BRANE BIOPHARMA

Science for high quality biosimilars

Annual and Sustainability Report 2022

Contents

FINANCIAL CALENDAR

Annual General Meeting	May 4, 2023
Interim report January – March 2023	May 31, 2023
Interim report January – June 2023	August 31, 2023
Interim report January – September 2023	November 30, 2023

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.

BUSINESS CONCEPT

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

VISION

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

OUR OBJECTIVE

To contribute to everybody having equal opportunities for health.

OUR VALUES

- Impossible is nothing
- Beat yesterday
- Make it happen
- We win as one

The year in brief

1

Ximluci®
receives marketing authorization approval in Europe

15

patent applications were filed

8

USD million received upon signing of commercialization and licensing agreement with Biogen Inc to develop, manufacture and commercialize BIIB801

36 %

increase in staff in 2022

Q1

3 JANUARY Xbrane's shares moved to Nasdaq Stockholm's Mid Cap as of January 3 after a strong price performance in 2021.

7 FEBRUARY Biogen Inc. and Xbrane signed a commercialization and licensing agreement to develop, manufacture and commercialize BIIB801, a preclinical monoclonal antibody that is a biosimilar candidate for CIMZIA® (certolizumab pegol). CIMZIA® is mainly used to treat rheumatoid arthritis in adults but also axial spondylitis and psoriatic arthritis. The agreement meant that Biogen made an advance payment of USD 8 m when the agreement was signed, and that they will pay an additional USD 80 m in development and sales-based payments, as well as royalties on sales.

15 FEBRUARY 12 month phase III data for Ximluci® (formerly Xlucane™) a biosimilar candidate to Lucentis® was reported. It was previously announced that Ximluci® reached the primary endpoint and demonstrated equivalent efficacy to Lucentis® in change in BCVA (Best Corrected Visual Acuity) by the eighth week of treatment. In Xbrane's opinion, 12 months of data shows that there are no clinically meaningful differences between Ximluci® and Lucentis®.

Q2

30 MAY Xbrane withdrew its Biologics License Agreement (BLA) for Ximluci® from the FDA, the US equivalent of the Swedish Medicines Agency, following a request for additional information.

Q3

4 JULY Comments and recommendations regarding the BLA in the US, received from the FDA. Xbrane believed that the majority of comments and recommendations related to data or information available from Xbrane, its contract manufacturers or suppliers. The BLA will be submitted in the US in the first half of 2023.

16 SEPTEMBER The European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) adopted a positive opinion for Lucentis® (ranibizumab) biosimilar candidate Ximluci® and recommended approval of Ximluci® throughout the EU.

22 SEPTEMBER Xbrane held a capital markets day due to the imminent launch of Ximluci®.

Q4

18 OCTOBER Xbrane carried out a directed share issue that brought in SEK 170 m to the company.

11 NOVEMBER The European Commission granted marketing authorization throughout the EU for Ximluci®. The authorization is valid in all 27 EU member states, as well as Iceland, Norway and Liechtenstein. The approval paved the way for the launch of Ximluci® in Europe in early 2023. The marketing authorization is held by Xbrane's partner STADA Arzneimittel AG (STADA), which has an experienced sales force and extensive sales and marketing expertise across Europe.

Significant events after the end of the year

Marketing authorization in the UK

In January, marketing authorization was granted for Ximluci® in the United Kingdom. STADA is preparing to launch Ximluci® in the UK in 2023.

Financial summary for the Group

	2022	2021
Revenue, SEK 000s	57,618	10,709
Research and development expenses, SEK 000s	–199,648	–160,619
R&D expenses as a percentage of operating expenses	82%	82%
Operating loss, SEK 000s	–166,217	–180,583
EBITDA, SEK 000s	–149,640	–168,366
Loss for the period, SEK 000s	–172,513	–188,376
Cash and cash equivalents, SEK 000s	193,994	295,180
Equity ratio, %	62%	63%
Earnings per share before dilution, SEK	–6.75	–7.98
Earnings per share after dilution, SEK	–6.75	–7.98
Number of employees on the balance sheet date	79	58

CEO's letter

Dear shareholders

2022 was a defining year for Xbrane in many ways and we reached a number of important milestones, perhaps the most important of which was marketing authorization for Ximluci® in Europe, which we received in November. Other very important milestones were also achieved:

1. Production of launch volumes for Ximluci®
2. The commercialization and licensing agreement with Biogen Inc. for the development, manufacture and commercialization of BIIB801, (biosimilar candidate to Cimzia®)
3. Preparation for upscaling the production process for BIIB801
4. Completion of the pilot scale production process for Xdivane™, a biosimilar candidate to Opdivo®

Launch of Ximluci® in Europe

Xbrane's first biosimilar, Ximluci®, was approved by the EMA in November 2022 and is now being launched in Europe by our partner STADA Arzneimittel AG (STADA). The approval followed the positive opinion the company received in September 2022 from the European Medicines Agency's (EMA's) Committee for Medicinal Products for Human Use (CHMP). The marketing authorization for Ximluci® is held by STADA and is valid in all 27 EU member states, as well as Iceland, Norway and Liechtenstein. Ximluci®, which is a biosimilar to Lucentis®, has been developed for the treatment of serious eye diseases. The launch volumes have been manufactured and negotiations have started in a number of countries. Xbrane and STADA are working actively to get Ximluci approved beyond Europe, mainly in North America, Middle East, Southeast Asia and Latin America. The production of Ximluci® will be intensified during 2023, partly to underpin demand in Europe, and partly to meet demand before launching in other markets. It is important for us to be able to offer our product to patients with serious eye diseases, such as age-related macular degeneration, and who are in great need of a more cost-effective treatment.

Development of biosimilar portfolio

Development of the biosimilar portfolio continues. For BIIB801, (biosimilar candidate for Cimzia®), upscaling to a commercial scale for the production of clinical material is being prepared in close collaboration with Biogen Inc. (Biogen). In accordance with the agreement with Biogen, Xbrane will be responsible for driving the preclinical development after which Biogen will take over and drive and finance the remaining development including clinical studies. Biogen paid USD 8 m on the signing of the agreement in February 2022.

The agreement includes an additional USD 80 m in development and sales-based payments and, on top of that, royalties on sales. As the investment in the preclinical phase is limited, the deal is deemed to be particularly attractive in view of the return on invested capital.

For Xdivane™, the biosimilar candidate for Opdivo®, the pilot-scale production process has been completed and preparatory work for transferring and upscaling to contract manufacturers is underway. The selection process of production partners is far reached and we expect that an agreement can be signed in the first half of 2023. With the development of Xdivane™, Xbrane extended its technological platform to also include the production of proteins made in mammalian cells, which resulted in a number of patent approvals.

For Xdarzane™ and Xtrudane™, pilot-scale production process development is underway. Together with Xdivane™, these new biosimilar candidates form a biosimilar portfolio in oncology that targets EUR 48 bn in estimated annual sales of the reference products and which can be launched in 2028–31 when the patents for the reference products expire. We are in active discussions with potential partners regarding these biosimilar candidates in oncology, with the aim of signing an agreement in 2023.

Aiming for positive operational cash flow in 2024

Provided that the sales of Ximluci® are as forecast and that we sign an agreement with a commercial partner that to share the development costs for the oncology portfolio, we expect to achieve a positive operating cash flow in 2024.

> "We are proud of our collaboration with STADA and to have taken this molecule, developed under the name Xlucane™, from cell line development to approval and manufacturing, via our patented platform technology, in Europe."

> "Doctors can prescribe Ximluci® and, based on extensive comparative analytical and clinical studies, feel confident in obtaining comparable clinical results to the reference product Lucentis®."

Sustainability

Xbrane's business concept is to make biological drugs available to everyone, to create added value for patients and society by improving access to effective and high-quality pharmaceuticals at a lower cost to society. With the marketing approval of Ximluci®, we are taking a major step forward towards better health equality for everybody. We work continuously with the UN's sustainability goals on sustainable development in our aim to improve everyone's right to health equality, be an attractive employer and be a credible and responsible social player. Our core values run through the whole of our operations and reflect our commitments to both patients, society and to our employees.

Great Place to Work®

We work continuously on our values, which was also reflected this year in a high Trust Index™ score, something we are very proud of. We also ranked highly (eleventh) on Albright's Green List on Equality, which at Xbrane includes ethnicity. During 2022, the team grew by just over 20 employees, a sign that we have been successful in our endeavors to become one of the most attractive employers in our field.

Key milestones in the next 12 months

In summary, we are in an exciting position going into our first year with a product on the market. Some of the key milestones we are looking forward to delivering over the next 12 months are:

- Supporting STADA in establishing Ximluci® as a leading biosimilar to Lucentis® in Europe.
- Obtaining the Biologics License Agreement for Ximluci® in the US and supporting the launch of the product with our partner Bausch+Lomb Inc.
- Obtaining market authorization for Ximluci® in Saudi Arabia and other countries in the Middle East and supporting the launch of the product with our partner STADA
- Upscaling the production process and preparing clinical studies for BIIB801 with our partner Biogen
- Joining up with a commercial partner for the oncology portfolio

2022 was an important and significant year for Xbrane. The market authorization of Ximluci® in Europe means that Xbrane has taken the next step in its development towards becoming a world-leading commercial biosimilar developer. A remarkable achievement, which is why I sincerely wish to thank all our employees and partners for their outstanding efforts during the year.

Thank you for your continued support.

Solna, March 31, 2023

Martin Åmark
CEO

Our objective – to contribute to health equality for everyone

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

The cost of pharmaceuticals in treatment with, for example, Opdivo® and Keytruda®, for which we have biosimilar candidates in development in the preclinical phase, and which have revolutionized the treatment of previously incurable cancer, is over SEK 1 m per patient per year[1]. Biological drugs in the US account for 40 percent of drug costs but are available to only 2 percent of the population[2]. Many patients find it difficult to afford these drugs and are forced to live with financial stress after battling and surviving cancer. At Xbrane, we find this unacceptable.

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.

"Increasing the availability of biological drugs globally must be one of the most effective investments that can be made today. It will significantly improve health equality in the world and realize major global savings in healthcare systems. These savings can go towards new and more effective treatments."

Martin Åmark, *CEO, Xbrane*

1) https://www.reuters.com/article/us-usa-healthcare-cancer-costs-idUSKBN1750FU
2) https://www.fda.gov/news-events/press-announcements/remarks-fda-commissioner-scott-gottlieb-md-prepared-delivery-brookings-institution-release-fdas

Xbrane has reached the commercial phase of the company's development

Xbrane was founded in 2008 and started the development of what will become Ximluci® in 2015. The establishment of a technical platform, and later a development platform, is at the heart of Xbrane's biosimilar development.

ESTABLISHMENT OF TECHNICAL PLATFORM 2008–2015

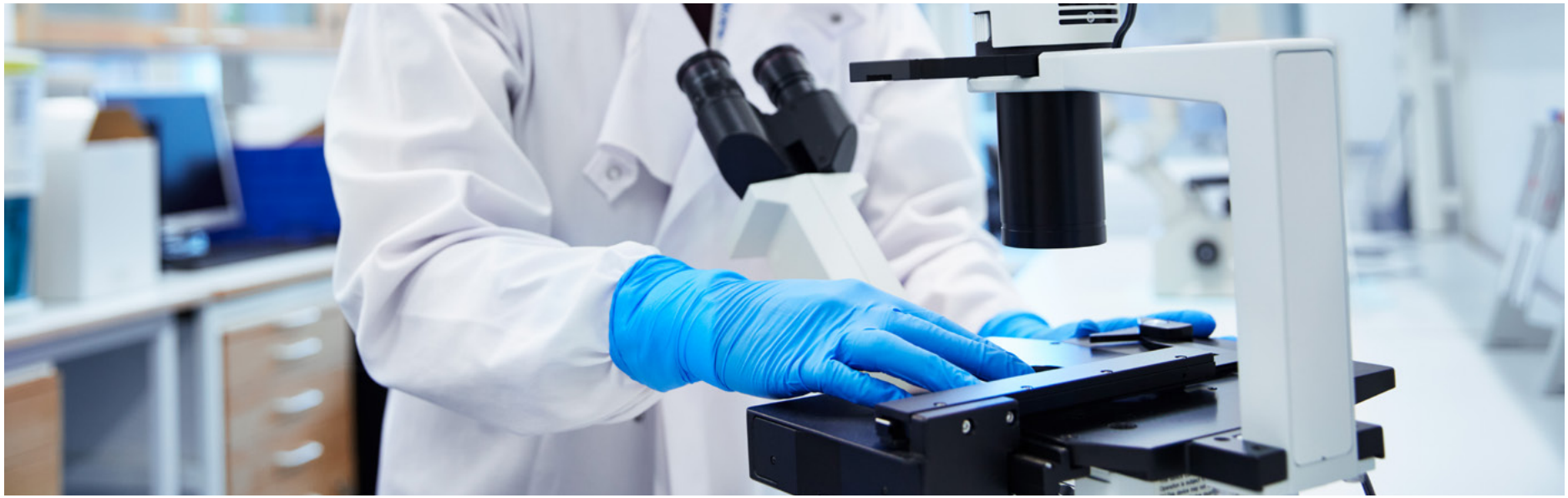
- Development of a platform that enables high productivity
- R&D collaborations established

ESTABLISHMENT OF DEVELOPMENT PLATFORM 2015–2022

- Development of an attractive product portfolio
- Recruitment of leading expertise
- Partnerships with sales partners established

CAPITALIZATION OF PLATFORM 2023–

- Start of sales of our first product Ximluci® 2023
- A new development project started annually
- Proven business model for out-licensing



Why invest in Xbrane?

Xbrane - a world-leading developer of biosimilars

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

- EA patented development platform to ensure the lowest possible production cost.
- Commercial agreement with three major global pharmaceutical companies: STADA, Bausch + Lomb and Biogen, with >EUR 150 m in license fees payable plus royalties.

The first product, Ximluci® will be launched in Europe in Q1 2023

- Ximluci® (biosimilar to Lucentis®) will be launched by STADA in Europe during 2023 and will reach a market worth EUR 4 bn in Europe.
- The company intends to apply for a BLA in the US in 2023 with an expected launch in 2024 in collaboration with Bausch & Lomb

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

- BIIB801, on which we are collaborating with Biogen, is, as far as we know, the only biosimilar candidate in development for the TNF inhibitor Cimizia®, which has 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: We are discussing their out-licensing.

Chairman's letter

With the commercialization of our first proprietary drug in Europe, we have become a new Swedish pharmaceutical company focusing on the rapidly growing biosimilar market.

Our ambitions and strategy continue to be clear. We will continue to invest in our unique, patented platform technology, expand our portfolio of new products and strengthen our team, to further solidify our position and generate value for patients, shareholders, employees, partners and purchasers of healthcare

We operate within one of the fastest growing segments in the pharmaceutical industry

The market for biosimilars is developing rapidly. 74 biosimilars have now been approved in Europe and 40 in the US, where 25 have been launched. Together, they generated sales of over USD 18 bn in 2022. The market is also expected to grow at over 20 percent CAGR in the next few years, making it one of the fastest growing segments in the pharmaceutical industry. This rapid growth is driven by the fact that the market for precise and highly effective biological drugs is growing rapidly and now account for around 40 percent of all drug sales. More and more of these products, often huge sellers with tens of billions of Swedish kroner in sales, are losing their patent protection, opening up a large potential market for biosimilars.

At the same time, trust in biosimilars has increased among both doctors and patients. That, together with the cost-effective alternative that biosimilars offer, often leads to the biosimilars taking up to 40 percent of an original product's market share after just 12 months. They generate great value to society in terms of significantly increased availability of important medicines for many more patients, as well as significant healthcare savings.

Xbrane is therefore focusing on a very large global and commercially attractive market.

Xbrane is in a position as one of the leading biosimilar developers globally

Since I took over as Chairman of the Board, the Board and management have worked closely together and developed the company to be ready for the next phase. To mention just a few achievements, we have a new research and development lab in close connection to the Karolinska Institute, a team of almost 100 people has been recruited, agreements have been signed with large international companies such as STADA, Biogen and Bausch + Lomb and our product portfolio has been expanded and developed.

We have thereby developed into our current position as one of the leading pharmaceutical companies globally in the biosimilar segment.

Our first product, Ximluci®, has now been approved and recently launched in Europe. We have therefore proved that our platform technology works and that our team can take products all the way to approval and launch. Xbrane is now one of the most important global developers of biosimilars for the major pharmaceutical companies interested in selling and marketing high-quality biosimilar drugs.

Xbrane's strategy - to continue investing in a proven concept

To prepare Xbrane for the next phase, the Board and management worked thoroughly to review our long-term strategy during 2022. Our proven business model of developing biosimilars and out-licensing to major pharmaceutical companies for commercialization has proved successful and remains an important cornerstone. That has been coupled with continued significant investments in research and development to further develop biosimilar candidates with a major competitive advantage.

Additionally, there will be, in the foreseeable future, more opportunities in terms of the patents of biologicals expiring than Xbrane can address. Our main competitive advantage continues to be our low production cost, based on our patented platform technology. We are planning continued investments to improve and expand the platform and strengthen our competitive advantage in this regard.

We will continue to further develop our library of host cells and methods to genetically modify these for maximum productivity of the proteins as well as combine them with cost-effective manufacturing for certain selected products. Having the lowest production cost will become increasingly important in the future, and unlike small molecule generics, there are great opportunities for biologicals to differentiate themselves on the basis of proprietary and patented technology. We must take advantage of that. We will also focus on reducing the cost and shortening our development programs.

In the coming years, the greatest opportunity lies in obtaining approval supported by a single phase 1 clinical study on the basis of demonstrating high analytical similarity with precise instruments. Not having to do a phase 3 clinical study can mean a saving of up to 40 percent of development time and budget. We are therefore investing in the most precise analytical instruments and recruiting the best analysts to drive that development forward.

We are convinced that this is a strategy that will strengthen Xbrane's position as a world-leading biosimilar developer and benefit patients, shareholders, employees, partners and purchasers of healthcare.

Thank you for your support in building Xbrane

Anders Tullgren
Chairman of the Board

What is a biosimilar?

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

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

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

Biosimilars are similar to the biological reference product

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

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

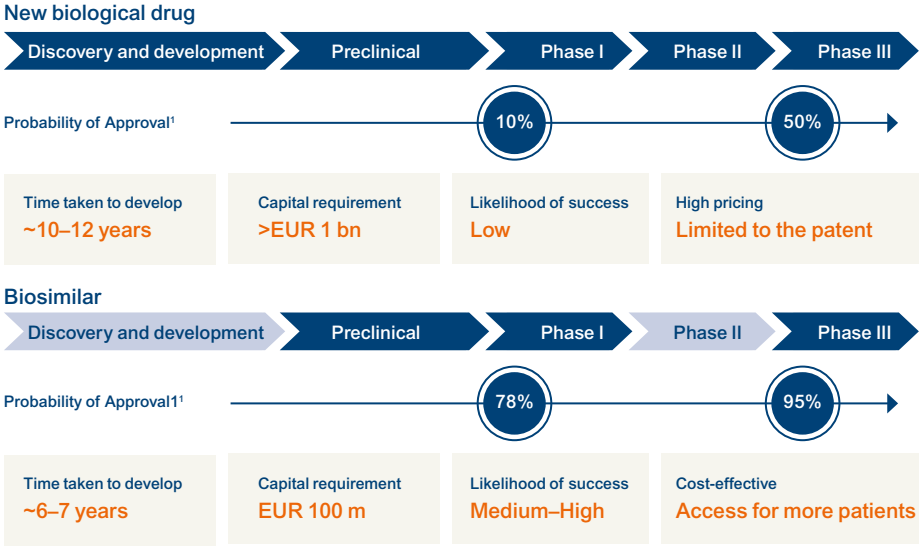
Complex development and manufacturing

Due to the size, complex structure and living cell systems, the development and manufacture of biosimilars requires a lot of time, work and expertise. The basic principle in the development of biosimilar pharmaceuticals is the similarity to the established reference medicine. The manufacturer must be able to guarantee that the biosimilar's quality, safety and efficacy are comparable to the biological reference product. This is done using a solid comparative analysis based on a large number of laboratory tests at the preclinical phase. Provided that high analytical similarity has been demonstrated preclinically, the clinical phase can be initiated. Typically, a phase I study is conducted in healthy volunteers where safety and pharmacokinetics compared to the reference product are studied, after which a phase III study can be conducted where safety and efficacy are studied in a well-targeted patient population.

Developing a biosimilar typically takes about 7 years and requires an investment of around EUR100 m. However, the risk is significantly lower than when developing new medicines. Historically, about 95 percent of the biosimilar candidates entered into a phase 3 study have received approval in the EU and/or the US.

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

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



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

The biosimilars market

The biosimilars market generated revenue of USD 18.7 bn in 2021 and is expected to grow at a CAGR of 17 percent up to 2030.

The biosimilars market generated USD 18.7 bn in 2021 and is expected to grow 17 percent annually up to 2030, driven by patents expiring on major biological drugs, increased use as patient and physician trust increases, and a strong push by purchasers to move toward the most cost-effective option.

Market penetration of biosimilars

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

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

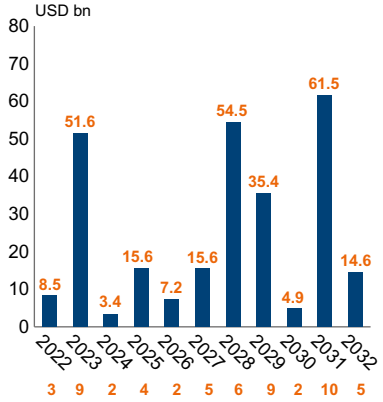
Biosimilars increase availability and provide major savings

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

Biosimilars lead to significant cost savings in healthcare that can be used to offer new and more effective treatments, increase staff and reduce care queues. In the US, biosimilars are expected to generate savings of over USD100 bn over the period 2020–2024.

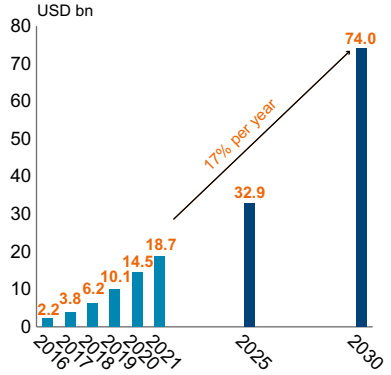
Source: https://www.mckinsey.com/industries/life-sciences/our-insights/three-imperatives-for-r-and-d-in-biosimilars

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

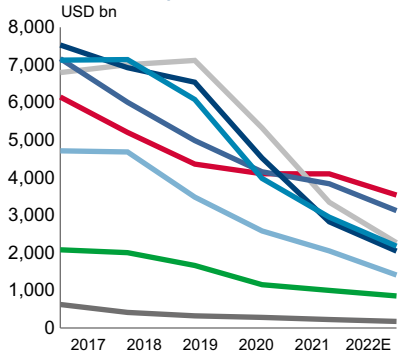


Best-selling products whose patents are expiring, in total

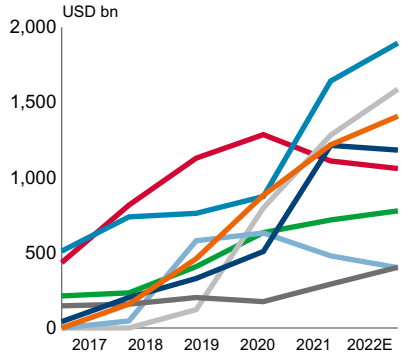
Global sales of biosimilars are expected to grow by 17% per year until 2030



Reference products, annual sales



Biosimilars, annual sales



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

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

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

Our strategic platform

Our objective – to contribute to health equality for everyone

What we do, see page 13

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

How we make a difference, see page 14

Apply our patented platform technology to

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

Our strategic focus areas in the short to medium term

1

Create value for patients and society with Ximluci®. See page 15

2

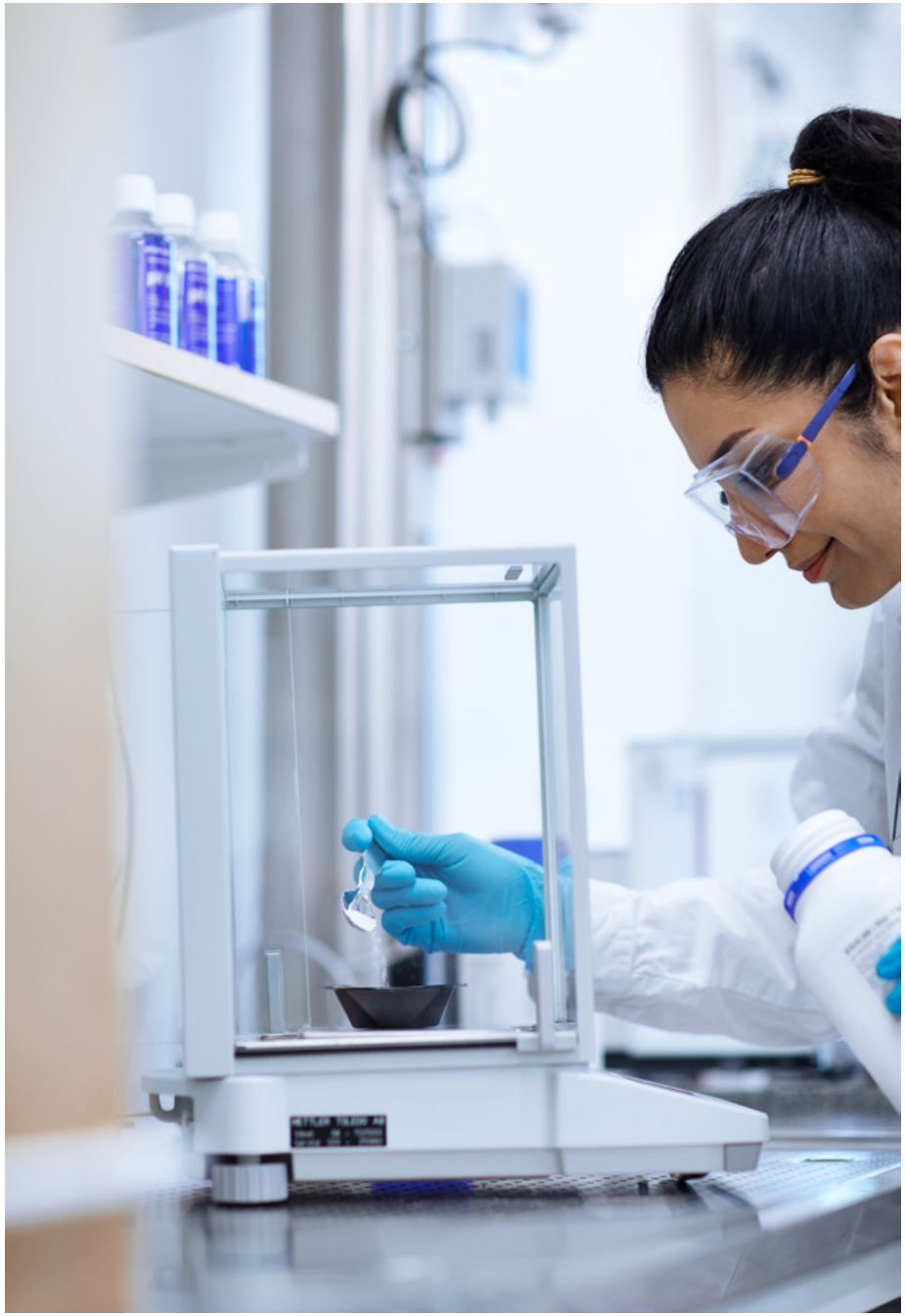
Maintain schedules for developing other biosimilar candidates. See page 16

3

Develop and expand our platform technology. See page 17

Our goals in the short to medium term

- Generate EUR 100 m in revenue from Ximluci®.
- One new development program per year.
- Cash flow positive in 2024.



What we do – long-term strategic path choice

Which biosimilars are we developing?

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

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

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

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

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

Which geographic markets do we address?

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

Where in the value chain should Xbrane be?

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

Product portfolio

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

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

How we make a difference

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

XBRANE WILL CONTINUE TO INVEST in developing its platform technology to continue achieving some of the lowest production costs, something that we believe will play an increasingly important role in the biosimilar market. To our knowledge, Xbrane is, for example, the only biosimilar developer that can develop a biosimilar of the reference drug Cimzia®, as very high productivity is required to make the product commercially viable.

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

Xbrane's THREE strategic focus areas for the next three years →

In addition to these strategic focus areas,
- Xbrane is actively working to maintain a strong corporate culture
- and to further streamline our way of working, for example by increasing expertise to establish productive long-term collaborations and improve our project management model.

1

Create value for patients and society with Ximluci®
Read more on page 15

2

Maintain the schedule for developing other biosimilar candidates.
Read more on page 16

3

Develop and strengthen our platform technology.
Read more on page 17

1 Create value for patients and society with Ximluci®

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

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

→ Reducing production costs

Primarily through upscaling in the production chain, we estimate that in 2024 we will have reduced the production cost of Ximluci® compared to 2023. This is critical in order to maintain the competitiveness of the product and to be constantly able to offer the most cost-effective treatment option to patients and healthcare providers.

→ Introducing a prefilled syringe

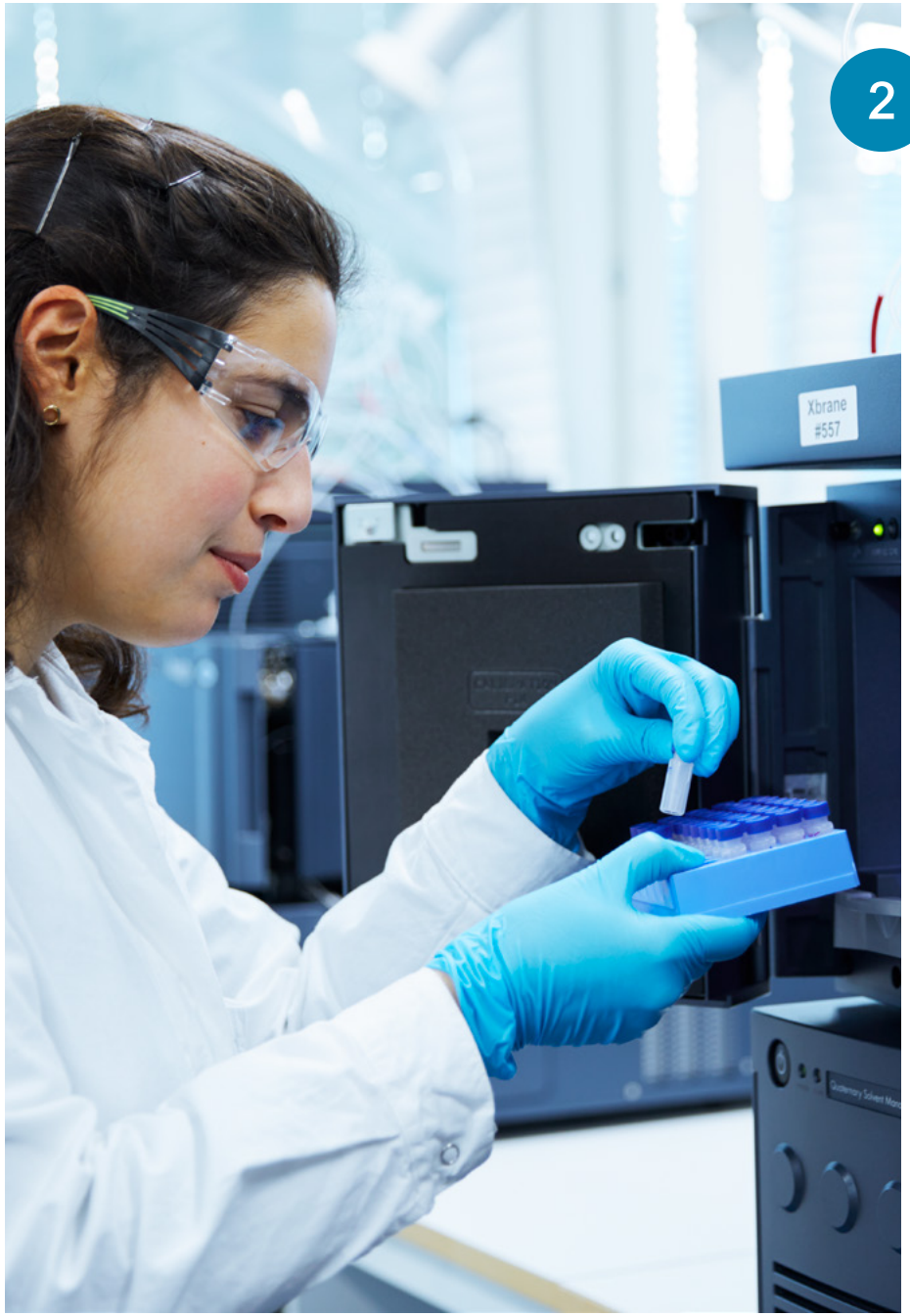
Ximluci® has been approved as a package consisting of the product filled in a vial. The reference product Lucentis® has two packages of the product, a vial and a pre-filled syringe. The pre-filled syringe has certain advantages for the eye clinic, mainly in terms of time consumption. Xbrane has been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

→ Launching the product on more markets

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

Strategic goal

→ Generate EUR 100 m in revenue from Ximluci®.



2 Maintain the schedule for the development of other biosimilar candidates

IT IS OF the utmost importance that we maintain the schedules in the development programs we are running and succeed in bringing our products to market shortly after the patent expires on the respective reference product. To succeed in this, we are fully focused on achieving the next important milestone in the programs in accordance with the schedule.

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

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

→ Clinical studies

» Upscale BIIB801, by manufacturing clinical materials and supporting our partner Biogen in starting a clinical study

» Upscale the production process for Xdivane™ and start clinical study

→ Production process

» Establish production processes, upscale and manufacture clinical material for Xdarzane™ and Xtrudane™

→ Out-license

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

Strategic goal

→ Start one new development program per year.

3 Develop and improve our platform technology

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

Cell line development and vector design

We will continue to develop our library of proprietary host cell lines that we have optimized for high productivity in combination with the vector that we introduce into the host cells that instructs the cells to make the target protein of interest. This vector contains, in addition to the specific gene that instructs the production of the target protein, various DNA sequences that favor productivity, for example the promoter LEMO™ which was our basic technology. We will primarily work with further development of host cell lines and vectors applicable for proteins expressed in Chinese Hamster Ovary mammalian cells, (CHO) as we believe they will have the greatest application in future programs.

Continuous manufacturing

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

Analytical similarity for reduced clinical trials

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

Our platform technology

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

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

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

Our technical platform provides greater productivity

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

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

Continued development of the platform for CHO cells

Progress with the company's products has meant that more resources have been able to put into the research and development of our technological platform, which resulted in eight approved patents in 2020 and 27 patent applications in 2021 and 2022, in addition to two already approved patents. Most of these patents relate to expanding the platform for manufacturing in CHO cells.

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

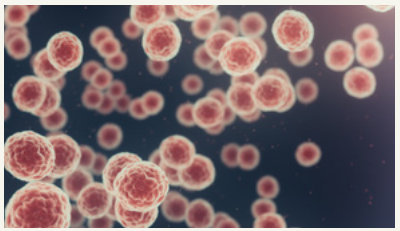
Increased productivity and quality

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

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

Advantages of our platform technology

Library of different types of cells +



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

Technologies to increase the cell's ability +

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

Methods within process and analysis

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

Lower production costs	High biosimilarity	Short development time
Up to 50% greater productivity	One product approved by the EU	>1.5 years to developed process

11 approved patents and 21 patent applications

Ximluci® for the treatment of eye diseases will be launched in 2023

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

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

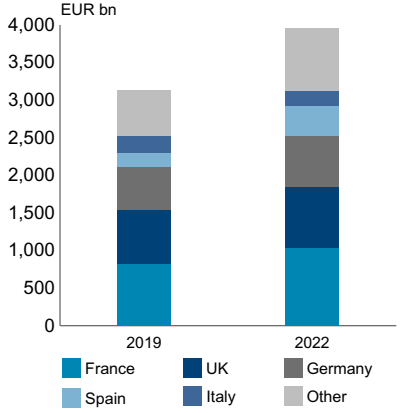
An extensive comparative analytical study and a phase 3 clinical study demonstrated equivalent efficacy and comparable safety to the reference product Lucentis®. The phase 3 clinical trial conducted in 2021 included 582 patients with wet age-related macular degeneration. The study's primary endpoint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

Market for Ximluci®

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

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

European anti-VEGT market for treatment of the retina



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

Vision affected by disease

XIMLUCI® FOR THE TREATMENT OF EYE DISEASES

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

Reference products

The VEGFa inhibitors for the treatment of eye diseases generated global sales of around SEK 134 bn[1,2,3] in 2022, of which Lucentis® accounted for around SEK 30 bn[1,2] and Eylea® around SEK 101 bn[3]. In addition to these, Beuovo, Vabysmo and Susvimo (ranibizumab implants) are also used. The drug Avastin®, a VEGFa inhibitor approved for the treatment of certain cancer indications, is also used off-label, due to Avastin®'s lower cost per treatment.

Launching in collaboration with STADA Arzneimittel AG (STADA)

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

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

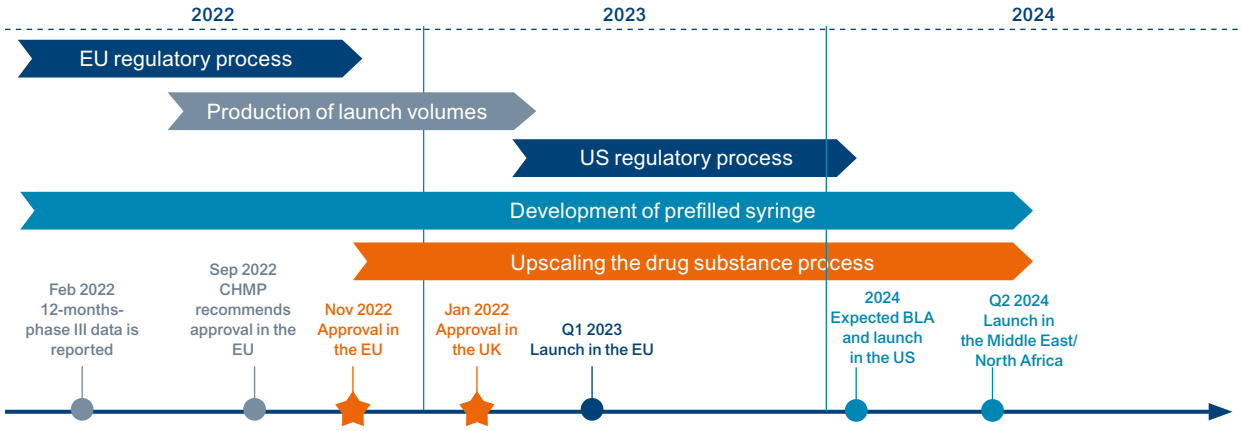
This means that the marketing authorization for Ximluci® is held by STADA and is valid in all 27 EU member states, as well as Iceland, Norway and Liechtenstein. Together with Xbrane, STADA implemented a launch in selected European markets in early 2023. Through the partnership with STADA, Xbrane gains access to STADA's experienced clinically knowledgeable sales force and key-account management team, extensive sales and marketing expertise throughout Europe as a top-four player in both generic and over-the-counter medicines.

Application for Biologics License Agreement in the US

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

Source:
1) Novartis Annual Report 2022
2) Roche Annual Report 2022
3) Regeneron Year-end report 2022

Ximluci® – launching in the EU and UK in Q1 2023



> "Having already successfully launched five biosimilars, we are excited to bring our rapidly growing Specialty Care portfolio to an important and growing therapeutic category – ophthalmology. This product approved through STADA's strategic partnership with Xbrane, will help increase patient access to biological treatments and optimize the use of healthcare resources."
>
> Peter Goldschmidt, *CEO STADA*

STADA
Caring for People's Health

ABOUT STADA ARZNEIMITTEL AG

STADA Arzneimittel AG is headquartered in Bad Vilbel, Germany. The company focuses on a strategy in three areas: generics, specialty drugs and non-prescription consumer healthcare products. STADA Arzneimittel AG sells its products in around 125 countries. In the 2022 financial year, STADA's Group turnover was EUR 3,797.2 m and earnings before interest, taxes, depreciation and amortization (EBITDA) was EUR 884.7 m. As of December 31, 2022, STADA employed 13,183 people. Ximluci® is the sixth approved biosimilar in STADA's Specialty Care portfolio.

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

BIIB801

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

Lifetime treatment

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

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

Biosimilars have increased availability and provided major savings for healthcare systems

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

Cimzia® successful

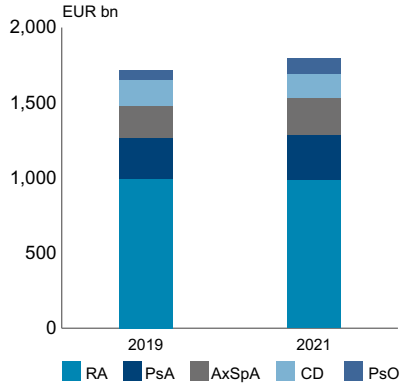
During the last five years, Cimzia®'s sales have grown by around 10 percent per year[2], despite increased competition from biosimilars of several of the other TNF-alpha inhibitors. The main reason is that Cimzia® is the only TNF-alpha inhibitor clinically proven to be safe for use by pregnant and lactating women. This is an important segment of the market, as around 10 percent of those diagnosed with rheumatoid arthritis and 20 percent of those diagnosed with psoriasis are women under the age of 40[3].

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

Production and marketing

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

Sales of Cimiza®



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 2022
3) Vital Signs: Prevalence of Doctor-Diagnosed Arthritis and Arthritis-Attributable Activity Limitation – United States, 2013–2015, Incidence and Risk Factors for Psoriasis in the General Population
4) The Impact of Biosimilar Competition in Europe, IQVIA December 2020

Product candidates for the treatment of cancer

A number of biosimilar candidates for the treatment of cancer are being developed, most notably Xdivane™, Xtrudane™ and Xdarzane™ (anti-PD-1). The market for reference drugs here is currently estimated to amount to around SEK 388 bn[1,2,3]. Xbrane started the development of Xdivane™ and Xtrudane™ in 2021 to enter the competitive but attractive field of checkpoint inhibitors. In addition to a team with proven development capabilities, Xbrane has access to its own platform for protein production, which enables cost-effective processes.

Xdivane™

XDIVANE™ is a biosimilar candidate to nivolumab (reference drug Opdivo®), a PD1 inhibitor for the treatment of various types of cancer, which had sales of around SEK 86 bn[1] in 2022. Opdivo® is expected to lose its patent protection during 2026–2031 depending on the country. The pilot-scale production process for Xdivane™ has been completed and work on transferring and upscaling for the selected contract manufacturer is continuing. The selection process of production partners is long overdue and an agreement is expected to be signed in Q1 2023.

Xtrudane™

XTRUDANE™ is a biosimilar candidate for the drug MSD's Keytruda® (pembrolizumab), an anti-PD-1 monoclonal antibody. Like Opdivo®, Keytruda® has been approved for several indications and many additional studies are continuing. To date, Keytruda® has been approved for 18 tumor indications and dominates in first-line lung cancer. Keytruda® is expected to continue to have a major market share in lung cancer and also a strong position in melanoma, bladder cancer, kidney cancer and head/neck cancer. In the longer term, new indications, including use in adjuvant settings (i.e. improving the efficacy of other drugs), are expected to drive stable growth for this product. In 2022, Keytruda® achieved global sales of SEK 219 bn[2], which is expected to increase to USD 21.2 bn in 2025.

Xtrudane™ is undergoing preclinical development focused on developing a cost-effective production process and demonstration of biochemical similarity to the original drug. After that, upscaling with a production partner is expected to follow, after which the product can begin clinical trials.

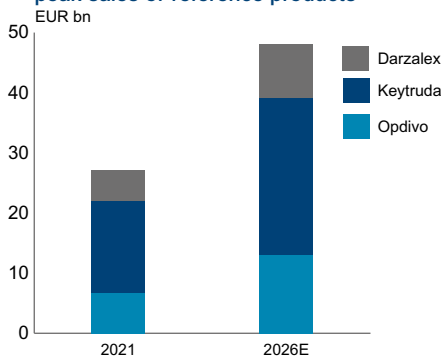
Xdarzane™

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

Darzalex® was approved by the FDA in 2015 for the treatment of MM after three previous therapies, but the approval was later extended to include Darzalex® as a first-line treatment option. Darzalex®'s good treatment effects have also translated into great commercial success as global sales exceeded USD1 bn in the second year of commercialization and sales of around SEK 83 bn in 2022[3]. Darzalex® was initially developed by Genmab and is now jointly marketed by Genmab and Johnson. Darzalex®'s patent protection is expected to expire in 2029-2031 depending on the country.

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

Combined annual expected peak sales of reference products



Sources:
1) BMS Year-end report 2022
2) Merck Year-end report 2022
3) Johnson & Johnson Year-end report 2022

Patent protection

Xbrane is an innovative company that invests significantly in research and development, which is why strategically important patents to protect our technologies and products are important. A growing patent portfolio strengthens the company's brand. Xbrane's most important regions in terms of the protection of intellectual property rights (IP) are Europe and the US, 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 to 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™ platform technology is patent protected in Europe and the US until 2029. Between 2019 and 2022, these two patents, originally filed in 2009, have been supplemented 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

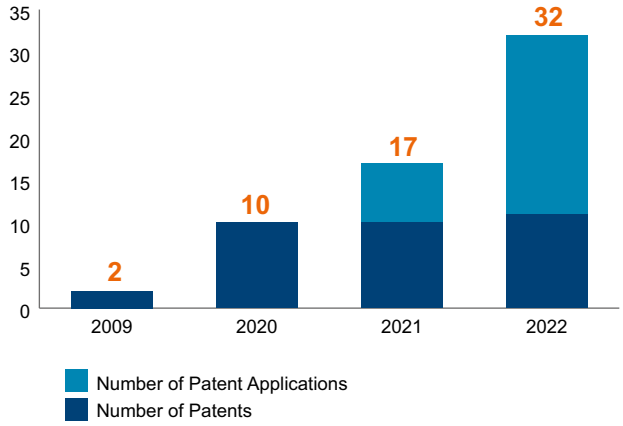
The Swedish Intellectual Property Office (PRV) granted eight patents in 2021. Three related to DNA constructs for the regulation of protein production and were co-filed with CloneOpt AB. Five of the patents resulted from the development of Xdivane™ and form the foundation for the emerging high-yield 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, India, China, Singapore and Japan in 2022.

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 Ximluci® (three patent applications) and BIB801™ (eleven patent applications).

The patent applications to protect Ximluci® have been filed together with STADA Arzneimittel AG.

The expanding patent portfolio will strengthen Xbrane's brand, protect our products and enable more out-licensing of IP in the future.

Number of patents and patent applications (accumulated)



"We are proud to have taken this molecule, developed under the name Xlucane™, from cell line development to approval and manufacturing, via our patented platform technology, in Europe. Doctors can prescribe Ximluci® and, based on extensive comparisons conducting analytical and clinical studies, feel confident in obtaining comparable clinical results with the reference product Lucentis®."

Martin Åmark, *CEO, Xbrane*

Xbrane's values

For Xbrane, it is important to maintain a robust business culture even though the company is in a period of substantial growth. The common values that unite all our staff are key to our culture and are a natural and integral part of our day-to-day work. A sign that we act according to our values is the way we work and interact with each other every day.

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

Shared values in a team can be difficult to see and the best way is usually to observe concrete actions, which we try to recognize when they occur.

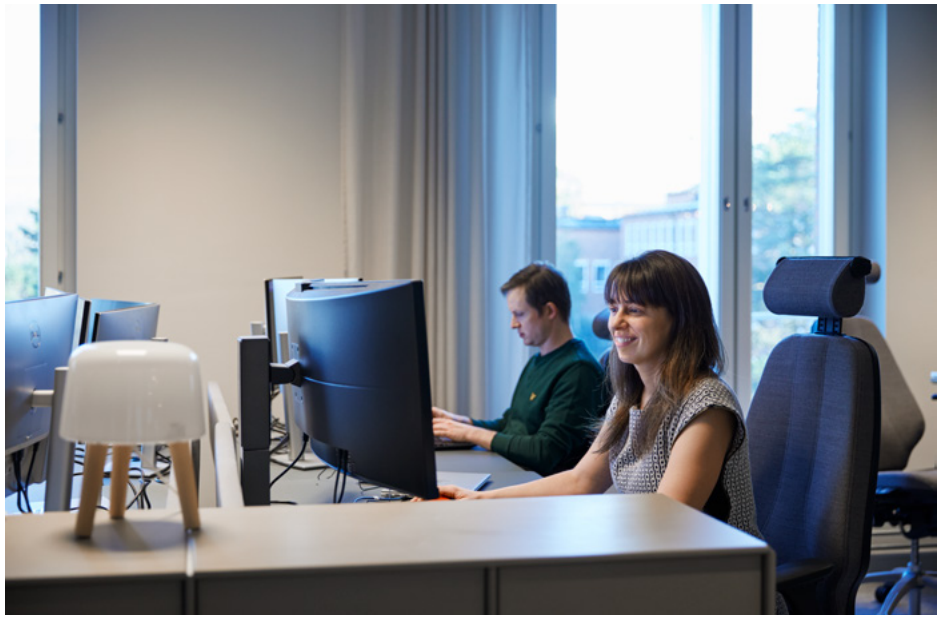
The year 2022 has been an important year for us at Xbrane and when we reflect on what we have accomplished, our actions, which are the basis of the values, are almost always addressed. This is further reinforced by our regular employee surveys, clear proof that they are an integral part of our day-to-day work. It is important to us that our actions and values go hand in hand and help us to develop and succeed.

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

Beat yesterday →
Always trying to improve. Being innovative and at the absolute forefront of research.

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

We win as one →
Understanding that we need all our skills to succeed. Both celebrating success together and sharing adversity together. Really working as a team.



Employees, culture and organization

Xbrane is a knowledge-intensive companies with a great diversity of employees with different backgrounds and expertise, something that contributes to the development of the company. During the year, 26 new colleagues joined the company and a total of 79 skilled employees contribute to the company's development.

Employees

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 staff so that we learn from each other's perspectives and experiences and that collective expertise is utilized. Xbrane is committed to being a learning organization where each employee has an individual development plan and sets goals to develop both professionally and personally. Xbrane's overall purpose, to enable drug treatment for more patients and ultimately benefit society by lowering the price of drugs, is a common reason why employees choose Xbrane. Other reasons identified include the opportunity to work with innovative technology, the opportunity to use their innovation and problem-solving skills and to help develop the company.

Xbrane wants to provide a safe and healthy workplace for its employees, an ambition that is also an integral part of our sustainability work. At the end of 2022, the gender distribution was 61% women and 39% men. Xbrane was also included on Allbright's green list for the second year in a row as one of 69 gender-balanced Swedish listed companies (out of a total of 361 evaluated). In 2022, Xbrane also received the Great Place to Work® certification for the second year in a row. Also see the Sustainability Report.

Culture

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

Each quarter we measure eNPS (employer Net Promotion Score) to assess employee satisfaction and to identify what is working well and what we can improve together. Xbrane is a firm believer in involving all employees in actively processing the results for the best impact and to develop the workplace we want to work in.

Great Place to Work®

Xbrane has received the Great Place to Work® certification for the second year in a row. During the year, the focus has been on maintaining our robust culture while growing as a company in terms of the number of employees. At the same time, this rapid expansion can be a challenge, which is why listening to our employees is of the utmost importance. Xbrane is committed to being a purpose-driven organization with strong values, which is reflected in our high Trust Index™ score.

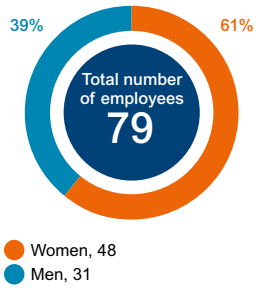
Organization

Our organization consists of various skills-based functions. However, the way we work is often in cross-functional teams within different projects. The cross-functional teams progressing the biosimilar candidates in our portfolio are staffed by different employees depending on the phase of the biosimilar candidate and the skills needed from cell line development to commercialization. Our teams harness all our expertise to find the best solutions.

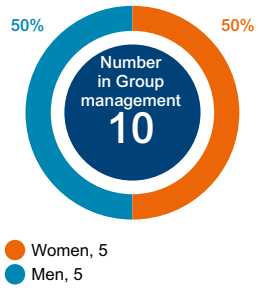
Our project management model is based on hybrid project management, which combines traditional project management with an agile and flexible approach. The model makes it possible to quickly identify the actions that need to be taken and enables programs to move forward towards the aim of providing patients with access to cost-effective drug options.

The cross-functional teams have a mandate to make decisions, innovate, solve problems and make changes. It is supported by a steering group with expertise in the relevant function, which provides assistance when needed.

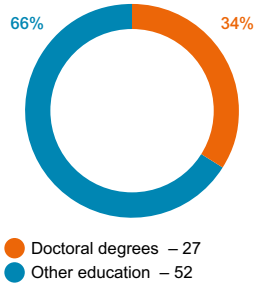
Gender distribution of employees



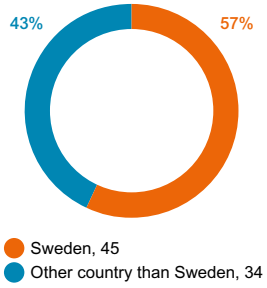
Gender distribution group management



Education level



Country of birth



David

"I joined Xbrane because it was an exciting opportunity to be involved in starting something new. It's challenging and stimulating at Xbrane. I have incredibly skilled, friendly and committed colleagues here and that's what makes it enjoyable. Everything is based on teamwork, helping each other and working for each other together." ***David, R&D***

Leonor

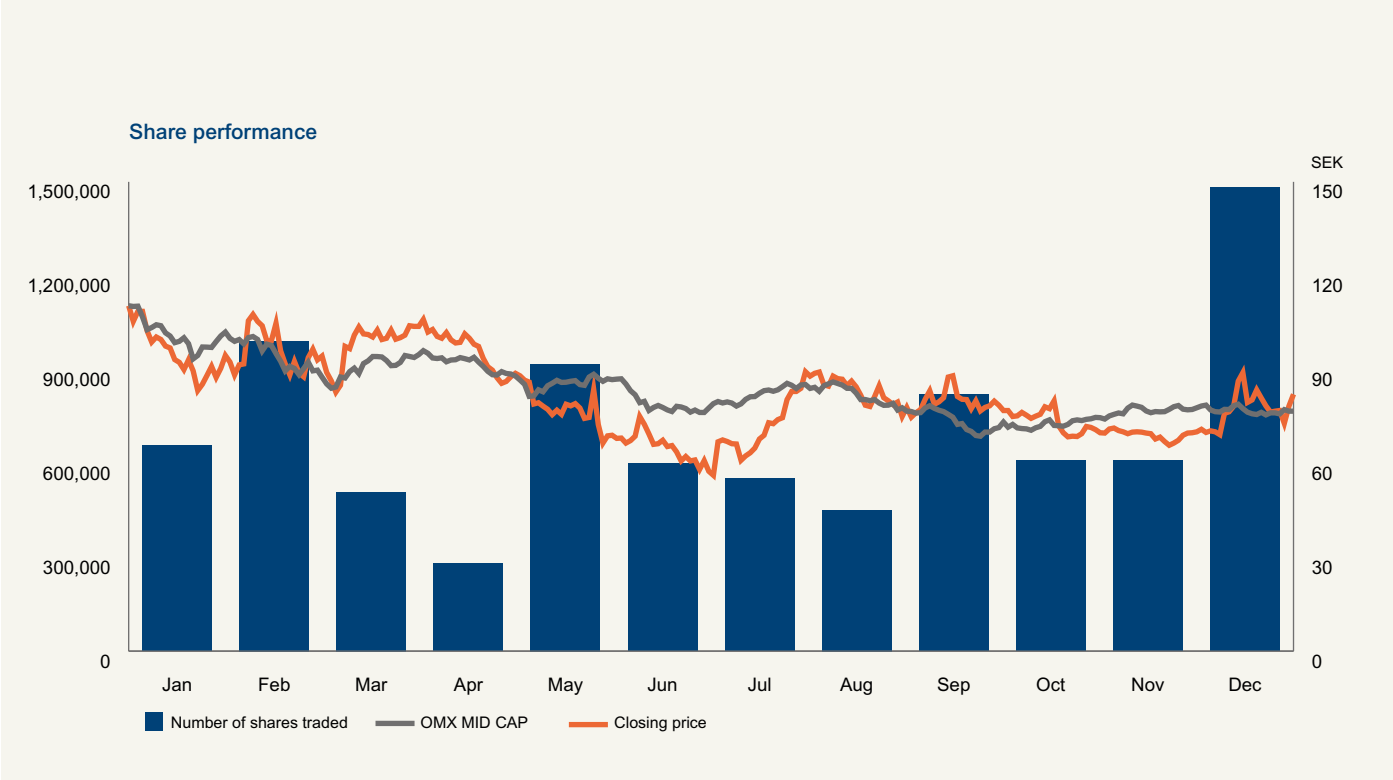
"I wanted to move away from Portugal and I found the opportunity to work at Xbrane, a company that actually wants to do some good and develop medicines to make them accessible to more people. I'm someone who likes to be involved in society and give back to people, and I get to do that at Xbrane. One of the most attractive things about Xbrane is that we are growing very fast, which allows me to grow both personally and professionally by being involved in many different projects." ***Leonor, Analytics***

Mariusz

"I started at Xbrane when there were only 3 employees. No one had heard of Xbrane and perhaps our lofty ambitions and vision were not quite enough to attract new employees at the time. This now seems to have changed and now we have almost 80 employees. Over the years we have built something that people are starting to notice and believe in – we've all worked hard for it. Different things motivate different people, and it makes me proud to reflect on where we were to start with and to see where we are now – it motivates me to keep working hard for it. One of our values is that "nothing is impossible" and the target of a small group of scientists delivering biosimilars proves that we really believe it – that's how the Xbrane team works!"

Mariusz, Upstream

The shares and shareholders



XBRANE SHARES have been listed on Nasdaq Mid Cap Stockholm under the short name XBRANE since September 23, 2019. Xbrane's shares were previously listed on Nasdaq First North from February 2016. The share price fell from SEK 104.80 to SEK 82.10 during 2022. Xbrane's market capitalization at the end of the year was SEK 2,258 m. In 2021, the highest closing price was SEK 110.40 on January 4 and the lowest was SEK 56.20 on July 6. The turnover of shares (excluding the new issues) amounted to 8.5 million shares worth SEK 81.7 m.

According to Xbrane's Articles of Association as of December 31, 2022, 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.

Share capital progression

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

Share capital

At the end of the year, the total number of outstanding shares in Xbrane was 27,506,018 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 2022 is mainly due to a new issue totaling 2,361,112 shares. At the end of the year, the share capital was SEK 6,166,466 divided into 27,506,018 shares, with a quota value of around SEK 0.2242 per share.

Shareholders

As of December 31, 2022, Xbrane had around 6,600 shareholders. The number of outstanding shares was 27,506,018. The ten largest shareholders at the end of the period are shown in the table above on the right[1].

Ownership structure

Name	Number of shares	Ownership, %
Serendipity Group	3,177,367	11.6%
Bengt Göran Westman	2,152,686	7.8%
Swedbank Robur Fonder	1,808,479	6.6%
Nordnet Pensionsförsäkring	1,619,983	5.9%
STADA Arzneimittel AG	1,570,989	5.7%
Futur Pension	1,568,558	5.7%
TIN Fonder	1,553,055	5.7%
Avanza Pension	1,052,048	3.8%
Swedbank Försäkring	370,758	1.4%
Handelsbanken Fonder	344,713	1.3%
Ten largest shareholders in total	**15,218,636**	**55.3%**
Other Swedish shareholders	**8,188,901**	**30.0%**
Other foreign shareholders	**4,098,481**	**14.7%**
Total outstanding shares	**27,506,018**	**100%**

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

FACTS:

DIVIDENDS

The Board of Directors proposes that no dividend be paid for the financial year 2022.

SHARE ANALYSTS FOLLOWING XBRANE

Pareto	Dan Akschuti
Redeye	Filip Einarsson

ABOUT XBRANE'S SHARES

Listning	Nasdaq Stockholm
Number of shares	27,506,018
Market cap on closing date	SEK 2,258
Ticker	XBRANE
ISIN code	SE0007789409

INVESTOR RELATIONS CONTACT

For more information about Xbrane please go to xbrane.com or contact Anette Lindqvist, CFO +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 the 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 unique technology platforms enabling cost-effective production. Xbrane has a patented protein production platform with up to 12 times greater productivity than standard systems for the production of proteins in E.coli host cells.

Xbrane's leading product candidate is Ximluci®, a ranibizumab biosimilar (original drug Lucentis®) used in the treatment of various eye diseases, mainly the wet form of age-related macular degeneration. Xbrane's portfolio of biosimilar candidates is aimed at a market where the reference drugs have annual sales of around SEK 332 bn.

Group structure

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

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

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

Significant events during the financial year

Commercialization and license agreement with Biogen

In February, the agreement was finalized with Biogen Inc. as the development and commercialization partner of BIIB801 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 paid USD 8 m upon signing the agreement 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 Ximluci®, a biosimilar candidate to Lucentis®, was also published in February. According to Xbrane's evaluation, Ximluci® met the primary efficacy end-point and no clinically significant differences were observed regarding secondary efficacy and safety end-points.

Primm Pharma

Attempts to divest the subsidiary are continuing and dialog is ongoing with interested parties.

USA market approval

In May, it was announced that the company had withdrawn its BLA application for its Lucentis® biosimilar candidate following a request for additional information from the FDA (the US equivalent of the Swedish Medical Products Agency).

Change in shares

At the end of June, the change in the number of shares and votes in Xbrane linked to a share savings program was presented.

Positive reaction from CHMP

Xbrane announced in September that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) had a positive opinion of Ximluci®, developed under the name Xlucane™, a Lucentis® (ranibizumab) biosimilar candidate. The positive opinion recommended that the European Commission approve Ximluci® throughout the EU.

Capital markets day

On the occasion of the imminent launch of Ximluci®, the company held a capital markets day at the end of September, where it gave an update on Xbrane's long-term strategy, product portfolio, technology platform and an in-depth look at the imminent launch of Ximluci® in Europe.

New share issues in 2022

In October, Xbrane carried out a directed share issue of 2,361,112 new shares at a subscription price of SEK 72 per share, based on the authorization from the Annual General Meeting on May 5, 2022.

The directed share issue raised net proceeds of around SEK 170 m before transaction costs.

Approval of Ximluci® in Europe

In November, the European Commission granted marketing authorization for Ximluci® (ranibizumab), a biosimilar of the reference drug Lucentis®. The approval followed the positive opinion the company received in September 2022 from the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP).

The marketing authorization for Ximluci® is held by Xbrane's partner STADA Arzneimittel AG (STADA) and applies in all 27 EU member states, as well as in Iceland, Norway and Liechtenstein.

US market approval

In December, Xbrane reported that the application to the FDA is planned to be submitted in Q1 2023.

Significant events after the end of the financial year

Marketing authorization in the UK

In January, marketing authorization for Ximluci® was obtained in the United Kingdom. STADA is preparing to launch Ximluci® in the UK in 2023.

Financial performance 2022

The Group's results for full-year 2022

The Group's net sales amounted to SEK 57.6 m (10.7) and consist of revenues from the out-licensing of the US and Canadian rights for Ximluci® to Bausch + Lomb and the agreement with Biogen regarding BIIB801. The agreement with Biogen was signed in Q1 2022. The revenues related to the agreements are accrued until May 2022 and June 2023 respectively. Similar agreements were previously considered as other operating income for the Group. However, since January 1, 2022, this type of revenue is considered to be part of the Group's principal activities and is therefore recognized as net sales. Previous periods have thus been reclassified, with the result that comparative figures are no longer consistent with previous reports. Also see Note 1 for more information about the reclassification.

The cost of goods sold totaled SEK 0.0 m (0.0).

Other operating expenses amounted to SEK 20.9 m (4.8), primarily comprised exchange rate gains on receivables and payables.

Research and development costs amounted to SEK –199.6 m (–160.6) and mainly relate to Ximluci®, where the main cost-driving processes are the regulatory work and the development of pre-filled syringes for Ximluci®. Work on BIIB801 has intensified along with the development of the oncology portfolio. All development costs for Ximluci® are recognized as intangible assets in the balance sheet and amounted to SEK 102.0 m (49.7) for the period. The gross effect of research and development costs for the period amounted to SEK –154.3 m (–210.4). The capitalization of development costs also affects the comparative figures for research and development costs, which are down compared to previous periods.

Administrative costs amounted to SEK –31.5 m (–31.4), which is in line with the comparison period.

Other operating expenses amounted to SEK –13.6 m (–4.1) and consist of exchange rate losses on operating receivables and liabilities.

Operating loss amounted to SEK 166.2 m (–180.6). The loss before tax amounted to SEK 168.5 m (–183.2). During the period, no taxable profit arose and thus no tax expense (0.0). The loss after tax from continuing operations amounted to SEK 168.5 m (–183.2) and loss for the period was SEK 172.5 m (–188.4). Earnings per share from continuing operations amounted to SEK –6.59 (–7.77) and earnings per share amounted to SEK –6.75 (–7.98).

The Group's cash flow

Cash flow from operating activities amounted to SEK –193.9 m (–219.6). The change in inventories was –50.3 m (0.0) and the changes in operating receivables and operating liabilities were SEK 1.7 m (–61.1) and SEK 17.8 m (22.7) respectively, of which SEK -9.9 m (–10.4) was from discontinued operations (Primm Pharma). The change in working capital can vary considerably between periods, mainly due to the re-invoicing to STADA for the development work for Ximluci®, the build-up of inventory for launch volumes and the regulatory work. The ongoing work with BIIB801 and the oncology portfolio has also intensified and is part of the change.

Cash flow from investment activities amounted to SEK –60.1 m (–77.4) and includes investments in tangible fixed assets for the internal laboratory and capitalization of research and development costs. All development costs for Ximluci® are recognized as intangible assets, which affected cash flow by SEK –11.6 m (–49.7) for the period. Cash flow from financing activities amounted to SEK 148.9 m (349.4) and relates mainly to the net proceeds from the directed share issue of SEK 170 m in October and the leasing of machinery and premises.

The Group's financial position

On the balance sheet date, cash and cash equivalents amounted to SEK 194 m (295.2). In October 2022, an equity raise was completed, raising a total of around SEK 170 m before transaction costs.

The Group's operations in 2022 have entailed significantly increased expenses in relation to, among other things, inventory build-up for Ximluci® and the upscaling of production processes. The company's business plan for 2023 includes substantial continued investment in working capital for the commercial manufacturing of Ximluci®, upscaling production processes with contract manufacturers for Ximluci®, BIIB801 and Xdivane™, and accelerated development of other programs.

Assuming that sales of Ximluci® are as forecast, that BIIB801 can be handed over to Biogen and that the company succeeds in out-licensing the oncology portfolio and sharing future development costs with a partner, the company is expected to reach a positive cash flow from operations in 2024.

The Board and CEO consider that current liquidity is not sufficient for the capital requirements of the business according to the plan adopted for the next 12 months. In light of this, the company is evaluating a number of different options for new financing. The Board and CEO believe that, provided that the company's financing process proceeds according to plan, the group will have the necessary liquidity for the needs of the business for at least the next twelve months and look forward with confidence to the prospects of securing financing and completing the business plan. However, should essential conditions not be met, there is a significant uncertainty factor regarding the company's financing of its operations going forward.

Fixed assets

Fixed assets amounted to SEK 177.0 m (127.4), with the change largely explained by the capitalization of research and development costs, which amounted to SEK 102.0 m (49.7). Capitalization of research and development costs started on July 1, 2021. The remaining changes to this item consist of the acquisition of laboratory equipment, machinery, office equipment and normal monthly depreciation.

Other receivables

Other receivables amounted to SEK 46.1 m (50.3). The previous year included a receivable from STADA of SEK 8.4 m. Customer invoices to STADA have been reclassified since January 1, 2022, as "other receivables", instead of "accounts receivable" as this is considered to reflect the business more accurately. Previous periods have thus been reclassified, with the result that comparative figures are no longer consistent with previous reports. Also see Note 1 for more information about the reclassification.

Prepaid costs and accrued income

Prepaid costs and accrued income amounted to SEK 151.8 m (147.0). The significant items relate to an outstanding advance payment to the CRO (Contract Research Organization), which is conducting the clinical studies of Ximluci®, amounting to SEK 31.1 m (25.2). Advance payments to CMO (Contract Manufacturing Organization) amounting to SEK 107.7 m (112.9), of which SEK 100.6 m (86.7) relates to upcoming upscaling activities. The item includes SEK 62.7 m (25.4), an advance for the collaboration with AGC Biologics Inc. for continued work on the manufacturing

process. This increase is explained by longer expected delivery times from suppliers and therefore a longer initial process before work can begin. The remaining part refers to standard and recurring items amounting to SEK 13.0 m (8.7).

Changes in equity
On the balance sheet date, share capital amounted to SEK 6.2 m (5.6). Other contributed capital amounted to SEK 1,294.2 m (1,134.3), the change relating to a new share issue after transaction costs of SEK 156.7 m and share-based payments of SEK 3.3 m. Total equity amounted to SEK 424.9 m (431.7) and the equity ratio was 62 percent (63).

Accounts payable
Accounts payable amounted to SEK 23.3 m (41.4), the change relating to activities concerning the stockpiling of launch volumes and intensified activities related to the product portfolio.

Accrued expenses and prepaid income
Accrued expenses and prepaid income amounted to SEK 200.2 m (159.4) and primarily relate to advance payments from STADA for Ximluci® of SEK 86.9 m (95.4). Furthermore, SEK 32.0 m (43.2) relates to work performed but not yet invoiced, in relation to the Ximluci® project. Accrued production costs amounted to SEK 12.9 m (0.0). Other items amounted to SEK 68.4 m (20.8), of which the up-front payment from Biogen, which has been accrued until the end of Q2 2023, amounted to SEK 27.9 m (0.0).

Assets held for sale
Xbrane's intention is to continue to work towards a sale of the subsidiary Primm Pharma in accordance with the previous resolution. Negotiations with prospective partners are ongoing. In the January – March 2021 interim report, Primm Pharma's assets and liabilities were reclassified to "Assets held for sale" and "Liabilities related to assets held for sale" in the consolidated balance sheet. This reclassification resulted in some minor effects on a number of balance sheet items, which is expected as Primm Pharma is a minor part of the group.

In the income statement, Primm Pharma's results are reported separately as "Profit/loss from discontinued operations". The effect of the reclassification is that Primm Pharma's previous income and expenses are reversed and netted as "Profit/loss from discontinued operations". This also has an effect on previously reported periods, so comparative figures are no longer consistent with previous reports. In the cash flow statement, Primm Pharma's share of each activity is reported in the item "Of which from discontinued operations".

Impact of the cooperation agreement with STADA on the income statement and balance sheet
The partnership agreement signed in July 2018 regarding research and development projects for Ximluci® means that STADA and Xbrane will share the research and development costs for Ximluci® equally (50/50). This means that until June 1, 2021, Xbrane recognized its 50 percent share of the total costs of the project in its income statement. After June 1, 2021, when clinical trials showed that the primary endpoint for Ximluci® had been achieved, the project was deemed to meet the criteria for capitalization of research and development costs and is thereafter reported as an intangible asset in the balance sheet and thus not charged to the income statement.

Receivables and liabilities attributable to the project are recognized in full in Xbrane's balance sheet with an offset of 50 percent for STADA's share of the item. This applies to both the Group and parent company.

On the balance sheet date, Xbrane had accrued expenses and prepaid income from STADA amounting to SEK 58.7 m (95.4).

Parent Company's results
The core business of Xbrane, i.e. the development of biosimilars, is run by the parent company. The Group continues to work on the ongoing process to divest the subsidiary Primm Pharma and negotiations are ongoing. Xbrane previously impaired the shares in the subsidiary by SEK 49.0 m and the impairment assessment is not deemed to have changed in Q4 2022.

As the parent company constitutes the major part of the Group, a statement in text format of the parent company's earnings, financial position and cash flow would provide no further information than the description of the Group in the report. Therefore, this is presented only in report format on pages 61–64.

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.

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

Risks associated with Ximluci®
Product responsibility
Sales of Ximluci® involve product and patient liability. As STADA is the marketing authorization holder and is releasing the product in Europe, it bears the main product and patient responsibility. They have processes and systems in place to manage trends in patient safety and effectiveness, as well as an adverse event reporting function.
» The Company assesses the risk as low.

Regulatory approvals
In order to market and sell products, approval must be obtained from the authority responsible in each country. Xbrane cannot guarantee that such regulatory approvals will be obtained to the extent necessary to achieve future objectives.

Market authorization for Ximluci® was obtained in November 2022 and applies in all 27 EU member states, as well as in Iceland, Norway and Liechtenstein. The marketing authorization for Ximluci® is held by Xbrane's partner STADA Arzneimittel AG (STADA). In addition, Xbrane works with prominent regulatory consultants to ensure development in accordance with current guidelines.
» The Company assesses the risk as low.

Risks associated with US market approval
Xbrane intends to apply for an BLA for Ximluci® in the US. Despite this and the proven high degree of similarity to the original product, there is a risk that the authorities will require additional data.
» The Company assesses the risk as medium.

Partners
Dependence on the commitments of distribution partners
Xbrane has a global cooperation agreement with STADA on the marketing and distribution of Ximluci® and is dependent on STADA fulfilling its commitments and being successful in the sales and marketing of Ximluci®. In the event of STADA terminating the agreement, full rights would revert to Xbrane. For the USA and Canada, the Company and STADA are dependent on their partner Bausch + Lomb fulfilling its commitments with respect to the sales and marketing of Ximluci®.
» The Company assesses the risk as low.

Supply chain risks
The Group is dependent on suppliers and contract manufacturers to manufacture the product commercially. There is a risk of them not fulfilling their contractual obligations, not meeting expected deadlines, or quality or accuracy being insufficient.
» The Company assesses the risk as medium.

Sales-related risks

Unclear demand for the product

Ximluci® was launched in Q1 2023. It is difficult to predict the reception of the market to a new product. The competition situation may change, potential new medicines with better efficacy and/or safety profiles may be introduced on to the market. There may also be changes in the treatment strategy for the diseases for which Ximluci® is used.

» The Company assesses the risk as low.

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

Upscaling of BIIB801

Xbrane is in the process of scaling up the production process for the company's biosimilar candidate BIIB801. Unforeseen technical difficulties may arise during this process which could lead to delays and/or cost increases to the program.

» The Company assesses the risk as medium.

Production process with high analytical similarity for the oncology portfolio

Xbrane is now establishing pilot scale production processes for the biosimilar candidates Xdivane™, Xdarzane™ and Xtrudane™. Across a range of over 20 analytical methods, these must demonstrate high similarity before the next stage of development can be taken. There are risks of delays to the programs if this is not achieved due to unforeseen technical difficulties.

» The Company assesses the risk as medium.

Agreements with commercialization partners

Xbrane's earnings are, among other things, dependent on Xbrane succeeding in concluding agreements for the distribution of products at the pre-clinical phase.

» The Company assesses the risk as medium.

Product launch

Delay to product launch of pre-clinical product candidates

Research and development, both existing and in the future, form the basis of Xbrane's activities. Xbrane's future success depends on its ability to develop existing and create new products that meet the demands of the market. Delays in development programs may lead to delays in the launch of product candidates.

» The Company assesses the risk as medium.

Access to expertise

Xbrane's operations are dependent to a significant extent on the ability to recruit, retain and develop skilled key personnel.

» The Company assesses the risk as medium.

Divestment of Primm Pharma

Xbrane still intends to dispose of Primm Pharma and the outlook is considered good.

» The Company assesses the risk as medium.

Financing risk

Financing the company in the short and medium term

On the balance sheet date, cash and cash equivalents amounted to SEK 194 m (295.2). In October 2022, an equity raise was completed, raising a total of around SEK 170 m before transaction costs. The Group's operations in 2022 have entailed significantly increased expenses in relation to, among other things, inventory build-up for Ximluci®, the upscaling of production processes and increased workforce. The company's business plan for 2023 includes significant continued investment in working capital for the commercial manufacture of Ximluci®, scaling up production processes with contract manufacturers for Ximluci®, BIIB801 and Xdivane™, and accelerated development of other programs. Assuming that sales of Ximluci® are as forecast, that BIIB801 can be handed over to Biogen and that the company succeeds in out-licensing the oncology portfolio and sharing future development costs with a partner, the company is expected to reach a positive cash flow from operations in 2024.

The Board and CEO consider that current liquidity is not sufficient for the capital requirements of the business according to the plan adopted for the next 12 months. In light of this, the company is evaluating a number of different options for new financing. The Board and CEO believe that, provided that the company's financing process proceeds according to plan, the group will have the necessary liquidity for the needs of the business for at least the next twelve months and look forward with confidence to the prospects of securing financing and completing the business plan. However, should essential conditions not be met, there is a significant uncertainty factor regarding the company's financing of its operations going forward.

» The Company assesses the risk as medium.

Credit risk

Credit risks from partners and customers

The Group is exposed to a limited credit risk. The credit risk currently involves the company's partners, currently STADA, not being able to pay the profit share for Ximluci®.

» The Company assesses the risk as low.

Exchange rate risk

Xbrane is exposed to exchange rate risk as a large part of its production costs are in currencies other than SEK, such as EUR and USD. To date, no hedges have been made for this exposure

» The Company assesses the exchange rate risk as medium.

The conflict in Ukraine

Due to the ongoing conflict in Ukraine, the board and management are closely monitoring developments in the region. At present, the company has no sales, operations or activities in either Russia or Ukraine, nor any supplier or customer contacts in the affected areas but is experiencing an impact mainly due to the high cost situation.

Organization and employees

Xbrane is headquartered at Campus Solna, outside of Stockholm, where the Company also has a laboratory for research and development of biosimilars. The wholly owned and now phased out subsidiary Primm Pharma was previously based in Milan, Italy. As described above, the process of divesting the subsidiary continues. On the balance sheet date, the Group had a total of 79 (58) employees, 79 (58) of whom were employed by the parent company and 0 (0) by the Primm Pharma subsidiary.

Annual General Meeting

The 2023 Annual General Meeting will be held on May 4, 2023, at 17.30 in Inghesalen, Widerströmska Huset, 2nd floor, Karolinska Institute, Tomtebodavägen 18a, 171 65 Solna.

Future development of the Group

Important milestones for the next 12 months

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

- Support STADA in establishing Ximluci® as a leading biosimilar to Lucentis® in Europe.
- Obtain a BLA for Ximluci® in the US and support the launch of the product together with our partner Bausch+Lomb.
- Obtain market authorization for Ximluci® in Saudi Arabia and other countries in the Middle East and support the launch of the product together with our partner STADA.
- Together with our partner Biogen, scale up the production process and prepare clinical studies for BIIB801.
- Establish a commercial partner for the oncology portfolio

IP

Enhancing our technological platform

Xbrane continues to develop intellectual property protection in the IP portfolio around its technology platform. In 2022, the company filed fifteen patent applications protecting 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. The rest of the patent applications relate primarily to DNA constructs, host cells and/or methods of producing Ximluci® (three patent applications) and BIIB801 (eleven patent applications).

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

Guidelines for the remuneration of the CEO and other senior executives 2022

Remuneration and terms of employment for senior executives, meaning those who are part of Group management as of December 31, 2022, shall be formulated in accordance with the company's policy for remuneration to senior executives. According to the policy, remuneration and employment conditions should be designed to ensure the company's access to executives with the required skills. Remuneration and benefits for senior managers are prepared by the Remuneration Committee and determined by the Board.

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

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

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 these guidelines

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

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

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

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

The Company implemented long-term share-related incentive schemes in 2020, 2021 and 2022, in which all employees had the opportunity to participate. These schemes have been adopted by each AGM and are therefore excluded from these guidelines. The long-term share-related incentive scheme proposed by the Board of Directors to the 2023 AGM for adoption, or any other future share-related incentive scheme adopted by the AGM, are excluded for the same reason. For information regarding performance criteria, terms and conditions, and costs for these programs, see the Board information on the Company's website

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

Forms of remuneration etc.

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

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

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

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

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

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

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

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

Termination of employment

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

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

Criteria for payment of variable cash compensation etc.

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

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

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

Salary and terms of employment for employees

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

Preparation, decision-making etc.

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

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

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

Deviations from the guidelines

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

An agreement that deviates from the guidelines may be renewed, but any such agreement should be limited in time and not exceed 24 months or an amount that is twice

as high as the compensation that the person concerned would have received without any agreement.

Information on deviations from the remuneration guidelines adopted by the AGM for 2022
No deviations have occurred.

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

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

Short-term incentive scheme 2022
In 2022, 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, 50 percent of the targets for the Parent Company were achieved. The cost of the cash bonus amounted to SEK 4.5 m including social security expenses.

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

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

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

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

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 from 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 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 2020–2022. The warrants will accrue to the employees who have invested in the share savings scheme without consideration. All employees have had the opportunity to participate in the scheme under the same conditions.

Proposed distribution of profits

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

Proposed distribution of the Company's profit or loss in SEK 000

Share premium reserve	1,294,227
Profit/loss brought forward	–713,313,
Profit/loss for the year	–172,513
Total	**424,888**
To be carried forward	**424,888**

The Board of Directors proposes that no dividend be paid for the financial year 2022. 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	2022*	2021	2020	2019**	2018
Net revenues	57 618	10 709	–	–	20 485
Operating profit/loss	–166 27	–180 583	–217 436	–186 572	–11 415
Profit/loss for the year	–172 513	–188 376	–226 026	–187 989	–13 236
Balance sheet total	690 515	688 427	463 763	338 940	252 885
Equity ratio	62%	63%	56%	47%	33%
Earnings per share (continuing operations)	–6,59	–7,77	–12,48	–16,48	–2,13

* Net sales were reclassified for the years 2022 and 2021 during Q4 2022. See Note 2 for more information.
** 2019 has been recalculated due to a correction, see Appendix 1 to the annual report for 2020, for the effects from the recalculation.

Sustainability report

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 with medical needs and limited resources by developing and manufacturing cost-efficient biosimilars of hard-to-manufacture drugs.

THIS IS XBRANE'S fourth sustainability report and describes how the company further developed its sustainability in 2022.

Objectives and values

Xbrane is a biotechnology company that develops and manufactures biosimilar candidates. Through our innovations, our expertise and our commitment, we work to make biological drugs available for everyone. Our vision and business concept are to create added value for patients and society by improving access to effective and high-quality drugs at a lower cost to society. The added value we want to create will occur through responsibility for the world we live in. We also want to be an attractive employer to attract the leading skills in the industry, because we know that our employees are the basis of everything we do.

Our values reflect our commitments to patients and society as well as to our employees and permeate our entire operation.

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

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

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

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

"Everything we do is aimed at increasing sustainability globally within care and health. By developing more cost-effective drugs, we contribute to everyone having the same health opportunities, regardless of where they were born or their financial means. We also create major savings for the healthcare systems globally which can be used to offer new and more effective treatments to more people. We also want to do this in a way that provides a positive force for our employees, our partners and the environment around us."

Martin Åmark, *CEO, Xbrane*

Acknowledgments

ETT AV SVERIGES MEST JÄMSTÄLLDA BOLAG 2022 ALLBRIGHT

Allbright's Green List (ranked 11 of 69)

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

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

KTH VETENSKAP OCH KONST

Collaborative partner with the Royal Institute of Technology (KTH)

Focus areas

Based on a materiality analysis, Xbrane has identified four focus areas that are linked to the company's objective and vision and where the company can most clearly contribute to global sustainable development. The focus areas are linked to the UN's global sustainability goals and Agenda 2030 and cover economic as well as social and environmental sustainability:

- CONTRIBUTE TO HEALTH EQUALITY
- BE SEEN AS A CREDIBLE PLAYER
- BE A RESPONSIBLE PLAYER IN SOCIETY
- BE AN ATTRACTIVE EMPLOYER

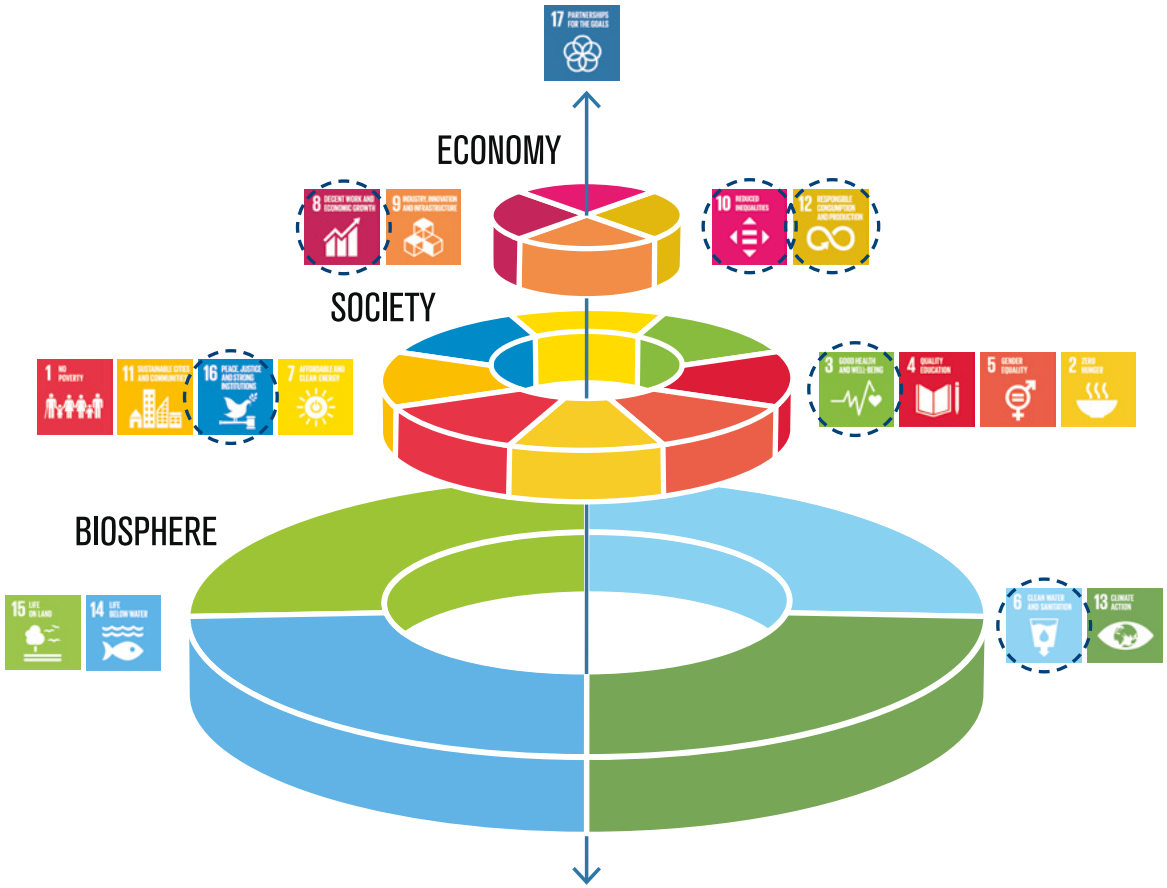
THE GLOBAL GOALS

Contribution to global sustainable development and Agenda 2030

The company's vision is the company's main contribution to a more sustainable world and leads towards two of the UN's global sustainability goals: No. 3 Good health and well-being, and No. 10 Reduced inequalities. It is important that this does not happen at the expense of people and the environment, but rather contributes to global sustainable development. Based on a risk analysis, Xbrane has developed the global sustainability goals (SDGs) of the greatest priority to the company. Read more about the global goals at: https://sdgs.un.org/goals

Sustainable development for Xbrane:

- Bring products to market to improve access to cost-effective medicines (sub-goal 3.8)
- Avoid water pollution from manufacturing (sub-goal 6.3)
- Develop resource- and material-efficient processes (sub-goal 8.4)
- Create responsible waste processes without polluting the environment (sub-goal 12.4)
- Respect the Code of Conduct in all matters (sub-goal 16.5)
- Create and maintain a culture of inclusive decision-making at all levels (target 16.7)



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

Management of our sustainability work

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

In 2022, the sustainability work was guided by the established sustainability plan. During the year, the plan has been anchored with the board, management and employees. In order to improve and facilitate measurement and reporting, Xbrane implemented ESG reporting in Position Green's platform during the year, where factors such as the company's greenhouse gas emissions, waste, diversity and employee assessment are reported.

Highlights from 2022

CONTRIBUTE TO HEALTH EQUALITY

- Marketing authorization for **Ximluci®** in the EU
- **15** patent applications submitted

BE SEEN AS A CREDIBLE PLAYER

- **11** contract manufacturer audits completed
- **eQMS** ready for implementation as an internal quality system
- **100** % of employees trained in the Code of Conduct

BE A RESPONSIBLE PLAYER IN SOCIETY

- Baseline for greenhouse gas emissions set
- Participation in **7** university courses

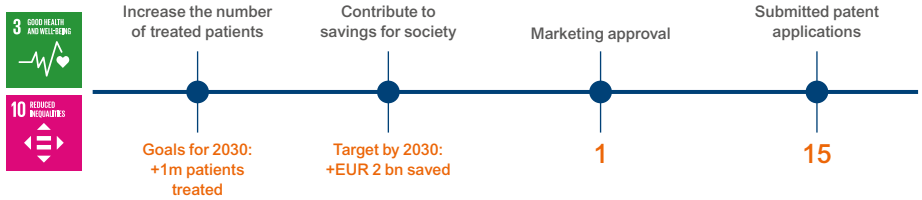
BE AN ATTRACTIVE EMPLOYER

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

Contribute to health equality

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

KEY WORDS: Health equality, patient safety and product quality, solid expertise and innovation



Strategy and challenges:

Xbrane is driven by the belief that if there is a treatment, it should be available to everyone. Using its research and product development, Xbrane wants to contribute to more patients receiving treatment and ensure that even resource-poor groups have access to biological drugs. Through cost-effective biological drugs, Xbrane wants to contribute to a saving for society and thus allow for society to introduce new therapies. Xbrane therefore wants to reach more markets and invest in innovative research to develop efficient and sustainable manufacturing processes.

Outcome of activities in 2022

Xbrane's partner STADA received marketing authorization for the biosimilar Ximluci® from the European Medicines Agency (EMA) in 2022. Ximluci® has been developed by Xbrane in collaboration with STADA and is a product based on Xbrane's patented platform technology. The company has therefore prepared during the year for the upcoming launch in the EU when Ximluci® will access its first markets. Work has also been underway to prepare for the application for marketing authorization in additional markets to reach more patients.

Xbrane has continued to develop its research, which during the year resulted in 15 patent applications submitted and the progress with the company's development project.

Xbrane has also signed a development and commercialization agreement with Biogen for the biosimilar candidate BIIB801, an important step on the way to reaching more patients with this product as well.

Ambitions for 2023

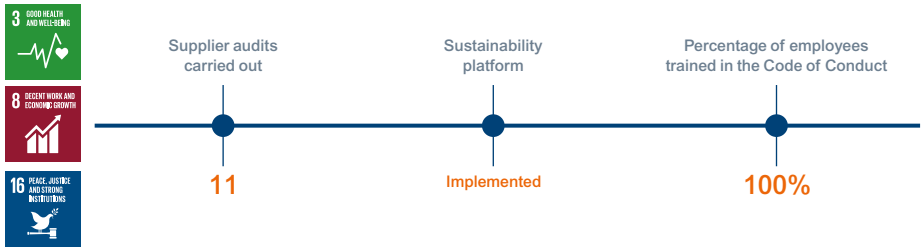
Xbrane will continue to work on the marketing authorization application for Ximluci® to reach additional markets and patient groups. The company's development project will progress with innovative process development. Work is also planned to evaluate sustainability aspects in process development of biological medicines, in collaboration with the Royal Institute of Technology (KTH) in Stockholm.

Be seen as a credible player

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

KEY WORDS: Compliance, transparency towards the stock market, financial stability, anti-corruption

Be seen as a credible player



Strategy and challenges:

The pharmaceutical industry, in which Xbrane operates, is one of the world's most regulated industries where the quality requirements for research, development, production and distribution are very exacting. Quality is fundamental to Xbrane's business and is at the heart of what we do. It guarantees safe and effective treatment throughout a product's life cycle and instills confidence in the patients we want to supply with drugs. A close collaboration with our suppliers and partners is important to achieve the quality we strive for. In addition, as a listed company on Nasdaq Stockholm, Xbrane follows Nasdaq Stockholm's regulations in terms of financial reporting, corporate governance and communication. The level of requirements within ESG is also increasing and compliance with a high-level Code of Conduct, both within the company and by partners, is vitally important.

Outcome of activities in 2022

Xbrane carried out 11 quality audits of its suppliers during the year, to ensure that quality requirements for goods and services were met. To ensure and facilitate compliance with quality requirements and standards, the company's quality system was improved during the year, including preparation for the introduction of the electronic Quality Management System (eQMS), as well as further developing the company's policies and procedures. The company also conducted annual training in Good Manufacturing Practice (GMP) for employees and consultants.

Annual training in the company's Code of Conduct has been introduced and 100 percent of the employees have been trained in it, with the aim of clearer interaction with day-to-day operations.

To facilitate and develop the monitoring of sustainability work, ESG reporting has been introduced in Position Green's sustainability platform.

Ambitions for 2023

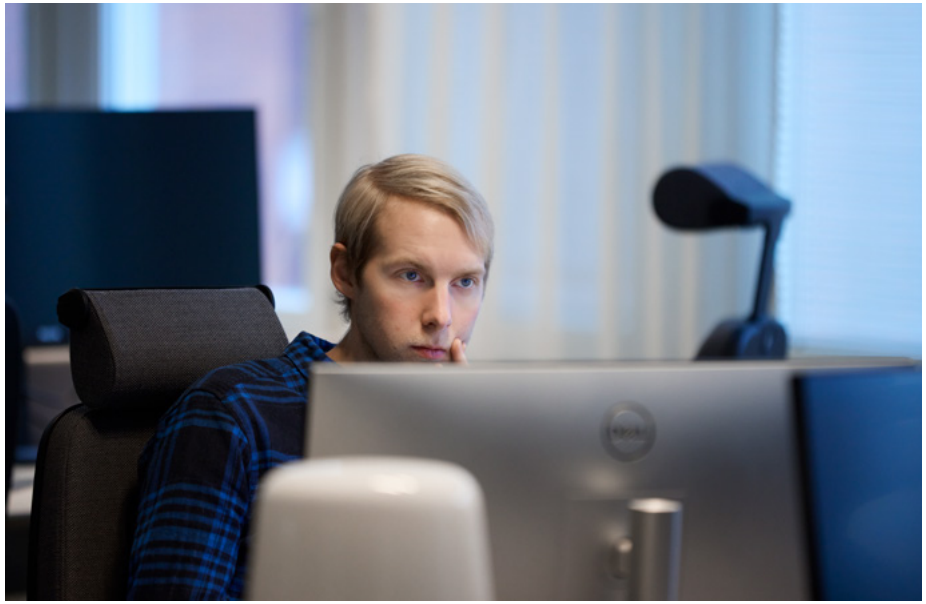
Quality work at the company will continue in order to meet the quality requirements set for Xbrane as a future manufacturer of pharmaceutical products. During 2023, at least 11 quality audits of the company's critical suppliers are planned. The eQMS system prepared in 2022 will be introduced for documentation management and further developed to cover additional work processes in 2023.

Work will intensify on further integration of both business and quality aspects as well as sustainability and cooperation aspects in the work with our partners and suppliers. Training in the Code of Conduct and company policies will be developed.

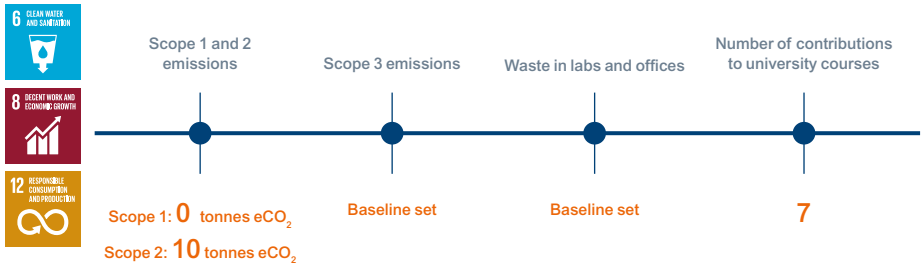
Be a responsible player in society

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

KEY WORDS: Evaluated suppliers, environmentally-friendly production, business ethics and research of the highest quality.



Be a responsible player in society



Strategy and challenges:

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

Outcome of activities in 2022

During the year Xbrane began measuring its carbon dioxide emissions based on the Greenhouse Gas (GHG) protocol with the aim of being able to set scientific climate targets (Science Based Targets). The company had no Scope 1 emissions, while Scope 2 emissions for 2022 were 10 tonnes of eCO_2. Emissions in Scope 3 have also been evaluated and measured regarding selected categories. Xbrane has climate compensated for its scope 2 emissions and for its business trips during 2022.

Work has started to evaluate and improve purchasing processes with the goal of streamlining the use of materials. Transport management has also been improved. A baseline for waste generation in laboratories and offices has been set with the goal of improving waste management.

The collaboration with academia has continued, including collaboration with the Royal Institute of Technology, as well as contributions to a number of university courses and degree projects in various sectors. A project to integrate sustainability aspects within supplier work has begun.

Ambitions for 2023

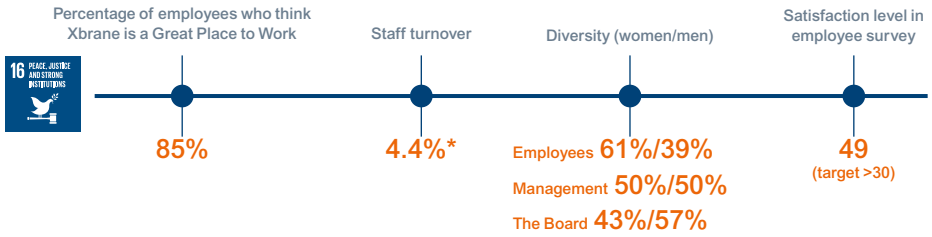
A plan for the company's climate work is intended to be drawn up and scientific targets are to be set for emission reductions. The work on sustainability criteria for suppliers will intensify with the aim of developing a more robust supplier management process. Work to streamline purchasing processes must also be carried out in order to make more sustainable and conscious purchases. Xbrane will focus on increasing knowledge around the development of sustainable manufacturing processes and continue its collaboration with academia in both collaborative projects and contributions to university courses.

Be an attractive employer

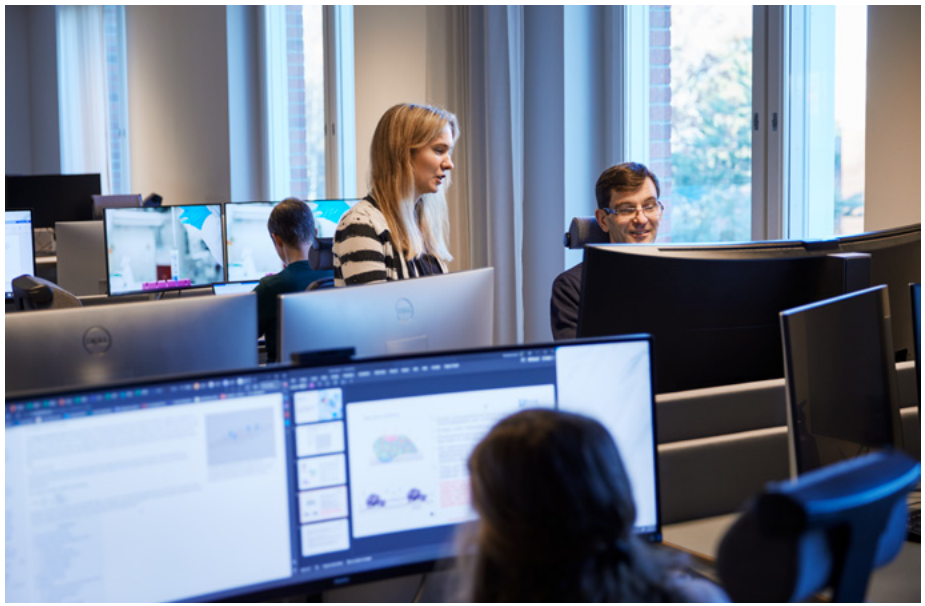
AMBITION: Xbrane wants to offer an attractive and developing workplace for its employees

KEY WORDS: Good working environment for employees, good company culture

Be an attractive employer



*Percentage of all employees who left Xbrane in 2022.



Strategy and challenges:

Xbrane has clear values that are firmly anchored within the company. This is confirmed, among other things, by the regular employee survey, where the company culture, colleagues and the company's greater overall purpose are highlighted as the main positive factors at the company. Our employees are Xbrane's greatest asset and offering an attractive workplace with a good working environment is therefore of the utmost importance in order to attract and retain the right skills. Xbrane strives for an inclusive and co-determining culture in a flat organization, where everyone contributes equally towards the common goals. Xbrane also strives for a good climate for cooperation with its partners in order to be seen as the preferred cooperation partner.

Outcome of activities in 2022

Xbrane has worked actively during the year to maintain the strong anchoring of the company's values in the growth phase that the company is in.

The level of sick leave and staff turnover was lower during the year compared to the company's targets, which demonstrates a good working environment and satisfied employees.

The satisfaction level of the employees, measured in a regular employee survey, exceeded the target set in 2022. Active work is continuing to introduce improvements in the areas that are listed as the most negative in the survey, as well as to maintain the factors that are considered the most positive.

In 2022, Xbrane received certification as a Great Place to Work® for the second year in a row.

The company's goal of equal gender distribution was met in 2022 with a distribution of 61 percent women and 39 percent men. Xbrane was also included in Allbright's Green List of equal companies at number 11 out of 69 Swedish companies listed (out of a total of 361 evaluated).

Ambitions for 2023

Xbrane intends to start embedding Inner Development Goals (IDGs) within the organization in 2023. The work to make Xbrane's values reality and maintain the strong association with our values during the forecast growth of the company will continue, and in addition, work is planned with a focus on cooperation with partners and suppliers.

Corporate Governance report 2022

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

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

Application of the Code and deviations

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

Information on the Company's website

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

Examples of external regulations that affect corporate governance:

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

Examples of internal regulations that are important for corporate governance:

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

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 2022, the total number of shares was 27,506,018 and the number of shareholders was around 6,200. For information about the Company's major shareholders and ownership structure, see page 29.

Annual General Meeting

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

Annual General Meeting 2022

At the Annual General Meeting on May 5, 2022, 17 shareholders were represented with a holding of 6,024,702 shares, corresponding to 24.06 percent of the total number of shares and votes in the Company.
Attorney Carl Svernlöv was elected chairman of the meeting.

At the 2022 AGM, decisions were made, among other things, on:

- Determination of income statement and balance sheet
- Distribution of profits
- Determination of fees to the Board and auditor
- Re-election of Ivan Cohen-Tanugi, Peter Edman, Eva Nilsagård, Anders Tullgren, Karin Wingstrand and Mats Thorén as ordinary members. Giorgio Chirivi declined re-election.
- Election of Kirsti Gjellan as ordinary Board member
- Re-election of Anders Tullgren as Chairman of the Board
- Election of PwC as auditor with authorized auditor Magnus Lagerberg as principal auditor
- Decision on instructions and rules of procedure for the nomination committee
- Establishing guidelines for remuneration to senior executives
- Resolved to change the registered office of the Board of Directors from Stockholm to Solna and to introduce a new provision on the location of Annual General Meetings so that Annual General Meetings can also be held in the Stockholm municipality.
- Introduction of long-term incentive scheme (LTIP 2022) for employees including senior executives
- Authorization for the Board to decide on one or more occasions until the next Annual General Meeting on the issue of shares, convertibles and/or warrants with or without deviation from shareholders' preferential rights, corresponding to a maximum 10 percent of the Company's share capital after completed issuances based on the number of shares at the time of the general meeting, to be paid in cash, in kind and/or by offsetting Approval of the remuneration report that was presented

Annual General Meeting 2023

The Annual General Meeting 2023 will be held on Thursday, May 4, 2023, at 17:30, at Karolinska Institute, Tomtebodavägen 18a, 171 65 Solna. For further information about the Annual General Meeting, please refer to Xbrane's website.

Notice of meeting

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

Right to attend the Annual General Meeting

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

Initiatives from shareholders

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

Nomination Committee

At the 2022 AGM, rules were set for the appointment of the Nomination Committee ahead of the 2023 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 2023 Annual General Meeting has been determined to consist of the following persons who together represent around 30 percent of the number of shares and votes in the Company as of September 30, 2022:

- Saeid Esmaeilzadeh representing the Serendipity Group AB, the Company's largest shareholder
- Bengt Göran Westman, the Company's next largest shareholder
- Oscar Bergman representing Swedbank Robur Fonder, 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 5, 2022. At the end of the financial year, Xbrane's Board of Directors consisted of Chairman Anders Tullgren and the Board members Peter Edman, Eva Nilsagård, Mats Thorén, Ivan Cohen-Tanugi, Karin Wingstrand and Kirsti Gjellan.

Composition of the Board

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

The work of the Board

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

The work of the Board is also conducted on the basis of an annual presentation plan, which meets the Board's need for information. In addition to board meetings, the Chairman of the Board and the CEO have ongoing dialog 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 CEO's care, continuously receive the information needed to be able to track the Company's position, financial planning and development. Furthermore, the Chairman shall consult with the CEO on strategic issues and ensure that the Board's decisions are executed effectively.

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

Remuneration to the Board

The 2022 Annual General Meeting determined that fees to the Board, for the period up to the end of the next Annual General Meeting, should be paid to a total of SEK 3,100,000. 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 150,000 and SEK 75,000 for other members. Finally, the remuneration for the Chairman of the Transaction Committee shall amount to SEK 100,000 and SEK 50,000 for other members.

Board Committees

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

Audit Committee

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

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

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

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

Remuneration committee

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

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

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

Transaction Committee

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

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

- 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.

			Attendance at meetings				Independent	
Member	Position on Board	Board member since	Board	Audit committee	Transaction committee	Remuneration committee	Company	Owner
Anders Tullgren	Chairman	2018	17/17		1/1	3/3	Yes	Yes
Giorgio Chirivi[1)]	Member	2016	6/17	3/8			Yes	Yes
Ivan Cohen-Tanugi	Member	2019	16/17		1/1		Yes	Yes
Peter Edman	Member	2015	17/17		1/1		Yes	Yes
Kirsti Gjellan[2)]	Member	2022	11/17	5/8			Yes	Yes
Eva Nilsagård	Member	2019	16/17	8/8			Yes	Yes
Mats Thorén	Member	2020	17/17	8/8		3/3	Yes	Yes
Karin Wingstrand	Member	2015	17/17			3/3	Yes	Yes

1) Resigned from the Board at the Annual General Meeting on May 5, 2022. 2) Joined the Board at the Annual General Meeting on May 5, 2022.

Auditor

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

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

At the Annual General Meeting on May 5, 2022, PriceWaterhouseCoopers AB was elected as the Company's auditor. The principal auditor is Magnus Lagerberg, authorized public accountant and member of FAR, the organization for auditors in Sweden. At the Annual General Meeting, it was also decided that fees to the auditor shall be paid in accordance with customary billing standards and approved invoices. More information regarding the auditor's fees can be found in Note 5.

CEO and Group Management

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

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 53.

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 trans-

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

Internal audit

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

Board

ANDERS TULLGREN

Chairman of the Board since 2018.

Chairman of the Remuneration Committee and the Transactions Committee.

Born: 1961

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

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

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

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

Shares: 70,484

Independent of the Company, its management and major shareholders.

IVAN COHEN-TANUGI

Board member since 2019.

Member of the Transaction Committee.

Born: 1961

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

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

Other assignments: Founder and partner at his own consulting firm Minerva LifeScience Gmbh.

Previous assignments (past 5 years): CEO and board member at Kuros Bioscience.

Shares: –

Independent of the Company, its management and major shareholders.

PETER EDMAN

Board member since 2015.

Member of the Transaction Committee.

Born: 1954

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

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

Other assignments: No other current positions.

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

Shares: 15,000

Independent of the Company, its management and major shareholders.

KIRSTI GJELLAN

Board member since 2022

Born: 1963

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

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

Other assignments: Board member of Bio-Works Sweden AB.

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

Shares: –

Independent of the Company, its management and major shareholders.

EVA NILSAGÅRD

Board member since 2019.

Chair of the Audit Committee.

Born: 1964

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

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

Other assignments: Board member and Chairman of the Audit Committee of Addlife, Bufab, Hansa Biopharma, Nimbus, SEK (Swedish Export Credit), 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 of the Company, its management and major shareholders.

MATS THORÉN

Board member since 2020.

Member of the Remuneration Committee and the Audit Committee.

Born: 1971

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

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

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

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

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

Shares: 4,000

Independent of the Company, its management and major shareholders.

KARIN WINGSTRAND

Board member since 2015.

Member of the Remuneration Committee.

Born: 1957

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

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

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

Previous assignments (past 5 years): Board member Mevia AB, Adenovir Pharma AB, Swecure AB and Aqilion AB. Chairman of Mevia.

Shares: 20,480

Independent of the Company, its management and major shareholders.

Group management

MARTIN ÅMARK

CEO since 2015

Born: 1980

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

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

Shares: 175,073

SIAVASH BASHIRI

Head of Biosimilars and Deputy CEO since 2015

Born: 1983

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

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

Shares: 120,714

ANETTE LINDQVIST

CFO since 2021

Born: 1961

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

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

Shares: 6,000

ERIK DOMINES

General Counsel since 2021.

Born: 1964

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: 1,000

MARIA EDEBRINK

Head of Regulatory Affairs and Quality Assurance since 2021, former head of Quality Assurance from 2019. Member of Group management since 2020.

Born: 1969

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: 19,365

XIAOLI HU

Head of Business Development since 2020

Born: 1982

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: –

NINA IVERS

Head of HR since 2020

Born: 1970

Education: Trained pharmacist and studied Human Resources Management at Uppsala and Stockholm universities

Professional experience: Different roles and areas in life science companies such as Astra, Johnson & Johnson and Swedish Orphan Biovitrum. Experience from leading positions in sales and marketing as well as HR, most recently in a Global HR role at Sobi.

Shares: 4,800

DINA JURMAN

Head of Clinical Affairs since 2017

Born: 1982

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

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

Shares: 420

DAVID VIKSTRÖM

CTO since 2014

Born: 1977

Education: Ph.D. Biochemistry. Stockholm University.

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

Shares: 47,318

ANDERS WALLSTRÖM

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

Born: 1976

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

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

Shares: 9,006

Risks and risk management

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

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

Risk management

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

Risk overview

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

High
Medium
Low

RISKS ASSOCIATED WITH XIMLUCI®

Risks	Management	Likelihood and effect
Unclear demand for the product Ximluci® was launched in Q1 2023. It is difficult to predict the reception of the market to a new product. The competition situation may change, potential new medicines with better efficacy and/or safety profiles may be introduced on to the market. There may also be changes in the treatment strategy for the diseases for which Ximluci® is used.	We compete in the market with attractive pricing. Our products should improve health economics. Xbrane actively monitors the market. The development of new alternative biological drugs takes on average 10–12 years and requires large amounts of capital.	Low
Dependence on distribution partners Xbrane has a global cooperation agreement with STADA on the marketing and distribution of Ximluci® and is dependent on STADA fulfilling its commitments and being successful in the sales and marketing of Ximluci®. In the event of STADA terminating the agreement, full rights would revert to Xbrane.	We have a good, close collaboration with STADA and STADA sees Ximluci® as a product with good sales potential and profitability.	Low
Supply chain risks The Group is dependent on suppliers and contract manufacturers to manufacture the product commercially. There is a risk of them not fulfilling their contractual obligations, not meeting expected deadlines, or quality or accuracy being insufficient. Supply chain disruptions can also be caused by unwanted effects such as fire, pandemics, or extreme weather conditions.	Xbrane works actively with contract manufacturers on risk mitigation through close cooperation and active dialog. Clear expectations and regular quality audits ensure compliance with the company's agreements. Efforts to further integrate business and quality aspects will increase as production of the product increases.	Medium
Risks associated with US market approval Xbrane is working to obtain market approval for Ximluci® in the US.	Xbrane works actively on risk mitigation by maintaining a close and continuous dialogue with the FDA. In addition, Xbrane works with prominent regulatory consultants to ensure development in accordance with current guidelines.	Medium
Difficulty in finding third party distributors STADA is the commercialization partner for Ximluci® in the major markets except China and is responsible for finding third-party distributors in countries where they do not have their own infrastructure for sales and marketing of the product. STADA is actively working on this, mainly in Latin America.	With its current partnerships with STADA and Bausch+Lomb, Xbrane has solid channels to bring the product to the largest markets: Europe, North America, the Middle East, Southeast Asia and Australia.	Low
Product responsibility Sales of Ximluci® involve product and patient liability.	As STADA is the marketing authorization holder and is releasing the product in Europe, it bears the main product and patient responsibility. They have systems in place to manage this in a reliable way. Both STADA and Xbrane also have standard product insurance in place.	Low

Risks and risk management, cont.

RISKS ASSOCIATED WITH DEVELOPMENT OF THE COMPANY'S PRE-CLINICAL PRODUCTS

Risks	Management	Likelihood and effect
Upscaling of BIIB801 Xbrane is in the process of scaling up the production process for the company's biosimilar candidate BIIB801. Unforeseen technical difficulties may arise during this process which could lead to delays and/or cost increases to the program.	Xbrane is actively working with contract manufacturer AGC Biologics and Biogen to identify and address weaknesses in the process from an upscaling perspective.	
Production process with high analytical similarity for the oncology portfolio Xbrane is now establishing pilot scale production processes for the biosimilar candidates Xdivane™, Xdarzane™ and Xtrudane™. Across a range of over 20 analytical methods, these must demonstrate high similarity before the next stage of development can be taken. There are risks of delays to the programs if this is not achieved due to unforeseen technical difficulties.	Xbrane has established an analytical lab with the best analytical instruments and has high quality personnel in the analytical team. The proximity between process development and analysis leads to quick feedback on analytical similarity and the option of quick modifications to the process. This minimizes developmental delays.	
Agreements with commercialization partners Xbrane's earnings are, among other things, dependent on Xbrane succeeding in concluding agreements for the distribution of products at the pre-clinical phase. Xbrane is now actively working to find a commercialization partner for its portfolio of oncology biosimilars. If this is unsuccessful in a pre-clinical phase, the company may have to invest more in the programs than currently estimated.	Xbrane develops high quality biosimilars in areas with large markets and where the company has experience in taking products all the way to approval. Xbrane is in active dialog with potential licensees for its oncology portfolio.	

BUSINESS-RELATED RISKS

Risks	Management	Likelihood and effect
Access to expertise Xbrane's operations are dependent to a significant extent on the ability to recruit, retain and develop skilled key personnel.	Xbrane must continue to be an attractive employer. Development and monitoring plans, along with market-based and competitive remuneration, contribute to the recruitment and retention of staff.	
Divestment of Primm Pharma Xbrane's intention is to work on towards selling the subsidiary Primm Pharma in accordance with the decision made by the company. Negotiations are progressing and the conditions for a sale are judged to be good. Aspects that could affect the outcome are the growing global anxiety. macroeconomic factors, etc	Xbrane still intends to dispose of Primm Pharma and the outlook is considered good.	
The war in Ukraine Due to the ongoing conflict in Ukraine, management is closely monitoring developments in the region.	Xbrane has no sales, operations, or activities in Russia or Ukraine. There are also no suppliers or customer contacts in the affected areas. However, Xbrane has been affected by the situation in terms of higher costs.	

FINANCIAL RISKS

Risks	Management	Likelihood and effect
Financing risk Xbrane needs to finance the development of new biosimilars. Historically, Xbrane has financed its operations through new share issues and out-licensing.	After approximately one year of Ximluci® on the market, we expect to generate sufficient revenues to finance the business.	
Exchange rate risk Xbrane is exposed to exchange rate risk as a large part of its costs are in currencies other than Swedish kronor. Future revenues will also be mainly in other currencies.	To date, no hedges have been made for this exposure.	
Credit risk The Group is exposed to a limited credit risk. The credit risk arises mainly from exposure to customers and partners, i.e. the Group not receiving agreed payments or making a loss due to a counterparty's inability to meet its commitment to the Group. The credit risk currently involves the company's partners, currently STADA, not being able to pay the profit share for Ximluci®.	The risk is managed through continuous reconciliations.	

High
Medium
Low

Consolidated statement of profit or loss

Amounts in SEK thousand	Notes	2022	2021
Revenue	2	57,618	10,709
Gross profit		**57,618**	**10,709**
Other operating income	2	20,914	4,848
Administrative expenses	4, 5, 6	–31,538	–31,395
Research and development expenses	4, 5, 6, 10, 11, 12	–199,648	–160,619
Other operating expenses	3	–13,563	–4,126
Operating profit/loss		**–166,217**	**–180,583**
Financial costs	7	–2,296	–2,643
Net financial items		**–2,296**	**–2,643**
Profit/loss before tax		**–168,513**	**–183,226**
Tax	8	–	–
Profit/loss for the year from remaining operations		**–168,513**	**–183,226**
Profit/loss from discontinued operations		–4,001	–5,150
Profit/loss for the year		**–172,513**	**–188,376**
Profit/loss for the year attributable to:			
– Parent company's owners		–172,513	–188,376
– Non-controlling interests		–	–
Profit/loss for the year		**–172,513**	**–188,376**
Earnings per share from remaining operations			
– Before dilution (SEK)	10	–6.59	–7.77
– After dilution (SEK)	10	–6.59	–7.77
Earnings per share			
– Before dilution (SEK)		–6.75	–7.98
– After dilution (SEK)		–6.75	–7.98
Number of outstanding shares at the end of the year			
– Before dilution		27,506,018	25,039,906
– After dilution		27,506,018	25,039,906
Average number of outstanding shares			
– Before dilution		25,569,950	23,593,291
– After dilution		25,569,950	23,593,291

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	2022	2021
Profit/loss for the year	**–172,513**	**–188,376**
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 discontinued operations	5,157	1,220
Items that have been transferred to, or can be transferred to, the profit/loss for the year	**5,157**	**1,220**
Translation differences for the year in remaining operations		
Translation differences for the year in discontinued operations	**–167,356**	**–187,156**
Other net comprehensive income for the year after tax		
Comprehensive income for the year attributable to:		
– Parent company's owners	–167,356	–187,156
– Non-controlling interests	–	–
Comprehensive income for the year	**–167,356**	**–187,156**

Consolidated statement of financial position

Amounts in SEK thousand	Notes	December 31, 2022	December 31, 2021
ASSETS			
Goodwill	10	–	–
Intangible assets	10	101,995	49,672
Tangible assets	11	34,830	30,622
Right of use assets	26	36,220	43,180
Long-term receivables	13	3,945	3,945
Total assets		**176,990**	**127,418**
Inventory	16	50,260	–
Accounts receivable - trade	14	1,335	–
Other receivables		46,121	50,253
Prepaid expenses and accrued income	12, 15	151,827	147,027
Cash and cash equivalents	17	193,994	295,180
Assets held for sale	10, 32	69,987	68,548
Total current assets		**513,524**	**561,008**
TOTAL ASSETS		**690,515**	**688,427**

Amounts in SEK thousand	Notes	December 31, 2022	December 31, 2021
EQUITY	18, 32		
Share capital		6,166	5,614
Other contributed capital		1,294,227	1,134,276
Reserves		10,322	5,165
Retained earnings including profit/loss for the year		–885,827	–713,313
Equity attributable to parent company's owners		**424,888**	**431,741**
Non-controlling interests		–	**–**
Total equity		**424,888**	**431,741**
LIABILITIES			
Leasing liabilities	19, 26	29,058	36,476
Long-term non-interest-bearing liabilities		–	543
Total long-term liabilities		**29,058**	**37,019**
Accounts payable		23,297	41,393
Other liabilities	20	2,933	9,757
Leasing liabilities	19, 26	9,162	7,905
Accrued expenses and prepaid income	12, 23	200,239	159,355
Liabilities attributable to assets held for sale	32	937	1,257
Total liabilities		**236,569**	**219,667**
TOTAL LIABILITIES		**265,626**	**256,686**
TOTAL LIABILITIES AND EQUITY		**690,515**	**688,427**

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

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**	**257,709**
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	1,519	324,342	–	–	325,860
New issue (see PC's equity)	*633*	*380,237*			*380,870*
Issue costs (see PC's equity)		*–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**

Consolidated statement of cash flows

Amounts in SEK thousand	Notes	2022	2021
Operational activities	30		
Profit/loss for the year		–172,513	–188,376
Adjustment for items not included in the cash flow		9,327	7,180
Tax paid		–	–
Total		**–163,186**	**–181,195**
Increase (–)/Decrease (+) of inventory		–50,260	–
Increase(–)/Decrease (+) of operating receivables		1,699	–61,086
Increase(–)/Decrease (+) of operating liabilities		17,829	22,671
Cash flow from operating activities		**–193,918**	**–219,610**
Of which from discontinued operations		*–9,876*	*–10,401*
Investment activities			
Acquisition of tangible assets		–11,616	–27,678
Acquisition of intangible assets		–48,509	–49,672
Cash flow from investment activities		**–60,125**	**–77,350**
Of which from discontinued operations		–	–
Financing activities			
Share options redeemed by employees		551	–
New issue		170,000	380,870
Issue costs		–13,350	–24,231
Amortization of loans		–	–
Amortization of leasing liability		–8,337	–7,273
Cash flow from financing activities		**148,864**	**349,365**
Of which from discontinued operations		–	*–529*
Cash flow for the year		**–105,179**	**52,406**
Cash and cash equivalents reported in assets for sale		–53[1]	–1,758
Cash and cash equivalents at start of the year		295,180	243,139
Exchange rate differences in cash and cash equivalents		4,046	1,393
Cash and cash equivalents at end of the year		**193,994**	**295,180**

1) See note 32 for further information.

Parent company's income statement

Amounts in SEK thousand	Notes	2022	2021
Revenue	2	57,618	10,709
Cost of goods sold		–	–
Gross profit		**57,618**	**10,709**
Other operating income	2, 3	20,914	4,848
Administrative expenses	4, 5, 6	–32,863	–32,525
Research and development expenses	4, 5, 6, 10 11, 12	–199,976	–160,916
Other operating expenses	3	–13,563	–4,126
Operating profit/loss		**–167,870**	**–182,011**
Profit/loss from financial items			
Financial income	7	296	–
Impairment of shares in subsidiary	7	–	–10,631
Financial costs	7	–139	–276
Net financial items		**156**	**–10,908**
Profit/loss before tax		**–167,714**	**–192,918**
Tax	8	–	–
Profit/loss for the year		**–167,714**	**–192,918**

Parent company's statement of comprehensive income

Amounts in SEK thousand	2022	2021
Profit/loss for the period	–167,714	–192,918
Other comprehensive income	–	–
Comprehensive income for the period	**–167,714**	**–192,918**

Parent company's balance sheet

Amounts in SEK thousand	Notes	December 31, 2022	December 31, 2021
ASSETS			
Assets			
Intangible assets	10	101,995	49,672
Tangible assets	11	34,830	30,622
Financial assets			
Shares in Group companies	29	74,066	74,066
Other long-term receivables	14	3,945	3,945
Total financial assets		**78,011**	**78,011**
Total assets		**214,836**	**158,304**
Current assets			
Current receivables	16	50,260	–
Accounts receivable - trade	14	1,335	–
Other receivables		46,121	50,253
Prepayments and accrued income	12,15	151,827	147,027
Total current receivables		**249,543**	**197,280**
Cash and bank	17	193,994	295,180
Total current assets		**443,537**	**492,460**
TOTAL ASSETS		**658,373**	**650,764**

Amounts in SEK thousand	Notes	December 31, 2022	December 31, 2021
LIABILITIES AND EQUITY			
Equity	18		
Restricted equity			
Share capital		6,166	5,614
Fund for development expenditure		101,995	49,672
Unrestricted equity			
Share premium fund		1,294,227	1,134,962
Retained earnings		–803,802	–558,561
Profit/loss for the year		–167,714	–192,918
Total equity		**430,872**	**438,769**
Long-term liabilities			
Long-term non-interest-bearing liabilities		–	543
Total long-term liabilities		**–**	**543**
Current liabilities			
Liabilities to Group companies	22	1,031	948
Accounts payable		23,297	41,393
Other liabilities	20	2,933	9,757
Accrued expenses and prepaid income	12, 23	200,239	159,355
Total current liabilities		**227,501**	**211,453**
TOTAL LIABILITIES		**227,501**	**211,996**
TOTAL LIABILITIES AND EQUITY		**658,373**	**650,764**

Statement of changes in equity for Parent Company

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

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**	**1,134,276**	**–558,561**	**–192,918**	**438,769**

Parent company's cash flow statement

Amounts in SEK thousand	Notes	2022	2021
Operational activities	30		
Profit/loss after financial items		–167,714	–192,918
Adjustment for items not included in cash flow		–565	12,968
Tax paid		–	–
Total		**–168,279**	**–179,950**
Increase (–)/Decrease (+) of inventory		–50,260	–
Increase(–)/Decrease (+) of operating receivables		–2,004	–59,147
Increase(–)/Decrease (+) of operating liabilities		18,776	24,275
Cash flow from operational activities		**–201,767**	**–214,822**
Investment activities			
Shareholder contributions		–	–10,631
Acquisition of tangible assets		–11,649	–29,939
Acquisition of intangible assets		–52,323	–49,672
Cash flow from investment activities		**–63,972**	**–90,242**
Financing activities			
Share options redeemed by employees		551	–
New issue		170,000	380,870
Issue costs		–13,350	–24,231
Cash flow from financing activities		**157,201**	**356,639**
Cash flow for the year		**–180,538**	**51,573**
Cash and cash equivalents at start of the year		295,180	242,247
Exchange rate difference in cash and cash equivalents		7,351	1,360
Cash and cash equivalents at end of the year		**193,994**	**295,180**

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, 2023. 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 4, 2023.

(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 1 January 2022 has not had any effect on the Group´s financial reporting. The accounting policies for 2022 are unchanged compared with 2021.

(g) New IFRS standards not yet applied

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

(h) Classification etc.

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

(i) Business segment reporting

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

(j) Principles of consolidation and business combinations

(I) Subsidiaries

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

Subsidiaries are recognized using the purchase method. This method means that an acquisition of a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis establishes the fair value on the day of acquisition of acquired identifiable assets and taken-over liabilities as well as any non-controlling interests. 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 partners have the same right to all of the economic benefits related to the operations' assets. Further, the adjustment of liabilities from the joint operation is dependent on the parties' purchase of services and/or goods produced by the operation or capital injection to same. Joint operations are accounted for according to the "proportionate consolidation", which means that the parties account for, in their own financial statement, their share of the assets, liabilities, revenues and costs from the operations.

(k) Foreign currency

(I) Functional currency and reporting currency

The parent company's functional currency is SEK and the subsidiary's functional currency is EUR. Upon Group consolidation, the subsidiary's functional currency is converted into the Group's reporting currency, SEK.

(II) Transactions in foreign currency

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

(III) Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group

NOTE 1 Accounting principles, cont.

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 time.

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

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

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

(l) Reclassification of income

During Q4 2022, the Group decided to reclassify exchange rate gains from revenue to other income for the years 2022 and 2021. The Board of Directors also decided to divide company's income streams into four separate categories: Product licensing, Product sales, Contract manufacturing and Other.

(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. In 2021, out-licensing of products was determined not to be part of Xbrane's ordinary operations and was instead considered other income. In 2022, a reclassification took place for 2021 and 2022, and it is now considered part of revenue.

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

(p) Taxes

Income 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

NOTE 1 Accounting principles, cont.

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. 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.

(IIII) 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 prod-

NOTE 1 Accounting principles, cont.

ucts 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.

(u) 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.

(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.

(v) Impairments

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

(I) Impairment of financial assets

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

(x) Earnings per share

The calculation of earnings per share before dilution is based on the profit or loss for the year at the Group, attributable to the parent company's owners and of the weighted average amount of shares at year end. When calculating the earnings per share after dilution, adjustment is made to the profit and loss and the weighted average share in regard to effects from potential ordinary shares. Potential ordinary shares during the covered period of this report consist of rights to shares (matching and performance shares from the Group's share saving schemes), convertibles and warrants. Potential ordinary shares are only viewed as diluted at periods when it results in a lower profit or increased loss per share. If it leads to a lower earnings per share, the dilution is based on the warrants as a calculation of, the hypothetical quantity of shares that could have been bought during the time period with the specific exercise price. Shares that could not have been bought will lead to dilution.

Matching shares held by employees on the date of the report also form part of the dilution. Performance shares are also eligible for dilution to the extent that employees have reached performance targets on the date of the report. In order to calculate the effect of the dilution, an exercise price is used, corresponding to the value of the future services as per outstanding share rights, calculated as a remaining cost to be accounted for according to IFRS 2. A potential dilution from the convertible loans is calculated by increasing the number of shares by the total amount of shares that the convertible loan corresponds to. As the Group's convertible loans consist entirely of equity, no interest costs are reported in the income statement.

(y) Employee remuneration

For more information about the short-term incentive scheme for executive management as well as the share savings scheme, see pages 35–36 in the Administration report as well as Note 4.

(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.

(z) 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 2022 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.

NOTE 1 Accounting principles, cont.

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

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

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

NOTE 2 Revenue from contracts with customers

	Group		Parent company	
Amount in SEK millions	**2022**	**2021**	**2022**	**2021**
Net sales				
Outlicensed products	50.9	10.7	50.9	10.7
Product sales	0.0	0.0	0.0	0.0
Contract manufacturing	3.2	0.0	3.2	0.0
Other	3.6	0.9	3.6	0.9
Total	**57.6**	**11.6**	**57.6**	**11.6**
Of which North America	50.9	10.7	50.9	10.7

The Group's revenue for full-year 2022 consisted primarily of net sales from Biogen in the US and Bausch & Lomb.

During Q4 2022, net sales were reclassified for the years 2022 and 2021. For more information, see the section Accounting principles, Income in the Annual Report for 2022.

NOTE 3 Other operating expenses

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Outlicensing fee to subsidiary	–	–	–	–
Exchange losses on accounts receivable and payable	–13,563	–4,126	–13,563	–4,126
Impairment of accounts receivable	–	–	–	–
Total other operating expenses	**–13,563**	**–4,126**	**–13,563**	**–4,126**

NOTE 4 Employees, salaries, and senior executives' remuneration

Costs of employees' remuneration

	Group	
Amounts in SEK thousands	**2022**	**2021**
Salaries and remuneration	64,635	51,441
Payments on termination of employment	–	–
Social security costs	11,920	10,247
Other personnel expenses	6,522	2,347
Total costs of employees' remuneration	**83,078**	**64,034**

Gender distribution in management

	2022 Proportion of women	2021 Proportion of women
Parent company		
The Board	43%	29%
Other management	50%	56%
Group		
The Board	43%	29%
Other management	50%	56%

Average number of employees

Amounts in SEK thousands	**2022**	**Of which men**	**2021**	**Of which men**
Parent company	68	39%	50	41%
Subsidiary	–	–	–	–
Group total	**68**	**39%**	**50**	**41%**

Salaries and other payments to senior executives

Group	2022	2021
Amounts in SEK thousands	**Senior executives (10 persons)**	**Senior executives (10 persons)**
Salaries and other payments[1]	14,711	14,700
– Of which bonus payments and similar	905	940
– Of which pension costs	2,921	2,732

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

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

1) Does not include fees for the Board paid as salaries of SEK 3,067 thousand (2,933) and social security costs for these of SEK 1,636 thousand (1,313).

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).

NOTE 4 Employees, salaries, and senior executives' remuneration, cont.

Salaries and other payments to senior executives, Group, 2022

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	800	–	–	–	–	800
Board member Eva Nilsagård	433	–	–	–	–	433
Board member Peter Edman	350	–	–	–	–	350
Board member Karin Wingstrand	350	–	–	–	–	350
Board member Giorgio Chirivi	117	–	–	–	–	117
Board member Ivan Cohen-Tanugi	350	–	–	–	–	350
Board member Mats Thorén	417	–	–	–	–	417
Board member Kirsti Gjellan	250	–	–	–	–	250
CEO Martin Åmark	2,464	–	154	482	1,805	4,906
Deputy CEO Siavash Bashiri	1,166	–	84	384	1,052	2,686
Other Senior executives (8 persons)	9,994	–	666	1,945	1,311	13,916
Total	**16,691**	–	**905**	**2,811**	**4,167**	**24,574**

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
CEO Martin Åmark	2,029		120	503	1,748	4,399
Deputy CEO Siavash Bashiri	1,298		119	287	899	2,603
Other Senior executives (8 persons)	8,977	70	702	1,945	987	12,681
Total	**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 75 thousand (–) for each of the non–employed members of the audit committee and SEK 150 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.

Remuneration of senior executives and conditions for termination and severance pay

The Annual General Meeting in May 2022 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 2022, no deviation from the principles adopted by the Annual General Meeting regarding variable remuneration to senior executives in the Group took place. Senior executives are covered by defined contribution pension plans that are designed to be similar to an ITP1 plan. The defined contribution pension plans may not exceed 30% of the fixed annual salary, which was not the case in 2022. According to the employment contract, the CEO of the parent company has a mutual notice period of six months. If the employment is terminated by the company, the CEO is entitled to compensation during the period of notice. Other senior executives employed by the parent company have mutual notice periods of three months. The exception is for David Vikström, CTO, where the notice period is one month for the company but three months for the employee.

Share savings scheme

As of December 31, 2022, the Company had three ongoing long-term share savings schemes. For more information, see page 35–36 in the Administration report as well as Note 4.

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

NOTE 4 Employees, salaries, and senior executives' remuneration, cont.

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.

LTIP 2022

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

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

	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[1]

	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[2]

	LTIP2022
Vesting period	**Jan 2022 – Dec 2024**
Performance targets	Percentage increase in share price
Fair value per share right (SEK)	82.1 and performance shares[3]

1) 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.
2) 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.
3) Performance share no. 1 is valued to SEK 29.8 per share; Performance share no. 2 is valued to SEK 22.8 per share; Performance share no. 3 is valued to SEK 18.8 per share.

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

	Accumulated		
Amounts in SEK thousands	**Share-related remuneration**	**Social security costs**	**Total**
2020 – 2022	–1,864	–783	–2,647
2021 – 2023	–2,159	–351	–2,510
2022 – 2024	–3040	–348	–3,388
Total	**–7,804**	**–3,163**	**–10,966**

	2021		
Amounts in SEK thousands	**Share-related remuneration**	**Social security costs**	**Total**
2020 – 2022	–1,116	–559	–1,675
2021 – 2023	–2,159	–351	–2,510
Total	**–4,640**	**–2,157**	**–6,798**

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

Personnel costs for share-related remuneration

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Costs attributable to share savings scheme	8,845	6,798	8,845	6,798
Total	**8,845**	**6,798**	**8,845**	**6,798**

NOTE 5 Fees and reimbursement of expenses to auditors

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
PricewaterhouseCoopers AB				
Audit assignments	1,220	940	1,220	940
Audit work in addition to the audit assignments	278	92	278	92
Tax services	70	87	70	87
Other services	–	–	–	–
Total fees and reimbursement of expenses to auditors	**1,568**	**1,119**	**1,568**	**1,119**

NOTE 6 Operating expenses by type of cost

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Raw materials and consumables	23,641	–	23,641	–
Change in inventory of finished goods and products in progress	14,570	–	14,570	–
Other external expenses	94,223	111,218	105,012	120,333
Personnel costs	82,175	68,579	82,175	68,579
Depreciation	16,576	12,217	7,441	4,529
Exchange rate losses	13,563	4,126	13,563	4,126
Total	**244,749**	**196,140**	**246,402**	**197,567**

NOTE 7 Net financial items

Income per key income type

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Interest income	296	–	296	–
Financial income	**296**	**–**	**296**	**–**
Interest charges for leasing	–2,452	–2,367	–	–
Interest charges for non-current liabilities	–131	–269	–131	–269
Write-down of shares in group companies	–	–	–	–10,631
Other financial expenses	–8	–7	–8	–7
Financial expenses	**–2,591**	**–2,643**	**–139**	**–10,908**
Net finance costs	**–2,296**	**–2,643**	**156**	**–10,908**

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

NOTE 8 Taxes

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Current tax expense (–)/ tax revenue (+)	–	–	–	–
Tax expense (–) /tax revenue (+) for the year	–	–	–	–
Deferred tax expense (–) / tax revenue (+)	–	–	–	–
Total tax expense reported in the Group	**–**	**–**	**–**	**–**

Reconciliation of effective tax

Amounts in SEK thousands	**2022**	**2021**
Group		
Profit before tax	–168,513	–183,226
Tax at the current rate for the parent company (20.6%)	34,714	37,745
Effect of other tax rates for foreign subsidiaries	–	–
Non-deductible expenses	–58	–2,219
Non-taxable income	–	–
Increase of loss carry-forwards without corresponding activation of deferred tax	–34,656	–35,525
Tax attributable to prior years	–	–
Reported effective tax	**–**	**–**

Amounts in SEK thousands	**2022**	**2021**
Parent company		
Profit before tax	–167,714	–192,918
Tax at the current rate for the parent company (20.6%)	34,549	39,741
Non-deductible expenses	–58	–2,219
Non-taxable income	–	–
Increase of loss carry-forwards without corresponding activation of deferred tax	34,491	–37,522
Tax attributable to prior years	–	–
Reported effective tax	**–**	**–**

As of Dec 31, 2022, the accumulated loss carry-forward for the parent company amounted to SEK 818,806 thousand (651,373). The accumulated loss has no time limitation regarding right-to-use period. No tax has been charged to other comprehensive income.

As of Dec 31, 2022, the accumulated loss carry-forward for the Group amounted to SEK 818,806 thousand (651,373). The accumulated loss has no time limitation regarding right-to-use period. No tax has been charged to other comprehensive income.

NOTE 9 Earnings per share

Earnings per share

	Before dilution		After dilution	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Earnings per share	–6.75	–7.98	–6.75	–7.98

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	**2022**	**2021**
Earnings for the year attributable to the parent company's shareholders, before dilution	–172,513	–188,376
Earnings attributable to the parent company's shareholders, after dilution	–172,513	–188,376

Weighted average number of shares amounted to 25,569,950 (23,593,291), which was affected by a new share issue in October of the accounting year. The number of outstanding shares at the end of the year was 27,506,018 (25,039,906).

Weighted average number of ordinary shares, before and after dilution

Amounts in SEK thousands	**2022**	**2021**
Weighted average number of ordinary shares during the year, before dilution	25,569,950	23,593,291
Weighted average number of ordinary shares during the year, after dilution	25,569,950	23,593,291

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

The share scheme for executives, if fully issued, would lead to 1,176,000 new shares, but the dilution effect would depend on the difference between the exercise price and the market share price at the exercise date.

NOTE 10 Intangible fixed 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, 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**
Opening balance Jan 1, 2022	**49,672**	**–**	**–**	**49,672**
Capitalized development expenses	52,323	–	–	52,323
Assets held for sale	–	–	–	–
Closing balance Dec 31, 2022	**101,995**	**–**	**–**	**101,995**
Accumulated depreciation and impairment				
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	**–**	**–**	**–**	**–**
Opening balance Jan 1, 2022	**–**	**–**	**–**	**–2,802**
Assets held for sale	–	–	–	2,802
Depreciation for the year[1]	–	–	–	–
Closing balance Dec 31, 2022	**–**	**–**	**–**	**–**
Reported values				
As of Jan 1, 2021	–	4,083	58,453	62,536
As of Dec 31, 2021	49,672	–	–	49,672
		–	–	
As of Jan 1, 2022	49,672	–	–	49,672
As of Dec 31, 2022	101,995	–	–	101,995

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 2022

In the impairment test of goodwill attributable to Primm Pharma s.r.l. the recoverable amount has been calculated based on historic revenue flows and expertise concerning market opportunities. The value in use has been based on expected future compensation income in agreement with discussions with the CEO and CFO of Primm Pharma s.r.l. who are in close dialogue with various players, and past experience of sales of the product in corresponding markets and expected geographical expansion of the product.

Projected compensation is expected to increase annually on average by 5 percent per year until 2031. The projected compensation has been discounted using a discount rate that takes into account risk-free interest rates, market risk and credit risk. The discount rate used was 15.0 (15.8) percent after tax.

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. 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 note 32. Impairment testing of the capitalized development costs has been carried out, with no indication that impairment would be required. This is because Ximluci® 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 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.

Parent company	Ongoing internally developed intangible assets	
Amounts in SEK thousands	**Development expenses**	**Total**
Accumulated acquisition cost		
Opening balance Jan 1, 2021	**–**	**–**
Capitalized development expenses	49,672	49,672
Closing balance Dec 31, 2021	**49,672**	**49,672**
Opening balance Jan 1, 2022	**49,672**	**49,672**
Capitalized development expenses	52,323,	52,323
Closing balance Dec 31, 2022	**101,995**	**101,995**
Accumulated depreciation and impairment		
Opening balance Jan 1, 2021	**–**	**–**
Closing balance Dec 31, 2021	**–**	**–**
Opening balance Jan 1, 2022	**–**	**–**
Closing balance Dec 31, 2022	**–**	**–**
Reported values		
As of Jan 1, 2021	–	–
As of Dec 31, 2021	49,672	49,672
As of Jan 1, 2022	49,672	49,672
As of Dec 31, 2022	101,995	101,995

In June 2021, Ximluci® 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 Ximluci® 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 note 32 for further information about the capitalized development expenses.

NOTE 11 Tangible fixed assets

Group

Amounts in SEK thousands	Machinery and other technical facilities	Fixtures, tools and installations	Under construction	Total
Accumulated acquisition cost				
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**
Opening balance Jan 1, 2022	**32,876**	**10,614**	**–**	**43,490**
Other acquisitions	9,693	1,688	–	11,381
Assets held for sale	–	–	–	
Closing balance Dec 31, 2022	**42,569**	**12,303**		**54,872**
Accumulated depreciation and impairment				
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**
Opening balance Jan 1, 2022	**–9,376**	**–3,493**	**–**	**–12,869**
Depreciation for the year	–5,173	–2,268	–	–7,441
Assets held for sale		–	–	–
Closing balance Dec 31, 2022	**–14,549**	**–5,761**	**–**	**–20,310**
Reported values				
As of Jan 1, 2021	7,062	1,103	–	8,166
As of Dec 31, 2021	23,500	7,121	–	30,621
As of Jan 1, 2022	23,500	7,121	–	30,621
As of Dec 31, 2022	28,020	6,810	–	34,830

Parent company

Amounts in SEK thousands	Machinery and other technical facilities	Fixtures, tools and installations	Total
Accumulated acquisition cost			
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**
Opening balance Jan 1, 2022	**32,876**	**10,614**	**43,490**
Acquisition	9,693	1,688	11,381
Closing balance Dec 31, 2022	**42,569**	**12,303**	**54,872**
Accumulated depreciation and impairment			
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**
Opening balance Jan 1, 2022	**–,9376**	**–3,493**	**–12,869**
Depreciation for the year	–5,173	–2,268	–7,441
Closing balance Dec 31, 2022	**–14,549**	**–5,761**	**–20,310**
Reported values			
As of Jan 1, 2021	4,313	899	5,212
As of Dec 31, 2021	23,500	7,121	30,621
As of Jan 1, 2022	23,500	7,121	30,621
As of Dec 31, 2022	28,020	6,810	34,830

NOTE 12 Co-development

Amounts in SEK thousands	Xbrane's share
Revenues	
Expenses[1]	91,150
Assets[1]	5,665
Liabilities[2]	43,470

1) Items shown as gross value
2) See note 23 "Advances from partners" for Xbrane and STADA's total liabilities for the Ximluci® project.

The partnership agreement signed in July 2018 with STADA for Ximluci® means that STADA and Xbrane share equally (50/50) research and development costs for Ximluci®. As a result, Xbrane's reported net research and development costs for Ximluci® amount to 50 percent of the total costs of the project until June 1, 2021. After June 1, 2021, when the primary endpoint was achieved, Ximluci® was deemed to meet the criteria for the capitalization of research and development costs as intangible assets on the balance sheet. As a result, Xbrane's share of research and development costs relating to Ximluci® is not charged to the income statement but is capitalized in the balance sheet.

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

NOTE 13 Non-current receivables

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Non-current receivables				
Rental deposit	3,945	3,945	3,945	3,945
Total	**3,945**	**3,945**	**3,945**	**3,945**

NOTE 14 Receivables

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Receivables	1,335	–	1,335	–
Provisions for doubtful trade receivables	–	–	–	–
Total receivables	**1,335**	**–**	**1,335**	**–**

Receivables consist entirely of a receivable from our partner Ascendis Pharma. There is no need for impairment as the receivable has been settled in full after the balance sheet date.

NOTE 15 Prepaid expenses and accrued income

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
CMO (Contract Manufacturing Organization)	107,680	61,480	107,680	61,480
Rent for premises	2,740	2,311	2,740	2,311
CRO (Xplore study)	31,146	25,184	31,146	25,184
Other[1]	10,261	58,051	10,261	58,051
Total prepaid expenses and accrued income	**151,827**	**147,027**	**151,827**	**147,027**

1) Primarily refers to research and development expenses regarding Ximluci®.

NOTE 16 Inventory

Inventory

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

Amounts in SEK thousands	2022	2021
Goods in progress	50,260	0
Finished goods	0	0
Total inventory	**50,260**	**0**

Determination of acquisition value of inventory

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

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

Reported amounts in the income statement

During the financial year 2022, cost of goods sold has been reported in the income statement at SEK 0,000 (2021 SEK 0,000). The inventory includes a reserve for obsolete goods of SEK 0,000 (2021 SEK 0,000), and the inventory has been written down and expensed at a value of SEK 0,000 (2021 SEK 0,000).

NOTE 17 Cash and cash equivalents

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Cash and cash equivalents				
Cash and bank	193,994	295,180	193,994	295,180
Carrying amount	**193,994**	**295,180**	**193,994**	**295,180**

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 is low and the expected credit losses are deemed to be insignificant.

NOTE 18 Equity

	Ordinary shares	
Type of shares	**2022**	**2021**
Issued as of Jan 1	25,039,906	22,200,415
Issue of shares paid in cash	2,361,112	2,817,700
Share options/Targeted share issue	105,000	21,791
Issued as of Dec 31	**27,506,018**	**25,039,906**

The Group only has one type of share, so-called ordinary shares. As of Dec 31, 2022, the registered share capital comprised of 27,506,018 ordinary shares (25,039,906).

The owners of the ordinary 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 4, 2023, the Board will propose that no dividend will be paid. There have been no dividends in the 2022 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	**2022**	**2021**	**2022**	**2021**
Non-current liabilities				
Bank loans	–	–	–	–
Financial leasing debts	29,058	36,476	29,058	–
Total non-current liabilities	**29,058**	**36,476**	**29,058**	**–**
Current liabilities				
Bank loans	–	–	–	–
Financial leasing debts	9,162	7,905	9,162	–
Total current liabilities	**9,162**	**7,905**	**9,162**	**–**

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 2022.

				2022		2021	
Amounts in SEK thousands	**Currency**	**Nominal interest, %**	**Maturity**	**Nominal value**	**Carrying amount**	**Nominal value**	**Carrying amount**
Leasing liabilities	SEK	4.15 – 6%	Within 7 years	38,220	38,220	44,381	44,381
Leasing liabilities	EUR	6.00	Within 5 years	–	–	–	–
Total interest-bearing liabilities				**38,220**	**38,220**	**44,381**	**44,381**

NOTE 20 Other liabilities

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Other current liabilities				
Current liabilities to employees	122	24	122	24
Current liabilities related to VAT, taxes and social security for employees	2,185	1,775	2185	1,775
Current liabilities to partners	626	7,958	626	7,958
Total	**2,933**	**9,757**	**2,933**	**9,757**

NOTE 21 Provisions

Group

Amounts in SEK thousands	**2022**	**2021**
One-off payment on termination of employment	–	–
Total provisions	**–**	**–**

As of Dec 31, 2022, the Parent Company had no provisions.

Group, one-off payment on termination of employment

Amounts in SEK thousands	**2022**	**2021**
Opening balance Jan 1	**–**	**4,810**
Provisions made during the period	–	–
Amounts off-set during the period	–	–4,810
Exchange rate differences	–	–
Closing balance Dec 31	**–**	**–**

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 2022 as there were no remaining employees during the period and severance payments were settled in full in 2021.

NOTE 22 Liabilities to subsidiaries

Parent company

Amounts in SEK thousands	**2022**	**2021**
Opening balance Jan 1	**948**	**285**
Re-invoiced expenses to subsidiary	83	663
Repayment of debt	–	–
Closing balance Dec 31	**1,031**	**948**

NOTE 23 Accrued expenses and prepaid income

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Salary expenses	9,902	9,596	9,902	9,596
Vacation pay	4,397	3,502	4,397	3,502
Interest expenses	–	–	–	–
Prepaid income	–	–	–	–
Prepaid income from co-development partner[1]	136,063	95,393	136,063	95,393
Other accrued expenses	12,857	–	12,857	–
Total accrued expenses and prepaid income	37,021	50,864	37,021	50,864
Total accrued expenses and prepaid income	**200,239**	**159,355**	**200,239**	**159,355**

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

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 194 m. Assuming that sales of Ximluci® are as projected, that BIIB801 can be transferred to Biogen, and that the company succeeds in out-licensing its oncology portfolio and sharing future development costs with a partner, the company is expected to achieve a positive cash flow from operations during the year 2024. The Board and CEO have assessed that current liquidity is not sufficient to meet the capital requirements of the business according to the agreed plan for the next twelve months. In light of this, the company is developing and evaluating several different options for financing. See page 31 of the Annual Report under the heading "The Group's financial position and continuing operations" as well as page 33 of the Annual Report "Financing risk" for more information.

Group

Credit facilities	2022
Amounts in SEK thousands	Nominal value
Available cash and cash equivalents	193,994
Liquidity reserve	193,994

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, 2022).

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 33 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	2022	2021
SEK		–
EUR	1,335	–
USD	–	–
Total	**1,335**	**–**

Market risk

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

Maturity structure financial liabilities – undiscounted cash flows

		2022					
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	7,930	7,930	–	–	–	–
Accounts payable	EUR	10,122	12,357	–2,235	–	–	–
Accounts payable	USD	1,344	1,344	–	–	–	–
Accounts payable	CHF	3,840	3,840	–	–	–	–
Accounts payable	GBP	60	60	–	–	–	–
Leasing liabilities	SEK	38,220	743	2,251	6,168	29,058	–
Other current liabilities	SEK	2,306	2,306	–	–	–	–
Other current liabilities	USD	626	626	–	–	–	–
Total		**64,450**	**29,207**	**16**	**6,168**	**29,058**	**–**

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	1799	–	–	–	–
Other current liabilities	USD	7,958	1,990	–	5,969	–	–
Total		**95,531**	**37,193**	**9,922**	**11,941**	**36,476**	**–**

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

	2022		2021	
Amounts in SEK thousands	USD	EUR	USD	EUR
Cash and cash equivalents	490	626	242	713
Account receivable		122	–	–
Bank loans	–	–	–	–
Accounts payable	129	909	246	3 367
Total	**619**	**1 657**	**487**	**4 080**

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	2022				
Amounts in SEK thousands	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable	–	1,335	–	1,335	1,335
Other receivables	–	46,121	–	46,121	46,121
Cash and cash equivalents	–	193,994	–	193,994	193,994
Total	**–**	**241,450**	**–**	**241,450**	**241,450**
Other non-current liabilities	–	–	0	0	0
Accounts payable	–	–	23,297	23,297	23,297
Other liabilities	–	–	2,933	2,933	2,933
Accrued expenses	–	–	200,239	200,239	200,239
Total	**–**	**–**	**226,469**	**226,469**	**226,469**

Group	2021				
Amounts in SEK thousands	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable	–	–	–	–	–
Other receivables	–	50,253	–	50,253	50,253
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**

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

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

Parent company	2021				
Amounts in SEK thousands	Valued at fair value through profit and loss	Accrued acquisition value	Other financial liabilities	Total statement of financial position	Fair value
Accounts receivable	–	–	–	–	–
Other receivables	–	50,253	–	50,253	50,253
Cash and cash equivalents	–	295,180	–	295,180	295,180
Total	**–**	**345,433**	**–**	**345,433**	**345,433**
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**

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 table below shows the different valuation levels of the financial assets and financial liabilities recognized at fair value in the consolidated balance sheet. The division of the determination of fair value is based on the three levels below.

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

The total value of the currency derivatives held shows a negative value at the balance sheet date. During 2022, no transfers were made between the different valuation levels.

Group	2022	2021	2022	2021
Amounts in SEK thousands	Level 2	Level 2	Level 3	Level 3
Financial assets				
Other current receivables	–	–	–	–
Of which currency derivatives	–	–	–	–
Total financial assets	**–**	**–**	**–**	**–**
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	2022	2021
Current leasing liabilities	9,162	7,905
Non-current leasing liabilities	29,058	36,476
Leasing liabilities included in the consolidated financial statement	**38,220**	**44,381**

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

Right-of-use assets 2022

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

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**

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 32,617 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 5,603 thousand.

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

NOTE 26 Leasing, cont.

Amounts stated in the profit or loss, IFRS 16

	Group	
Amounts in SEK thousands	**2022**	**2021**
Depreciation of right-of-use assets	9,136	7,688
Interest expenses on leases	2,452	2,421
Variable leasing expenses excluded from the valuation of the leasing liability	–	–
Short-term lease expenses	–	–
Expenses for leases of low value, not short-term leases of low value	279	73
	11,817	**10,181**

Amount presented in the consolidated cash flow statement

	Group	
Amounts in SEK thousands	**2022**	**2021**
Total cash flow related to leases	**8,337**	**7,346**

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	1,294,227
Profit/loss brought forward	–803,802
Profit/loss for the year	–167,714
Total	**322,711**
To be carried forward	322,711

NOTE 28 Transactions with closely related parties

Group

Amounts in SEK thousands	Year	Goods/ services transactions	Interest costs	Interest income	Liabilities as of Dec 31
Relationship					
Group company	2022	83	–,	–	**1,031**
Other closely related parties	2022	–	–	–	**–**
Group company	2021	763	–	–	**948**
Other closely related parties	2021	–	–	–	**–**

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

Parent company

Amounts in SEK thousands	Year	Goods/ services transactions	Interest costs	Interest income	Liabilities as of Dec 31
Relationship					
Group company	2022	83	–	–	**1,031**
Other closely related parties	2022	–	–	-	**–**
Group company	2021	763	–	–	**948**
Other closely related parties	2021	–	–	–	**–**

Transactions with closely 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 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 2022, Primm Pharma s.r.l. purchased administration and services, and rented premises from Primm s.r.l. at a cost of SEK 53 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, 2022, the parent company Xbrane invoiced the subsidiary Primm Pharma SEK 0 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 0 for external costs relating to the parent company.

During the 2022 financial year, a new share issue was carried out. No closely related parties participated in subscribing for shares.

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	**2022**	**2021**
Accumulated acquisition cost		
Opening balance Jan 1	123,097	112,466
Shareholder equity contribution		10,631
Closing balance Dec 31	**123,097**	**123,097**
Accumulated revaluations		
Opening balance Jan 1	–	–
Closing balance Dec 31	**–**	**–**
Accumulated impairment		
Opening balance Jan 1	–49,031	–38,400
Impairment	0	–10,631
Closing balance Dec 31	**–49,031**	**–49,031**
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	**2022**	**2021**	**2022**	**2021**
Following items included in cash flow				
Cash and bank balances	193,994	295,180	193,994	295,180
Total on balance sheet	194,994	295,180	193,994	295,180
Total on cash flow statement	**194,994**	**295,180**	**193,994**	**295,180**

Paid interest and dividends received

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Interest received	296	–	296	–
Interest paid	–2,591	–2,643	–139	–10,908
Total interest and dividends received	**–2,296**	**–2,643**	**156**	**–10,908**

Unutilized credits

	Group		Parent company	
Amounts in SEK thousands	**2022**	**2021**	**2022**	**2021**
Unutilized credits	–	–	–	–

Changes in liabilities attributable to financing activities in 2022

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

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**

NOTE 31 Events after the balance sheet date

Significant events after the end of the financial year

Marketing authorization in the UK

In January, marketing authorization was obtained for Ximluci® in the UK. STADA is preparing to launch Ximluci® in the UK in 2023.

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 10. As stated in the description in the note, changes in the conditions for these assumptions and estimates during 2022 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 Ximluci®

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 Ximluci® has met these capitalization criteria, beginning from July 2021. The judgment that capitalization criteria are met is based on the following:

Marketing authorization in Europe was obtained in 2022. The Ximluci® production chain is fully validated and key supply agreements are in place. Ximluci® reached the primary endpoint of the pivotal phase III Xplore Clinical study. The product is expected to have a significant value on the market. The reference drug Lucentis® is estimated to have a turnover of approximately EUR 3 billion. Ximluci® is one of three known competing product candidates for Lucentis®. Ximluci® reached the primary endpoint of Xplore (95% CI around the change of BCVA at week 8 relative to 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®.

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	4,057
Cost of goods sold	–
Gross profit	**4,057**
Operating expenses	
Other operating income	217
Selling and distribution expenses	–5,795
Administrative expenses	–1,612
Research and development expenses	–849
Other operating expenses	–9
Operating profit/loss	**–3,990**
Financial income	
Financial expenses	–11
Net finance costs	**–11**
Earnings before income and tax	**–4,001**
Income tax expense	–
Profit for the period from continuing operations	**–4,001**

Amounts in SEK thousands	
Other intangible fixed assets	2,802
Total fixed assets	**2,802**
Accounts receivable	
Prepaid expenses and accrued income	3
Other receivables	566
Receivables from subsidiaries/parent company	1,031
Cash and cash equivalents	1,811
Total assets[1]	**6,213**
Equity	117
Accounts payable	–
Other current liabilities	37
Accrued expenses and prepaid income	901
Total current liabilities	**937**
Total liabilities[2]	**937**

1) The amounts show Primm Pharma in isolation and do not include consolidated surplus values linked to Primm Pharma (see also Note 10).

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 2022 consist of the parent company and its subsidiary, together with the named Group. The Group also includes Primm Pharma s.r.l., Corp ID no. MI - 2075109 with registered office in Milan, Italy. As of the balance sheet date, it is classified as an "Asset held for sale".

Signatures

The income statement and balance sheet will be presented to the AGM on May 4, 2023, for adoption. The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with IFRS and give a true and fair view of the Group's financial position and results. The annual financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results. The Administration Report for the Group and parent company provides a fair review of the development of the Group and the parent company's operations, position and results and describes significant risks and uncertainty factors that the parent company and the companies included in the Group face.

Solna March 31, 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

Our audit report was presented on March 31, 2023
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 2022 except for the corporate governance statement on pages 45–54 and the sustainability report on pages 37–44. The annual accounts and consolidated accounts of the company are included on pages 30–83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of December 31 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31 2022 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 45–54 and the sustainability report on pages 37–44. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Emphasis of matter

We would like to draw attention to the information in the management report and Note 24, the liquidity risk and going concern section. There it appears that the company's business plan for 2023 includes a significantly increased need for working capital and capital for scaling up the production process as well as accelerated development of other programs. The board and the CEO make the assessment that current liquidity is not sufficient for the business's capital needs according to the business plan for 2023 and are evaluating several different options for new financing. The board and the managing director have assessed that, given that the company's financing process continues according to plan, the group will have the necessary liquidity to continue operations for at least the next twelve-month period. At the time of the submission of the annual report, however, this funding has not yet been secured. These circumstances, together with the other circumstances mentioned, indicate that there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Our statement is not modified in this regard.

Key audit matters

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

KEY AUDIT MATTER

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 company stands by the plan to sell the asset even if the time period for sale has been extended to more than one year. The classification as "assets held for sale" is unchanged as the company still intends to sell these.

The Group's reported value as of December 31, 2022 for assets held for sale amounts to a value of SEK 69 million, of which SEK 65 million refers to previous goodwill and SEK 4 million refers to the net value of other assets and liabilities attributable to the subsidiary Primm Pharma.

In the impairment testing attributable to the group's reported value of Primm Pharma, the recovery value has been calculated based on assessed future expected compensation. The valuation at fair value requires management's estimates and assessments to identify and estimate 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, 2022, the Parent Company reported investments in Group companies of SEK 74 million. If the carrying amount of the investments exceeds the Group company'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 10 and 11 for reclassification of intangible assets to assets held for sale and impairment tests, Note 29 for investments 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.

How our audit addressed the Key Audit Matter

We have assessed whether the fixed assets held for sale have been reported and disclosed in accordance with IFRS 5 "Assets held for sale and discontinued operations". In particular, we have evaluated that the assets meet the conditions for being classified 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 operations have been reported in accordance with IFRS 5.

We have evaluated the management's assessment of the forecasted compensation as well as the underlying assumptions for the calculation of this, primarily sales growth and discount rate. Finally we have also assessed the content of the information on the Parent Company's shares in Group companies that is provided in the annual accounts and the consolidated accounts.

Capitalized expenses for development

The Group's reported value as of December 31, 2022 for capitalized development expenses amounts to SEK 102 million (50 million) and refers to expenses for the development of Ximluci where the research results during 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 which is deemed to be fulfilled in 2021.

The decision to capitalize development expenses related to Ximluci 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 can be seen from note 32, the company describes how to assess the probability of succeeding in commercializing the product. See notes 1, 10 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 Ximluci.

We have particularly challenged the company's management regarding the various assessments that are the basis for the possibilities of commercializing the product as well as the company's possibilities of having sufficient resources to continue developing and producing the product.

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 Ximluci 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.

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 1–29 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 audit of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Xbrane Biopharma AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

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

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts [and consolidated accounts], we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2022.

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

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

Basis for Opinion

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

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

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

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

Auditor's responsibility

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

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

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

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

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 45–54 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 2023

PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Alternative key indicators

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

Gross margin

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

Amounts in SEK thousands	2022	2021
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	2022	2021
Operating profit/loss	–166,217	–180,583
Depreciation and impairment	–16,576	–12,217
EBITDA	**–149,640**	**–168,366**

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	2022	2021
Research and development expenses	–199,976	–160,619
Operating expenses	–244,749	–196,140
Research and development expenses as a percentage of operating expenses	**82%**	**82%**

Equity ratio

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

Amounts in SEK thousands	2022	2021
Total equity	424,888	431,741
Divided by total liabilities	690,515	688,427
Equity ratio	**62%**	**63%**

Shareholder information

Annual General Meeting 2023

The Annual General Meeting of Xbrane Biopharma AB (publ) will be held on May 4, 2023, at 17.30 at Inghesalen, Widerströmska Huset, 2nd floor, Karolinska Institute, Tomtebodavägen 18a, 171 65 Solna The Company's Board has decided that this year's Annual General Meeting will be held within the traditional framework. However, shareholders will have the option to vote by proxy.

Shareholders who wish to have a matter dealt with at the Annual General Meeting must report it no later than March 10, 2023, to the Chairman of the Board, Anders Tullgren, at valberedning@xbrane.com.

To participate

Shareholders who want to participate in the meeting must be registered in the share register kept by Euroclear Sweden AB on April 27, 2023. Registration is to be made no later than April 27, 2023, in one of the following ways:

- Webbsite: www.xbrane.com
- By post: Xbrane Biopharma AB (publ),
- "Årsstämma", 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 Annual General Meeting, register their shares in their own name, so that the person in question is registered in the share register kept by Euroclear Sweden AB on April 25, 2023. Shareholders who wish to register their shares in their own name should notify the nominee in good time before this date. Such registration can be temporary.

Agents

Shareholders who are to be represented through an agent must issue written and dated power of attorney for the agent. If the power of attorney is issued by a legal entity, a certified copy of a registration certificate or corresponding "certificate" for such legal entity must be attached. Power of attorney applies for one year from issuance or the longer period of validity set out on the power of attorney, though a maximum of five years.

Certificate of registration shall indicate the circumstances which apply on the date of the general meeting of shareholders and should in any event not be older than one year at the time of the Annual General Meeting. The original power of attorney plus any certificate of registration should be submitted by letter to the company to the address indicated above in good time before the meeting.

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

Contact information

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E-mail: info@xbrane.com
Website: www.xbrane.com

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