Interim report April – June 2019

Financial summary second quarter 2019

» Revenue amounted to SEK 0 thousand (4,532).
» Gross margin amounted to 0 percent (18).
» Other income amounted to SEK 1,794 thousand (722).
» EBITDA amounted to SEK -42,140 thousand (-30,454).
» R&D expenses amounted to SEK -37,842 thousand (-27,965) representing 85 percent (87) of total operating expenses.
» Loss for the period amounted to SEK -44,399 thousand (-31,993).
» Earnings per share amounted to SEK -5.28 (-5.13).
» Cash and cash equivalents by the end of the period of SEK 171,410 thousand (19,255).

Financial summary first half year 2019

» Revenue amounted to SEK 0 thousand (13,148).
» Gross margin amounted to 0 percent (21).
» Other income amounted to SEK 2,995 thousand (14,396).
» EBITDA amounted to SEK -73,376 thousand (-37,797).
» R&D expenses amounted to SEK -64,365 thousand (-48,225) representing 84 percent (88) of total operating expenses.
» Loss for the period amounted to SEK -77,712 thousand (-40,909).
» Earnings per share amounted to SEK-9.24 (-6.56).

Significant events during the second quarter 2019

» Xbrane announced a sales target for Xlucane of EUR 350 million in annual net sales three years after product launch. This renders approximately EUR 100 million in annual license income for Xbrane, after deduction of production and sales related expenses and profit sharing with STADA.
» In April, the first patient was recruited and dosed in the pivotal phase III-study, Xplore.
» Ivan Cohen-Tangui and Eva Nilsagård were appointed as new directors at the 2019 Annual General Meeting. Saeid Esmaeilzadeh and Alessandro Sidoli declined re-election.
» In the first capital raise, started in the first quarter of 2019 and completed in the second quarter of 2019, a smaller preferential rights issue was carried out and resulted in SEK 59 million before transaction costs.
» In the second capital raise that started in the second quarter of 2019, a larger directed rights issue was carried out and resulted in SEK 147 million before transaction costs. In the directed rights issue, a conversion into shares offsets the remaining loan from Serendipity Group AB of SEK 37 million. The credit facility is fully repaid after the conversion into shares.
» A mammalian cell-based technological platform has successfully been established and the development of Xdivane is accelerated. Xdivane is a biosimilar of the PD-1 inhibitor nivolumab (Opdivo®) and the first product of this platform.
» Xbrane and STADA have expanded their strategic biosimilar development partnership and will evaluate collaboration around Xbrane's preclinical biosimilar portfolio, Xcimzane (certolizumab pegol (Cimzia®) biosimilar), Xdivane (nivolumab (Opdivo®) biosimilar) and additional potential biosimilars.

Significant events after the second quarter 2019.

» In a second larger capital raise that was started during the second quarter a preferential rights issue was concluded which resulted in SEK 91 million before transaction costs. The preferential rights issue was subscribed to 81 percent and the remaining 19 percent of the shares was allocated to guarantors.

XBRANE BIOPHARMA

Pioneering biosimilar development

Financial summary for the Group

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Net revenues	-	4,532	-	13,148	20,485
Research and development expenses (R&D)	-37,842	-27,965	-64,365	-48,225	-85,827
R&D expenses as percentage of total costs	85%	87%	84%	88%	78%
Operating profit	-43,987	-31,714	-76,919	-40,109	-11,415
EBITDA	-42,140	-30,454	-73,376	-37,797	-6,079
Profit for the period	-44,399	-31,993	-77,712	-40,909	-13,236
Cash and cash equivalents	171,410	19,255	171,410	19,255	100,972
Equity ratio, %	63%	44%	63%	44%	33%
Number of shares end of period before dilution	12,694,871	6,329,239	12,694,871	6,329,239	6,329,239
Number of shares end of period after dilution	12,694,871	6,329,239	12,694,871	6,329,239	6,329,239
Average number of shares before dilution	8,413,054	6,235,098	8,413,054	6,235,098	6,213,927
Average number of shares after dilution	8,413,054	6,235,098	8,413,054	6,235,098	6,213,927
Earnings per share before dilution (SEK)	-5.28	-5.13	-9.24	-6.56	-2.13
Earnings per share after dilution (SEK)	-5.28	-5.13	-9.24	-6.56	-2.13

Business description

Xbrane Biopharma is a biotechnology company that develops and manufactures biosimilars. Xbrane has a patented protein production platform in *E.coli* and world leading competence within development of biosimilars.

Xbrane's leading product candidate in the biosimilar segment is Xlucane. Xlucane is a ranibizumab biosimilar (originator drug Lucentis®) used in the treatment of various eye diseases, mainly wet form of age-related macular degeneration. Lucentis® has annual sales of approximately EUR 3.5 billion[1,2].

Organization

The Xbrane Group consists of the parent company, Xbrane Biopharma AB, and the Italian wholly-owned subsidiary, Primm Pharma s.r.l. The parent company is focused on research and development of biosimilars with Xlucane as a leading product candidate, while Primm Pharma is focused on long-term injectables with Spherotide as the leading product candidate.

References:
1) Novartis Annual Report 2018
2) Roche Annual Report 2018

Comments from the CEO

We have had several significant advances for Xbrane during the second quarter of 2019. We successfully closed the second financing round of total SEK 238 million that provides the capital needed to fully fund Xbrane's, ongoing pivotal phase III- trial with Xlucane. With this raise we welcomed several new shareholders, particularly our partner STADA as well as several institutional investors.

Primary end-point data from Xplore expected mid 2020

The pivotal phase III-trial with Xlucane is ongoing with the objective of demonstrating equivalence compared to Lucentis® in visual acuity improvement in age-related macular degeneration patients. Recruitment of patients has been initiated as earlier communicated and is moving forward. We count on the study being fully recruited (total approximately 600 patients) during the first quarter of 2020. This is a delay compared to the original plan. Xbrane plans to report data on the primary end-point (improvement in visual acuity after 8 weeks) in mid 2020. Thus far, we have performed blinded safety assessments on included patients and have not identified any indications of elevated safety risks in the trial compared to normal usage of Lucentis®, and hence no indications of a differing safety profile of Xlucane compared to Lucentis®.

Successful capital raise fully funding Xlucane phase III study

Xbrane finalized a second capital raise of approximately SEK 238 million during the second quarter of 2019. With this raise, we welcomed new shareholders, in particular Xbrane's partner and one of the world's largest biosimilar and generic companies, STADA, and also institutional investors such as Swedbank Robur Medica, Neyenburgh and Belsize. Further, Serendipity Group strengthened their ownership in Xbrane via conversion of outstanding debt of SEK 37 million to equity as part of this transaction. Thus, Xbrane has no outstanding debt to Serendipity Group, thereby strengthening its position as the largest owner of the Company. The second capital raise provided net proceeds of SEK 178 million to the Company, which in combination with the existing cash position, in full finance Xbranes part of the ongoing phase III-study, Xplore, and other development activities for Xlucane, as well as further development of Xbrane's preclinical biosimilars up until the end of Q3 2020. Our cash position at the end of second quarter of 2019 was SEK 171 million, which includes SEK 102 million from the net proceeds. The remaining SEK 76 million was received in July 2019 when the preferential rights issue was completed.

Increased comfort to reach annual sales of EUR 350 million for Xlucane three years after launch

Our stated goal is to reach annual net sales of EUR 350 million with Xlucane and annual revenues of EUR 100 million after deduction of costs and profit sharing with STADA three years after launch. Our confidence to reach this is reinforced by the fact that the market for VEGFa inhibitors for ophthalmic use, ie. Lucentis® and Eylea® combined, is growing rapidly. In 2018, these products generated approximately EUR 9.4 billion in net sales and growth in the second quarter of 2019 was as much as 11 percent compared to the second quarter of 2018, of which Eylea® and Lucentis® grew approximately equally strongly. We are confident that growth will continue as only approximately 2 out of 18 million affected individuals are treated globally with VEGFa inhibitors and approvals come for new indications .

Strengthened strategic biosimilar partnership with STADA

In connection with the investment from STADA in Xbrane, the companies have entered into a stronger strategic biosimilar development partnership. The partnership entails assessment of potential development and commercialization collaborations of Xbrane's preclinical products Xcimzane (Cimzia® biosimilar) and Xdivane (Opdivo® biosimilar). Furthermore, the companies will jointly evaluate potential co-development around additional biosimilars with patent expiration 2025-2027. STADA is a strong partner for us to commercialize our biosimilars in Europe, MENA (Middle East and North Africa) and selected APAC (Asian-Pacific) countries. We are very excited to expand this strategic partnership to build upon our long-term strategic goals to collaboratively launch a portfolio of biosimilars that will provide access to biological therapies to a broader population.

Long-term financing of Xbrane

To bridge the financing of the Company from Q4 2020 until 2022 when positive cashflow from Xlucane is expected we are working intensively to establish commercial partnerships for our products and thereby generate further income. Xbrane generated approximately SEK 100 million in other income from Xlucane and Spherotide during financial year 2018, when both products were in preclinical development. We expect to be able to generate income up until 2022 from out-licensing of unpartnered territories for Xlucane and Spherotide as well as from our preclinical biosimilars. Our ambition is that this shall bridge the financing of the Company up until launch of Xlucane. If needed, we are in discussions with several investors who have been positive towards providing a potential bridge financing up until launch of Xlucane.

Changes in Board composition

We are happy to welcome Ivan Cohen-Tanugi and Eva Nilsagård to the Board of Directors of Xbrane. Ivan comes with extensive experience from the biosimilar market having, among other things, set up Tevas biosimilar business and led their biosimilar commercial activities in US. Eva comes with extensive experience as CFO and board member of multiple main market listed companies. We are happy to see Ivan and Eva joining the board and we are certain they will contribute positively to the development of Xbrane. At the same time, we take the opportunity to thank Alessandro Sidoli and Saeid Esmaeilzadeh who both for different reasons declined re-election to the board earlier this year.

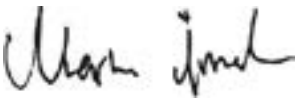
Ownership of the board and management

Prior to the second capital raise, the Board of Directors and management owned 5.94 percent of the shares in Xbrane and the majority also participated in this capital raise in the part that was a preferential share issue to existing shareholders. After the second capital raise was registered, the Board of Directors and Management owned 5.32 percent of the shares in Xbrane. In connection with the preferential rights issue, the Board members, senior executives and main shareholder, Serendipity Group, agreed not to sell existing shares in the Company for a period of 360 calendar days.

Capital market activities

Xbrane will participate in a number of investor conferences during the autumn, including LSX Nordic, Vator Unicorn Summit and Jefferies Healthcare conference. Furthermore, it is planned to take the step to Nasdaq's main market before the end of 2019.

I want to thank our shareholders and Board for the confidence and support and our excellent staff for all your hard work.



Martin Åmark
CEO

Product portfolio

Product	Biosimilar to	Primary indication	Sales originator drug, 2018 (SEK billion for originator drug)	Patent expiry date	Phase of development
Xlucane	Ranibizumab (Lucentis®)	Wet age-related macular degen- eration, Diabetic related macular edema, Retinal vein occlu- sion.	35[1,2]	2022 (Europe) 2020 (US)	Phase III
Xcimzane	Certolizumab pegol (Cimzia®)	Rheumatoid arthritis, Axial spondyloarthritis, Psoriatic arthritis, Psoriasis Crohn disease	14[3]	2024 (Europe and US)	Preclinical phase
Xoncane	Pegaspargase (Oncaspar®)	Acute lymphocytic leukaemia.	2[4]	Expired	Preclinical phase
Spherotide	Triptorelin (Decapeptyl®)	Prostate cancer, Breast cancer, Endometriosis, Fibroids	4[5]	Expired	Preclinical phase
Xdivane	Nivolumab (Opdivo®)	Melanoma, Lung cancer, Renal cell carcinoma, Head- and neck cancer, Bladder and uri- nary tract cancer.	54[6]	2026-2030 depending on country	Preclinical phase

References:
1) Novartis Annual report 2018.
2) Roche Annual report 2018.
3) UCB Annual report 2018.
4) Shire Annual report 2018.
5) https://www.iqvia.com/en/institute/reports/advancing-biosimilar-sustainability-in-europe
6) BMS Year-end report 2018

Xlucane

Xlucane is a biosimilar to ranibizumab (original drug Lucentis®), and it is used to treat wet age-related macular degeneration and other eye diseases such as diabetic retinopathy, diabetic macular edema and macular edema following retinal vein occlusion. Lucentis® generated sales of EUR 3.5 billion[1,2], under the financial year of 2018 and the primary patent will expire in the second quarter of 2020 in USA and under 2022 in Europe. Xbrane has finalized the development of the production process in commercial scale and have been able to show high analytical similarity compared with Lucentis®.

The pivotal clinical study was initiated in April of 2019 and the marketing authorization application is planned to be submitted during the second half of 2020. Xbrane has a co-development agreement with STADA regarding development, sales and marketing of Xlucane. According to the agreement, STADA and Xbrane are splitting the development cost as well as the future profits generated, equally between the parties. Further, Xbrane has also signed a letter of intent with CR Pharma for collaboration in the Chinese market.

When publishing this report, Xlucane is, according to what is known by Xbrane, the only biosimilar of the original drug Lucentis® with a commercial partner and with an ongoing pivotal clinical study aiming for market approval in both Europe and the US.

References:
1) Novartis, Annual report 2018
2) Roche, Annual report 2018

Spherotide

Spherotide is a long-acting injectable drug with the active substance triptorelin, used primarily in the treatment of prostate cancer, breast cancer, endometriosis and myoma. The original drug Decapeptyl®, is the drug that Spherotide addresses with all the different treatments, has an annual sales of approximately SEK 4 billion.

Spherotide has been developed by Xbrane´s fully owned subsidiary Primm Pharma. Primm Pharma has additional partners for sales and marketing in China (China Resource Pharmaceuticals), Korea (BL&H Co. Ltd.) and Israel (Bioavenir). A non-binding agreement has been made with STADA, with the intention to co-operate regarding development, sales and marketing of Spherotide in Europe. The non-binding terms implies that the parties intend to share development costs as well as future profits relating for the European market. The non-binding agreement also includes development milestones, in total amounting to a low single digit amount in EUR.

As communicated in June, the focus of the continued development for Spherotide is to be able to initiate a pivotal phase III trial with endometriosis patients, which support the market authorization in Europe and China. This step can be taken after 1) signing of a binding agreement with STADA, 2) approval of the design for the clinical trial from the Chinese authorities and 3) completion of the ongoing upgrade of the quality system at Xbrane´s contract manufacture ICI.

STADA is now conducting a due diligence on Spherotide with the ambition of signing a binding agreement at the end of 2019. Xbrane has had an advisory meeting with the Chinese authorities. A follow-up meeting is being planned during the current year where outstanding questions regarding the study will be resolved. ICI has completed the upgrade of their quality system, which was initiated based on few deviations identified by AIFA, the Italian regulatory authority, during an inspection of the production facility earlier this year. ICI is, for the moment, awaiting approval of the update from AIFA, which is expected during the upcoming month.

Further, as communicated in the previous interim report of 2019, Xbrane has, as a precaution, temporarily stopped all sales and deliveries to Iran, due to the geopolitical situation. Nothing has changed concerning that decision and no sales should be expected during third quarter 2019.

Shareholders

As per June 30, 2019, Xbrane had a total of approximately 2,900 shareholders distributed on 12,694,871 shares. The ten largest shareholders by the end of this report's period are shown in the table below[1].

After the end of the quarter, the rights issue of 2,720,328 shares increased the number of outstanding shares to 15,415,199. In the note below, number of shares and ownership for the shareholders with a close relation to the Company are presented.

Name	No. of shares	Ownership, %
Serendipity Group	2 219 059	17,48%
STADA Arzneimittel AG	1 256 792	9,90%
Swedbank Robur Fonder	750 000	5,91%
Avanza Pension	480 501	3,79%
Paolo Sarmientos	395 919	3,12%
Bengt Göran Westman	346 952	2,73%
Nordnet Pensionsförsäkring	316 498	2,49%
NYIP (Nyenburgh Investment Partners)	223 880	1,76%
Swedbank Försäkring	177 070	1,39%
Wilhelm Risberg	164 180	1,29%
Ten largest shareholders in total	**6 330 851**	**49,87%**
Other Swedish shareholders	**2 026 389**	**15,96%**
Other foreign shareholders	**4 337 631**	**34,17%**
Total outstanding shares	**12 694 871**	**100%**

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

Financial overview

The Group's result for the period April – June 2019

There have not been any sales (SEK 4,532 thousand for the same period in previous year) during the second quarter and therefore there was no cost of goods sold (-3,726). The reduced sales is a direct consequence of the geopolitical situation in Iran. The Company has, as communicated earlier, decided to temporarily stop all sales and deliveries of Spherotide to Iran and no sales is to be expected for the third quarter of 2019.

Other operating revenue amounted to SEK 1,794 thousand (722) and refers to license revenue from non-core business as well as exchange rate gains on receivables and payables.

Selling and distribution expenses amounted to SEK -150 thousand (-432) and the decrease is due to the reduced sales during the quarter. Administrative expenses amounted to SEK -7,790 thousand (-4,730). The increase is explained by the expansion of the administration function due to growing business as well as cost associated with the planned main market listing.

Research and development expenses amounted to SEK -37,842 thousand (-27,965) of which SEK -35,272 thousand (-24,805) concerns biosimilars and then primarily Xlucane while SEK -2,570 thousand (-3,160) concerns the long-acting injectable Spherotide. The research and development expenses can significantly fluctuate between the quarters depending on the processes that are currently ongoing. The increase in cost during the quarter is mainly due to cost of initiating the Xplore study. Other operating expenses amounting to SEK 0 thousand (-115), primarily comprised of exchange rate losses on receivables and payables.

The number of employees increased during the second quarter from 35 to 36.

The Group's operating result amounted to SEK -43,987 thousand (-31,714).

Net financial items amounted to SEK -412 thousand (-279) and consist of financial expenses, primarily interest from the credit facility as well as from leases.

Loss before tax amounted to SEK -44,399 thousand (-31,993). During the quarter, there was no taxable result and therefore no income tax which is the same for the comparative period.

Loss for the period amounted to SEK -44,399 thousand (-31,993).

The Group's cash flow for the period April – June 2019

Cash flows from operating activities amounted to SEK -17,768 thousand (-17,303). The change in operating receivables and liabilities amounted to SEK 10,199 thousand (5,172) and SEK 17,843 thousand (8,891) respectively. The change of operating receivable and payables can vary significantly from quarter to quarter, as a result of the re-invoicing to STADA in relation to the development expenses for Xlucane as well as expenses for the clinical trial.

Cash flow from investing activities amounted to SEK -451 thousand (-662) and consisted of investments in property, plant and equipment.

Cash flow from financing operations amounted to SEK 142,176 thousand (18,110) and refers to the rights issue in the first capital raise of SEK 59 million which was initiated during the first quarter and finalized during the second quarter, as well as the directed share issue in the second capital raise, which was completed in the second quarter of 2019 and amounted to SEK 147 million before transaction costs amounting to SEK -18 million (-). The credit facility from Serendipity Group amounting to SEK -45,000 thousand was converted in full to shares at the completed share rights issues under the second quarter of 2019. Thereby the credit facility from Serendipity Group was repaid in full.

Finally, there is a leasing cost of SEK -909 thousand (-139).

The Group's result for the period January – June 2019

There have not been any sales (SEK 13,148 thousand for the same period in previous year) during the first six months and therefore there was no cost of goods sold (-10,322). The reduced sales are a direct consequence of the geopolitical situation in Iran. The Company has, as communicated earlier, decided to temporarily stop all sales and deliveries of Spherotide to Iran and no sales is to be expected for the third quarter of 2019.

Other operating revenue amounted to SEK 2,995 thousand (14,396) and refers to license revenue from non-core business as well as exchange rate gains on receivables and payables. A milestone payment for the out-licensing of Spherotide to the Chinese market of SEK 13,137 thousand is included in the 2018 comparative period.

Selling and distribution expenses amounted to SEK -382 thousand (-871) and the decrease is due to the reduced sales during the quarter. Administrative expenses amounted to SEK -11,117 thousand (-7,682) and the increase is explained by the expansion of the administration function due to the growing business as well as cost associated with the planned main market listing.

Research and development expenses amounted to SEK -64,365 thousand (-48,225) of which

SEK -58,354 thousand (-42,355) is linked to Xlucane and SEK -6,011 thousand (-5,870) refers to Spherotide. The research and development expenses can significantly fluctuate depending on the processes that are currently ongoing. The increase in cost during the first six months is mainly due to cost of initiating the Xplore study.

Other operating expenses amounted to SEK -4,051 thousand (-553), primarily comprised of exchange rate losses on receivables and payables.

The number of employees increased during the first six months from 28 to 36.

The Groups operating result amounted to SEK -76,919 thousand (-40,109).

Net financial items amounted to SEK -793 thousand (-800) and consist of financial expenses, primarily interest from the credit facility that has been repaid in full, as well as leases.

Loss before tax amounted to SEK -77,712 thousand (-40,909). During the first six months, there was no taxable result and therefore no income tax which is the same for the comparative period.

Loss for the period amounted to SEK -77,712 thousand (-40,909).

The Group's cash flow for the period January – June 2019

Cash flows from operating activities amounted to SEK -70,968 thousand (-26,218). The change in operating receivables and liabilities amounted to SEK -29,766 thousand (360) and SEK 36,552 thousand (12,127) respectively. The change of operating receivable and payables can vary significantly as a result of the re-invoicing to STADA in relation to the development expenses for Xlucane as well as expenses for the clinical trial.

Cash flow from investing activities amounted to SEK -808 thousand (-683) and consisted of investments in property, plant and equipment.

Cash flow from financing operations amounted to SEK 141,834 thousand (37,975) and refers to the preferential rights issue in the first capital raise of SEK 59 million which was initiated in the first quarter and completed in the second quarter, as well as the directed share issue in the second capital raise, which was completed in the second quarter of 2019 and amounted to SEK 147 million (2,549) excluding transaction costs amounting to SEK -18 million (-). The credit facility from Serendipity Group amounting to SEK -45,000 thousand was converted in full to shares at the finalized share rights issues under the second quarter of 2019. Thereby was the credit facility from Serendipity Group repaid in full.

Finally, there is a leasing cost of SEK -1,191 thousand (-255).

The Group's financial position and going concern

Consolidated cash and cash equivalents at the end of the quarter amounted to SEK 171,410 thousand (19,255). There were no loans or credit facility at the end of the second quarter but a leasing debt amounting to SEK 6,045 thousand (680). The former credit facility from Serendipity Group was settled in full through conversion to shares at the share rights issues that was conducted under the second quarter of 2019.

At the end of the first six months, two capital raises had been conducted, the first amounted to SEK 59 million before transactions cost and the second amounted to SEK 238 million before transaction costs. At the end of the second quarter 2019, the preferential rights issue, which was part of the second capital raise, was still ongoing. At the end of the second quarter, the remaining part of SEK 91 million was received, before transactions costs, which was a part of the total SEK 238 million. This also explains the increase in cash compared to the previous period.

The total contribution of cash from the directed share issue and the preferential rights issue from the second capital raise amounted to SEK 178 million after transaction costs as well as conversion of credit facility from Serendipity Group into shares. This, in combination with the existing cash position, fully funds Xbrane's part in the ongoing phase III-study with Xlucane, Xplore, other ongoing development activities for Xlucane and further development of the Company's pre-clinical biosimilars until the end of Q3 2020. To bridge the financing of the Company from Q4 2020 until 2022 when positive cashflow from Xlucane is expected. Xbrane works intensively to establish commercial partnerships and thereby generate further income. Furthermore, there are continuous discussions with several investors whom have been positive towards providing a potential bridge financing solution.

The equity ratio amounted to 63 percent (44).

Inventory

The inventory amounted to SEK 9,995 thousand (4,185) and the increase is explained by the temporary stopped sales of Spherotide to Iran, which is described on the previous page.

Other receivables

Other receivables amounted to SEK 91,279 thousand (-) and the increase refers to the ongoing preferential rights issue which was completed after the end of the second quarter.

Prepaid expenses and accrued income

Prepaid expenses and accrued income amounted to SEK 79,251 thousand (1,239). The increase is mainly attributed to the purchase of the originator drug and the ongoing phase III study, Xplore, which will be used throughout the course of the study, as well as an advance to the CRO (Contract Research Organization) in relation to the clinical trial.

Changes in equity
The changes in equity refer primarily to the two completed share issues and related transactions costs. The two completed share issue increased the equity by SEK 188,095 thousand, after deduction of transactions costs. The ongoing rights issue was by the end of the period classified as unregistered share capital and amounts to SEK 91 million before transaction costs.

Non-current interest-bearing debt
Non-current interest-bearing debt amounted to SEK 12,320 thousand (35,902). Thereby the credit facility from Serendipity has been repaid in full by converting the credit facility into shares at the conducted rights issues during the quarter. The remaining amount is a leasing debt and provision for employees in the subsidiary Primm Pharma.

Accounts payable
Accounts payable amounted to SEK 36,467 thousand (14,304) and the increase refers primarily to the increased cost for the development of Xlucane and the ongoing Xplore study.

Accrued expenses and prepaid income
Accrued expenses and prepaid income amounted to SEK 115,171 thousand (16,286) and consisted mainly of prepayment from STADA and accrued expenses related primarily to the Xplore trial.

Parent company
The core business at Xbrane, which is the development of biosimilars, is operated by the parent company. As the parent company constitutes the major part of the Group, further presentation in text format by the parent company's result, financial position, going concern and cash flow is deemed unnecessary. Therefore, the parent company is only presented in reporting format on the pages 18-20.

Risks and uncertainties
Risks and uncertainties are described in the Annual Report of 2018 which is available on the Company's website. The Annual Report 2018 describes the risks involving sanctions against Iran that could lead to aggravated opportunities to sell goods and receive payments from Iran. Due to the difficult geopolitical situation, Xbrane has decided to temporarily stop all sales and deliveries of Spherotide to Iran.

Except from what is mentioned above, there have not been any new factors or changes in the assumptions during the quarter which could have a significant impact on risks and uncertainties from the Annual Report 2018.

Share Information
Xbrane's share capital at the end of the year amounted to SEK 2,847 thousand (1,419) divided among 12,694,871 shares (6,329,239). The par value of all shares is SEK 0.224, and all the shares have equal rights to the Company's assets and earnings. Since February 3, 2016, Xbrane's share has been listed on Nasdaq First North and Xbrane had approximately 2,900 shareholders as per the balance sheet date. The closing price for the share on the balance sheet date was SEK 35.4 generating a market capitalization of SEK 449 million.

Capital raise
During the second quarter of 2019, a second capital raise for the year was initiated, consisting of a directed share issue and a preferential rights issue. Vator Securities acted as financial advisor and Baker McKenzie acted as legal advisor to the Company in both issues described below.

Directed share issue
At the end of the second quarter, a directed share issue was concluded, with mandate from the Extra General Meeting in June 2019. The directed share issue amounted to SEK 147 million before transaction costs.

The subscription price was SEK 33,5 per share which corresponds to a discount of 10 percent compared to the closing price for the Xbrane share at the 29th of May 2019 at Nasdaq First North. The transaction costs amounted to SEK 7,7 million and includes costs for guarantors, financial and legal advisors, marketing as well as administration.

Serendipity Group converted approximately SEK 37,000 thousand of their credit facility towards Xbrane to shares. Thereby the credit facility was repaid in full. At the end of the second quarter, there was no further debt to Serendipity Group.

Through the directed share issue, Xbrane´s share capital increased by approximately SEK 984 thousand to SEK 2,846 thousand. The number of shares increased by 4,387,745 and the total number of shares after the registration of the preferential rights issue amounted to 12,694,871.

Preferential rights issue
At the end of the second quarter, a preferential rights issue was initiated, with mandate from the Extra General Meeting in June 2019. The completion and registration of the shares was made after the end of the second quarter of 2019.

The preferential right issue amounted to SEK 91 million before transaction costs. The subscription rate was SEK 33,5 per share which corresponds to a discount of 10 percent compared to the closing price for the Xbrane share at the 29th of May 2019 at Nasdaq First North. The transaction costs amounted to SEK 15,976 thousand and includes costs for warranties, financial and legal advisors, marketing as well as administration.

Through the preferential rights issue, Xbrane's share capital increased by approximately SEK 610 thousand to SEK 3,456 thousand. The number of shares increased by 2,720,328 and the total number of shares after the registration of the preferential rights issue amounted to 15,415,199 which was registered after the closing of the second quarter of 2019.

Organization and employees

Xbrane is headquartered in Solna, outside of Stockholm, Sweden, where the Company also has a laboratory for research and development of biosimilars. Xbrane has one wholly-owned subsidiary, Primm Pharma, located in Milan, Italy. By the end of the period the Company had 36 employees.

Annual General Meeting

The Annual General Meeting was held on May 16, 2019.

Certified adviser

Xbrane's Certified Adviser at Nasdaq First North is Avanza Bank AB, with the following contact information:
Email: ca@avanza.se, Phone: +46 8 409 421 20

Auditor's review

This interim report for the second quarter has been subject to review by the Company's auditor.

Consolidated statement of profit or loss

Amounts in SEK thousand	Note	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Revenues	2	-	4,532	-	13,148	20,485
Cost of goods sold		-	-3,726	-	-10,322	-15,907
Gross profit		**-**	**806**	**-**	**2,826**	**4,578**
Other income	2	1,794	722	2,995	14,396	99,742
Selling and distribution expenses		-150	-432	-382	-871	-933
Administrative expenses		-7,790	-4,730	-11,117	-7,682	-23,347
Research and development expenses		-37,842	-27,965	-64,365	-48,225	-85,827
Other expenses		-0	-115	-4,051	-553	-5,629
Operating profit	2	**-43,987**	**-31,714**	**-76,919**	**-40,109**	**-11,415**
Finance income		-	-	51	-	44
Finance costs		-412	-279	-844	-800	-1,744
Net finance costs	2	**-412**	**-279**	**-793**	**-800**	**-1,700**
Profit before tax		**-44,399**	**-31,993**	**-77,712**	**-40,909**	**-13,115**
Income tax expense		-	-	-	-	-121
Profit for the period		**-44,399**	**-31,993**	**-77,712**	**-40,909**	**-13,236**
Profit attributable to:						
Owners of the Company		-44,399	-31,993	-77,712	-40,909	**-13,236**
Non-controlling interest		-	-	-	-	-
Total comprehensive income for the period		**-44,399**	**-31,993**	**-77,712**	**-40,909**	**-13,236**
Earnings per share						
- Basic earnings per share (SEK)		-5.28	-5.13	-9.24	-6.56	-2.13
- Diluted earnings per share (SEK)		-5.28	-5.13	-9.24	-6.56	-2.13
Number of outstanding shares at the end of the reporting period						
- Basic earnings per share		12,694,871	6,329,239	12,694,871	6,329,239	6,329,239
- Diluted earnings per share		12,694,871	6,329,239	12,694,871	6,329,239	6,329,239
Average number of outstanding shares						
- Basic earnings per share		8,413,054	6,235,098	8,413,054	6,235,098	6,213,927
- Diluted earnings per share		8,413,054	6,235,098	8,413,054	6,235,098	6,213,927

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Profit for the period	-44,399	-31,993	-77,712	-40,909	-13,236
Other comprehensive income					
Items that have been transferred and can be transferred to profit for the period					
Reclassification of foreign currency translation differences	1,144	1,071	2,433	5,084	3,686
Comprehensive income for the period	**1,144**	**1,071**	**2,433**	**5,084**	**3,686**
Total comprehensive profit attributable to:					
- Owners of the Company	-43,255	-30,922	-75,279	-35,825	-9,551
- Non-controlling interest	-	-	-	-	-
Total comprehensive income for the period	**-43,255**	**-30,922**	**-75,279**	**-35,825**	**-9,551**

Consolidated statement of financial position

Amounts in SEK thousand	2019-06-30	2018-06-30	2018-12-31
ASSETS			
Goodwill	61,485	60,689	59,838
Intangible assets	5,522	6,258	5,773
Property, plant and equipment	21,502	17,983	16,744
Trade and other receivables	9,081	635	8,871
Non-current assets	**97,591**	**85,565**	**91,226**
Inventories	9,955	4,185	5,525
Currents tax assets	4,486	8,274	10,427
Trade and other receivables	1,218	8,022	10,489
Other receivables	91,279	-	5
Prepaid expenses and accrued income	79,251	1,239	34,240
Cash and cash equivalents	171,410	19,255	100,972
Current assets	**357,598**	**40,975**	**161,659**
TOTAL ASSETS	**455,189**	**126,540**	**252,885**
EQUITY			
Share capital	2,847	1,419	1,419
Non- registered equity	91,131	-	-
Share premium	371,348	182,806	184,007
Reserves	7,981	6,946	5,548
Retained earnings	-185,615	-135,576	-107,903
Equity attributable to owners of the Company	**287,692**	**55,595**	**83,070**
Non-controlling interests	-	-	-
TOTAL EQUITY	**287,692**	**55,595**	**83,070**
LIABILITES			
Non-current interest-bearing liabilities	-	35,902	12
Leasing	3,660	-	29
Non-current non-interest-bearing liabilities	4,223	-	4,118
Provisions	4,436	3,953	4,275
Non-current liabilities	**12,320**	**39,855**	**8,434**
Current interest-bearing liabilities	85	-	45,139
Trade and other payables	36,467	14,304	30,908
Current tax liabilities	127	-	123
Other current liabilities	942	499	820
Leasing	2,385	-	422
Deferred income/revenue	115,171	16,286	83,970
Current liabilities	**155,177**	**31,090**	**161,382**
TOTAL LIABILITIES	**167,497**	**70,945**	**169,816**
TOTAL EQUITY AND LIABILITIES	**455,189**	**126,540**	**252,885**

Consolidated statement of cash flows

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Cash flow from operating activities					
Profit for the period before tax	-44,399	-31,992	-77,712	-40,909	-13,115
Adjustments for items not included in cash flow	-475	1,428	4,179	3,121	4,953
Paid income taxes	-	-	-	-	-
	-44,874	**-30,564**	**-73,533**	**-37,788**	**-8,162**
Increase (-)/Decrease (+) of inventories	-936	-802	-4,221	-917	-2,280
Increase (-)/Decrease (+) of trade and other receivables	10,199	5,172	-29,766	360	-46,360
Increase (-)/Decrease (+) of trade and other payables	17,843	8,891	36,552	12,127	103,509
Cash flow from current operations	**-17,768**	**-17,303**	**-70,968**	**-26,218**	**46,707**
Cash flow from investing activities					
Acquisition of property, plant and equipment	-451	-662	-808	-683	-1,598
Cash flow from investing activities	**-451**	**-662**	**-808**	**-683**	**-1,598**
Cash flow from financing activities					
New share issue	161,326	2,549	161,326	2,549	2,549
Transaction expense	-18,206	-1	-18,231	-1	-12
Warrants issue	-	701	-	701	701
Loan and borrowings	-	15,000	-	35,000	45,000
Amortization of loan	-35	-	-70	-19	-131
Amortization of lease liability	-909	-139	-1,191	-255	-377
Cash flow from financing activities	**142,176**	**18,110**	**141,834**	**37,975**	**47,730**
Cash flows for the period	123,957	145	70,058	11,075	92,839
Cash and cash equivalents at beginning of period	44,317	18,930	100,972	7,903	7,903
Exchange rate differences in cash and cash equivalents	3,136	180	380	277	230
Cash and cash equivalents at end of period	**171,410**	**19,255**	**171,410**	**19,255**	**100,972**

Consolidated statement of changes in equity

Amounts in SEK thousand	Share capital	Non-registered capital	Share premium	Translation reserve	Retained earnings	Total	Total equity
Balance at 1 January 2019	**1,419**	**-**	**184,007**	**5,548**	**-107,903**	**83,070**	**83,070**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-77,712	-77,712	-77,712
Other comprehensive income for the period	-	-	-	2,433	-	2,433	2,433
Comprehensive income for the year	**-**	**-**	**-**	**2,433**	**-77,712**	**-75,279**	**-75,279**
Transactions with group shareholder							
New share issue	1,427	91,131	186,668	-	-	279,226	279,226
- Non- registered shares		610	-	-	-	610	610
- Unregistered rights issue	-	90,521	-	-	-	90,521	90,521
- New share issue	1,427		204,899			206,326	206,326
- Transaction expenses	-	-	-18,231	-	-	-18,231	-18,231
Share savings program	-	-	674	-	-	674	674
Total contributions from and distributions to share-holders	1,427	91,131	187,342	-	-	279,901	279,901
Balance at 30 June 2019	**2,847**	**91,131**	**371,348**	**7,981**	**-185,615**	**287,692**	**287,692**

Amounts in SEK thousand	Share capital	Share premium	Translation reserve	Retained earnings	Total	Total equity
Balance at 1 January 2018	**1,335**	**179,874**	**1,862**	**-94,667**	**88,405**	**88,405**
Total comprehensive income for the period						
Profit for the period	-	-	-	-40,909	-40,909	-40,909
Other comprehensive income for the period	-	-	5,084	-	5,084	5,084
Comprehensive income for the year	**-**	**-**	**5,084**	**-40,909**	**-35,825**	**-35,825**
Transactions with group shareholder						
New share issue	9	2,540	-	-	2,549	2,549
- Issue of ordinary shares	9	2,540	-	-	2,549	2,549
- Transaction expenses	-	-	-	-	-	-
Conversion of debentures	74	-74			-	-
Warrants issue	-	701	-	-	701	701
Share savings program	-	-235	-	-	-235	-235
Total contributions from and distributions to shareholders	83	2,932	-	-	3,015	3,015
Balance at 30 June 2018	**1,419**	**182,806**	**6,946**	**-135,576**	**55,595**	**55,595**

Consolidated statement of changes in equity, cont.

Amounts in SEK thousand	Share capital	Share premium	Translation reserve	Retained earnings	Total	Total equity
Balance at 1 January 2018	**1,335**	**179,874**	**1,862**	**-94,667**	**88,405**	**88,405**
Total comprehensive income for the period						
Profit for the period	-	-	-	-13,236	-13,236	-13,236
Other comprehensive income for the period	-	-	3,686	-	3,686	3,686
Comprehensive income for the year	**-**	**-**	**3,686**	**-13,236**	**-9,551**	**-9,551**
Transactions with group shareholder						
New share issue	9	2,528	-	-	2,537	2,537
- Issue of ordinary shares	9	2,540	-	-	2,549	2,549
- Transaction expenses	-	-12	-	-	-12	-12
Conversion of debentures	74	-74	-	-	-	-
Warrants issue	-	701	-	-	701	701
Share savings program	-	978	-	-	978	978
Total contributions from and distributions to shareholders	83	4,132	-	-	4,216	4,216
Balance at 31 December 2018	**1,419**	**184,007**	**5,548**	**-107,903**	**83,070**	**83,070**

Income statement, Parent company

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Revenues	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit	-	**-**	**-**	**-**	-
Other income	1,360	670	2,199	14,351	97,149
Selling expenses	-	-	-	-	-
Administrative expenses	-6,493	-3,818	-8,688	-5,909	-19,074
Research and development expenses	-35,272	-24,805	-58,354	-42,355	-75,257
Other expenses	-	-184	-4,025	-13,665	-18,192
Operating profit	**-40,405**	**-28,137**	**-68,868**	**-47,578**	**-15,375**
Financial items					
Financial income	-	-	-	-	-
Financial expenses	-356	-259	-770	-763	-1,690
Net finance costs	**-356**	**-259**	**-770**	**-763**	**-1,690**
Profit before tax	**-40,762**	**-28,396**	**-69,638**	**-48,341**	**-17,065**
Income tax expense	-	-	-	-	-
Profit for the period	**-40,762**	**-28,396**	**-69,638**	**-48,341**	**-17,065**

Parent company statement of comprehensive income

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Profit for the period	-40,762	-28,396	-69,638	-48,341	-17,065
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-40,762**	**-28,396**	**-69,638**	**-48,341**	**-17,065**

Balance Sheet, Parent company

Amounts in SEK thousand	2019-06-30	2018-06-30	2018-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	4,454	5,834	5,014
Financial non-current assets			
Shares in group companies	100,783	100,783	100,783
Other non-current receivables	9,081	635	8,871
Total financial non-current assets	109,864	101,418	109,654
Total Non-current assets	**114,318**	**107,252**	**114,667**
Current receivables			
Trade and other receivables	-	56	196
Receivables from group company	107	-	-
Subscribed unpaid capital	91,131	-	-
Other receivables	1,194	1,012	1,018
Prepayments	79,215	1,109	33,596
Total current receivables	**171,647**	**2,177**	**34,810**
Cash and bank	167,429	16,744	100,380
Total current assets	**339,076**	**18,921**	**135,190**
TOTAL ASSETS	**453,394**	**126,173**	**249,857**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	2,847	1,419	1,419
Non-registered equity	91,131	-	-
Unrestricted equity			
Share premium	372,034	183,492	184,693
Retained earnings	-94,688	-77,623	-77,623
Profit for the period	-69,638	-48,341	-17,065
Total equity	**301,686**	**58,947**	**91,424**
Non-current liabilities			
Non-current interest bearing liabilities	-	35,000	-
Non-current non-interest-bearing liabilities	4,223	-	4,118
Total non-current liabilities	**4,223**	**35,000**	**4,118**
Current liabilities			
Current interest-bearing liabilities	-	-	45,000
Liabilities to subsidiaries	-	10,000	3,042
Trade and other payables	35,808	7,561	23,709
Other current liabilities	824	336	630
Deferred income/revenue	**110,854**	14,329	**81,934**
Total current liabilities	**147,486**	**32,226**	**154,316**
TOTAL LIABILITIES	**151,709**	**67,226**	**158,434**
TOTAL LIABILITIES AND EQUITY	**453,394**	**126,173**	**249,857**

Cash flow statement, Parent company

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Cash flows from operating activities					
Earnings before income and tax	**-40,754**	-28,396	-69,638	-48,341	-17,065
Adjustments for items not included in cash flow	-2,003	817	2,101	1,267	6,927
Paid income taxes	-	-	-	-	-
	-42,757	**-27,579**	**-67,537**	**-47,074**	**-10,138**
Increase (-)/Decrease (+) of trade and other receivables	9,870	148	-45,924	3,093	-38,319
Increase (-)/Decrease (+) of trade and other payables	17,351	-2,045	40,619	12,532	99,962
Cash flow from current operations	**-15,536**	**-29,476**	**-72,842**	**-31,452**	**51,505**
Investing activities					
Investments in subsidiaries	-	-	-	-6,691	-6,691
Acquisition of property, plant and equipment	-297	-15	-370	-15	-110
Cash flow from investing activities	**-297**	**-15**	**-370**	**-6,706**	**-6,801**
Financing activities					
New share issue	161,326	2,549	161,326	2,549	2,549
Transaction expense	-18,206	-1	-18,231	-1	-12
Warrants issue	-	701	-	701	701
Loans raised	-	25,000	-	45,000	55,000
Amortization	-	-	-3,042	-	-6,958
Cash flow from financing activities	**143,120**	**28,249**	**140,053**	**48,249**	**51,280**
Cash flow for the period	127,288	-1,242	66,840	10,095	95,984
Cash and cash equivalents at beginning of period	36,887	17,950	100,380	6,483	6,483
Effect of movements in exchange rates on cash held	3,255	36	209	167	-2,087
Cash and cash equivalents at end of period	**167,429**	**16,744**	**167,429**	**16,744**	**100,380**

Notes

Note 1 Accounting principles
This interim financial reporting has been prepared in accordance with IAS 34, Interim Financial Reporting, as well as applicable regulations from the annual accounts act. The interim report for the Parent company has been prepared according to the Annual accounts act, chapter 9, Interim Report. For the Group and the Parent company the same accounting principles and calculation bases as the previous annual report have been used, with the exception from the below described changed accounting principles. Information according to IAS 34.16A are presented, except for within the financial reports and the associated notes, in other parts or the interim report as well.

The Group adopted IFRS 16 Leasing contracts from the first of January 2019. The Parent company are not applying IFRS 16 according to the exception rules within the RFR 2. Description of IFRS 16 and the effects from the transition to the standard are presented in brief below.

IFRS 16 Leasing agreements
IFRS 16 Leasing agreements replaced the previous IAS 17 Leasing agreements and IFRIC 4 determining whether an arrangement contains a Lease and related agreements. The standard is mandatory from 1 January 2019. The new standard requires that all contracts which fulfil the definition of a leasing agreement, except contracts of less than 12 months duration and those with low values, as an asset and liability in the financial statements. The accounting according to IFRS 16 are based upon the approach that the lessee has the right to use the assets under a specific time period and simultaneously have an obligation to pay for the rights. The assets and liabilities are accounted for as a discounted present value of the future leasing payments. The cost regarding the leased assets consist of amortization of the assets and interest cost towards the leasing liability. Contracts that earlier have been classified as operating leases will thereby be accounted for in the balance sheet with the effect that the current operating costs, leasing cost for the period, will be replaced with amortization of the right-to-use asset and interest expense in the income statement.

Transitional method
The implementation of IFRS 16 at Xbrane has been made by using the simplified transitional method, which means that the prior periods have not been restated.

Transition effects
As an operational lessee, the effect relates primarily to office premises and car rental contracts with the effect that total assets, operating profit and financial costs increases as well as the related cash flows move from the operational activities to financing activities. The opening effect on the Group's balance sheet as of 1 January 2019 is estimated to SEK 4,495 thousand, consisting of a leasing asset as well as a leasing liability, within the balance sheet. The equity has not been affected.

At the closing date for the second quarter 2019 the total leasing asset amounted to SEK 7,654 thousand as well as a leasing liability. Which also includes a lease previously reported as a finance lease at the subsidiary.

The effect on the Groups income statement during the second quarter of 2019 amounted to SEK 118 thousand and SEK -54 thousand for interest cost and depreciation respectively. The effect on the first six months of 2019 amounted to SEK 168 thousand and SEK -81 thousand for interest cost and depreciation respectively.The average marginal interest rate of 3 percent has been used as a discounting rate when calculating the transitional effects. For the Groups alternative KPI, there were no significant effects after the implementation of IFRS 16.

Effect from IFRS 16 SEK thousand	2019 Q2 (IFRS 16)	Effect from IFRS 16	2019 Q2 (IAS 17)
Operating result	-43,987	54	-44,041
Net finance cost	-412	-118	-294
Loss for the period	-44,399	-63	-44,336

Effect from IFRS 16 SEK thousand	2019 Q1-Q2 (IFRS 16)	Effect from IFRS 16	2019 Q1-Q2 (IAS 17)
Operating result	-76,919	81	-77,000
Net finance cost	-793	-168	-625
Loss for the period	-77,712	-87	-77,625

Note 2 Segment reporting

Report of revenue, operating profit and profit before tax per segment

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Revenues per segment					
Biosimilars	-	-	-	-	77,860
Long-acting injectable drugs	505	4,169	857	26,319	36,023
Unallocated revenue	1,289	1,085	2,138	1,225	6,344
Total revenue	**1,794**	**5,254**	**2,995**	**27,544**	**120,227**
Operating profit of loss per segment					
Biosimilars	-35,272	-24,160	-58,354	-41,669	3,497
Long-acting injectable drugs	-2,151	-2,778	-5,235	9,071	-27,462
Administration and unallocated profit	-6,564	-4,775	-13,330	-7,511	12,550
Operating profit or loss	**-43,987**	**-31,713**	**-76,919**	**-40,109**	**-11,415**
Net finance costs					
Biosimilars	-	-	-	-	-
Long-acting injectable drugs	-77	-12	-77	-26	-
Administration and unallocated profit	-335	-267	-716	-774	-1,700
Total	**-412**	**-279**	**-793**	**-800**	**-1700**
Profit before tax	**-44,400**	**-31,992**	**-77,712**	**-40,909**	**-13,115**
Depreciation					
Biosimilars	799	439	1,479	878	1,788
Long-acting injectable drugs	928	771	1,839	1,337	3,482
Administration and unallocated profit	120	50	225	98	66
Total	**1,847**	**1,260**	**3,544**	**2,312**	**5,336**

Note 3 Distribution of Income

Amounts in SEK thousand	Q2 2019			
Income per region	Biosimilars	Long-acting injectable drugs	Unallocated/ administration	**Group**
Middle East	-	-	-	**-**
Asia	-	-	-	**-**
Europe	-	505	1,289	**1,794**
US	-	-	-	**-**
Total	**-**	**505**	**1,289**	**1,794**
Income per category				
Pharmaceuticals	-	-	-	**-**
Milestone payments from partners	-	-	-	**-**
Services and other	-	505	1,289[1]	**1,794**
Total	**-**	**505**	**1,289**	**1,794**

1) Out of which unallocated/administration amounts to SEK 190 thousand in exchange rate gains.

Amounts in SEK thousand	Q2 2018			
Income per region	Biosimilars	Long-acting injectable drugs	Unallocated/ administration	**Group**
Middle East	-	4,169	-	**4,169**
Asia	-	-	-	**-**
Europe	-	-	1,085	**1,085**
US	-	-	-	**-**
Total	**-**	**4,169**	**1,085**	**5,254**
Income per category				
Pharmaceuticals	-	4,169	-	**4,169**
Milestone payments from partners	-	-	-	**-**
Services and other	-	-	1,085[1]	**1,085**
Total	**-**	**4,169**	**1,085**	**5,254**

1) Out of which unallocated/administration amounts to SEK 113 thousand in exchange rate gains.

Note 3 Distribution of Income, cont.

Amounts in SEK thousand	Q1-Q2 2019			
Income per region	Biosimilars	Long-acting injectable drugs	Unallocated/ administration	**Group**
Middle East	-	302	-	**302**
Asia	-	-	-	**-**
Europe	-	555	2,092	**2,647**
US	-	-	46	**46**
Total	**-**	**857**	**2,138**	**2,995**
Income per category				
Pharmaceuticals	-	302	-	**302**
Milestone payments from partners	-	-	-	**-**
Services and other	-	555	2,138[1]	**2,693**
Total	**-**	**857**	**2,138**	**2,995**

1) Out of which unallocated/administration amounts to SEK 424 thousand in exchange rate gains.

	Q1-Q2 2018			
Income per region	Biosimilars	Long-acting injectable drugs	Unallocated/ administration	**Group**
Middle East	-	12,785	-	**12,785**
Asia	-	13,137	-	**13,137**
Europe	-	397	1,085	**1,482**
US	-	-	140	**140**
Total	**-**	**26,319**	**1,225**	**27,544**
Income per category				
Pharmaceuticals	-	12,785	-	**12,785**
Milestone payments from partners	-	13,137	-	**13,137**
Services and other	-	397	1,225[1]	**1,622**
Total	**-**	**26,319**	**1,225**	**27,544**

1) Out of which unallocated/administration amounts to SEK 207 thousand in exchange rate gains.

Note 3 Distribution of Income, cont.

Amounts in SEK thousand	Q1-Q4 2018			
Income per region	Biosimilars	Long-acting injectable drugs	Unallocated/ administration	**Group**
Middle East	-	20,485	-	**20,485**
Asia	-	13,076	-	**13,076**
Europe	77,860	2,463	5,918	**86,241**
US	-	-	425	**425**
Total	**77,860**	**36,024**	**6,344**	**120,227**
Income per category				
Pharmaceuticals	-	20,485	-	**20,485**
Milestone payments from partners	77,325	13,076	-	**90,401**
Services and other	535	2,463	6,344[1]	**9,341**
Total	**77,860**	**36,024**	**6,344**	**120,227**

1) Out of which unallocated/administration amounts to SEK 3,460 thousand in exchange rate gains.

Note 4 Transactions with related parties

During the second quarter, a targeted share issue was conducted (see page 10) at market conditions. The following transactions with closely related parties took place:

- Serendipity Group converted approximately SEK 37 million of the issued loan to 1,104,163 shares. Thereby the loan was repaid in full. Serendipity subscribed for additional 164,550 shares, beyond the shares that were converted.
- STADA Arzneimittel AG subscribed for 1,256,792 shares.

After the targeted share issue described above, the preferential share rights issue (see page 10) was initiated and several closely related parties participated and subscribed for shares at market conditions. The following transactions with closely related persons parties took place:

- Serendipity Group participated and subscribed for 201,465 shares.
- The following persons from the Board of directors and Group Management participated in the issue and subscribed shares: Anders Tullgren (24,789 shares), Maris Hartmanis (2,139 shares), Peter Edman (2,247 shares), Karin Wingstrand (3,612 shares), Martin Åmark (23,502 shares), Siavash Bashiri (1,845 shares), Susanna Helgesen (2,136 shares) and David Vikström (2,026 shares).

The shares were registered and distributed to the above mentioned persons and company after the end of the second quarter. The loan from Serendipity Group was also converted into shares after the end of the quarter

Note 5 Financial instruments

The reported value of accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities represent a reasonable approximation of fair value.

Certification

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

Stockholm, 23 August 2019

Anders Tullgren **Chairman of the Board**	Ivan Cohen-Tanugi **Board member**
Peter Edman **Board member**	Eva Nilsagård **Board member**
Karin Wingstrand **Board member**	Maris Hartmanis **Board member**
Giorgio Chirivì **Board member**	Martin Åmark **CEO**

Review report

To the Board of Directors of Xbrane Biopharma AB (publ)
Corp. id. 556749-2375

Introduction
We have reviewed the condensed interim financial information (interim report) of Xbrane Biopharma AB (publ) as of 30 June 2019 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act .

Stockholm 23 August 2019

KPMG AB

Duane Swanson
Authorized Public Accountant

Alternative performance measures

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

Gross margin
Gross margin is calculated as gross result divided by revenues. Gross result is calculated as revenues minus cost of goods sold.

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Gross result	-	806	-	2,826	4,578
Divided by revenues	-	4,532	-	13,148	20,485
Gross margin	-	18%	-	21%	22%

EBITDA
Shows the business's earning ability from current operations without regard to capital structure and tax situation and is intended to facilitate comparisons with other companies in the same industry.

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Operating profit or loss	-43,987	-31,714	-76,919	-40,109	-11,415
Depreciation and amortization	-1,847	-1,260	-3,544	-2,312	-5,336
EBITDA	-42,140	-30,454	-73,376	-37,797	-6,079

Research and development expenses as a percentage of operating expenses
Research and development expenses as a percentage of operating expenses show how much of the operating expenses that relates to research and development. This is calculated by dividing research and development expenses with total operating expenses excluding depreciation and amortization. Total operating expenses comprise of selling and distribution expenses, administrative expenses, research and development expenses and other operating expenses.

Amounts in SEK thousand	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	2018 Q1-Q4
Research and development expenses	-37,843	-27,965	-64,366	-48,225	-85,827
Divided by total operating expenses minus depreciation and amortization	-44,522	-31,982	-76,371	-55,019	-110,400
Research and development expenses as a percentage of operating expenses	85%	87%	84%	88%	78%

Equity ratio
Equity ratio is the proportion of assets funded by equity to show the company's long-term ability to pay, ie equity through total assets.

Amounts in SEK thousand	2019-06-30	2018-06-30	2018-12-31
Total equity	287,573	55,595	83,070
Divided by total assets	455,189	126,540	252,885
Equity ratio	63%	44%	33%

For further information
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Financial calendar

Interim report July-September 2019	15 November, 2019
Year-end report 2019	28 February, 2020
Annual report 2019	23 April, 2020
Interim report January-March 2020	12 May, 2020
Annual General Meeting 2020	14 May, 2020