportunities to Xbrane. The Company implemented long-term share-related incentive schemes in 2019, 2020 and 2021, in which all employees had the opportunity to participate in. 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 2022 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 information on the Company's website and in the Company's annual report.

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 KPI's 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 follows 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. At the Board of Directors deliberations and resolutions on remuneration-related matters, the CEO or other members of the executive management are not present, 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 deviation 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 from the remuneration guidelines adopted by the AGM for 2021
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 programs, the warrants program for senior executives and the share savings program, see Note 1 (w) Remuneration to employees and Note 5.

Short-term incentive scheme 2021
In 2021, 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 2021, 55 percent of the targets for the parent Company were achieved. The cost of the cash bonus amounted to SEK 3.9 m excluding social security expenses.

Warrant scheme for senior executives
In 2018, the Company issued three warrant schemes for senior executives and board members. In 2021, two of the three warrant schemes expired. The third will expire in 2022. The options have been acquired at fair value by the participants and have not entailed any cost for the Company.

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, which runs 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 on the same conditions and the subscription rate amounts to 26 percent.

LTIP 2020

At Xbrane's AGM on May 14, 2020, it was decided to adopt a long-term share savings scheme ("LTIP 2020") for all employees running between 2020–2022. It was decided to issue 246,000 warrants with which the holder can subscribe for new shares at the end of the program. The maximum dilution for the scheme amounts to 1,57 percent of the share capital and votes in the Company.

The cost of the scheme includes 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 2020–2022. The warrants will be distributed to the employees who have invested in the share savings scheme without charge. All employees have had the opportunity to participate in the scheme on the same conditions and the subscription rate amounts to 67percent.

LTIP 2019

At Xbrane's AGM on May 16, 2019, it was decided to adopt a long-term share savings scheme ("LTIP 2019") for all employees running between 2019–2021. It was decided to issue 210,000 warrants with which the holder can subscribe for new shares at the end of the scheme. The maximum dilution for the scheme amounts to 2.47 percent of the share capital and votes in the Company.

The cost of the scheme includes 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 2019–2021. The warrants will be distributed to the employees who have invested in the share savings scheme without charge. All employees have had the opportunity to participate in the scheme under the same conditions and the subscription rate amounts to 100 percent.

Proposed distribution of profits

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

Proposed distribution of Company profit or loss in SEK 000.	
Share premium reserve	1,134,963
Profit/loss brought forward	–508,889
Loss for the year	–192,918
Total	433,155
Carried forward to new account	433,155

The Board of Directors proposes that no dividend be paid for the financial year 2021. 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	2021	2020	2019[1]	2018	2017
Revenue	–	–	–	20,485	20,771
Operating profit/loss	–180,583	–217,436	–186,572	–11,415	–44,718
Profit/loss for the year	–188,376	–226,026	–187,989	–13,236	–44,935
Balance sheet total	688,427	463,763	338,940	252,885	110,960
Equity/Assets ratio	63%	56%	47%	33%	80%
Earnings per share	–7.77	–12.48	–16.48	–2.13	–8.28

1) This period has been recalculated due to a correction, see also Appendix 1 to the annual report for 2020, for the effects from the recalculation.

Corporate Governance report

Corporate Governance report 2021
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 purpose of corporate governance is to create a clear distribution of roles and responsibilities between owners, includes Management and management of the Company's operations, as well as internal control over financial reporting.

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

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
- Finance Policy
- Information Policy
- Information Security Policy
- Insider Policy
- Privacy Policy
- IT Policy
- Employee Handbook
- Financial Handbook
- Guidelines for transactions with related parties

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 2021, the total number of shares was 25,039,906 and the number of shareholders was around 6,200. For information about the Company's major shareholders and ownership structure, see page 24.

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 and guidelines for remuneration to senior executives. The AGM will be held in Stockholm.

Annual General Meeting 2021
At the Annual General Meeting on May 6, 2021, 4 shareholders were represented with a holding of 8,120,588 shares, corresponding to 36.58 percent of the total

number of shares and votes in the Company. Attorney Ian Gulam was elected chairman of the meeting.

At the 2020 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 Giorgio Chirivi, Ivan Cohen-Tanugi, Peter Edman, Eva Nilsagård, Anders Tullgren, Karin Wingstrand and Mats Thorén as ordinary members.
- Anders Tullgren was re-elected 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.
- Introduction of long-term incentive scheme (LTIP 2021) or 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, with or without deviation from shareholders' preferential rights, corresponding to a maximum 20 percent of the Company's share capital after completed issuances based on the number of shares
  at the time of the general meeting.
- Approval of the remuneration report that was presented

Annual General Meeting 2022

The Annual General Meeting 2022 will be held on Thursday, May 5, 2021, at 5:30 pm, at Baker McKenzie's office, Vasagatan 7, Stockholm. 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 2021 AGM, rules were set for the appointment of the Nomination Committee ahead of the 2022 Annual General Meeting. According to the established rules, the Nomination Committee shall consist of four members and be formed by the Chairman of the Board, based on ownership statistics as of September 30, contacting the three largest voting shareholders, each of whom has the right to appoint a member and together with the Chairman of the Board constitute the Nomination Committee.

Based on the above, the Nomination Committee prior to the 2021 Annual General Meeting has been determined to consist of the following persons who together represent around 33 percent of the number of shares and votes in the Company as of September 30, 2021:

- Saeid Esmaeilzadeh representing the Serendipity Group AB, the Company's largest shareholder
- Ulrik Grönvall representing Swedbank Robur Fonder, the Company's next largest shareholder
- Bengt Göran Westman, the Company's third largest shareholder
- Anders Tullgren, Xbrane's Chairman of the Board.

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 6, 2021. At the end of the financial year, Xbrane's Board of Directors consisted of Chairman Anders Tullgren and the Board members Giorgio Chirivì, Peter Edman, Eva Nilsagård, Mats Thorén, Ivan Cohen-Tanugian and Karin Wingstrand.

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.

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 in connection with 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.

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 fulfills 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 CEOs care, continuously receive the information needed to be able to follow 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 2021 Annual General Meeting determined that fees to the Board, for the period up to the end of the next Annual General Meeting, shall be paid in total SEK 3,000,000. The remuneration to the Chairman of the Board shall amount to SEK 600,000 and each of the other members shall receive SEK 300,000. 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 100,000 and SEK 50,000 for other members. Finally,

			Attendance at meetings				Independent	
Member	Position on Board	Board member since	Board	Audit committee	Transaction committee	Remuneration committee	Company	Owner
Anders Tullgren	Chairman	2018	21/21		6/6	5/5	Yes	Yes
Giorgio Chirivi	Member	2016	21/21	12/12			Yes	Yes
Ivan Cohen-Tanugi	Member	2019	21/21		6/6		Yes	Yes
Peter Edman	Member	2015	21/21		6/6		Yes	Yes
Eva Nilsagård	Member	2019	21/21	12/12			Yes	Yes
Mats Thorén	Member	2020	21/21	12/12		5/5	Yes	Yes
Karin Wingstrand	Member	2015	21/21			5/5	Yes	Yes

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 Giorgio Chirivì, and Mats Thorén.

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 financial reporting, monitor the effectiveness of 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:

- 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 to the Board of Directors, which then either makes decisions on the issues or, where appropriate, adopts 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 whether 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 his audit of the annual report and the consolidated accounts and his 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 6, 2021, 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 the invoices. More information regarding the auditor's fees can be found in Note 6.

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 decision minutes for board meetings and is the rapporteur for the material at board meetings.

Xbrane has a management team consisting of ten people who, in addition to the CEO, consist of the Chief Financial Officer (CFO), Head of Biosimilars, Head of Manufacturing and Supply Chain, Chief Technology Officer, Head of Clinical Affairs, Head of Regulatory Affairs, Head of HR and Head of Business Development and the General Counsel. For a more detailed description of Group Management, see page 44.

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 – health care, 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 controller function 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 an economic point of view. Reconciliation routines for cost accounting for the ongoing clinical trial Xplore are a key part of the control work. 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.

Letter from the Chairman

Dear shareholders,

For the past few years, we have worked purposefully to implement our business strategy. Our goal has been to become a world-leading developer of biosimilars based on our patented platform technology, LEMO™. This makes it possible for us to develop projects with competitive production costs, which has been a critical factor in building Xbrane to the level of success it has achieved in recent years. The sense that we are heading in the right direction is confirmed by our partnerships with companies like STADA, Bausch+Lomb and Biogen.

This year, we strengthened our organization considerably and grew from 36 to 58 employees; we are a Company that has no trouble attracting competent workers. We have a well-functioning project generation framework and growing project portfolio, operating out of new premises with the help of the latest technologies. We are ready to take the next step on the beaten track. We are now looking forward.

The impending income generation Xlucane™ is expected to provide will result in an increase in financial resources, thus opening up several new possibilities. We plan to put an early end to our collaborations with commercialization partners so that we can focus on the part of the development chain where our unique strength lies – pre-clinical development. We can then further broaden our product portfolio and develop even more biosimilars for the many biological drugs that will lose patent protection in the coming years.

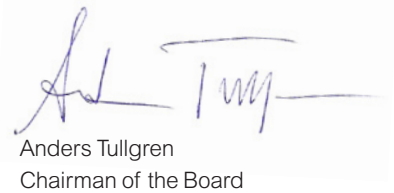
Xcimzane™, our biosimilar for Cimzia®, demonstrates what our platform and our team can achieve. We have developed a biosimilar candidate for a product that, as far as we know, no one else has succeeded with. We have connected ourselves with one of the world's leading biotech companies, Biogen, as a development and commercialization partner already in a pre-clinical stage and with attractive licensing terms.

We plan to continue investing in our platform technology, our team and our portfolio. We are currently working to achieve rapid progress in the development of three biosimilar candidates within oncology, for the reference drugs Opdivo®, Keytruda® and Darzalex®. These drugs had approximately SEK 270 bn in sales in 2021. At the time of patent expiration, upon which Xbrane plans to launch its new, highly competitive biosimilar candidates, they are expected to have reached annual sales of SEK 400–500 bn[1]. This is an enormous market and an incredibly important investment, which I am very much looking forward to. I am well-acquainted with the market for PD1 inhibitors, as I was responsible for the launch of Opdivo® in large parts of the world. I have seen how effective this drug can be, but also how the high costs lead to limited accessibility and a significant need for more cost-effective alternatives. In this area, Xbrane has a large and vital role to play. Through this, we can do the most good for patients based on our platform technology.

I look forward to helping develop the Company further, strengthening and expanding its commercial possibilities and thereby creating the highest possible returns for our shareholders.

Thank you for your continued support,

Solna, March 31, 2022



Anders Tullgren
Chairman of the Board

1) Evaluate Pharma

Board of directors

Anders Tullgren
Chairman of the Board since 2018.
Chairman of Remuneration Committee and Transactions Committee.
Education: M. Sc. in Pharmaceutical Science, Uppsala University.
Professional experience: Leadership roles 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, Farmalisto, Colombia, and Board Member of BrandingScience Ltd, United Kingdom, Dizlin Pharmaceuticals, Sweden.
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 in relation to the Company, management and major shareholders.

Eva Nilsagård
Board member since 2019
Chairman of the Audit Committee.
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), Nanexa and Irras, Chairman of Spermosens and Diagonal Bio, 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.
Shares: 4,000
Independent in relation to the Company, management and major shareholders.

Peter Edman
Board member since 2015.
Member of Transaction Committee.
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 current assignments: No other current positions
Previous assignments (past 5 years): Board member of Biolipox AB, Xintela AB and Mind the Byte.
Shares: 15,000
Independent in relation to the Company, management and major shareholders.

Karin Wingstrand
Board member since 2015.
Member of Remuneration Committee.
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 Astra Zeneca. Senior industrial advisor in the Life Science industry.

Other assignments: Board member of T-bolaget AB, Xintela AB, Histolab products AB, Integrum AB and Targinta.
Previous assignments (past 5years): Board member Mevia AB, Adenovir Pharma AB, Swecure AB and Aqilion AB. Chairman of Mevia
Shares: 20,480
Independent in relation to the Company, management and major shareholders.

Giorgio Chiriví
Board member since 2016.
Member of Audit Committee.
Education: M.Sc. in Economics and business administration, University Luigi Bocconi, Milan.
Professional experience: Head of SME at UBI Corporate & Investment Banking. Background in auditing and a long board career with over 15 board assignments over the past 20 years.

Other assignments: Head of SMEs Strategic Coverage at UBI Banca Corporate & Investment Banking. Board member of Axxam SpA. Member of the Investment Committee of Azimut Libera
Previous assignments (past 5 years): Board member of Biocell Center Corporation. Head of M&A at UBI Banca.
Shares: 4,500
Independent in relation to the Company, management and major shareholders.

Ivan Cohen-Tanugi
Board member since 2019.
Member of Transaction Committee.
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 Evevensys Biotechnology and leading positions at Amgen.

Other assignments: Founder and partner at his own consulting firm Minerva LifeScience Gmbh.
Previous assignments (past 5 years): CEO and board member at Kuros Bioscience AG.
Shares: –
Independent in relation to the Company, management and major shareholders

Mats Thorén
Board member since 2020.
Member of the Remuneration Committee and the Audit Committee.
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 Oy, FluoGuide A/S, deputy board member of Eggelbertus Holding AB.
Previous assignments (last 5 years): Board member of Nalka Life Science AB and Pulsetten AB.
Shares: 4,000
Independent in relation to the Company, management and major shareholders.

Group management

Martin Åmark
CEO since 2015.
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: 154,646
Warrants: 24,000
Independent in relation to major shareholders.

Siavash Bashiri
Head of Biosimilars and Deputy CEO since 2015
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: 113,166
Warrants: 7,000
Independent in relation to major shareholders.

Anette Lindqvist
CFO/IR since 2021
Education: Degree in business administration from the School of Business, Economics and Law at the University of Gothenburg.
Professional experience: 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: 2 000
Warrants: –
Independent in relation to major shareholders.

Erik Domines
General counsel since 2021
Education: Bachelor's degree in law from Stockholm University and a General Counsel mini-MBA.
Professional experience: Experience as in-house counsel in the Life Science sector and various projects in legal operations. Previous position as General Counsel at Recipharm.
Shares: 900
Warrants: –
Independent in relation to major shareholders.

Maria Edebrink
Head of Regulatory Affairs and Quality Assurance since 2021, former head of Quality Assurance since 2019.
Member of management since 2020.
Education: M. Sc. in Chemistry, Stockholm University.
Professional experience: Experience from Pharmaceutical Development and Regulatory Affairs from AstraZeneca, Galderma and Medivir. Experience from development, regulatory submissions and post-approval regulatory compliance for small molecular, biotechnological, medical devices and cosmetic products.
Shares: 10,315
Warrants: –
Independent in relation to major shareholders.

Xiaoli Hu
Head of Business Development since 2020
Education: Ph.D. in Medical Science from Karolinska Institute. PhD doctor from Shanghai Jiao Tong University, as well as specialized education in general surgery.
Professional experience: Experience in the biotechnology industry and medical science, business development, corporate strategy, venture capital investments, and life science research. Associate Investor at HealthCap, Business Development Manager at Affibody, developing a commercial partnership agreement with Alexion with a potential value of USD 650 m.
Shares: –
Warrants: –
Independent in relation to major shareholders.

Nina Ivers
Head of HR since 2020
Education: Trained Pharmacist and studied Human Resources Management at Uppsala and Stockholm universities
Professional experience: Different roles and areas in life science companies like Astra, Johnson & Johnson and Swedish Orphan Biovitrum. Experience from leading positions Insales and marketing as well as HR, most recently in a Global HR role at Sobi.
Shares: 3,300
Warrants: –
Independent in relation to major shareholders.

Dina Jurman
Head of Clinical Affairs since 2017
Education: M. Sc. in Biomedicine, Uppsala University.
Professional experience: Possesses all-round experience of clinical trials from startup companies to global pharmaceuticalcompanies and has worked with protein drugs, small molecules as well as advanced therapies and medical technology.
Shares: 420
Warrants: –
Independent in relation to major shareholders.

David Vikström
CTO since 2014
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: 32,518
Warrants: 24,000
Independent in relation to major shareholders.

Anders Wallström
Head of Manufacturing and Supply Chain since 2019. Member of management since 2020.
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: 6,003
Warrants: –
Independent in relation to major shareholder.

Sustainability at Xbrane

Xbrane's work on sustainability goes hand in hand with our vision and business concept. We make pharmaceutical treatments accessible to more patients who have medical needs and limited resources by developing and manufacturing cost-efficient biosimilars of hard-to-manufacture medicines.

This is Xbrane's sustainability report[1] and describes how the Company further developed its sustainability in 2021.

About Xbrane

Xbrane is a biotechnology Company that develops and manufactures biosimilar candidates. We work to make treatment available to all. Xbrane has a patented protein production platform and world leading expertise in biosimilar development.

Xbrane operates in a tightly regulated environment where the expectations of its stakeholders are high. The pharmaceutical industry is one of the world's most regulated industries, where very high demands are placed on Xbrane both locally and globally on how research, development, production, marketing and distribution can be carried out. In addition, as a listed Company on Nasdaq Stockholm, Xbrane follows its regulations in financial reporting, corporate governance and communication.

The demand for sustainability is growing, and Xbrane strives to be a leader in this area as well, in part to minimize risk and increase the value of the Company as well as to be a positive force in society and therefore an attractive employer. Xbrane is closely following developments within sustainability and is determined to continuously establish, evaluate and challenge itself in working effectively in an integrated way with sustainability issues in the Company.

Sustainability strategy and plan

Xbrane's vision and business concept is to create added value for patients and other stakeholders and improve access to effective and high-quality medicines. This vision is the Company's main contribution to a more sustainable world and works directly toward two of the UN's global sustainable development goals: Goal 3 Good health and well-being and Goal 10 Reduced inequalities. It is also important for Xbrane that this does not happen at the expense of mankind or the planet, but instead contributes to gender equality (Goal 5), decent work (Goal 8), sustainable industry (Goal 9) and responsible consumption and production (Goal 12). We want to be a positive force in society.

Through a materiality analysis, Xbrane has identified four focus areas in which the Company can most clearly contribute to global sustainable development. These focus areas are linked to the UN's global sustainable development

Xbrane's focus areas for global sustainable development

Contribute to "Health equality"	Be seen as a credible operator	Be a responsible player in society	Be an attractive employer
Ambition: With its innovations, Xbrane wants to contribute to more people receiving treatments, at a lower cost to patients and society.	**Ambition:** Xbrane wants to be a predictable and credible player for collaborations and investment.	**Ambition:** Xbrane wants to take responsibility for the imprint of the business and strives to minimize its negative effects on society.	**Ambition:** Xbrane wants to offer an attractive and developing workplace for the best key skills.
Health equality	Compliance	Vetted suppliers	Work environment for employees
Patient safety and product quality	Transparency towards the stock market	Environment-friendly manufacturing	Good Company culture
Proven expertise and innovation	Financial stability	Business ethics and research of the highest quality	
	Anti-corruption		

1) Non-statutory report

goals and Agenda 2030 and include economic as well as social and environmental sustainability.

Based on a risk analysis of the four focus areas, a sustainability plan with goals and activities has been developed in 2021. The plan has been evaluated and revised to drive the work forward in 2022. The work is managed and monitored by Xbrane's sustainability officer and sustainability group, while the elements of the plan are controlled by the management group. The work is reported to the board. Xbrane is in the development phase of robust sustainability work and, in 2021, created a structure to effectively pursue the goals as well as integrate sustainability into the organization and connect the sustainability goals with business operations.

Results of activities in 2021

The sustainability work done in 2021 was based on the established sustainability plan. During the year, the plan has been approved by the board, management and employees. To improve and facilitate monitoring and reporting, Xbrane began working with Position Green, which offers a platform for sustainability reporting.

Contribute to "Health equality"

Through research and product development, Xbrane will help more patients to receive treatment, and our cost-effective biological drugs will lead to reduced expenses for society. As a step toward this goal, in 2021 we submitted an application for market approval with the European Medicines Agency, EMA, for the biosimilar candidate XlucaneTM, a product based on the Company's patented technology platform. Work has also been done to implement a new project model to further ensure efficient and innovative product development. During the year, Xbrane's research resulted in six approved patent applications.

Be seen as a credible operator

To ensure and facilitate compliance with quality requirements and standards, this year Xbrane has worked to develop its quality system, including through a review of quality policies and preparations to implement an electronic quality management system (eQMS). A strategy has been developed for training on the Company's Code of Conduct, with the goal of more clearly integrating this code into day-to-day operations.

Be a responsible player in society

With the intention of being able to set scientific climate targets (Science Based Targets), Xbrane evaluated its sources of emissions in accordance with the GHG Protocol and developed a strategy to begin measuring greenhouse gas emissions in 2022. Several activities were carried out to reduce the negative environmental impact of consumption and waste management in our laboratories and offices. This can be accomplished in several ways, including by ensuring that organic or eco-certified products, for example food and cleaning products, are purchased when possible, by developing waste sorting systems to increase the recycling rate, and by installing electricity- and water-saving equipment.

Collaboration with the academic sector continued, including through our work with Cellnova and Adbiopro at the

Results of activities in 2021

Contribute to "Health equality"	Be seen as a credible operator	Be a responsible player in society	Be an attractive employer
Ambition: With its innovations, Xbrane wants to contribute to more people receiving treatments, at a lower cost to patients and society.	**Ambition:** Xbrane wants to be a predictable and credible player for collaborations and investment.	**Ambition:** Xbrane wants to take responsibility for the imprint of the business and strives to minimize its negative effects on society.	**Ambition:** Xbrane wants to offer an attractive and developing workplace for the best key skills.
• Xlucane™ registration submitted to European Medicines Agency • Implementation of new project model to ensure efficient and innovative development • 8 approved and 12 submitted patent applications	• Development of quality system through improved policies and plan for implementation of eQMS • Strategy established for Code of Conduct training	• Evaluation of sources of greenhouse gas emissions done in accordance with GHG Protocol • Improved management of waste and consumption in offices and laboratories • Collaboration with academic sector	• Satisfaction in employee survey over target. Dedicated work to maintain positive factors and improve negative factors • Included on Allbright's Green List of companies with gender equality • Great Place to Work® certification

KTH Royal Institute of Technology, as well as contributions to a large number of university programs in various sectors. Xbrane also contributes actively to industry organizations such as SwedenBio and the Swedish Academy of Pharmaceutical Sciences to spread knowledge and work to promote collaboration within the industry.

Be an attractive employer
Xbrane's values-based work is actively ongoing and is strongly endorsed throughout the Company. This is confirmed by the regular employee survey, in which Company culture, colleagues and the Company's higher purpose are highlighted as the most prominent positive factors within the Company. Satisfaction among the employees, measured in the same survey, exceeded the target in 2021. Work was also begun to make improvements to the areas listed as most negative in the survey, which include workload and internal communications.

The Company's goal of balanced gender distribution was almost fulfilled in 2021, with a distribution of 59 percent women and 41 percent men. Xbrane was also included in Allbright's Green List as one of 67 publicly traded Swedish companies with gender equality (out of a total 347 evaluated).

In 2021, Xbrane received the certification of Great Place to Work®, after its first application.

Planned activities in 2022
Management of Xbrane's sustainability work will be based on the goals and activities set out in the sustainability plan for 2022. Goals and activities will also be continually evaluated relating to relevance and prioritization, so that the work focuses on what makes the best contribution to society. Emphasis will be placed on integrating sustainability goals with business operations and becoming a natural part of operations.

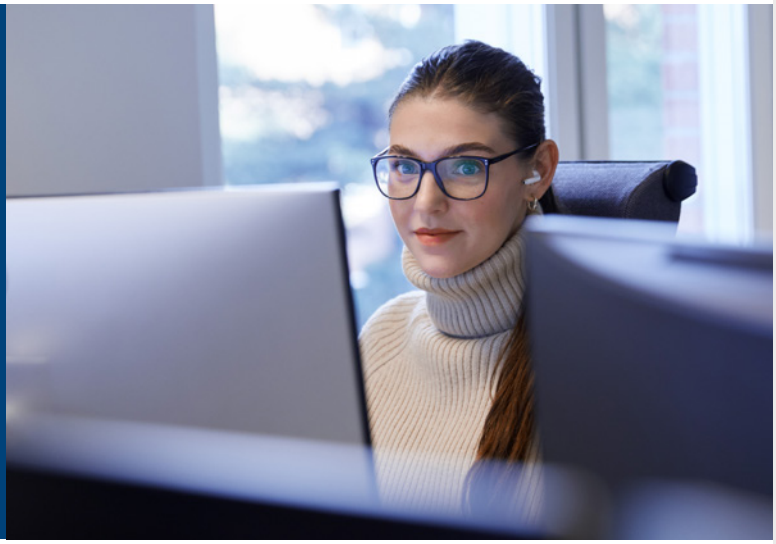
Other activities planned for 2022
- Contribute to "Health equality"
  - Work purposefully towards the market approval of Xlucane™ and progress of other development projects.
  - Continuing development of Xbrane's processes for generating cost-effective products, including knowledge building around the sustainability aspects of biological processes.

- Be seen as a credible operator
  - Continue work to implement an eQMS-system (Electronic Quality Management System).
  - Continue to review the Code of Conduct and the Company's policies to further simplify compliance and increase understanding of the rules and standards that affect operations.

- Be a responsible player in society
  - Evaluate and report the Company's greenhouse gas emissions based on the assessment of Scope 1, 2 and 3 emissions done in accordance with the GHG Protocol.
  - Continue work to improve purchasing and waste management to further reduce the impact of these areas on the climate and environment.
- Intensify supplier evaluation with the aim of working towards a sustainable supply chain.

- Be an attractive employer
  - Continue work to maintain the factors employees ranked as the most positive within the Company, as well as improving the factors employees ranked as the most negative; continue to follow up on these factors and on employee satisfaction in general.
  - Work to maintain Great Place to Work® certification.

Xbrane's values
- **Impossible is nothing**: To believe everything is possible. To always seek a solution, even when it seems impossible.
- **Beat yesterday**: To always try to do better. To be innovative. To be at the forefront of research.
- **Make it happen**: To be proactive and make things happen. To be quick and agile.
- **We win as one**: To truly work as a team. To understand that all skills are needed to succeed in a complex pharmaceutical program. To celebrate successes together. To get through setbacks and failures together.



Consolidated statement of profit or loss

Amounts in SEK thousand	Notes	2021	2020
Revenue	2,3	–	–
Cost of goods sold		–	–
Gross profit		**–**	**–**
Other operating income	2,3	15,557	17,557
Administrative expenses	5,6,7	–31,395	–26,505
Research and development expenses	5,7,11,13	–160,619	–197,284
Other operating expenses	4	–4,126	–11,203
Operating profit/loss		**–180,583**	**–217,436**
Financial income	8	–	–
Financial costs	8	–2,643	–690
Net financial items		**–2,643**	**–690**
Profit/loss before tax		–183,226	–218,126
Tax	9	–	–
Profit/loss for the year from remaining operations		**–183,226**	**–218,126**
Profit/loss from discontinued operations	32	–5,150	–7,900
Profit/loss for the year		**–188,376**	**–226,026**
Profit/loss for the year attributable to:			
– Parent company's owners		–188,376	–226,026
– Non-controlling interests		–	–
Profit/loss for the year		**–188,376**	**–226,026**
Earnings per share from remaining operations			
– Before dilution (SEK)	10	–7.77	–12.48
– After dilution (SEK)	10	–7.77	–12.48
Earnings per share			
– Before dilution (SEK)		–7.98	–12.48
– After dilution (SEK)		–7.98	–12.48
Number of outstanding shares at the end of the year			
– Before dilution		25,039,906	22,200,415
– After dilution		25,039,906	22,200,415
Average number of outstanding shares			
– Before dilution		23,593,291	18,113,313
– After dilution		23,593,291	18,113,313

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	2021	2020
Profit/loss for the year	–188,376	–226,026
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 remaining operations	–	–
Translation differences for the year in discontinued operations	1,220	–2,774
Other net comprehensive income for the year after tax	**1,220**	**–2,774**
Comprehensive income for the year	**–187,156**	**–228,800**
Comprehensive income for the year attributable to:		
– Parent company's owners	–187,156	–228,800
– Non-controlling interests	–	–
Comprehensive income for the year	**–187,156**	**–228,800**

Consolidated statement of financial position

Amounts in SEK thousand	Notes	2021	2020
ASSETS			
Goodwill	11	–	58,453
Intangible assets	11	49,672	4,083
Tangible assets	12	30,622	8,166
Right of use assets	26	43,180	5,969
Long-term receivables	14	3,945	12,610,
Total assets		**127,418**	**89,281**
Accounts receivable - trade	15	41,891	51,384
Other receivables		8,361	6,981
Prepaid expenses and accrued income	13,16	147,027	72,978
Cash and cash equivalents	17	295,180	243,139
Assets held for sale	11,32	68,548	–
Total current assets		**561,008**	**374,482**
TOTAL ASSETS		**688,427**	**463,763**
EQUITY	18,32		
Share capital		5,614	4,977
Other contributed capital		1,134,276	773,724
Reserves		5,165	3,945
Retained earnings including profit/loss for the year		–713,313	–524,938
Equity attributable to parent company's owners		**431,741**	**257,708**
Non-controlling interests		**–**	**–**
Total equity		**431 741**	**257 708**
LIABILITIES			
Leasing liabilities	19,26	36,476	3,995
Long-term non-interest-bearing liabilities		543	8,257
Other provisions	21	–	4,810
Total long-term liabilities		**37,019**	**17,062**
Accounts payable		41,393	29,546
Other liabilities	20	9,757	1,328
Leasing liabilities	19,26	7,905	2,265
Accrued expenses and prepaid income	13, 23	159,355	155,853
Liabilities attributable to assets held for sale	32	1,257	–
Total liabilities		**219,667**	**188,993**
TOTAL LIABILITIES		**256,686**	**206,055**
TOTAL LIABILITIES AND EQUITY		**688,427**	**463,763**

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, 2021	**4,977**	**773 724**	**3 945**	**–524 938**	**257 708**
Comprehensive income for the year					
Profit/loss for the year	–	–	–	–188,376	–188,376
Other comprehensive income for the year	–	–	1,220	–	1,220
Comprehensive income for the year	–	**–**	**1,220**	**–188,376**	**–187,156**
Transactions with Group's shareholders					
New issue	633	356,005	–	–	356,638
– New issue	*633*	*380,237*	–	–	*380,870*
– Issue costs	–	*–24,231*	–	–	*–24,231*
Share savings scheme	4	4,547	–	–	4,551
Total transactions with Group's shareholders	637	360,552	–	–	361,189
Closing equity December 31, 2021	**5,614**	**1,134,276**	**5,165**	**–713,313**	**431,741**

Amounts in SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit/ loss for the year	Total
Opening equity January 1, 2020	**3,456**	**448 089**	**6 719**	**–273 941**	**184 323**
Recalculation[1]	–	–	–	–24,970	–24,970
Opening equity January 1, 2020 after recalculation	**3,456**	**448,089**	**6,719**	**–298,912**	**159,352**
Comprehensive income for the year					
Profit/loss for the year	–	–	–	–226,026	–226,026
Other comprehensive income for the year	–	–	–2,774	–	–2,774
Comprehensive income for the year	**–**	**–**	**–2,774**	**–226,026**	**–228,801**
Transactions with Group's shareholders					
New issue	1,519	324,342	–	–	325,860
– New issue	*1,519*	*344,926*	–	–	*346,444*
– Issue costs	–	*–20,584*	–	–	*–20,584*
Share savings scheme	3	1,293	–	–	1,296
Total transactions with Group's shareholders	1,521	325,635	–	–	327,156
Closing equity December 31, 2020	**4,977**	**773,724**	**3,945**	**–524,938**	**257,708**

1) This period has been recalculated due to restatement, see Appendix 1 for the effects.

Consolidated statement of cash flows

Amounts in SEK thousand	Notes	2021	2020
Operational activities	30		
Profit/loss for the year		–188,376	–226,026
Adjustment for items not included in the cash flow		7,180	6,247
Tax paid		–	–
		–181,195	**–219,779**
Increase(–)/Decrease (+) of operating receivables		–61,086	–51,325
Increase(–)/Decrease (+) of operating liabilities		22,671	32,697
Cash flow from operating activities		**–219,610**	**–238,407**
Of which from discontinued operations		*–10,401*	*–8,020*
Investment activities			
Acquisition of tangible assets		–27,678	–3,855
Acquisition of intangible assets		–49,672	–
Cash flow from investment activities		**–77,350**	**–3,855**
Of which from discontinued operations		–	*–352*
Financing activities			
Share options redeemed by employees		–	3
New issue		380,870	346,444
Issue costs		–24,231	–20,584
Amortization of loans		–	–12
Amortization av leasing liability		–7,273	–3,127
Cash flow from financing activities		**349,365**	**322,724**
Of which from discontinued operations		*–529*	*–2,367*
Cash flow for the year		52,406	80,461
Cash and cash equivalents reported in assets for sale		–1,758[1]	–
Cash and cash equivalents at start of the year		243,139	164,197
Exchange rate differences in cash and cash equivalents		1,393	–1,520
Cash and cash equivalents at end of the year		**295,180**	**243,139**

1) See note 32 for further information

Parent company's income statement

Amounts in SEK thousand	Notes	2021	2020
Revenue	2,3	–	–
Cost of goods sold		–	–
Gross profit		**–**	**–**
Other operating income	2,3	15,557	17,730
Administrative expenses	5,6,7	–32,525	–26,567
Research and development expenses	5,7,11,13	–160,916	–197,690
Other operating expenses	4	–4,126	–11,203
Operating profit/loss		**–182,011**	**–217,730**
Profit/loss from financial items			
Financial income	8	–	11
Impairment of shares in subsidiary	8	–10,631	–38,400
Financial costs	8	–276	–296
Net financial items		**–10,908**	**–38,685**
Profit/loss before tax		**–192,918**	**–256,415**
Tax	9	–	–
Profit/loss for the year		**–192,918**	**–256,415**

Parent company's statement of comprehensive income

Amounts in SEK thousand	2021	2020
Profit/loss for the period	–192,918	–256,415
Other comprehensive income	–	–
Comprehensive income for the period	**–192,918**	**–256,415**

Parent company's balance sheet

Amounts in SEK thousand	Notes	2021	2020
ASSETS			
Assets			
Intangible assets	11	49,672	–
Tangible assets	12	30,622	5,212
Financial assets			
Shares in Group companies	29	74,066	74,066
Other long-term receivables	14	3,945	12,610
Total financial assets		**78,011**	**86,676**
Total assets		**158,304**	**91,888**
Current assets			
Current receivables			
Accounts receivable - trade	15	41,891	51,384
Other receivables		8,361	5,148
Prepayments and accrued income	13,16	147,027	72,935
Total current receivables		**197,280**	**129,467**
Cash and bank	17	295,180	242,247
Total current assets		**492,460**	**371,715**
TOTAL ASSETS		**650,764**	**463,603**
LIABILITIES AND EQUITY			
Equity	18		
Restricted equity			
Share capital		5,614	4,977
Fund for development expenditure		49,672	–
Unrestricted equity			
Share premium fund		1,134,962	774,410
Retained earnings		–558,560	–252,474
Profit/loss for the year		–192,918	–256,415
Total equity		**438,769**	**270,498**
Long-term liabilities			
Long-term non-interest-bearing liabilities		543	8,257
Total long-term liabilities		**543**	**8,257**
Current liabilities			
Liabilities to Group companies	22	948	285
Accounts payable		41,393	29,421
Other liabilities	20	9,757	1,192
Accrued expenses and prepaid income	13,23	159,355	153,949
Total current liabilities		**211,453**	**184,847**
TOTAL LIABILITIES		**211,996**	**193,104**
TOTAL LIABILITIES AND EQUITY		**650,764**	**463,603**

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 period	Total
Opening equity January 1, 2021	**4,977**		**774,411**	**–508,889**		**270,498**
Comprehensive income for the year						
Capitalized development expenses	–	49,672	–	-49,672	–	-
Profit/loss for the year	–	–	–	–	–192,918	–192,918
Other comprehensive income for the year	–	–	–	–	–	–
Comprehensive income for the year	**–**	**49,672**	**–**	**-49,672**	**–192,918**	**–192,918**
Transactions with Group's shareholders						
New issue	633	–	356,005	–	–	356,638
– New issue	*633*	–	*380,237*	–	–	*380,870*
– Issue costs		–	*–24,231*	–	–	*–24,231*
Share savings scheme	4	–	4,547	–	–	4,551
Closing equity December 31, 2021	**5,614**	**49,672**	**1,134,962**	**–558,561**	**-192,918**	**438,769**

Amounts in SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit for the period	Total
Opening equity January 1, 2020	**3,456**	**448,775**	**–**	**–227,503**	**224,728**
Recalculation[1]	–	–	–	–24,971	–24,971
Opening equity January 1, 2020 after recalculation	**3,456**	**448,775**	**–**	**–252,474**	**199,757**
Comprehensive income for the year					
Profit/loss for the year	–	–	–	–256,415	–256,415
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**–256,415**	**–256,415**
Transactions with Group's shareholders					
New issue	1,519	324,342	–	–	325,860
– New issue	*1,519*	*344,926*	–	–	*346,444*
– Issue costs	–	*–20,584*	–	–	*–20,584*
Share savings scheme	3	1,293	–	–	1,296
Closing equity December 31, 2020	**4,977**	**774,411**	**–**	**–508,889**	**270,498**

1) This period has been recalculated due to restatement, see Appendix 1 for the effects.

Parent company's cash flow statement

Amounts in SEK thousand	Notes	2021	2020
Operational activities	30		
Profit/loss after financial items		–192,918	–256,415
Adjustment for items not included in cash flow		12,968	39,601
Tax paid		–	–
		–179,950	**–216,814**
Increase(–)/Decrease (+) of operating receivables		–59,147	–52,381
Increase(–)/Decrease (+) of operating liabilities		24,275	36,709
Cash flow from operational activities		**–214,822**	**–232,486**
Investment activities			
Shareholder contributions		–10,631	–10,148
Acquisition of tangible assets		–29,939	–3,503
Acquisition of intangible assets		–49,672	–
Cash flow from investment activities		**–90,242**	**–13,651**
Financing activities			
Share options redeemed by employees		–	3
New issue		380,870	346,444
Issue costs		–24,231	–20,584
Cash flow from financing activities		**356,639**	**325,863**
Cash flow for the year		51,573	79,726
Cash and cash equivalents at start of the year		242,247	163,601
Exchange rate difference in cash and cash equivalents		1,360	–1,079
Cash and cash equivalents at end of the year		**295,180**	**242,247**

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 31, 2022. 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 5, 2022.

(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 assets and liabilities measured at fair value are derivative instruments, which are measured at fair value through profit or loss. 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 32.

(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 January 1, 2021 has not had any effect on the Group´s financial reporting. The accounting policies for 2021 are unchanged compared with 2020.

(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. The profit or loss of an operating segment is further followed up by the company's senior executive decision-makers to evaluate the profit or loss and to be able to allocate resources to the operating segment. See Note 3 for a further description of the classification and presentation of operating segments.

(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. Transaction expenditure, with the exception of transaction expenditure attributable to the issuing of capital instruments or debt instruments which arises is recognized directly in the profit or loss for the year.

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. When the difference is negative, 'acquisition at low price', this is recognized directly in the profit or loss for the year.

Transferred remuneration in connection with the acquisition does not include payments relating to settlement of previous business relationships. Settlements of this type are usually recognized in the profit or loss. Contingent purchase considerations are valued at fair value at the date of acquisition. In cases where the contingent purchase consideration is classified as an equity instrument, no revaluation is made and settlement is made within equity. For other contingent purchase considerations, these are revalued at fair value at each time of reporting and the change is recognized in profit or loss for the year.

Acquisition of non-controlling interests

The parent company has only one subsidiary which is 100% owned in terms of the shares and votes. No subsidiaries with non-controlling interests are therefore 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 STADA have the same right to all of the economic benefits related to the operations' assets. Further, the adjustment of liabilities from the joint operation depending on the parties' costs from the operation or capital injection, is the same. Joint operations are accounted for according to the "proportionate consolidation", which means that the parties accounts 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. The company derives its revenues mainly from licenses. The company adopts revenue recognition through the following steps:
- Identification of agreement with a customer
- Identification of performance commitments in the agreement
- Determination of the transaction price
- Allocation of the transaction price to performance commitments in the agreement
- Recognition of revenue when the company fulfills a performance commitment

(i) Sales of goods
Product revenue is reported net after any VAT and deductions for sales based on agreed payment terms. The control is transferred according to contract terms. The amount that the company receives and the income that the company reports varies depending on actual or estimated discounts, price reductions, returns and refunds. The company adjusts its estimate of revenue at the earliest of the following: when the most probable amount that the company expects to change or when the remuneration is determined. The provision for returns is generally estimated and reported based on historical sales and return information. Reimbursements for sales returns constitute a reserve for products that can be returned due to being too old, damaged or for other reasons, and are usually calculated as a percentage of gross revenue.

(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 point.

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 debt.

(o) Other operating income and expenses

Other operating income and operating expenses consist of exchange rate gains and losses on operating receivables from operating activities, as well as exchange rate gains and losses on currency hedges. Other operating income also includes income from the license agreement with Bausch & Lomb. Out-licensing is not considered to be part of Xbrane's ordinary operations and is thus not considered to be sales but should be seen as other income.

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. The remaining part refers to the Bausch & Lomb agreement, where the initial income has been accrued over two years, from June 2020 to May 2022.

(p) Taxes

Income tax consists of current tax and deferred tax. Income tax is reported in the income statement apart from when the underlying transaction has been reported under Other Comprehensive Income or under Equity, whereupon the associated tax effect is reported under Other Comprehensive Income or Equity. Current tax is the tax to be paid or received for the year in question, using the tax rates that are decided or in practice decided on the balance sheet date. Adjustments of tax paid attributable to previous periods are also included in current tax.

Deferred tax is calculated according to the balance sheet method, based on temporary differences between carrying amounts and tax values of assets and liabilities as a starting point. Temporary differences are not considered in Group goodwill, nor for difference arising on initial recognition of assets and liabilities that are not business combinations which at the time of the transaction do not affect either reported or taxable profit. Furthermore, neither are such temporary differences as are attributable to participations in subsidiaries or associated companies that are not expected to be reversed in the foreseeable future taken into account. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice as of the balance sheet date

Deferred tax assets in respect of deductible temporary differences and a carry forward of unused tax losses are only reported to the extent it is likely that these will entail lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used. Any additional income tax arising on payment of dividend is recognized at the same time as when the dividend is recognized as a liability.

(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: accrued acquisition value; fair value through other comprehensive income – debt instrument investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss.

Financial assets are not reclassified after the first reporting date except if the Group changes its business model for management of financial assets, in which case all the financial assets concerned are reclassified as of the first day of the first reporting period following the change in business model.

A financial asset should be valued at accrued cost 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 within the framework of a business model whose objective is to hold financial assets in order to maintain contractual cash flows, and
- The agreed terms for the financial asset give rise at specific times to cash flows which are only payments of capital amounts and interest on the outstanding capital amount.

A debt instrument should 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 in accordance with a business model whose objectives can be achieved both by maintaining contractual cash flows and by selling financial assets, and
- Its agreed terms give rise at specific times to cash flows which are only payments of capital amounts and interest on the outstanding capital amount.

Upon initial recognition, the Group may make an irrevocable choice to report as other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. This choice is made on an investment-by-investment basis.

All financial assets that are not classified as measured at accrued cost or fair value through other comprehensive income are valued at fair value through profit or loss. This includes all derivatives, see Note 25. On initial recognition, the Group may irrevocably identify a financial asset that otherwise meets the conditions for being measured at accrued cost or fair value through other comprehensive income, which is measured at fair value through profit or loss if it eliminates or significantly reduces inconsistencies in accounting.

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.

Where the operations constitute a separately reportable segment (see Note 3 "Segment reporting") and have been divested, or classified as held for sale, the Group classifies such operations as discontinued. 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. Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time in order to complete the intended use or sale are included in the acquisition value.

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. Borrowing costs directly attributable to the product or process are part of the assets acquisition value. 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 recognized as an asset in the statement of financial position only as they increase the future economic benefits of the specific asset to which they relate. All other expenses are expensed when they arise.

(u) 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 24.

(ii) Impairment of intangible assets

Intangible assets that have an indefinite useful life, such as goodwill or capitalized development costs where depreciation has not yet begun, 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. Valuation of ongoing development projects is calculated by estimating the net present value of estimated future cash flows and adjusting for probability to take developmental risks into account.

(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.

(v) 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 regards 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 are 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. As the Group's convertible loans consist entirely of equity, no interest costs are reported in the income statement.

(w) Employee remuneration

For more information about short-term incentive scheme, warrants scheme for executive management as well as share savings scheme, see page 31–34 in the Administration report as well as Note 5.

(i) Short-term remuneration

Short-term 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.

Warrants scheme
Regarding the warrants directed towards Board member s and Group management, the warrants have been acquired by the participants themselves and there has been no cost for the Group.

(x) Provisions
A provision differs from other liabilities because of the uncertainty about the payment date or amount to adjust. A provision is reported in the statement of financial position when there is an existing legal or informal obligation as a result of an event occurring and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made at an amount that is a best estimate of what is required to settle the existing obligation on the balance sheet date. Where the effect of current payment is significant, provisions are calculated by discounting the expected future cash flow to an interest rate before tax reflecting current market assessments of the money's time value and, if applicable, the risks associated with 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 2021 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 Distribution of income

Income per significant category

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Revenue	–	–	–	–
Sales of goods	–	–	–	–
Total	**–**	**–**	**–**	**–**
Other operating income	–		–	
License revenue and royalties[1]	11,533	7,092	11,533	7,265
Exchange rate gains	3,940	10,413	3,940	10,413
Other	84	51	84	51
Total	**15,557**	**17,557**	**15,557**	**17,730**
Total income	**15,557**	**17,557**	**15,557**	**17,730**

1) License revenue of SEK 528 thousand (123) from the protein production platform, which refers to a specific period, are accrued over the contract period. License revenue of SEK 10,520 thousand (6,787) from the fulfilment of milestones are recognized as revenue when the milestone has been achieved

NOTE 3 Operating segments

An operating segment is a part of a group which conducts operations, from which it can generate revenues and incur expenses, and for which separate financial information is available. An operating segment's results are reviewed by the company's chief operating decision makers, who make decisions on the allocation of resources to the segment and assess its long and short-term financial results. The operating segment reports in a way that corresponds with the internal reporting that is submitted to the operation's chief decision makers. CEOs who are responsible for allocating resources and evaluating the operating segment's results, are the chief operating decision makers who make strategic decisions.

The division into operating segments is based on the different pharmaceutical products that Xbrane develops and sells. The following operating segments have been identified:

- "Biosimilars"
- "Long-acting injectables".
- "Administration and unallocated"

The segment "Biosimilars" include the operations of Xlucane™ as well as the pre-clinical biosimilars portfolio. The second segment "Long-acting injectables" includes the operations of Spherotid. The segment are classified as "Asset held for sale", due to the fact that no result is shown for the segment. See p.29 for a more detailed description. The last segment "Administration and unallocated" includes the remaining parts of the business and thereby mostly administration-related such as expenses related to the finance function, Board of Directors, market listing of shares as well as investor relations among others. The revenues from protein expression system which is a non-core business is included in Administration and unallocated.

	Full year 2021			
Amounts in SEK thousands **Revenue per region**	**Biosimilars**	**Long-acting injectable drugs**	**Administration and unallocated**	**Group**
Middle East	–	–	–	**–**
Asia	–	–	–	**–**
Europe	–	–	4,848	**4,848**
USA	10,181	–	528	**10,708**
Total	**10,181**	**–**	**5,376**	**15,557**
Revenue per category				
Pharmaceuticals	–	–	–	**–**
Milestone payments from partners	10,181	–	–	**10,181**
Services and other	–	–	5,376	**5,376**
Total	**10,181**	**–**	**5,376**	**15,557**

	Full year 2020			
Amounts in SEK thousands **Revenue per region**	**Biosimilars**	**Long-acting injectable drugs**	**Administration and unallocated**	**Group**
Middle East	–	–	–	**–**
Asia	–	–	–	**–**
Europe	–	–	10,598	**10,598**
USA	6,787	–	171	**6,958**
Total	**6,787**	**–**	**10,770**	**17,557**
Revenue per category				
Pharmaceuticals	–	–	–	**–**
Milestone payments from partners	6,787	–	–	**6,787**
Services and other	–	–	10,770	**10,770**
Total	**6,787**	**–**	**–**	**17,557**

The parent company did not report any net revenue for 2021 nor for 2020.

	Group	
Amounts in SEK thousands	**2021**	**2020**
Revenue per segment	–	–
Biosimilars	10,181	–
Long-acting injectable drugs	–	–
Administration and unallocated	5,376	17,557
Total revenue	**15,557**	**17,557**
Profit/loss per segment		
Biosimilars	–150,438	–190,497,
Long-acting injectable drugs	–	–
Administration and unallocated	-30,145	–26,939
Operating profit/loss	**–180,583**	**–217,436**
Financial revenue		
Biosimilars	–	–
Long-acting injectable drugs	–	–
Administration and unallocated	–	–
Total financial revenue	**–**	**–**
Financial costs		
Biosimilars	–2,367	–406
Long-acting injectable drugs	–	–
Administration and unallocated	–276	–285
Total financial costs	**–2,643**	**–690**
Net financial items	**–2,643**	**–690**
Profit/loss before tax[1]	**–183,226**	**–218,126**

1) Refers to remaining operations in the two financial years.

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Investments[1]				
Biosimilars	122,464	3,503	79,173	3,503
Long-acting injectable drugs	–	351	–	10,148
Administration and unallocated	2,492	–	394	–
Total	**124,956**	**3,855**	**79,567**	**13,651**
Depreciation and write-downs				
Biosimilars	11,840	4,337	4,153	1955
Long-acting injectable drugs	–	–	–	–
Administration and unallocated	376	33	376	33
Total	**12,217**	**4,370**	**4,529**	**1,987**

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Fixed assets[1]	123,473	18,218	80,293	5,212
Total	**123,473**	**18,218**	**80,293**	**5,212**

1) Includes tangible and intangible assets as well as right-to-use assets.

NOTE 4 Other operating expenses

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Outlicensing fee to subsidiary	–	–	–	–
Exchange losses on accounts receivable and payable	–4,126	–11,203	–4,126	–11,203
Impairment of accounts receivable	–	–	–	–
Total other operating expenses	**–4,126**	**–11,203**	**–4,126**	**–11,203**

NOTE 5 Employees, salaries and senior executive's remuneration

Costs of employees' remuneration

Group

Amounts in SEK thousands	**2021**	**2020**
Salaries and remuneration	51,441	32,247
Payments on termination of employment[1]	–	–
Social security costs	10,247	6,478
Other personnel expenses	2,347	1,565
Total costs of employees' remuneration	**64,034**	**40,290**

1) Statutory non-recuring payment to employees in Italy which is paid when employment is terminated.

	2021	**2020**
Gender distribution in management	**Proportion of women**	**Proportion of women**
Parent company		
The Board	29%	29%
Other management	50%	56%
Group		
The Board	29%	29%
Other management	50%	56%

Average number of employees	**2021**	**Of which men**	**2020**	**Of which men**
Parent company	50	41%	32	55%
Subsidiary	–	–	–	–
Group total	**50**	**41%**	**32**	**49%**

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

Parent company	**2021**		
Amounts in SEK thousands	**Senior executives (10 persons)**	**Other employees**	**Total**
Salaries and other payments[1]	14,700	36,740	51,441
– Of which bonus payments and similar	940	2,329	3,270
– Of which pension costs	2,732	3,514	6,246
Social security costs[1]	5,284	4,963	10,247

1) Does not include fees for the Board paid as salaries of SEK 2,933 thousand (2,800) and social security costs for these of SEK 1,313 thousand (767).

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

Parent company	**2020**		
Amounts in SEK thousands	**Senior executives (9 persons)**	**Other employees**	**Total**
Salaries and other payments[1]	10,367	19,840	30,207
– Of which bonus payments and similar	542	1,435	1,977
– Of which pension costs	1,777	2,307	4,083
Social security costs[1]	1,823	3,727	5,549

1) Does not include fees for the Board paid as salary of SEK 2,800 thousand (2,133) and social expenses for these of SEK 767 thousand (606).

Group	**2021**	**2020**
Amounts in SEK thousands	**Senior executives (10 persons)**	**Senior executives (9 persons)**
Salaries and other payments	14,700	12,190
– Of which bonus payments and similar	940	542
– Of which pension costs	2,732	1,777

NOTE 5 Employees, salaries and senior executive's remuneration, cont.

Salaries and other payments to senior executives, Group, 2021

Amounts in SEK thousands	Basic salary, Directors' fees[1]	Benefit[2]	Variable remuneration	Pension costs	Share-related remuneration[3]	Total
Chairman of the Board Anders Tullgren	733		–	–	–	733
Board member Eva Nilsagård	400		–	–	–	400
Board member Peter Edman	350		–	–	–	350
Board member Karin Wingstrand	350		–	–	–	350
Board member Giorgio Chirivi	350		–	–	–	350
Board member Ivan Cohen-Tanugi	350		–	–	–	350
Board member Mats Thorén	400		–	–	–	400
Verkställande direktör Martin Åmark	2,029		120	503	1,748	4,399
Vice verkställande direktör Siavash Bashiri	1,298		119	287	899	2,603
Andra ledande befattningshavare (8 personer)	8,977	70	702	1,945	**987**	**12,681**
Summa	**15,238**	**70**	**940**	**2,734**	**3,634**	**22,616**

1) Committee fees are included in the Board fees and consist of the following amounts:
SEK 50 thousand (–) for each of the non–employed members of the remuneration committee and SEK 100 thousand (–) to the chairman of the committee who is not also an employee; and
SEK 50 thousand (–) for each of the non–employed members of the audit committee and SEK 100 thousand (–) to the chairman of the committee who is not also an employee; and
SEK 50 thousand (–) for each of the non–employed members of the transaction committee and SEK 100 thousand (–) to the chairman of the committee who is not also an employee.

2) Car benefit.

3) Refers to the cost of the ongoing LTIP schemes in accordance with IFRS 2. Social security costs are not included in the amounts.

Salaries and other payments to senior executives, Group, 2020

Amounts in SEK thousands	Basic salary, Directors' fees[1]	Variable remuneration	Pension costs	Share-related remuneration[2]	Total
Chairman of the Board Anders Tullgren	600	–	–	–	600
Board member Eva Nilsagård	400	–	–	–	400
Board member Peter Edman	350	–	–	–	350
Board member Karin Wingstrand	350	–	–	–	350
Board member Giorgio Chirivi	350	–	–	–	350
Board member Ivan Cohen-Tanugi	350	–	–	–	350
Board member Mats Thorén (from May 14, 2020)	200	–	–	–	200
Board member Maris Hartmanis (until May 14, 2020)	200	–	–	–	200
CEO Martin Åmark	1,481	102	324	1,069	2,975
Deputy CEO Siavash Bashiri	1,182	86	232	623	2,124
Other senior executives (7 persons)	5,277	354	1,221	**672**	**7,524**
Total	**10,740**	**542**	**1,777**	**2,364**	**15,423**

1) Committee fees are included in the Board fees and consist of the following amounts:
SEK 50 thousand (–) for each of the non-employed members of the remuneration committee and SEK 100 thousand (–) to the chairman of the committee who is not also an employee; and
SEK 50 thousand (–) for each of the non-employed members of the audit committee and SEK 100 thousand (–) to the chairman of the committee who is not also an employee; and
SEK 50 thousand (–) for each of the non-employed members of the transaction committee and SEK 100 thousand (–) to the chairman of the committee who is not also an employee.

2) Refers to the cost of the ongoing LTIP schemes in accordance with IFRS 2. Social security costs are not included in the amounts.

NOTE 5 Employees, salaries and senior executive's remuneration, cont.

Remuneration of senior executives and conditions for termination and severance pay
The Annual General Meeting in May 2021 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 2021, 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 is design to be similar to an ITP1 plan. The defined contribution pension plans may not exceed 30 percent of the fixed annual salary, which was not the case in 2021. 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.

Warrant schemes
Three warrant schemes have been issued to executive directors and board members. For more information see page 34 in the Administration report as well as Note 1 (w) Employee remuneration.

Warrants scheme series III 2018/2022
Issue of a maximum of 96,000 warrants to Group Management consisting of up to four executives to subscribe between 6,000 and 24,000 warrants, whereby the CEO was offered to subscribe for a maximum of 24,000 warrants and the others a maximum of 24,000 warrants, totaling a maximum of 96,000 warrants. A total of 79,000 warrants were subscribed for by the subscribers at a price corresponding to the market value of the options calculated in accordance with the Black & Scholes valuation model. At the time of allocation, the valuation was SEK 4.18 per option. When calculating the warrants market value, the following factors has been used; share price of SEK 60.8672 per share; exercise price SEK 121.73 per share, volatility 33.52 percent, expected dividend of SEK 0 per share, risk free interest of -0.44 percent as well as a duration of four years. Each warrant entitles the holder to subscribe for one new share during the period from April 1, 2022 to May 31, 2022. In the event that all outstanding warrants are exercised, the number of shares in the Company will increase by 79,000 shares and the share capital by SEK 17,712. If all outstanding warrants in the warrants scheme series III 2018/2022 are used, it will result in a dilution of approximately 1.23 percent of the share capital and votes in the company. As of December 31, 2018, 141,785 warrants had been allocated and acquired on market terms. If the warrant holder leaves his or her employment in the company before the scheme ends, the company has the right to re-purchase warrants that have not been earned.

Share savings scheme
As of December 31, 2021, the Company had three ongoing long-term equity savings schemes. For more information, see page 31–32 in the Administration report as well as Note 1 Employee remuneration.

LTIP 2019
LTIP 2019 is a long-term share savings scheme that runs during the period 2019-2021. 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, 2020. 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 2019 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 38.4, performance share no. 1 to SEK 12.7, performance share no. 2 to SEK 9.6, performance share no. 3 to SEK 7.8. 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 2019 amounted to 228,000 (57,000 matching shares and 171,000 performance shares) and closing number at financial year 2019 amounted to 228,000 (57,000 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 2019–2021.

LTIP 2020
LTIP 2020 is a long-term share savings scheme that runs during the period 2020-2022. 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, 2021. 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 2020 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 41.9, performance share no. 1 to SEK 14.4, performance share no. 2 to SEK 11.0, performance share no. 3 to SEK 9.1. 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 2020 amounted to 246,000 (61,500 matching shares and 184,000 performance shares) and closing number at financial year 2020 amounted to 164,300 (41,075 matching shares and 123,225 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 2020–2022.

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.

	LTIP2019
Vesting period	**Jan 2019 – Dec 2021**
Performance targets	**Percentage increase in share price**
Fair value per share right (SEK)	38.4 and performance shares[1]

	LTIP2020
Vesting period	**Jan 2020 – Dec 2022**
Performance targets	**Percentage increase in share price**
Fair value per share right (SEK)	41.9 and performance shares[2]

	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[3]

1) Performance share no. 1 is valued to SEK 12.7 per share; Performance share no. 2 is valued to SEK 9.7 per share; Performance share no. 3 is valued to SEK 7.8 per share.
2) Performance share no. 1 is valued to SEK 14.4 per share; Performance share no. 2 is valued to SEK 11.0 per share; Performance share no. 3 is valued to SEK 9.1 per share.
3) Performance share no. 1 is valued to SEK 38.2 per share; Performance share no. 2 is valued to SEK 29.2 per share; Performance share no. 3 is valued to SEK 24.1 per share.

NOTE 5 Employees, salaries and senior executive's remuneration, cont.

The costs of the Performance Share scheme are presented in the table below:

	Accumulated		
	Share-related remuneration	Social security costs	Total kostnad
2019 – 2021	–3,781	–2,029	**–5,810**
2020 – 2022	–1,864	–783	**–2,647**
2021 – 2023	–2,159	–351	**–2,510**
Total	**–7,804**	**–3,163**	**–10,966**

The costs of the Performance Share scheme are presented in the table below:

	2020		
	Share-related remuneration	Social security costs	Total kostnad
2017 – 2019	–1,020	22	–998
2018 – 2020	–2,416	–651	–3,067
2019 – 2021	–747	–224	–971
2020 – 2022	–	–	–
Total	**–4,183**	**–853**	**–5,036**

The costs of the Performance Share scheme are presented in the table below:

	2021		
	Share-related remuneration	Social security costs	Total kostnad
2018 – 2020	–	–144	**–144**
2019 – 2021	–1,365	–1,104	**–2,468**
2020 – 2022	–1,116	–559	**–1,675**
2021 – 2023	–2,159	–351	**–2,510**
Total	**–4,640**	**–2,157**	**–6,798**

Personnel costs for share-related remuneration

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Costs attributable to share savings scheme	6,798	2,040	6,798	2,040
Total	**6,798**	**2,040**	**6,798**	**2,040**

NOTE 6 Fees and reimbursement of expenses to auditors

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
PricewaterhouseCoopers AB				
Audit assignments	940	–	940	–
Audit work in addition to the audit assignments	92	–	92	–
Tax services	87	–	87	–
Other services	–	–	–	–
Other auditor				
KPMG s.r.l.				
Audit assignments	–	859	–	859
Audit work in addition to the audit assignments	–	112	–	112
Tax services	–	–	–	–
Other services	–	181	–	181
Total fees and reimbursement of expenses to auditors	**1,119**	**1,152**	**1,119**	**1,152**

NOTE 7 Operating expenses by type of cost

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Raw materials and consumables	–	–	–	–
Change in inventory of finished goods and products in progress	–	–	–	–
Other external expenses	111,218	176,328	120,333	179,179
Personnel costs	68,579	43,090	68,579	43,090
Depreciation	12,217	4,370	4,529	1,987
Exchange rate losses	4,126	11,203	4,126	11,203
Total	**196,140**	**234,992**	**197,567**	**235,460**

NOTE 8 Net financial items

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Interest income	–	–	–	11
Financial income	**–**	**–**	**–**	**11**
Interest charges for leasing	–2,367	–406	–	–
Interest charges for non-current liabilities	–269	–285	–269	–293
Write-down of shares in group companies	–	–	–10,631	–38,400
Other financial expenses	–7	–	–7	–2
Financial expenses	**–2,643**	**–690**	**–10,908**	**–38,697**
Net finance costs	**–2,643**	**–690**	**–10,908**	**–38,685**

Interest income and costs deriving from financial assets and liabilities are valued to accrued acqusition cost.

NOTE 9 Taxes

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
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

Group

Amounts in SEK thousand	**2021**	**2020**
Profit before tax	–183,226	–218,126
Tax at the current rate for the parent company (20.6%)	37,745	54,873
Effect of other tax rates for foreign subsidiaries	–	–
Non-deductible expenses	–2,219	–8,242
Non-taxable income	–	–
Increase of loss carryforwards without corresponding activation of deferred tax	–35,525	–46,631
Tax attributable to prior years	–	–
Reported effective tax	**–**	**–**

Parent company

Amounts in SEK thousands	**2021**	**2020**
Profit before tax	–192,918	–256,415
Tax at the current rate for the parent company (20.6%)	39,741	54,873
Non-deductible expenses	–2,219	–8,242
Non-taxable income	–	–
Increase of loss carryforwards without corresponding activation of deferred tax	–37,522	–46,631
Tax attributable to prior years	–	–
Reported effective tax	**–**	**–**

As of Dec 31, 2021, the accumulated loss carry-forward for the parent company amounted to SEK 651,373 thousand (469,228). The accumulated loss has no time limitation regarding right-to-use period. No tax has been charged to other comprehensive income or booked as a asset at the balance sheet.

As of Dec 31, 2021, accumulated loss carry-forward for the Group amounted to SEK 651,373 thousand (469,228). The accumulated loss has no time limitation regarding right-to-use period. No tax has been charged to other comprehensive income or booked as a asset at the balance sheet.

NOTE 10 Equity per share

Earnings per share	**Before dilution**		**After dilution**	
Amounts in SEK	**2021**	**2020**	**2021**	**2020**
Earnings per share	–7.77	–12.48	–7.77	–12.48

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 thousands	**2021**	**2020**
Earnings for the year attributable to the parent company's shareholders, before dilution	**–188,376**	**–226,026**
Earnings attributable to the parent company's shareholders, after dilution	**–188,376**	**–226,026**

Weighted average number of shares amounted to 23,593,291 (18,113,313), which was affected by a new share issue in June of the accounting year. The number of outstanding shares at the end of the year was 25,039,906 (22,200,415).

Weighted average number of ordinary shares, before and after dilution

	2021	**2020**
Weighted average number of ordinary shares during the year, before dilution	23,593,291	18,113,313
Weighted average number of ordinary shares during the year, after dilution	23,593,291	18,113,313

Instruments which can produce future dilution effect and changes after the balance sheet date

The warrants from the share saving schemes for the employees as well as the warrants scheme for executives, if fully issued, would lead to 925,000 new shares. The dilution effect would depend on the difference between the exercise price and the market share price at the exercise date.

NOTE 11 Intangible assets

Group	Ongoing internally developed intangible assets	Internally developed intangible assets	Acquired intangible assets	
Amounts in SEK thousands	**Development expenses**	**Development expenses**	**Goodwill**	**Total**
Accumulated acquisition cost				
Opening balance Jan 1, 2020		**8,086**	**60,760**	**68,846**
Exchange rate differences for the year		–307	–2,307	–2,614
Closing balance Dec 31, 2020		**7,779**	**58,453**	**66,232**
Opening balance Jan 1, 2021	**–**	**7,779**	**58,453**	**66,232**
Capitalized development expenses	49,672		–	49,672
Assets held for sale		–7,779	–58,453	–66,232
Closing balance Dec 31, 2021	**49,672**	**–**	**–**	**49,672**
Accumulated depreciation and impairment				
Opening balance Jan 1, 2020		**–3,033**	**–**	**–3,033**
Depreciation for the year[1]		–793	–	–793
Exchange rate differences		131	–	131
Closing balance Dec 31, 2020	**–**	**–3,696**	**–**	**–3,696**
Opening balance Jan 1, 2021	**–**	**–3,696**	**–**	**–3,696**
Assets held for sale	–	3,696	–	3,696
Depreciation for the year[1]	–	–	–	–
Closing balance Dec 31, 2021	**–**	**–**	**–**	**–**
Reported values				
As of Jan 1, 2020	–	5,053	60,760	65,812
As of Dec 31, 2020	–	4,083	58,453	62,536
As of Jan 1, 2021	–	4,083	58,453	62,536
As of Dec 31, 2021	49,672	–	–	–

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 2021
In the impairment test of goodwill attributable to Primm Pharma s.r.l. the recoverable amount has been calculated on the basis of future value in use. The value in use has been based on the present value of expected royalties and license revenues, in particular from ICI s.r.l. Royalties and license revenues in the coming year are based on signed contracts with ICI. Future royalty and licensing income is based on discussions with ICI, existing contracts and past experience of sales of the product in corresponding markets and expected geographical expansion of the product.

Projected royalties and license revenues are expected to increase annually on average by 5 percent per year until 2030. The projected royalties and license income have been discounted using a discount rate that takes into account risk-free interest rates, market risk and credit risk. The discount rate used was 15.8 percent after tax. In the previous year, a discount rate was calculated based on the fair value of the company's future net cash flows.

The change in the discount rate compared to last year is explained by the fact that Primm has been in the process of being divested and in the wake of the pandemic this has meant a slightly increased risk. Furthermore, Primm showed positive cash flow in Q4 2021, which at the same time reduces the slightly increased risk. The data and the basis for the assumptions made are considered to fall under valuation category 3. For further information about the "Asset held for sale", see not 32.
Impairment testing of the capitalized development costs has been carried out, with no indication that impairment would be required. This is because Xlucane™ is still under development and therefore it is reasonable that there is no need for impairment. The data and the basis for the assumptions made are considered to fall under valuation category 3.

Impairment testing 2020
In the impairment test of goodwill attributable to Primm Pharma s.r.l. the recoverable amount has been calculated on the basis of fair value less selling costs since the subsidiary was sold after the balance sheet date. The fair value has been calculated based on the present value of expected payments on the sale of the subsidiary through a combination of fixed and contingent variable remuneration components. Assumptions regarding costs and revenues in the event of a potential divestment of the subsidiary are based on a non-binding agreement with an external party. The non-binding agreement includes compensation that is paid upon signing, AIFA approval and as annual variable compensation based on sales and milestone payments after achieving the sales target. The forecast fixed and contingent variable remuneration has been discounted at a rate that takes into account risk-free interest, market risk and credit risk for the main relevant markets for the company's products. The discount rate used was 11.1 percent after tax. In the previous year, a discount rate was calculated based on the value in use of the company's future net cash flows. The change in the discount rate compared with the previous year is largely explained by the fact that the required rate of return has become lower as the risk has decreased and is now limited mainly to dependence on the subsidiary's future income, not future results.

The data and the basis for the assumptions made are considered to fall under valuation category 3.

NOTE 11 Intangible assets cont.

Parent company	Ongoing internally developed intangible assets	
Amounts in SEK thousands	**Development expenses**	**Total**
Accumulated acquisition cost		
Opening balance Jan 1, 2020	**–**	**–**
Closing balance Dec 31, 2020	**–**	**–**
Opening balance Jan 1, 2021	–	–
Capitalized development expenses	49,672	49,672
Closing balance Dec 31, 2021	**49,672**	**49,672**
Accumulated depreciation and impairment		
Opening balance Jan 1, 2020	**–**	**–**
Closing balance Dec 31, 2020	**–**	**–**
Opening balance Jan 1, 2021	–	–
Closing balance Dec 31, 2021	–	–
Reported values		
As of Jan 1, 2021	–	–
As of Dec 31, 2021	49,672	49,672

In June 2021, Xlucane™ achieved the primary endpoint in the Xplore study. The criteria for capitalization of research and development costs were thus met. Therefore, from 1 July 2021, all development costs for Xlucane™ have been capitalized as intangible assets in the balance sheet. Capitalized intangible assets are tested for impairment annually or when deemed necessary. During the financial year 2021, no impairment was recognized in respect of the capitalized development expenditure. The data and the basis for the assumptions made are considered to fall under valuation category 3. See not 32 for further information about the capitalized development expenses.

NOTE 12 Tangible assets

Group

Amounts in SEK thousand	**Machinery and other technical facilities**	**Fixtures, tools and installations**	**Under construction**	**Total**
Accumulated acquisition cost				
Opening balance Jan 1, 2020	**21,554**	**3,464**	**106**	**25,124**
Other acquisitions	3,685	168	–	3,853
Reclassification of Under construction	106	–	–106	–
Exchange rate differences	–542	–34	–	–575
Closing balance Dec 31, 2020	**24,803**	**3,598**	**–**	**28,402**
Opening balance Jan 1, 2021	**24,803**	**3,598**	**–**	**28,402**
Other acquisitions	22,018	7,877	–	29,895
Assets held for sale	–13,946	–861	–	–14,807
Closing balance Dec 31, 2021	**32,876**	**10,614**	**–**	**43,490**
Accumulated depreciation and impairment				
Opening balance Jan 1, 2020	**–16,273**	**–1,847**	–	**–18,120**
Depreciation for the year	–1,804	–672	–	–2,475
Exchange rate differences	335	24	–	359
Closing balance Dec 31, 2020	**–17,741**	**–2,495**	**–**	**–20,236**
Opening balance Jan 1, 2021	**–17,741**	**–2,495**	–	**–20,236**
Depreciation for the year	–2,831	–1,655	–	–4,486
Assets held for sale	11,196	657	–	11,853
Closing balance Dec 31, 2021	**–9,376**	**–3,493**	**–**	**–12,869**

Reported values

Amounts in SEK thousands	**Machinery and other technical facilities**	**Fixtures, tools and installations**	**Under construction**	**Total**
As of Jan 1, 2020	5,281	1,617	106	7,004
As of Dec 31, 2020	7,062	1,103	–	8,166
As of Jan 1, 2021	7,062	1,103	–	8,166
As of Dec 31, 2021	23,500	7,121	–	30,622

NOTE 12 Tangible assets, cont.

Parent company

Amounts in SEK thousands	Machinery and other technical facilities	Fixtures, tools and installations	Total
Acquisition value			
Opening balance Jan 1, 2020	**7,514**	**2,579**	**10,092**
Acquisition	3,344	159	3,503
Closing balance Dec 31, 2020	**10,858**	**2,737**	**13,595**
Opening balance Jan 1, 2021	**10,858**	**2,737**	**13,595**
Acquisition	22,018	7,877	29,895
Closing balance Dec 31, 2021	**32,876**	**10,614**	**43,490**
Depreciation and amortization			
Opening balance Jan 1, 2020	**–5,127**	**–1,268**	**–6,395**
Depreciation for the year	–1,418	–570	–1,987
Closing balance Dec 31, 2020	**–6,545**	**–1,838**	**–8,383**
Opening balance Jan 1, 2021	**–6,545**	**–1,838**	**–8,383**
Depreciation for the year	–2,831	–1,655	–4,486
Closing balance Dec 31, 2021	**–9,376**	**–3,493**	**–12,869**

Reported values

Amounts in SEK thousands	Machinery and other technical facilities	Fixtures, tools and installations	Total
As of Jan 1, 2020	2,386	1,311	3,697
As of Dec 31, 2020	4,313	899	5,212
As of Jan 1, 2021	4,313	899	5,212
As of Dec 31, 2021	23,500	7,121	30,622

NOTE 13 Co-development

Amounts in SEK thousands	Xbrane's share
Revenues	–
Expenses[1]	126,726
Assets[1]	12,592
Liabilities[2]	47,696

1) Items shown as gross value

2) See note 23 *"Advances from partners"* for Xbrane and STADA's total liabilities for the Xlucane™ project.

The partnership agreement signed in July 2018 with STADA for Xlucane™ means that STADA and Xbrane share equally (50/50) research and development costs for Xlucane™. As a result, Xbrane's reported net research and development costs for Xlucane™ 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, Xlucane™ 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 Xlucane™ is not charged to the income statement but is capitalized in the balance sheet.

In Xbrane's future balance sheet, receivables and payables related to Xlucane™ 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 14 Non-current receivables

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Non-current receivables				
Rental deposit	3,945	4,580	3,945	4,580
Deposit to CRO concerning clinical trial	–	8,030	–	8,030
Total	**3,945**	**12,610**	**3,945**	**12,610**

NOTE 15 Receivables

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Receivables	41,891	51,384	41,891	51,384
Provisions for doubtful trade receivables	–	–	–	–
Total receivables	**41,891**	**51,384**	**41,891**	**51,384**

Receivables consist entirely of a receivable from our partner STADA for the ongoing development costs of Xlucane™. It is therefore not classified as revenue, as it is part of the core business of the company. There is no need for impairment as the receivable has been settled in full after the balance sheet date.

NOTE 16 Prepaid expenses and accrued income

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
CMO (Contract Manufacturing Organization)	61,480	–	61,480	–
Rent for premises	2,311	1,211	2,311	1,211
CRO (Xplore study)	25,184	54,960	25,184	54,960
Other[1]	58,051	16,807	58,051	16,764
Total prepaid expenses and accrued income	**147,027**	**72,978**	**147,027**	**72,935**

1) Primarily refers to research and development expenses regarding Xlucane™.

NOTE 17 Cash and cash equivalents

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Cash and cash equivalents				
Cash and bank	295,180	243,139	295,180	242,247
Carrying amount	**295,180**	**243,139**	**295,180**	**242,247**

Deposits at the bank are placed at banks with credit rating A or higher and are available on demand. Taking into account the short duration and the counterparties' high credit rating, the credit risk of the deposits are low and the expected credit losses are deemed to be insignificant.

NOTE 18 Equity

Type of shares	Ordinary shares	
	2021	**2020**
Issued as of Jan 1	22,200,415	15,415,199
Issue of shares paid in cash	2,817,700	6,785,216
Share options/Targeted share issue	21,791	–
Issued as of Dec 31	**25,039,906**	**22,200,415**

The Group only has one type of share, so-called ordinary shares. As of Dec 31 2021, the registered share capital comprised of 25,039,906 ordinary shares (22,200,415).

The owners of the common shares are entitled to dividends which are established continuously, and shareholdings entitle to a right of vote at the general meeting 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 5, 2022, the Board will propose that no dividend will be paid. There have been no dividends in the 2021 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

The following provides information about the Company's contractual terms in relation to interest-bearing liabilities. For further information about the Company's exposure to interest rate risk and risk of exchange rate fluctuations, refer to Note 24.

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Non-current liabilities				
Bank loans	–	–	–	–
Financial leasing debts	36,476	3,995	–	–
Total non-current liabilities	**36,476**	**3,995**	**–**	**–**
Current liabilities				
Bank loans	–	–	–	–
Financial leasing debts	7,905	2,265	–	–
Total current liabilities	**7,905**	**2,265**	**–**	**–**

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 financial leasing and bank loans. No canceled payments or breach of contract occurred in 2021.

NOTE 19 Interest-bearing liabilities cont.

Amounts in SEK thousand	Currency	Nominal interest, %	Maturity	2021 Nominal value	2021 Carrying amount	2020 Nominal value	2020 Carrying amount
Bank loans	EUR	4.55	Jan 31, 2020	–	–	–	–
Leasing liabilities	SEK	4.15 – 6%	Within 7 years	44,381	44,381	5,741	5,741
Leasing liabilities	EUR	6.00	Within 5 years	–	–	520	520
Total interest-bearing liabilities				**44,381**	**44,381**	**6,260**	**6,260**

NOTE 20 Other liabilities

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Other current liabilities				
Current liabilities to employees	24	7	24	7
Current liabilities related to VAT, taxes and social security for employees	1,775	1,321	1,775	1,185
Current liabilities to partners	7,958	–	7,958	–
Total	**9,757**	**1,328**	**9,757**	**1,192**

NOTE 21 Provisions

Group

Amounts in SEK thousand	2021	2020
One-off payment on termination of employment	–	4,810
Total provisions	**–**	**4,810**

As of Dec 31, 2021, the Parent Company had no provisions

Group,
one-off payment on termination of employment

Amounts in SEK thousands	2021	2020
Opening balance Jan 1, 2021	**4,810**	**4,547**
Provisions made during the period	–	283
Amounts off-set during the period	–4,810	161
Exchange rate differences	–	–181
Closing balance Dec 31, 2021	**–**	**4,810**

One-off payment on termination of employment refers to employees of Primm Pharma s.r.l. in accordance with Italian legislation. No provisions were made in 2021 as there were no new employees during the period and severance payments were settled in full in 2021. The settlement of the severance payment caused a charge to the income statement for social security contributions amounting to SEK 156 thousand.

NOTE 22 Liabilities to subsidiaries

Parent company

Amounts in SEK thousands	2021	2020
Opening balance Jan 1	285	–
Re-invoiced expenses to subsidiary	663	285
Repayment of debt	–	–
Closing balance Dec 31	**948**	**285**

NOTE 23 Accrued expenses and prepaid income

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Salary expenses	9,596	5,714	9,596	5,417
Vacation pay	3,502	2,666	3,502	2,502
Interest expenses	–	–	–	–
Prepaid income	–	11,221	–	10,181
Prepaid income from co-development partner[1]	95,393	104,739	95,393	104,739
Other accrued expenses	50,864	31,513	50,864	31,110
Total accrued expenses and prepaid income	**159,355**	**155,853**	**159,355**	**153,949**

1) Prepayments from the co-development partner STADA, regarding their part of the joint costs from the development of Xlucane™.

NOTE 24 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 existing and projected cash flows are monitored on an ongoing basis to ensure that the company has the financial resources needed to operate in an optimal manner for the Group and its shareholders according to the agreed plan. On the balance sheet date, the Group's cash and cash equivalents amounted to SEK 295.2 m. Together with the up-front payment from Biogen of USD 8 m and any other liquidity enhancing measures that may be required, the Board believes that the Group has funding for at least the next 12 months under the current business plan, which includes, among other things, an EMA approval and market launch of Xlucane™. See page 31 of the Administration report for further details.

Group

Credit facilities	2021
Amounts in SEK thousand	Nominal value
Available cash and cash equivalents	295,180
Liquidity reserve	**295,180**

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 Dec 31, 2020).

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 30 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 Italy, 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 thousands	2021	2020
SEK	–	–
EUR	4,189	51,384
USD	–	–
Total	**4,189**	**51,384**

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

		2021					
Amounts in SEK thousands	**Currency**	**Total**	**< 1 mth**	**1–3 mth**	**3 mth –1 yr**	**1–5 yr**	**>5 yr**
Loan from owner	SEK	–	–	–	–	–	–
Accounts payable	SEK	5,094	5,087	7	–	–	–
Accounts payable	EUR	33,666	25,044	8,623	–	–	–
Accounts payable	USD	2,458	2,458	–	–	–	–
Accounts payable	CHF	174	174	–	–	–	–
Accounts payable	GBP	1	1	–	–	–	–
Leasing liabilities	SEK	44,381	641	1,292	5,972	36,476	–
Other current liabilities	SEK	1,799	1,799	–	–	–	–
Other current liabilities	USD	7,958	1,990	–	5,969	–	–
Total		**95,531**	**37,193**	**9,922**	**11,941**	**36,476**	**–**

Maturity structure financial liabilities – undiscounted cash flows

		2020					
Amounts in SEK thousands	**Currency**	**Total**	**< 1 mth**	**1–3 mth**	**3 mth –1 yr**	**1–5 yr**	**>5 yr**
Loan from owner	SEK	3,525	3,525	–	–	–	–
Accounts payable	SEK	25,092	20,506	4,332	254	–	–
Accounts payable	EUR	466	466	–	–	–	–
Accounts payable	USD	463	463	–	–	–	–
Leasing liabilities	SEK	5,741	195	394	1,263	3,888	–
Leasing liabilities	EUR	520	13	27	121	359	–
Other current liabilities	SEK	1,192	1,192	–	–	–	–
Other current liabilities	EUR	136	136	–	–	–	–
Total		**37,135**	**26,498**	**4,753**	**1,638**	**4,247**	**–**

NOTE 24 Note 24 Financial risks and risk management cont.

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 13.286 thousand (24.048) and SEK 1.334 thousand (861) respectively.

Group[1]	2021		2020	
Amounts in SEK thousand	**USD**	**EUR**	**USD**	**EUR**
Cash and cash equivalents	242	713	637	261
Account receivable	–	4,189	–	51,384
Bank loans	–	–	–	–
Accounts payable	246	3,367	47	2,509
Total	**487**	**8,269**	**684**	**54,154**

1) All amounts are stated in SEK thousands.

NOTE 25 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	2021				
Amounts in SEK thousand	**Valued at fair value through profit and loss**	**Accrued acquisition value**	**Other financial liabilities**	**Total statement of financial position**	**Fair value**
Accounts receivable	–	41,891	–	41,891	41,891
Other receivables	–	8,361	–	8,361	8,361
Cash and cash equivalents	–	295,180	–	295,180	295,180
Total	**–**	**345,433**	**–**	**345,433**	**345,433**
Other non-current liabilities	–	–	543	543	543
Accounts payable	–	–	41,393	41,393	41,393
Other liabilities	–	–	9,757	9,757	9,757
Accrued expenses	–	–	159,355	159,355	159,355
Total	**–**	**–**	**211,048**	**211,048**	**211,048**

Group	2020				
Amounts in SEK thousand	**Valued at fair value through profit and loss**	**Accrued acquisition value**	**Other financial liabilities**	**Total statement of financial position**	**Fair value**
Accounts receivable	–	51,384	–	51,384	51,384
Other receivables	–	6,981	–	6,981	6,981
Cash and cash equivalents	–	243,139	–	243,139	243,139
Total	**–**	**301,504**	**–**	**301,504**	**301,504**
Other non-current liabilities	–	–	8,257	8,257	8,257
Accounts payable	–	–	29,546	29,546	29,546
Other liabilities	–	–	1,328	1,328	1,328
Accrued expenses	–	–	51,114	51,114	51,114
Total	**–**	**–**	**90,245**	**90,245**	**90,245**

NOTE 25 Valuation of financial assets and liabilities at fair value and division into categories cont.

Parent company	2021				
Amounts in SEK thousand	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Shares in subsidiaries	74,066	–	–	74,066	74,066
Accounts receivable	–	41,891	–	41,891	41,891
Other receivables	–	8,361	–	8,361	8,361
Cash and cash equivalents	–	295,180	–	295,180	295,180
Total	**74,066**	**345,433**	**–**	**419,499**	**419,499**
Non-current liabilities	–	–	543	543	543
Accounts payable	–	–	41,393	41,393	41,393
Liabilities to group companies	–	–	948	948	948
Other liabilities	–	–	9,757	9,757	9,757
Accrued expenses	–	–	159,355	159,355	159,355
Total	**–**	**–**	**211,996**	**211,996**	**211,996**

Parent company	2020				
Amounts in SEK thousand	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Shares in subsidiaries	74,066	–	–	74,066	74,066
Accounts receivable	–	51,384	–	51,384	51,384
Other receivables	–	5,148	–	5,148	5,148
Cash and cash equivalents	–	242,247	–	242,247	242,247
Total	**74,066**	**298,780**	**–**	**372,846**	**372,846**
Non-current liabilities	–	–	8,257	8,257	8,257
Accounts payable	–	–	29,421	29,421	29,421
Liabilities to group companies	–	–	285	285	285
Other liabilities	–	–	1,192	1,192	1,192
Accrued expenses	–	–	49,210	49,210	49,210
Total	**–**	**–**	**88,365**	**88,365**	**88,365**

Fair value

The Group's financial instruments subject to fair value measurement are its currency derivative holdings. The fair value of the Group's currency derivatives is based on the observable market value of the SEK against the EUR and the volatility of the market price of the SEK against the EUR over an agreed period of time. The valuation is thus considered to fall under level 2 in the valuation hierarchy below. The valuation of the shares in subsidiaries falls under level 3, according to the valuation hierarchy below. For further information about shares in subsidiaries, see note 11. 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: 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 2021, no transfers were made between the different valuation levels.

Group	2021	2020	2021	2020
Amounts in SEK thousand	Level 2	Level 2	Level 3	Level 3
Financial assets				
Shares in subsidiaries	–	–	74,066	74,066
Other current receivables	–	–	–	–
Of which currency derivatives	–	–	–	–
Total financial assets	**–**	**–**	**74,066**	**74,066**
Financial liabilities				
Other current liabilities	–	–	–	–
Of which currency derivatives	–	–	–	–
Total financial liabilities	**–**	**–**	**–**	**–**

NOTE 26 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 thousands	2021	2020
Current leasing liabilities	7,905	2,265
Non-current leasing liabilities	36,476	3,995
Leasing liabilities included in the consolidated financial statement	**44,381**	**6,260**

For maturity analysis of leasing liabilities, see Note 24 in the section on liquidity risk.

Right-of-use assets 2021

Amounts in SEK thousands	Premises	Machinery	Total
Opening balance Jan 1, 2021	809	5,159	**5,969**
Acquisitions	41,971	3,418	**45,389**
Assets held for sale	–445	–45	**–490**
Depreciation and write downs during the year	–5,362	–2,326	**–7,688**
Closing balance Dec 31, 2021	**36,974**	**6,206**	**43,180**

Right-of-use assets 2020

Amounts in SEK thousands	Premises	Machinery	Total
Opening balance Jan 1, 2020	2,544	6,660	**9,204**
Depreciation and write downs during the year	–1,685	–1,515	**–3,200**
Exchange rate differences	–49	14	**–35**
Closing balance Dec 31, 2020	**809**	**5,159**	**5,969**

Estimated useful lives

Premises	7 yr
Machinery and other technical facilities	3–5 yr

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 37.846 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 6.535 thousand.

During the year, lease liabilities/assets did not utilize any options or similar that were not previously included in the lease liability. 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.

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.

Amounts stated in the profit or loss, IFRS 16	Group	
Amounts in SEK thousand	**2021**	**2020**
Depreciation of right-of-use assets	7,688	3,200
Interest expenses on leases	2,421	460
Variable leasing expenses excluded from the valuation of the leasing liability	–	–
Short-term lease expenses	–	475
Expenses for leases of low value, not short-term leases of low value	73	54
	10,181	**4,189**

	Group	
Amount presented in the consolidated cash flow statement	**2021**	**2020**
Total cash flow related to leases	**7,346**	**3,656**

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 27 Distribution of the Company's profit or loss

Proposed distribution of the Company's profit or loss

Amounts in SEK thousands	
Share premium reserve	1,134,962
Profit/loss brought forward	–558,561
Profit/loss for the year	–192,918
Total	**383,483**
To be carried forward	383,483

NOTE 28 Transactions with closely related parties

Group

Amounts in SEK thousand	Year	Goods/services transactions	Interest costs	Interest income	Liabilities as of Dec 31
Relationship					
Group company	2021	763	–	–	948
Other closely related parties	2021	–	–	–	–
Group company	2020	443	–	–	285
Other closely related parties	2020	–	–	–	–

The parent company has a relationship with its subsidiary, see Note 33.

Parent company

Amounts in SEK thousand	Year	Purchase of goods/ services	Sales of goods/ services	Interest costs	Interest income	Liabilities as of Dec 31
Relationship						
Group company	2021	708	55	–	–	948
Other closely related parties	2021	–	–	–	–	–
Group company	2020	270	173	–	–	285
Other closely related parties	2020	–	–	–	–	–

Transactions with related parties are priced on market terms. Remuneration to senior executives and board members is presented in Note 5.

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

NOTE 28 Transactions with closely related parties, cont.

leading position or have an ownership connection.

Since Dec 31, 2015 there is a provision for the Italian subsidiary Primm Pharma's CEO/Head of Long-acting injectables which on the balance sheet date of Dec 31, 2020 amounted to SEK 4.026 thousand . The provision relates to a one-off payment on termination of employment in accordance with Italian legislation and is not interest-bearing. The provision was settled in 2021 as Primm no longer has any employed staff.

During 2021, Primm Pharma s.r.l. purchased administration and services, and rented premises from Primm s.r.l. at a cost of SEK 245 thousand. Primm s.r.l. is 56 percent owned by Paolo Sarmientos, CEO/ Head of Long-acting injectables for Primm Pharma.

Up to Dec 31, 2021, the parent company Xbrane invoiced the subsidiary Primm Pharma SEK 55 thousand for administrative services and re-invoiced external costs invoiced to Xbrane Biopharma but relating to Primm Pharma. Primm Pharma has in turn re-invoiced Xbrane Biopharma SEK 708 thousand for external costs relating to the parent company.

During the 2021 financial year, capital was raised through related parties participating and subscribing for shares on market terms. The following transactions with related parties took place:

• Serendipity Group subscribed for a total of 357,400 shares.

All shares were registered and distributed to the above-mentioned persons and companies in 2021.

NOTE 29 Group companies

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

Parent company Amounts in SEK thousands	2021	2020
Accumulated acquisition cost		
Opening balance Jan 1	112,466	102,319
Shareholder equity contribution	10,631	10,147
Closing balance Dec 31	**123,097**	**112,466**
Accumulated revaluations		
Opening balance Jan 1	–	–
Closing balance Dec 31	**–**	**–**
Accumulated impairment		
Opening balance Jan 1	–38,400	–
Impairment	**–10,631**	**–38,400**
Closing balance Dec 31	**–49,031**	**–38,400**
Reported value Dec 31	**74,066**	**74,066**

NOTE 30 Specifications for cash flow statements

Cash and cash equivalents

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Following items included in cash flow				
Cash and bank balances	295,180	243,139	295,180	242,247
Total on balance sheet	295,180	243,139	295,180	242,247
Total on cash flow statement	**295,180**	**243,139**	**295,180**	**242,247**

Paid interest and dividends received

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Interest received	–	–	–	11
Interest paid	–2,643	–690	–10,908	–38,696
Total interest and dividends received	**–2,643**	**–690**	**–10,908**	**–38,685**

Adjustments for items not included in cash flow

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Depreciation and amortization	12,998	6,566	4,529	1,987
Expenses for share-related remuneration	4,551	1,293	4,551	1,293
Impairment of inventories	1,220	–	10,631	38,400
Social security charges for unpaid short- & long-term incentive schemes	–10,284	–3,909	–5,383	–1,061
Other	–1,304	2,297	–1,360	–1,019
Total items not included in cash flow	**7,180**	**6,247**	**12,968**	**39,600**

Cash flows in operational activities divided according to operating segment[1]

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Biosimilars	–174,709	-173,316	–172,640	–173,761
Long-acting injectable drugs	–10,401	–8,020	–	–
Administration and unallocated	–34,500	–57,071	–42,183	–58,726
Total cash flows in operating activities	**–219,610**	**–238,407**	**–214,822**	**–232,486**
Of which from discontinued operations	*–10,401*	*–8,020*	–	–

Cash flows in investment activities divided according to operating segment[1]

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Biosimilars	–77,350	–3,503	–79,611	–3,503
Long-acting injectable drugs	–	–351	–10,631	–10,148
Administration and unallocated	–	–	–	–
Total cash flows from investment activities	**–77,350**	**–3,855**	**–90,242**	**–13,651**
Of which from discontinued operations	–	*–352*	–	–

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Biosimilars	–7,273	–2,271	–	–
Long-acting injectable drugs	–529	–2,367	–	–
Administration and unallocated	357,167	327,362	356,638	325,863
Total cash flows from financing activities	**349,365**	**322,724**	**356,638**	**325,863**
Of which from discontinued operations	*–529*	*–2,367*	–	–

Unutilized credits

	Group		Parent company	
Amounts in SEK thousands	**2021**	**2020**	**2021**	**2020**
Unutilized credits	–	–	–	–

1) Also see Note 3 regarding cash flow per operating segment.

NOTE 30 Specifications for cash flow statements, cont.

Changes in liabilities attributable to financing activities in 2021

Group		Changes in non-cash-flow items					
Amounts in SEK thousands	Opening balance 2021	Changes in cash flow items	Reclassification	Translation gains/losses	Conversion of credit facility into shares	New leases	Closing balance 2021
Non-current liabilities	–	–	–	–	–	–	–
Current liabilities	–	–	–	–	–	–	–
Leasing liabilities	6,260	–7,273	–	5	–	45,389	44,381
Liabilities attributable to financing activities	**6,260**	**–7,273**	**–**	**5**	**–**	**45,389**	**44,381**

Changes in liabilities attributable to financing activities in 2020

Group		Changes in non-cash-flow items					
Amounts in SEK thousands	Opening balance 2020	Changes in cash flow items	Reclassification	Translation gains/losses	Conversion of credit facility into shares	New leases	Closing balance 2020
Non-current liabilities	–	–	–	–	–	–	–
Current liabilities	12	–12	–	–	–	–	–
Leasing liabilities	9,425	–3,127	–	–38	–	–	6,260
Liabilities attributable to financing activities	**9,437**	**–3,139**	**–**	**–38**	**–**	**–**	**6,260**

NOTE 31 Events after the balance sheet date

Significant events after the end of the financial year

Agreement with Biogen as commercialization partner for Xcimzane™
In February, an agreement was finalized with Biogen Inc. for the development and commercialization of Xcimzane™, a biosimilar candidate to Cimzia®. Under the agreement, Xbrane will be responsible for pre-clinical development, after which Biogen will take over and operate and finance the remaining development including clinical studies. Biogen will pay an up-front fee of USD 8 m and a further USD 80 m in development and sales-based payments, plus royalties on sales.

Full top-line data from the Xplore clinical trial
Full top-line data from the Xplore clinical equivalence study for Xlucane™, a biosimilar candidate to Lucentis®, was also published in February. According to Xbrane's evaluation, Xlucane™ met the primary efficacy endpoint and no clinically meaningful differences were observed regarding secondary efficacy and safety endpoints.

Ongoing work on the divestment of Primm Pharma
Furthermore, the company announced in February that its subsidiary Primm Pharma has become cash flow positive through royalties from the licensing of IP and production equipment to its production partner ICI. Efforts to divest the subsidiary continue even though the ongoing due diligence negotiations with prospective buyer New FaDem have been suspended.

NOTE 32 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 11. As stated in the description in the note, changes in the conditions for these assumptions and estimates during 2021 could have a material effect on the value of goodwill and shares in subsidiaries, related to the subsidiary Primm Pharma.

Capitalization of development expenses for Xlucane™
According to note 1, Accounting Principles, expenditure on development 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. Management deems that the development of Xlucane™ has met these capitalization criteria, beginning from July 2021. The judgment that capitalization criteria are met is based on the following:

The application for market approval to EMA together with commercial partner has been validated by EMA. The Xlucane™ Production Chain is fully validated and key supply agreements are in place. Xlucane™ met the primary endpoint in an interim read-out after 6 months of the Xplore Clinical study. The product is expected to have a significant value on the market. The reference drug Lucentis® has, according to official Year-End Reports a turnover of + SEK 32,9bn[1]. Xlucane™ is one of three known competing product candidates at Lucentis. The necessary funds to ensure market approval for Xlucane™ is deemed secured.

Judging by historical development programs for biosimilars that have completed the registration process with the EMA by December 2019, Xbrane has estimated a probability of success from phase III to approval of 95%. Xlucane ™ reached the primary endpoint of Xplore (95% CI around the change of BCVA at week 8 relative Lucentis® is within pre-defined equivalence margin as agreed with EMA), and, according to Xbrane's assessment, there were no clinically significant differences in secondary endpoint and safety compared to Lucentis®.

1) Novartis & Roche

NOTE 32 Significant estimates and assessments, cont.

Assets held for sale and classification of discontinued operations
An ongoing asset sale process has not yet led to a sale in the past year. However, their classification remains as "assets held for sale" as the company is still committed to the sale. The company is offering the assets and business at a commercial price adjusted for new events that have occurred during the initial one-year period of the sale process.

Amounts in SEK thousands	
Net revenues	2,499
Cost of goods sold	–2,533
Gross profit	**–34**
Operating expenses	
Other operating income	2,904
Selling and distribution expenses	–34
Administrative expenses	–2,605
Research and development expenses	–5,026
Other operating expenses	–327
Operating profit/loss	**–5,122**
Financial income	
Financial expenses	–28
Net finance costs	**–28**
Earnings before income and tax	**–5,150**
Income tax expense	-
Profit for the period from continuing operations	**–5,150**

Amounts in SEK thousand	
Other intangible fixed assets	3,367
Total fixed assets	**3,367**
Accounts receivable	3,250
Prepaid expenses and accrued income	76
Other receivables	540
Receivables from subsidiaries/parent company	948
	4,814
Cash and cash equivalents	1,758
Total assets[2]	**9,939**
Equity	8,683
Accounts payable	85
Other current liabilities	86
Accrued expenses and prepaid income	1,086
Total current liabilities	**1,257**
Total liabilities[2]	**9,939**

2) The amounts show Primm Pharma in isolation and do not include consolidated surplus values linked to Primm Pharma (see also Note 11).

From Q1 2021, the subsidiary Primm Pharma is reported as an "asset held for sale". As a result, Primm Pharma's income and expenses are reported net on a separate line – "Profit/loss from discontinued operations". Also see the administration report on pages 26–29.

All comparative figures and notes on the income statement have been prepared in accordance with these separate financial statements.

NOTE 33 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 2021 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 5, 2022 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.

Stockholm, March 31, 2022

Anders Tullgren
Chairman of the Board

Eva Nilsagård
Board member

Peter Edman
Board member

Mats Thorén
Board member

Karin Wingstrand
Board member

Giorgio Chivirí
Board member

Ivan Cohen-Tanugi
Board member

Martin Åmark
CEO

Our audit report was presented on March 31, 2022
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 2021 except for the corporate governance statement on pages 35-45 and the sustainability report on pages 46-48. The annual accounts and consolidated accounts of the company are included on pages 25-81 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 31 December 2021 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 31 December 2021 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 35-45 and the sustainability report on pages 46-48. 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.

Other matter

The audit of the annual accounts and consolidated accounts for year 2020 was performed by another auditor who submitted an auditor´s report dated 31 March 2021, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

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
Assets held for sale and the parent company's shares in group companies	
The ongoing sales process of the subsidiary Primm Pharma is progressing and the com-pany stands by the plan to sell the asset even if the time period for sale has been extended to more than one year. The classi-fication as "assets held for sale" is un-changed as the company still intends to sell these. The Group's reported value as of December 31, 2021 for assets held for sale amounts to a value of SEK 68 million, of which SEK 58 million refers to previous goodwill and SEK 8 million refers to the net value of other assets and liabilities attributable to the subsidiary Primm Pharma. In the impairment test attributable to the Group's carry-ing amount of Primm Pharma, the recoverable amount has been calculated on the basis of future value in use, which is based on the present value of expected royalties and license income. The valuation at fair value requires management's esti-mates and assessments to identify and esti-mate its future cash flows that form the basis for the estimated market value of a sale. The item therefore constitutes an important area in the audit. As of December 31, 2021, the Parent Com-pany reported investments in Group compa-nies of SEK 74 million. If the car-rying amount of the investments exceeds the Group com-pa-ny's consolidated value, the same type of test is performed, with the same technology and input values, which takes place with regard to the calculation of the recoverable amount as above. See Note 11 for reclassifi-cation of intangible assets to assets held for sale and impairment tests, Note 29 for in-vestments in Group companies and Note 32 for significant estimates and assessments. See also the Group's accounting principles for detailed information and a description of the area.	We have assessed whether the fixed assets held for sale have been reported and disclosed in accord-ance with IFRS 5 "As-sets held for sale and discon-tinued operations". In particular, we have evaluated that the assets meet the conditions for being classi-fied as assets held for sale and that the Group's carrying amount of the fixed asset has been valued at the lower of the carrying amount and fair value after deduction of selling expenses, and that the depreciation of this fixed asset has ceased. We have also assessed that the assets have been reported separately in the statement of financial position and that the results of discontinued opera-tions have been reported in accordance with IFRS 5. We have evaluated the Group's assumptions about the present value of expected royalties and license revenues, management's experience of product sales and expected expansion. We have also eval-uated the Group's assumptions about sales growth and the discount rate. Finally we have also as-sessed the content of the information on the Parent Company's shares in Group companies that is pro-vided in the annual accounts and the consolidated accounts.

Capitalized expenses for development

The Group's reported value as of December 31, 2021 for capitalized development expenses amounts to SEK 50 million and refers to expenses for the development of Xlucane where the research results during the second quarter of 2021 confirmed that the primary effect measure has been achieved and that the product is thus considered technically and commercially useful.

As the company has described in Note 1, Accounting principles, development expenses are reported as an asset when the product or process meets all the criteria required by IFRS, IAS 38. The company has assessed that all criteria for capitalization of XlucaneTM development expenses are met from July 2021.

The decision to capitalize future development expenses related to XlucaneTM is largely based on management's various assessments of the likelihood of obtaining market approval and thus the opportunities to commercialize the product and the company's opportunities to have sufficient resources to continue developing the product. The position requires company management's estimates and assessments and constitutes a significant area in the audit.

As shown in Note 32, the company describes how to assess the probability of success from phase III to market approval. See notes 1, 11, 31 and 32 as well as the Group's accounting principles for detailed information and a description of the area.

We have evaluated management's assumptions related to the fact that all criteria in accordance with IAS 38 are met at the time of capitalization of development expenses related to Xlucane.

We have particularly challenged management regarding their assessment of at what point all criteria for activation were considered to meet, the so-called "trigger point", when Xbrane begins to capitalize all development expenses related to the development of Xlucane.

We have also assessed the acquisition value of self-generated assets by analyzing the correctness of the expenses being directly attributable to the development of Xlucane and verifying these expenses by random sampling.

We have also assessed the content of the information on capitalization of development expenses provided in the annual report and consolidated annual report.

Financing

As stated in the Board of Directors' report and in Note 24 - Risks and risk management, the Board continuously assesses the Group's short- and long-term liquidity needs for continued operation and development of the business based on the strategic direction decided. On the balance sheet date, cash and cash equivalents amounted to SEK 295 million. Together with the upfront payment from Biogen of USD 8 million and other liquidity-enhancing measures that are deemed possible if necessary, the Board's assessment is that the Group has financing for at least 12 months ahead, which includes an EMA approval and market launch of Xlucane.

The assessment of the Group's liquidity needs during 2022 is based, among other things, on forecast cash flows according to current strategic priorities for operations and investment needs. We have focused on this area as it contains significant elements of assumptions and assessments of significant importance to the company.

We have performed audit procedures to understand the Group's process for developing, analyzing and determining the budget and liquidity forecast. As part of our audit, we have taken note of the Group's updated liquidity forecast for 2022. The forecast is based on an assessment of cash flow month by month where we tested the mathematical correct-ness of the model. Furthermore, we have adjusted the cash flows according to the forecast against the budget decided by the Board and assessed and tested significant assumptions against the underly-ing documentation in the form of agreements and calculations.

We have also taken part in the company's written assessments and performed our own sensitivity ana-lyzes. We found that the input data is based on reli-able and correct sources and that the assumptions made are reasonable. We have also evaluated and discussed the company's forecast with management and parts of the board and have had the forecast confirmed. Finally, we have evaluated whether the additional information is judged to be sufficient and correct.

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 1-24, 35-45, 46-48 and 88-89. 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 review of management and proposals for disposition 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 2021 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 Xbrane Biopharma AB (publ) for the financial year 2021.

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

In our opinion, the Esef report a68a18899726855949141 6b94243a7cfe41e3f48f70dd791e2f92a108ab09234 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

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 ensuring that the Esef report has been prepared 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 form an opinion with 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 reasonable assurance engagement 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. 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 reasonable assurance engagement 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 technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 35-45 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 31 March 2022
PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Annual General Meeting

Annual General Meeting 2022
The Annual General Meeting of Xbrane Biopharma AB (publ) will be held on Thursday May 5, 2022 at 17.30 at the offices of Baker & McKenzie Advokatbyrå, Vasagatan 7, 101 23 Stockholm.

The Company's board has decided that this year's Annual General Meeting will be held within the traditional framework and will not impose any further restrictions resulting from the coronavirus. However, shareholders will have the option to vote by proxy.

To participate
Shareholders who want to participate in the meeting must be registered in the share register kept by Euroclear Sweden AB on April 29, 2022. Registration is to be made no later than April 29, 2022 in one of the following ways:
- at the website, www.xbrane.com
- by telephone: +46 760 34 67 33
- by post: Xbrane Biopharma AB (publ), "Annual General Meeting", Retzius väg 8, 171 65 Solna

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 general meeting of shareholders, 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 29, 2022. 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
Xbrane Biopharma AB (publ)
171 48 Stockholm, Sweden
Visitors: Retzius väg 8, 171 65 Solna
Tel: +46 760 34 67 33
E-mail: info@xbrane.com
Website: xbrane.com

Alternative key indicators

The company 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 thousands	2021	2020
Gross profit	–	–
Divided by revenue	–	–
Gross margin	**–**	**–**

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 thousands	2021	2020
Operating profit/loss	–180,583	–217,436
Depreciation and impairment	–12,217	–4,370
EBITDA	**–168,366**	**–213,066**

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 thousands	2021	2020
Research and development expenses	–160,619	–197,284
Operating expenses	–196,140	–234,992
Research and development expenses as a percentage of operating expenses	**82%**	**84%**

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 thousands	2021	2020
Total equity	431,741	257,708
Divided by total liabilities	688,427	463,763
Equity ratio	**63%**	**56%**

XBRANE BIOPHARMA

Science for high quality biosimilars

www.xbrane.com