Annual Report 2019

BRANE BIOPHARMA

Science for high quality biosimilars

Financial calendar

Interim report January-March	May 13, 2020
Annual General Meeting	May 14, 2020
Interim report April-June	August 21, 2020
Interim report July-September	November 13, 2020
Year-end report	February 28, 2021

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About Xbrane Biopharma

Xbrane Biopharma AB develops biological drugs based on a patented platform technology that provides significantly lower production costs compared to competing systems. Xbrane's leading product candidate Xlucane is a biosimilar on the original drug Lucentis®, a VEGFa inhibitor used in the treatment of a number of severe eye diseases. A global pivotal phase III study is ongoing for Xlucane and launch of the product is expected mid-2022. Xbrane's head office is in Solna, just outside Stockholm. Xbrane is listed on Nasdaq Stockholm under the ticker XBRANE.

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

Xbrane Biopharma AB (publ)
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This report is a translation of the original version in Swedish.

The year in brief

SEK 300 M

In 2019, the Company raised approximately SEK 300 M (incl. conversion of loan) in purpose to finance research and development of its biosimilar portfolio.

3 300

The number of shareholders increased by 22 percent during the year and amounted to approximately 3,300 on the balance sheet date.

78 %

Research and development expenses constituted 78 percent of total operating expenses.

Financial summary for the Group

Amounts in SEK thousands	2019	2018
Revenue	-	20 485
Research and development expenses (R&D)	-115 713	-85 827
R&D expenses as a percentage of operating expenses	78%	78%
EBITDA	-140 487	-6 079
Operating result	-164 620	-11 415
Profit or loss for the period	-166 037	-13 236
Cash and cash equivalents	164 197	100 972
Equity ratio %	54%	33%
Number of shares at the end of the period before dilution	15 415 199	6 329 239
Number of shares at the end of the period after dilution	15 415 199	6 329 239
Average number of shares before dilution	11 190 591	6 213 927
Average number of shares after dilution	11 190 591	6 213 927
Earnings per share basic (SEK)	-14.84	-2.13
Earnings per share diluted (SEK)	-14.84	-2.13

Q1

» Approval was obtained from the FDA and other local authorities for the initiation of the pivotal Phase III study with Xlucane under the name Xplore.

»The success of Xlucane in 2019 has further strengthened our position in the biosimilar market and enabled us to expand our pre-clinical portfolio and build a world-leading hub of expertise for biosimilar development in Sweden. We are in a strong position ready for continued expansion and I look forward to the development we have ahead of us in 2020.«

Siavash Bashiri, Head of Biosimilars

Q2

» The Company carried out two new share issues that brought in a total of SEK 207 M (including conversion of loans) before transaction costs.
» Sales targets were announced for Xlucane to reach EUR 350 M annual three years after product launch. This is expected to generate approximately EUR 100 M in annual license revenue for Xbrane according with profit sharing agreement with STADA.
» Recruitment and treatment of the first patient in the pivotal Phase III study, Xplore.
» At the 2019 AGM, Ivan Cohen-Tanugi and Eva Nilsagård were elected to the Board. Saeid Esmaeilzadeh and Alessandro Sidoli declined re-election.
» A mammalian cell-based technological platform was established and this increased the speed of the development of our first product candidate biosimilar on Opdivo®.
» The strategic cooperation regarding the development of biosimilars with STADA was extended. The companies will evaluate potential collaboration on Xbrane's pre-clinical biosimilars to Cimzia®, Opdivo®, as well as potential additional biological drugs.

»In 2019, Xbrane raised around SEK 300 M and added a number of institutions to its list of owners. The listing on Nasdaq Stockholm was an important milestone as it primarily enables continued investment from Swedish and international institutional investors.«

Susanna Helgesen, CFO

Q3

» The Company carried out a new share issue raising a total of SEK 91 M for the Company before transaction costs.
» Xbrane transferred trading of its shares from Nasdaq First North Growth Market to Nasdaq Stockholm, where the shares were admitted for trading on September 23, 2019.

»Progress in recent years with Xlucane has enabled greater research and development resources for our technological platform. We can see clear improvements in both productivity and quality for our latest biosimilar candidates. With these promising results, we have been able to apply for another seven patents to strengthen our IP portfolio around our platform technology.«

David Viklström, CTO

Q4

» Continued development of the portfolio of preclinical biosimilars, in particular biosimilars to Cimzia® and Opdivo®.

»In 2019, Xbrane initiated its first pivotal Phase III study, Xplore, which was an important milestone. In 2020, the recruitment of patients is expected to be completed and form the basis of the application for market approval during the first half of 2021.«

Dina Jurman, Head of Clinical Affairs

Xbrane – our history

2008 – 2015

Xbrane is founded

The Company realigns its operations from having been a service company with a protein production system to developing its own biosimilars using this system. This results in the founding of the "Biosimilars" segment, with Xlucane as the leading product candidate.

Development and commercialisation of protein production system and launch of the OptiXpress service with some of the world's largest pharmaceuticals companies as customers.

Changes name from Xbrane BioScience to Xbrane Biopharma

2016

Xbrane acquires Primm Pharma s.r.l.

The Company's shares are listed on the Nasdaq First North and the Company raises SEK 100 million in a share issue.

Inauguration of a new laboratory for biosimilar development in Solna.


Raising SEK 91 million in a preferential share issue before transaction costs.
Received credit facility of SEK 50 million from Serendipity Group.
FDA approval to initiate the Xplore trial (phase III) for Xlucane.
Reports positive biosimilarity data for Xlucane.
Signs co-development agreement with STADA for Xlucane.
First patient recruited to the Xplore trial.
2017
2018
2019
Proceeds of SEK 20 million from a targeted share issue.
Serendipity Group becomes the largest shareholder in Xbrane after Serendipity Ixora's distribution of shares.
Product portfolio updated to focus more on biosimilars.
Raising SEK 147 million in a directed share issue.
Change of trading venue from Nasdaq First North Growth Market to Nasdaq Stockholm.
Xbrane
Xlucane

CEO letter

Dear shareholder,
2019 was an extremely positive and eventful year for Xbrane Biopharma and the biosimilar market. The continued market growth is a good indication of the potential reception for our leading biosimilar candidate Xlucane when it is launched in 2022:

» Biosimilars in Europe are taking increasing market share. For example, biosimilars of infliximab, rituximab and etanercept have taken between 83-95 percent of the market of the original drugs in volume terms in the five largest EU countries[1].
» We are starting to see positive signs from the US. For example, biosimilars of pegfilgrastim have achieved up to 25 percent market share in volume terms just over one year after launch[2].
» The EMA and the FDA approved five and ten new biosimilars, respectively, in 2019 and adopted new guidelines to facilitate biosimilar developments, such as those applying to interchangeability in the US[3,4].

Strong growth in the market for VEGFa inhibitors
The direct market that Xlucane is addressing - the market for VEGF inhibitors for ophthalmic use - continues to grow strongly with 10 percent growth in 2019 and sales of SEK 109 billion[5,6,7]. This gives us confidence in our previously communicated target of being able to generate annual sales of Xlucane of at least EUR 350 M, which is expected to result in EUR 100 M annually in license revenue from Xlucane three years after launch.

Xlucane Xplore Phase III study continues recruiting despite COVID-19 pandemic
Xbrane has decided to keep Xplore open for new patient recruitment and to continue the treatment of patients already included in the study despite the COVID-19 pandemic. We see a desire in many patients to continue and, despite prevailing circumstances, to begin treatment with VEGFa inhibitors, as the alternative is severely impaired vision and, at worst, blindness. Following the study protocol in Xplore does not lead to significantly more visits to the eye clinic than to treatment outside a clinical study, which leads to a continued good willingness to participate. We support clinics in taking action in accordance with recommendations from local authorities to ensure the safety of patients and clinics' staff during the study process.

Xlucane on track for market authorization before Lucentis® loss of exclusivity in EU in July 2022
By the end of March 2020, 355 of the planned 580 patients had been recruited to Xplore. Due to the COVID-19 pandemic the recruitment rate has decreased from previously 60-80 patients per month. The situation is still changing quickly and it is difficult to predict the impact in the coming months. In agreement with the EMA and the FDA, Xbrane will submit the market authorization application for Xlucane in Europe and the US, based on six months' treatment data from Xplore. Provided the last patient is recruited into Xplore before the end of third quarter 2020, we will still be able to apply for and obtain marketing authorization for Xlucane in time before Lucentis® loss of exclusivity in the EU in July 2022.

Preparations for commercialization of Xlucane
In parallel with the completion of the development of Xlucane, STADA is preparing for the launch of the product in Europe. This includes establishing the brandname, detailed market research and strengthening the sales team. Work is underway to find a partner for the sales and marketing of Xlucane in North America. After few significant deals during the end of 2019 where, among others, Biogen licensed Samsung Bioepis biosimilars to Lucentis® and Eylea® for USD 310 million in license fees, Xlucane is now the only available Lucentis® biosimilar for North America. Clarification of the game plan is advantageous for completing a partnership.

Strengthening our technological platform
We are continuing to develop our IP portfolio around our platform technology. In recent months, we have filed seven patent applications that cover new innovative aspects of our platform technology, further increasing our competitive advantage in terms of low production costs of recombinant proteins in both *E.coli* and mammalian cells. With our recently established IP department, we expect to submit more patent applications in 2020 with the aim of building a strong IP portfolio around our platform technology.

Continued development of the pre-clinical portfolio
We made important progress in 2019 with our portfolio of pre-clinical biosimilars, in particular our biosimilar candidates to Cimzia® (Xcimzane) and Opdivo® (Xdivane). We are very enthusiastic about both of these programs. Xcimzane is the only known biosimilar in development

Sources:
1) IQVIA
2) IQVIA
3) European Medical Agency (EMA)
4) Food and Drug Administration (FDA)
5) Novartis Year-end report 2019
6) Roche Year-end report 2019
7) Regeneron Year-end report 2019

»Provided last patient is recruited into Xplore is finalized before the end of third quarter 2020, we will still be able to apply for and obtain marketing authorization for Xlucane in time before Lucentis® loss of exclusivity in the EU in July 2022.«

to Cimzia® - a niche TNF inhibitor for the treatment of rheumatoid arthritis, psoriasis and Crohn's disease, with annual sales of SEK 18 billion in 2019 and annual growth of 18 percent. Xdivane is one of the front-runner biosimilars to Opdivo®, a leading revolutionary immunooncology product with annual sales of SEK 68 billion and annual growth of 7 percent.

Sustainability work initiated
We started the sustainability work at Xbrane in 2019. Xbrane's business idea is to develop cost-effective biosimilars of often expensive and difficult-to-manufacture original medicines, thereby making these treatments available to more patients and saving significant healthcare costs. This is also the basis of our sustainability work, and what we will in future monitor and measure to see the positive impact we have on society. Xbrane also strives to be a reliable, professional actor towards investors and partners, and to be a responsible actor in society and an attractive employer.

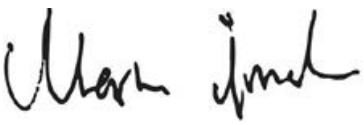
Capital market activities
By raising capital raising in 2019, we broadened the ownership sphere with institutional investors such as Swedbank Robur Medica and our partner STADA. Since September 2019, the Company's shares have been traded on Nasdaq Stockholm. We are actively meeting investors globally who are interested in joining and building the Company with us. In recent months we met with a large number of investors at JP Morgan's Healthcare conference in San Francisco, Jefferies Healthcare conference in London and various Vator Securities investor events in Tel Aviv, Vienna and Zurich.

Important milestones over the next 12 months
Xbrane has many important milestones to deliver in the coming 12-month period, mainly:
- Together with STADA, conclude agreements with partners for sales and marketing of Xlucane in, primarily, North America, Latin America and Japan
- Finalize recruitment and report top-line data from Xplore
- Submit market authorization applications in Europe and the US.

In addition, we have ambitions to establish further partnerships mainly involving Xcimzane and Xdivane and further develop our platform technology and its IP protection.

Finally, I would like to extend a huge thank you to our employees who have made it possible for us to take these important steps in our development. We are all feeling extremely enthusiastic towards our development of Xbrane to become a world-leading biosimilar developer with a unique patented platform technology, and with the ambition of developing future cost-effective biosimilars that will benefit the world's patients.

Thank you for your support.



Martin Åmark
CEO

Business idea and objectives

Xbrane develops and manufactures biosimilars of difficult-to-manufacture and often very expensive originator medicines. Xbrane uses unique platform technology and in-depth knowledge to manufacture biosimilars where few other developers are successful. The patented production technology delivers a significant cost benefit, enabling Xbrane to offer its biosimilar products at a lower cost than the originator drug. For patients who do not have access to the originator drug for cost reasons, Xbrane's lower pricing can be crucial in terms of whether the patient can be offered a treatment. Our business is based on our belief that if a treatment exists, it should be available to everyone.

Vision

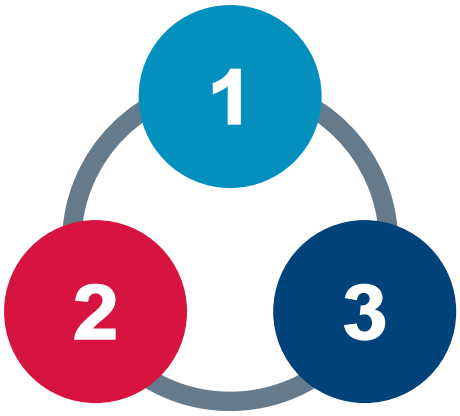
To become a leading science based biosimilar developer of cost-effective drugs with significant unmet medical need.

Mission

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

Strategy

Xbrane's strategy is to develop and manufacture high quality and cost-effective biosimilars based on a unique technology platform and leading expertise. Xbrane is focused on difficult-to-manufacture and niche pharmaceutical products with limited competition from other biosimilar developers. Based on its technology platform, Xbrane will have a significant competitive advantage in relation to originator drugs and other biosimilar companies by having the lowest production cost within each market.



Xbrane's strategy is built on three cornerstones

1. Leading expertise and unique technology platforms

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

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

2. High quality and cost-effective biosimilars

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

3. Establish networks of locally strong sales and distribution partners

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

Portfolio of product candidates

Xlucane

Xlucane is a ranibizumab biosimilar (originator drug Lucentis®) which is used in the treatment of age-related macular degeneration (AMD), diabetic macular edema (DME), diabetic retinopathy (DR) and retinal vein occlusion (RVO). The originator product generated annual sales during 2019 of SEK 37 billion[1, 2] and will lose its patent protection in July 2020 in the US and in July 2022 in Europe.

Xbrane has completed the development of the production process for Xlucane on a commercial scale and has been able to demonstrate a high level of similarity compared with the originator drug Lucentis® on the basis of a panel of over 30 analytical methods in accordance with guidelines from the EMA (European Medicines Agency) and the FDA.

Xlucane has also demonstrated tolerability and pharmacokinetic profile to Lucentis® in vivo, in a study with 16 rabbits. Xbrane has signed a co-development agreement with STADA on the development and commercialisation of Xlucane in Europe, the US and a number of markets in the Middle East and the Asia-Pacific region. Under the agreement, Xbrane and STADA will share equally (50/50) the future development costs for Xlucane as well as the earnings generated through sales. Xbrane is responsible for the development of the product until it achieves market authorization, while STADA is responsible for sales and marketing.

In April 2019, Xbrane initiated the pivotal phase III trial which will comprise 580 patients with wet age-related macular degeneration. The primary objective of the trial is to evaluate efficacy in terms of improved visual acuity with Xlucane compared with the originator drug Lucentis®.

Sources:
1) Novartis Year-end report 2019
2) Roche Year-end report 2019

Product portfolio

Product	Biosimilar to	Primary indication	Sales originator drug, 2019 (SEK billion)*	Patent expire date for originator drug	Phase of development
Xlucane	Ranibizumab (Lucentis®)	Wet age-related macular degeneration, diabetic related macular edema, and retinal vein occlusion.	37[1,2]	2022 (Europe) 2020 (US)	Phase III
Xcimzane	Certolizumab pegol (Cimzia®)	Rheumatoid arthritis, axial spondylarthrosis, psoriatic arthritis, psoriasis and Crohn disease.	18[3]	2024 (US) 2025** (Europe)	Pre-clinical phase
Xoncane	Pegaspargase (Oncaspar®)	Acute lymphocytic leukemia.	2 [4]	Expired	Pre-clinical phase
Xdivane	Nivolumab (Opdivo®)	Melanoma, lung cancer, renal cell carcinoma, head- and neck cancer, bladder and urinary tract cancer.	68[5]	2026-2031 Depending on country	Pre-clinical phase
Spherotide	Triptorelin (Decapeptyl®)	Prostate cancer, breast cancer, endometriosis, and myoma	4[6]	Expired	Pre-clinical phase

Sources:
1) Novartis Year-end report 2019
2) Roche Year-end report 2019
3) UCB Year-end report 2019
4) EvaluatePharma 2018
5) BMS Year-end report 2019
6) IQVIA 2018

* If sales figures for the full year 2019 are not available, sales figures for 2018 have been used.
** Includes six months patent extension due to pediatric indication.

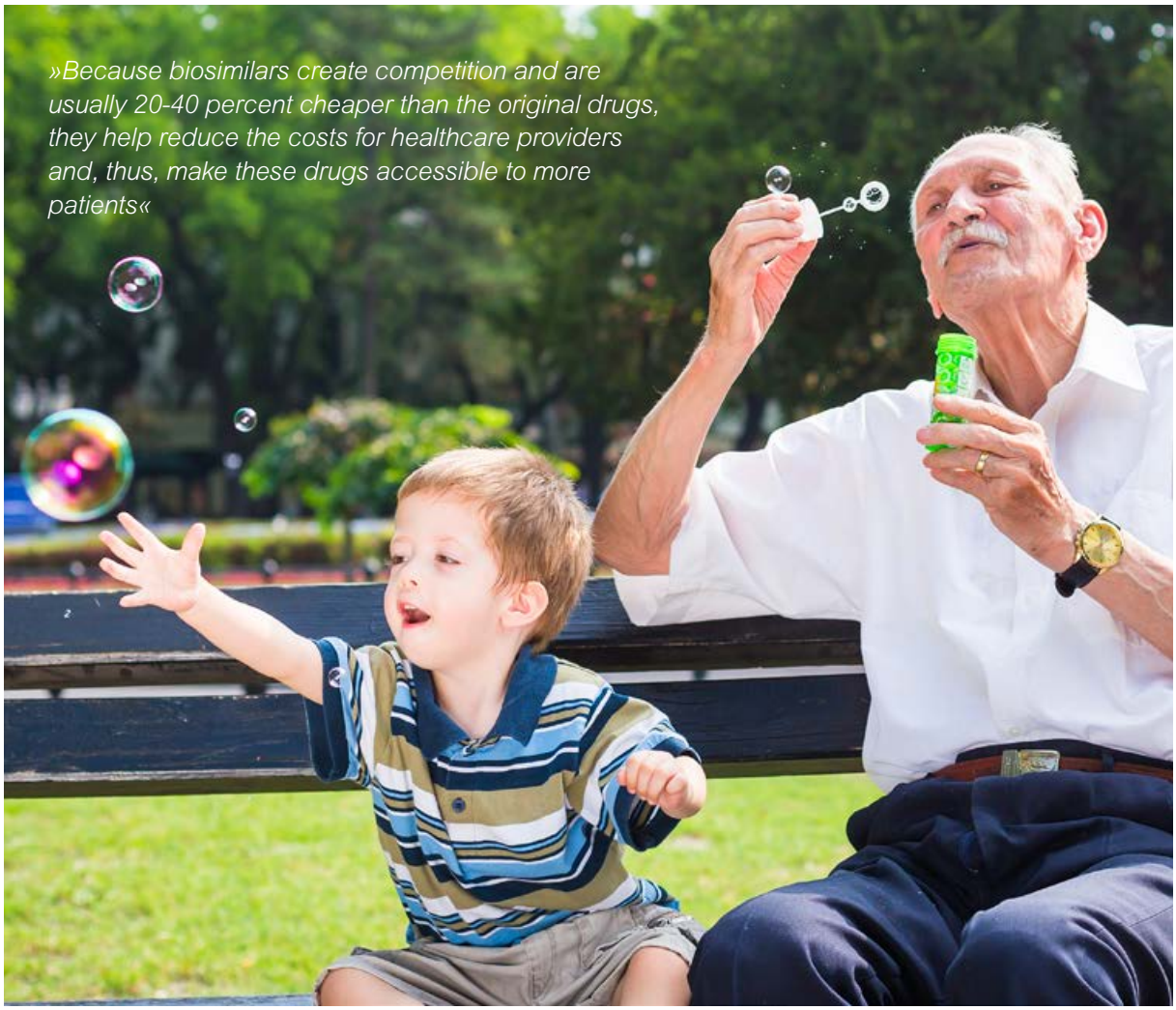
Market for biosimilars

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

The size and complexity of the proteins which constitute active pharmaceutical ingredients (APIs) in biological drugs is much higher compared with ordinary small molecules which are produced through chemical synthesis. A small molecule, such as Aspirin, has a weight of 180 Daltons compared with ranibizumab, the active pharmaceutical ingredient in Lucentis®, which has a mass of 48,000 Daltons.

What are Biosimilars?
Biosimilars are approved pharmaceuticals 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 the US via stringent regulatory pathways following loss of exclusivity of their originator reference products. Development of biosimilars requires deep expertise in protein expression, purification, analytics as well as clinical and regulatory aspects.

Why biosimilars?
As biosimilars create competition with the original manufacturers of biological drugs and are usually 20-40 percent cheaper than the original medicines, they help to reduce the costs for healthcare providers and thus make these drugs available to more patients.



Development and manufacturing of Biosimilars

Because of the size, the structural complexity, and the living cell systems they are derived from, the development and production of biosimilars demand a great deal of time, effort and expertise. The reverse engineering of these drugs is made even more difficult because of the natural variations which occur in these biological molecules. The essential principle in the development of any biosimilar drug is similarity with the established reference drug. To achieve this threshold, the producer of the biosimilar must ensure that the drug quality, safety and efficacy are comparable to the biological reference product. A small molecule can be characterized and compared in-vitro with the original molecule and shown to be an exact copy. This is not the case for proteins where different analytical methods have to be used to characterize the protein and demonstrate high a likeness, or biosimilarity, compared with the originator drug as possible. The time it takes to complete the development of a biosimilar is, on average, six to seven years. Because of the great challenges involved in developing and producing biosimilars, there are only a very limited number of companies in the world with the know-how and capabilities to develop and produce these new-generation drugs, particularly if it comes to meet the strict regulatory standards in Europe and in the US.

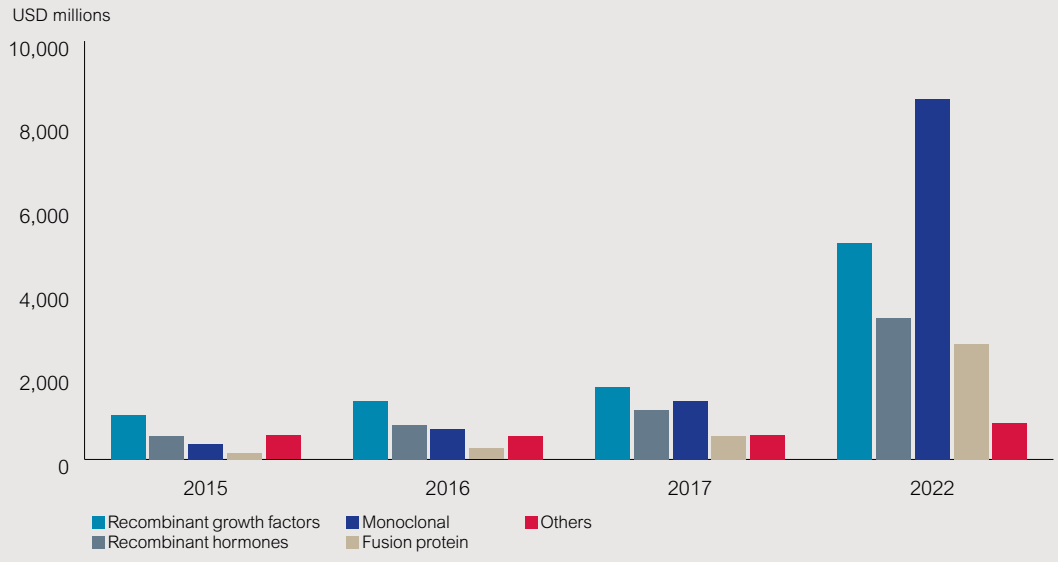
Regulatory approval of Biosimilars

While the EU began to lay out the regulatory approval process for biosimilars already in 2004/2005, the governing framework in the US has only been in place since late 2010. The first biosimilar was approved in the EU in 2006, whereas it took nine more years until the US approved the first biosimilar in 2015. Biosimilar drugs require a far greater investment of time and effort to gain regulatory approval than conventional generic drugs. To attain regulatory approval, the producer of the biosimilar must demonstrate similar quality, safety and efficacy, of the biosimilar and the original biopharmaceutical. This is proven by intensive analytical testing and clinical studies.

The market for Biosimilars

While biological drugs are remarkably effective at treating serious diseases, they are at the same time often very costly, posing a financial burden for the healthcare systems even of wealthy developed countries. Because biosimilars provide competition and are typically 20-40 percent less expensive than the original drugs, they help to reduce the costs to healthcare providers and thus to make these drugs available to more patients. We estimate that, up until 2022, biological drugs with combined annual revenue of some EUR 100 billion will lose their patent protection[1]. The global market for biosimilar drugs is estimated to grow by 30 percent[1] the coming years.

Global Market for Biosimilars, by Type, 2015 – 2022 (USD Millions)[1]



Source:
1) Biosimilars: Global Markets, April 2018, BCC Research

Market for Xlucane

Lucentis®, with the active pharmaceutical ingredient ranibizumab, is used to treat wet age-related macular degeneration and other eye diseases such as diabetic retinopathy, diabetic macular edema, myopic choroidal neovascularisation and macular edema following retinal vein occlusion. These diseases affect the macula which is the central area of the retina, responsible for central, high-resolution, colour vision. The degeneration of the macula results in a gradual loss of the central vision. The most common cause of macular degeneration is old age and thus, it is known as age-related macular degeneration. It is, next to cataracts, the second most common cause of loss of eyesight in the elderly over 70 and is one of the leading causes of blindness. There are two different forms of age-related macular degeneration, dry and wet. The wet form results from abnormal blood vessel formation under the retina. These abnormal blood vessels may leak fluid or blood, which results in swelling, gradual loss of vision and vision distortion. If it is not treated in time, a scar develops under the macula, increasing the risk of the loss of the central vision.

The wet form of age-related macular degeneration and diabetes-related macular edema affect about 18 million individuals globally[1]. The Company estimates that about 2.0-2.5 million patients undergo treatment for these diseases with approved VEGF inhibitors for ophthalmological use in Europe and the US whilst the majority of individuals in the rest of the world go untreated. There is a high unmet medical need for these treatments not only in developing countries but also in Europe and in the US.

Treatments

The leading treatment for wet age-related macular degeneration is with VEGF inhibitors which are injected into the vitreous chamber where it binds to the growth factor, VEGF-a, and inhibits the growth of the abnormal blood vessels, thus preventing the loss of eyesight. The approved VEGF-a inhibitors used for the treatment of these eye diseases are Lucentis® and Eylea®. On average, patients are given 4-6 doses per year of Lucentis® and Eylea®[3] which cost about SEK 7,000 and SEK 16,000 per dose on average in Europe and in the US respectively[3]. VEGF inhibitors for the treatment eye diseases generated global sales of about SEK 109 billion in 2019[4,5,6], where about SEK 37 billion came from the sales of Lucentis® whilst SEK 72 billion came from Eylea®[6]. Apart from these, another drug, Avastin®, a VEGF-a inhibitor used for the treatment of certain cancers, is also used in some regions due to its cost advantage.

Assuming no volume growth in the market, Xbrane estimates a sales target of approximately SEK 3-3.5 billion for Xlucane three years after its launch, where about approximately SEK 1 billion would be generated as licence revenue to Xbrane according with profit-sharing agreemetnt with partners.

Facts:

Indications: Wet age-related macular degeneration (wet AMD), diabetic retinopathy (DR), diabetic macular edema (DME), myopic choroidal neovascularisation (mCNV), macular edema following retinal vein occlusion (RVO).

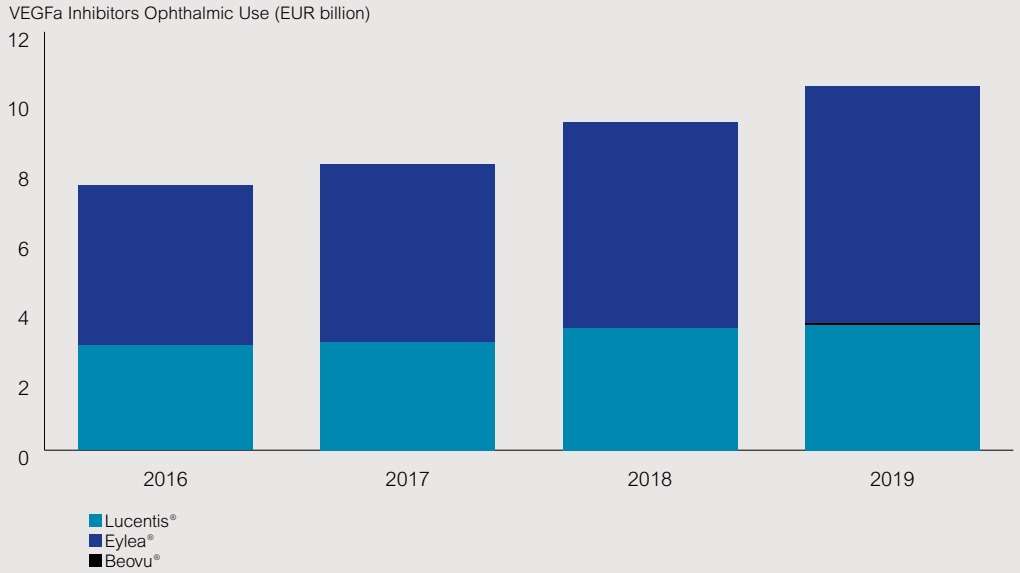
Prevalence: 18 million individuals (wet AMD, DME)[1]

Treated patients: 2.0 – 2.5 million patients[4,5,6]

Market 2019: SEK 109 billion[4,5,6]

Sources:
1) Epidemiology of age-related macular degeneration (AMD): associations with cardiovascular disease phenotypes and lipid factors Katie L. Pennington and Margaret M.DeAngelis. Antiangiogenic drugs in the management of ocular diseases: Focus on antivascular endothelial growth factor Yukio Sassa and Yasuaki Hata Epidemiology of diabetic retinopathy, diabetic macular edema and related vision loss Ryan Lee, Tien Y. Wong, and Charumathi Sabanayagam.
2) Annual report 2017, Svenska makularegistret.
3) IQVIA Interim report April-June 2019
4) Novartis Year-end report 2019
5) Roche Year-end report 2019
6) Regeneron Year-end report 2019

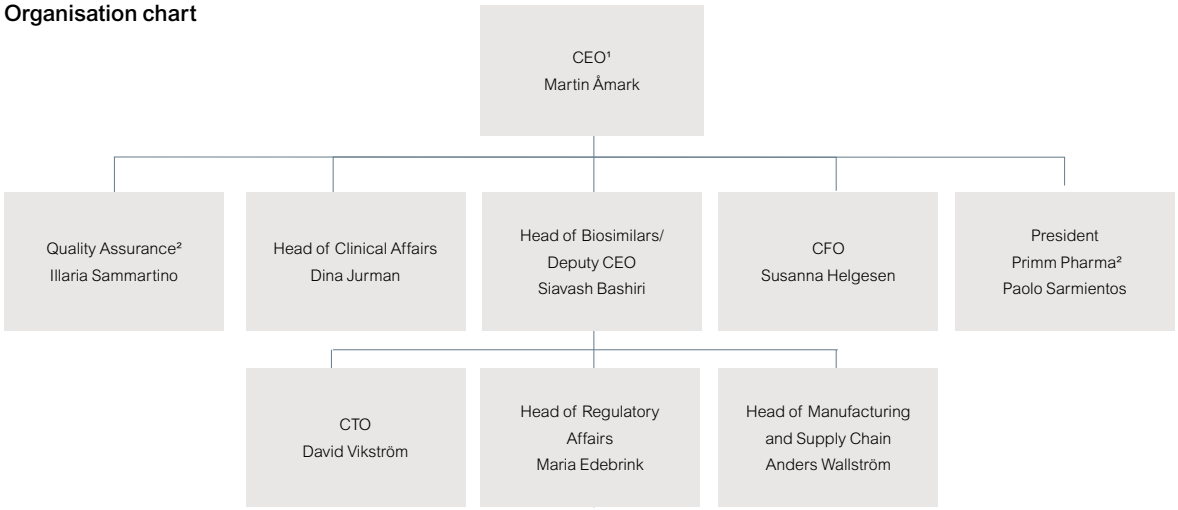
Xlucane adressing a EUR 10.4 billion market growing at 10 percent per year[1,2,3]



Sources:
1) Novartis Year-end report 2019
2) Roche Year-end report 2019
3) Regeneron Year-end report 2019

Organisation and employees

Organisation chart



Xbrane is a knowledge-intensive company and its employees constitute its most important asset and the key to the Company's success. As a growth company within biotech, Xbrane is characterised by innovation and entrepreneurship.

Xbrane had 38 employees on the balance sheet date. Xbrane has a diverse range of employees, with over 13 nationalities and languages, cultures and skills which extend over a large number of areas within research and development and production engineering.

Although Xbrane is a small company in terms of the number of employees, the Company has developed a structure where the skills that are critical to the Company are to be found among its employees. For other support functions, such as regulatory advice, contract manufacturing, etc., the Company has chosen to engage external consultants and collaborative partners, with the aim of securing access to additional expertise and in order to minimise costs and maintain the desired level of flexibility. Such an organisational structure enables resources to be allocated as needed and allows the right expertise to be brought in at the right time.

Just over half of the Group's employees were women in 2019.Women in Group Management accounted for 33 percent at the end of 2019, but with the recent changes in the management group that has been communicated, it has increased to 50 percent[3].

Xbrane's working method is results-oriented with annual group targets that the Group works towards. Individual targets are set in relation to the Group's overall targets and are reviewed annually. Setting clear targets for both the Company and employees establishes an environment where our employees feel that job satisfaction, engagement and personal development are a priority.

1) CEO is also IR since 2019.
2) Not a member of the management.
3) Since 21 February 2020, Maria Edebrink, Head of Regulatory Affairs and Anders Wallström, Head of Manufacturing and Supply Chain have been included in Group Management. Paolo Sarmientos, Head of long-acting injectable drugs, left the Group Management on the same date. As of May 1, 2020, Xiaoli Hu, Head of Business Development, is also included in Group Management. Then, without further changes, 50 percent of Group management will be women and 50 percent will be men.

3%

the Company´s employees own a total of three percent of Xbrane´s outstandig shares.

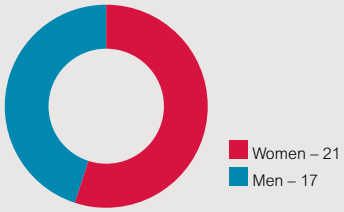
Every employee has a training plan, where the aim is continuing professional development to ensure that the Company has the expertise required for each task. All employees undergo a company-wide training programme. This programme includes a general orientation in the Company's operations and processes, rules and regulations, quality system and security-related issues.

Shareholding and share savings program

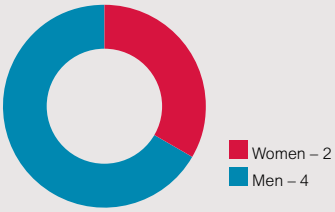
Almost 50 percent of employees participated in the Company's share savings programme, LTIP 2019, which was launched in 2019. Further information about the share savings program is available in the administration report as well as in Note 5.

A majority of the Company's employees owns shares in Xbrane and in total the Company's employees owned approximately three percent of the Company's outstanding shares on balance sheet date.

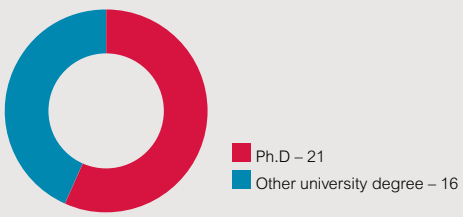
Gender distribution employees



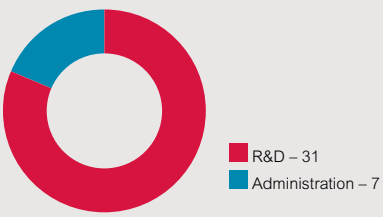
Gender distribution management[1]



Educational level



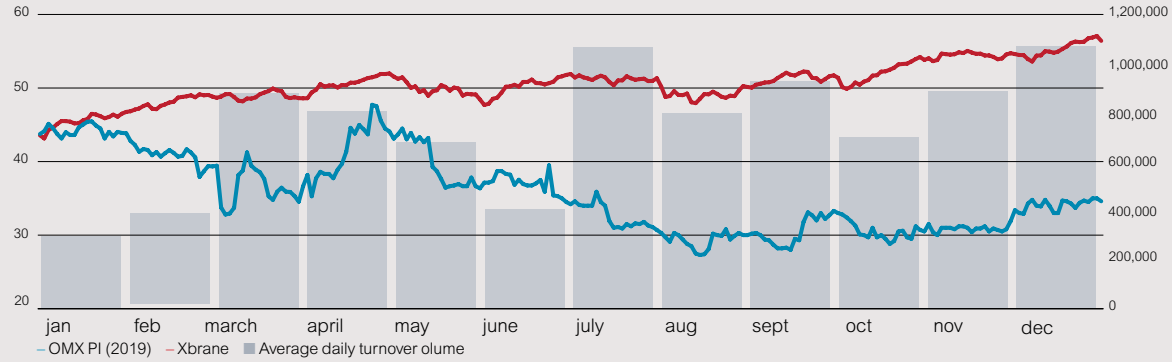
Personnel distribution



1) Since 21 February 2020, Maria Edebrink, Head of Regulatory Affairs and Anders Wallström, Head of Manufacturing and Supply Chain have been included in Group Management. Paolo Sarmientos, Head of long-acting injectable drugs, left the Group Management on the same date. As of May 1, 2020, Xiaoli Hu, Head of Business Development, is also included in Group Management. Then, without further changes, 50 percent of Group Management will be women and 50 percent will be men.

The share and ownership structure

Share price development



Average value of daily turnover for the Xbrane share on Nasdaq Stockholm and Nasdaq First North Growth Market in 2019 amounted to SEK 746 thousand (821). The average turnover volume per day amounted to 21,800 shares.

General information

The Xbrane share is since 23 September 2019 listed on Nasdaq Stockholm with the ticker XBRANE. Prior to that, Xbrane's share was listed on Nasdaq First North Growth Market since February 2016. Xbrane's market cap at year-end was SEK 533 million. The share price has decreased by 19 percent since being listed in February 2016. The highest closing price per share during 2019 was SEK 47,72 on April 23, 2019 and the lowest was SEK 28,00 on September 16, 2019.

According to Xbrane's articles of association, as of December 31, 2019, the share capital must constitute a minimum of SEK 1,335,000 and a maximum of SEK 5,340,000 distributed over a minimum of 5,950,000 shares and a maximum of 23,800,000 shares. The Company's shares have been issued in accordance with Swedish law and are nominated in SEK. The shares are fully paid and freely transferable. The Company's shares are registered in a CSD register in accordance with the Central Securities Depository and Financial Instruments Accounts Act (1998:1479). The register is kept by Euroclear Sweden AB. No share certificates have been issued for the Company's shares.

Share Capital

The total number of outstanding shares in Xbrane amounted to 15,415,199 by the end of the year. The Company only has one share class. Each ordinary share gives entitlement to one vote. The increase in number of shares and votes during 2019 is due to three new issue of total 8,164,226 shares. Share capital by the end of the year amounted to SEK 1,4 M, distributed over 15,415,199 shares with a quote value of about SEK 0.2242 per share.

Year	Event	Quote value	Change in numbers of shares	Total number of share	Change in share capital	Total share capital
2019	New share issue	0.2242	2,720,326	15,415,199	609,860	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	Decrease in share capital	-	-	11,052	-355,200	50,000
2013	Decrease in share capital	-	-	11,052	-700,000	405,200
2013	Company foundation	100	9,824	11,052	982,400	1,105,200

Shareholders

As of 31 December 2019, Xbrane had a total of approximately 3,300 shareholders. The number of outstanding shares amounted to 15,415,199. The ten largest shareholders at the end of the year are presented below[1].

Name	Number of shares	Capital, %
Serendipity Group AB	2,255,974	14.63%
STADA Arzneimittel AG	1,256,792	8.15%
Swedbank Robur Medica	1,009,693	6.55%
Avanza Pension Försäkringsaktiebolaget	988,478	6.41%
Bengt Göran Westman	763,070	4.95%
Nordnet Pensionsförsäkring AB	510,900	3.31%
Paolo Sarmientos	296,939	1.93%
Swedbank Försäkring AB	257,783	1.67%
Iraj Arastoupour	242,411	1.57%
Neyenburgh Holding B.V.	132,836	0.86%
10 largest shareholders in total	**7,714,876**	**50.05%**
Other Swedish shareholders	**6,672,485**	**43.29%**
Other foreign shareholders	**1,027,838**	**6.67%**
Total outstanding shares	**15,415,199**	**100.00%**

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

Dividend
The Board of Directors proposes that no dividend be paid for the financial year 2019.

Equity reseach analysts

Redeye	Jakob Svensson
Vator Securities	Felicia Rittemar

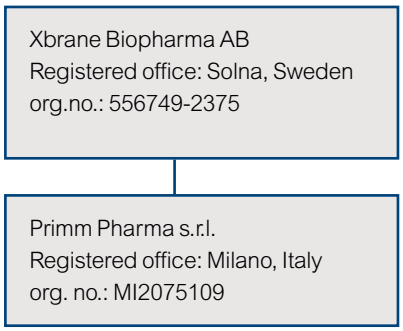
About the Xbrane share

Listing venue	Nasdaq Stockholm
Number of shares	15,415,199
Market cap year-end 2019	SEK 533 million
Ticker	XBRANE
ISIN code	SE0007789409

Investor relations contact
For further information about Xbrane, please visit xbrane.com or contact Martin Åmark, CEO/IR
+46 763 09 37 77

Administration report

The Board of Directors and Chief Executive Officer of Xbrane Biopharma AB (publ), company registration number 556749-2375, hereby present the Annual Report for the financial year 1 January 2019 to 31 December 2019.



Xbrane own 100 percent of Primm Pharma s.r.l..

Group structure
The Group's structure is illustrated in the diagram above, with details of each group company's name, registered office and company registration number.

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 for the global population based on unique technology platforms which enable cost-effective production. Xbrane has a patented protein production platform with up to 12 times[1] higher productivity compared with standard systems in *E.coli* production.

Xbrane's leading product candidate within the biosimilar segment is Xlucane. Xlucane is a ranibizumab biosimilar (originator drug Lucentis®) which is used in the treatment of various eye diseases, principally the wet form of age-related macular degeneration. Xbrane also has a pre-clinical product portfolio with a total of four products in development.

Significant events during the financial year
Xlucane
Initiation of clinical trial
At the beginning of the year, approval was obtained from the FDA in the US for the initiation of the Xlucane-based Phase III study. The study goes by the name of Xplore. In April 2019, the first patient was recruited and treated.

Regulatory process for marketing authorization
In parallel with the clinical study, preparatory regulatory work is underway prior to the submission of the application for marketing authorization. Xbrane will, as agreed with the EMA and FDA, submit the application for marketing authorization for Xlucane in Europe and the US, based on six months of treatment data from the study. As long as the last patient in to Xplore is recruited latest by end of third quarter 2020 and counting for a twelve month regulatory process, Xlucane is still on track towards approval ahead of Lucentis® patent expiration in EU July 2022.

Establishment of supply chain
During the year, Xbrane worked on completing all the steps in the commercial supply chain for Xlucane.

Market potential for Xlucane
Xbrane announced sales targets for Xlucane to reach SEK 3-3.5 billion in annual net sales three years after product launch. It is estimated this will generate approximately SEK 1 billion annually for Xbrane, after deducting cost of goods sold, sales-related costs and profit sharing with STADA.

Pre-clinical biosimilars
Continued development of the pre-clinical portfolio
In 2019, important steps forward were taken in the development of the pre-clinical portfolio of biosimilars, in particular the biosimilar candidates Xcimzane (original drug Cimzia®) and Xdivane (original drug Opdivo®).

Extended cooperation with STADA
Xbrane has expanded its strategic development partnership with STADA regarding the development of biosimilars. The companies will evaluate potential collaboration on Xbrane's pre-clinical biosimilars Xcimzane (original drug Cimzia®) and Xdivane (original drug Opdivo®) possibly in addition to further biosimilars.

Mammalian cell-based technological platform established
A mammalian cell-based technology platform has been successfully established and the development of Xdivane (original drug Opdivo®) is now speeding up. Xdivane is a PD-1 inhibitor, which will be the first product candidate to be developed on the platform.

Spherotide
Paused of sales to Iran
At the beginning of the year, a decision was made to pause all sales and deliveries of Spherotide to Iran due to the penalties obstructing payment flows from Iran. Iran was the only market where Spherotide was sold and thus all drug sales have ceased.

Source:
1) Wagner et.al. Escherichia coli for membrane protein overexpression.

Five year summary

Amounts in SEK thousands	2019	2018	2017	2016	2015
Revenue	-	20,485	20,771	-	-
Operating result	-164,620	-11,415	-44,718	-27,567	-10,348
Profit/loss for the period	-166,037	-13,236	-44,935	-27,769	-10,642
Total assets	338,940	252,885	110,960	124,694	76,394
Equity ratio %	54%	33%	80%	91%	-8%
Earnings per share	-14.84	-2.13	-8.28	-6.16	-4.78

Looking for a commercialization partner for Europe
In 2018, Spherotide's rights were outsourced to the Chinese market and in 2019 work continued to find a European commercialization and financing partner. At the time of the publication of this report, no out-licensing to a European player had taken place.

Italian contract manufacturer ICI
ICI S.p.A. and its parent company Finchimica S.p.A., which is Primm Pharma's contracted manufacturer for Spherotide, has had financial difficulties in recent years and in 2019 underwent corporate restructuring. Operational work was able to run well in 2019 despite this. At the beginning of 2020, Finchimica went bankrupt and ICI is in the process of restructuring. As a result, Primm Pharma is exploring various options for the future production of Spherotide.

The Group
Listing on Nasdaq Stockholm
The Company changed trading venue for its shares from Nasdaq First North Growth Market to Nasdaq Stockholm, where the shares were admitted for trading on September 23, 2019.

Significant events after the end of the financial year
Recruitment of patients for Xplore
In February 50 percent of the patients in the Xplore study had been recruited, which represents an important milestone.

Changes in Group management
To strengthen the management team for the upcoming commercialization of our biosimilars, Maria Edebrink, Head of Regulatory Affairs and Anders Wallström, Head of Manufacturing and Supply Chain have been added to Group management , both of whom have been employed since the beginning of 2019. In addition, Xiaoli Hu has been recruited as head of Business Development and will become part of the management team from May 1, 2020. As a result of Xbrane's strategic focus on biosimilars, Paolo Sarmientos, Head of long-acting injectable drugs, is no longer part of Group management.

Agreement terminated with the manufacturer of Spherotide
Due to Finchimica's bankruptcy and the restructuring of its subsidiary ICI, Primm Pharma has notified the resolution of the manufacturing contract for the production of Spherotide. Primm Pharma is taking appropriate steps to safeguard its interests in the future production of Spherotide. In relation to this, write-downs regarding inventory and production equipment for Spherotide amounting to SEK -16.8 M (-) have been made.

Upcoming changes to the Board
Board member Maris Hartmanis announced that he would not stand for re-election in 2020.

Significant events after the end of the financial year due to the COVID-19 pandemic
Xplore Phase III study
The management team has followed the development of the COVID-19 pandemic during 2020 and in the beginning of April, the Company announced the following:

- Xbrane continuously takes all the necessary steps to follow new guidance from local authorities with the patient's and the clinic's personnel safety as the first priority.
- Xplore remains open for recruitment of new patients and treatment for patients currently included in the study.
- The rapid development of the COVID-19 pandemic makes it challenging to predict future recruitment rate in this stage.
- Provided that the last patient is recruited at the latest by the end of the third quarter of 2020, Xlucane is still on path to market approval prior to the Lucentis® patent expiration in the EU July 20, 2022.

Capital requirement
Xbrane has a continued need for capital for the next 12 months. Given the impact the COVID-19 pandemic has had on the world's capital markets, there is a risk that Xbrane's options of attracting capital on favorable terms, or at all, could be adversely affected.

Long-term market outlook unaffected
Based on the available information at the time of the publication of this Annual Report, it is difficult to estimate how long the COVID-19 pandemic will affect the outside world. Xbrane estimates that the long-term market outlook for Xbrane's product candidates is essentially unchanged and therefore Xbrane expects to continue with its programs as planned given that funding is secured.

Impact on operational work
Since mid-March 2020, a large part of the Company's employees have been working from home. This has required that certain tasks and travels have had to be replanned and for the most part this has not had any material impact on the ongoing operations. It is still too early to comment on any delays that the Company may suffer in the long term as a result of potential delays from suppliers, partners and other stakeholders.

The Group's result
Revenue
No sales were made during the year (SEK 20.5 M last year). The lack of sales is a direct consequence of the geopolitical situation in Iran. As previously communicated, the Company has decided to temporarily suspend the sale and delivery of Spherotide to Iran.

Cost of goods sold
Cost of goods sold amounted to SEK -18.3 M (-15.9) and refers mainly to the write-downs regarding stock and production equipment for Spherotide.The write-down is a result of the bankruptcy of the parent company of the contract manufacturer, in whose facilities the equipment is located.

Other operating income
Other operating income amounted to SEK 6.4 M (99.7) and relates to exchange rate gains on receivables and liabilities as well as license income from non-core operations. During the comparison period, income affecting comparability was reported from the licensing of Spherotide of SEK 13.4 M and SEK 77.3 M for the signed cooperation agreement for Xlucane with STADA.

Operating expenses
Sales costs amounted to SEK -0.5 M (-0.9), the fall of which is directly attributable to the lack of sales. Administrative costs amounted to SEK -26.4 M (-23.3) and the increase is explained by a growing organization, as well as costs related to the listing on Nasdaq Stockholm.

Research and development costs amounted to SEK -115.7 M (-85.8), of which SEK -103.9 M (-74.2) concerns biosimilars and primarily Xlucane and SEK -11.8 M (-10.6) to the long-term injectable drug Spherotide. The increase in costs is mainly attributable to the ongoing Xplore study, the parallel regulatory work and establishment of manufacturing and supply chain. In addition, costs related to the pre-clinical portfolio of biosimilars of SEK -7.4 M (-0.4)* have been added.

Other operating expenses amounted to SEK -10.1 M (-5.6) primarily from exchange rate losses on receivables and liabilities as well as realized and unrealized losses on currency hedges.

Operating profit/loss
The operating loss was SEK 164.6 M (-11.4).

Net financial items
Net financial items amounted to SEK -1.4 M (-1.7) and relate to financial income of SEK 0.1 M (0.0) from interest income and financial expenses of SEK -1.5 M (-1.7), which primarily consist of interest expenses regarding the now fully repaid credit facility of SEK -0.7 M (-1.5), interest expenses for leasing agreements of SEK -0.4 M (0.0) and other interest expenses of SEK -0.3 M (-0.2).

Profit/loss before and after tax
The loss before tax was SEK 166.0 M (-13.1). During the period, no taxable income and no tax expenses arose (SEK -0.1 M in the same period last year).
The loss after tax was SEK 166.0 M (-13.2).

Other comprehensive income
Other comprehensive income for the year amounted to SEK 1.2 M (3.7) and refers to the translation difference of foreign operations.

Total comprehensive income for the year was SEK -164.9 M (-9.6).

The Group's cash flow for January – December 2019
The cash flow from operating activities amounted to SEK -148.6 M (46.7). Changes in inventories were SEK 0.0 M (-2.3) as the write-down of the entire stock of Spherotide does not affect the cash flow. Changes in operating receivables and operating liabilities were SEK -28.3 M (-46.4) and SEK 21.0 M (103.5), respectively. Changes in working capital can vary greatly between periods, primarily as a result of advance payments from STADA in relation to the development work for Xlucane and costs for the clinical study.

The cash flow from investment activities amounted to SEK -1.2 M (-1.6) and consisted of investments in property, plant and equipment.

The cash flow from financing activities amounted to SEK 216.0 M (47.7) and covers the two rights issues and the directed issue totaling SEK 252.5 M with additional transaction costs of SEK -33.4 M, of which guarantee commitments accounted for SEK -12.5 M. In addition, amortization of loans and leasing liabilities accounted for SEK -0.1 M (-0.1) and SEK -2.8 M (-0.4) respectively.

* Other biosimilars in addition to Xlucane were added as a sub-segment of biosimilars in 2019. Previously, costs have been marginal and separate accounts have not been considered relevant.

The Group's financial position and going concern
During the year, three issues were completed, which in total brought the Company SEK 219.0 M after transaction costs and loan conversions.

On the balance sheet date, cash and cash equivalents amounted to SEK 164.2 M (101.0).

In addition to the revenues that potential partnerships are expected to generate in the near future, Xbrane is expected to need additional capital to finance the next 12 months of operations. In addition, capital to finance the business up until 2022 will be required, when the Company is expected to generate revenue from Xlucane. The Company is assessing various financing options with their financial advisors and holding discussions with investors.

Intangible assets
Intangible assets amounted to SEK 5.1 M (5.8) and relate to capitalized development expenses. No development expenditures have been capitalized during 2019. Goodwill amounted to SEK 60.8 M (60.0), changes from the previous year are entirely due to exchange rate changes.

Tangible fixed assets
Tangible fixed assets on the balance sheet date amounted to SEK 7.0 M (16.7). New acquisitions during the year amounted to SEK 1.2 M (1.6), depreciation to SEK -3.9 M (-4.2), write-downs to SEK -5.1 M (-) and translation differences to SEK 0.1 M (0.4). Write-downs refers to a production facility for the subsidiary Primm Pharma. Since the production plant is located in the contract manufacturer's ICI premises and is run by its staff, write-downs have been made as a result of the bankruptcy proceedings of ICI's parent company.

Rights of use
Utility rights relate to leases and leasing of premises and laboratory equipment and amounted to SEK 9.2 M (-) on the balance sheet date. No comparative figures are missing as new accounting principles for leasing were implemented on 1 January 2019.

Long-term receivables
Long-term receivables amounted to SEK 9.0 M (8.9) and were largely made up of a prepayment to the CRO which conducts the clinical trial for Xlucane.

Inventory
Inventories, which consisted of Spherotide, have been written down in their entirety during the year and amount to SEK 0.0 M (5.5) as sales to Iran have paused as a result of the complicated geopolitical situation.

Accounts receivable
At the balance sheet date, there were no accounts receivable (SEK 10.5 M on the balance sheet date last year) as sales of Spherotide were paused during the year.

Other receivables
Other receivables amounted to SEK 5.9 M (0.0) and relate primarily to tax-related receivables.

Prepaid expenses and accrued income
Prepaid expenses and accrued income amounted to SEK 77.8 M (34.2), of which SEK 51.5 M (-) covers the purchase and packaging costs of reference drugs that will be used on an ongoing basis for the ongoing Phase III study, SEK 14.5 M (21.8) refers to the prepayment to the CRO which is conducting the clinical trial and the remaining SEK 11.8 M (12.4) refers to other prepaid expenses and accrued income.

Cash and cash equivalents
Cash and cash equivalents amounted to SEK 164.2 M (101.0) on the balance sheet date.

Equity
Equity on the balance sheet date amounted to SEK 184.3 M (83.1). During the year, a total of three issues were issued of shares that brought in SEK 252.5 M (2.5) before transaction costs.

Equity ratio
The equity ratio was 54 percent (33).

Long-term and short-term interest-bearing liabilities
On the balance sheet date, there were no long-term interest-bearing liabilities (SEK 0.0 M in the comparative period) but a smaller short-term interest-bearing liability of SEK 0.0 M (45.1). The former credit facility from the Serendipity Group, which constituted short-term interest-bearing loans, was fully settled by converting loans of SEK 45.0 M to shares from issues during the year.

Leasing liabilities
Long- and short-term interest-bearing leasing liabilities amounted to SEK 6.3 M (0.0) and SEK 3.1 M (0.4), respectively. Comparative figures are missing as new accounting principles for leasing were introduced on January 1, 2019.

Long-term non-interest-bearing liabilities
Long-term non-interest-bearing liabilities amounted to SEK 4.2 M (4.1) and refer to STADA's share of the long-term advance payment to CRO.

Accounts payable
Accounts payable amounted to SEK 21.1 M (30.9). The decrease from the previous year is mainly explained by fluctuations in payment flows for the clinical study and the development work for Xlucane.

Other debts
Other liabilities amounted to SEK 2.9 M (0.8) and relate primarily to currency derivatives amounting to SEK 1.7 M and staff-related liabilities of SEK 1.0 M.

Accrued expenses and prepaid income
Accrued expenses and prepaid income amounted to SEK 112.5 M (84.0) and primarily relate to advance payments of SEK 85.2 M (58.1) from STADA for Xlucane. Out of the remaining SEK 27.3 M (25.9), most of the related expenses relate to Xlucane's product development.

The co-development agreement with STADA's impact on the results and balance sheet
Since the co-development agreement with STADA for Xlucane was concluded in July 2018, Xbrane's net costs for research and development of Xlucane have been reported in the results, i.e. 50 percent of the total cost of the project. With regard to the balance sheet, assets and liabilities attributable to the development of Xlucane are reported in their entirety, i.e. 100 percent and then STADA's share of these, i.e. 50 percent, is reported as the receivable or liability arising between Xbrane and STADA. This applies to both the Group and the Parent Company. On the balance sheet date, Xbrane had a long-term non-interest-bearing debt to STADA of SEK 4.2 M (4.1) relating to STADA's share of the long-term advance payment to CRO. In addition, accrued expenses and prepaid income from STADA amounted to SEK 85.2 M (58.1), of which SEK 22.0 M (-) covers the purchase of the reference drug Lucentis®, SEK 7.3 M (-) covers the short-term portion of the prepayment to CRO and the remaining SEK 55.9 M (58.1) covers other prepaid expenses and accrued income for the clinical trial and development program.

Parent Company's results
Net sales
The Parent Company, whose operations include only biosimilars with the leading product candidate Xlucane, did not report any net sales or costs for goods sold during the year.

Other operating income
Other operating income amounted to SEK 4.4 M (97.1) and is due to exchange rate gains on operat-ing receivables as well as license revenue that is not part the core business.

Operating expenses
Administrative expenses amounted to SEK -21.6 M (-19.1) and the increase compared to the previous period consists primarily of an expanded administrative department and costs related to the listing on Nasdaq Stockholm.

Research and development costs amounted to SEK -104.6 M (-75.3). The increase in costs is mainly due to costs related to the Xplore study, the parallel regulatory work and the establishment of a production chain. In addition, costs related to the pre-clinical portfolio of biosimilars of SEK -7.4 M (-0.4) * have been added.

Other operating expenses amounted to SEK -10.1 M (-18.2) and consists primarily of exchange rate losses on receivables and liabilities of an operating nature, as well as realized and unrealized losses on currency rate hedges.

Operating loss
The operating loss amounted to SEK 131.8 M (-15.4)

Net financial items
Net financial items amounted to SEK -1.0 M (-1.7) and consists of financial income of SEK 0.0 million (-) and financial expenses of SEK -1.0 M (-1.7), which primarily involve interest expenses relating to the now fully repaid credit facility amounting to SEK -0.7 M (-1.5) and other interest expenses of SEK -0.3 M (-0.1).

Loss for the year before and after tax
The loss before tax amounted to SEK 132.8 M (-17.1). During the period, no taxable income was incurred and thereby no tax expense (no tax expense in the previous year).

The loss after tax amounted to SEK 132.8 M(-17.1).

Raising capital
Three share issues were completed in 2019. Vator Securities acted as financial advisor and Baker McKenzie acted as legal advisor to the Company in all issues and also in the list change to Nasdaq Stockholm.

Rights issue I
At the beginning of the second quarter, a rights issue was completed, after a mandate from the annual general meeting in May 2018. The issue brought in SEK 59.5 M before issue costs. The subscription price was SEK 30 per share, which represented a discount of 23 percent compared to the theoretical price following the separation of subscription rights, based on the closing price of Xbrane's shares on March 28, 2019 on the Nasdaq First North Growth Market. Transaction costs amounted to SEK -9.5 M and included costs for guarantee commitments of SEK -4.1 M and the remaining SEK -5.4 M related to costs for financial and legal advisers, marketing and administration. The Serendipity Group set off its subscription corresponding to SEK 8.0 M against the issued credit facility to Xbrane. Through the private placement, Xbrane's share capital increased by SEK 0.4 M to SEK 1.9 M and the number of shares increased by 1,977,887 shares to 8,307,126 shares.

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

* Other biosimilars in addition to Xlucane were added as a sub-segment under biosimilars in 2019. Previously, costs have been marginal and separate accounts have not been considered relevant.

for Xbrane's shares at May 29, 2019 on Nasdaq First North Growth Market. The transaction costs amounted to SEK -7.7 M and includes costs for guarantors, financial and legal advisors, marketing and administration. The Serendipity Group set off its subscription of SEK 37.0 M against the remaining part of the credit facility issued to Xbrane, which after the directed issue was then fully settled. Through the private placement, Xbrane's share capital increased by SEK 1.0 M to SEK 2.8 M, the total number of shares increased by 4,387,745 to 12,694,871.

Rights issue II

At the beginning of the third quarter, a rights issue was completed, supported by a mandate from the Extraordinary General Meeting in June 2019. The rights issue brought in SEK 91.1 M before issue costs. The subscription price was SEK 33.5 per share, which corresponds to a 10 percent discount based on the volume-weighted closing price of Xbrane's shares on May 29, 2019 on the Nasdaq First North Growth Market. Transaction costs amounted to SEK -16.2 M and includes costs for guarantee commitments of SEK -8.4 M and the remaining SEK -7.8 M related to costs for financial and legal advisers, marketing and administration. Through the rights issue, Xbrane's share capital increased by SEK 0.6 M to SEK 3.5 M, the total number of shares increased by 2,720,328 to 15,415,199.

Risks, uncertainties and risk management

If any of the risks described below were to materialize, this could have extensive adverse effects on the Group's operations, earnings, financial position and prospects. See also Note 25 Financial risks and risk management.

Clinical trials

Xlucane does not succeed in achieving biosimilarity to the original drug in Xplore

Xbrane has an ongoing Phase III clinical trial for Xlucane under the name Xplore. The study aims to confirm similar efficacy and safety compared to original Lucentis® drug. The risk with clinical trials for biosimilars is that similarity to the original drug cannot be demonstrated and thus market approval cannot be obtained, which would have a negative financial and operational impact on the Company if this occurred. In the preparatory work before Xplore was initiated, Xbrane has been actively working on risk minimization by ensuring as high a similarity as possible compared to the original drug Lucentis® through a large number of in-vitro analysis methods and in-vivo studies. In addition, Xbrane has a close dialogue with the regulatory authorities to ensure that the study includes all aspects required to obtain regulatory approval. Furthermore, Xbrane works actively to ensure the quality of its suppliers and to have a dialogue with involved clinics to ensure compliance with the regulatory measures.

The Company assesses the risk as low.

Delays in the Xplore Phase III study with Xlucane

There is also a risk that the study will be delayed and/or result in higher than expected costs. Xplore has been delayed against the original plan but given the current plan, the application for market approval will be able to be submitted in time to launch the product in connection with the original drug's patent expiring in Europe. Should further delay occur, there is a risk that the cost of the study will increase. In the event of a significant delay, Xlucane will not be able to be launched at the time of the patent expiry in Europe. This would result in lost revenue and any impact on market share, which would have a negative impact financially and operationally for the Company if this occurred.

The Company assesses the risk as medium.

COVID-19 pandemic delays and / or leads to increased costs for Xplore

As a result of the ongoing COVID-19 pandemic, there is an increased risk that the study will be affected by delays in study recruitment and implementation, as well as the loss of patients due to infection or risk of infection. This could delay the study and/or lead to higher costs for the trial.

The Company assesses the risk as high.

Regulatory approval

To be able to market and sell products, approval must be obtained from the authority responsible in the respective country. Xbrane cannot guarantee that such regulatory approval will be received to the extent required to enable future objectives to be achieved. Xbrane's objective is to be able to submit the application for marketing authorization approval in Europe and the US during the first half of 2021 for Xlucane. Xbrane works actively to mitigate risk by maintaining a close and ongoing dialogue with the most important au-thorities, for example, FDA (US), EMA/BfArM/MHRA (Europe), CFDA (China) and PMDA (Japan). Xbrane also works with prominent regulatory consultants to ensure that development is in accordance with current guidelines.

The Company assesses the risk as medium.

Partners

-Depending on the distribution partners' commitments

The Group is dependent on, and will continue to depend on, collaborations with various partners to market and sell their current product candidates and develop and finance future product candidates. The Group's operations are thus largely dependent on external partners, especially when the projects go from pre-clinical phase to clinical phase. If these partners do not fulfill their obligations under contract, do not meet expected deadlines, or if quality or accuracy in work performed is insufficient, ongoing and planned sales activities as well as product development can be adversely affected.

The Company assesses the risk as low.

Third-party distributor for Xlucane
Regarding Xlucane, STADA is the commercialization partner for the largest markets besides China. Together with STADA, Xbrane is looking for a third-party distributor for the US and LATAM, among others. If Xbrane, and in some cases Xbrane and STADA, fails to connect commercialization partners / third-party distributors in relevant markets, it could mean that Xlucane cannot be sold in these markets, as the Company does not currently have any established commercialization and distribution function.

The Company assesses the risk as low.

European commercialization partner for Spherotide
Regarding the product candidate Spherotide, which is being developed by Xbrane's subsidiary Primm Pharma, there is a commercialization partner in China, CR Pharma. Primm Pharma has been actively working for a couple of years to also establish a European commercialization partner. Such a partner would be responsible for marketing and distributing the finished product, as well as sharing or fully financing continued development costs for Spherotide. Xbrane has not ruled out that other structures on operational/financial cooperation or even the divestment of the entire subsidiary could be relevant. Xbrane has had rewarding conversations with potential partners. If no agreement can be concluded, Xbrane needs to decide whether further development and initiation of clinical phase III studies should be financed by Xbrane in its entirety, or whether project development should be paused. As Xbrane does not currently have this capital available for Spherotide, there is a financing risk.

The Company assesses the risk as high.

COVID-19 pandemic impact on partner negotiations and partners ability to fulfill their obligations
There is a risk that ongoing discussions and negotiations with potential partners are delayed or slowed down completely due to the prevailing situation with the COVID-19 pandemic and the financial consequences it entails. There is also a risk that existing partners' operational activities and financial position will be adversely affected and this in turn will affect cooperation with Xbrane.

The Company assesses the risk as medium.

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

The players that are considered most critical for the Company in the current phase are the contract manufacturers for Xlucane, Northway BiotechPharma and Swissfillon, as well as Syneos the CRO that conducts the clinical study for Xlucane. If Xbrane fails to fulfill its obligations under contract, does not meet expected deadlines, or if quality or accuracy in work performed is insufficient, ongoing and planned sales activities as well as product development can be adversely affected.

The Company assesses the risk as low.

COVID-19 pandemic impact on suppliers, contract manufacturers and CRO's ability to fulfill its obligations
There is a risk that Xbrane's suppliers, contract manufacturers and CROs will be adversely affected by the prevailing situation with the COVID-19 pandemic. This could have a negative impact on Xbrane if it leads to delays in the projects or if it has financial consequences that make it difficult for them to fulfill their commitment to Xbrane.

The Company assesses the risk as medium.

New contract manufacturer for Spherotide
At the beginning of 2020, Primm Pharma requested that the contract manufacturing agreement that the Company had with Finchimica and its subsidiary ICI be terminated as a result of Finchimica's bankruptcy and that the subsidiary ICI was being reconstructed. This means that Primm Pharma does not have a contract manufacturer for Sphrotide. In order to continue the development of Spherotide, Primm Pharma needs to find a new contract manufacturer and move development and production there. If not, the development of Spherotide will cease as there is no way to produce the products that would be used in an upcoming clinical study. This could result in an impairment of assets related to Spherotide and the subsidiary Primm Pharma.

The Company assesses the risk as high.

Product launch
Delay of product launch of Xlucane and pre-clinical product candidates
Delays in the development programs can lead to delays in the launch of product candidates, which in turn can adversely affect their sales potential as well as the possibility of entering sales and marketing agreements with potential partners. At present, the development program for Xlucane and the pre-clinical biosimilars is running without critical delays resulting in delayed product launch towards the original drug patent expiry.

The Company assesses the risk as medium.

Delay of product launch of Spherotide
With regard to Spherotide, there is a delay that can continue to increase unless the Company manages to engage a financing partner and find a new contract manufacturer.

The Company assesses the risk as high.

COVID-19 pandemic impact on future product launches
There is a risk that the COVID-19 pandemic will cause delays due to the severe disruptions that are happening in society and the economy other than those described in other risks.

The Company assesses the risk as medium.

Sales-related risk
Uncertain demand for the product
It is difficult to predict the market's acceptance of a new product. Even if market approval is obtained, a sales and marketing partner is established and a competitive price is set, there is no guarantee of successful sales. Factors that can prevent sales from reaching set targets are development of the competitive situation, potential new drugs with a superior effect and/or safety profile coming onto the market, or other changes in the treatment strategy for the diseases against which the drugs are used.

The Company assesses the risk as low.

Financing risk
Financing the Company in the short and medium term
In addition to the revenue that potential partnerships are expected to bring in in the near future, Xbrane is expected to need additional capital to fund the next 12 months of operations. In addition, additional financing is expected to be needed until 2022, when the Company is expected to generate sales revenue from Xlucane. The Company continues to evaluate various financing options together with its financial advisors and for dialogues with investors. Although the Company feels comfortable that the capital requirement will be covered, there is a risk that the capital requirement is not available to the Company under acceptable conditions or not available at all.

The Company assesses the risk as high.

Financing risk related to COVID-19 pandemic
There is a risk that the COVID-19 pandemic will make it more difficult for the Company to cover its capital needs in the near future as it has had a major impact on the economy and capital markets worldwide.

The Company assesses the risk as high.

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

The Company assesses the risk as low.

COVID-19 pandemic impact on credit risks
There is a risk that the COVID-19 pandemic could lead to increased credit risk for the Company if its customers and partners suffer from deteriorating finances.

The Company assesses the risk as medium.

Impact of the COVID-19 pandemic
During 2020, the Board of Directors and Group Management has closely followed the development of the outbreak and impact of the COVID-19 pandemic on Xbrane's operations. The three major risks identified are described below.

Risks related to the Xplore study relate to delays in study recruitment and higher drop-out rates. This is described under "Clinical Studies" earlier in this section.

The financing risk is estimated to have increased due to the negative impact on the world's economies and stock markets. This is described under "Financing risks" earlier in this section.

The partner-related risk is estimated to have increased in the near future. This is described under "Partners" earlier in this section.

In addition to these three risks, risks related to "Suppliers, contract manufacturers and CROs", "Delay of product launch" and "Credit risk" are also assessed as described earlier in this section.

In addition, the risk of sick leave and other absences from Xbrane's employees has increased and the risk of continued travel restrictions. This could adversely affect Xbrane's schedule for the development of its product candidates and other work.

The Company assesses the risk as medium.

Organization and employees
Xbrane is headquartered in Solna outside Stockholm, Sweden, where there is also a laboratory for research and development of biosimilars. Xbrane has a wholly-owned subsidiary, Primm Pharma, with operations in Milan, Italy. On the balance sheet date, the Group had 38 employees (27).

Annual General Meeting
The Annual General Meeting will be held on May 14, 2020. Notification to attend will be announced through a press release as well as in Svenska Dagbladet and on Xbrane's website, www.xbrane.com.

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

Proposed distribution of Company profit or loss in SEK M.	
Share premium reserve	448.8
Profit/loss brought forward	-96.7
Loss for the year	-132.8
Total	221.3
Carried forward to new account	221.3

The earnings and position in general of the Group and the Parent Company are shown in the following income statements and balance sheets, as well as cash flow statements and additional information.

Dividend

The Board of Directors proposes that no dividend be paid for the financial year 01/01/2019 – 12/31/2019. The Board of Directors proposes that the Company's accumulated loss be carried forward.

The Group's future development

Xlucane

The main focus in 2020 will be to continue the ongoing Phase III study for Xlucane. By the end of March 2020, 355 of 580 patients had been recruited. COVID-19 pandemic will inevitably result in a reduced recruitment rate compared to previously communicated pre-COVID-19 pandemic recruitment rate of 60-80 patients per month. Since the situation changes so rapidly any forecasting of recruitment rates in the coming months becomes challenging. Xbrane has previously agreed with the EMA and the FDA to submit Marketing Authorization Application ("MAA")/Biologics License Application ("BLA") on the basis of an interim read-out when last patient has reached month six in the treatment schedule. As long as Last Patient In to Xplore is recorded latest by end of third quarter 2020 and counting for a twelve month regulatory process, Xlucane is still on track towards approval ahead of Lucentis® patent expiration in the EU July 2022.

Outlicensing of Xlucane

Xbrane together with its partner STADA, is working to connect a third-party distributor to the US, among others, and are hopeful to be able to complete a licensing in 2020.

Spherotide

Xbrane has been searching for many years, for a European financing and commercialization partner for Spherotide, and this process has intensified since the end of 2019. Xbrane has not ruled out that other structures for operational / financial cooperation or even the divestment of the entire subsidiary could be relevant.

Pre-clinical products

Xbrane is actively working to develop its portfolio of preclinical biosimilars. With regard to Xzimzane (Cimzia® biosimilar), the focus is on establishing a pilot production process, developing analytical biosimilar packages and establishing a study design with the EMA and FDA. For Xdivane (Opdivo® biosimilar), the focus is on establishing a production process.

IP

Strengthening the technological platform

Xbrane continues to develop its IP portfolio around its technological platform. In 2020, the Company filed seven patent applications that cover new innovative aspects of the technology platform that further strengthen Xbrane's competitive advantage in terms of the low production cost for recombinant proteins. Furthermore, Xbrane has established an IP department and expects to submit more patent applications in 2020 with the aim of building a strong IP portfolio around its platform technology.

Guidelines for remuneration of the CEO and other senior executives 2019

Remuneration and terms of employment for senior executives, which refers to those who are part of the Group management as at December 31, 2019, will be determined in accordance with the Company's policy for the remuneration of senior executives. According to this policy, the above will be structured in such a way as to secure the Company's access to senior executives with the right expertise.
The remuneration and benefits for senior executives are prepared by the Remuneration Committee and decided on by the Board of Directors.

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

Guidelines for remuneration of the CEO and other senior executives 2020

In accordance with the Board's proposal to the Annual General Meeting presented below is a proposal for guidelines for remuneration to the CEO and other senior executives for 2020 and up to the next Annual General Meeting.

General

The guidelines shall apply to remuneration that has been agreed upon or to changes in already agreed remunerations after the guidelines have been adopted by the annual general meeting. The guidelines do not apply to remunerations that has been resolved by the general meeting and any remuneration through shares, warrants, convertibles or other share-related instruments such as synthetic options or employ stock options shall therefore be resolved by the general meeting.

These guidelines apply to the CEO and other senior executives in the Group and all other remuneration to members of the Board except fees to the Board of Directors.

Regarding employment conditions that are governed

by rules other than Swedish, appropriate adjustments may be made in order to comply with such mandatory rules or established local practice, whereby the general objectives of these guidelines shall, to the extent possible, be met.

The guidelines promotion of the Company's business strategy, long-term interest and sustainability

Xbrane's strategy is to develop and manufacture high quality and cost-effective biosimilars based on unique technology platform and leading expertise. Xbrane is focused on difficult-to-manufacture and niche pharmaceutical products with limited competition from other biosimilar developers. Based on its technology platform, Xbrane will have a significant competitive advantage in relation to originator drugs and other biosimilar companies by having the lowest production cost within each market.

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

The guidelines shall contribute to the possibility to create conditions for the Company to retain and recruit competent and committed employees in order to successfully implement the Company's business strategy and meet the Company's long-term interests, including sustainability. The guidelines shall further stimulate an increased interest in the business and earnings development as a whole, and to increase the 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 is situated and 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 regarding maturity and size of the Company and have similar financial opportunities as Xbrane.

The Company has implemented long-term share-related incentive programs in 2017, 2018 and 2019, in which all senior executives and some Board members, respectively, have had the opportunity to participate. These programs have been resolved by each general meeting and are therefore excluded from these guidelines. The long-term share-related incentive program proposed by the Board of Directors to the annual general meeting 2020 to resolve on, or any other future share-related incentive program resolved by the general meeting, are excluded for the same reason. For information regarding performance criteria, terms and conditions, and costs for these programs, see information on the Company's website and in the Company's annual report.

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

The 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 is situated, 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 ordinary 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 it 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 gui-

delines 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 constructed 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 termination by the senior executive, the period of notice may not exceed six months.

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

Criteria for payment of variable cash compensation etc.

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

Conditions for variable cash compensation should be designed so that the Board of Directors, if particularly difficult economic conditions occur, has the option of limiting or neglecting to issue variable remuneration if such a resolution is deemed unreasonable and incompatible with the Company's responsibility vis-à-vis 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 committees and the Boards of Directors have decided on the evaluation of the reasonableness of these guidelines and the limitations that follows from the guidelines.

Preparation, decision-making etc.

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

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

The Board of Directors shall prepare proposals for new guidelines at least every four years and submit the proposal for resolution at the annual general meeting. The guidelines shall apply until new guidelines have been adopted by the annual general meeting.

The Board of Directors considers that the guidelines on remuneration to senior executives are proportionate in relation to salary levels, remuneration levels and conditions for other employees in the Group.

Deviations from the guidelines
The Board of Directors shall have the right to deviate from the above guidelines if the Board of Directors considers that, in a particular case, there are special reasons which justify it and an exception is necessary to meet the Company's long-term interests and sustainability or to ensure the Company's financial viability. Such deviation shall also be approved by the remuneration committee. An agreement that deviates from the guidelines may be renewed, but any such agreement should be limited in time and not exceed 24 months or an amount that is twice as high as the compensation that the person concerned would have received without any agreement.

Information on deviations from the remuneration guidelines adopted by the annual general meeting for 2019
No deviations has 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 remaining Group management is three months. Paolo Sarmientos, Head of Long-Acting Injectables, who was part of Group management until February 2020, is entitled to severance pay in accordance with Italian legislation. The severance pay is not to be equated with Swedish severance pay, as ongoing provisions are made during the employment of all employees in Italy. The provision is entitled to the employee upon termination of employment. The CEO or other members of Group management are not entitled to severance pay

Incentive programs and warrants
For more information on short-term incentive programs, warrants program for senior executives and share savings program see Note 1 (x) Remuneration to employees and Note 5.

Short-term incentive program 2019
In 2019, the Company had a short-term incentive program which includes all employees and which provides opportunity up to approximately two months' salary in cash payment. The bonus is conditional on certain well-defined group targets achieved as well as assessment of individual performance. For 2019, 69 percent of the targets for the Parent Company were achieved and 25 percent for the subsidiary. The cost of cash bonus amounted to SEK 2.1 M excluding social costs.

Warrants program for senior executives
In 2018, the Company issued three warrant programs to senior executives and board members. The warrants have been acquired at fair value by participants and did not entail any cost to the Company.

Share saving scheme for employees
LTIP 2019
At the Annual General Meeting of Xbrane on May 16, 2019, it was decided to adopt a long-term share-based incentive scheme ("LTIP 2019") for all employees running between 2019-2021. It was decided to issue 210,000 warrants with which the holder can subscribe for new shares at the end of the program.The maximum dilution for the scheme amounts to 2.47 percent of the share capital and votes in the Company. The cost of the program includes the estimated value on the matching and performance shares as well as social security expenses for the value of the warrants, which are expensed on an ongoing basis during the period 2019–2021. The warrants will be distributed to the employees who have invested in the share savings program without charge. All employees have had the opportunity to participate in the program under the same conditions and the subscription rate amounts to 100 percent.

LTIP 2018
At the Annual General Meeting of Xbrane on 24 May 2018, it was decided to approve a long-term share savings program ("LTIP 2018") for all employees that covers the period 2018–2020. It was decided to give the Company mandate to issue 172,800 warrants with which the holder can subscribe for new shares at the end of the program. The maximum dilution for the program is 2.66 percent of the share capital and votes in the Company. Based on the number of shares outstanding on the balance sheet date for this annual report, the maximum dilution of the program is 1.16 percent. The cost of the program includes social security expenses for the value of the warrants, which are expensed on an ongoing basis during the period 2018–2020. The warrants will be distributed to the employees who have invested in the share savings program without charge. All employees have had the opportunity to participate in the program under the same conditions and 57 percent of the employees have chosen to participate in the program.

LTIP 2017
The Company launched a long-term share savings program ("LTIP 2017") during 2017, which is available to all employees and covers the period 2017–2019. The Company has guaranteed the programme by resolving at the Annual General Meeting on 24 May 2018 to issue 19,538 warrants with which the holder can subscribe for new shares at the end of the program. The maximum dilution for the programme is 0.31 percent of the share capital and votes in the Company. The cost of the program include the warrants that is estimated to be distributed to the employees and social security expenses for those amounts which are expensed on an ongoing basis during the period 2017–2019. The warrants will be distributed to the employees who have invested in the share savings program without charge. All employees have had the opportunity to participate in the program on the same terms and approximately 60 percent of employees have chosen to participate in the program.

Corporate Governance Report 2019

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 (Small Cap) and are traded under the ticker XBRANE. Corporate governance in Xbrane is based on current laws (mainly the Companies Act and the accounting regulations), the corporate structure, Nasdaq Stockholm's regulations for issuers, internal guidelines and policies and the Swedish Code of Corporate Governance. The purpose of corporate governance is to create a clear distribution of roles and responsibilities between owners, the board and management. This corporate governance report describes Xbrane's corporate governance, which includes Management and management of the Company's operations, as well as internal control over financial reporting.

Application of the Code and deviations
Xbrane applies the Swedish Code of Corporate Governance (the "Code"). Information about the code can be found at www.bolagsstyrning.se.

Xbrane Biopharma applies the Code without deviations.

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

Examples of external regulations that affect corporate governance:
- Swedish Public Limited Companies.
- Accounting legislation, including the Accounting Act and the Annual Accounts Act.
- Nasdaq Stockholm's regulations for issuers.
- Swedish Code of Corporate Governance (the code, www.bolagsstyrning.se).

Examples of internal regulations that are important for corporate governance:
- Articles of Association
- The Board's Rules of Procedure (including instructions for the Board's committees)
- CEO instructions
- Corporate Policy
- Guidelines for remuneration to senior executives
- Code of Conduct
- Finance Policy
- Information Policy
- Information Security Policy
- Insider Policy
- Privacy Policy
- IT Policy
- Finance Manual
- 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 2019, the total number of shares was 15,415,199 and the number of shareholders was 3,300. For information about the Company's major shareholders and ownership structure, see page 21 of this annual report.

The Annual General Meeting
The Annual General Meeting, 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 Annual General Meeting. An ordinary share gives the right to one vote at the Annual General Meeting. There are no restrictions on how many votes each shareholder can cast at a general meeting. Resolutions at the Meeting are made by a simple majority, except in cases where the Companies Act sets requirements for a higher proportion of shares represented at the Meeting and stated votes. At the Annual General Meeting, shareholders exercise their voting rights on key issues, such as the establishment of income statements and balance sheets, disposition of the Company's results, granting discharge from liability for the members of the Board and the CEO, principles for appointment of the Nomination Committee, election of the Board members and auditors, remuneration and guidelines for remuneration to senior executives. The AGM will be held in Stockholm.

Annual General Meeting 2019
At the Annual General Meeting on May 16, 2019, 15 shareholders were represented with a holding of 1,148,288 shares, corresponding to 13.81 percent of the total number of shares and votes in the Company. Attorney Johanna Flink was elected chairman of the meeting. At the 2019 AGM, decisions were made, among other things, on:

- Determination of income statement and balance sheet.
- Distribution of profits.
- Determination of fees to the Board and auditor.
- Re-election of Giorgio Chirivi, Peter Edman, Maris Hartmanis, Anders Tullgren and Karin Wingstrand as ordinary members.
- New election of Ivan Cohen-Tanugi and Eva Nilsagård as ordinary board members.
- Anders Tullgren was re-elected as Chairman of the Board.
- Re-election of KPMG AB as auditor with authorized auditor Duane Swanson as principal auditor.
- Decision on instructions and rules of procedure for the nomination committee.
- Establishing guidelines for remuneration to senior executives.
- Introduction of long-term incentive scheme (LTIP 2019) 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, with or without deviation from shareholders' preferential rights, to a number corre-sponding to a maximum of 2,000,000 shares in the Company.

Extraordinary General Meeting 2019
At the Extraordinary General Meeting June 18, 2019 nine shareholders were represented with a holding of 1,272,134 shares, corresponding to 14.85 percent of the total number of shares and votes in the Company. Attorney Ian Gulan was elected as chairman of the meeting. At the Extraordinary General Meeting, decisions were made on, amongst others:

- Rights issue of no more than 2,720,328 shares.
- New issue of a maximum of 4,387,745 shares with a deviation from shareholders' preferential rights.

Annual General Meeting 2020
The Annual General Meeting 2020 will be held on Thursday, May 14, 2020, at. 5:30 pm, at Baker McKenzie's office, Vasagatan 7, Stockholm. For further information about the Annual General Meeting, please refer to Xbrane's website.

Notice of meeting
The Annual General Meeting shall be held within six months from the end date specified in the notice. This day must 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 book 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 Annual General Meeting 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.

Authorization to the Board to decide that the Company should issue new shares or acquire its own shares
At the AGM on May 16, 2019, the AGM authorized the Board of Directors that until the next AGM to decide on the issue of shares, convertibles and/or warrants, with or without deviation from shareholders' preferential rights, up to a number corresponding to a maximum of 2,000,000 shares in the Company, to be paid in cash, through a capital contribution and/or set-off.

Nomination Committee
At the 2019 Annual General Meeting, rules were set for the appointment of the Nomination Committee ahead of the 2020 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. The Nomination Committee for the 2020 Annual General Meeting is presented in the table below.

Members	Representing
Saeid Esmaeilzadeh (Chairman)	Serendipity Group AB
Felix von Berg	STADA Arzneimittel AG
Mattias Häggblom	Swedbank Robur Fonder
Anders Tullgren	Chairman of the Board

Board of Directors
After the AGM, the Board is the Company's highest deci-sion-making body. It is the Board of Directors who is re-sponsible for the Company's organization and the man-agement 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 im-plements 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 16, 2019. At the end of the financial year, Xbrane's Board of Directors consisted of Chairman Anders Tullgren and the Board members Giorgio Chirivì, Peter Edman, Eva Nilsagård, Maris Hartmanis, Karin Wingstrand and Ivan Cohen-Tanugi.

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. As stated above, the Board considers that the Company complies with the Code's requirements for independence.

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

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

The Board meets according to a predetermined annual plan and shall, in addition to the consistent Board meeting, hold at least six (6) regular board meetings between each Annual General Meeting. In addition to

			Attendance at meetings				Independent	
Member	**Position in the Board**	**Member since**	**Board**	**Audit committee**	**Transaction committee**	**Remuneration Committee**	**Company**	**Owner**
Anders Tullgren	Chairman	2018	27/27		5/5	3/3	Yes	Yes
Giorgio Chirivì	Member	2016	27/27	8/8		2/2	Yes	Yes
Peter Edman	Member	2015	27/27		5/5		Yes	Yes
Eva Nilsagård	Member	2019	14/14	4/4			Yes	Yes
Maris Hartmanis	Member	2015	27/27	8/8		3/3	Yes	Yes
Karin Wingstrand	Member	2015	26/27	4/4		1/1	Yes	Yes
Ivan Cohen-Tanugi	Member	2019	14/14		5/5		Yes	Yes
Members who have resigned								
Saeid Esmaeilzadeh	Member	2008–2019	13/13				Yes	No
Alesandro Sidoli	Member	2016–2019	13/13				Yes	Yes

these meetings, extra meetings can be arranged to address issues that cannot be referred to any of the regular meetings.

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

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

Remuneration to the Board
The 2019 Annual General Meeting determined that fees to the Board, for the period up to the end of the next Annual General Meeting, shall be paid in total SEK 2,800,000. The remuneration to the Chairman of the Board shall amount to SEK 400,000 and each of the other members shall receive SEK 300,000. The remuneration for the Chairman of the Remuneration Committee shall amount to SEK 100,000 and SEK 50,000 for other members. The remuneration for the Chairman of the Audit Committee shall amount to SEK 100,000 and SEK 50,000 for other members. Finally, 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.

The Audit Committee
The Board has set up an internal Audit Committee. The current Audit Committee consists of Chairman Eva Nilsagård and committee members Giorgio Chirivì, and Maris Hartmanis.

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

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

The Audit Committee prepares proposals for the Board of Directors, which then either makes decisions on the issues or, where appropriate, adopts 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 Maris Hartmanis and Karin Wingstrand.

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

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

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

The Transaction Committee prepares proposals to the Board of Directors, which then either makes decisions

on the issues or, where appropriate, adopts proposals for resolutions to the Annual General Meeting. The main tasks of the Transaction Committee are to:

- Evaluate, assess and provide proposals for transactions, for example, out-licensing, mergers, acquisitions of companies, operations, assets and property.
- Evaluate, assess and propose equity-related transactions, which includes new issues.

Evaluation of the work of the Board/evaluation of the Board and the CEO

The work of the Board, as well as the CEO's, is evaluated annually in a systematic and structured process. The Nomination Committee is informed of the results of the evaluation.

Auditor

The Company's auditor is appointed by the AGM for the period until the end of the next AGM. The auditor discusses the external audit plan and the management of risks with the Audit Committee. The auditor conducts a review of at least one interim report, audits the annual accounts and consolidated accounts, and reviews the administration of the board and the CEO. The auditor comments on whether the corporate governance report has been prepared and whether the information is consistent with the annual and consolidated accounts. The auditor reports the result of his audit of the annual report and the consolidated accounts and his review of the corporate governance report through the audit report and a special opinion on the corporate governance report, which they present to the annual general meeting. In addition, the auditor submits detailed reports on audits performed and his assessment of the Company's internal controls to the Audit Committee at least twice a year and to the Board as a whole once a year.

KPMG AB has been the Company's auditor since 2015 with Duane Swanson (born 1959) as the main auditor since 2015. Duane Swanson is an authorized public accountant and member of FAR, the organization for auditors in Sweden. At the Annual General Meeting on May 16, 2019, KPMG AB was re-elected as the Company's auditor with authorized public accountant Duane Swanson as the principal auditor. At the AGM, it was also decided that fees to the auditor should be paid in accordance with customary billing standards and approved the invoices. More information regarding the auditor's fees can be found in Note 6.

President and Group Management

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

Xbrane has a management team consisting of seven people who, in addition to the CEO/IR, consist of the CFO, COO/Head of Biosimilars, Head of Manufacturing and Supply Chain, CTO, Head of Clinical Affairs and Head of Regulatory Affairs. For a more detailed description of Group Management, see pages 42-43.

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 princi-ples, guidelines and process descriptions for accounting and financial reporting. Finally, the Board of Directors has established an Audit Committee whose main task is to monitor the Company's financial position, to monitor the efficiency of the Company's internal control and risk management, to stay informed about the audit of the annual accounts and the consolidated accounts. The responsibility for the ongoing work on financial control has been delegated to the Company's CEO, who in turn has delegated to the Company's CFO to have overall responsibility for maintaining sound internal control over the financial reporting.

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

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

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

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

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

Board of directors

Anders Tullgren
Chairman of the Board since 2018.
Chairman of Remuneration Committee and Transactions Committee.
Born: 1961
Education: M. Sc. in Pharmaceutical Science, Uppsala University.
Professional experience: Over 30 years' experience of the global pharmaceutical industry in leadership roles in the US, Germany, France 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 billion. Founder and President of Tullgren Consulting Ltd.
Other current assignments: Board member of Branding Science Ltd and Farmalisto.
Previous assigments (past five years): President of the Intercontinental Region, Bristol Myers Squibb. Board member of Trialbee AB, Biotoscana Investments S.A., and Symphogen AS.
Shares: 70,484
Warrants: 49,285
Independent in relation to the Company, management and major shareholders.

Eva Nilsagård
Board member since 2019
Chairman of the Audit Committee.
Born: 1964
Education: B. Sc. in Business Administration and Executive MBA, School of Economics at Gothenburg University.
Professional experience: Long experience in senior positions in the automotive/industry and medtech/biotech sectors. Founder and CEO of Nilsagård consulting where she in recent years has held several interim positions as CEO and CFO. Professional board career with involvement in both private and listed companies where she among other things has contributed with expertise in audit committees and corporate governance. For the past ten years, she has been a mentor to several young female business executives.
Other current assignments: Board member and Chairman of the Audit Committee at Addlife, Bufab, Hansa Biopharma and Irras and Board member of SEK (Svensk Exportkredit).
Previous assigments (past five years): CFO at Plastal Industry, Board member at Imatech Marin & Industri AB as well as Senior Vice President strategy & business development at Volvo Group Sales & Marketing EMEA.
Shares: 4,000
Warrants: -
Independent in relation to the Company, management and major shareholders.

Giorgio Chiriví
Board member since 2016.
Member of Audit Committee.
Born: 1961
Education: M. Sc. in Economics and business administration, University Luigi Bocconi, Italy.
Professional experience: Background within audit but has worked in the finance industry as an investment banker for the last 30 years. Long career as a board member with directorships in over 15 companies during the past 20 years.
Other current assignment: Head of SMEs Strategic Coverage at UBI Banca Corporate & Investment Banking. Board member of Axxam SpA. Member of investing committee of Azimut Libera Impresa (private equity fund).
Previous assigments (past five years): Board member at Biocell Center Corporation. Head of M&A at UBI Banca.
Shares: 4,500
Warrants: 3,000
Independent in relation to the Company, management and major shareholders.

Peter Edman
Board member since 2015.
Member of Transaction Committee.
Born: 1954
Education: Ph. D. in pharmaceutical science and associate professor in Biochemistry, Uppsala University.
Professional experience: Over 30 years experience of drug development with senior research positions at Orexo, Sobi, Biovitrum, AstraZeneca, Astra and Pharmacia. Previously Associate professor at the Swedish Medical Products Agency, Professor of pharmaceutical formulation and adjunct professor of Drug Delivery at the Faculty of Pharmacy, Uppsala University.
Other current assignment: Board member of Xintela AB.
Previous assigments (past five years): Board member of Biolipox AB and Mind the Byte.
Shares: 12,747
Warrants: 2,250
Independent in relation to the Company, management and major shareholders.

Maris Hartmanis
Board member since 2015.
Member of Audit Committee and Remuneration Committee.
Has declined re-election at Annual General Meeting 2020.
Born: 1953
Education: Ph. D. in Biochemistry and associate professor in Biochemistry, Royal Institute of Technology in Stockholm.
Professional experience: Over 30 years of experience from leading positions as CEO and R&D manager, and many years of board experience from the international Life Science area. He has both experience of large organizations and smaller start-ups and has among other things been CEO of two Swedish public pharmaceutical companies, Medivir and BioPhausia. Long experience as a senior industrial advisor in the Life Science industry.
Other current assignment: Chairman of the board and CEO of the FINGERS Brain Health Institute foundation. Board member of BioLamina AB and Xspray Pharma AB.
Previous assigments (past five years): Board member of Vitrolife, Karolinska Institutet Innovations AB and Applied Photophysics Ltd. Vice Chairman of the Board of ProNova.
Share: 12,139
Warrants: 2,250
Independent in relation to the Company, management and major shareholders.

Ivan Cohen-Tanugi
Board member since 2019.
Member of Transaction Committee.
Born: 1961
Education: Medicine doctor, Grenoble School of Medicine.
MBA, H.E.C Business School.
Professional experience: Over 25 years of experience from the pharmaceutical industry with senior management positions in global pharmaceutical companies such as Teva, Amgen, Roche Pharmaceuticals and Sanofi in US and Switzerland. He led the development of Teva's biosimilar platform and portfolio from research and development and business development to commercialization.
Other current assignment: Founder and Managing partner at his own consulting firm Minerva LifeScience Gmbh.
Previous assigments (past five years): CEO and board member at Kuros Bioscience AG.
Shares: -
Warrants: -
Independent in relation to the Company, management and major shareholders.

Karin Wingstrand
Board member since 2015.
Member of Remuneration Committee.
Born: 1957
Education: M. Sc. in Pharmaceutical Science, Uppsala University.
Professional experience: Long and solid experience of the international pharmaceuticals industry with senior positions and project leading within regulatory, pharmaceutical and analytical R&D, and clinical development. Previously Vice President and head of global clinical development at Astra Zeneca. Long experience as a senior industrial advisor in the Life Science industry.
Other current assignment: Board member of Mevia AB, T-bolaget AB, Aqilion AB, Xintela AB, Histolab products AB and Integrum AB.
Previous assigments (past five years): Board member of Adenovir Pharma AB and Swecure AB. Chairman of Mevia AB.
Shares: 20,480
Warrants: 3,000
Independent in relation to the Company, management and major shareholders.

Management

Martin Åmark

CEO since 2015.*

Born: 1980

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

Previous assigments: Background as management consultant at Bain & Co where he was involved for eight years with company acquisitions, strategy and organisational work within various industries including pharmaceuticals and life science.

Other current assignments: Board member at iCoat Medical AB.

Shares: 152,896

Warrants: 24,000

Independent in relation to the Company, management and major shareholders.

Siavash Bashiri

Head of Biosimilars and Deputy CEO since 2015

Born: 1983

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

Previous assigments: 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: 104,945

Warrants: 7,000

Independent in relation to the Company, management and major shareholders.

Susanna Helgesen

CFO since 2017

Born: 1985

Education: M. Sc. in Business Administration, Stockholm University.

Previous assigments: Background as equity research analyst. Different positions at listed global energy companies. Most recently as CFO/IR at Dome Energy AB 2015-2016. Head of IR at Xbrane 2017-2019.

Shares: 12,136

Warrants: 24,000

Independent in relation to the Company, management and major shareholders.

Anders Wallström

Head of Manufacturing and Supply Chain since 2019. Member of management since 2020.**Born:** 1976

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

Previous assigmentsr: 20 years of experience from the pharmaceutical industry including 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: 3,003

Warrants: -

Independent in relation to the Company, management and major shareholders.

*Head of IR since 2019.

Maria Edebrink

Head of Regulatory Affairs since 2019. Member of management since 2020.

Born: 1969

Education: M. Sc. in Chemistry, Stockholm University.

Previous assigments: 28 years of 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 device and cosmetic products.

Shares: 1,495

Warrants: -

Independent in relation to the Company, management and major shareholders.

David Vikström

CTO since 2014

Born: 1977

Edcuation: Ph.D. Biochemistry. Stockholm University.

Previous assigmentsr: 15 years' experience of how to manufacture high quality proteins. Research within expression systems for proteins in *E.coli* and has published a number of articles in scientific journals. Has worked in research and development at Xbrane since 2010.

Shares: 32,055

Warrants: 24,000

Independent in relation to the Company, management and major shareholders.

Dina Jurman

Head of Clinical Affairs since 2017

Born: 1982

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

Previous assigments: 15 years' experience within the pharmaceutical and biotechnology industries, most recently as Director Clinical Operations at a full service CRO. Possesses allround experience of clinical trials from start-up companies to global pharmaceutical companies and has worked with protein drugs, small molecules as well as advanced therapies and medical technology.

Shares: 420

Warrants: -

Independent in relation to the Company, management and major shareholders.

Sustainability at Xbrane

Xbrane's work on sustainability goes hand in hand with Xbrane's vision and business concept – to develop and manufacture cost-efficient biosimilars of hard-to-manufacture medicines and make these treatments available to more patients with medical needs at a lower cost. This is the heart of our business and Xbrane's most important contribution to a sustainable future.

Xbrane's efforts to create added value for patients and other stakeholders as well as improve access to effective and high-quality medicines make a positive contribution to society. Without building trust and acting responsibly in a number of areas, Xbrane would not be able to make such a contribution. The pharmaceutical industry, in which Xbrane operates, is one of the world's most regulated industries, where very high demands are placed on operators both locally and globally based on ethical regulations and how research, development, production, marketing and distribution can be carried out. In addition, as a listed company on Nasdaq Stockholm, Xbrane follows its regulations regarding financial reporting, corporate governance, communications, etc. Xbrane is therefore in a strict-regulated environment, where stakeholder expectations are high. In recent years, transparency requirements have increased for companies in terms of managing a sustainable business. We note that an increasing number of investors believe that clearly addressing and working on sustainability issues can reduce risk and increase the value of a company.

Xbrane sustainability work in 2019:

- Establishment of a sustainability group.
- Management training in sustainability issues.
- Completion of a materiality analysis of company sustainability issues.
- Definition of the main sustainability areas on which the Company will concentrate its efforts.
- Initiation of a steering project with the aim of systematizing sustainability efforts and developing methods for the evaluation of the work.
- Completion of analyses and activities within the focus area "Attractive employer".

Sustainability group and training

As part of its work on creating value, Xbrane has started to address sustainability. In order to increase internal knowledge of sustainability, establish a structured working method and in order to be able to implement and report on Xbrane's sustainability, a sustainability group was established in 2019.

The group is led by the CFO and consists of relevant corporate functions in a position to influence company policies and strategies. The group reports to the CEO and Board as required.

Materiality analysis of sustainability issues
In order to define what sustainability means for Xbrane, a survey of the Company's main stakeholders and sustainability issues was carried out. Based on key stakeholders, the Company made an assessment based on experience and assumptions, of the significant expectations that Xbrane faces and which the Company has the opportunity to influence. This survey of stakeholders and key issues underpins Xbrane's continued sustainability work, which will progress in 2020. The materiality analysis method is in line with the thoughts and ambitions of GRI, with the exception of stakeholder dialog, which will be addressed at a later stage to validate Xbrane's essential sustainability issues.

Xbrane's central sustainability areas
Based on the materiality analysis, the Company has grouped the most crucial issues into four sustainability areas. Xbrane believes that the Company can contribute to the greatest societal impact in these areas.

The idea is for these sustainability areas to form the basis for Xbrane's future management and monitoring of sustainability work and, as far as possible, become an integral part of the Company's business strategy. Based on the work that has been done so far, the sustainability areas consist of:

Contribute to "Health Equality"
With its developed biosimilars, Xbrane wants to contribute to more patients having access to effective treatments, at a lower cost to patients and society.

To be seen as a reliable and professional operator for investors and partners
Xbrane wants to be seen as a credible and reliable operator for current and future collaboration and investment.

To be a responsible operator within society
Xbrane wants to take responsibility for its footprint on the outside world and is striving to minimize its negative effects on society.

To be an attractive employer
Xbrane wants to offer an attractive and nurturing workplace for the best key skills.

Good health and well-being for a larger population
A key part of Xbrane's sustainability efforts is to contribute to the UN's global goals for sustainable development. Xbrane's four focus areas for its sustainability work contribute to several of the global goals but with a primary focus on sustainability goal number three "Good health and well-being". This sustainability goal is the most central for Xbrane as it is directly applicable to Xbrane's business and ambition to make effective medical treatments available to a larger patient population. Furthermore, Xbrane's sustainability work also aims to contribute to target number eight "Decent working conditions and economic growth", number nine "Sustainable industry, innovations and infrastructure" and number 16 "Peace and Justice Strong Institutions".

Xbrane's four focus areas for sustainability issues

Contribute to "Health Equality"	Reliable and professional operator for investors and partners	Responsible operator within society	Attractive employer
Ambition: Xbrane with its self-developed biosimilars contribute to more patients having access to effective treatments, at a lower cost to patient and society.	**Ambition:** Xbrane wants to be seen as a credible and reliable operator in terms of society and investment.	**Ambition:** Xbrane wants to take respnsibility for its footprint from its activities and strive to minimize its negative effect on society.	**Ambition:** Xbrane wants to offer an attractive and nurturing workplace for the best key skills.
			

Activities during 2019

Establishment of a safety committee

A safety committee was set up, consisting of the Head of Biosimilars/Deputy CEO, CFO plus two employee representatives. At the time of publication of this report, the safety committee had carried out the following:

- Conducted safety inspections and risk assessment of the physical working environment at the laboratory, in offices and other personnel areas.
- Participated in a work environment course involving the safety committee and key people within the Company.

Performance management and remuneration structure

Evaluation of performance management and remuneration structure with employees. Our ambition for 2020 is to launch an updated format for performance management and the remuneration structure with the aim of living up to the expectations of Xbrane employees.

Satisfaction barometer for employees

A monthly survey to measure satisfaction and to identify positive and negative factors that employees feel exist.

Planned activities during 2020

In 2020, Xbrane will continue the development of both the governance and implementation of its sustainability work.

Some of the activities planned for the year are as follows:

- Establish safety targets for identified central sustainabilty areas.
- Review of Code of Conduct, policies and compliance.
- Analysis of compliance with working hours legislation.
- Establish functions for the reporting of incidents, as well as whistleblowing.
- Design of a new office and laboratories in accordance with work environment legislation and our sustainability focus.

Xbrane's key stakeholders

- Stock market
- Employees
- Suppliers
- Partners
- Patients, healthcare providers and patient organizations
- Healthcare system
- Insurance companies and paying authorities
- Regulatory authorities

Consolidated statement of profit or loss

Amounts in SEK thousands	Notes	2019	2018
Revenue	2,3	-	20,485
Cost of goods sold		-18,271	-15,907
Gross profit		**-18,271**	**4,578**
Other income	2,3	6,355	99,742
Selling and distribution expenses	5,7	-454	-933
Administrative expenses	5,6,7	-26,415	-23,347
Research and development expenses	5,7,13	-115,713	-85,827
Other expenses	4	-10,122	-5,629
Operating profit		**-164,620**	**-11,415**
Finance income	8	51	44
Finance cost	8	-1,468	-1,744
Net finance cost		**-1,417**	**-1,700**
Profit before tax		**-166,037**	**-13,115,**
Income tax expense	9	-	-121
Profit for the year		**-166,037**	**-13,236**
Profit attributable to:			
- Owner's of the Company		-166,037	-13,236
- Non-controlling interest		-	-
Profit for the year		**-166,037**	**-13,236**
Earnings per share			
- Basic earnings per share (SEK)	10	-14.84	-2.13
- Diluted earnings per share (SEK)	10	-14.84	-2.13
Number of outstanding shares by the end of the period			
- Before dilution		15,415,199	6,329,239
- After dilution		15,415,199	6,329,239
Average number of outstanding shares			
- Before dilution		11,190,591	6,213,927
- After dilution		11,190,591	6,213,927

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK thousands	2019	2018
Profit for the year	-166,037	-13,236
Other comprehensive income		
Items that have been transferred or can be transferred to profit for the year		
Foreign currency translation differences for the year	1,171	3,686
Other comprehensive income for the year	**1,171**	**3,686**
Comprehensive income for the year	**-164 866**	**-9,551**
Comprehensive income for the year attributable to:		
- Parent Company's owners	-164,866	-9,551
- Non-controlling interest	-	-
Comprehensive income for the year	**-164,866**	**-9,551**

Consolidated statement of financial position

Amounts in SEK thousands	Notes	12-31-2019	12-31-2018
ASSETS			
Goodwill	11	60,760	59,838
Intangible assets	11	5,053	5,773
Property, plant and equipment	12	7,004	16,744
Right of use assets	27	9,204	-
Non-current receivable	14	8,982	8,871
Non-current assets		**91,003**	**91,226**
Inventories	15	-	5,525
Current tax assets		-	10,427
Trade and other receivables	16	-	10,489
Other receivables		5,889	5
Prepaid expenses and accrued income	13,17	77,850	34,240
Cash and cash equivalents	18	164,197	100,972
Current assets		**247,937**	**161,659**
TOTAL ASSETS		**338,940**	**252,885**
EQUITY	19		
Share capital		3,456	1,419
Share premium		448,089	184,007
Reserves		6,719	5,548
Retained earnings		-273,941	-107,903
Equity attributable to owners of the Company		**184,323**	**83,070**
Non-controlling interest		**-**	-
Total equity		**184,323**	**83,070**
LIABILITIES			
Non-current interest-bearing liabilities	20	-	12
Leasing	20,27	6,281	29
Non-current non-interest-bearing liabilities		4,173	4,118
Provisions	22	4,547	4,275
Total non-current liabilities		**15,001**	**8,433**
Current interest-bearing liabilities	20	12	45,139
Accounts payables		21,097	30,908
Current tax liabilities		-	123
Other liabilities	21	2,903	820
Leasing	20,27	3,144	422
Accrued expenses and prepaid income	13,24	112,460	83,970
Total current liabilities		**139,615**	**161,382**
TOTAL LIABILITIES		**154,617**	**169,816**
TOTAL EQUITY AND LIABILITIES		**338,940**	**252,885**

Consolidated statement of cash flows

Amounts in SEK thousands	Notes	2019	2018
Cash flows from operational activities	31		
Profit for the period before tax		-166,037	-13,115
Adjustment for items not included in cash flow Paid income tax		24,718	4,953
Paid income tax		-	-
		-141,319	**-8,162**
Increase(-)/Decrease (+) in inventories		-	-2,280
Increase(-)/Decrease (+) in operating receivables		-28,286	-46,360
Increase(-)/Decrease (+) in operating liabilities		21,016	103,509
Cash generated from operating activities		**-148,589**	**46,707**
Cash flow from investing activities			
Acquisition of property, plant and equipment		-1,187	-1,598
Cash flow from investing activities		**-1,187**	**-1,598**
Cash flow from financing activities			
New share issue		252,457	2,549
Transaction expense		-33,430	-12
Warrants issue		0	701
Loans raises		0	45,000
Amortization of loan		-140	-131
Amortization of lease liability		-2,846	-377
Cash flow from financing activities		**216,041**	**47,730**
Cash flow for the period		66,265	92,839
Cash and cash equivalents at beginning of period		100,972	7,903
Exchange rate differences in cash and cash equivalents		-3,039	230
Cash and cash equivalents at end of year		**164,197**	**100,972**

Consolidated statement of changes in equity

Amounts in SEK thousands	Share capital	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 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 shareholders							
Contributions from and distributions to shareholders							
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	**84**	**4,132**	**-**	**-**	**4,216**	**-**	**4,216**
Balance at December 31, 2018	**1,419**	**184,007**	**5,548**	**-107,903**	**83,070**	**-**	**83,070**

Amounts in SEK thousands	Share capital	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2019	**1,419**	**184,007**	**5,548**	**-107,903**	**83,070**	**-**	**83,070**
Total comprehensive income for the period							
Profit for the period	-	-	-	-166,037	-166,037	-	-166,037
Other comprehensive income for the period	-	-	1,171	-	1,171	-	1,171
Comprehensive income for the year	**-**	**-**	**1,171**	**-166,037**	**-164,866**	**-**	**-164,866**
Transactions with group shareholders							
Contributions from and distributions to shareholders							
New share issue	2,037	261,990	-	-	264,027	-	264,027
- Issue of ordinary shares	*2,037*	*295,420*	-	-	*297,457*	-	*297,457*
- Transaction expenses	-	*-33,430*	-	-	*-33,430*	-	*-33,430*
Conversion of debentures	-	-	-	-	-	-	-
Warrants issue	-		-	-	-	-	-
Share savings program	-	2,092	-	-	2,092	-	2,092
Total contributions from and distributions to shareholders	**2,037**	**264,082**	**-**	**-**	**266,119**	**-**	**266,119**
Balance at December 31, 2019	**3,456**	**448,089**	**6,719**	**-273,941**	**184,323**	**-**	**184,323**

Income statement for Parent Company

Amounts in SEK thousands	Notes	2019	2018
Revenue	2,3	-	-
Cost of goods sold		-	-
Gross profit		**-**	**-**
Other income	2,3	4,416	97,149
Administrative expenses	5,6,7	-21,595	-19,074
Research and development expenses	5,7,13	-104,557	-75,257
Other expenses	4	-10,090	-18,192
Operating profit		**-131,825**	**-15,375**
Financial items			
Finance income	8	4	-
Finance expenses	8	-995	-1,690
Net finance costs		**-990**	**-1,690**
Loss before tax		**-132,815**	**-17,065**
Income tax expense	9		-
Loss for the period		**-132,815**	**-17,065**

Parent Company statement of comprehensive income

Amounts in SEK thousands	2019	2018
Profit for the period	-132,815	-17,065
Other comprehensive income for the period	-	-
Comprehensive income for the period	**-132,815**	**-17,065**

Balance sheet for Parent Company

Amounts in SEK thousands	Notes	2019	2018
ASSETS			
Fixed assets			
Property, plant and equipment	12	3,697	5,014
Financial fixed assets			
Shares in group companies Other non-current receivables	30	102,319	100,783
Other non-current receivables	14	8,982	8,871
Total financial fixed assets		**111,301**	**109,654**
Total fixed assets		**114,998**	**114,667**
Current assets			
Current receivables			
Trade and other receivables	16	-	196
Receivables from group companies		-	-
Other receivables		2,962	1,018
Prepaid expenses and accrued income	13,17	77,752	33,596
Total current receivables		**80,714**	**34,810**
Cash and bank	18	163,601	100,380
Total current assets		**244,315**	**135,190**
TOTAL ASSETS		**359,313**	**249,857**
EQUITY AND LIABILITIES			
Equity	19		
Restricted equity			
Share capital		3,456	1,419
Unrestricted equity			
Share premium		448,775	184,693
Retained earnings		-94,688	-77,623
Profit for the period		-132,815	-17,065
Total equity		**224,728**	**91,424**
Non-current liabilities			
Non-current non-interest-bearing liabilities		4,173	4,118
Total non-current liabilities		**4,173**	**4,118**
Current liabilities			
Current interest-bearing liabilities	20	-	45,000
Liabilities to group companies	23	-	3,042
Accounts payables		20,377	23,709
Other liabilities	21	2,708	630
Accrued expenses and prepaid income	13,24	107,327	81,934
Total current liabilities		**130,412**	**154,316**
TOTAL LIABILITIES AND EQUITY		**359,313**	**249,857**

Statement of changes in equity for Parent Company

	Restricted equity	Unrestricted equity			
Amounts in SEK thousand	**Share capital**	**Share premium**	**Retained earnings**	**Profit for the year**	**Total equity**
Balance at January 1, 2018	**1,335**	**180,560**	**-40,070**	**-37,553**	**104,273**
Profit for the year	-	-	-	-17,065	**-17,065**
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	**-**	**-**	**-**	**-17,065**	**-17,065**
Contributions and distributions	-	-	-37,553	37,553	-
Issue of ordinary shares	9	2,528	-	-	2,537
- Issue of ordinary shares	*9*	*2,540*	-	-	*2,549*
- Transaction expenses	-	*-12*	-	-	*-12*
Conversion of debentures	74	-74	-	-	-
Warrants issue	-	701	-	-	701
Share savings program	-	978	-	-	978
Balance at December 31, 2018	**1,419**	**184,693**	**-77,623**	**-17,065**	**91,424**

	Restricted equity	Unrestricted equity			
Amounts in SEK thousands	**Share capital**	**Share premium**	**Retained earnings**	**Profit for the year**	**Total equity**
Balance at January 1, 2019	**1,419**	**184,693**	**-77,623**	**-17,065**	**91,424**
Profit for the year	-	-	-	-132,815	**-132,815**
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	**-**	**-**	**-**	**-132,815**	**-132,815**
Contributions and distributions			-17,065	17,065	
Issue of ordinary shares	2,037	261,990	-	-	264,027
- Issue of ordinary shares	*2,037*	*295,420*	-	-	*297,457*
- Transaction expenses	-	*-33,430*	-	-	*-33,430*
Conversion of debentures	-	-	-	-	-
Warrants issue	-	-	-	-	-
Share savings program	-	2,092	-	-	2,092
Balance at December 31, 2019	**3,456**	**448,775**	**-94,688**	**-132,815**	**224,728**

Parent Company's cash flow statement

Amounts in SEK thousands	Notes	2019	2018
Cash flows from operating activities	31		
Profit for the period before tax		-132,815	-17,065
Adjustments for items not included in cash flow		6,706	6,927
Paid income tax		-	-
		-126,109	**-10,138**
Increase(-)/Decrease (+) of trade and other receivables		-46,015	-38,319
Increase(-)/Decrease (+) of trade and other payables		24,510	99,962
Cash flow from current operations		**-147,614**	**51,505**
Investing activities			
Investments in subsidiaries		-1,536	-6,691
Acquisition of property, plant and equipment		-565	-110
Cash flow from investing activities		**-2,101**	**-6,801**
Financing activities			
New share issue		252,457	2,549
Transaction costs related to share issue		-33,430	-12
Warrants issue		-	701
Loans raised			55,000
Amortization of loan		-3,042	-6,958
Cash flow from financing activities		**215,985**	**51,280**
Cash flow for the year		66,270	95,984
Cash and cash equivalents at beginning of period		100,380	6,483
Exchange rate differences in cash and cash equivalents		-3,049	-2,087
Cash and cash equivalents at end of year		**163,601**	**100,380**

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 April 16, 2020. 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 14, 2020.

(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 result may differ from these estimates and assessments.

Estimates and assumptions 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 33.

(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
(i) Amended accounting policies occasioned by new or amended IFRS standards
A description is presented below of the amended accounting principles that the Group has implemented from January 1, 2019. Other changes to IFRS standards effective as of January 1, 2019 have not had any material effect on the Group's financial statement.

(ii) IFRS 16 Leasing agreements
The Group applies IFRS 16, Leasing agreements, as of January 1, 2019. As a result, the Group has changed its accounting principles for leasing agreements as below. The Group has chosen to apply the modified retroactive approach at the transition, which means that the comparative year has not been recalculated in accordance with IFRS 16.

Leasing agreements where the Group is the lessee
Previously, the Group classified leasing contracts as operational or financial leasing agreements based on whether the leasing contract transferred the significant risks and benefits that ownership of the underlying asset entailed to the Group. Operating leases were not reported as assets and liabilities in the statement of financial position and a leasing/rental cost was reported on a straight-line basis over the lease term. According to IFRS 16, the Group recognizes right of use asset and leasing liabilities for most leasing agreements, including leasing agreements previously classified as operational, and depreciation and interest expense are reported in the statement of income and other comprehensive income. Exceptions have been made for the below-mentioned agreement with the remaining lease period of a maximum of 12 months and for leasing agreements of low value (underlying asset value <SEK 50 thousand).

Leases previously classified as operating leases in accordance with IAS 17
At the transition, the lease liabilities were valued at the current value of the remaining leasing fees, discounted by the Group's marginal borrowing rate on the first day of application (January 1, 2019). The right of use asset were valued at an amount corresponding to the lease liability adjusted for any prepaid or accrued leasing fees. The Group applies this method to all leasing agreements.
The Group has chosen to apply the following relief rules for previous operating leases in the transition to IFRS 16.

- Applied a single discount rate to a portfolio of leases with fairly similar properties.
- Adjusted the right of use asset to an amount recognized as a provision for operating leases that constituted a loss contract immediately before the first day of application as an alternative to performing an impairment review.

- Right of use asset and leasing liabilities have not been reported for leases for which the leasing period ends within 12 months or earlier after the transition period (short-term leasing agreements).
- Excluded initial direct expenses from the valuation of the right of use asset on the first day of application.
- Assessments made in retrospect during the determination of the lease period, if the agreement contains possibilities to extend or terminate the lease.

Leases previously classified as finance leases
For an account of previous financial leasing agreements, see below under "*Effect on the financial reports*".

Effect on the financial reports
At the transition to IFRS 16 as of January 1, 2019, the reported effect on the consolidated balance sheet was a leasing asset of SEK 4.495 thousand and that leasing liability also arose. The transition had no effect on equity.

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

(i) Business segment reporting
A business segment is a part of the Group which undertakes business operations from which it can generate income and incur costs and for which independent financial information is available. The profit or loss of an operating segment is further followed up by the Company's senior executive decision-makers to evaluate the profit or loss and to be able to allocate resources to the operating segment. See Note 3 for a further description of the classification and presentation of operating segments.

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

Subsidiaries are recognized using the purchase method. This method means that an acquisition of a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis establishes the fair value on the day of acquisition of acquired identifiable assets and taken-over liabilities as well as any non-controlling interests. Transaction expenditure, with the exception of transaction expenditure attributable to the issuing of capital instruments or debt instruments which arises is recognized directly in the profit or loss for the year.

In business combinations where transferred remuneration, any non-controlling interests and fair value of a previously owned participation (in the case of acquisitions with different milestone payments) 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 percent owned in terms of the shares and votes. No subsidiaries with non-controlling interests are therefore recognized.

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

(iii) Joint operations
Joint operations are cooperation agreements where Xbrane and STADA have the same right to all of the economic benefits related to the operations' assets. Further, the adjustment of liabilities from the joint operation depending on the parties' costs from the operation or capital injection, is the same. Joint operations are accounted for according to the "proportionate consolidation", which means that the parties accounts for, in their own financial statement, their share of the assets, liabilities, revenues and costs from the operations.

(k) Foreign currency
(i) Functional currency and reporting currency
The Parent Company's functional currency is SEK and the subsidiary's functional currency is EUR. Upon Group consolidation, the subsidiary's functional currency is converted into the Group 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 net profit for the year. Non-monetary assets and liabilities which are reported at historical cost are converted at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities which are recognized at fair value are converted to the functional currency at the rate prevailing at the time of measurement of fair value.

(iii) Financial statements of foreign operations
Assets and liabilities in foreign operations, including goodwill and other Group surpluses and deficits, are converted from the functional currency of the foreign operations, the Euro, to the Group's reporting currency, Swedish kronor, at the exchange rate applicable on the balance-sheet date. Income and expenses from foreign operations are converted into Swedish kronor 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 valued based on the compensation specified in the agreement with the customer. The Group recognizes revenue when control of a product or service is transferred to the customer.

Information about the nature and timing of fulfillment of performance commitments in agreements with customers, including significant payment terms, and related revenue recognition principles, are summarized below.

(i) Sales of goods
Revenue from the sale of goods is recognized in the profit and loss for the period when control over the goods passes to the purchaser. Revenue is not recognized where it is likely that the economic benefits will not accrue to the Group.
There is no revenue recognition where there is significant uncertainty with regard to payment, associated costs or risk of returns and where the seller remains involved in the day-to-day management usually associated with ownership. Revenue is recognized at the fair value of what has been received or is expected to be received, less discounts provided.

(ii) License revenue
License revenue refers to Parent Company patented platform for protein production and license right for sales and marketing of the Group's products. License revenue from sales and marketing derives from entered partnership which gives the partner right to sell and marketing the products. This includes an initial payment which is accounted for in full, when signing the contract, because the Parent Company does not have any further commitments regarding the exclusive right for the client to sale and marketing the product. The Parent Company, through partnerships, are entitled to license compensation when the agreed upon targets has been reach. These revenues will be accounted for in full when the agreed upon targets have been reached.

(iii) Income from government subsidies/grants
Government subsidies and grants without any conditions are accounted for as revenue when the claim from the government has been received. Other government subsidies, and grants are accounted for in the report of financial statement as an accrued income until there is no reasonable doubt that the Group will receive the subsidies/ grants and that the Group will fulfill the terms connected to the subsides/ grants. These are then accrued systematically over the profit and loss for the year, in the same periods as the cost arises, for which the subsidies/grants are made to compensate for.

(m) Leasing
Principles applied from January 1, 2019
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 thousand, 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.

Amounts in SEK thousands	Reported December 31, 2018	Effect of IFRS 16	Recalculated as of January 1, 2019
Assets			
Real estate/premises	-	4,209	4,209
Tangible assets	16,744	-	16,744
Intangable assets	5,773	-	5,773
Other fixed assets	68,709	-	68,709
Total non-current assets	**91,226**	**4,209**	**95,435**
Current assets	161,659	-	161,659
Total assets	**252,885**	**4,209**	**257,094**
Shareholders' equity and liabilities			
Shareholders' equity	83,070	-	83,070
Non-current liabilities	8,433	2,597	11,030
whereof non-current leasing liabilities	*29*	*2,597*	*2,626*
Current liabilities	161,382	-	161,382
whereof current leasing liabilities	*422*	*1,612*	*2,034*
Total equity and liabilities	**252,885**	**4 ,209**	**257,094**

At valuation of leasing liability, the Group discounted the leasing fees to the marginal interest rate as of January 1, 2019. The weighted average interest rate used is six percent.

Amounts in SEK thousands	January 1, 2019
Operational leasing obligations as of December 31, 2018 according to information in Annual report	4,475
Discounted by marginal interest rate as per January 1, 2019	4,209
Additional – financial leasing liabilities accounted as of December 31, 2018	450
Removed – exception for:	
Short-term leasing agreements	-
Leasing of assets to a low value	-
Additional – Fairly assumed extensions of period	-
Additional – varible lease payments linked to index or price ("rate")	-
Leasing liabilities as per January 1, 2019	**4,659**

The leasing liability for leases previously classified as financial leases has, in accordance with the transitional rules in IFRS 16, in the initial amount for 2019 stated above, been recognized at the same amount as at the end of 2018. In the subsequent accounting, the principles in IFRS 16 have been applied, meaning that amounts for residual value guarantees previously included in the lease debt were deducted from the liability with a corresponding reduction in the right-to-use asset.

Principles applied up to and including December 31, 2018
For periods prior to 2019, both in terms of lessee and lessor, the Group classified lease agreements – agreements that gave the right to use an asset for an agreed period in exchange for a payment or a series of payments – as operational or financial based on whether the agreement substantially transferred the risks and benefits associated with ownership of the asset.

As lessee, costs related to operating lease agreements were recognized in profit or loss for the year on a straight-line basis over the term of the lease. Benefits obtained in connection with the signing of a lease were reported in the income statement as a decrease in lease charges on a straight-line basis over the time of the lease. Variable charges were expensed in the period in which they arose.

Financial lease agreements in which the Group was lessee have essentially been recognized in the same way as the principles applied from January 1, 2019.

(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 income and expenses
Other operating income and expenses essentially consist of exchange rate gains and losses on operating receivables from operating activities. Other operating income and expenses arise from payments made or received of items in currencies other than the functional currency of 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 companies that are not expected to be reversed in the foreseeable future taken into account. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice as of the balance sheet date

Deferred tax assets in respect of deductible temporary differences and a carry forward of unused tax losses are only reported to the extent it is likely that these will entail lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

Any additional income tax arising on payment of dividend is recognized at the same time as when the dividend is recognized as a liability.

(q) Financial instruments

(i) Accounting and first valuation

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

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

(ii) Classification and subsequent valuation

Financial assets

On initial recognition, a financial asset is classified as valued at: accrued acquisition value; fair value through other comprehensive income – debt instrument investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss.

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

A financial asset should be valued at accrued cost if it meets both of the following conditions and has not been identified as valued at fair value through profit or loss:

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

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

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

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

All financial assets that are not classified as measured at accrued cost or fair value through other comprehensive income are valued at fair value through profit or loss. This includes all derivatives, see Note 26. On initial recognition, the Group may irrevocably identify a financial asset that otherwise meets the conditions for being measured at accrued cost or fair value through other comprehensive income, which is measured at fair value through profit or loss if it eliminates or significantly reduces inconsistencies in accounting.

Financial liabilities

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

(iii) Removal from financial statements (derecognition)

Financial assets

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

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

Financial liabilities

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

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

(v) Financial derivative instruments and hedging
The Group holds financial derivative instruments to hedge its exposure to risk in terms of foreign currency and interest rates. Hedge accounting is not applied. Derivatives are initially recognized at fair value. After the first accounting period, derivatives are measured at fair value and changes in this are recognized in profit or loss.

(r) Issued convertible debentures
Convertible debentures can be converted to shares if the counterpart exercises the option to convert the convertible loan to shares. The conversion can only occur if the targets agreed upon have been reached within the predetermined timetable. The Group's convertible debentures hold no repayment obligation for the Group. The holder of the instrument only has the right to convert to newly-issued shares if the targets have been met within the predetermined timetable. Therefore, the issued capital is accounted for in full within the equity of the Group.

The conversion will be carried out to a predetermined rate. If the targets are not achieved within the agreed upon timetable, the conversion right will be lost as well as the associated part of the convertible loan. The amount that will be added if the targets are not achieved will remain within the Group's equity without any new shared issued.

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

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

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

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

Estimated useful lives;

- machinery and other technical facilities	5-10 years
- fixtures, tools and installations	3-5 years

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

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

(iii) Additional expenses
Additional expenses for capitalized intangible assets are 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.

(vi) Depreciation principles
Depreciation is recognized in profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indeterminate. The useful lives are reassessed at least annually. Goodwill and other intangible assets with an indefinite useful life or which are not yet ready to be used are tested for impairment annually, and as soon as indications arise that the asset in question has decreased in value. Intangible assets with determinable useful lives are depreciated from the time they are available for use. The estimated useful lives are:

- capitalized development expenses	5-7 years

(u) Inventories
Inventories are valued at the lower of cost and net realizable value. The cost of inventories is calculated using the first-in, first-out method (FIFO) and includes expenses incurred in the acquisition of inventory assets and transportation of these to their current location and condition. For manufactured goods and ongoing work, the acquisition value includes a reasonable proportion of indirect costs based on normal capacity.
Net realizable value is the estimated selling price in current operations, after deduction of estimated costs of completion and to achieve a sale.

(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's reported assets are assessed at each balance sheet date to determine whether there is any indication of a need for impairment.

Valuation of expected credit losses
The Group recognize reserves for expected credit losses from financial assets, at accured 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 25.

(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 of 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 that there has been a change in the assumptions that formed the basis for calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reverse is only made to the extent that the recorded value of the asset after reversal does not exceed the accounted value the assets would have had, with the deduction of amortization if applicable, if no impairment had been carried out.

Previously-reported impairment will be reversed if the recoverable value exceeds the booked value. A reversal could not be made with an amount that would exceed the booked amount if an impairment had not been conducted in previous periods

(w) Earnings per share
The calculation of earnings per share before dilution are based on the profit or loss for the year at the Group, attributable to the Parent Company's owners and of the weighted average amount of shares at year end. When calculating the earnings per share after dilution, adjustment is made to the profit and loss and the weighted average share in regards to effects from potential common stocks.

Potential common stocks during the covered period of this report consist of rights to shares (matching and performance shares from the Groups share saving programs), convertibles and warrants. Potential common stocks are only viewed as diluted at periods when it results in a lower profit or increased loss per share. If it leads to a lower earnings per share, the dilution are based on the warrants as a calculation of, the hypothetical quantity of shares that could have been bought during the time period with the specific exercise price. Shares that could not have been bought will lead to dilution. Matching shares held by employees on the date of the report also form part of the dilution. Performance shares are also eligible for dilution to the extent that employees have reached performance targets on the date of the report. In order to calculate the effect of the dilution, an exercise price is used, corresponding to the value of the future services as per outstanding share rights, calculated as a remaining cost to be accounted for according to IFRS 2. A potential dilution from the convertible loans is calculated by increasing the number of shares by the total amount of shares that the convertible loan corresponds to. As the Group's convertible loans consist entirely of equity, no interest costs are reported in the income statement that could influence the balance sheet.

(x) Employee remuneration
For more information about short-term incentive program, warrants program for executive directors as well as share savings program see page 33 in the Administration report as well as Note 5.

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

(ii) Share-related remuneration
Share savings program
A share savings program 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 program. 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 program
Regarding the warrants directed towards board members and Group management, the warrants have been acquired by the participants themselves and there has been no cost for the Group.

(y) 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.

Non-recurring compensation for employees on termination of employment
The provisions accounted for in the subsidiary, Primm Pharma concern one-off compensation to all employees upon future termination of employment.

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 2019 as stated above for the Group.

The same policies apply to the Parent Company as to the Group regarding the disclosure of changes in accounting policies (IAS 8.28-31); see above under the Group's amended accounting principles. However, note that this section of the Parent Company report lists only differences for the Group, which means that the changes listed here are only those that concern the Parent Company.

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

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

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

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

NOTE 2 Distribution of income

Income per significant category	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Revenue				
Sales of goods[1]	-	*20,485*	-	-
	-	**20,485**	**-**	**-**
Other income				
Sales from licensing revenues and royalties[2]	*600*	*92,468*	*957*	*92,468*
Government grants	*2,021*	*2,463*	-	-
Exchange rate gains	*3,461*	*4,686*	*3,459*	*4,681*
Other	*274*	*126*	-	-
Total	**6,355**	**99,742**	**4,416**	**97,149**
Total income	**6,355**	**120,227**	**4,416**	**97,149**

1) The net sales are in full revenue from contract with customers.
2) License revenue of SEK 600 thousand (2,067) from the protein production platform, which refers to a specific period, are accrued over the contract period. License revenue of SEK 0 thousand (90,401) from the fulfilment of milestones are recognized as revenue when the milestone has been achieved

The Groups revenues from Biosimilars are from one counter party with their seat in Europe. The Group's revenue from long-acting injectables derives from one client in the Middle East as well as one client in Asia.

Group

Amounts in SEK thousands	**Full year 2019**			
Income per region	Biosimilars	Long-acting injectibles	Administration and unallocated	**Group**
Middle East	-	-	-	**-**
Asia	-	-	-39	**-39**
Europe	-	-	6,132	**6,132**
US	-	-	262	**262**
Total	**-**	**-**	**6,355**	**6,355**
Income per category				
Pharmaceuticals	-	-	-	**-**
Milestone payments from partners	-	-	-	**-**
Services and other	-	-	6,355	**6,355**
Total	**-**	**-**	**6,355**	**6,355**

Amounts in SEK thousands	**Full year 2018**			
Income per region	Biosimilars	Long-acting injectibles	Administration and unallocated	**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**	**36,023**	**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	**9,341**
Total	**77,860**	**36,023**	**6,344**	**120,227**

NOTE 3 Operating segment

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

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

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

The segment "Biosimliars" include the operations of Xlucane as well as the pre-clinical biosimilars portfolio. The second segment "Long-acting injectables" includes the operations of Spherotide and the last segment "Administration and unallocated" includes the remaining parts of the business and thereby mostly administration related such as expenses related to finance function, Board of Directors, market listing of shares as well as investor relations among others. The revenues from protein expression system which is a non-core business is included in Administration and unallocated.

	Group	
Amounts in SEK thousands	**2019**	**2018**
Income per segment		
Biosimilars	-	77,860
Long-acting injectables	-	36,023
Administration and unallocated	6,355	6,344
Total income	**6,355**	**120,227**
Result per segment		
Biosimilars	-103,723	3,497
Long-acting injectables	-30,261	-27,462
Administration and unallocated	-30,637	12,550
Operating profit	**-164,620**	**-11,415**
Finance income		
Biosimilars	-	-
Long-acting injectables	-	-
Administration and unallocated	51	44
Total financial income	**51**	**44**
Finance expenses		
Biosimilars	-354	-
Long-acting injectables	-71	-
Administration and unallocated	-1,044	-1,744
Total Financial cost	**-1,468**	**-1,744**
Net financial items	**-1,417**	**-1,700**
Profit before tax	**-166,037**	**-13,115**

The Parent Company did not report any net revenues for 2019 nor for 2018.

NOTE 3 Operating segment cont.

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Investments[1]				
Biosimilars	565	110	565	110
Long-acting injectables	622	1 488	-	-
Administration and unallocated	-	-	-	-
Total	**1,187**	**1,598**	**565**	**110**
Depreciation and write downs				
Biosimilars	3,624	1,788	1,840	1,788
Long-acting injectibles	20,068	3,482	-	-
Administration and unallocated	441	66	42	32
Total	**24,134**	**5,336**	**1,882**	**1,821**

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Fixed assets[1]	21,261	22,517	3,697	5,014
Total	**21,261**	**22,517**	**3,697**	**5,014**

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

NOTE 4 Other expenses

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Outlicening fee to subsidiary	-	-	-	-13,375
Exchange losses on trade receivables and payables	-10,120	-4,284	-10,110	-4,275
Impairment of receivables	20	-879	20	-542
Other	-22	-466	-	-
Total other expenses	**-10,122**	**-5,629**	**-10,090**	**-18,192**

NOTE 5 Employees, salaries and senior executive's remuneration

Expenses for employee remuneration

Group

Amounts in SEK thousands	**2019**	**2018**
Salaries and remuneration	29,695	17,188
Payments on termination of employment[1]	517	454
Social security expenses	6,688	3,948
Other personnel expenses	806	686
Total	**37,707**	**22,276**

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

Average number of employees	**2019**	**of which men**	**2018**	**of which men**
Parent Company	27	52%	14	52%
Subsidiaries	9	32%	9	33%
Group	**36**	**47%**	**23**	**43%**

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

Gender distribution in Board of Directors and Management	12-31-2019 Proportion of women	12-31-2018 Proportion of women
Parent Company		
Board of Directors	29%	14%
Management	40%	40%
Group		
Board of Directors	29%	14%
Management	33%	33%

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

Parent Company	2019			2018		
Amounts in SEK thousands	Senior executives (5 persons)	Other employees	Total	Senior executives (5 persons)	Other employees	Total
Salaries and other payments[1]	6,192	15,646	21,838	5,804	4,991	10,795
- Of which bonus payments similar.	*587*	*1,131*	*1,717*	*556*	*318*	*873*
- Of which pension expenses	*713*	*2,510*	*3,223*	*428*	*281*	*709*
Social security expenses[1]	1,616	3,611	5,227	1,255	1,324	2,579

1) Does not include fees for Board of Directors paid as salaries amounted to SEK 2,133 thousand (800) as well as social security expenses for those of SEK 606 thousand (253).

Group	2019	2018
Amounts in SEK thousands	Senior executives (6 persons)	Senior executives (7 persons)
Salaries and other payments	10,036	8,987
- Of which bonus payments	*638*	*651*
- Of which pension expenses	*716*	*432*

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

Salaries and other remuneration to senior executives, Group, 2019

Amounts in SEK thousands	Basic salary, directors' fees[1]	Variable remuneration	Pension expenses	Share related remuneration	Total
Chairman of the Board of Directors Anders Tullgren	450	-	-	-	450
Board member Maris Hartmanis	275	-	-	-	275
Board member Peter Edman	250	-	-	-	250
Board member Karin Wingstrand	250	-	-	-	250
Board member Giorgio Chirivi	250	-	-	-	250
Board member Eva Nilsagård (as of May 16, 2019)	200	-	-	-	200
Board member Ivan Cohen-Tanugi (as of May 16, 2019)	175	-	-	-	175
Board member Alessandro Sidoli (until May 16, 2019)	75	-	-	-	75
Board member Saeid Esmaeilzadeh (until May 16, 2019)	75	-	-	-	75
CEO Martin Åmark	1,205	145	260	-	1,610
Deputy CEO Siavash Bashiri	1,188	135	233	-	1,557
Other senior executives (4)	4,272	358	223	-	4,854
Total	**8,666**	**638**	**716**	**-**	**10,020**

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

Salaries and other remuneration to senior executives, Group, 2018

Amounts in SEK thousands	Basic salary, directors' fees[2]	Variable remuneration	Pension expenses	Share related remuneration	Total
Chairman of the Board of Directors Anders Tullgren (as of April 3, 2018)	175	-	-	-	175
Chairman of the Board of Directors Saeid Esmaeilzadeh (until April 3, 2018)	125	-	-	-	125
Board member Maris Hartmanis	137	-	-	-	137
Board member Peter Edman	137	-	-	-	137
Board member Karin Wingstrand	137	-	-	-	137
Board member Giorgio Chivirí	137	-	-	-	137
Board member Alessandro Sidoli	137	-	-	-	137
CEO Martin Åmark	1,074	124	133	71	1,402
Deputy CFO Siavash Bashiri	978	120	116	115	1,329
Other executives (5)	4,162	383	183	317	5,045
Total	**7,197**	**627**	**432**	**502**	**8,759**

2) In accordance with the principle that the Company should be cost-neutral in payment of director's fees, regardless of whether they are paid as salary or invoiced as a fee, board members who have selected to invoice via companies have the option of invoicing the difference for these amounts as a supplement to the fee. For 2018 the amount is SEK 12 thousand per board member. The amount above is including social cost

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

Remuneration of senior executives and conditions for termination and severance pay
The Annual General Meeting in May 2019 decided on the following guidelines for determining remuneration and other terms of employment for senior executives. Remuneration to senior executives shall consist of fixed salary, variable remuneration, the possibility of pension provision and other customary benefits, as well as the opportunity to participate in long-term incentive programs. 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 2019, no deviation from the principles adopted by the Annual General Meeting regarding variable remuneration to senior executives in the Group took place. Senior executives are covered by defined contribution pension plans that is design to be similar to an ITP1 plan. The defined contribution pension plans may not exceed 30 percent of the fixed annual salary, which is not the case in 2019. For employees of the Italian subsidiary, the defined contribution pension plans are not covered, but have a provision made annually until termination of employment, in accordance with Italian legislation.

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. For executives of the Italian subsidiary there is no termination period.

Warrant program for senior executives
Three warrant programs are issued to executive directors and board members. For more information see page 33 in the Administration report as well as Note 1 (x) Employee remuneration.

Warrants Serie I 2018/2021
The elected chairman Anders Tullgren was offered to subscribe for up to a maximum of 49,285 warrants. All warrants were subscribed by Anders Tullgren at a price corresponding to the market value of the options calculated in accordance with the Black & Scholes valuation model. At the time of allocation, the valuation was SEK 5.91 / option. When calculating the warrants market value, the following factors has been used; share price of 60.8672 SEK/share; exercise price 91 SEK/ share, volatility 33.52 percent, expected dividend of 0 SEK/ share, risk free interest of -0.44 percent as well as a duration of three years. Each warrant entitles the holder to subscribe for one new share during the period from April 1, 2021 to May 31, 2021. In the event that all outstanding warrants are exercised, the number of shares in the Company will increase by 49,285 shares and the share capital by approximately SEK 11,049 thousand. If all outstanding warrants in the warrants program serie I 2018/2021 are used, it will result in a dilution of approximately 0.77 percent of the share capital and votes in the Company. If the warrant holder leave the Board before the program ends, the Company has the right to re-purchase warrants that have not been earned.

Warrants Serie II 2018/2021
Issue of a maximum of 15,000 warrants to the five Board members who were registered in Xbrane at the time of the AGM (excluding Saeid Esmaeilzadeh), which gave the Board members the right to subscribe for a maximum of 3,000 warrants each. A total of 13,500 warrants were subscribed by the subscribers at a price corresponding to the market value of the options calculated in accordance with the Black & Scholes valuation model. At the time of allocation, the valuation was SEK 5.8797 / option. When calculating the warrants market value, the following factors has been used; share price of 60,8672 SEK/share; exercise 91 SEK/ share, volatility 33.52 percent, expected dividend of 0 SEK/ share, risk free interest of -0.44 percent as well as a duration of three years. Each warrant entitles the holder to subscribe for one new share during the period from April 1, 2021 to May 31, 2021. In the event that all outstanding warrants are exercised, the number of shares in the Company will increase by 13,500 shares and the share capital by approximately SEK 3,027 thousand. If all outstanding warrants in the warrants program serie II 2018/2021 are used, it will result in a dilution of approximately 0.21 percent of the share capital and votes in the Company. If the warrant holder leave the Board before the program ends, the Company has the right to re-purchase warrants that have not been earned.

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

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

Share savings program
As of December 31, 2019, the Company has three ongoing long-term equity savings programs. For more information, see page 33 in the Administration report as well as Note 1 (x) Employee remuneration.

LTIP 2017
LTIP 2017 is a long-term share savings program that runs during the period 2017–2019. The program is designed as a share savings program where the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a value of up to SEK 150 thousand before the end of February 2018. For each savings share (1) the employee has acquired, the employee may acquire one (1) so-called matching share and up to one (1) so-called performance share. The outcome of performance shares is based on the fulfillment of targets related to development, implementation and results of clinical studies, marketing authorization, outlicensing and sales of the product candidates Spherotide and Xlucane.
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 program during the vesting period.

At the initiation of the program, each share right at the share price was valued at SEK 56.0 and no dividends were expected to be paid during the vesting period. Opening number of share rights for the financial year 2019 amounted to 19,534 (9,767 matching shares and 4,884 performance shares) and the closing number of shares for the financial year 2019 amounted to 12,209 (9,767 matching shares and 4,884 performance shares). The change relates to the closing of LTIP 2017 and shows the actual number of shares earned. Costs for the program include the value of the shares and social costs for the amounts allocated to the employees, which are expensed as incurred during the period 2017–2019.

LTIP 2018
LTIP 2018 is a long-term share savings program that runs during the period 2018-2020. The program means that the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a total of 2,200 shares for senior executives and up to a total of 1,500 shares for other employees, before the end of February 2019. For each savings share (1) the employees have acquired, the employee may acquire one (1) so-called matching share and up to three (3) so-called performance shares. The performance of performance shares is based on the fulfillment of the targets set by LTIP 2018 and which are related to total return on shares, fulfillment of certain milestones for the Company, and fulfillment of certain milestones for the subsidiary. 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 program during the vesting period.

At the initiation of the program, each share right at the share price was valued at SEK 34.0 and no dividends are expected to be paid during the vesting period. Opening number of share rights for the financial year 2019 amounted to 73,244 (18,311 matching shares and 54,933 performance shares) and the closing number of financial year 2019 amounted to 72,844 (18,211 matching shares and 54,633 performance shares). The change relates to terminated employment during the year. Costs for the program include the value of the shares and social costs for the amounts that the employees are expected to be allocated, which are expensed on an ongoing basis during the period 2018-2020.

LTIP 2019
LTIP 2019 is a long-term share savings program that runs during the period 2019-2021. The program means that the employee's participation requires an investment in Xbrane's shares, the so-called savings shares, up to a total of 1,500 shares, acquired before January 31, 2020. For each savings share (1) the employee has acquired, the employee may acquire one (1) matching share and up to three (3) performance shares. The performance of performance shares is based on the fulfillment of the targets set by LTIP 2019 and which are related to the total return on Xbrane's share. In addition, eligibility for shares is conditional on the participant being employed by the Group and all his or her savings shares being allocated to the program during the vesting period.

At the initiation of the program, the matching share was valued at SEK 38.4, performance share no. 1 to SEK 12.7, performance share no. 2 to SEK 9.6, performance share no. 3 to SEK 7.8. No dividends are expected to be paid during the vesting period. The value of the performance shares considers the probability that the stock return conditions will be met, as calculated by Monte Carlo simulation. Opening number of share rights at financial year 2019 amounted to 228,000 (57,000 matching shares and 171,000 performance shares) and closing number at financial year 2019 amounted to 228,000 (57,000 matching shares and 171,000 performance shares). The costs for the program include the value of the shares and social costs for the amounts that the employees are expected to be allocated, which are expensed continuously during the period 2019-2021.

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

Performance share plans	2017– 2019	2018 – 2020	2019 – 2021
Vesting period	**Jan 2017 – Dec 2019**	**Jan 2018 – Dec 2020**	**Jan 2019 – Dec 2021**
Performance targets	Operating milestones	Operating milestones	Percentage increase of share price
Fair value per share rights	56.0	34.0	38.4 and performance shares*

** Performance share no. 1 is valued to SEK 12.7 per share; Performance share no. 2 is valued to SEK 9.7 per share; Performance share no. 3 is valued toSEK 7.8 per share.*

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

	Accumulated			2018			2019		
	IFRS 2	Social security cost	Total	IFRS 2	Social security cost	Total	IFRS 2	Social security cost	Total
2017 – 2019	-415	-107	-522	-257	-46	-303	77	18	94
2018 – 2020	-1,587	-226	-1,813	-720	-166	-886	-867	-60	-926
2019 – 2021	-1,303	-275	-1,578	0	0	0	-1,303	-275	-1,578
Total	**-3,305**	**-607**	**-3,912**	**-978**	**-212**	**-1,190**	**-2,092**	**-317**	**-2,410**

Personnel expenses for share-related remuneration

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Expenses attributable to share savings program	2,410	1,190	2,410	1,190
Total	**2,410**	**1,190**	**2,410**	**1,190**

NOTE 6 Fees and reimbursement of expenses to auditors

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
KPMG AB				
Audit assignment	1,466	650	1,466	650
Audit work in addition to the audit assignment	886	329	886	329
Tax advice	-	78	-	78
Other services	272	608	272	608
Other auditors				
KPMG s.r.l. (Italy)				
Audit assignment	228	181	-	-
Audit work in addition to the audit assignment	-	-	-	-
Total	**2,851**	**1,846**	**2,623**	**1,665**

NOTE 7 Operating costs by category

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Raw materials and consumables	394	1,527	-	-
Change in inventory of finished goods and products in progress	30	-39	-	-
Other external expenses	95,852	84,972	91,229	90,126
Personnel expenses	40,446	22,277	33,020	16,301
Depreciation	5,863	2,715	1,882	1,821
Exchange rate losses	10,120	4,284	10,110	4,275
Total	**152,705**	**115,736**	**136,241**	**112,523**

NOTE 8 Net financial items

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Interest income	51	44	4	-
Financial income	**51**	**44**	**4**	**-**
Interest charges for leasing	-473	-45	-	-
Interest charges for non-current liabilities	-687	-1	-687	-
Interest charges for current liabilities	-297	-1,699	-297	-1,690
Other financial expenses	-11	-	-11	-
Financial expenses	**-1,468**	**-1,744**	**-995**	**-1,690**
Net financial income/expense	**-1,417**	**-1,700**	**-990**	**-1,690**

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

NOTE 9 Taxes

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Current tax expense (-)[/Tax revenue (+)]				
Tax expense [/tax revenue] for the year	-	-121	-	-
Deferred tax expense (-)[/Tax revenue (+)]	-	-	-	-
Total tax expense reported in the Group	**-**	**-121**	**-**	**-**

Reconciliation of effective tax

Group

Amounts in SEK thousands	**2019**	**2018**
Profit before tax	-166,037	-13,115
Tax at the current rate for the Parent Company	35,532	2,885
Effect of other tax rates for foreign subsidiaries	5,787	-715
Non-deductible expenses	-322	-386
Non-taxable income	259	280
Increase of loss carryforwards without corresponding activation of deferred tax	-41,257	-1,506
Tax attributable to prior years	-	-679
Reported effective tax	**-**	**-121**

Parent Company

Amounts in SEK thousands	**2019**	**2018**
Profit/loss before tax	-132,815	-17,065
Tax at the current rate for the Parent Company	28,422	3,754
Non-deductible expenses	-23	-131
Non-taxable income	-	-
Increase of loss carryforwards without corresponding activation of deferred tax activation of deferred tax	-28,400	-3,386
Tax attributable to prior years	-	-261
Reported effective tax	**-**	**-**

As of 31/12/2019, accumulated loss carry-forward for the Parent Company amounted to SEK 121,684 thousand (93,386).
As of 31/12/2019, accumulated loss carry-forward for the subsidiary Primm Pharma amounted to SEK 43,288 thousand (16,233).

No tax has been charged to other comprehensive income.
None of the above accumulated loss has any time limitation regarding right-to-use period.

NOTE 10 Earnings per share

Earnings per share	Before dilution		After dilution	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Earnings per share	-14.84	-2.13	-14.84	-2.3

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	2019	2018
Earnings for the year attributable to the Parent Company's shareholders	-166,037	-13,236
Earnings for the year attributable to the Parent Company's ordinary shareholders, before dilution	-166,037	-13,236

Weighted average number of shares amounted to 11,190,591 (6,213,927), which has been affected by three share issues in 2019. The number of outstanding shares at the end of the year was 15,415,199 (6,329,239).

Weighted average number of ordinary shares, before and after dilution	2019	2018
Weighted average number of ordinary shares during the year, before dilution	11,190,591	6,213,927
Weighted average number of ordinary shares during the year, after dilution	11,190,591	6,213,927

Instruments which can produce future dilution effect and changes after the balance sheet date
At the closing day, the entity had outstanding convertible loans, which would at a potential conversion correspond to 132,233 shares. The warrants from the share saving programs for the employees as well as warrants program for executives, if fully issued, would lead to 441,563 new shares. The dilution effect would depend on the difference between the exercise price and the market share price at the exercise date.

NOTE 11 Intangible assets

Group

Amounts in SEK thousands	Internally developed intangible assets Development expenses	Acquired intangible assets Goodwill	Total
Accumulated historical cost			
Opening balance January 1, 2018	**7,634**	**57,360**	**64,993**
Exchange rate differences for the year	330	2,478	2,808
Closing balance December 31, 2018	**7,964**	**59,838**	**67,801**
Opening balance January 1, 2019	**7,964**	**59,838**	**67,801**
Exchange rate differences for the year	123	922	1,045
Closing balance December 31, 2019	**8,086**	**60,760**	**68,846**
Accumulated depreciation and impairment			
Opening balance January 1, 2018	**-1,337**	**-**	**-1,337**
Depreciation for the year*	-780	-	-780
Exchange rate differences	-74	-	-74
Closing balance December 31, 2018	**-2,191**	**-**	**-2,191**
Opening balance January 1, 2019	**-2,191**	**-**	**-2,191**
Depreciation for the year*	-802	-	-802
Exchange rate differences	-40	-	-40
Closing balance December 31, 2019	**-3,033**	**-**	**-3,033**
Reported values			
As of 01/01/2018	6,297	57,360	63,656
As of 12/31/2018	5,773	59,838	65,610
As of 01/01/2019	5,773	59,838	65,610
As of 12/31/2019	5,053	60,760	65,812

*Depreciation of intangible assets is reported as research and development costs in the Consolidated statement of profit and loss.

NOTE 11 Intangible assets cont.

Impairment tests for cash generated units containing goodwill
Goodwill consists in its entirety of the subsidiary Primm Pharma s.r.l.

Group	Carrying amount	Carrying amount
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**
Primm Pharma s.r.l.	60,760	59,838
Total Goodwill	**60,760**	**59,838**

Primm Pharma s.r.l.
No impairments of intangible assets had been made as of the balance sheet date of December 31, 2019.

The impairment test for Primm Pharma was based on estimation of value in use. This value derives from cash flow estimates based on the business forecast up to 2035 which was ratified by the management. The reason that a longer forecast period than five years has been selected is that the product candidate that Primm develops is not expected to be launched on the European and Chinese market until 2025 and is subsequently estimated to take up to about eight years before peak sales are achieved. In the light of this, a longer forecast period of 16 years better serves the purpose. The cash flows are estimated according to what the projected global market is like for the originator drug and how great a degree of penetration the Company can achieve with its generics of the originator drug. The estimated cash flows have been estimated at present value with a discount rate of 20.8 percent after tax. The assumptions that are important in business forecast are described in the table below.

Important variables	Method for estimating values
Market share and growth	The market is estimated on the basis of current sales of the originator drug based on external sales data and growth is expected to be in line with inflation. When the Company's product or another generic is launched, they are expected to take market shares from the estimated market for the originator drug. How large a share of the market the Company's generics achieve is calculated on the basis of estimated degree of penetration. The degree of penetration is expected to be in line or somewhat higher than the average generic penetration in the respective country (35-80 percent) at peak sales.
Sales price	The sales price that the Company receives is estimated on the basis of the discount in relation to the originator drug that the product is expected to be sold for in the market, as well as after sharing the revenue with distribution and marketing partners.
Production cost	Production cost is based on the management's estimates of future costs based on current production cost per dose produced as well as which scale benefits can be achieved when production increases.
Fixed costs	Fixed costs for Primm Pharma's operation comprise personnel expenses, premises and administrative expenses and are based on the Management's estimated costs for the next four years and thereafter based on an annual incremental increase of about five percent.
Out-licensing	Out-licensing takes place to partners which account for sales and marketing of the product in different geographic markets. Milestone payments from some of the partnerships can generate revenues and also pay for parts of the development expenses and clinical studies.
Discount rate	The discount rate is calculated through a number of assumptions about capital structure, the market's risk premium, beta value, risk-free interest, small company premium, liquidity premium, company-specific risk, cost of capital and effective tax rate.

The recoverable amount for Primm Pharma exceeds the book value. The values that are used in the calculations and the changed values that lead to the recoverable amount being the same as the reported value are as follows:

Variable	Assumed value	Changed value
Market share	35-80 percent degree of penetration	45 percent degree of penetration
Sales price	25-60 percent of the originator drug	33 percent of the originator drug
Cost of goods sold	1-month product[1] 3-months product[1]	Increases by 40 percent Increases by 86 percent
Discount interest rate	21 percent after tax	24 percent after tax

1) The product comes in two different types and has different impact on the production cost.

NOTE 12 Tangible assets

Group

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Under construction	Total
Accumulated historical cost				
Opening balance January 1, 2018	**21,316**	**2,902**	**-**	**24,218**
Adjustments from previous year	296	-	-	296
Adjustments of opening balance	**21,613**	**2,902**	**-**	**24,515**
Other acquisitions	1,443	155	-	1,598
Exchange rate differences	649	35	-	684
Closing balance December 31, 2018	**23,705**	**3,092**	**-**	**26,796**
Opening balance January 1, 2019	**23,705**	**3,092**	**-**	**26,796**
Adjustments from previous year	3,083	-	**-**	**3,083**
Adjustments of opening balance	**20,622**	**3,092**	**-**	**23,714**
Other acquisitions	723	359	105	1,187
Exchange rate differences	209	13	1	219
Closing balance December 31, 2019	**21,554**	**3,464**	**106**	**25,124**
Accumulated depreciation and impairment				
Opening balance January 1, 2018	**-3,936**	**-1,634**	**-**	**-5,570**
Adjustments from previous year	-1,171	1,175	-	5
Adjustments of opening balance	**-5,107**	**-459**	**-**	**-5,645**
Depreciation for the year	-3,629	-600	-	-4,229
Exchange rate differences	-164	-94	-	-258
Closing balance December 31, 2018	**-8,899**	**-1,152**	**-**	**-10,052**
Opening balance January 1, 2019	**-8,899**	**-1,152**	**-**	**-10,052**
Adjustments from previous year	1,060	-	-	1,060
Adjustments of opening balance	**-7,840**	**-**	**-**	**-8,992**
Impairment	-5,131	-	-	-5,131
Depreciation for the year	-3,225	-687	-	-3,912
Exchange rate differences	-77	-8	-	-85
Closing balance December 31, 2019	**-16,273**	**-1,847**	**-**	**-18,120**

Reported values

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Under construction	Total
As of 01/01/2018	17,380	1,268	-	18,648
As of 12/31/2018	14,805	1,939	-	16,744
As of 01/01/2019	14,805	1,939	-	16,744
As of 12/31/2019	5,281	1,617	106	7,004

NOTE 12 Tangible assets, cont.

Parent Company

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Total
Accumulated historical cost			
Opening balance January 1, 2018	**7,300**	**2,122**	**9,422**
Adjustments from previous year	-5	-	-5
Acquisition	-	110	110
Closing balance December 31, 2018	**7,295**	**2,232**	**9,527**
Opening balance January 1, 2019	**7,295**	**2,232**	**9,527**
Acquisition	218	347	565
Closing balance December 31, 2019	**7,514**	**2,579**	**10,092**
Depreciation			
Opening balance January 1, 2018	**-1,245**	**-1,452**	**-2,697**
Depreciation for the year	-1,362	-455	-1,817
Adjustments from previous year	-1,175	1,175	-
Closing balance December 31, 2018	**-3,782**	**-732**	**-4,514**
Opening balance January 1, 2019	**-3,782**	**-732**	**-4,514**
Depreciation for the year	-1,346	-536	-1,882
Closing balance December 31, 2019	**-5,127**	**-1,268**	**-6,395**

Reported values

Amounts in SEK thousands	Machinery and other technical plant	Equipment, tools, fixtures and fittings	Total
As of 01/01/2018	6,055	670	6,725
As of 12/31/2018	3,513	1,500	5,013
As of 01/01/2019	3,513	1,500	5,013
As of 12/31/2019	2,386	1,311	3,697

NOTE 13 Co-development

Amounts in SEK thousands	Xbrane's share
Revenues	-
Expenses	120,621
Assets	37,189
Liabilities	47,987

Since the co-development agreement with STADA was entered in July 2018, research and development expenses for Xlucane are accounted for as net expenses in the profit and loss statement, which means 50 percent of the expenses for the total project. At the balance sheet, the assets and liabilities attributable to the project are accounted for in full (i.e. 100 percent) and then STADA's share of these (i.e. 50 percent) are accounted for as an asset or liability between Xbrane and STADA. This means that the balance sheet has expanded as a result of the STADA agreement while research and development expenses in the profit and loss statement has decreased with 50 percent. This concerns both the Consolidated Group financials and the Parent Company.

NOTE 14 Non-current receivables

	Group		Parent Company	
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**	**12-31-2019**	**12-31-2018**
Non-current receivables				
Rental deposit	635	635	635	635
Deposit to CRO concerning clinical trial	8,347	8,236	8,347	8,236
Total	**8,982**	**8,871**	**8,982**	**8,871**

NOTE 15 Inventories

Group

Amounts in SEK thousands	**12-31-2019**	**12-31-2018**
Raw materials and consumables	-	5,525
Total	**-**	**5,525**

The Parent Company has no inventory.

Inventories have been written down in 2019 as a result of the paused sales of Spherotide.

NOTE 16 Receivables

	Group		Parent Company	
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**	**12-31-2019**	**12-31-2018**
Receivables	-	11,376	-	738
Provisions for doubtful trade receivables	-	-886	-	-542
Total	**-**	**10,489**	**-**	**196**

NOTE 17 Prepaid expenses and accrued income

	Group		Parent Company	
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**	**12-31-2019**	**12-31-2018**
Rent for premises	636	285	636	285
CRO for clinical trial	66,033	21,769	66,033	21,769
Other*	11,182	12,186	11,084	11,541
Total prepaid expenses and accrued income	**77,850**	**34,240**	**77,752**	**33,596**

* Primarily refers to research and development expenses regarding Xlucane.

NOTE 18 Cash and cash equivalents

	Group		Parent Company	
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**	**12-31-2019**	**12-31-2018**
Cash and cash equivalents				
Cash and bank	164,197	100,972	163,601	100,380
Carrying amount	*164,197*	*100,972*	*163,601*	*100,380*

Deposits at the bank are placed at banks with credit rating A or higher and are available at demand. Taken in account, the short duration and the counter parties high credit rating, the credit risk at the deposits are low and the expected credit loses is deemed to be insignificant.

NOTE 19 Equity

Type of shares	**Ordinary shares**	
	2019	**2018**
Issued as of January 1	6,329,239	5,956,770
Issue of shares paid in cash	9,085,960	41,857
Conversion of convertible loan to shares	-	330,612
Issued as of December 31	**15,415,199**	**6,329,239**

The Group only has one type of share, so-called ordinary shares.

As of December 31 2019, the registered share capital comprised of 15,415,199 ordinary shares (6,329,239).

The owners of the common shares are entitled to dividend which are established continuously, and the holding of share entitles to a right of vote at the general meeting with one vote per share. All shares have the same rights to the entities remaining net assets.

In 2015, Xbrane acquired Primm Pharma. The acquisition was financed through issuing a convertible loan, which are classified as equity, see Note 1, chapter *(r) Issued convertible debentures*. The convertible loan is possessed by Primm Pharma previous owner and was initially valued to SEK 56 M, with the right to convert to shares at a price of 42.5 SEK/ share up until 2020, provided that six different milestones tied to the commercialization of Spherotide are reached.

Dividends
At the Annual General Meeting at May 14, 2020, the Board will propose that there should not be any dividend paid. There have been no dividends at the financial year of 2019 and none under the previous financial years.

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. Further, 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 January 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 20 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 25.

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Non-current liabilities				
Bank loans	-	12	-	-
Financial leasing debts	6,281	29	-	-
Total	**6,281**	**41**	**-**	**-**
Current liabilities				
Bank loans	12	140	-	-
Financial leasing debts	3,144	422	-	-
Loan from owner	-	45,000	-	45,000
Total	**3,156**	**45,561**	**-**	**45,000**

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 2019.

				2019		2018	
Amounts in SEK thousands	**Currency**	**Nominal interest, %**	**Maturity**	**Nominal value**	**Reported value**	**Nominal value**	**Reported value**
Bank loan	EUR	4.55	January 31, 2020	12	12	151	151
Leasing liabilities	SEK	6.00	Within 5 years	8,012	8,012	-	-
Leasing liabilities	EUR	6.00	Within 5 years	1,412	1,412	451	451
Loan from owner	SEK	3.00	June 21, 2019	-	-	45,000	45,000
Total				**9,436**	**9,436**	**45,602**	**45,602**

Leasing liabilities

The Group has a lease relating to a freeze dryer which is used in production of drugs in the subsidiary. The leasing liabilities fall due for payment as in the table below in 2018. According to IFRS 16, the same information will not be presented for the 2019 financial year.

Group	**Minimum leasing fees**	**Interest**	**Capital amount**
Amounts in SEK thousands	**2018**	**2018**	**2018**
Within one year	447	25	422
Between one and five years	31	2	29
Total	**477**	**27**	**451**

NOTE 21 Other liabilities

	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Other current liabilities				
Liabilities to employees	57	48	57	48
Liabilties related to VAT, taxes and social security for employees	1,117	772	922	583
Current liabilities, derivatives	1,729	-	1,729	-
Total	**2,903**	**820**	**2,708**	**630**

NOTE 22 Provisions

Group

Amounts in SEK thousands	**2019**	**2018**
One-off payment on termination of employment	4,547	4,275
Total	**4,547**	**4,275**

As of December 31 2019, the Parent Company had no provisions.

Group, one-off payment on termination of employment

Amounts in SEK thousands	**2019**	**2018**
Opening balance January 1	4,275	3,545
Provisions made during the period	368	454
Amounts off-set during the period	-163	-6
Exchange rate differences	67	176
Change in discounted amount during the period	-	106
Closing balance December 31	**4,547**	**4,275**

One-off payment on termination of employment refers to employees in Primm Pharma. in accordance with Italian legislation. The expected period for outflow is estimated at five years.

NOTE 23 Liabilities to subsidiary

Parent Company

Amounts in SEK thousands	**12-31-2019**	**12-31-2018**
Opening balance January 1	3,042	-
Re-invoiced expenses to subsidiary	-	3,042
Repayment of debt	-3,042	-
Closing balance December 31	**-**	**3,042**

NOTE 24 Accrued expenses and prepaid income

	Group		Parent Company	
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**	**12-31-2019**	**12-31-2018**
Salaries	4,045	2,086	3,523	1,611
Vacation salary	2,402	1,167	2,011	1,104
Interest expenses	-	1,545	-	1,545
Prepaid income	1,445	1,911	182	468
Prepaid income from co-development partner[1]	85,177	58,131	85,177	58,131
Other accrued expenses	19,391	19,129	16,434	19,075
Total	**112,460**	**83,970**	**107,327**	**81,934**

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

NOTE 25 Financial risks and risk management

Through its operations, the Group is exposed to various types of financial risks.
- 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 have 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 generated 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 handled centrally for the Group by the Parent Company's finance function.

The ambition is to have sufficient cash and cash and equivalents as well as guarantied credits in order to cover the need of the upcoming 12 months cash requirements. During 2019, the Group has strengthened its financial position through three share issues. At the time of the publication of the Annual Report 2019 there is still a need for capital for the coming 12 months. See page 25 in the administration report for more information.

Group

Credit facility	**12-31-2019**
Amounts in SEK thousands	**Nominal value**
Available cash and cash equivalents	164,197
Liquidity reserve	**164,197**

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 co-development partners. At the balance sheet date, there were no over due or written down receivables (SEK 0.9 M as of December 31, 2018).

NOTE 25 Financial risks and risk management, cont.

Maturity structure financial liabilities – undiscounted cash flows

		2019						2018					
Amounts in SEK thousands	**Currency**	**Total**	**< 1 m**	**1–3 m**	**3 m –1 y**	**1–5 y**	**>5 y**	**Total**	**< 1 m**	**1–3 m**	**3 m –1 y**	**1–5 y**	**>5 y**
Bank loan	EUR	12	12	-	-	-	-	151	11	23	105	12	-
Loan from owner	SEK	-	-	-	-	-	-	45,000	-	-	-	45,000	-
Account payables	SEK	2,430	2,424	6				4,127	7				-
Account payables	EUR	18,479	13,164	5,315	-	-	-	20,062	4,841	2	-	-	-
Account payables	USD	188	188	-	-	-	-	1,825	43	-	-	-	-
Leases liability	SEK	8,725	214	428	1,926	6,157	-	-	-	-	-	-	-
Leases liability	EUR	2,008	104	150	674	1,080	-	451	37	75	309	29	
Other liabilities	SEK	2,708	980	1,729	-	-	-	-	-	-	-	-	-
Other liabilities	EUR	195	195	-	-	-	-	-	-	-	-	-	-
Total		**34,745**	**17,281**	**7,628**	**2,600**	**7,237**	**-**	**76,059**	**26,025**	**4,916**	**107**	**45,012**	**-**

Credit risks for receivables from customers and co-development partners
The risk that the Group's customers and partners do not fulfill their obligations, ie 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. As of December 31, 2019, the Company has no outstanding accounts receivable. For more information see page 29 in 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 creditworthiness of the counterparties, the credit risk in these balances is considered to be low and the expected credit losses are deemed negligible.

Credit risk in 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.

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. In 2019, the Group entered into currency derivative contracts to reduce the risk exposure to the EUR. The Board, the CEO and CFO continuously review changes in the risk picture and the need for price hedging instruments.

Exchange risk
The Group is exposed for an exchange rate risk due the subsidiary are using another currency then the reporting currency as well as the Group has large part of their income and expenses in other currencies than the reporting currency. Exchange rate

Group Amounts in SEK thousands	**2019**	**2018**
Opening balance January 1	-866	-
Provisions for doubtful trade receivables	-	-886
Receivables written off during the period non-recoverable	-	-
Reversed unused amount	866	-
Resolution of discounting effect	-	-
Closing balance December 31	**-**	**-886**

Amounts in SEK thousands	**12-31-2019**	**12-31-2018**
SEK	-	-
EUR	-	10,265
USD	-	224
Total	**-**	**10,489**

fluctuation could create both positive and negative effect at the entities profit and loss, equity as well as competitiveness. The Group has during 2019 used currency derivatives for EUR/SEK. The translations differences that has occurred during 2019 regarding the foreign subsidary, has been presented in other comprehensive income for the Group.The currency risk is divided into two different categories, conversion exposure and transaction exposure.

Conversion exposure exists when recalculating the subsidiaries balance sheet and the profit and loss to the Groups functional currency. When performing a simulated fluctuation of the EUR with +/- 10 percent compared to SEK, it should then have an effect on the Groups balance sheet of SEK 254 thousand (3,259) respectively SEK 3,307 thousand (391) in the profit and loss for the subsidiary.

The transaction exposure derives from fluctuations at the exchange rate in the net cash flow from operating transactions from other currencies then the accounting currency. Such changes

NOTE 25 Financial risks and risk management, cont.

do have an affect the profit and loss as well as the balance sheet continuously during the year. Xbrane is mostly exposed towards exchange rates at transactions where there is a mix of currencies in which the sales, purchase, receivables and liabilities are accounted for and the different accounting currency. The accounting currency is primarily SEK and EUR. The transactions are primarily conducted in the currency of SEK, EUR and some part in USD. The costs that Xbrane has continuously during the financial year, is mostly in EUR and a minor part in USD. When performing a simulated fluctuation of the EUR and USD with +/- 10 percent compared to SEK, it should then have an effect on the Groups operating profit of SEK 28,711 thousand (11,704) respectively SEK 880 thousand (976).

Group	12-31-2019		12-31-2018	
Amounts in SEK thousands	**USD**	**EUR**	**USD**	**EUR**
Cash and cash equivalents	38	6,482	3	15,540
Receivables	-	-	229	10,744
Bank loan	-	1	-	602
Payables	19	1,847	1,799	14,047
Total	**57**	**8,330**	**2,031**	**40,932**

NOTE 26 Valuation of financial assets and liabilities

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 receivalbes, 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	2019				
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
Other receivables	24	5,865	-	5,889	5,889
Cash and cash equivalents	-	164,197	-	164,197	164,197
Total	**24**	**170,062**	**-**	**170,086**	**170,086**
Non-current interest-bearing liabilities	-	4,173	-	4,173	4,173
Current interest-bearing liabilities	-	12	-	12	12
Accounts payables	-	21,097	-	21,097	21,097
Other liabilities	1,729	1,174	-	2,903	2,903
Accrued expenses and prepaid income	-	27,282	-	27,282	27,282
Total	**1,729**	**53,739**	**-**	**55,468**	**55,468**

Group	2018				
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 receivables	-	10,489	-	10,489	10,489
Other receivables	-	5	-	5	5
Cash and cash equivalents	-	100,972	-	100,972	100,972
Total	**-**	**111,466**	**-**	**111,466**	**111,466**
Non-current interest-bearing liabilities	-	41	-	41	41
Other non-current liabilities	-	4,118	-	4,118	4,118
Current interest-bearing liabilities	-	45,561	-	45,561	45,561
Accounts payables	-	30,908	-	30,908	30,908
Other liabilities	-	820	-	820	820
Accrued expenses and prepaid income	-	25,839	-	25,839	25,839
Total	**-**	**107,287**	**-**	**107,287**	**107,287**

NOTE 26 Valuation of financial assets and liabilities, cont.

Parent Company	2019				
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
Other receivables	24	2,937	-	2,962	2,962
Cash and cash equivalents	-	163,601	-	163,601	163,601
Total	**24**	**166,538**	**-**	**166,563**	**166,563**
Non-current liabilities	-	4,173	-	4,173	4,173
Accunts payables	-	20,377	-	20,377	20,377
Other liabilities	1,729	980	-	2,708	2,708
Accrued expenses and prepaid income	-	22,150	-	22,150	22,150
Total	**1,729**	**47,679**	**-**	**49,408**	**49,408**

Parent Company	2018				
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 receivables	-	196	-	196	196
Other receivables	-	1,018	-	1,018	1,018
Cash and cash equivalents	-	100,380	-	100,380	100,380
Total	**-**	**101,594**	**-**	**101,594**	**101,594**
Accounts payables	-	23,709	-	23,709	23,709
Liabilities to subsidiary	-	3,042	-	3,042	3,042
Other liabilities	-	630	-	630	630
Accrued expenses and prepaid income	-	23,803	-	23,803	23,803
Total	**-**	**51,184**	**-**	**51,184**	**51,184**

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 exchange rate of SEK against EUR and market price volatility with respect to SEK against EUR. The valuation is thus considered to fall under level 2 in the valuation hierarchy below, which shows the different valuation levels for the financial assets and financial liabilities that are reported at fair value in the consolidated balance sheet. The division of the determination of fair value is based on the three levels below.

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

The total value of the currency derivatives held shows a negative value on the balance sheet date. During 2019, no transfers were made between the different valuation levels.

Group	2019	2018
Amounts in SEK thousands	**Level 2**	**Level 2**
Financial assets		
Other current receivables	24	-
Whereof currency derivatives	*24*	-
Total financial assets	**24**	**-**
Financial liabilities		
Other current payables	1,729	-
Whereof currency derivatives	*1,729*	-
Total financial liabilities	**1,729**	**-**

NOTE 27 Leasing

The effects on the Group's leasing agreements of the transition to IFRS 16 are described in Note 1 accounting principles. The transition method that the Group has chosen to apply in the transition to IFRS 16 means that the comparative information has not been recalculated to reflect the new requirements.

The Group leases several types of assets including premises, machinery/equipment.

No leasing agreements contain covenants or other restrictions in addition to the security of the leased asset.

Right-of-use asset

Amounts in SEK thousands	Premises	Machinery	Total
Right-of-use assets	4,229	9,615	13,844
Depreciation and write downs during the year	1,694	2,954	4,648
Exchange rate differences	6	2	8
Closing balance December 31, 2019	**2,541**	**6,663**	**9,204**

Leasing liabilites

Amounts in SEK thousands	2019
Current leasing liabilities	3,144
Non-current leasing liabilities	6,281
Leasing liabilities included in the Consolidated financial statement	**9,424**

For maturity analysis of leasing liabilities, see Note 25 in the section on liquidity risk.

Amounts stated in the profit or loss, IFRS 16	Group
Amounts in SEK thousands	**2019**
Depreciation of right-of-use assets	4,648
Interest expenses on leases	458
Variable leasing expenses excluding from the valuation of the leasing liability	-
Short-term leases	356
Leases of low value, not short-term leases of low value	246
Total	**5,708**
Amount presented in the Consolidated cash flows statement	
Total cash flow related to leases	**3,448**

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.

Non-cancellable operational leasing payments

Amounts in SEK thousands	Group	Parent Company	
	2018	2019	2018
Within a year	3,585	2,568	2,599
Between one and five years	11,201	6,157	8,725
Longer than five years	-	-	-

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 agreements for premises consist of mainly non-terminable terms of two respectivly five years, which are extended by a further period of one respectivly three years if the Group or the lessor does not terminate the agreement by giving three or nine-months' notice. Regarding offices, the Group's assessment is that in the majority of cases it is not reasonably certain that the agreements will 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 sums up to SEK 2.6 M.

The Group's leasing agreement for machinery consists mainly of non-cancelable periods of five years, which after the end of the period fall to the Group. The reported leasing liability for these agreements sums up to SEK 6.8 M.

During the year, lease liabilities/assets did not utilize any options or similar that were not previously included in the lease liability. Significant changes may occur in the future if a reassessment of the lease period regarding any of the Group's significant property agreements should occur.

NOTE 28 Distribution of the Company's profit or loss

Proposed distribution of the Company's profit or loss

Amounts in SEK thousands	
Share premium reserve	448,775
Profit/loss brought forward	-94,688
Profit/loss for the year	-132,815
Total	**221,272**
To be carried forward:	221,272

NOTE 29 Transactions with closely related parties

The Parent Company has a relationship with its subsidiary, see Note 34.

Group

Amounts in SEK thousands	Year	Purchase of goods/ services from affiliates	Interest costs	Interest income	Liabilities as of December 31
Relationship					
Subsidiary	2019	694	4	4	-
Other closely related parties	2019	-	687	-	-
Subsidiary	2018	13,212	125	-	3,042
Other closely related parties	2018	726	1,500	-	48,638

Parent Company

Amounts in SEK thousands	Year	Purchase of goods/services from affiliates	Sales of goods and services	Interest costs	Interest income	Liabilities as of December 31
Relationship						
Subsidiary	2019	358	336	4	4	-
Other closely related parties	2019	-	-	687	-	-
Subsidiary	2018	12,170	1,042	125	-	-
Other closely related parties	2018	42	-	1,500	-	-

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

Transactions with closely related parties

Closely related parties include the Group's management, board members and their relatives, as well as companies where the above mentioned have a leading position or have an ownership connection. Since December 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 December 31, 2019 amounted to SEK 3,716 thousand. The provision relates to a one-off payment on termination of employment in accordance with Italian legislation and is not interest-bearing.

During 2019, Primm Pharma s.r.l. purchased administration and accounting services, and rented premises from Primm s.r.l. at a cost of SEK 678 thousand. Primm s.r.l. is 56 percent owned by Paolo Sarmientos, CEO/ Head of Long-acting injectables for Primm Pharma, and 10 percent by Alessandro Sidoli, previously a member of Xbrane's board of directors.

During 2019, the Parent Company invoiced the subsidiary Primm Pharma SEK 0.3 M for administration services and re-invoicing expenses. Primm Pharma, invoiced Xbrane Biopharma SEK 0.4 M for external costs relating to the Parent Company.

During 2019, Xbrane conducted three share issues in which several related parties participated and subscribed for shares on market terms. The following related transactions were carried out:

- Serendipity Group subscribed for a total of 1,737,195 shares.
- The following persons on the Board and Management participated in the issue and subscribed for shares: Anders Tullgren (37,627 shares), Maris Hartmanis (4,639 shares), Peter Edman (5,247 shares), Karin Wingstrand (12,580 shares), Giorgio Chirivi (2,500 shares), Martin Åmark (41,006 shares), Siavash Bashiri (12,695 shares), Susanna Helgesen (7,776 shares) and David Vikström (6,555 shares).

All shares were registered and distributed to the above-mentioned persons and companies in 2019.

NOTE 30 Group companies

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

Parent Company

Amounts in SEK thousands	2019	2018
Accumulated historical cost		
Opening balance January 1	100,783	94,092
Shareholder equity contribution	1,536	6,691
Closing balance December 31	**102,319**	**100,783**
Accumulated revaluations		
Opening balance January 1	-	-
Closing balance December 31	**-**	**-**
Accumulated impairment		
Opening balance January 1	-	-
Closing balance December 31	**-**	**-**
Reported value December 31	**102,319**	**100,783**

NOTE 31 Specifications for cash flow statements

Cash and cash equivalents	Group		Parent Company	
Amounts in SEK thousands	**12-31-2019**	**12-31-2018**	**12-31-2019**	**12-31-2018**
Following items included in cash flow				
Cash and cash equivalents	164,197	100,972	163,601	100,380
Carrying amount balance sheet	164,197	100,972	163,601	100,380
Carrying amount cash flow	164,197	100,972	163,601	100,380

Paid interest and dividends received	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Interest received	51	169	4	-
Interest paid	-1,468	-369	-995	-190
Total	**-1,417**	**-200**	**-990**	**-190**

Adjustments for items not included in cash flow	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Depreciation	7,326	4,323	1,882	1,821
Expenses related to share savings program	2,092	978	2,092	978
Impairment of inventories and inventory	12,351	-	-	-
Other	2,949	-348	2,731	4,129
Total	**24,718**	**4,953**	**6,706**	**6,927**

NOTE 31 Specifications for cash flow statements, cont.

Transactions non-cash items	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Conversion of loan and convetible loan into shares	45,000	22,481	45,000	22,481

Cash flows in operational activities divided according to operating segment[1]	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Biosimilars	-118,875	72,067	-119,356	72,067
Long-acting injectables	1,916	-36,210	-	-
Administration and unallocated	-31,629	10,850	-28,259	-20,561
Total cash flows in operating activities	**-148,589**	**46,707**	**-147,614**	**51,505**

Cash flows in investing activities divided according to operating segment[1]	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Biosimilars	-565	-77	-565	-77
Long-acting injectables	-621	-1,488	-1,536	-6,691
Administration and unallocated	-	-33	-	-33
Total cash flows in investing activities	**-1,187**	**-1,598**	**-2,101**	**-6,801**

Cash flows in financing activities divided according to operating segment[1]	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Biosimilars	-	-	-	-
Long-acting injectables	56	-3,550	-	-
Administration and unallocated	215,985	51,280	215,985	51,280
Total cash flows in financing activities	**216,041**	**47,730**	**215,985**	**51,280**

Unutilized credits	Group		Parent Company	
Amounts in SEK thousands	**2019**	**2018**	**2019**	**2018**
Unutilized credits	-	5,000	-	5,000

1) See also Note 3 regarding cash flow as per operating segment.

NOTE 31 Specifications for cash flow statements, cont.

Changes in liabilities attributable to financing activities in 2019

Group		Changes in non-cash items				
Amounts in SEK thousands	Opening balance	Changes in cash items	Re-classification	Translation gains/losses	Conversion of credit facility into shares	New leases	Closing balance
Non-current liabilities	12	-12	-	-	-	-	-
Current liabilities	45,561	-127	-422	-	-45,000	-	12
Leasing liabilities	28	-2,846	422	16	-	11,805	9,425
Liabilities attributable to financing activities	**45,602**	**-2,986**	**-**	**16**	**-45,000**	**11,805**	**9,437**

Changes in liabilities attributable to financing activities in 2018

Group		Changes in non-cash items				
Amounts in SEK thousands	Opening balance	Changes in cash items	Re-classification	Translation gains/losses	Conversion of credit facility into shares	New leases	Closing balance
Non-current liabilities	273	-131	-136	6	-	-	12
Current liabilities	-	45,000	561	-	-	-	45,561
Leasing liabilities	845	-377	-458	18	-	-	28
Liabilities attributable to financing activities	**1,119**	**44,492**	**-32**	**24**	**-**	**-**	**45,602**

NOTE 32 Events after the balance sheet date

Recruitment of patients for Xplore
In February 2020, 50 percent of the patients in the Xplore study had been recruited, which represents an important milestone.

Changes in Group management
To strengthen the management team for the upcoming commercialization of its biosimilars, Maria Edebrink, Head of Regulatory Affairs and Anders Wallström, Head of Manufacturing and Supply Chain have been added to Group management , both of whom have been employed since the beginning of 2019. In addition, Xiaoli Hu has been recruited as Head of Business Development and will become part of the management team as of May 1, 2020. As a result of Xbrane's strategic focus on biosimilars, Paolo Sarmientos, Head of long-acting injectable drugs, is no longer part of Group management.

Agreement terminated with the manufacturer of Spherotide
Due to Finchimica's bankruptcy and the restructuring of its subsidiary ICI, Primm Pharma has notified the resolution of the manufacturing contract for the production of Spherotide. Primm Pharma is taking appropriate steps to safeguard its interests in the future production of Spherotide. In relation to this, write-downs regarding inventory and production equipment for Spherotide amounting to SEK -16.8 M (-) have been made.

Upcoming changes in the Board
Board member Maris Hartmanis announced that he would not stand for re-election in 2020.

NOTE 32 Events after the balance sheet date cont.

Significant events after the end of the financial year due to the COVID-19 pandemic

Xplore Phase III study

The management has followed the development of the COVID-19 pandemic during 2020 and in the beginning of April, the Company announced the following:

- Xbrane continuously takes all the necessary steps to follow new guidance from local authorities with the patient's and the clinic's personnel safety as the first priority.
- Xplore remains open for recruitment of new patients and treatment for patients currently included in the study.
- The rapid development of the COVID-19 pandemic does it extremely difficult to predict future recruitment rate at this stage.
- Provided that the last patient in is registered at the latest by the end of the third quarter of 2020, Xlucane is still on path to marketing authorization prior to the Lucentis® patent expiration in the EU July 20, 2022.

Capital requirement

Xbrane has a continued need for capital for the next 12 months. Given the impact the COVID-19 pandemic has had on the world's capital markets, there is a risk that Xbrane's options of attracting capital on favorable terms, or at all, could be adversely affected.

Long-term market outlook unaffected

Based on the available information at the time of the publication of this Annual Report, it is difficult to estimate how long the virus outbreak will affect the world. Xbrane estimates that the long-term market outlook for Xbrane's product candidates is essentially unchanged and therefore Xbrane expects to continue with its programs as planned given that funding is secured.

Impact on operational work

Since mid-March 2020, a large part of the Company's employees have been working from home. This has required that certain tasks and travels, have had to be replanned and for the most part this has not had any material impact on the ongoing operations. It is still too early to comment on any delays that the Company may suffer in the long term as a result of potential delays from suppliers, partners and other stakeholders.

NOTE 33 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 assets' or liabilities' value might need to be adjusted significantly during the forthcoming financial year.

Impairment testing of goodwill

When calculating cash generative units' recovery value for assessment of any impairment of goodwill, several assumptions regarding future circumstances and estimates of parameters have been made. A presentation of these can be found in Note 11. As stated in the description in note, changes in the conditions for these assumptions and estimates during 2019 could have a material effect on the value of goodwill related to the subsidiary Primm Pharma.

NOTE 34 Information about the Parent Company

Xbrane Biopharma AB (publ), Corp ID no. 556749-2375, is a Swedish-registered limited company with registered office in Solna. The Parent Company's shares are registered on Nasdaq Stockholm. The address of the head quarter is Banvaktsvägen 22, 171 48 Solna. The consolidated financial statements for 2019 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.

Signatures

The income statement and balance sheet will be presented to the AGM on May 14, 2020 for adoption. The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with IFRS and give a true and fair view of the Group's financial position and results. The annual financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the Parent Company's financial position and results. The Administration Report for the Group and Parent Company provides a fair review of the development of the Group and the Parent Company's operations, position and results and describes significant risks and uncertainty factors that the Parent Company and the companies included in the Group face.

Stockholm April 16, 2020

Anders Tullgren
Chairman

Eva Nilsagård
Director

Peter Edman
Director

Maris Hartmanis
Director

Karin Wingstrand
Director

Giorgio Chiviri
Director

Ivan Cohen-Tanugi
Director

Martin Åmark
CEO

Our audit report was presented on April 16, 2020
KPMG AB

Duane Swanson
Authorised Public Accountant

Auditor's report

This report is a translation of the original version in Swedish.

To the general meeting of the shareholders of Xbrane Biopharma AB (publ), corp. ID no. 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 2019, except for the corporate governance statement on pages 34-39 and the sustainability report on pages 44-46. The annual accounts and consolidated accounts of the company are included on pages 22-94 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 the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 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 34-39 and sustainability report on pages 44-46. 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 income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the 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.

Materialy uncertainty related to going concern

Without qualifying our opinion above, we bring to your attention the information on page 25 of the administration report and in Note 25 on page 83 which notes that the company will need additional financing and that the Company is assessing various financing options. This financing has not been finalized as of the date of this report. This condition indicates the existence of a material uncertainty as to the company's ability to continue as a going concern.

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.

Goodwill

See Note 11 and accounting principles on 75-76 and 61-62 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The consolidated carrying value at 31 December 2019 of goodwill totaled 60.7 MSEK and equals approximately 18 % of the consolidated total assets and are subject to impairment tests.

The impairment tests of these assets are dependent management's estimates and judgments of future revenues and operating results as well as required levels of working capital and investments. Another important assumption is which discount rate to be used in order to reflect the time value of money as well as the specfic risks the operations face.

Response in the audit

We have assessed whether the impairment tests related goodwill have been prepared in accordance with IAS 36

Impairment. We have also evaluated the Group's assumptions for future cash flows including sales forecasts and profit margins as well as the discount rate used.

This has included reviewing and evaluating the documentation prepared and performing tests of the assumptions used in the impairment tests.

We have also reviewed the disclosures related to impairment tests which are included in the annual and consolidated accounts.

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 3-21 and 99-101. 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 Directors 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts

and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Xbrane Biopharma AB (publ) for the year 2019 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 Directors 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 Directors 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's 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34-39 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 RevU 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 auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 44-46, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report 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 opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Xbrane Biopharma AB (publ) by the general meeting of the shareholders on 16 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2015.

Stockholm April 16, 2020
KPMG AB

Duane Swanson
Authorised Public Accountant

Annual General Meeting

2020 Annual General Meeting
Annual General Meeting in Xbrane Biopharma AB (publ) will be held on Thursday 14 May 2020 at 17.30 in Baker & McKenzie Advokatbyrå's premises, Vasagatan 7, 101 23 Stockholm.

Information with respect to the Corona virus
Due to the development of the Corona virus the goal is that the annual general meeting shall be swift and effective to minimize spread of disease. Shareholders who are sick, recently travelled in a risk zone or are part of a risk group are kindly asked not to participate in person, but can vote via proxy. The Board of Directors of the Company has resolved on the following measures to minimize the risk of the spread of the Corona virus at the annual general meeting:

- Registration for the annual general meeting will commence at 17.15.
- External guests will not be invited.
- No food or refreshments will be served.
- The presentations by the chairman of the Board, the CEO, and member of the nomination committee respectively, will be shortened.

On 30 March 2020, for the purpose of minimizing the risk of the spread of the Corona virus, the government presented a government bill (Government Bill 2019/20:143) proposing temporary provisions to increase the possibility for companies to collect powers of attorney and provide postal voting in connection with general meetings. In short, the proposal means that the board of directors of the Company may resolve that shareholders who choose not to physically attend the general meeting may exercise their voting rights at the general meeting either by providing a power of attorney to a person appointed by the company or by post. The act is proposed to come into force on 15 April 2020. If coming into force occurs prior to the annual general meeting, the Company intends to provide for postal voting. In that case, information will be published through a press release and be available on the Company's website, www.xbrane.com.

The Company follows the development and the recommendations of the authorities and will, if necessary, update the information about the annual general meeting on the Company's website, www.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 8 May 2020. Registration is to be made no later than 8 May 2020 in one of the following ways:

- at the website, www.xbrane.com
- by telephone: +46 708 27 86 36
- by post: Xbrane Biopharma AB (publ), "Annual General Meeting", Bankvaktsvägen 22, 171 48 Solna

When registering, shareholders must state:

- name
- social security number/corporate identity number
- daytime address and telephone number
- number of shares
- where appropriate details of any agent/assistant

Nominee registered shares
Shareholders who have their shares registered in the name of a nominee at a bank or other manager must, to be entitled to participate in the general meeting of shareholders, register heir shares in their own name, so that the person in question is registered in the share register kept by Euroclear Sweden AB on 8 May 2020. 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. Form for power of attorney is available on the Company's website www.xbrane.com and can also be sent to shareholders who so request.

Contact information
Xbrane Biopharma AB (publ)
171 48 Stockholm, Sweden
Visitors: Banvaktsvägen 22, 171 48 Solna
Tel: +46 708 27 86 36
E-mail: info@xbrane.com
Website: www.xbrane.com

Alternative key indicators

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

Gross margin
The gross margin is calculated as gross result in relation to the net sales. The gross margin is net sales minus cost of goods sold.

Amounts in SEK thousands	2019	2018
Gross profit	-18,271	4,578
Divided by net sales	-	20,485
Gross margin	**-**	**22%**

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	2019	2018
Operating profit	-164,620	-11,415
Depreciation	-24,134	-5,336
EBITDA	**-140,487**	**-6,079**

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 business expenditure 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 minus depreciation and write-downs. Total business expenditure comprises selling expenses, administrative expenses, research and development expenses and other business expenses.

Amounts in SEK thousands	2019	2018
Research and development expenses	-115,713	-85,827
Divided by operating expenses minus depreciation and write-downs	-148,627	-110,400
Research and development expenses as a percentage of operating expenses	**78%**	**78%**

Equity Ratio
The equity ratio is a measure 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	12-31-2019	12-31-2018
Total Equity	184,323	83,070
Divided by total assets	338,940	252,885
Equity ratio	**54%**	**33%**

Glossary

BfArM – German Federal Institute for Drugs and Medical Devices (Bundesinstit für Arzneimittel und Medizinprodukte).

Biosimilar – The term biosimilar was introduced in law in 2004 and is a biologic drug that is similar to an approved biologic drug (the biological reference drug). In order for a biosimilar drug to be approved, it must be comparable with the reference drug in terms of chemical properties (e g molecular structure and impurities), biologic activity, and it must also have similar properties in terms of pharmacokinetics and pharmacodynamics as well as equal safety and efficacy.

CFDA – China Food and Drug Administration.

CRO - Contract Research Organization

Diabetes-related macular edema (DME) – Macular edema results in fluid collecting in the outer layer of the macula in the middle of the retina. Cyst-like blisters are formed, which can cause macular depression or holes. The edema may be associated with background illnesses, but often appears in patients with diabetes.

EMA – European medicines Agency.

Endometriosis – Endometriosis involves the endometrium growing outside of the uterus. Roughly one in ten people who menstruate have this disease.

FDA – US Food and Drug Administration.

Generic – Generic drugs are medically interchangeable drugs with the same function, quality and safety as an original drug. A generic drug can be sold at a lower price since the production has limited costs for research and development.

GMP certification – Certification that the production is performed according to good manufacturing practices.

In-vitro – A term that refers to studying a living microorganism, cell or biomolecule outside of its normal biological context.

MHRA – UK Medicines and Healthcare products Regulatory Agency.

Myoma – Myoma are muscle nodules that can develop inside or outside of the uterus.

PMDA – Japanese Pharmaceuticals and Medical Devices Agency.

Prevalence - Percentage of individuals in a population who have a given disease or condition.

Proliferative diabetic retinopathy (PDR) - A vessel change in the retina of the eye, for example, bleeding, which occurs in diabetes.

Retinal vein occlusion (RVO) - RVO is a blood clot (thrombosis) in one of the blood vessels of the eye (a vein). It is a common vascular disease that can cause blindness untreated.

VEGF-A – Vascular endothelial growth factor which, among other things, stimulates the growth of abnormal blood vessels in patients with AMD, DME and RVO.

VEGF-inhibitors – Drugs that act by binding to VEGF-A and thereby inhibit its ability to stimulate growth of e g abnormal blood vessels in the eye.

Age-related macular degeneration (AMD) – Changes in the macula due to aging, also called age-related macular degeneration (AMD), is condition that results in permanent damage to the macula. The first changes that a person notices is that the vision becomes blurred, straight lines become crooked and some letters disappear when you try reading. Colors often become less clear than normal. The central field of vision is weakened, but the peripheral vision is retained. Macular degeneration is the most common cause of blindness or serious vision impairment in the developed world. If the disease is allowed to continue, the patient loses central vision, but maintains a certain amount of peripheral vision.

XBRANE BIOPHARMA

Xbrane Biopharma AB | Banvaktsvägen 22, 171 48 Solna, Sverige | www.xbrane.com