"Biological License Application for Ximluci® validated by FDA"

FINANCIAL SUMMARY FOR THE GROUP

	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – Jun	Full year 2022
Revenue (SEK 000)	51,116	18,873	112,945	26,204	57,618
Research and development expenses (SEK 000)	–87,327	–52,914	–145,254	–88,863	–199,648
R&D expenses as percentage of total costs	84%	89%	81%	81%	82%
Operating profit/loss (SEK 000)	–88,646	–32,402	–145,920	–69,184	–166,217
EBITDA (SEK 000)	–81,052	–28,368	–129,466	–61,267	–149,640
Profit/loss for the period (SEK 000)	–91,011	–33,775	–149,408	–69,896	–172,513
Cash and cash equivalents (SEK 000)	315,640	250,085	315,640	250,085	193,994
Equity ratio (%)	40%	53%	40%	53%	62%
Earnings per share before dilution (SEK)	–3.22	–1.35	–5.36	–2.79	–6.75
Earnings per share after dilution (SEK)	–3.22	–1.35	–5.36	–2.79	–6.75
Number of employees on balance sheet date	93	70	93	70	79

Interim report January–June 2023

FINANCIAL OVERVIEW SECOND QUARTER 2023*

- Revenue amounted to SEK 51.1 m (18.9).
- Other operating income was SEK 3.2 m (8.2).
- EBITDA amounted to SEK –81.1 m (–28,4).
- R&D costs amounted to SEK –87.3 m (–52.9), corresponding to 84 percent (89) of total operating costs.
- The loss for the period was SEK 91,0 m (–33.8).
- Earnings per share was SEK –3.22 (–1.35).
- Cash and cash equivalents at the end of the period amounted to SEK 315.6 m (250.1).

FINANCIAL OVERVIEW FIRST HALF–YEAR 2023*

- Revenue amounted to SEK 112.9 m (26.2).
- Other operating income was SEK 7.3 m (14.2).
- EBITDA amounted to SEK –129.5 m (–61.3).
- R&D costs amounted to SEK –145.3 m (–88.9), corresponding to 81 percent (81) of total operating costs.
- The loss for the period was SEK 149.4 m (–69.9).
- Earnings per share was SEK –5.36 SEK (–2.79).
- Cash and cash equivalents at the end of the period amounted to SEK 315.6 m (250.1)

Figures in parentheses refer to the corresponding period last year.

SIGNIFICANT EVENTS DURING THE SECOND QUARTER 2023[1)]

- In April, Xbrane submitted a marketing authorization application for Ximluci® to the US Food & Drug Administration, the FDA, (the US counterpart to the Swedish Medicines Agency).
- At the end of April, the company announced that STADA and Xbrane had won a framework agreement with the National Health Service (the NHS) in the UK regarding the supply of Ximluci®.
- With the support of the authorization from the Annual General Meeting on May 4, 2023, in the company carried out a directed share issue in May of approximately SEK 125 m at a subscription price of SEK 73.1 per share. In connection with the directed new issue, a binding agreement was signed with CVI Investments Inc. regarding financing through convertible bonds of SEK 250 m.[2)]
- In mid-June, it was announced that the FDA had accepted the supplemental Biologics License Application (sBLA) for Xbrane's biosimilar candidate to Lucentis® (ranibizumab). The regulatory process can therefore be initiated with a Biosimilar User Fee Amendment (BsUFA) goal date of April 21, 2024.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER[1)]

- In July, it was announced that STADA and Xbrane had agreed to discontinue the commercial licensing agreement for North America with their former partner, Bausch + Lomb. Bausch + Lomb will now focus on other strategic priorities.

1) See page 8 for more information.
2) Before transaction costs.

"One main objective is to achieve positive operating cash flow before the first quarter of 2025 on a monthly basis."

CEO's letter

Dear shareholders,

During Q2, the launch of Ximluci® continued in several new countries in Europe and the application to the FDA was validated with a decision date planned for April 2024.

Sales of Ximluci® in Europe

Sales of Ximluci®, Xbrane's Lucentis biosimilar for the treatment of serious eye diseases, started through Xbrane's commercialization partner STADA in Europe in March 2023. Sales of Lucentis® biosimilars in Europe, as well as in the US, are generally progressing more slowly than we expected. In our assessment, this is due to the fact that it is the first biosimilar that ophthalmologists have encountered. More time is therefore required for the procurement process and education, compared to near-term launches of biosimilars in oncology and rheumatology, such as biosimilars to Neulasta®, Avastin® and Humira®. This is something STADA is actively working on. Xbrane generated revenue of SEK 37 m from Ximluci® in Q2 2023, of which around SEK 0.4[1] m was profit sharing. Sales are currently mainly in Germany, the UK and the Baltic states. There is a gradual launch in more countries in Europe, including, such as Spain where Ximluci® was launched in June. STADA's sales and marketing costs were still relatively high as a percentage of net sales, as volumes were relatively low during the quarter. Ximluci® is aimed at a market with annual sales of around EUR 13 bn where there is a great need for more cost-effective treatment options. Our view of the sales potential for Ximluci® within the 3-year period after launch in each market remains the same, despite the fact that the initial uptake in Europe has been slower than expected.

Biological LIcense Application in the US

Xbrane submitted a Biological License Application for Ximluci® to the FDA in April 2023. The application was validated in June and the review process has now begun with a decision date of April 2024. Our partnership with Bausch + Lomb ended in July 2023 due to a strategic shift at Bausch + Lomb. Together with STADA, we are now looking for a new commercialization partner for North America.

The route to a operational positive cash flow on a monthly basis

One main objective is to achieve positive operating cash flow on a monthly basis. We now expect this to happen before the first quarter of 2025 as follows:

1) **ESTABLISH AN EFFECTIVE DEVELOPMENT ORGANIZATION:** Xbrane currently has an organization consisting of around 90 employees and a development lab for biosimilars, which gives us the capacity to develop one new biosimilar candidate per year under the current business model[2]. The cost of retained capacity is calculated under the current set-up at around SEK 140 m per year[3] but is to some extent flexible and can be matched to different development activities.
2) **COMPLETE FURTHER DEVELOPMENT OF XIMLUCI® AND BIIB801:** Xbrane is currently conducting development involving contract manufacturing for both Ximluci® and BIIB801. For Ximluci®, this entails the continued upscaling of the manufacturing process as well as developing the prefilled syringe. In the case of BIIB801, upscaled batches are manufactured by our contract manufacturer, including for use in an upcoming clinical study, after which Biogen will take over further development. Both activities will be completed in 2024 and thus the development budget for these programs will be reduced.
3) **COLLABORATION WITH A COMMERCIALIZATION PARTNER FOR XDIVANE:** During 2023 and 2024, Xbrane will upscale the manufacturing process with the selected contract manufacturer and manufacture clinical material to enable the start of the clinical study in early 2025. Our aim is to conclude an agreement with a commercialization partner for the program and thus receive financing for the majority of further development costs.
4) **GENERATE REVENUE FROM XIMLUCI® AND BIIB801 TO COVER THE COST OF THE DEVELOPMENT ORGANIZATION:** Provided successful scale-up and production of clinical material, Xbrane is eligible to receive income from milestone payments, as per agreement with Biogen. Our view of the sales potential for Ximluci® within the 3-year period after launch in each market remains the same, despite the fact that initial uptake in Europe has been slower than expected. Sales in the US are expected to make a significant contribution in 2024, but these are of course dependent on the approval and successful launch by a new partner in the US.

Taking the company to positive operating cash-flow on a monthly basis, is an important objective for Xbrane, but due to delayed approval of the main product Ximluci® (Lucentis® biosimilar) in the US and slower than anticipated market uptake in Europe, we expect to reach operational positive operating cash flow on a monthly basis before the first quarter of 2025. The revenue from Ximluci® and BIIB801 will determine when we can expand our portfolio with additional biosimilar candidates.

Thank you for your continued support.

Solna, August 29, 2023

Martin Åmark
CEO

1 Revenue from product sales of Ximluci® consists partly of compensation for the actual production cost and partly of 50% of the contribution from the product
2 Manufacturing and clinical studies are outsourced
3 Costs of personnel, premises, lab equipment, consumables and administrative overheads, but not the costs of manufacturing by contract manufacturers and clinical studies

Biosimilar candidate portfolio

Xbrane has a portfolio of five biosimilar candidates in active development for a range of treatment areas. This includes several serious eye diseases, several different types of cancer and, among others, rheumatoid arthritis, psoriasis and Crohn's disease.

Ximluci®

Ximluci® is a biosimilar candidate to ranibizumab, the original drug Lucentis®, a VEGFa inhibitor used to treat a number of serious eye diseases. The original drug has sales of around EUR 13 bn[1)] per year.

The European Medicines Agency (EMA) approved Ximluci® in November 2022 for the treatment of wet age-related macular degeneration (AMD), diabetic macular edema (DME), proliferative diabetic retinopathy (PDR), retinal vein occlusion (RVO) and visual impairment due to choroidal neovascularization (CNV) in 27 member states in Europe. Ximluci® was launched by Xbrane's partner STADA Arzneimittel AG (STADA) during Q1 2023.

Xbrane submitted a Biological License Application to the Food and Drug Administration (FDA) in April 2023, which could lead to approval in Q2 2024. A marketing authorization application has also been submitted to the regulatory authority in Saudi Arabia. STADA is also actively working to take Ximluci® to other regions such as the Middle East, Latin America and Southeast Asia.

Ximluci® is approved in Europe with a vial containing the active substance, from which the ophthalmologist extracts the product into a syringe for injection into the eye. Xbrane is also developing Ximluci® as a prefilled syringe, for which additional approval will be sought in the future.

BIIB801

BIIB801 is a biosimilar candidate to certolizumab pegol, original drug Cimzia®, a TNFalpha inhibitor particularly used in the treatment of rheumatoid arthritis and psoriasis. Cimizia® has sales of EUR 2 bn[1)] and loses its patent protection in 2024 in the US and 2025 in Europe.

BIIB801is undergoing preclinical development and a cost-effective production process has been established. An agreement has been signed with AGC Biologics for the manufacture of BIIB801 for future clinical studies.

In 2022, Xbrane signed a development and commercialization agreement with Biogen Inc., in which Biogen receives full global rights to the product. The agreement means that Biogen has made an up-front payment of USD 8 m and will pay an additional USD 80 m in development and sales-based payments as well as royalties on sales.

Xdivane™

Xdivane™ is a biosimilar candidate to nivolumab, original drug Opdivo®, a PD1 inhibitor for the treatment of various types of cancer. Opdivo® is expected to generate sales of EUR 13 bn[1)] in peak-year sales and lose its patent protection during 2026–2031 depending on the country.

The pilot-scale production process for Xdivane™ has been completed and work for transferring and upscaling for the selected contract manufacturer is ongoing. An agreement with a production partner was signed in the second quarter 2023.

Xtrudane™

Xtrudane™ is a biosimilar candidate to pembrolizumab, original drug Keytruda®, a PD1 inhibitor for the treatment of various types of cancer. Keytruda® is estimated to reach peak-year sales of EUR 26 bn[1)] and is expected to lose its patent protection during 2029–2031 depending on the country. Xtrudane™ is undergoing preclinical development with a focus on developing a cost-effective production process and demonstrating a biochemical similarity to the original drug.

Xdarzane™

Xdarzane™ is a biosimilar candidate to daratumumab, original drug Darzalex®, an antibody that binds to CD38 for the treatment of multiple melanomas (around EUR 9 bn[1)] in estimated sales). The patent protection of Darzalex® is expected to expire in 2029–2031 depending on the country. Xdarzane™ is at the preclinical development stage with a focus on developing a cost-effective production process and demonstrating a biochemical similarity to the original drug.

Product portfolio

Product	Original drug	Primary indication	Estimated annual peak year sales of original drug	Patent expiry of original drug	Development phase
Ximluci®	Ranibizumab (Lucentis®)	Wet age-related macular degeneration, diabetes-related eye damage and retinal vein occlusion.	EUR 3 bn[1)]	2022 (Europe) 2020 (USA)	Launch phase
BIIB801	Certolizumab pegol (Cimzia®)	Rheumatoid arthritis, axial spondylarthrosis, psoriatic arthritis and psoriasis	EUR 2 bn[1)]	2024 (USA) 2025 (Europe)	Preclinical phase
Xdivane™,	Nivolumab (Opdivo®)	Melanoma, lung cancer, kidney cell cancer, head and neck cancer and bladder and urinary tract cancer.	EUR 13 bn[1)]	2026–2031 depending on country	Preclinical phase
Xtrudane™,	Pembrolizumab (Keytruda®)	Brain cancer, melanoma, lung cancer, kidney cell cancer, head and neck cancer and bladder and urinary tract cancer.	EUR 26 bn[1)]	2029–2031 depending on country	Preclinical phase
Xdarzane™,	Daratumumab (Darzalex®)	Multiple melanoma	EUR 9 bn[1)]	2029–2031 depending on country	Preclinical phase
			EUR 53 bn[1)]		

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

Patent protection

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

Expanding patent portfolio

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

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

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

Xbrane's LEMO™ technology platform is patent protected in Europe and the US until 2029. Between 2019 and 2022, these two patents, originally filed in 2009, have been complemented by 40 patent applications for a total of 42 applications "harvested" from five different development programs. In 2020, 11 patent applications were filed, 12 in 2021 and 15 in 2022.

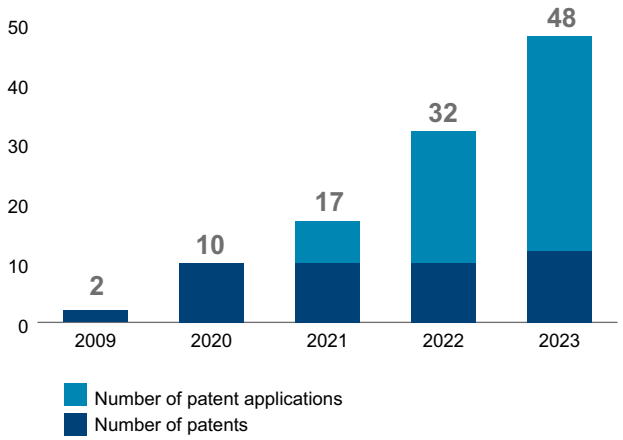
Strengthen the Xbrane brand

The Swedish Intellectual Property Office (PRV) granted eight patents in 2021. Three related to DNA constructs for the regulation of protein production and were co-filed with CloneOpt AB. Five of the patents resulted from the development of Xdivane™ and form the foundation for the emerging high-yield expression platform in mammalian cells. A large part of the upcoming development of the biosimilar candidates Xtrudane™ and Xdarzane™ is based on this platform. The five Swedish patents were followed up, via an international patent application, with applications in the US, Canada, Europe, India, China, South Korea, Singapore, Australia and Japan in autumn 2022. Patents were granted in Australia in late 2022 and South Korea in March 2023.

The patent applications protect new DNA sequences in genes that are introduced into host cells and instruct the cells to express the protein of interest. These DNA sequences have resulted in a significant increase in yield and can also be applied to future biosimilar candidates to be expressed in mammalian cells. A large portion of the rest of the patent applications relate to DNA constructs, host cells and/or methods for producing Xlucane™ and BIB801.

The patent applications to protect Ximluci® were filed during March–May 2023 together with STADA Arzneimittel AG in thirty-two different countries and regions such as the United States. Europe, Canada, China, South Korea, India, Japan and Australia as well as MENA and some Latin American countries. The expanding patent portfolio will strengthen Xbrane's brand, protect the company's products and enables more out–licensing of IP in the future.

Number of patents and patent applications (accumulated)



Shareholders

As of June 30, 2023, Xbrane had around 6,800 shareholders. The number of outstanding shares amounted to 29,216,004. The ten largest shareholders at the end of the period are shown in the table below[1].

Name	Number of shares	Ownership, %
Serendipity Group	3,175,637	10.9
Bengt Göran Westman	2,266,680	7.8
Swedbank Robur Fonder	1,677,892	5.7
Nordnet Pensionsförsäkring	1,673,615	5.7
STADA Arzneimittel AG	1,570,989	5.4
TIN Fonder	1,553,055	5.3
Futur Pension	1,382,462	4.7
Avanza Pension	1,177,277	4.0
Håkan Stödberg	500,000	1.7
Swedbank Försäkring	382,053	1.3
Ten largest shareholders in total	15,359,660	52.6
Other Swedish shareholders	10,701,016	36.6
Other foreign shareholders	3,155,328	10.8
Total outstanding shares	29,216,004	100

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

Why invest in Xbrane?

Xbrane: a world–leading developer of biosimilars

Platform-based developer of biosimilars with low production costs

- A patented development platform that ensures a low production cost.
- Commercial agreements with major global pharmaceutical companies.

The first product, Ximluci® was launched in Europe in Q1 2023

- Ximluci® (biosimilar to Lucentis®) was launched in Q1 2023 and reaches a market worth EUR 4 bn in Europe.
- The company submitted a Biological LIcense Application in April 2023 in the US with an expected launch in 2024.

Attractive portfolio with more candidates to be launched when the patent expires on the original drug.

- BIIB801, on which we are collaborate with Biogen, is, as far as we know, the only biosimilar candidate in development for the TNF inhibitor Cimizia® with annual sales of EUR 2 bn.
- Portfolio of three biosimilar candidates in oncology addressing a combined annual peak sales of the reference products totaling EUR 48 bn, for which we are in discussions about out-licensing.

Financial overview

The Group's results for April–June 2023

The Group's revenue amounted to SEK 51.1 m (18.9) and mainly consisted of income from product sales of Ximluci® of SEK 37.0 m (0.0). In addition, revenue from out–licensing is included, primarily through the agreement with Biogen Inc. regarding BIIB801. The agreement with Biogen was signed during Q2 2022. Revenue attributable to the agreement is accrued until June 2023. Similar agreements were previously deemed to constitute other operating income for the Group. Since January 1, 2022, this type of income has been deemed to form part of the Group's main business and is therefore reported as revenue. Previous periods have therefore been reclassified, which means that comparative figures are no longer consistent with previous reports. See also Note 1 for further information regarding reclassification.

The cost of goods sold amounted to SEK –39.6 m (0.0). Cost of goods sold during Q2 was affected by negative currency effects amounting to SEK –3.5 m.

Other operating income amounted to SEK 3.2 m (8.2) and mainly consisted of exchange rate gains on operating receivables and liabilities.

Research and development costs amounted to SEK –87.3 m (–52.9). The increase in costs was mainly driven by work with BIIB801 intensifying and that the upscaling of Xdivane™ has begun. In addition, no costs for Ximluci® were capitalized during Q2 2023. The gross effect (including capitalization) of research and development costs for the period amounted to SEK –87.3 m (–58.6). Development costs for Ximluci® now mainly consist of continuing work on developing the pre-filled syringe.

Administration expenses amounted to SEK –11.3 m (–6.1), where the increase compared to last year is mainly due to increased administration in connection with commercialization and continued growth.

Other operating expenses amounted to SEK –5.0 m(–0.5) and consisted of exchange rate losses on operating receivables and liabilities.

The operating loss was SEK 88.6 m (–32.4). The loss before tax was SEK 90.6 m (–33.1). During the quarter, there was no taxable profit and thus no tax expense (0.0). The quarter's loss after tax from remaining operations was SEK 90.6 m (–33.1) and the quarter's loss amounted to SEK 91.0 m (–33.8). Earnings per share for remaining operations amounted to SEK –3.21 (–1.32) and earnings per share amounted to SEK –3.22 (–1.35).

The Group's cash flow for April–June 2023

Cash flow from operating activities amounted to SEK –142.1 m (–49.5), of which SEK –0.3 m (0.0) was from discontinued operations (Primm Pharma). The change in cash flow from operating activities is primarily due to continued building-up of inventory for launch volumes for Ximluci® as well as upscaling production processes with contract manufacturers for Ximluci®, BIIB801 and Xdivane™, which is in line with the company's 2023 business plan.

Cash flow from investment activities amounted to SEK –1.9 m (–7.7). In the comparison period, the cash flow in investment activities was affected by SEK –5.6 m regarding the capitalization of research and development costs.

Cash flow from financing activities amounted to SEK 338.5 m (–2.0), which mainly refers to capital contributions in the form of a new issue, of SEK 119.0 m net, and convertible bonds issued of SEK 221.9 m net.

The Group's results for January–June 2023

The Group's revenue amounted to SEK 112.9 m (26.2) and mainly consisted of revenue from product sales of Ximluc®, SEK 84.6 m (0.0). In addition, revenue from out–licensing of SEK 28.2 m (22.8) is included. Revenue from out–licensing was previously deemed to constitute other operating income for the Group, but since January 1, 2022, however, this type of income has been deemed to form part of the Group's main business and is therefore reported as revenue. Previous periods have therefore been reclassified, which means that comparative figures are no longer consistent with previous reports. See also Note 1 for further information regarding reclassification.

The cost of goods sold amounted to SEK –85.9 m (0.0). Cost of goods sold during Q2 were affected by negative currency effects amounting to SEK –4.3 m

Other operating income amounted to SEK 7.3 m (14.2) and mainly consisted of exchange rate gains on operating receivables and liabilities.

Research and development costs amounted to SEK –145.3 m (–88.9). The increase in costs was mainly driven by the work on BIIB801 intensifying and that the upscaling of Xdivane™ has begun. In addition, no costs were capitalized for Ximluci® during Q2 2023. In total, the capitalization for the first half of 2023 amounted to SEK 10.0 m (35.6). The gross effect (including capitalization) of research and development costs for the period amounted to SEK –155.2 m (–124.5). Development costs for Ximluci® now mainly consist of continuing work on developing the pre–filled syringe.

Administration expenses amounted to SEK –23.3 m (–14.0), where the increase is mainly due to increased administration in connection with commercialization and continued growth.

Other operating expenses amounted to SEK –11.6 m (–6.7) and consisted of exchange rate losses on operating receivables and liabilities.

The Group's cash flow for January–June 2023

Cash flow from operating activities amounted to SEK –198.7 m (–4.0). The change in cash flow from operating activities is mainly due to building–up inventory for launch volumes for Ximluci® as well as the upscaling production processes with contract manufacturers for Ximluci®, BIIB801 and Xdivane™, which is in line with the company's business plan for 2023. In addition, in February 2022, a milestone payment of around SEK 74 m was received from Biogen Inc. regarding the out–licensing of BIIB801.

Cash flow from investment activities amounted to SEK –17.8 m (–39.3) and consisted, among other things, of investments in

tangible fixed assets for the internal laboratory and capitalization of research and development costs. The change is mainly explained by that from February 2023 the Group will no longer capitalize any development costs attributable to Ximluci®.

Cash flow from financing activities amounted to SEK 336.1 m (–3.9), which mainly refers to capital contributions in the form of a new issue of net SEK 119.0 m net, and convertible bonds issued of SEK 221.9 m net.

The Group's financial position and continued operations

The company's business plan for 2023 includes significant investments mainly in working capital for the commercial production of Ximluci®, and upscaling the production processes with contract manufacturers for Ximluci®, BIIB801 and Xdivane™. In May 2023, a directed new share issue of SEK 125 m and financing through convertible bonds of SEK 250 m were carried out, both before transaction costs. The effects of the capital raising in the balance sheet and cash flow are visible in this interim report for April–June 2023. Cash and cash equivalents amounted to SEK 315.6 m (250.1).

Fixed assets

Fixed assets amounted to SEK 182.9 m (160.9), where the change is largely explained by the capitalization of research and development costs for Ximluci®, which amounted to SEK 106.5 m (85.3). Capitalization of research and development costs began on July 1, 2021, and ended in connection with the commercialization in March 2023. Remaining changes to the item consist of the acquisition of carried forward expenses for software, laboratory equipment, machines, fixtures for office premises and customary monthly depreciation.

Inventory

Inventory amounted to SEK 95.2 m (0.0), which refers to the build-up of commercial inventory for Ximluci®.

Prepaid costs and accrued income

Prepaid costs and accrued income amounted to SEK 254.2 m (141.3). Essential items consisted of advance payments for production of SEK 79.6 m (0.0) and advance payments to contract manufacturers for development and upscaling amounting to SEK 149.3 m (108.8).

Changes in equity

Share capital on the balance sheet date amounted to SEK 6.6 m (5.6). Other capital contributions amounted to SEK 1,414.1 m (1,135.1). Total equity amounted to SEK 400.0 m (365.7) and the equity ratio was 40 percent (53).

Accrued expenses and prepaid income

Accrued expenses and prepaid income amounted to SEK 300.5 m (212.8), and consisted of advance payments from STADA amounting to SEK 156.7 m (75.0), of which SEK 92.1 m (0.0) is attributable to the commercialization. In addition, the item was mainly affected by accrued production costs of SEK 42.7 m (0) and accrued development costs for projects of SEK 75.0 m (65.8).

Significant events during the second quarter

- At the beginning of April, it was announced that Ximluci® had been launched on the main European markets. Ximluci® is the first product launched through a strategic collaboration between STADA and Xbrane. With the introduction of ranibizumab, STADA and Xbrane offer a cost-effective alternative for European patients. The advent of competition from biosimilars in the European market for ranibizumab provides greater patient access through cost-effective biosimilars with comparable quality, safety and efficacy to the original biological reference drug. Such competition has already generated significant value for patients, physicians and healthcare systems in therapeutic areas such as immunology and oncology.
- In April, Xbrane submitted a marketing authorization application for Ximluci® to the US Food & Drug Administration, the FDA, (the US counterpart to the Swedish Medicines Agency). The application was validated by the authority in June and the review process began with a decision date of April 21, 2024 (the BsFUA date). Xbrane looks forward to providing a much-needed, cost-effective treatment option for patients suffering from wet age-related macular degeneration (wet AMD), retinal vein occlusion (RVO), and vision loss due to choroidal neovascularization (CNV) in adults.
- At the end of April, the company also announced that, together with STADA, it had won a framework agreement with the UK's National Health Service (NHS) regarding the supply of Ximluci®. The agreement covers a significant part of the clinical demand for ranibizumab in the UK. The nominal total value of this framework agreement, which runs from April 1, 2023, to March 31, 2024, is GBP 70 m (about SEK 900 m). Biosimilar competition for ranibizumab has the potential to increase patient access and create significant savings for the NHS in the UK. STADA's British subsidiary Thornton and Ross is one of two suppliers awarded a framework agreement for the supply of ranibizumab to the NHS in England.
- With the support of the authorization from the Annual General Meeting on May 4, 2023, the company carried out a directed share issue of around SEK 125 m* at a subscription price of SEK 73.1 per share. The subscription price was determined through an accelerated bookbuilding procedure. A number of Swedish and international institutional investors, including healthcare–focused investors, subscribed for shares in the directed new issue. In connection with the new issue, the company has signed a binding agreement with CVI Investments, Inc. for financing of SEK 250 m* through convertible bonds in a total nominal amount due in 2027, (the "Bonds" and together with the directed new issue the "Transaction") . The company engaged Pareto Securities AB as sole manager and bookrunner ("Sole Manager and Bookrunner") in connection with the Transaction. The effects in the balance sheet and cash flow are visible in this interim report for April–June 2023.

* Before transaction costs

Significant events after the end of the quarter

- In July, it was announced that STADA and Xbrane had agreed to terminate the commercial license agreement for North America with their former partner, Bausch + Lomb. Bausch + Lomb will now focus on other strategic priorities. STADA and Xbrane are actively working to secure regulatory approval and then bring the ranibizumab biosimilar candidate to the market in the US. The companies are considering various options, including out–licensing to another partner, to commercialize the biosimilar candidate in North America.

Effects of the collaboration with STADA

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

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

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

On the balance sheet date, Xbrane had receivables from STADA amounting to SEK 55.0 m (36.5) as well as accrued expenses and prepaid income from STADA amounting to SEK 156.7 m (75.0), of which SEK 92.1 m (0.0) is pre-invoicing of upcoming product deliveries.

Effects of the planned sale of Primm Pharma

Assets held for sale

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

In the income statement, Primm Pharma's results are reported separately as "Profit/loss from discontinued operations." The reclassification has the effect that Primm Pharma's previous income and expenses have been reversed and reported net as "Profit/loss from discontinued operations." This also influences previously reported periods, which is why comparative figures no longer correspond to previous reports. In the cash flow, Primm Pharma's share of each activity is reported in the item "Of which from discontinued operations."

Parent company

The core business of Xbrane, i.e. the development of biosimilars, is conducted in the parent company. The Group has continued to work on divesting the subsidiary Primm Pharma and the conditions are still considered to be good. Xbrane has previously written down the shares in the subsidiary by SEK 49.0 m and the impairment assessment is not considered to have changed thereafter. As the parent company forms such a large part of the Group, an account of the parent company's results, financial position and cash flow would not provide any additional information to that described in the report on the Group. Therefore, this is only presented in report format on pages 15–16.

Risks and uncertainty factors

Risks and uncertainty factors are described in the Annual Report 2022 on pages 32–33, available on the company's website, www.xbrane.com. At the time of publication of this interim report, these have not changed significantly.

Share information

Xbrane's share capital at the end of the period was SEK 6.6 m (5.6) divided into 29,216,004 shares (25,144,906). The quota value of all shares is SEK 0.224, and all the shares have equal rights to the company's assets and earnings. Since September 23, 2019, Xbrane's shares have been listed on the Nasdaq OMX main list under the XBRANE ticker. Xbrane had around 6,800 shareholders on the balance sheet date. The closing price of the share on the balance sheet date was SEK 77.2 generating a market capitalization of around SEK 2,255 m.

Organization and employees

Xbrane is headquartered at Campus Solna, outside of Stockholm, Sweden, where the company also has a laboratory for the research and development of biosimilars. The wholly–owned subsidiary, Primm Pharma, is located in Milan, Italy. As mentioned above, the sale of the subsidiary is in progress. On the balance sheet date, the Group had 93 (64) employees, of which 93 (64) in the parent company and 0 (0) in the subsidiary Primm Pharma.

Nomination committee

According to the principles for the nomination committee adopted at the Annual General Meeting on May 4, 2023, the nomination committee shall consist of three members, who will be appointed by the Company's three largest shareholders, according to number of votes, as of September 30, 2023.

Annual General Meeting

The Annual General Meeting for 2023 was held on May 4, 2023. The minutes and statement from the Annual General Meeting are available on Xbrane's website www.xbrane.com

Auditor's review

This interim report has not been subject to review by the company's auditor.

Consolidated income statement

Amounts in SEK thousand	Notes	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – Jun	2022 Full year
Revenues	2	51,116	18,873	112,945	26,204	57,618
Cost of goods sold		–39,632	–	–85,945	–	–
Gross profit		**11,754**	**18,873**	**27,000**	**26,204**	**57,618**
Other operating income	2	3,249	8,181	7,269	14,216	20,914
Administrative expenses		–11,308	–6,087	–23,297	–14,005	–31,538
Research and development expenses		–87,327	–52,914	–145,254	–88,863	–199,648
Other operating expenses		–5,012	–454	–11,637	–6,736	–13,563
Operating profit/loss		**–88,646**	**–32,402**	**–145,920**	**–69,184**	**–166,217**
Financial income		–2	–	24	–	296
Financial expenses		–1,932	–653	–2,544	–1,383	–2,591
Net financial costs		**–1,934**	**–653**	**–2,521**	**–1,383**	**–2,296**
Profit/loss before tax		**–90,580**	**–33,054**	**–148,440**	**–70,567**	**–168,513**
Tax		–	–	–	–	–
Profit/loss for the period from continuing operations		**–90,580**	**–33,054**	**–148,440**	**–70,567**	**–168,513**
Profit/loss from discontinued operations		–432	–720	–968	671	–4,001
Profit/loss for the period		**–91,011**	**–33,775**	**–149,408**	**–69,896**	**–172,513**
Profit/loss for the period attributable to:						
– Owners of the Company		–91,011	–33,775	–149,408	–69,896	–172,513
– Non-controlling interests		–	–	–	–	–
Total comprehensive income for the period		**–91,011**	**–33,775**	**–149,408**	**–69,896**	**–172,513**
Earnings per share from continuing operations						
– Before dilution (SEK)		–3.21	–1.32	–5.33	–2.82	–6.59
– After dilution (SEK)		–3.21	–1.32	–5.33	–2.82	–6.59

Amounts in SEK thousand	Notes	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – Jun	2022 Full year
Earnings per share						
– Before dilution (SEK)		–3.22	–1.35	–5.36	–2.79	–6.75
– After dilution (SEK)		–3.22	–1.35	–5.36	–2.79	–6.75
Number of outstanding shares at the end of the reporting period						
– Before dilution		29,216,004	25,144,906	29,216,004	25,144,906	27,506,018
– After dilution		29,216,004	25,144,906	29,216,004	25,144,906	27,506,018
Average number of outstanding shares						
– Before dilution		28,238,869	25,059,521	27,874,468	25,049,768	25,569,950
– After dilution		28,238,869	25,059,521	27,874,468	25,049,768	25,569,950

Consolidated income statement and other comprehensive income

Amounts in SEK thousand	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – Jun	2022 Full year
Profit/loss for the period	–91,011	–33,775	–149,408	–69,896	–172,513
Other comprehensive income					
Items that have been transferred to, or can be transferred to the profit/loss for the year					
Reclassification of foreign currency translation differences	3,284	2,287	4,211	3,036	5,157
Comprehensive income for the period	**3,284**	**2,287**	**4,211**	**3,036**	**5,157**
Total comprehensive profit/loss attributable to:					
– Owners of the Company	–87,727	–31,488	–145,197	–66,860	–167,356
– Non-controlling interests	–	–	–	–	–
Total comprehensive income for the period	**–87,727**	**–31,488**	**–145,197**	**–66,860**	**–167,356**

Consolidated statement of financial position

Amounts in SEK thousand	Notes	06-30-2023	06-30-2022	12-31 2022
ASSETS				
Intangible assets		106,496	85,286	101,995
Property, plant and equipment		36,792	30,739	34,830
Right of use assets		35,653	40,970	36,220
Long-term receivables		3,945	3,945	3,945
Non-current assets		**182,887**	**160,940**	**176,990**
Inventory	4	95,209	–	50,260
Accounts receivables		–	–	1,335
Other receivables		77,824	59,398	46,121
Prepaid expenses and accrued income		254,187	141,345	151,827
Cash and cash equivalents		315,640	250,085	193,994
Assets held for sale		72,964	71,926	69,987
Current assets		**815,823**	**522,755**	**513,524**
TOTAL ASSETS		**998,710**	**683,696**	**690,515**
EQUITY				
Share capital		6,550	5,637	6,166
Other contributed capital		1,414,140	1,135,105	1,294,227
Reserves		14,533	8,201	10,322
Retained earnings including profit/loss for the year		–1,035,235	–783,210	–885,827
Equity attributable to parent company's owners		**399,988**	**365,734**	**424,888**
Non-controlling interests		–	**–**	**–**
TOTAL EQUITY		**399,988**	**365,734**	**424,888**

Amounts in SEK thousand	Notes	06-30-2023	06-30-2022	12-31 2022
LIABILITIES				
Long-term interest-bearing liabilities	5	145,452	–	–
Leasing liabilities		28,099	33,706	29,058
Long-term non interest-bearing liabilities	5	14,982	–	–
Total long-term liabilities		**188,533**	**33,706**	**29,058**
Short-term interest- bearing liabilities	5	62,012	–	–
Accounts payable		34,247	53,050	23,297
Other liabilities		2,933	8,568	2,933
Leasing liabilities		9,782	8,895	9,162
Accrued expenses and prepaid income		300,482	212,773	200,239
Liabilities attributable to assets held for sale		732	970	937
Total short-term liabilities		**410,189**	**284,256**	**236,569**
TOTAL LIABILITIES		**598,722**	**317,962**	**265,626**
TOTAL LIABILITIES AND EQUITY		**998,710**	**683,696**	**690,515**

Consolidated statement of changes in equity

Amounts in SEK thousand	Share Capital	Other contributed capital	Translation reserve	Retained earnings incl. profit/loss for the period	Total
Opening balance January 1, 2023	6,166	1,294,227	10,322	–885,827	424,888
Total comprehensive income for the period					
Profit/loss for the period				–149,408	–149,408
Other comprehensive income for the period			4,211		4,211
Total comprehensive income for the period	**–**	**–**	**4,211**	**–149,408**	**–145,197**
Transactions with group shareholder					
New share issue	383	119,617			120,000
Issue expenses		–962			–962
Share savings program		1,259			1,259
Total contributions from and distributions to shareholders	**383**	**119,913**	**–**	**–**	**120,297**
Closing balance June 30, 2023	**6,550**	**1,414,140**	**14,533**	**–1,035,235**	**399,988**

Amounts in SEK thousand	Share Capital	Other contributed capital	Translation reserve	Retained earnings incl. profit/loss for the period	Total
Opening balance January 1, 2022	5,614	1,134,276	5,165	–713,313	431,741
Total comprehensive income for the period					
Profit/loss for the period				–69,896	–69,896
Other comprehensive income for the period			3,036		3,036
Total comprehensive income for the period			**3,036**	**–69,896**	**–66,860**
Transactions with group shareholder					
New share issue					–
Issue expenses					–
Share savings program	24	829			853
Total contributions from and distributions to shareholders	**24**	**829**	**–**	**–**	**853**
Closing balance June 30, 2022	**5,638**	**1,135,105**	**8,201**	**–783,210**	**365,734**

Consolidated statement of changes in equity, cont.

Amounts in SEK thousand	Share Capital	Other contributed capital	Translation reserve	Retained earnings incl. profit/loss for the period	Total
Opening balance January 1, 2022	5,614	1,134,276	5,165	–713,313	431,741
Total comprehensive income for the period					
Profit/loss for the period				–172,513	–172,513
Other comprehensive income for the period			5,157		5,157
Total comprehensive income for the period	**–**	**–**	**5,157**	**–172,513**	**–167,356**
Transactions with group shareholder					
New share issue	551	156,650	–	–	157,201
New share issue	551	170,000			170,551
Issue expenses		–13,350			–13,350
Share savings program		3,301			3,301
Total contributions from and distributions to shareholders	**551**	**159,951**	**–**	**–**	**160,502**
Closing balance December 31, 2022	**6,166**	**1,294,227**	**10,322**	**–885,827**	**424,888**

Consolidated cash flow statement

Amounts in SEK thousand	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – jun	2022 Full year
Cash flow from operating activities					
Profit/loss for the period before tax	–91,011	–33,775	–149,408	–69,896	–172,513
Adjustments for items not included in cash flow	8,565	–3,324	18,462	3,598	9,327
Paid income taxes	–	–	–	–	–
Total	**–82,446**	**–37,098**	**–130,947**	**–66,299**	**–163,186**
Increase (–)/Decrease (+) of inventory	–41,474	–	–44,949		–50,260
Increase (–)/Decrease (+) of trade and other receivables	–111,452	–51,385	–131,634	–3,505	1,699
Increase (+)/Decrease (–) of trade and other payables	93,292	39,028	108,787	65,820	17,829
Cash flow from current operations	**–142,080**	**–49,455**	**–198,743**	**–3,984**	**–193,918**
Of which discontinued operations	*–254*	*41*	*–489*	*697*	*–9,876*
Cash flow from investing activities					
Acquisition of property, plant and equipment	–544	–2,002	–6,428	–3,648	–11,616
Acquisition of intangible assets	–1,400	–5,683	–11,378	–35,615	–48,509
Cash flow from investing activities	**–1,944**	**–7,686**	**–17,806**	**–39,263**	**–60,125**
Of which discontinued operations	–	–	–	–	–

Amounts in SEK thousand	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – jun	2022 Full year
Cash flow from financing activities					
Stock options redeemed by staff	–	24	–	24	551
New share issue	120,000	–	120,000	–	170,000
Issue expenses	–962	–	–962	–	–13,350
Loans taken out	225,000	–	225,000	–	–
Costs of loans taken out	-3,075	–	-3,075	–	–
Amortization of lease liability	–2,466	–2,022	–4,895	–3,955	–8,337
Cash flow from financing activities	**338,498**	**–1,998**	**336,068**	**–3,931**	**148,864**
Of which discontinued operations		–		–	–
Cash flow for the period	**194,474**	**–59,139**	**119,519**	**–47,178**	**–105,179**
Cash and cash equivalents reported in assets held for sale	–1,405	–2,548	–1,405	–2,548	–53
Cash and cash equivalents at beginning of period	118,746	301,459	193,994	295,180	295,180
Cash and cash equivalents at beginning of period (reported in assets held for sale)	1,597	2,437	1,811	1,758	–
Exchange rate differences in cash and cash equivalents	2,228	7,876	1,721	2,873	4,046
Cash and cash equivalents at end of period	**315,640**	**250,085**	**315,640**	**250,085**	**193,994**

Income statement, Parent company

Amounts in SEK thousand	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – jun	2022 Full year
Revenues	51,116	18,873	112,945	26,204	57,618
Cost of goods sold	–39,362	–	–85,945	–	–
Gross profit	**11,754**	18,873	**27,000**	26,204	**57,618**
Other operating income	3,249	8,181	7,269	14,216	20,914
Administrative expenses	–11,675	–6,419	–24,030	–14,668	–32,863
Research and development expenses	–87,425	–53,000	–145,482	–89,031	–199,976
Other operating expenses	–5,012	–454	–11,637	–6,736	–13,563
Operating profit/loss	**–89,109**	**–32,819**	**–146,881**	**–70,014**	**–167,870**
Financial items					
Financial income	–2	–	24	–	296
Impairment loss on shares in subsidiary	–	–		–	–
Financial expenses	–1,355	–31	–1,356	–122	–139
Net finance costs	**–1,357**	**–31**	**–1,332**	**–122**	**156**
Profit/loss before tax	**–90,467**	**–32,851**	**–148,212**	**–70,136**	**–167,714**
Tax	–	–	–	–	–
Profit/loss for the period	**–90,467**	**–32,851**	**–148,212**	**–70,136**	**–167,714**

Income statement and other comprehensive income, Parent company

Amounts in SEK thousand	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – jun	2022 Full year
Profit/loss for the period	–90,467	–32,851	–148,212	–70,136	–167,714
Other comprehensive income	–	–	–	–	–
Comprehensive income for the period	**–90,467**	**–32,851**	**–148,212**	**–70,136**	**–167,714**

Balance sheet, Parent company

Amounts in SEK thousand	06-30-2023	06-30 2022	12-31-2022
ASSETS			
Fixed assets			
Intangible assets	106,496	85,286	101,995
Property, plant and equipment	36,792	30,739	34,830
Financial assets			
Shares in group companies	74,066	74,066	74,066
Other non-current receivables	3,945	3,945	3,945
Total financial assets	**78,011**	**78,011**	**78,011**
Total non-current assets	**221,300**	**194,037**	**214,836**
Current assets			
Current receivables			
Inventory	95,209	–	50,260
Accounts receivables	–	–	1,335
Other receivables	77,824	59,398	46,121
Prepaid expenses and accrued income	254,187	141,345	151,827
Total current receivables	**427,220**	**200,744**	**249,543**
Cash and bank	315,640	250,085	193,994
Current assets	**742,860**	**450,829**	**443,537**
TOTAL ASSETS	**964,159**	**644,866**	**658,373**

Amounts in SEK thousand	06-30-2023	06-30 2022	12-31-2022
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	6,550	5,637	6,166
Reserve for development expenditure	105,107	85,286	101,995
Unrestricted equity			
Share premium	1,414,140	1,135,791	1,294,227
Retained earnings	–974,628	–787,093	–803,802
Profit/loss for the period	–148,212	–70,136	–167,714
Total equity	**402,956**	**369,485**	**430,872**
Long-term liabilities			
Long-term interest-bearing liabilities	145,452	–	–
Long-term non interest-bearing liabilities	14,982	–	–
Total long-term liabilities	**160,434**	**–**	**–**
Current liabilities			
Short-term interest-bearing liabilities	62,012	–	–
Liabilities to subsidiaries	1,094	990	1,031
Accounts payables	34,247	53,050	23,297
Other current liabilities	2,933	8,568	2,933
Deferred income and prepaid revenue	300,482	212,773	200,239
Current liabilities	**400,769**	**275,381**	**227,501**
TOTAL LIABILITIES	**561,203**	**275,381**	**227,501**
TOTAL EQUITY AND LIABILITIES	**964,159**	**644,866**	**658,373**

Notes

NOTE 1 Accounting principles

This consolidated interim report for the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, as well as applicable regulations from the Annual Accounts Act. The interim report for the parent company has been prepared according to the Annual Accounts Act, chapter 9, Interim Reports. For the Group and the parent company the same accounting principles and calculation bases as the previous annual report have been applied except for the changed or additional accounting principles described below. Information according to IAS 34.16A is included in these financial statements and related notes as well in other parts of this interim report.

Licensing income
To present relevant information that more accurately reflects Xbrane's core business, licensing revenue attributable to activities within biosimilars is reported as operating income in the income statement. Income from the licensing agreement with Bausch + Lomb last year was thereby reclassified from other operating income to revenue and a part of ordinary activities. The change to this accounting principle has been applied retroactively and the comparison periods for 2022 have been recalculated for the Group. This means that comparative figures no longer align with previously published financial reports.

STADA Arzneimittel AG
To present current information that more accurately reflects Xbrane's core business, receivables related to our collaboration partner STADA have thus been reclassified to other receivables in the balance sheet. Receivables from STADA primarily relate to production costs for delivered production orders as well as ongoing research and development costs for Ximluci®.

Revenue from customers
Revenue from product sales is reported at the transaction price for goods sold excluding value added tax, any discounts and returns. At the time of delivery, when control of the goods passes to the specialist drug pharmacy, the revenue is reported in its entirety, as this represents the only performance commitment in the transaction. The final price is related to the discount paid to the end customer, thus the transaction price is not known at the time of delivery. Apart from this, there are no other performance commitments.

Revenue attributable to product sales
During Q4 2022, Xbrane carried out a strategic review, which led to revenue reporting being updated and will continue to include the revenue categories "Product licensing, Product sales, Contract manufacturing and Other". The revenue reporting has been identified based on the internal reporting that is presented to the company's top executive decision maker.

The different types of revenue are defined as follows:
- **Out–licensed products:** Milestone payments for biosimilars before market approval. Examples of this are milestone payments from Bausch + Lomb & Biogen.
- **Product sales:** Products with obtained market approval. Currently, sales of the product Ximluci® are included within this type of revenue.
- **Contract manufacturing:** This revenue type includes other activities within the company that cannot be considered covered by the above-mentioned revenue type.

Ximluci® consists of the agreement with STADA for Europe. Revenue for out-licensing is recognized at a time that occurs when control of the intangible asset is transferred to the counterparty, which is at the time when the agreement with both parties is signed. Variable remuneration (for example attributable to future regulatory milestones) is recognized when there is no longer any significant risk of uncertainty as to whether these will occur. Remuneration attributable to sales–based milestones or royalties is not recognized until the sales that result in the right to milestones or royalties occur.

Xbrane has identified three performance obligations under the agreement with STADA:
1) Out–licensing the product candidate Ximluci as it is at the time of signing,
2) Contractual obligation to perform the regulatory process with EMA to obtain conditional regulatory approval and
3) The obligation to deliver Ximluci. Xbrane has fulfilled all performance obligations within the agreement, with STADA.

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

Convertible debentures
The Group's convertible bonds that can be converted into shares by the counterparty exercising its option to convert the debt into shares, are divided into a debt part and an option part. The option right is deemed to constitute an embedded derivative and is valued at fair value through profit or loss. The option's initial fair value has been calculated using Black & Scholes and is included in level 2 of the fair value hierarchy. The remaining part of the issue proceeds is allocated to the debt. After the initial accounting period, the liability is valued at amortized cost until it is converted or matures.

Transaction costs for the convertible obligation have been allocated to the debt.

NOTE 2 Revenue from contracts with customers

Amount in SEKm	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – Jun	2022 Full year
Net sales					
Outlicensed products	14.1	15.6	28.2	22.8	50.9
Product sales	37.0	–	84.6	–	–
Contract manufacturing	–	–	–	–	3.2
Other	0.0	3.2	0.1	3.4	3.6
Total	**51.1**	**18 9**	**112.9**	**26.2**	**57.6**
Of which North America	*14.1*	*15.6*	*28.2*	*22.8*	*50.9*

The Group's revenue for the first half of 2023 consisted primarily of income from product sales from Ximluci®, which is realized in accordance with two agreements, partly a supply agreement under which Xbrane provides the product for commercialization to STADA and is compensated in accordance with the actual production cost and partly, the cooperation agreement under which Xbrane is entitled to 50% of the contribution (net sales less cost of production less cost of sales and marketing) from the product.

NOTE 3 Transactions with related parties

STADA Arzneimittel AG has been a shareholder in Xbrane since 2019 (see list of owners on page 6). Related party transactions with STADA refer to cost sharing for the cooperation agreement with Ximluci®.

NOT 4 Inventory

Amount in SEKm	2023-06-30	2022-06-30	2022-12-31
Goods in progress	95,209	–	50,260
Finished goods	–	–	–
Total inventory	**95,209**	**–**	**50,260**

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

See Note 1 for the Group's other accounting principles regarding inventories

Reported amounts in the income statement
During the financial year 2023, cost of goods sold has been reported in the income statement at SEK 85,945 thousand (2022 SEK 0 thousand). The inventory includes a reserve for obsolete goods of SEK –1,025 thousand (2022 SEK 0,000). No write down of the inventory has been made.

NOTE 5 Convertible Bond

On May 26, 2023, Xbrane issued convertible bonds with a nominal value of SEK 250 m. The debentures mature on May 26, 2027, if they have not been amortized or converted to shares at the holder's request before then. The debt is amortized in twenty-four equal instalments during the term of the debenture. Xbrane can choose to settle the amortization with cash payments or in shares at 90% of the market price (lowest VWAP during the six trading days before the payment date). The holder of the debenture has the right to advance up to two amortization payments per interest period. The interest rate amounts to 6% until formal approval by the United States Food and Drug Administration (FDA) of the Company's application in connection with its biosimilar candidate for trial to Lucentis® (ranibizumab), thereafter the interest rate is 0%. The conversion rate amounts to 125 percent of the offer price at the time of the issue. The conversion rate may be adjusted in the event of capital restructuring. In the balance sheet as of June 30 2023, the convertible bonds are reported as interest-bearing liabilities amounting to SEK 207.5 m and SEK 15.0 m as derivatives in non interest-bearing liabilities.

Certification

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

Stockholm August 28, 2023

Anders Tullgren
Chairman of the Board

Eva Nilsagård
Board member

Peter Edman
Board member

Mats Thorén
Board member

Karin Wingstrand
Board member

Kirsti Gjellan
Board member

Ivan Cohen-Tanugi
Board member

Martin Åmark
CEO

Alternative performance measures

The Company presents certain financial measures in the interim report that are not defined in accordance with IFRS. The Company believes that these measures provide valuable supplementary information to investors and the Company's management as they enable evaluation of the Company's performance. Since not all companies calculate financial measurements in the same way, these are not always comparable to measurements used by other companies. These financial measures should therefore not be seen as replacement for measures that are defined in accordance with IFRS. The tables below show measurements that are not defined in accordance with IFRS.

Gross margin
The gross margin is a measure that the Group considers important for understanding the products' profitability. The gross margin is calculated as gross profit in relation to the Revenue. The gross profit is revenue minus cost of goods sold.

Amount in SEKm	2023 Apr – Jun	2022 Apr – Jun	2023 Jan –Jun	2022 Jan – Jun	2022 Full year
Gross profit	11,754	18,873	27,000	26,204	57,618
Gross margin	**23%**	**100%**	**24%**	**100%**	**100%**

EBITDA
EBITDA is a measure that the Group considers relevant for an investor who wants to understand profit generation before investing in fixed assets. EBITDA shows the business's earning capacity from cash flow from operating activities without regard to capital structure and tax situation and is intended to facilitate comparisons with other companies in the same industry.

Amount in SEKm	2023 Apr – Jun	2022 Apr – Jun	2023 Jan – Jun	2022 Jan – Jun	2022 Full year
Operating profit / loss	–88,646	–32,402	–145,920	–69,184	–166,217
Depreciation and impairment	–7,594	–4,033	–16,454	–7,917	–16,576
EBITDA	**–81,052**	**–28,368**	**–129,466**	**–61,267**	**–149,640**

Research and development expenses as a percentage of operating expenses
The company's direct costs for research and development relate to personnel, materials and external services costs. Research and development expenses as a percentage of operating expenses show the proportion of operating expenses relating to research and development. This is calculated by dividing research and development expenses by total operating expenses. Total operating expenses comprise of selling and distribution expenses, administrative expenses, research and development expenses and other operating expenses.

Amount in SEKm	2023 Apr – Jun	2022 Apr – Jun	2023 Jan –Jun	2022 Jan – Jun	2022 Full year
Research and development expenses	–87,327	–52,914	–145,254	–88,863	–199,648
Operating expenses	–103,648	–59,456	–180,188	–109,604	–244,749
Research and development expenses as a percentage of operating expenses	**84%**	**89%**	**81%**	**81%**	**82%**

Equity ratio
The equity ratio is a measure that the Group considers relevant for an investor who wants to understand the distribution between equity and liabilities. The equity ratio consists of the proportion of assets that are financed with equity to show the company's long-term ability to pay, i.e., equity through total assets.

Amount in SEKm	06-30-2023	06-30-2022	12-31-2022
Total equity	399,988	365,734	424,888
Divided by total assets	998,710	683,696	690,515
Equity ratio	**40%**	**53%**	**62%**

Our objective - to contribute to health equality for everyone

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

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

FINANCIAL CALENDAR

Interim report January–September 2023	November 30, 2023
Year–end report 2023	February 29, 2024
Annual Report 2023	March 27, 2024
Annual General Meeting	May 2, 2024

FOR FURTHER INFORMATION

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Xbrane in brief

Xbrane: a world-leading developer of biosimilars
Xbrane Biopharma AB is a biotechnology company that develops biosimilars, i.e. follow-up drugs on already approved biological drugs that can be introduced at a lower price after the patent expires on the original drug.

Xbrane has a patented platform technology that leads to a lower production cost of biological drugs compared to competing systems.

Xbrane has a team with expertise in taking biosimilars from cell-line to approval with long collective experience in drug development.

Xbrane has its headquarters and development lab at Campus Solna, just outside Stockholm. Since September 2019, Xbrane has been listed on Nasdaq Stockholm, with the ticker XBRANE.

Xbrane Biopharma AB
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This information is information that Xbrane Biopharma is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the CEO, at 05-31-2023 08.00 CET.