

Xbrane Biopharma AB (publ)

556749-2375 | Interim report April – June 2016

About Xbrane Biopharma

Xbrane Biopharma AB ("Xbrane") is a biotechnology company specialized in the development and production of complex generic drugs. Xbrane focuses on two specific market segments; generics on drugs with depot formulation and biosimilars (generics on biologic drugs). Xbranes leading product with depot formulation is Spherotide. Spherotide is a depot formulation with the active substance triptorelin used primarily in the treatment of prostate cancer, endometriosis and uterine fibroids. Spherotide

is planned to be launched in Iran in 2017 and in Europe by the end of 2018. Xbranes leading product in the segment biosimilars is Xlucane. Xlucane is a ranibizumab biosimilar (originator drug Lucentis™) that will be used in the treatment of various eye diseases, primarily wet form of age-related macular degeneration. Xbrane is listed on Nasdaq First North since February 3 2016 under the ticker XBRANE. For more information, please visit www.xbrane.com.

- **Net sales** SEK 1,032,017 (75,000)
- **Total income** SEK 1,108,233 (85,512)
- **Earnings before tax** SEK -7,556,986 (-1,333,280)
- **Cash flow from current operations** SEK -8,841,928 (-1,484,018)
- **Earnings per share before dilution** SEK -1,63 (-5,98)
- **Earnings per share after dilution** SEK -1,63 (-5,98)

MESSAGE FROM THE CEO

Dear Shareholders,

Xbrane has during the second quarter of 2016 continued to execute on its business plan and has delivered the promised milestones according to time plan.

The development of Spherotide is proceeding according to plan. During the quarter we have worked with validation of equipment, methods and production process of Spherotide in our production facility in Italy. We have produced three validation batches which all achieved satisfactory quality. We have also prepared and submitted the application for GMP (Good Manufacturing Practice) approval of the production facility to the Italian Medicines Agency, AIFA. AIFA's evaluation usually takes about 6 months, and we therefore expect a decision beginning of 2017. At the same time we are preparing for the comparative clinical trials we plan to initiate during 2017 with the aim of achieving marketing authorization in Europe and the United States.

Also the development of Xlucane is proceeding according to plan. During the quarter we have worked with continued optimization of the production process. In June we moved into our new facility in Solna, where we have established a state of the art laboratory for biosimilar development. Thanks to new equipment with higher capacity and efficiency in fermentation and purification, we have become much more efficient in our development activities. We have also strengthened the biosimilar development team with experts in both fermentation and purification. We are now working with the contract manufacturer Biotechpharma to develop and qualify the full panel of the analytical tests to be used for quality control of Xlucane once in production as well as the scale up of the production to industrial scale. We are also preparing for the comparative clinical trial that we plan to initiate

during 2017 with the aim of achieving marketing authorization in Europe and the United States.

We have also during the quarter participated in several conferences, such as China Bio, Bio International and Bio Europe. The main objective for us has been to establish contact with potential out-licensing partners for both Spherotide and Xlucane. We are pleased to note that the interest in Xbrane, our technologies and our products is high. Our goal is to out-license both Xlucane and Spherotide during the comparative clinical trials.

We now look forward to an exciting second half of 2016 with many important tasks to execute on and milestones to achieve. We will drive the development of Xlucane and Spherotide forward to be able to launch the products in Iran and initiate clinical trials with target on Europe and the United States during 2017.

Thank you for your continued support,


Martin Åmark



BUSINESS DESCRIPTION AND STRUCTURE

Xbrane Biopharma AB ("Xbrane") is a biotechnology company specialized in the development and production of complex generic drugs. Xbrane focuses on two specific market segments; generics on drugs with depot formulation and biosimilars (generics on biologic drugs).

Xbranes leading product with depot formulation is Spherotide. Spherotide is a depot formulation with the active substance triptorelin used primarily in the treatment of prostate cancer, endometriosis and uterine fibroids. Spherotide is planned to be launched in Iran in 2017 and in Europe by the end of 2018. Xbranes leading product in the segment biosimilars is Xlucane.

Xlucane is a ranibizumab biosimilar (originator drug Lucentis™) that will be used in the treatment of various eye diseases, primarily wet form of age-related macular degeneration. Xbrane is listed on Nasdaq First North since February 3 2016 under the ticker XBRANE. For more information, please visit www.xbrane.com.

Xbrane owns since 30 September 2015 the Italian subsidiary Primm Pharma srl, which focuses on generics on drugs with depot formulations and the product Spherotide. Primm Pharma owns fixed assets related to the production facility for Spherotide outside of Naples in Italy.

Ownership

Xbrane had a total of around 464 shareholders distributed on 4,623,314 shares 2016-06-30. The ten largest shareholders as of 2016-06-30 are shown in the table below¹.

Name	Number of shares	Ownership (%)
Serendipity Ixora AB	1 22 0810	26,41%
Försäkringsaktiebolaget Avanza pension	221 678	4,79%
Nordnet Pensionsförsäkring AB	197 823	4,28%
Kjell Beijers 80-årsstiftelse	126 000	2,73%
Jan-Willem De Gier	119 000	2,57%
Christer Skogum	111 800	2,42%
Martin Åmark	110 490	2,39%
Siavash Bashiri	86 730	1,88%
PAUI AB	47 477	1,03%
Handelsbanken Liv	56 250	1,22%
Michael Löfman	73 000	1,58%
Total 10 largest shareholders	2 371 058	51,28%
Total other shareholders	2 252 256	48,72%
Total	4 623 314	100,00%

Significant events during the second quarter of 2016

- Xbrane established a new state-of-the-art laboratory for biosimilar development in our new facilities in Solna.
- Xbrane established an agreement with the Lithuanian contract manufacturer Biotechpharma to produce Xlucane in commercial scale under GMP conditions.
- Xbrane conducted the technology transfer of Xlucane to our partner Helvetic Biopharma in Iran.

Significant events after the second quarter

- Xbrane submitted the application for GMP approval for our Spherotide production facility
- Xbrane licensed out its protein expression technology to Oxford Nanopore Technologies for production of proteins used in their DNA sequence equipment

¹ Based on full ownership register of directly registered and nominee shareholders

Group net sales and earnings during the period

Amounts in SEK	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
	2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Net sales	1 032 017	75 000	1 885 774	179 136	392 859
Earnings before income and tax	-7 538 948	-1 333 285	-12 968 477	-2 415 083	-11 550 797
Number of shares end of period	4 623 314	223 029	4 623 314	223 029	2 230 290
Average number of shares	4 623 314	223 029	3 715 262	223 029	2 230 290
Earnings per share before dilution	-1,63	-5,98	-5,81	-10,83	-5,18
Earnings per share after dilution	-1,63	-5,98	-2,81	-10,83	-5,18

Consolidated net sales for the second quarter of 2016 amounted to KSEK 1,032 (75) and relates to the revenue from Helvetic Biopharma related to completion of milestone 2 in the agreement for commercialization of Xlucane in Iran. Other operating income amounted to KSEK 76 (11) and relates mainly to the utilization of a tax credit in Primm Pharma.

Consolidated earnings before income and tax amounted to KSEK -7,539 (-1,333). Personnel expenses amounted to KSEK -2,893 (-921) as the number of employees increased from 5 at the end of the second quarter 2015 to 14 end of second quarter 2016. Other external expenses amounted to KSEK -2,860 (-460) and relates to consumables to the laboratory (-404), facilities (-195), research and development of products with depot formulation that Xbrane has in its pipeline which takes place under a development agreement with the company Primm (-699) and administrative, legal, regulatory and commercial services and other expenses (-1,562). Depreciation and amortization amounted to KSEK -2,419 (-31) and relates to amortization of goodwill of KSEK -1,350 and amortization and depreciation of intangible and tangible assets. In the second quarter fixed assets used in the production of Spherotide are depreciated for the first time, the depreciation amounts to KSEK 789. The remainder relates to depreciation of lab equipment.

Comparative figures for the second quarter of 2015 relates only to the parent company Xbrane Biopharma AB since the acquisition of Primm Pharma was completed during the third quarter of 2015.

Group cash flow and financial situation

Cash and cash equivalents at the end of the period amounted to KSEK 56,694 (3,830). The equity ratio was 90 percent (92). Cash flow from operating activities was KSEK -8,842 (-1,484) for the quarter.

In the second quarter, total investments amounted to KSEK 950 (0) for intangible assets and KSEK 1,792 (0) for tangible assets.

Risks and uncertainties

The main risks to the business are related to:

- Cost increases and delays in the process of obtaining GMP approval for the production facility for Spherotide outside of Naples in Italy.
- Delays in the process of launching Xlucane in Iran, primarily related to delays in establishment of production, clinical trials and marketing authorization.
- Potential differences in safety and efficacy in comparison with the respective original drugs in clinical trials for Xlucane and Spherotide

A more detailed review of the risks to the business are available in the annual report published April 28, 2016 and is available on www.xbrane.com.

Organization and employees

Xbrane has in Sweden a laboratory where focus is on the development of biosimilars. Xbrane has state of the art equipment for pilot-scale fermentation, purification and characterization of proteins. Xbrane had as of June 30 2016 10 employees in Sweden. Xbrane acquired in 2015 the Italian company Primm Pharma responsible for the development and production of products with depot formulation. Primm Pharma had 4 employees as of 30 June 2016 and has headquarters in Milan.

Share Information

Xbranes share capital amounted to KSEK 1,036 at the end of the quarter divided on 4,623,314 shares. The quota value of all shares is 0,224, and they all have equal rights to the company's assets and earnings. The Xbrane share was listed on Nasdaq First North on February 3 2016 and the number of shareholders in Xbrane amounted as of June 30 2016 to 464².

² Based on full ownership register of directly registered and nominee shareholders

As of June 30 2016 the closing price of the Xbrane share was SEK 34,3, which gave the company a market capitalization of MSEK 158,6.

Transactions with closely related stakeholders

Closely related stakeholders are defined as employees and directors of Xbrane.

Among Primm Pharma liabilities as of June 30 2016 is a liability to Primm Pharma's CEO amounting to KSEK 2,664 and a liability to the company Primm s.r.l. amounting to KSEK 3,318. Both of these liabilities arised from the acquisition of Pharma Primm.

Xbrane purchased during the quarter services from Juno Ekonomi AB (Reg No: 556834-0235) related to accounting and administration for KSEK 108. Juno Ekonomi AB is 100 percent owned by Sdiptech AB (Reg No: 556672-4893). Sdiptech AB is owned to 76 percent by Serendipity Group AB (Reg. No: 556799-6813) which is owned to 50 percent by Saeid Esmaeilzadeh who is the chairman of the board of Xbrane.

Certified Adviser

Xbranes Certified Adviser at Nasdaq First North is Avanza Bank AB.

FINANCIAL INFORMATION

Accounting principles

In the interim report for the second quarter of 2016 the same accounting principles and calculation methods are used as in the latest annual report. With the acquisition of Primm Pharma consolidated accounts was established for the first time the third quarter of 2015. The comparative figures thus relate only to the parent company Xbrane. The interim report for the Group and the parent Company has been prepared in accordance with the Annual Accounts Act and the Listing Agreement for First North.

Consolidated income statement

Amounts in SEK	Notes	2016-04-01 2016-06-30	2015-04-01 2015-06-30	2016-01-01 2016-06-30	2015-01-01 2015-06-30	2015-01-01 2015-12-31
Net sales	1	1 032 017	75 000	1 885 774	179 136	392 859
Other operating income	2	76 216	10 512	83 250	26 649	550 467
Operating expenses						
Raw material and consumables	3	-459 027	-1 199	-554 114	911	-256 615
Other external expenses	4	-2 859 823	-459 545	-5 687 293	-780 109	-6 632 497
Personnel expenses		-2 892 878	-920 675	-4 671 795	-1 804 121	-4 138 606
Depreciation and amortization	5	-2 419 348	-31 204	-3 958 424	-31 204	-1 441 338
Other expenses		-16 105	-6 174	-65 875	-6 346	-25 067
Earnings before income and tax		-7 538 948	-1 333 285	-12 968 477	-2 415 083	-11 550 797
Financial items						
Financial income, other		31 023	5	31 780	23	424
Financial expenses, other		-49 061	-	-150 509	-111	-294 413
Earnings before tax		-7 556 986	-1 333 280	-13 087 206	-2 415 171	-11 844 786
Earnings before tax		-7 556 986	-1 333 280	-13 087 206	-2 415 171	-11 844 786
Tax		-	-	-	-	-
Earnings		-7 556 986	-1 333 280	-13 087 206	-2 415 171	-11 884 786

Consolidated balance sheet

Amounts in SEK	Notes	2016-06-30	2015-06-30	2015-12-31
ASSETS				
Fixed assets				
Intangible assets	6	59 233 621		57 873 338
Tangible assets	7	16 125 899	101 360	10 023 994
Financial assets, rent deposits	8	634 700		
Total fixed assets		75 359 519	101 360	67 897 332
Current assets				
Inventory	9	2 804 995	-	160 913
Other receivables	10	4 994 104	307 539	4 584 725
Cash and bank balances		56 693 752	3 830 046	2 687 560
Total current assets		64 492 851	4 137 585	7 433 198
TOTAL ASSETS		140 487 071	4 238 945	75 330 530

Equity and liabilities

Amounts in SEK	Notes	2016-06-30	2015-06-30	2015-12-31
Equity				
Share capital		1 036 482	100 900	500 000
Other capital		162 953 300	17 377 931	73 182 031
Translation difference	11	-1 385 399		-3147111
Earned income including net result		-36 112 930	-13 596 109	-23 025 725
Total equity		126 491 453	3 882 722	47 509 195
Liabilities				
Provisions				
Other provisions		492 958		353 004
Total provisions		492 958		353 004
Long term liabilities				
Liabilities to credit institutions		-		-
Other long term liabilities	12	4 453 618		4 063 676
Total long term liabilities		4 453 618		4 063 676
Current liabilities				
Accounts payable		3 128 886	58 971	4 762 519
Other current liabilities	13	5 920 156	297 254	18 642 136
Total current liabilities		9 049 042	356 225	23 404 655
Total equity and liabilities		140 487 071	4 238 946	75 330 530

Consolidated cash flow statement

Amounts in SEK	Notes	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
		2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Current operations						
Earnings before income and tax		-7 538 947	-1 333 285	-12 968 476	-2 415 083	-11 550 797
Adjustments for items not included in cash flow						
Depreciation		2 419 348	31 204	3 958 424	31 204	1 441 338
Other items						
Interest received		31 023	5	31 780	23	424
Interest paid		-49 062		-150 509	-111	-294 413
Paid taxes			-1557	-	-3 114	-4671
Cash flow from current operations before change in working capital		-5 137 638	-1 303 633	-9 128 781	-2 387 081	-10 408 119
Changes in working capital						
Decrease/increase in accounts receivables		-1 032 014	-89 764	-1 032 014	-93 750	-164 635
Decrease/increase in inventory		208732		-2 644 082		-160 913
Decrease/increase in other current assets		1 223 795	-120 216	622 634	135 436	-1 928 582
Decrease/increase in accounts payables		-2 491 958	-49 332	-1 633 633	-54 857	513 488
Decrease/increase in provisions		73 849		139 954		
Decrease/increase in other current liabilities		-1 686 693	78 927	-2 721 981	29 202	-237 913
Cash flow from current operations		-8 841 927	-1 484 018	-16 397 904	-2 371 051	-12 386 674
Investing activities						
Purchase of tangible fixed assets		-1 792 398		-6 991 368		-1 146 335
Purchase of intangible fixed assets		-950 005		-2 802 945		
Rent deposits		-634 700		-634 700		19473
Decrease/increase in goodwill		326 726		-252 611		
Cash flow from investing activities		-3 050 377	-	-10 681 624	-	-1 126 862
Cash flow from financing activities						
New share issue				90 695 776		
Repayment of loans		-23 567		389 941		
Repayment of loans (from Serendipity Ixora)				-10 000 000		10 000 000
Cash flow from financing activities		-23 567	-	81 085 717	-	10 000 000
Cash flow for the period		-11 915 872	-1 484 018	54 006 189	-2 371 051	-3 513 536
Change in cash and cash equivalents						
Cash and cash equivalents at beginning of period		68 609 622	5 314 064	2 687 561	6 201 096	6 201 096
Cash and cash equivalents at end of period		56 693 750	3 830 046	56 693 750	3 830 046	2 687 561
Change in cash and cash equivalents		-11 915 872	-1 484 018	54 006 189	-2 371 051	-3 513 536

Consolidated statement of changes in equity

Amounts in SEK	Share capital	Other capital	Translation difference	Earned income including net result	Total equity
Equity Jan 1 2016	500 000	73 182 031	-3 147 111	-23 025 725	47 509 195
New share issue	536 482	89 771 268	-	-	90 307 750
Bonus issue	-	-	-	-	-
Convertible note	-	-	-	-	-
Translation difference	-	-	1 761 712	-	1 761 712
Total comprehensive income for the period	-	-	-	-13 087 205	-13 087 205
Equity Jun 30 2016	1 036 482	162 953 299	-1 385 399	-36 112 930	126 491 453

The new share issue during the first quarter of 2016 raised MSEK 100,3 before transaction costs. The share issue was distributed on 2,36 million shares and approximately 1300 shareholders.

In the equity is included a convertible note for a total of MSEK 56 to Primm Pharma's former owners. As a result of the issued convertible note a maximum of 1 322 428.24 shares can be issued based on fulfillment of milestones related to the commercialization of Spherotide.

Income statement, Parent company

Amounts in SEK	Notes	2016-04-01 2016-06-30	2015-04-01 2015-06-30	2016-01-01 2016-06-30	2015-01-01 2015-06-30	2015-01-01 2015-12-31
Net sales	1	1 032 017	75 000	1 885 774	179 136	392 859
Other operating income	2	8 503	10 512	15 472	26 649	40 770
Operating expenses						
Raw material and consumables	3	-7 836	-1 199	-17 565	911	-42686
Other external expenses	4	-2 135 074	-459 545	-5 419 835	-780 109	-5 331 943
Personnel expenses		-1 762 360	-920 675	-3 191 322	-1 804 121	-3 976 905
Depreciation and amortization	5	-304 136	-31 204	-468 342	-31 204	-64 938
Other expenses		-310	-6 174	-37 892	-6 346	-11 322
Earnings before income and tax		-3 169 196	-1 333 285	-7 233 708	-2 415 083	-8 994 165
Financial items						
Financial income, other		30 182	5	30 305	23	127
Financial expenses, other		2 421	-	-64 036	-111	-266 899
Earnings before tax		-3 136 593	-1 333 280	-7 267 440	-2 415 171	-9 260 937
Earnings before tax		-3 136 593	-1 333 280	-7 267 440	-2 415 171	-9 260 937
Tax		-	-	-	-	-
Earnings		-3 136 593	-1 333 280	-7 267 440	-2 415 171	-9 260 937

Balance sheet, Parent company

Amounts in SEK	Notes	2016-06-30	2015-06-30	2015-12-31
ASSETS				
Fixed assets				
Tangible assets	7	5 581 028	101 360	158 723
Shares in group companies		78 360 101		62 775 435
Financial assets, rent deposits	8	634 700		
Total fixed assets		84 575 829	101 360	62 934 158
Current assets				
Other receivables	10	1 913 520	307 539	1 567 389
Cash and cash equivalents		54 582 416	3 830 046	2 197 148
Total current assets		56 495 936	4 137 585	3 764 537
TOTAL ASSETS		141 071 765	4 238 945	66 698 695

Equity and liabilities

Amounts in SEK	Notes	2016-06-30	2015-06-30	2015-12-31
Equity				
Share capital		1 036 482	100 900	500 000
Other capital		163 639 270	17 377 931	72 018 491
Earned income including net result		-26 545 775	-13 596 109	-19 278 336
Total equity		138 129 978	3 882 722	53 240 155
Liabilities				
Current liabilities				
Accounts payable		2 457 883	58 971	1 467 552
Other current liabilities	13	483 908	297 254	11 990 988
Total current liabilities		2 941 791	356 225	13 458 540
Total equity and liabilities		141 071 765	4 238 945	66 698 695

Cash flow statement, Parent company

Amounts in SEK	Notes	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
		2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Current operations						
Earnings before income and tax		-3 169 196	-1 333 285	-7 233 708	-2 415 083	-8994165
Adjustments for items not included in cash flow						
Depreciation		304 136	31 204	468 342	31 204	64 938
Other items						
Interest recieved		30 182	5	30 305	23	127
Interest paid		-2 421	-	-64 036	-111	-266 899
Paid taxes		-1 557	-1 557	-3 114	-3 114	-
Cash flow from current operations before change in working capital		-2 834 014	-1 303 633	-6 802 212	-2 387 081	-9 195 999
Changes in working capital						
Decrease/increase in accounts recievables		-1 032 014	-89 764	-1 032 017	-93 750	-164 635
Decrease/increase in other current assets		539 862	-120 216	685 883		-1 053 528
Decrease/increase in accounts payables		-330 629	-49 332	990 331	135 436	1 353 725
Decrease/increase in provisions				-264 242	-54 857	
Decrease/increase in other current liabilities		-109 082	78 927	-1 239 725		
Decrease/increase in other current liabilities					29 202	1 719 823
Cash flow from current operations		-3 765 877	-1 484 018	-7 661 981	-2 371 051	-7 340 615
Investing activities						
Purchase of tangible fixed assets		-1 300 338		-5 890 647		-91 097
Investments in subsidiaries		-3 816 698		-15 584 666		-6 572 235
Rent deposits		-634 700		-634 700		
Cash flow from investing activities		-5 751 736	-	-22 110 013	-	-6 663 332
Cash flow from financing activities						
New share issue				92 157 260		
Repayment of loans (from Serendipity Ixora)				-10 000 000		10 000 000
Cash flow from financing activities		-	-	82 157 260	-	10 000 000
Cash flow		-9 517 613	-1 484 018	52 385 268	-2 371 051	-4 003 947
Change in cash and cash equivalents						
Cash and cash equivalents at beginning of period		64 100 029	5 314 064	2 197 148	6 201 096	6 201 096
Cash and cash equivalents at end of period		54 582 416	3 830 046	54 582 416	3 830 046	2 197 149
Change in cash and cash equivalents		-9 517 613	-1 484 018	52 385 268	-2 371 051	-4 003 947

NOTES

Accounting principles

In the interim report the same accounting principles and calculation methods are used as in the recently published annual report. With the acquisition of Primm Pharma consolidated accounts was established for the first time the third quarter of 2015. The comparative figures for the second quarter of 2015 thus relate only to the Parent company, however the subsidiary is included in the comparative figures per 31 December 2015. The interim report for the Group and the Parent Company have been prepared in accordance with the Annual Accounts Act and the listing agreement for First North.

The Groups consolidated financial statement is prepared using the purchase (accounting) method. The acquisition date is the date when control is obtained. Identifiable assets and liabilities are valued initially at their fair values at the acquisition date. The minority share of the net assets acquired is valued at fair value. Goodwill is the difference between the acquired identifiable net assets at the date of acquisition and the acquisition cost, including the value of the minority interest, and are initially measured at the acquisition cost. Transactions between Group companies are fully eliminated. Subsidiaries in other countries prepare their annual accounts in foreign currency. At consolidation the entries for these companies' balance sheets and income statements are translated at the closing rate and the spot rate on the date at which each business event took place. The resulting exchange differences are recognized in accumulated translation differences in the equity.

Note 1 Net sales

The Group & Parent Company

Revenue is recognized when the income can be calculated in a reliable way and when all risks and rights associated with ownership have been transferred to the buyer, which normally occurs in connection with delivery.

Net sales consists in the second quarter of the revenue related to milestone 2 of the agreement with the customer Helvetic Biopharma to commercialize Xlucane in Iran.

Note 2 Other operating income

Group

Other operating income includes the utilization of a tax credit of KSEK 68 by Primm Pharma under a separate program instituted in Italy for the promotion of research intensive companies.

Note 3 Raw material and consumables

Group

The cost of raw material and consumables relates to the production of the Spherotide validation batches and materials used for research and development purposes.

Note 4 Other external expenses

Group

Other external expenses amounted to KSEK -2,860 (-460) and relates to consumables to the laboratory (-404), facilities (-195), research and development of products with depot formulation that Xbrane has in its pipeline which takes place under a development agreement with the company Primm (-699) and administrative, legal, regulatory and commercial services and other expenses (- 1,562).

Note 5 Depreciation and amortization

Group

Tangible fixed assets and intangible assets that are amortized are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. During the second quarter of 2016 no impairment was identified.

The acquisition of Primm Pharma was completed September 30 2015 and the amortization of goodwill began during the fourth quarter of 2015. Goodwill is amortized over ten years in agreement with the K3 regulation and the Annual Accounts Act. The goodwill is amortized for the third time in the second quarter of 2016, total amortization for the period amounted to KSEK 1,351. The remainder of depreciation and amortization relates to tangible assets and capitalized development costs in Primm Pharma. As the production of Spherotide began during the second quarter of 2016 Primm Pharma begun depreciation of fixed intangible assets in the production facility for Spherotide during the second quarter of 2016. This depreciation amounted during the second quarter of 2016 to KSEK 788.

Parent

Depreciation refers to the depreciation of laboratory equipment that is estimated to have an economic lifetime of three years.

Note 6 Intangible assets

Group

Intangible assets consist primarily of goodwill related to the acquisition of Primm Pharma. The goodwill is amortized for the third time in the second quarter of 2016. The accumulated depreciation amounted to KSEK 4,052. The remaining portion that does not relate to goodwill relates to capitalized development costs and construction in progress.

Parent

The parent company has no intangible assets as of the closing date.

Note 7 Tangible assets

Group

Tangible assets in the Group increased by KSEK 6,102 of which KSEK 5,891 relates to purchase of laboratory equipment in the parent company and the remainder relates to activation of laboratory equipment, inventory and construction in progress in Primm Pharma.

Parent

Equipment, tools and installations has in the parent company increased by KSEK 5,891 and mainly relates to the purchase of laboratory equipment.

Note 8 Financial assets, rental deposits**The Group & Parent Company**

The parent company has during the second quarter of 2016 moved into a new facility and thus paid a rent deposit to Nordea amounting to KSEK 635.

Note 9 Inventory**The Group & Parent Company**

The inventory of Primm Pharma as of June 30 2016 amounted to KSEK 2,805. It consists of raw materials (KSEK 694), consumables (KSEK 17) and the Spherotide validation batches (KSEK 2,094). The validation batches are valued in accordance with the acquisition cost of the raw material.

Note 10 Other receivables**The Group & Parent Company**

Other receivables consist of the tax credit in Primm Pharma (KSEK 1,636), accounts receivables (KSEK 1,202), VAT receivable (KSEK 1,786) and prepaid expenses (KSEK 276).

Note 11 Translation difference**Group**

The translation differences is attributable to the Italian subsidiary and primarily the goodwill that arised as a result of the acquisition.

Note 12 Other long-term liabilities**Group**

Long-term liabilities consist mainly of a liability to Primm Pharma's CEO of KSEK 2,664 and a lease on a fixed asset in the production facility for Spherotide.

Note 13 Other current liabilities**Group**

Other current liabilities consist mainly of a liability of KSEK 3,318 to Primm, a liability that Primm Pharma had at the time of the acquisition, and accrued expenses and deferred revenues of KSEK 2,042.

Parent Company

The item consists mainly of monthly social security contributions and withholding tax to the Tax Agency.

ASSURANCE

The Board of Directors and the CEO hereby give their assurance that this interim report gives a true and fair view of the business activities, financial position and operating results and describes significant risks and uncertainties that the company and the companies included in the Group face.

Stockholm August 22 2016

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Saeid Esmailzadeh

Chairman of the board

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Alessandro Sidoli

Member of the board

.....
Peter Edman

Member of the board

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Maris Hartmanis

Member of the board

.....
Karin Wingstrand

Member of the board

.....
Martin Åmark

CEO

.....
Giorgio Chirivi

Member of the board

FINANCIAL CALENDAR

Financial calendar

Interim report July-Sep

November 21 2016

Year end report

February 2017

Further information

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