Sobi 2011

Annual Report 2011

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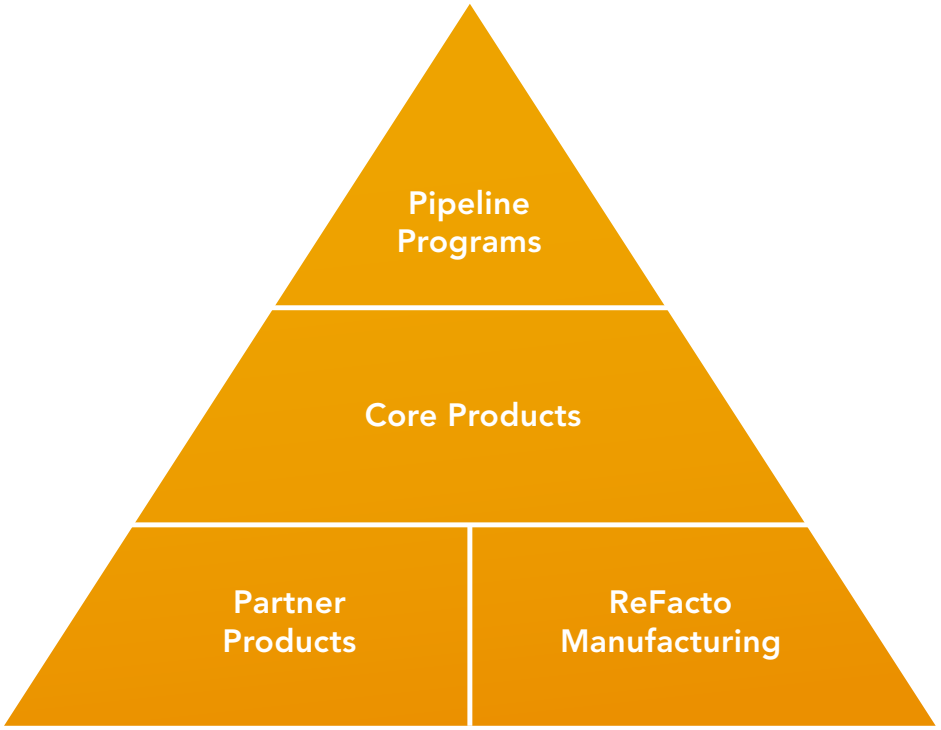
A Quick Guide to Sobi 2011



Core Products

Revenues: SEK 812 M
Gross margin: ≈ 60%

Therapeutic area	Products
Inflammation	Kineret, Ruconest
Genetics & Metabolism	Orfadin, Ammonaps, Ammonul

More on page 10

Partner Products

Revenues: SEK 524 M
Gross margin: < 50%

Therapeutic area	Products
Hemophilia	ReFacto AF co-promotion
Oncology	Kepivance, Yondelis, Aloxi
Hematology	Willfact
Other	> 40 products

More on page 14

ReFacto Manufacturing

Revenues: SEK 575 M
Gross margin: > 60%

Therapeutic area	Products
Hemophilia	ReFacto AF/XYNTHA incl. royalties

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Pipeline Programs

Therapeutic area	Programs
Hemophilia	rFVIIIFc and rFIXFc
Neonatology	Kiobrina
Neonatology	Reformulated Bumetanide

More on page 18

In total there are some 7,000 rare diseases. They affect small groups of patients and are often life-threatening or causing chronic disability. But there are only about 400 approved treatments. Sobi is dedicated to create a better life for rare disease patients and their families.

Business concept

Sobi provides and develops specialty pharmaceuticals and services to patients with rare diseases. Revenues derive from product sales, production of drug substance and royalties. Operations include world-class capabilities in protein biochemistry and biologics manufacturing.

Three business lines

Sobi has a diversified and growth-oriented product portfolio within three business lines: Core Products, Partner Products and ReFacto Manufacturing. We also have a late stage pipeline which includes three phase III programs with substantial potential.

Our operations are driven by a number of valuable partnerships relating to both the existing product portfolio and the late stage development programs.

Operational objectives

- Improve operational performance in order to achieve positive cash flow and profitability.
- Revenue growth through focus on key products.
- Efficiently commercialize the late stage pipeline programs on a global basis.

Outlook for 2012

Total revenues for the full year 2012 are expected to be approximately SEK 100 M lower than 2011 reflecting the divestment of the ReFacto co-promotion rights. Gross margin is expected to be in line with 2011, i.e. 54% after adjustment for both the balance sheet write-downs and co-promotion. For the complete outlook, see the Directors' Report on page 6.

The Sobi Share

The Sobi share (STO:SOBI) is listed on NASDAQ OMX Stockholm.

Total revenues

2011	2010
1,911 SEK M	1,907 SEK M

Gross margin

2011	2010
56.4%*	64.0%

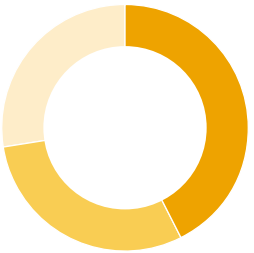
EBITA before non-recurring items

2011	2010
282* SEK M	378 SEK M

*Adjusted for write-downs

Revenues by business line

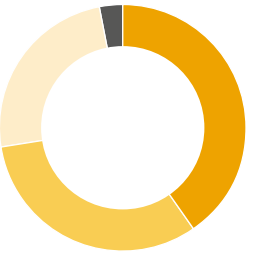
2011



Core Products, 43% · Partner Products, 27% · ReFacto Manufacturing, 30%

Product revenues by region

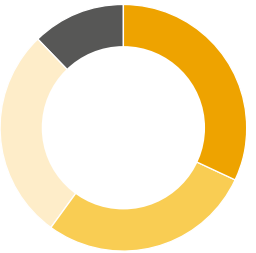
2011



Other Europe, 40% · US, 25% · Nordic, 32% · Row, 3%

Employees by function

2011



R&D, 32% · Market & Sales, 28% · Manufacturing, 28% · Admin & Other, 12%

Sobi is a leading integrated biopharmaceutical company

dedicated to bringing innovative therapies and servicies

to improve the life of rare disease patients and their families.

Report by the CEO

Focus on improving operational performance

Sobi is an innovative biopharmaceutical company dedicated to improve the lives of rare disease patients. Our diversified and growing base business lines are complemented by three biological programs in phase III development. This three part value proposition is an exciting platform for building our future.

Sobi was formed on the basis of Biovitrum's heritage in biologics research, development, and manufacturing combined with Swedish Orphan's world-class expertise in patient-focused commercialization of specialized therapies for rare diseases.

We are focused on the wellbeing and health of the patients and families we serve. We strive to create an integrated suite of medical and commercial services to help patients through their journey from diagnosis to treatment, and from monitoring to long term outcomes. Our business grows when patients are diagnosed early, obtain the right therapy at the right dose, and when they are well cared-for over the long term. We aim to innovate in the rare disease biologics area, and to make our commitment to integrated care focused on durable health outcomes for patients and their families a model for responsible healthcare delivery.

A strong commitment in three business lines

We are 500 people in about 40 countries working to bring our products to patients and families in need. We focus our efforts in three business lines. Our Core Products business line includes Orfadin, Ammonaps and Ammounul within the Genentics and Metabolism therapeutic area, and Kineret and Ruconest within the Inflammation therapeutic area. We bring an integrated approach to the support of these products in the majority of markets where we have operations, where our patient-centered model is ideally suited to supporting the small patient populations and highly specialized care settings in which they are treated. We bring a similar set of skills to bear in our Partner Products business line, where we work with 31 partner companies to bring an additional 40+ therapies to patients in the Nordic, Baltic, and Central European markets with the same care and clinical acumen as we do for our Core Products. Finally, we are 140 people working in two Good Manufacturing Practice biologics facilities in Sweden, manufacturing ReFacto AF and Multiferon.

Significant challenges and progress in 2011

We recognize that in many ways 2011 was a disappointment for our shareholders. In order to achieve our goals, we are focused on making the current Sobi platform sustainable. We will accomplish this by becoming cash flow positive and profitable through concentrating on the growth of our commercial portfolio, by streamlining our portfolio of products and programs, and by relentlessly improving the commercial effectiveness and efficiency of our operations. In 2011 we made significant progress against these goals during a year of consolidation for the company.

2011 was a challenging year in many respects for our company, mainly due to significant challenges to profitability from currency effects and a lower gross margin. In spite of this, our underlying businesses grew 9% overall compared to 2010 at constant exchange rates. Commercial highlights from the year included substantial growth in our newly established business in Russia and the establishment of a Sobi affiliate in the United States.

Operations benefitted from streamlining overall expenses by 6% from SEK 1,004 M to SEK 945 M, and from 53% to 49% of revenues. The balance sheet was strengthened in part through a rights issue of approximately SEK 600 M and through cash flow from operations.

"We are focused on making the current Sobi platform sustainable. In 2011 we made significant progress against our goals during a year of stabilization and consolidation for the company".

Net debt was reduced from SEK 1,148 M at year-end 2010 to SEK 481 M at year-end 2011. At the same time we invested in strengthening our commercial organization. As a result, in the fourth quarter, we posted positive cash flow from operations and profitability.

Phase III studies on track

We achieved several key milestones in our late stage development programs in 2011.

We are developing recombinant human bile salt stable lipase (BSSL), an enzyme naturally secreted in breast milk which is essential for normal growth in the neonatal period, to be used as an orally delivered enzyme replacement therapy to prevent growth restriction in premature infants. In 2011 The Pediatric Investigational Plan for Kiobrina was approved by EMA (the European Medicines Agency), and we initiated enrolment in July of the European pivotal phase III trial for this program. By year-end we had >80% of sites active and continue to make good progress with the trial today.

We believe that Kiobrina may become an important therapy for premature infants by increasing growth rates and thereby reducing neonatal intensive care unit stay and complication rates, and possibly also by improving long term outcomes for premature infants in their early childhood development. Neonatology is a new market for us, and Kiobrina would be a significant innovation in this very important area of healthcare.

We are also developing two long-lasting recombinant coagulation factors for the treatment of Hemophilia A and B with our partner Biogen Idec. These programs are both in late phase III development for adults with substantially completed enrolment in the pivotal trials by the end of 2011. Biogen Idec is on track to release data readout for both of these trials in the second half of 2012. Sobi has an option to commercialize these therapies in Europe, Middle East, Russia, and North Africa – markets which today represent USD 3.4 billion in coagulation factor sales.

Building our future

We also took several steps to strengthen our capabilities and portfolio for the future, adding the positions of Chief Operating Officer and VP for Government Affairs and Policy.

In the early part of 2012 we extended our global ReFactoAF manufacturing agreement with Pfizer through 2020, and sold our co-promotion rights for ReFacto AF in the Nordic territories to Pfizer for a one-time payment of USD 47.5 M. In addition, we signed an agreement with Gentium to serve as their partner for distribution of Defibrotide, a potentially life-saving therapy for bone marrow transplant patients; as well as a collaboration agreement with Only for Children Pharmaceuticals around the development of a novel indication in seizures for bumetanide, made possible by a reformulation suitable for neonates.

Expectations for 2012

The year ahead will be a crucial period in our development as a company. We are committed to demonstrating consistent profitability and positive cash flow in our operations. We will continue to streamline our operations and to build additional partnerships in line with our new operating structure. We will receive feedback on our Pediatric Investigation Plans for the Orfadin liquid program and for the use of Kineret in pediatric inflammatory syndromes (cryopyrin associated periodic syndromes). We expect to enroll the first patients in our pediatric trials for the recombinant long-acting factor programs for hemophilia, and we will gain critical insight to the data readout from the phase III trials in adults for these programs in the second half of the year. Finally, we expect to complete enrolment in our pivotal phase three trial for Kiobrina by the end of the year.

Thank you for your interest in our work.

Geoffrey McDonough
President and CEO

2011 in Brief

- Total revenues were unchanged at SEK 1,910.8 M (1,906.7), but increased by 9% adjusted for currency and discontinued products.
- Gross margin[1] declined to 56.4% (64.0), mainly due to a lower margin for ReFacto AF manufacturing and currency effects.
- Operating expenses[2] declined by 6% reflecting the ongoing streamlining of operations.
- Financial position strengthened through a rights issue of approximately SEK 600 M.
- New organization focused on three business lines.
- Establishment of US subsidiary to be operational in early 2012.
- Phase III programs advanced according to plan.

Key figures

SEK M	2011 as reported	2011 adjusted for write-downs	2010
Total revenues	1,910.8	1,910.8	1,906.7
Gross profit	974.6	1,077.8	1,221.0
Gross margin	51,0%	56.4%	64.0%
Operating profit before amortizations (EBITA)[3]	127.3	281.8	378,7
Operating profit (EBIT)[3]	–238.2	53.2	77.5
Profit/loss for the year	17.9	309.3	–104.4
Earnings per share[4], SEK	0.07	1.28	–0.47
Cash flow from operations	102.9		–215.1
Equity per share, SEK	18.7		20.4
Equity assets ratio	74.1%		61.4%

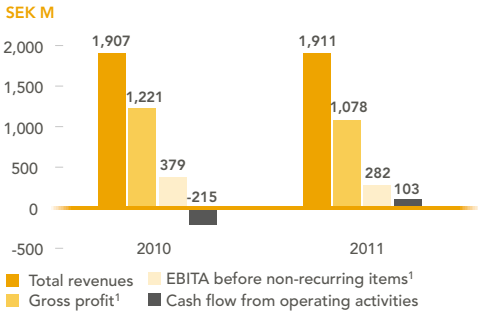
[1] Adjusted for balance sheet write-downs.

[2] Excluding amortization of intangible assets, non-recurring items, other operating revenues and expenses, and adjusted for balance sheet write-downs.

[3] Before non-recurring items.

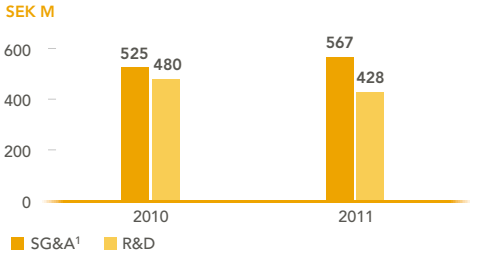
[4] The figure for 2010 has been adjusted to reflect the rights issue in 2011.

Consolidated results



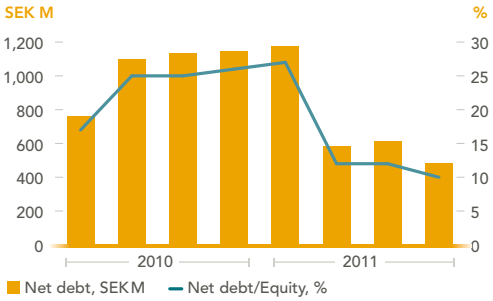
[1] Adjusted for balance sheet write-downs in Q4-11.

Operating expenses



[1] Excluding amortization and write-down of intangible assets.

Net debt



Market for Specialty Pharmaceuticals

Sobi is active in the market for specialty pharmaceuticals and orphan drugs. Key therapeutic areas are inflammation diseases and genetic and metabolic disorders. The market for orphan drugs differs from the market for widely used drugs. Orphan drugs have a high degree of differentiation and are sold in low volumes compared with pharmaceuticals for general use and generic preparations.

Specialty pharmaceuticals refer to pharmaceuticals used to treat diseases diagnosed by a specialist, often connected to a hospital, and where the patient's treatment is controlled by the specialists. Patients can be treated either in open care or in hospitals.

Orphan drugs are part of the market for specialty pharmaceuticals and refer to drugs used for diagnosis, prevention or treatment of rare diseases that are chronic, debilitating and often life-threatening.

Estimated size of orphan drugs market

The global market for orphan drugs is estimated at USD 84.9 billion, of which the US accounts for about half[1]. Europe is the second largest market. The global market is expected to expand at an annual average rate of 5.7%, and amount to USD 112.1 billion in 2014[1].

Market characteristics

Rare diseases affect a small number of patients who are often geographically spread but can be reached through networks of specialist doctors. Since these diseases are often life-threatening, prompt action is required in distributing the often small volumes of pharmaceuticals.

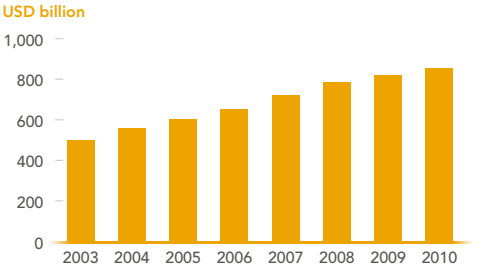
As opposed to many common diseases, there is seldom more than one orphan pharmaceutical for the treatment of a rare disease.

The market is relatively fragmented, with the ten largest orphan drugs companies accounting for about one third of the total global market[1].

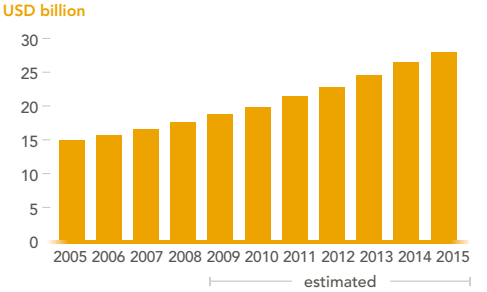
Key competitive advantages in this market include strong local presence and a knowledgeable market organization, good relations with governmental and regulatory authorities as well as key stakeholders such as specialist physicians and patient organizations.

[1] Global markets for orphan drugs Phm038c 2010, Bcc Research.

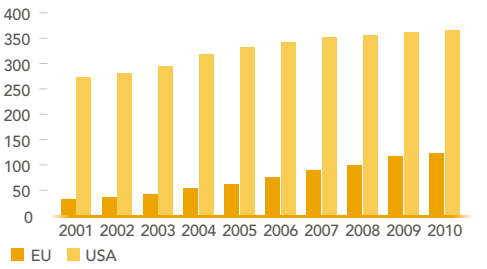
Global pharmaceutical sales, 2003 – 2010



Orphan drug market in Europe, 2005 – 2015



Number of orphan drugs 2001 – 2010



Supportive legislation and guidelines

Legislation and guidelines relating to orphan drugs have been enacted to support the need and importance of developing new treatments for rare and often serious illnesses. In 1983 the US passed legislation to promote the development and marketing of orphan drugs. This legislation marked the foundation of a market for orphan drugs and was followed by similar legislation in Japan in 1993, Australia in 1998 and in the EU in 2000. A number of other markets such as Russia, India and China have initiated discussions regarding orphan drug legislation. This has resulted in new treatments and a rapid increase in the number of approved orphan drugs.

The performance of clinical trials for orphan drugs can prove demanding since there are few patients and they are often geographically dispersed. The development of orphan drugs is often marked by close cooperation among key stakeholders, such as specialist physicians, patient organizations and drug companies.

Definition of rare diseases

In the EU a rare disease is defined as one that affects less than 1 of 2,000 people (or 0.05% of the population). In the US, rare diseases are defined as those that affect fewer than 200,000 people. In total there are about 7,000 known rare diseases but only about 400 approved treatments [1].

Examples

Examples of serious or life-threatening rare illnesses include hemophilia, malignant melanoma, essential thrombocythemia, soft tissue sarcoma, ovarian cancer and rare metabolic disorders such as hereditary tyrosinemia type I and insufficiency of the urea cycle.

1) Global markets for Orphan drugs Phm038c 2010, Bcc Research.

Pricing

Rising costs for health and medical care in many countries have led governments and other payers to set priorities resulting in price reductions. Orphan drug prices are determined through negotiation between the authorities and holders of the marketing license and are often based on health-economics analyses. Prices are subject to relatively limited competition, since orphan drugs frequently have exclusive market rights.

As the prices of orphan drugs are considerably higher per patient than in the case of traditional pharmaceuticals, not as many patients are required to make a potential drug attractive in terms of revenue, which is the intention of the legislation.

Orphan drug status

Orphan drug status means that a company that has developed an orphan drug which reaches the market first, receives market exclusivity for ten years in the EU and seven years in the US, with an option for extension under certain circumstances.

Named patient use

Even during the period when a drug is in clinical testing, individual patients may gain access to the product. This is called named patient use and is rising steadily. This means that patients with serious or life-threatening diseases that lack approved treatment gain access to treatments that have not yet gone through a formal regulatory approval process in the specific country, but may be approved in some other jurisdiction worldwide.

An Integrated Company

Sobi is an integrated biopharmaceutical company with strong heritage in rare disease and biologics. The product portfolio includes five Core Products and about 40 Partner Products, as well as three biological projects in late pivotal clinical development. Sobi has capabilities from pre-clinical development, process development and manufacturing of protein pharmaceuticals to market access and commercialization.

Sobi's revenues derive from product sales, production of drug substance and royalties. The majority of revenues come from product sales, both proprietary products and products sold under licensing or distribution agreements.

More than 70% of Sobi's product revenues come from Europe and approximately 25% from North America.

Partnering is a core value driver for the company.

Main customers are specialist physicians

Sobi's customers include health care personnel such as specialist physicians, medical buyers and pharmacy personnel. In a broader perspective, customers also include regulatory authorities, politicians, payers and reimbursement bodies as well as patient organizations.

Due to the specific characteristics of the orphan drug market close cooperation with all these stakeholders is necessary for success.

Portfolio of proprietary and Partner Products

Sobi's product portfolio includes five Core Products and about 40 Partner Products. Key therapeutic areas for the Core Products are Inflammation, and Genetics and Metabolism. The Partner Products are mainly within hematology, oncology and emergency medicines. Sobi also has three biological projects in late pivotal clinical development.

Focused R&D

The expertise in research and development is highly focused on late preclinical and clinical development of biologics, as well as on protein manufacturing and process scale-up.

Total R&D expenses have been reduced by 36% since 2008. The expenses are increasingly being focused on life-cycle management related to the existing portfolio and to clinical development of the phase III program for Kiobrina.

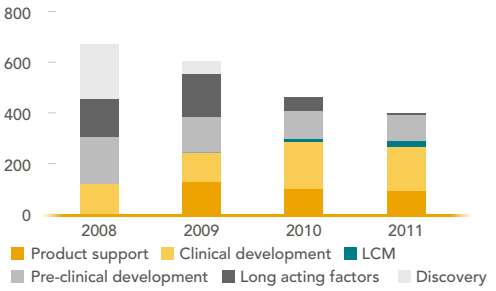
Experienced regulatory affairs

The pharmaceutical industry is surrounded by many regulations and guidelines. The regulatory authorities should safeguard public health by approving safe and efficacious drugs of good quality.

An essential part of drug development is the continuous dialogue with regulatory authorities to verify the regulatory strategy to reach the market. Sobi has the capacity internally to handle the full range of regulatory submissions, such as Orphan Drug Designations, Clinical Trial Applications, requests for Scientific Advice, Pediatric Investigation Plans and Marketing Authorization Applications.

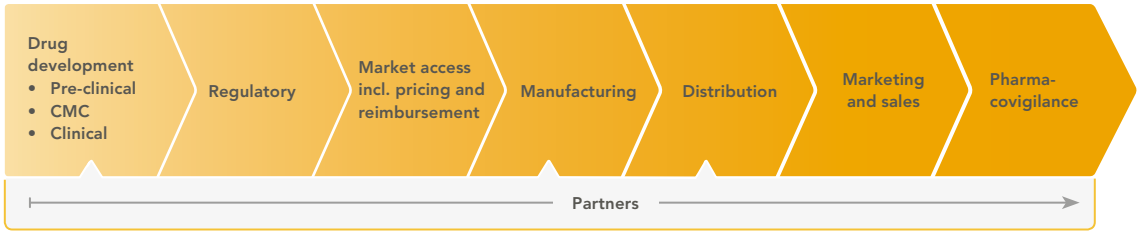
R&D expenses by category

SEK M



R&D expenses have been reduced from SEK 671 M in 2008 to SEK 428 M in 2011.

Sobi is an integrated biopharmaceutical company



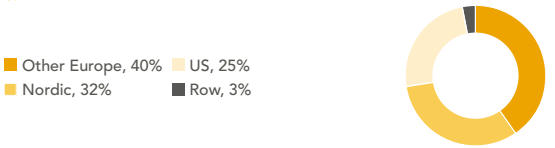
Sobi's operations include capabilities from pre-clinical development, process development and manufacturing of protein pharmaceuticals to market access and commercialization.

CMC: Chemistry, Manufacturing and Controls.
Pharmacovigilance: Monitoring of drug safety.

Commercial presence

Product revenues by region, 2011

%



Sobi has a strong commercial presence in Europe.
During 2011 a wholly owned subsidiary was established in the US.

World-class manufacturing

Sobi has been involved in the process development and manufacturing of recombinant protein drugs since the technology was first developed more than 30 years ago, then as part of KabiVitrum.

Sobi conducts advanced process development for all stages of the production of recombinant proteins. Resources encompass design, development and implementation of protein production, optimization of production processes, manufacturing of cell banks, bacterial fermentation and cell cultures, protein purification, pre-formulating and scaling-up of the process.

Sobi has two manufacturing facilities, one in Stockholm and one in Umeå. Contract manufacturers are also used for certain products. The plant in Stockholm produces the global requirement of the drug substance for ReFacto AF/Xyntha, a drug sold by Pfizer for the treatment of hemophilia A. An upgrade of the Stockholm plant was carried out in 2010, including replacement of the cell culture control system, which will provide greater delivery reliability and increased capacity. The plant in Umeå, Sweden, produces the drug substance for Multiferon.

Strong marketing & sales organization

Based on the acquisition of Swedish Orphan in 2010, a pioneer in the distribution of orphan drugs, Sobi has created an experienced sales and marketing, medical affairs and market access organization. The organization covers about 20 countries in Europe and a recently established subsidiary in the US. Sobi is also represented through partners in the Middle East, Israel, Australia and New Zealand.

Valuable partnerships

Sobi has a long history of collaboration with partners in all phases of the product life cycle. The capability of partnering is a core value driver for the company.

In total the company has about 40 partners, most of them related to licensing- or distribution agreements regarding products. Sobi also has valuable partnerships related to the late-stage programs and a number of contract manufacturers for the production of drug substance.

Core Products – Strategic Growth Area

Sobi is concentrating its commercial efforts on its Core Products. These are proprietary products or products for which Sobi has global or regional rights, all within areas with high unmet medical needs.

Core Products include Kineret and Ruconest within the Inflammation therapeutic area and Orfadin, Ammonaps and Ammonul within the Genetics and Metabolic therapeutic area.

Kineret and Orfadin are Sobi's two largest products in terms of revenue. In 2011, these products accounted for approximately 40% of the company's total revenues. Kineret accounted for approximately 50% and Orfadin for approximately 40% of total revenues for the Core Products business line.

Revenues for Core Products in 2011 were largely unchanged in SEK and amounted to SEK 812.3 M (820.9). Adjusted for currency effects, revenues increased by 6% on the basis of good volume growth in Europe.

Increased focus on growth

Through the implementation of the new organization with three business lines, focus and resources have been shifted to drive sales for Core Products. There are opportunities to both increase penetration in existing markets and to grow in selected markets including the US, Russia, Central and Eastern Europe and in the Middle East. Increased activities in life cycle management are also expected to drive growth for both Kineret and Orfadin.

Orfadin

Orfadin is used for the treatment of hereditary tyrosinemia type 1 (HT-1), a rare genetic disorder which can cause liver failure, kidney dysfunction and neurological problems.

Orfadin has saved the lives of hundreds of children around the globe. The drug was commercialized by Swedish Orphan after the initial development by two Swedish scientists in the early 1990's. Before Orfadin was discovered, these patients were severely disabled and 70–90% of them died during the first ten years of life.

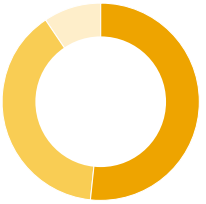
Core Products

SEK M	2011	2010	2009*
Kineret	422.0	422.3	440.8
Orfadin	315.7	321.8	310.0
Other products	74.6	76.8	78.7
Total	**812.3**	**820.9**	**829.5**
Gross margin	≈ 60%		

* Proforma

Revenues by product, 2011

%



Kineret, 52% Orfadin, 39% Other products, 9%

Orfadin

Indication: Hereditary tyrosinemia type 1.

In the case of hereditary tyrosinemia, the body cannot fully break down the tyrosine amino acid. Toxic substances are formed and accumulate in the body, and can cause liver failure, kidney dysfunction and neurological problems.

In the most common form of the disease, symptoms arise within the first six months of the child's life.

Product description: Orfadin (nitisinone) blocks the breakdown of tyrosine and thereby prevents the toxic substances to form. However, tyrosine remains in the body and the patient must be on a special diet in addition to the Orfadin treatment. The diet includes a low content of tyrosine and phenylalanine.

Geographic market: Global.

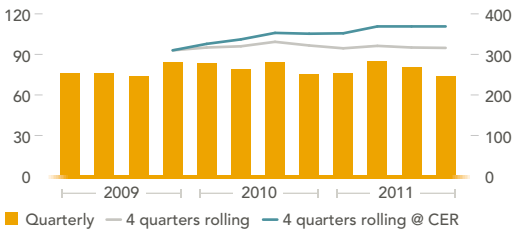
Saving patients with tyrosinaemia

Orfadin (nitisinone) has saved the lives of hundreds of children worldwide, one of them being Usmail.

His mother recalls: "When we got the news I couldn't stop crying. My only thought was: Why us? Why now? But thanks to excellent healthcare, he's doing so well. He's big and full of energy. The medication protects his liver, but we need to make sure that he keeps a strict diet of low protein food, so we don't need a liver transplant."

Revenues, Orfadin 2009–2011

SEK M



Revenues for Orfadin in 2011 declined by 2% as reported, but increased by 5% adjusted for currency effects.

Market potential

Worldwide, tyrosinemia type 1 affects about one newborn child in 100,000, although there are geographical variations.

Several countries are beginning to include tyrosinemia type 1 in their newborn screening programs. Orfadin showed significant growth in the US during 2011 due to newborn screening in 46 states.

During 2011 the first sales of Orfadin were achieved in Russia. The positive trend in this market is expected to continue as new legislation will come into effect during 2012 granting all HT-1 patients reimbursement for treatment with Orfadin.

There are also growth opportunities in other markets that still do not have access to Orfadin in Eastern Europe, South America and the Middle East.

Liquid formulation

Sobi is developing a liquid formulation of Orfadin, which would facilitate dosing for children. The company filed a pediatric investigation plan with the European Medicines Agency in mid-2011. If approved, the liquid formulation is also expected to give eligibility for the extension of the orphan drug exclusivity in Europe through to 2017.

Kineret

Kineret is a recombinant protein drug approved for the treatment of rheumatoid arthritis (RA). It was acquired from Amgen in 2008.

Kineret blocks the activity of the IL-1 receptor (interleukin-1), a key mediator of inflammation. Patients with RA have elevated levels of IL-1 in the blood. IL-1 may play a major role in the inflammation and destructive process of RA in some patients. The drug is suitable for patients where anti-TNF[1] therapies are contraindicated or when there is an increased risk for infections during treatment.

Kineret is also increasingly being prescribed on a named patient basis as a leading treatment for several rare indications within both the pediatric and adult inflammatory segments.

Kineret

Indication: Rheumatoid arthritis (RA). RA is a chronic inflammation disease caused by the immune system and resulting in chronic and disabling pain and stiffness in the joints. The disease affects about 1% of the population in the EU and USA.

Product description: Kineret (anakinra) is a recombinant protein drug used by patients suffering from rheumatoid arthritis (RA) to reduce the pain and swelling of the joints. Is used together with Methotrexate.

Geographic market: Global. Sobi has a global license for the manufacturing and sale of Kineret.

Market potential

RA affects about 1% of the population in the EU and the US. Epidemiological forecast indicate that the number of patients with rheumatoid arthritis in the seven largest markets[2] will increase to 5.2 million in 2019, from approximately 4.7 million in 2010. Today, 60% of the patients are diagnosed and about 30% of them, i.e. approximately 800,000 patients are treated with biological therapies and could potentially become eligible for Kineret.

Life cycle management

The potential for label expansion based on documentation of available data for certain orphan indications is being explored. In 2010, the FDA in the US granted Kineret orphan drug designation for the treatment of cryopyrin associated periodic syndromes (CAPS). During 2012, Sobi plans to file for CAPS within the EU and for neonatal-onset multisystem inflammatory disease (NOMID) in the US. NOMID is the most severe form of CAPS.

Transfer of production

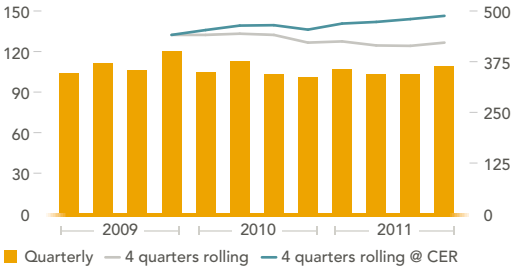
The transfer of production of Kineret from Amgen in the US to a contract manufacturer in Europe was initiated in 2010. The transfer will lead to lower production costs, but has been delayed due to technical issues. Final process validation runs are scheduled to be completed in the second quarter of 2012.

Costs in 2012 are estimated at SEK 60 M and are expected to occur primarily in the first half of the year.

[1] Tumor necrosis factor therapy, Cimzia, Enbrel, Humira, Remicade, Simponi.
[2] Source: Datamonitor; France, Germany, Italy, Spain, Japan, US and Great Britain.

Revenues, Kineret 2009–2011

SEK M



Revenues for Kineret were unchanged in 2011 as reported, but increased by 8% adjusted for currency effects.

A hero is born

The development of rare disease medications involves the dedicated work of many. At the center, there is always a family who asks what is wrong, demands a therapy to be found, and a patient who is willing to sacrifice well-being to help advance the understanding of a disease.

Seth was born with a rare disease. He quickly stopped growing, walked late and only with difficulty. He had intense episodes of fever, vomiting and pain. At age four, NIH experts on NOMID finally diagnosed and enrolled him in a study to try a new medication.

With the new medicine, Seth began walking, even running. But there were new challenges ahead. The study called for removal of the medicine to see whether symptoms would return. For four days, Seth cried and begged to have his medication back while his parents and the clinical staff tried to convince him – and themselves – that the suffering was worth it because many sick children would benefit if the medication could be proven effective. Seth did it! He pulled through the severe attack until medication could be given again.

He was finally healthy enough to visit relatives abroad. Today, Seth excels in school and has extended his travelling far beyond expectations. As a talented and passionate singer, he performs in operas and has even toured Europe with his chorus.

Seth 6.5 month

Seth 4 years

Partner Products – Market Leader in the Nordics

Partner Products comprise about 40 specialty pharmaceuticals. Key therapeutic areas include hematology, oncology and emergency medicines. Revenues are mainly focused on the Nordic region, where Sobi is the market leader, but have grown steadily in the Baltic States and Central and Eastern Europe.

Sobi Partner Products is specialized in handling a large number of products with smaller revenues in a cost-efficient way. Partner Products offers small and mid-sized pharmaceutical and biotech companies an integrated solution for commercialization of their products. Sobi's key competitive advantage is a dedicated sales- and marketing organization covering all areas including medical affairs and market access, and an infrastructure built up over 25 years in these territories.

Successful partnerships

Sobi has long experience in promoting niche and specialty products based on partnerships. Today Sobi has more than 30 partners. The partnerships are long-term and often include the implementation of strategies for regulatory approval, pricing and reimbursement, and preparation of the market for delivery of associated and/or follow-on products.

The ability to offer several products for specific segments has become a competitive advantage as it facilitates access to the specialist physicians, nurses and other customers.

Strong underlying growth 2011

Revenues in 2011 declined to SEK 523.6 M (564.5), mainly as a result of the expiry of the contract with Shire regarding Xagrid, Fosrenol and Equasym. Adjusted for discontinued products and currency effects, revenues increased by 11% on the basis of good volume growth for most products.

Partner Products

SEK M	2011	2010	2009*
ReFacto co-promotion[1]	105.0	100.3	100.9
Approximately 45 products	418.6	464.2	530.3
Total	**523.6**	**564.5**	**631.2**
Gross margin	< 50 %		

* Proforma

Revenues by product, 2011

%

ReFacto co-promotion, 20% Kepivance, 15% Yondelis, 9%
Ferriprox, 7% Betapred, 5% Other, 44%

Products by therapeutic area

Hematology	Oncology	Emergency medicines	Other
ReFacto co-promotion[1]	Kepivance	ViperaTAb	Approx. 30 products, e.g.
Willfact	Yondelis	Cyanokit	Mezavant
Erwinase	Aloxi	Fomepizole	Buronil
Ferriprox	Multiferon		
Defibrotide	Removab		

Order of products based on revenues in 2011.

[1] Co-promotion rights for ReFacto and BeneFIX in the Nordic region. These rights were returned to Pfizer as of 15 February 2012.

New partnership with Gentium

A new 10 year distribution agreement for Defibrotide in the Nordic and Baltic regions was signed in January 2012 with the Italian company Gentium S.p.A. Defibrotide is a drug for the treatment of hepatic veno-occlusive disease (VOD)[1].

Priorities ahead

Through the implementation of the new organization with Partner Products as a separate focused business line, Sobi will be able to better meet the specific requirements for growing this operation and to further exploit its leadership position.

[1] VOD is a serious and potentially fatal complication of hematopoietic stem-cell transplantation (HSCT).

Sobi's key competitive advantage is a dedicated sales- and marketing organization covering all areas including medical affairs and market access, and an infrastructure built up over 25 years in these territories.

"Sobi offers a unique distribution platform, which allows us to reach out to all patients in need of our product in the Nordic countries, the Baltic States and Eastern Europe. The company has extensive knowledge of the local markets and expertise within all areas required to launch and sell specialty pharmaceuticals".

Luis Mora, Managing Director, PharmaMar S.A.

ReFacto– A Durable Platform

Sobi has a long-standing partnership with Pfizer for manufacturing of the drug substance for ReFacto AF/XYNTHA, a drug sold by Pfizer for the treatment of hemophilia A. Sobi is the global supplier of the drug substance which is produced in the GMP biologics facility in Stockholm. Sobi also receives royalty on Pfizer's global sales of ReFacto.

The partnership with Pfizer is based on Sobi's long experience and knowledge in developing and manufacturing recombinant protein drugs. Recombinant factor VIII was originally developed in the early 1980's when the Company was part of KabiVitrum, a Swedish pharmaceutical company.

Sobi has participated in further developing the product. The production process has also been improved and capacity in the plant has been expanded in order to enable Pfizer's expansion in both established and emerging markets.

Stable contribution to revenues

ReFacto has consistently contributed to Sobi's revenues over the years. In the Nordic region where Sobi has had the marketing rights, the market share for ReFacto is estimated at approximately 30% as compared with 10% in other international markets.

Pfizer's total global sales of ReFacto AF/XYNTHA amounted to more than USD 500 M in 2011.

Sobi has been involved in the process development and manufacturing of recombinant protein drugs since the technology was first developed more than 30 years ago, then as part of KabiVitrum.

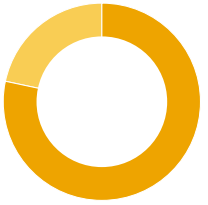
ReFacto Manufacturing

SEK M	2011	2010	2009*
Manufacturing revenues	451.7	388.0	376.5
Royalty revenues	123.3	109.7	165.7
Total	**575.0**	**497.7**	**542.2**
Gross margin	>60%		

* Proforma

Revenues by category, 2011

%



Manufacturing revenues, 79% Royalty revenues, 21%

ReFacto

ReFacto AF/XYNTHA is a recombinant protein drug for the treatment of Hemophilia A. Injections of factor VIII and proper health care allow most persons with hemophilia A to live a normal life.

ReFacto AF is the trademark for the product in Europe and XYNTHA is the registered trademark in the US, Canada, Australia and other select global markets. BeneFIX® is a recombinat protein drug for the treatment of hemophilia B.

Hemophilia

Hemophilia is a genetic inherited disorder in which the ability of the blood to coagulate is reduced due to the lack of a specific protein in the blood. The two most common forms are hemophilia A, where there is a lack of coagulation factor VIII, and hemophilia B, where there is a lack of coagulation factor IX. Uncontrolled internal bleedings may cause pain and swellings and permanent damage to especially joints, and can be life threatening.

2011 an exceptional year

In 2011, revenues for ReFacto Manufacturing and royalty increased by 16% to SEK 575 M from SEK 498 M in the previous year. The strong growth was partly driven by the delivery of validation batches in the amount of SEK 42 M related to the increase of capacity in the facility.

Supply agreement extended to 2020

In February 2012 Sobi and Pfizer agreed to extend the supply agreement from 2015 to 2020, with an option to be further prolonged.

At the same time it was also agreed that Sobi would return the co-promotion rights for ReFacto and BeneFIX in the Nordic region as of 15 February 2012 in exchange for a payment of USD 47.5 M. The co-promotion rights were due to expire in 2016.

The agreement was reached in the light of the ongoing late-stage development programs for long-lasting recombinant coagulations factors rFVIIIFc and rFIXFc that Sobi is developing together with the US company Biogen Idec, which are expected to be commercialized within the next few years.

Sobi supports hemophilia community

On the basis of its experise and long presence in the hemophilia area, Sobi has extensive contacts in this community and a thorough understanding of patient needs. Sobi is supporting education and activities to increase awareness of hemophilia, and is also contributing to stimulating scientific dialog by arranging symposia and workshops.

Sobi has an extensive network within the hemophilia community, and is supporting education and activities to increase the awareness of the disease.

Pipeline with Large Potential

Sobi's pipeline programs are focused on recombinant protein drugs for specialist indications for the global market. The company's expertise within research and development is highly focused on late preclinical and clinical development of biologics, as well as on protein manufacturing and process scale-up.

The pipeline includes three programs in late stage clinical development, of which two within hemophilia (rFVIIIFc and rFIXFc) and one within neonatology (Kiobrina). The hemophilia programs are run by Sobi's US partner, Biogen Idec.

The pre-clinical development focuses on autoimmune diseases/inflammation and inherited metabolic disorders.

In addition, there are life-cycle management projects intended, for example, to improve the formulation of an existing commercial product or to extend the label of such products.

Key milestones in 2011

Several key milestones were achieved during the year in the late stage programs:

- Data from the rFVIIIFc phase I/IIa trial were presented showing an approximate 1.7-fold increase in half-life compared to Advate®[1].
- The pediatric investigational plans for both rFVIIIFc and rFIXFc were approved by EMA's Pediatric Committee. The pediatric studies are expected to enroll first patients in the first half of 2012.
- The pediatric investigational plan for Kiobrina was approved by EMA's Pediatric Committee.
- The first patient was enrolled in the phase III study with Kiobrina (rhBSSL).

New licensing agreement for neonatology treatment

In January 2012, Sobi signed a global licensing agreement with the French company Only for Children Pharmaceuticals (O4CP) regarding bumetanide reformulated for treatment of diuresis and seizures in neonates. The new drug is currently in clinical phase II under the EU financed NEMO project.

O4CP will be responsible for development and manufacture of drug product and for obtaining market authorizations. Sobi will be accountable for the commercialization of the product on a global basis. If approved, this program will become a complement to the Kiobrina program within the neonatal area.

Drug development

The process of developing new drugs takes many years and consists of the following stages:

- Basic research
- Preclinical development
- Clinical development
  – Phase I, Phase II and Phase III
- Registration and approval by supervisory authorities, e.g. the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA).
- Phase IV studies, may be conducted, for example to improve the use of the drug and to identify less common side effects not detected in previous phases.

Pipeline Programs

THERAPEUTIC AREA	PROGRAMS
Hemophilia	rFVIIIFc and rFIXFc Phase III data expected H2 2012
Neonatology	Kiobrina Phase III data expected 2013
	Reformulated Bumetanide Phase II data expected 2013

[1] Advate (antihemophilic factor recombinant, plasma/albumin-free method, rFVIII), a commercially available factor VIII product.

Pipeline programs

Indication	Product/Project	Partner	Phase I	Phase II	Phase III	Reg phase
Hemophilia A	rFVIIIFc	Biogen Idec				
Hemophilia B	rFIXFc	Biogen Idec				
Prevent growth restriction in premature infants	Kiobrina					
Diuresis and seizures in neonates	Reformulated Bumetanide	Only For Children Pharmaceuticals (O4CP)				

Activity

Product/Program	Expected timing
rFVIIIFc (hemophilia A): phase III data	H2 2012
rFIXFc (hemophilia B): phase III data	H2 2012
Kiobrina (prevent growth restriction in preterm infants): phase III data	2013

Life cycle management

Indication	Product/Project
CAPS[1]	Kineret
Hereditary tyrosinemia type 1	Orfadin, liquid formulation

2012 Calendar highlights

Event	H1 2012	H2 2012
Response from EMA of pediatric investigational plans for:		
– Orfadin liquid formulation	●	
– Kineret for CAPS indication[1]	●	
Filing for NOMID[2] in the US	●	
Filing for CAPS[1] within EU		●
Data readout for rFVIIIFc + rFIXFc Programs (Biogen Idec)		●
Enrolment completed of Kiobrina phase III program		●

[1] Cryopyrin associated periodic syndromes.

[2] Neonatal-onset multisystem inflammatory disease.

Kiobrina – a Unique Project in Neonatology

Kiobrina is a recombinant human bile salt stimulated lipase (rhBSSL) being developed by Sobi as an enzyme replacement therapy to improve growth in preterm infants who receive pasteurized breast milk or infant formula.

The project is currently in phase III clinical trial, and data from the trial is expected in 2013. Sobi owns the global rights to Kiobrina and commercialization is expected to start in 2015.

Data from two phase II studies showed that Kiobrina significantly improved growth after only one week of treatment. The data also showed increased absorption of the fatty acids omega-3 (DHA) and omega-6 (ARA).

BSSL is a natural component of mother's milk

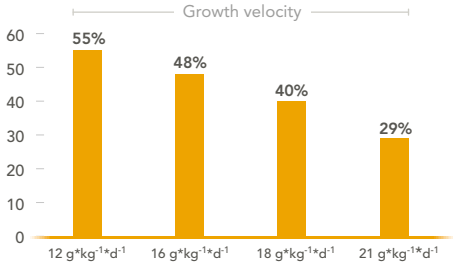
Growth in preterm infants fed on pasteurized breast milk or infant formula is often inadequate despite efforts to optimize nutrition. One of the key issues is the need for improvement in uptake of energy and fatty acids such as long-chain polyunsaturated fatty acids, which are critical for the development of the brain[1]. Preterm infants who catch up to normal growth in the first year of their life are more likely to have optimal outcomes in health and long-term development.

BSSL is a natural enzyme which is normally supplied to the infant through the mother's milk. BSSL is vital for the digestion and absorption of fatty acids and for the infant's ability to grow. Lack of BSSL is correlated with slower growth.

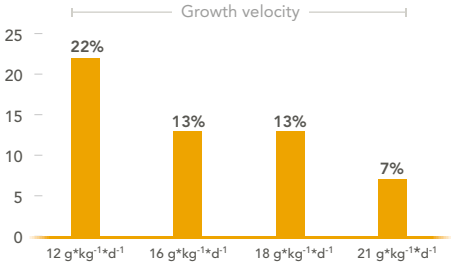
[1] Innis S. Fatty acids and early human development. Early Human development (2007) 83, 761-766.

Many preterm infants have a challenging start in life

Patients w/ Impaired Neurodevelopment, %



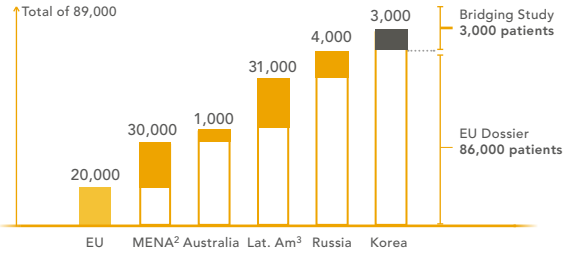
Patients w/ Cerebral Paisy, %



Cross-sectional data suggest a correlation between growth velocity during hospitalization and overall growth long term as well as with neurodevelopment. The level of growth velocity achieved in the phase II trial with Kiobrina was 16.9 g*kg-1*d-1.

Source: Ehrenkranz RA, Dusick AM, Vohr BR, et al. Growth in the neonatal intensive care unit influences neurodevelopmental and growth outcomes of extremely low birth weight infants. Pediatrics. 2006;117(4):1253-61.

No. of eligible patients by geography[1]



Based on the approval of a marketing authorization application in the EU, Sobi will be able to access approximately 89,000 patients. Discussion is ongoing with the FDA regarding a clinical program in the US.

[1] Preterm infants <32 w of GA on pasteurized milk/formula.
[2] MENA: Saudi, Iran, Israel, Egypt, Turkey [3] Lat. Am: Brazil, Mexico, Argentina, Venezuela

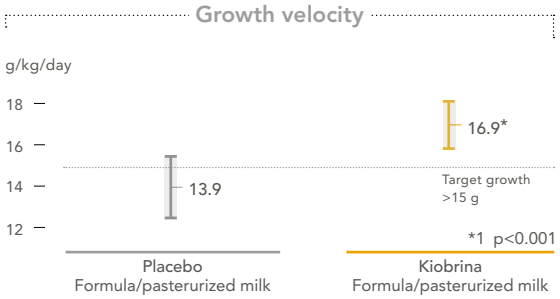
Preterm infants

Sobi is developing Kiobrina a recombinant bile salt stimulated lipase (rhBSSL) to improve growth in preterm infants who receive pasteurized breast milk or infant formula.

Restoring growth in preterm infants may reduce morbidity and stay in neonatal intensive care, and improve neurological development.

The project is currently in clinical development phase III.

Positive phase II data



The phase II Kiobrina program was designed as two parallel prospective randomized double-blind crossover studies where Kiobrina, or placebo, was administered in pasteurized milk, or preterm infant formula, during one week of treatment. All infants were born before week 32 of gestational age. As shown in the graph above, the infants that were given Kiobrina grew 20% more than preterms on placebo.

Many infants do not receive breast milk

Every year there are more than 600,000[1] infants born before week 32 of gestation. About half of them do not receive fresh breast milk due to the mother's medical condition or as a result of infections, cultural traditions or other reasons. BSSL is not present in formula and inactivated by heating, hence lacking in pasteurized milk[2].

Significant medical need

The rate of growth is the single most important determinant of the length of stay in the neonatal intensive care unit (NICU)[3]. The cost per week for one patient in a neonatal intensive care unit is approximately EUR 10,500–17,500.

Restoring growth in preterm infants may reduce morbidity and NICU stay, and improve neurological development. Kiobrina thus has the potential to contribute both to improved health of preterm infants and substantially reduced costs in the neonatal care.

Positive phase II data

The phase II Kiobrina program was designed as two parallel prospective randomized double-blind crossover studies where Kiobrina, or placebo, was administered in pasteurized milk, or preterm infant formula, during one week of treatment. All infants were born before week 32 of gestational age.

As shown in the graph to the left, a statistically significant and clinically relevant improvement in growth velocity was observed. The mean increase in growth velocity was 20% greater with Kiobrina (rhBSSL) than with placebo. The safety profile was comparable to placebo.

Pivotal phase III study

The ongoing phase III study is designed to evaluate the efficacy, safety and tolerability of Kiobrina.The last patient is expected to complete the study in 2013.

[1] Refers to EU, Russia, Turkey, US, Canada, Brazil, Mexico, Argentina, Venezuela, China, Japan, Korea, Australia, Saudi Arabia, Iran, Israel and Egypt.

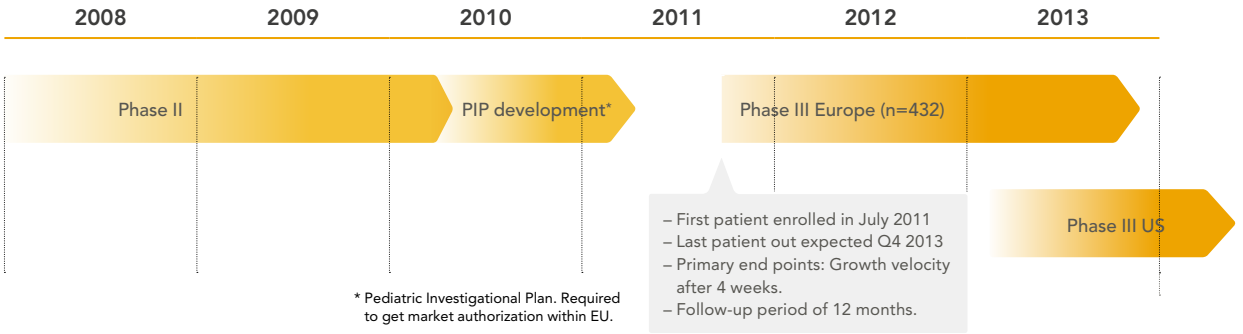
[2] Lindqvist. Curr Opin CLin Nutr Metab Care 13:314-320 2010.

[3] American Academy of Pediatrics Committee on Fetus and Newborn. Hospital Discharge of the High-Risk Neonate. Pediatrics. 2008.

Kiobrina Phase III study

Placebo-controlled, double blind study
4 weeks treatment
~430 patients, born before week 32 of gestational age
11 countries, 70 sites

Target indication: Enzyme replacement therapy to restore BSSL activity and prevent growth restriction in preterm infants receiving formula or pasteurized mother's milk.



Potential to Make a Difference to Hemophilia Patients

Sobi has two ongoing global phase III programs for the development of long-lasting recombinant coagulation factors, rFVIIIFc and rFIXFc, for the treatment of hemophilia A and B respectively. The two programs are run by Sobi's US partner Biogen Idec.

Data from the phase III programs are expected in the second half of 2012. Both programs have the potential to be the first longer lasting products to reach the market.

Treatment requires frequent injections

In hemophilia, the blood does not clot due to a deficit or complete lack of coagulation factors. Patients with hemophilia therefore require intravenous injections of coagulation factor to stop or prevent bleeding that could otherwise lead to pain, permanent joint damage and life-threatening hemorrhage.

Treatment is either on demand or prophylactic. As the commercially available clotting factors last between 12–18 hours in the body there is a need for frequent injections, which in the case of prophylaxis means 2–4 injections per week. This can be very demanding, particularly for a small child. Also in the case of acute treatment there is most often a need for more than one injection to control bleed.

Longer-lasting factors – unmet medical need

Clotting factors that last longer would have several advantages such as reduced frequency of injections, improved adherence to prophylaxis and increased protection with potential for fewer bleeding episodes.

Research that Sobi has done among hemophilia health care professionals in Europe show that longer-lasting agents are ranked as the most appealing improvement compared to existing therapies (see graph below).

Robust and proven technology

The rFIXFc and rFVIIIFc have been developed by using Biogen Idec's proprietary fusion technology. This technology uses a natural mechanism that recycles the coagulation factor in the blood circulation and allows the factor to remain longer in the body after an injection.

The recombinant coagulation factors are produced without human or animal protein.

Positive phase I/IIa data

The results from the phase I/IIa studies showed that the recombinant factors lasted significantly longer in the body than the commercially available factor products used as comparison. This could potentially mean a significant reduction in the number of injections needed, for example 50–100 injections fewer per year for a patient on prophylaxis treatment.

rFIXFc

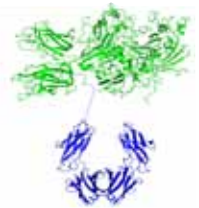
Data from the rFIXFc phase I/IIa study in 14 previously treated patients with severe hemophilia B showed no drug related serious adverse events and a threefold prolonged half-life[1] compared to historical data for BeneFIX. BeneFIX is a commercially available factor IX product for treatment of hemophilia B.

rFVIIIF

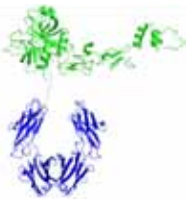
Data from the rFVIIIFc phase I/IIa study in 16 previously treated patients with severe hemophilia A showed no drug related serious adverse events, and an increase of half-life[1] of 1apporoximate 1.7 fold increase with Advate. Advate is a commercially available factor VIII product for treatment of hemophilia A.

1 Half-life means the time required for the concentration of the drug to reach half of its original value. A drug with a short half-life needs to be administered more often than a drug with long half-life.

Proprietary Monomer Technology applied to rFVIIIc & rFIXFc



Model of rFVIIIFc
Single B-domain-deleted rFVIII fused to dimeric Fc region of human IgG1



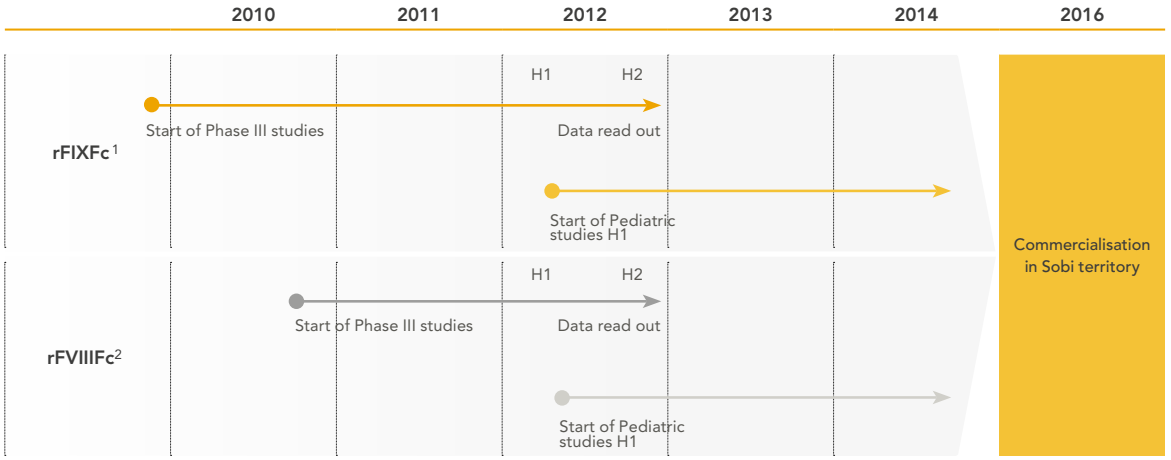
Model of rFIXFc
Single FIX fused to dimeric Fc region of human IgG1

Longer lasting agents most appealing

The graph shows that longer lasting agents were given more than 9 on a scale of 10 in a ranking among healthcare professionals of the most appealing improvements of existing therapies.

Source: Sobi Hemophilia Care – 2011 European Market Mapping.

Estimated timeline – hemophilia studies



Two diseases – two programs

	rFIXFc [1]	rFVIIIFc [2]
Phase I/IIa data	July 2010	July 2011
Phase III studies	B-LONG	A-LONG
No. of patients, aged 12 or older	105	150
Start date	Dec 2009	Nov 2010
Phase III data	H2 2012	H2 2012
Start of global pediatric studies in previously treated patients	H1 2012	H1 2012
Orphan drug designation	USA and Europe	USA and Europe

[1] Hemophilia B
[2] Hemophilia A

Phase III pivotal studies

The ongoing rFIXFc and rFVIIIFc phase III studies are open-label, multicenter studies designed to evaluate safety, pharmacokinetics and efficacy in the prevention and treatment of bleeding in previously treated patients with severe hemophilia B and A respectively. The studies are called B-LONG and A-LONG and include both prophylaxis and on demand treatment.

Primary and secondary endpoints

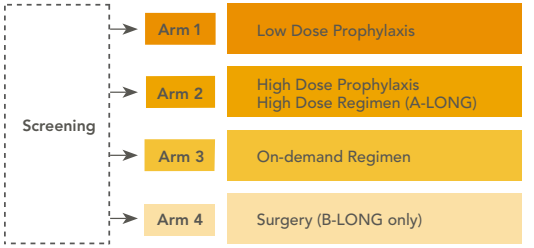
The primary endpoints for both programs are safety/tolerability including the incidence of inhibitor development and the number of breakthrough bleeding episodes. Secondary endpoints are pharmacokinetic parameters, subject response to treatment, product consumption and efficacy in the on-demand and surgical settings.

Timelines

Due to the requirement for pediatric trials in Europe, the timelines for the programs differ between the US and Europe.

Following the initiation of the pediatric trials in the first half of 2012, Sobi expects the total development programs, including regulatory review, to be completed within three years. This means that 2016 would be the first year with significant revenues in Sobi's territory.

Both studies adress prophylaxis and on demand



The rFIXFc study (B-LONG) has four different treatment groups of patients and the rFVIIIFc study (A-Long) has three.

This autumn I scored top marks in sports ...

What a victory that was for me who has never been part of a football, ice hockey or floor ball team!

When I was younger, I would sometimes get upset since I wasn't allowed to do what all my friends were doing just because I have severe hemophilia. Now when I'm eighteen and have no pain anywhere in my body, I must admit that I'm thankful to my parents for having set some limits.

I have always done a lot of physical stuff. I play tennis and golf, I ski and sail. But I have come to realize that I always need to concentrate and be in control. This self-discipline has benefited me in school, too.

Hemophilia market – USD 3.4 bn in Sobi territory

The total market for hemophilia A and B within Sobi's territories today is estimated at USD 3.4 billion. The market is expected to show annual growth of about 6% through 2020[1].

During the past decade, there has been a gradual transition from factor concentrates based on plasma to recombinant factors, primarily in order to minimize the risk of transfusion induced infections. In addition, an increased use of preventive treatment has led to expectations of higher growth for recombinant drug.

Partnership with Biogen Idec

Sobi's collaboration with Biogen Idec goes back to 2007 when Biogen Idec acquired Syntonix, a company with whom Biovitrum had a partnership for the development of a drug for the treatment of hemophilia B. In this partnership Biovitrum had initiated the process development work that was then transferred to Biogen Idec following the acquisition.

Terms of the agreement

The agreement with Biogen Idec regarding the hemophilia projects was restructured in 2010. Under the new agreement, Biogen Idec assumed full responsibility for development and development costs, as well as manufacturing rights. In addition, the cross-royalty rates were reduced and commercial rights for certain territories were changed.

Subject to the exercise of an option right, Sobi will have commercial rights in Europe, Russia, Turkey and certain countries in the Middle East (the Sobi territory). Biogen Idec has commercial rights for North America (the Biogen North American territory) and for rest of the world markets outside of Europe, Russia, Turkey and certain countries in the Middle East (the Biogen Direct territory).

Upon EMA regulatory approval of each program, Sobi will be liable to reimburse Biogen Idec 50% of the sum of all manufacturing and development expenses incurred by Biogen Idec. To effect Sobi's reimbursement to Biogen Idec for each program, the cross-royalty structure for direct sales in each company's respective territories will be adjusted until the consideration is paid in full. For further details on the agreement, see Note 36.

Hemophilia market

	Hemophilia A	Hemophilia B
Europe	USD 3 billion	USD 380 M
Share of global USD sales	55%	44%
No. of brands	>50	>10
Share of recombinant factor concentrates	~73%	~55%
No. of patients on regular treatment	~22,000	~4,000

Source: Company Annual Reports, MRB 2008, WFH 2009, UK HCD O 2011, Internal estimates.

For more information on the phase I/IIa and phase III studies, see:
www.clinicaltrials.gov
www.biogenidechemophilia.com

[1] The Marketing Research Bureau.

Summary – Sobi's Product Portfolio

BUSINESS LINE	PRODUCT/PROGRAM	THERAPEUTIC AREA
Core Products		
Proprietary products or products where Sobi has global or regional rights.	Kineret®	Inflammation
	Ruconest™	
	Orfadin®	Genetics & Metabolism
	Ammonaps®	
	Ammonul®	
Partner Products		
Specialty pharmaceuticals, sold through license- or distribution agreement with about 30 partners. Sobi is market leader in the Nordic region and also has a long standing presence in the Baltic States and Central and Eastern Europe.	ReFacto AF®/XYNTHA® Co-promotion	Hematology
	Willfact®	
	Erwinase®	
	Ferriprox®	
	Defibrotide	
	Kepivance®	Oncology
	Yondelis®	
	Aloxi®	
	Multiferon®	
	Removab®	
	ViperaTAb™	Emergency medicines
	Cyanokit®	
	Fomepizole	
	Mezavant®	Other
	Buronil	
	+ approx. 30 products, e.g.	
ReFacto Manufacturing		
Manufacturing of drug substance for Pfizer and royalties.	ReFacto AF®/XYNTHA®	Hemophilia
Pipeline Programs		
Research and development focused on recombinant protein drugs in late preclinical and clinical phase for specialist indications.	rFVIIIFc (hemophilia A) in Phase III	Hemophilia
	rFIXFc (hemophilia B) in Phase III	
	Kiobrina® (prevent growth restriction in premature infants) in phase III	Neonatology
	Reformulated Bumetanide (Diuresis and seizures in neonates) in phase II	

Core Products, share of total revenues, 2011

43%

Partner Products, share of total revenues, 2011

27%

ReFacto Manufacturing and royalties, share of total revenues, 2011

30%

Sustainability

We are driven by our ability to solve medical problems and help people achieve a better quality of life. Sobi cares about patients with rare diseases. These diseases are often life-threatening or cause chronic disability and therefore have a severe impact on patients and their families. Treating patients with rare diseases and enabling them to work and earn a living is therefore important, not just for the involved individuals, but for society at large.

In its overarching ambition to save and improve lives Sobi has to ensure high levels of patient and product safety, research ethics, environmental protection and working conditions. We must always act in an open and responsible way in relation to our stakeholders and the broader society.

Our stakeholders

Sobi's actions, products and services concern and affect people. Through a dialog with patients, employees, decision makers, industry organizations and other stakeholders the company gains understanding for the concerns about and expectations on its operations and how it can work to meet these.

Dialog with patients and relatives

Learning that a child has a chronic or serious disease is overwhelming for both the child and the child's family. In addition, the care is often complicated. Patients and relatives often have a great thirst for knowledge. Sobi has initiated an extensive investment in education and information materials, for medical staff, patients and relatives. Sobi supports numerous patient organizations and keep an active dialog with them to share knowledge. A complete list of patient organizations supported by Sobi is available on www.sobi.com under the Patients & Public and Patient organizations tab.

Education for the healthcare team

Together with expert groups, Sobi has produced several extensive training programs for healthcare providers who treat patients with Sobi's products and equivalent alternatives. Several of the training programs are now certified by public health services. Such initiatives bring Sobi closer to the patients so we can learn about their daily needs.

External initiatives and memberships

Sobi has a long-term strategy for the continued development of new drugs, which involves an active cooperation within the industry. Sobi is a member of the European Biopharmaceutical Enterprises (EBE), an organization that represents biopharmaceutical firms in Europe and supports innovation and new opportunities within biotechnology. EBE also provides expertise during development of new regulatory requirements, provisions and standards relevant to biopharmaceuticals.

Sobi supports Sweden's Biotechnology Industry Organization (Sweden BIO), a trade association tasked with developing competitive biotech companies in Sweden. Sobi was a founding member and has played an active role in the organization since its inception.

Sobi also belongs to the Swedish Association of the Pharmaceutical Industry (LIF). LIF is the trade association for the research-based pharmaceutical industry in Sweden. Sobi plays an active role in the following LIF committees: Pharmacovigilance; Regulatory Affairs; Research; and Subvention.

Product liability and research ethics

Patient safety

Sobi continually analyzes and balances the risks and benefits of its products, both drugs already on the market and those under development. During clinical trials patient safety is always in focus and human rights are respected at all times. Employees are therefore tasked with ensuring compliance with both internal and external rules with respect to any clinical trials that Sobi sponsors.

Sobi is associated to the Pharmaceutical Insurance, a unique type of insurance available in Sweden for those suffering from adverse effects of pharmaceutical treatment. The insurance covers everyone who has been treated with prescribed pharmaceutical products or pharmaceuticals purchased from a legitimate dealer. It also extends to include patients who received their pharmaceuticals at a hospital or who are suffering adverse reactions or effects owing to participation in clinical trials.

Handling of adverse event reports

Sobi has marketing authorization for a number of products in a number of markets. This brings a responsibility for gathering and processing safety information as well as reporting side effects to regulatory bodies under international rules and guidelines. This responsibility includes detection, assessment, understanding and prevention of adverse drug reactions and other drug related problems.

The Drug Safety unit is tasked with capturing and analyzing signals to benefit the well-being and safety of patients. It is therefore crucial that Sobi has an efficient system and network for collection, marketing and communication of adverse effects. The organisation learns about adverse drug events from sources such as patients, medical personnel, regulatory bodies, scientific publications, business partners, and drug information and marketing functions. All employees are responsible for reporting any adverse effects of Sobi's products that come to their attention.

Safe production of pharmaceutical proteins

In the Stockholm facility Sobi produces the active ingredient for ReFacto AF to meet the global need and in the Umeå facility the pharmaceutical product Multiferon is produced. Other production is outsourced to external manufacturers. External production is handled by agreement to ensure supply and quality. The European (EMA) and American (FDA) drug regulatory authorities, as well as other authorities, regularly inspect the production facilities.

Sobi has issued a standard Contract Manufacturer Environment, Health and Safety Due Diligence Questionnaire to assist in the evaluation of Environmental Health and Safety (EHS) management systems of current and candidate contract manufacturers. In order to protect people and the environment, as well as Sobi's business interests, a variety of EHS issues must be considered while developing and continuing supplier relationships.

Safe purchasing procedures

Raw materials, other material, equipment and other services are purchased as stated in our procurement policy. The policy must ensure that all procurement and purchasing take place professionally and competitively, in accordance with Sobi's rules and Good Manufacturing Practice requirements. Our EHS policy, as well as our procurement policy stipulates that the suppliers shall conduct its activities in such a way that employee health and the environment are protected and that energy and natural resources are saved.

Animal experiments

Sobi endeavors to reduce the number of tests conducted on animals, but an important part of Sobi's R&D involves testing the effect on laboratory animals, which is also a safety requirement by law.

Sobi therefore follows the three Rs – Replacement, Reduction and Refinement – in animal experiments. This means that animal experiments are designed to ensure that the most appropriate laboratory model is being used as to reduce the number of animals needed to obtain the necessary information. Drug development uses a large number of methods that are not based on laboratory animals. Sobi's aspiration is to continue to develop in vitro methods to replace or reduce the number of laboratory animals.

Clinical trials

Drug development is governed by the needs of patients, the healthcare system and society. It is therefore vital for us to have good contacts with patients, patient organizations and regulatory authorities. Sobi's project portfolio consists of several projects in clinical development. How Sobi purchases and carries out its clinical trials is regulated in Standard Operating Procedures (SOP), which are formulated together with and maintained by the Quality Assurance department (QA).

As a key component in Sobi's social commitment, the company participates in the debate about the long-term prospects for clinical research. Discussions with doctors, patients and patient organizations help Sobi gaining a greater insight into the problems that individuals, large patient groups and society perceive to be important to correct.

Environmental protection

Environmental management

Proactive environmental management is part of Sobi's operations and is integrated with occupational safety and quality management. The company works according to an environmental management system based on the international standard ISO 14001, but is not certified. Sobi's environmental policy is available on www.sobi.com.

Systematic risk assessments, safety inspections, questionnaires, environment committee meetings, internal audits and other studies comprise the basis when preparing environmental management goals and plans, which are

usually handled at the department level. On group-level the environmental management and reporting is coordinated and supported by a dedicated person.

Sobi strives to fully comply with all environment-related laws and regulations. The management system links current legislation and rules to internal control documents and procedures. Sobi's production facilities in Stockholm and Umeå are licensed for hazardous operations in compliance with the Swedish Environmental Code, including conditions for wastewater management. Compliance with the terms of the permit is reported annually in environmental reports prepared for the supervising authorities.

Environmental training

Environmental awareness among all personnel is crucial for successful environmental management. As of December 31, 2011, 77% of all employees in Sweden had completed a general environmental training program. The company offers continuing education and relevant environmental training is included as an item in the annual action plans.

Energy and resource consumption

Over the last two years Sobi has intensified its efforts to reduce the energy and resource consumption by initiating a comprehensive review of the total energy and water use at its productions facilities. The result will form the basis for energy and water management plans. The total consumption of electricity, district heating and cooling in 2011 was 18,951 MWh and the water consumption was 162,956 m_3. The total amount of waste decreased in 2011 compared with 2010; see the table Waste disposal 2006–2011.

Air emissions primarily come from travel, where flights account for emissions of 582 (770) tons of carbon dioxide. The figures reported refer to the Swedish companies. Sobi is working on improving the reporting systems to be able to gather data from subsidiaries and generally reduce costs and environmental impacts.

Sobi has previously had some of its operations spread in a number of premises within the Karolinska Institutet area in Solna. During 2010 all Solna based operations moved into the newly built Karolinska Institutet Science Park (KISP). In KISP Sobi has access to consolidated and clear information on its energy consumption, which did not previously exist. Therefore, it is not relevant to compare on a detailed level the energy consumption year on year. Although, as a general statement the resource consumption was lower in 2011 than in 2010.

Pharmaceuticals in the environment

There is a growing global concern about residual drugs in the environment and the effects they potentially have on living organisms. This effect is mainly dependent on factors like degradability, bioaccumulation and toxicity. The major volume of Sobis production and products are biopharmaceutical products and the use of biopharmaceutical products composed of amino acids, proteins and peptides has been considered to result in insignificant environmental impacts.

Workplace and employees

Values and culture

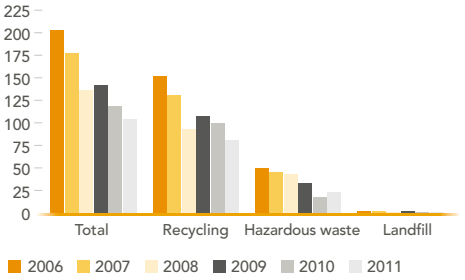
Sobi's business model combines advanced research with commercial activity. Sobi is a knowledge-intensive company with high expectations of the individual employees

Resource consumption (Stockholm and Umeå facilities)

	2011
Electricity (Mwh)	9,442
District heating (MWh)	4,887
District cooling (MWh)	4,622
Total energy (MWh)	18,951
Water consumption (m_3)	162,956

Waste disposal 2006–2011

Tonne



Average number of employees

Group	2011	whereof men	2010	whereof men
Sweden	412	40%	415	40%
Denmark	10	18%	12	17%
Finland	9	50%	10	60%
Norway	10	50%	11	48%
UK	14	71%	8	73%
France	16	53%	9	33%
Germany	16	39%	13	57%
Italy	10	40%	8	43%
Spain	7	45%	6	17%
Russlia/Baltic states	2	0%	5	21%
CEE	10	36%	11	38%
Total	**517**	**40%**	**508**	**40%**

and with respect to maintaining a corporate culture of innovation and a high level of performance.
During 2011 the company adopted new values: C A R E – Collaborative, Accountable, Respectful and Engaged. These values are to be expressed in the company's leadership, among other places, and form the foundation for the annual evaluation of employee performance. The company has a well-defined process for management by objectives and follow-up. In this Performance Management Process, managers and employees jointly set individual goals for the year ahead in line with the overall objectives of the company. The purpose is for every employee to have an understanding of the company's mission and goals and how their own performance contributes to these. At the end of the year their efforts are assessed in a performance review.

Competence development and innovation
Continuous competence development is crucial in order to develop the project portfolio, strengthen production processes and successfully launch and sell products in the market. Competence development is linked to the individual goals of the employees. These goals are in turn defined by the needs of the company and the projects. Many employees participate actively, for example, in academic networks to gain access to new research discoveries that can benefit the company's operations.

Salaries and benefits
Good terms of employment are a prerequisite in order to recruit and retain qualified employees. Sobi therefore offers competitive salaries and benefits. Salaries are determined on an individual basis and are differentiated and adapted to salary criteria agreed upon locally.

Diversity and equal opportunity
Of the total number of employees in 2011, 40% were men and 60% were women. In the executive team and the board of directors the corresponding figure was 69/31%[1] and 67/33% respectively.

All employees are treated equally and offered the same opportunities regardless of age, gender, religion, sexual orientation, disability or ethnicity. Working life and private life should be able to be harmonized within the framework of the company's operations.

Health and wellness
The company aims to offer a working environment that promotes health and wellness. The employees are offered an annual wellness allowance that can be used for various wellness activities. In 2011 absence due to illness within the mother company (380 people) amounted to 1.3 (1.9)%.

Work environment
Sobi strives to fully comply with all work environment-related laws and regulations and systematic environmental initiatives are integrated into our work environment and quality assurance work. The company's work environment and environmental policy emphasizes the significance of the work environment. The environmental policy is available at www.sobi.com. The formal work environment responsibility is delegated down the line. Each restricted area has an environmental group co-ordinator who helps the people in charge create a good work environment. They work with managers, safety officers and other employees to compile environmental action plans.

Risk inventories and safety inspections focusing on ergonomics, chemicals, Genetically Modified Microorganisms (GMM), electrical safety and radiation protection are performed regularly in restricted areas. There were no workplace accidents to report to the Swedish Work Environment Authority in 2011.

Employee turnover
As a part of the cost reduction measures taken during 2011 approximately 60 people were made redundant. The reductions affected all functions, mostly within preclinical research, CMC and manufacturing, and Quality/Control/Assurance. Excluding these extraordinary staff reductions, the employee turnover within the mother company (380 people) was 5% during 2011.

Respect for labor market regulations
Sobi complies with and respects labor market regulations and the agreements signed between the parties in the labor market. The company works constructively with trade unions and employer organizations and has good relationships with these.

[1] This figure does not include employee representatives.

Sobi is applying level C in accordance with the GRI (Global Reporting Initiative) guidelines for reporting on sustainability work. The GRI index can be found on www.sobi.com

sobi

Annual Report 2011

Annual Report 2011

Sobi 2011

Annual General Meeting 2012

The Annual General Meeting of Swedish Orphan Biovitrum AB (publ) will be held on Thursday, 26 April 2012, at 4.00 p.m. in the Wallenberg hall at the Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

To participate
Shareholders who wish to attend the Meeting must be recorded in the share register maintained by Euroclear Sweden AB (the Swedish Central Securities Depository) on Friday 20 April 2012, and must notify the company of their intention to participate in the Meeting not later than Friday 20 April 2012 in the following ways:

- on Sobi's web site: www.sobi.com
- by phone no: +46 8 697 34 27
- by mail to Swedish Orphan Biovitrum AB, "Annual General Meeting", SE-112 76 Stockholm, Sweden

The notification shall set forth the:
- name
- personal/corporate identity
- address and telephone number (daytime)
- the number of shares held
- when applicable, information about representatives and assistants.

Nominee shares
Shareholders, whose shares have been registered in the name of a nominee through the trust department of a bank or similar institution, must temporarily re-register their shares in their own names in the shareholders' register maintained by Euroclear Sweden AB to be entitled to participate in the Meeting.

Shareholders must inform their nominee of such re-registration well before Friday, 20 April 2012, when such re-registration must have been executed.

Proxy, etc
Shareholders represented by proxy shall issue a written and dated power of attorney for the proxy. If the power of attorney is issued on behalf of a legal entity, a certified copy of a registration certificate for the legal entity shall be appended. The power of attorney is valid for one year from the issue thereof or such longer period of time stated in the power of attorney, however not more than five years. A registration certificate shall evidence the circumstances prevailing at the day of the Meeting and should not be older than one year at the time of the Meeting.

The power of attorney in original and, when applicable, the registration certificate, should be submitted to the company by mail at the address indicated above well before the Meeting. A proxy form is held available at the company's web site, www.sobi.com, and will also be sent to shareholders who so request and who inform the company of their postal address.

Financial calendar 2012

26 April	Interim Report January 1 – March 31
26 April	Annual General Meeting
19 July	Interim Report April 1 – June 30
30 October	Interim Report July 1 – September 30

Additional financial information is available at our web site. The annual report can be downloaded in pdf format from www.sobi.com, as can previous annual reports, interim reports and press releases.

Contact details

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Directors' report

Highlights 2011

- Total revenues were unchanged at SEK 1,910.8 M (1,906.7). Adjusted for currency effects and discontinued products, revenues increased by 9%.
- Product revenues increased by 8% adjusted for currency effects and discontinued products.
- A number of balance sheet items, mainly inventory and intangibles, were written down in the fourth quarter in a total amount of SEK 291.4 M.
- Gross margin[1] declined to 56.4% (64.0), mainly due to a lower margin for manufacturing revenues for ReFacto and currency effects.
- Operating expenses[2] declined by 6% reflecting the ongoing streamlining of operations.
- Other operating revenues and expenses[1], was positively affected by SEK 148.7 M referring to the agreement regarding Multiferon, which resulted in the release of the previously booked provision for the additional purchase consideration.
- Operating profit[1] (EBITA) , before amortization of intangible assets and non-recurring items, was SEK 281.8 M (378.7).
- Profit for the period[1], was SEK 309.3 M (–104.4). The profit for the period including write-downs amounted to SEK 17.9 M (–104.4), corresponding to earnings per share of SEK 0.07 (–0.47).
- Cash flow from operations amounted to 102.9 M (–215.1).
- A rights issue was finalized in June which increased equity by SEK 594 M, net of transaction costs.
- The first patient was enrolled in the phase III study with Kiobrina (rhBSSL) in July.
- In July, data from the rFVIIIFc hemophilia phase I/IIa study were presented showing an approximately 1.7-fold increase in half-life compared with Advate, a commercially-available factor VIII product.
- Geoffrey McDonough was appointed President and CEO as of 15 August 2011.

[1] Adjusted for balance sheet write-downs.
[2] Excluding amortization of intangible assets, non-recurring items, other operating revenues and expenses, and adjusted for balance sheet write-downs.

Outlook for 2012

- Total revenues for the full year 2012 are expected to be approximately SEK 100 M lower than 2011 reflecting the divestment of the ReFacto co-promotion rights. Gross margin is expected to be in line with 2011, i.e. 54% after adjustment for both the balance sheet write-downs and co-promotion, see page 6.

Key figures

SEK M	2011 before write downs	Write downs	2011	2010
Total revenues	1,910.8	–	1,910.8	1,906.7
Gross profit	1,077.8	–103.2	974.6	1,221.0
Gross margin	56.4%	–	51.0%	64.0%
Operating profit before amortizations and non-recurring items (EBITA)	281.8	–154.5	127.3	378.7
Operating profit before non-recurring items (EBIT)	53.2	–291.4	–238.2	77.5
Profit/loss	309.3	–291.4	17.9	–104.4
Earnings/loss per share, SEK[3]	1.28	0.00	0.07	–0.47

[3] The figure for 2010 has been adjusted to reflect the rights issue in June 2011.

Please see page 2 for a five year summary overview of revenues, costs and results.

Sobi's operations

Swedish Orphan Biovitrum (Sobi) is a leading integrated biopharmaceutical company dedicated to bringing innovative therapies and services to rare disease patients. The product portfolio comprises specialty and niche pharmaceuticals, as well as programs in the late clinical phase. Sobi has long experience in research and development of protein drugs with a particularly strong position in hemophilia (bleeding disorder).

In 2011 the company generated revenues through:

- Production of the drug substance for ReFacto AF/XYNTA, royalties from Pfizer's global sales of ReFacto AF/XYNTA and co-promotion revenues from the sale of ReFacto and BeneFIX in the Nordic region.
- Product sales in primarily Europe and North America. Product sales include proprietary products and products sold through distribution and licensing agreements.

Revenues

Total revenues in 2011 amounted to SEK 1,910.8 M (1,906.7). Adjusted for negative currency effects of SEK 87.8 M and discontinued products in the amount of SEK 73.3 M, total revenues increased by 9%. Discontinued products include the Shire products (Xagrid,Fosrenol and Equasym) and Mimpara.

Product revenues, including co-promotion but excluding manufacturing and royalty revenues for ReFacto, rose by 8% adjusted for currency effects and discontinued products. Revenues from ReFacto manufacturing and royalty rose by 16%.

SEK M	2011	2010
Products sales	1,230.9	1,262.4
Co-promotion	105.0	123.0
Manufacturing	451.7	388.0
Royalty revenues	123.3	109.7
Licensing and milestone revenues	–	23.6
Other	1,910.8	1 ,906.7

Write-down of balance sheet items

A number of balance sheet items were written down in the fourth quarter in the total amount of SEK 291,4 M, see table below.

Item	SEK M	
Inventory (Kineret and Kepivance)	103.2	Gross profit
Overdue trade receivables	14.8	Operating expenses
Intangibles (Leptin modulation program)	126.9	
Real estate	46.5	
Total	**291.4**	**Operating profit before non-recurring items (EBIT)**

Non-recurring items

Non-recurring items in 2011 amounted to SEK –80.4 M (–87.7) and consisted mainly of severance pay and other costs relating to the reduction of about 60 positions that was decided in March. The savings from these measures are estimated at approximately SEK 90 M annually and are expected to have full effect as of 2012.

Non-recurring items in the previous year consisted mainly of severance pay and other expenses in connection with the acquisition of Swedish Orphan.

Gross margin

The gross margin, adjusted for the balance-sheet write-downs, was 56.4% compared to 64.0% the previous year. The decline was mainly due to an overall lower margin on manufacturing revenues as a result of the structure of the contract with Pfizer. Negative currency effects and the cost for transferring production of Kineret also had an impact.

The gross profit for the previous year included SEK 22.7 M in contribution from Mimpara co-promotion and a milestone payment of SEK 23.5 M in the first quarter of 2010.

Expenses

Operating expenses[1], adjusted for the balance-sheet write-downs declined by 6% to SEK 944.9 M (1,004.3). The decline is mainly due to the staff reductions and other cost-saving activities that were implemented in 2010 and 2011. Operating expenses including the write-downs amounted to SEK 994.6 M (1,004.3).

Sales and administration expenses, adjusted for the balance-sheet write-downs, decreased to SEK 744.7 M (746.8). Research and development expenses declined by 23.3% to SEK 428.8 M (558.7), despite higher investment in the Kiobrina phase III program.

[1] Excluding amortization of intangible assets, non-recurring items, other operating revenues and expenses.
[2] Adjusted EBITA and EBIT

Other operating revenues and expenses, adjusted for balance-sheet write-downs, amounted to SEK 148.9 M (162.0) and includes SEK 148.2 M referring to the agreement regarding Multiferon, which resulted in the release of the previously booked provision for the additional purchase consideration in the second quarter of 2011, see page 6.

Other operating revenues and expenses in 2010 include the proceeds from the divestment of Mimpara in the fourth quarter.

Profit

Operating profit (EBITA[2]) adjusted for the balance-sheet write-downs, amortization of intangible assets and non-recurring items, was SEK 281.8 M (378.7). Amortization of intangible assets amounted to SEK 231.2 M (301.2). Operating profit (EBIT[2]) adjusted for the write-downs and non-recurring items was SEK 53.2 M (77.5).

Operating profit (EBITA[2]) before amortization of intangible assets and non-recurring items, but including the balance-sheet write-downs, was SEK 127.3 M (378.7). Operating profit (EBIT[2]) including the write-downs and non-recurring items was SEK –318.6 M (–10.2).

Profit for the period, excluding write downs was SEK 309.3 M (–104.4). The profit for the period including write-downs amounted to SEK 17.9 M (–104.4), corresponding to earnings per share of SEK 0.07 (–0.47).

	2011		
SEK M	Before write downs	Write downs	As reported in the statement of comprehensive income
Operating profit/loss	**–27.3**	**–291.3**	**–318.6**
Amortization of intangible assets	231.2	136.9	368.1
EBITA	**203.9**	**–154.4**	**49.5**
Non-recurring items excluding write downs	–77.8	–	–77.8
Adjusted EBITA	**281.7**	**–**	**127.3**
Operating profit/loss	**–27.3**	**–291.3**	**–318.6**
Non-recurring items	–80.4	–	–80.4
Adjusted EBIT	**53.1**	**–**	**–238.2**

Net financial items

Net financial items for the full year of 2011 amounted to SEK –52.2 M (–82.2). The financial net in the previous year included a write-down of SEK 19 M on a non-performing loan. The financial expense is mainly related to the company's net debt which was reduced by SEK 594 M following the rights issue in the second quarter.

Key figures – 5 years

SEK M	2011	2010	Proforma 2009[4]	2009	2008	2007
Total revenues	1,910.8	1,906.7	2,065.6	1,297.0	1,140.6	1,256.4
Adjusted profit/loss for the period	98.3	–16.7	–	32.4	60.4	79.0
Cost of goods and services sold	–936.3	–685.7	–664.3	–375.7	–264.7	–348.8
Research and development expenses	–555.7	–558.8	–603.1	–569.4	–670.6	–694.3
Operating profit/loss	–318.6	–10.3	72	16.2	–386.2	55.1
Financial items – net	–52.2	–82.2	–	16.3	20.2	23.9
Profit/loss for the period	17.9	–104.5	–	32.4	–335.4	79.0
Earnings/loss per share[3], SEK	0.07	–0.47	–	0.29	–3.28	0.78
Earnings/loss per share after full dilution[3], SEK	0.07	–0.47	–	0.29	–3.28	0.76
Number of shares	265,227	212,181	–	50,396	49,815	45,623
Equity ratio	61.4%	61.4%	–	48.2%	49.8%	74.6%

[3] Earning per share have been adjusted for the rights issue in June 2011.
[4] Proforma figures due to the acquisition of Swedish Orphan in 2012.

Taxes
Sobi has valued its tax loss carry forwards. The company's tax rate therefore deviates from the Swedish tax rate. The tax expense for the full year was SEK –5.9 M (–38.5) and deferred tax amounted to SEK 394.7 M (26.5) providing a positive net effect on the results of SEK 388.8 M (–12.0).

Cash flow and investments
Cash flow from operations amounted to SEK 102.9 M (–215.1). Non-cash items, net, amounted to SEK 100.4 M (354.2) and were mainly attributable to amortization of intangible assets and the effect of the agreement regarding Multiferon.

Cash flow from investing activities amounted to SEK –43.7 M (–1,884.3). Net investments in the previous year include the acquisition of Swedish Orphan.

An increase in working capital had a negative impact on cash flow of SEK –15.4 M (–464.8), as reduced inventory levels of primarily Kineret were offset by somewhat higher receivables.

Financial position
Cash and cash equivalents as of 31 December 2011 amounted to SEK 219.1 M (38.5). The company's financing through bank loans as of 31 December 2011 amounted to SEK 700.0 M (1,201.1).

Equity
Consolidated shareholders' equity as of 31 December 2011 amounted to SEK 4,963.4 M compared to SEK 4,342.4 M as of 31 December 2010. The rights issue which was finalized at the beginning of June 2011 increased equity by SEK 594 M, net of transaction costs.

New share issue
A rights issue with preferential rights for the company's shareholders was completed in June. The subscription price was SEK 12 per new share and the shareholders were entitled to subscribe for one new share for every four shares held. The subscription period ended on 26 May 2011. The issue was fully subscribed and the underwriting commitments did not need to be utilized. Approximately 99.9% of the shares offered were subscribed for with subscription rights and an additional approx. 0.1% without subscription rights.

The rights issue increased the number of shares by 53,045,319 ordinary shares. The total number of shares as of 31 December 2011 was 267,295,132 shares, of which 265,226,598 were ordinary shares and 2,068,534 were C shares. All C shares are held by the company. Trading in the new shares on NASDAQ OMX Stockholm started on 10 June 2011.

The Parent Company
Revenues for the Parent Company in 2011 amounted to SEK 1,170.1 M (1,185.9). Operating profit was SEK 523.3 M (–17.1 M). Operating profit was positively impacted by an internal transfer of operations. The income tax expense was positively impacted by the utilization of tax-loss carry forwards. Net profit was SEK 546.2 M (–104.6).

Cash and cash equivalents and short-term investments as of 31 December 2011 amounted to SEK 175.1 M (9.1). Shareholders' equity as of 31 December 2011 amounted to SEK 5,530.0 M (4,375.9).

Revenues by region and key product
Product revenues, including co-promotion but excluding manufacturing and royalty revenues for ReFacto, declined by 4% to SEK 1,335.8 M (1,385.4). Adjusted for negative currency effects of SEK 76.3 M and discontinued products amounting to SEK 73.3 M, revenues increased by 8%.

Product sales by region
(Excluding ReFacto manufacturing and royalty revenues)

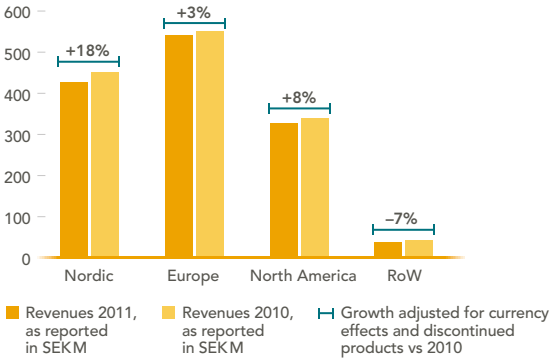
SEK M	2011	2010	Change
Nordic	427.9	450.4	–5%
Europe	540.9	551.3	–2%
North America	328.2	340.2	–4%
RoW	38.8	43.5	–11%
Total revenues	1,335.8	1,385.4	–4%

Sales in the Nordic region declined by 5% to SEK 427.9 M (450.4), as a result of the expiry of the contract regarding the Shire products (Xagrid, Fosrenol, Equasym) and Mimpara. After adjustments for negative currency effects of SEK 9.2 M SEK and discontinued products in the amount of SEK 73.3 M, sales in the Nordic region increased by 18%.

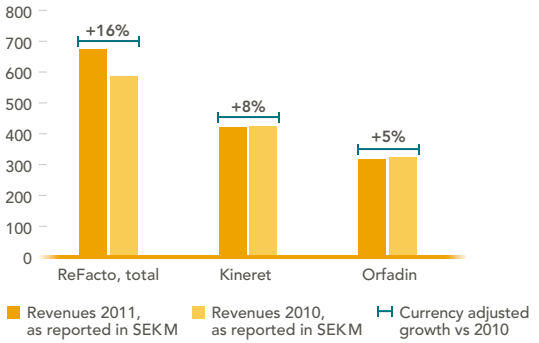
Sales in the rest of Europe declined by 2% to SEK 540.9 M (551.3), but rose by 3% after adjustment for currency effects.

Sales in North America declined by 4% to SEK 328.2 M (340.2), but increased by 8% adjusted for currency effects.

Revenues by region



Revenues by key product



Sales by key product

SEK M	2011	2010	change
ReFacto	672.3	587.1	15%
of which Manufacturing revenues	451.7	388.0	16%
of which Co-promotion	97.3	89.4	9%
of which Royalty	123.3	109.7	12%
Kineret	422.0	422.3	0%
Orfadin	315.7	321.8	–2%
Kepivance	77.9	94.8	–18%
Ammonaps	66.1	69.1	–4%
Yondelis	49.4	40.6	22%
Willfact	16.8	13.1	28%
Other product revenues	245.6	216.0	14%
Total revenues continued products	**1,865.8**	**1,764.8**	**6%**
Discontinued products	45.0	118.3	–62%
Other revenues	0.0	23.6	–100%
Total revenues	**1,910.8**	**1,906.7**	**0%**

ReFacto
Total revenues, i.e. from manufacturing, co-promotion and royalty, in 2011 increased by 15% to SEK 672.3 M (587.1). Revenues were positively impacted during the year by the delivery of validation batches in the amount of SEK 42 M relating to the increase of capacity in the Stockholm plant.

Kineret
Sales were unchanged at SEK 422.0 M (422.3), but increased by 8% after adjustment for currency effects on the basis of good volume growth, especially in Europe.

As previously announced, the transfer of Kineret production from Amgen Inc. in the US to a contract manufacturer in Europe has been delayed due to technical issues. Final process validation runs are scheduled to be completed in the second quarter of 2012.

Orfadin
Sales declined by 2% to SEK 315.7 M (321.8), but increased by 5% adjusted for currency effects.

Sales of Orfadin in Russia increased during the year as a result of the establishment of reimbursement for the first HT-1 patients. The positive trend in Russia is expected to continue as new legislation will come into effect during 2012 granting all HT-1 patients reimbursement for treatment with Orfadin.

Kepivance
Sales declined by 18% to SEK 77.9 M (94.8), and by 9% after adjustment for currency effects. Sales of this product increased in both the third and fourth quarter after a continuous negative trend since the restriction of the European label became effective in early 2010. The increase was mainly driven by the US, but several European markets also reported higher sales.

Yondelis
Sales increased by 22% to SEK 49.4 M (40.6), and by 26% adjusted for currency effects. Most of the increase was in Central and Eastern Europe and the Nordic region.

Willfact
Sales rose by 28% to SEK 16.8 M (13.1). The growth refers in particular to the German market and is driven by prophylactic treatment in conjunction with surgery.

Research and development

The R&D projects include three phase III programs – rFIXFc and rFVIIIFc within hemophilia and Kiobrina within neonatology. In addition there are pre-clinical and life-cycle management projects.

rFIXFc and rFVIIIFc
rFIXFc and rFVIIIFc are recombinant produced long-lasting coagulation factors that have been developed to replace the protein that patients with hemophilia B and A are lacking, but with a longer effect than the factor IX and factor VIII products commercially available today. These two phase III programs, which are being run by Sobi's US partner Biogen Idec, are advancing according to plan. Data from both projects are expected in the second half of 2012.

The pediatric studies (KIDS B-LONG and KIDS A-LONG), which are required for regulatory approval in Europe, are expected to start in the first half of 2012. Following the initiation of these studies, Sobi expects the total development programs, including regulatory review, to be completed within three years, which means that 2016 would be the first year with significant revenues in Sobi's territory.

In July 2011 the data from the rFVIIIFc phase I/IIa clinical trial were presented at the XXIII Congress of the International Society on Thrombosis and Haemostasis in Kyoto, Japan. The data showed that the company's long-lasting fully recombinant factor VIII Fc fusion protein (rFVIIIFc) was well tolerated and demonstrated an approximate 1.7-fold increase in half-life compared to Advate commercially-available factor VIII product, in 16 previously-treated patients with severe hemophilia A. The findings were seen consistently in all patients and at all dose levels. The data were also published in Blood, the Journal of the American Society of Hematology, in November 22 , 2011.

Hemophilia programs	rFIXFc	rFVIIIFc
	Hemophilia B	Hemophilia A
Phase I/IIa data	July 2010	July 2011
Phase III studies	B-LONG	A-LONG
No. of patients, aged 12 or older	105	150
Start date	Dec 2009	Nov 2010
Phase III data	H2 2012	H2 2012
Start of pediatric trials in previously treated patients	H1 2012	H1 2012
Orphan drug designation	USA and Europe	USA and Europe

No. of patients required in pediatric studies	rFIXFc	rFVIIIFc
Previously treated patients >12 years	20	50
Previously treated patients 6 –<12 years	10	25
Previously treated patients <6 years	10	25

Ref. European Medicines Agency (EMA)

Kiobrina

Kiobrina is a recombinant produced human bile-salt stimulated lipase (rhBSSL) developed by Sobi to improve growth in preterm infants who are receiving pasteurized breast milk or infant formula. BSSL exists in fresh breast milk where it improves the breakdown and absorption of essential fatty acids, such as LCP-UFA (long chain polyunsaturated fatty acids) which are very important for brain development.

At the end of July 2011 the first patient was enrolled in the phase III study with Kiobrina. The phase III study is a multicenter, double- blind, placebo-controlled study where preterm infants younger than 32 weeks of gestational age are randomized to receive rhBSSL or placebo added to preterm formula or pasteurized human milk for 4 weeks to demonstrate improved growth velocity. After treatment, there is a follow up period of 1 year. The study is expected to enroll patients in 70 centers in 11 European countries. Data from the phase III study is expected in the end of 2013 and commercialization is expected to start in 2015.

The objective of the phase III study is to confirm the results from two previous phase II studies where Kiobrina was administered with formula or pasteurized breast milk. The combined results from the phase II studies showed a statistically significant increase in growth velocity and uptake of essential fatty acids such as DHA (Docosahexanoic acid) and AA (Arachidonic acid) (omega-3 and omega-6 fatty acids).

Kiobrina, Phase III study
Placebo-controlled, double blind study
4 weeks treatment
430 patients, younger than 32 weeks of gestational age
11 countries, 70 sites

Kineret

Kineret is currently approved for the treatment of rheumatoid arthritis (RA). The potential exists for label expansion for additional indications using data already available. An example of this is that Kineret has been granted orphan drug designation from the FDA for treatment of the rare disease cryopyrin-associated periodic syndromes (CAPS). Sobi intends to file for CAPS in the EU and for neonatal-onset multisystem inflammatory disease (NOMID) in the US during 2012.

New reporting structure 2012

As of the first quarter 2012, revenues will be reported in the three business lines – Core Products, Partner Products and ReFacto. The table to the right shows the figures for 2010 and 2011 restated according to the new structure.

The figures have been restated to show co-promotion revenues for ReFacto and BeneFIX on a separate line to facilitate comparison following the sale of these rights to Pfizer as of 15 February 2012.

Restated figures according to the new structure

AMOUNTS IN SEK M	2011	2010
Kineret	422.0	422.3
Orfadin	315.7	321.8
Other products	74.6	76.8
Core Products	**812.3**	**820.9**
Current portfolio	373.6	346.0
Discontinued products	45.0	118.3
Co-promotion revenues	105.0	100.3
Partner Products	**523.6**	**564.5**
Manufacturing revenues	451.7	388.0
Co-promotion revenues	123.3	109.7
ReFacto AF	**575.0**	**497.7**
Other revenues	–	23.6
Total revenues	**1,910.8**	**1,906.7**

Products per business line

Core Products	Partner Products	ReFacto
Inflammation	ReFacto AF co-promotion	Manufacturing
Kineret	Kepivance	Royalty
Ruconest	Yondelis	
Genetics & Metabolism	Ferriprox	
	Betapred	
Orfadin	Buronil	
Ammonaps	Aloxi	
Ammonul	Willfact	
	Other (~40 products)	

Outlook for 2012

Market conditions are expected to continue to be challenging, particularly in Europe due to the uncertain macroeconomic environment, and in the US related to the evolution of the new healthcare regime. The outlook is based on the assumption that the current SEK/USD and SEK/EUR exchange rates prevail during the year, and that market conditions do not significantly deteriorate.

Total revenues for the full year 2012 are expected to be approximately SEK 100 M lower than in 2011 reflecting the divestment of the ReFacto co-promotion rights.

Revenues for Core Products and Partner Products are expected to show mid to high single digit growth, while revenues for ReFacto manufacturing and royalty are expected to show low single digit growth. Revenues in 2011 from validation batches (SEK 42 M) and discontinued products (SEK 45 M) will not recur in 2012.

The gross margin for the full year 2012 is expected to be in line with the 2011 margin, which was 54% after adjustment for both the balance sheet write-downs and the divestment of co-promotion rights. Costs in 2012 related to the transfer of Kineret production are estimated at SEK 60 M and are expected to impact the gross margin primarily in the first half of the year. As a result of the renegotiated ReFacto manufacturing agreement with Pfizer, reduced quarterly variations in the ReFacto manufacturing gross margin are expected.

Operating expenses, excluding amortizations, are estimated at or below SEK 950 M.

The earlier reported milestone payment to Amgen of USD 55 M is now estimated to become due in Q4 2012 or in Q1 2013, with the ultimate timing dependent on the cumulative sales of Kineret.

Other information

New and amended partnership agreements

Pharming Group BV

In August Sobi's geographical rights for the distribution of Ruconest were expanded to include the entire EU region, Iceland, Norway and Switzerland, as well as the Balkans, North Africa and the Middle East. Ruconest received final market approval in Europe in October 2010. It is used to treat the rare disease hereditary angioedema (HAE).

Shire

The agreement with Shire regarding the products Xagrid, Fosnerol and Equasym expired in 2011 and Sobi's marketing and medical support for these products has therefore ended. Revenues from these products in 2011 amounted to SEK 45 M.

Nascobal

In October Sobi and Strativa, a division within Par Pharmaceutical, decided to return the product rights for Nascobal to Par Pharmaceutical. The decision was taken due to regulatory requirements for additional studies and the consequent delay before the product can reach the market. Returning these rights has not had any impact on Sobi's revenues or incurred any costs for Sobi.

Change in agreement for Multiferon

A new agreement was signed in June regarding the additional purchase consideration for Multiferon and the hepatitis C clinical study which was part of the agreement with the sellers upon Biovitrum's acquisition of Swedish Orphan in 2009. Under the new agreement, the sellers waived the requirement of an additional purchase consideration and implementation of the study in exchange for a one-time payment of SEK 25 M which was paid in the third quarter. As a result of the agreement, the booked provision for the additional purchase consideration was reversed and SEK 148.7 M was included in operating profit for the second quarter of 2011.

The additional purchase consideration in the agreement from 2009 was based on the annual future sales of Multiferon exceeding certain thresholds. The additional purchase consideration was estimated to reach a maximum of SEK 425 M and would be paid no later than in the 2018 calendar year.

With respect to the clinical study with Multiferon as a second line treatment for hepatitis C, Sobi announced in July 2010 that it had taken a decision not to implement the study as new positive clinical data for competing hepatitis C therapies had been presented earlier that year.

Multiferon has so far been approved in a number of European countries for two indications – the treatment of high-risk malignant melanoma following surgery and second-line treatment of patients who cannot tolerate or who are not responding to treatment with alpha interferon regardless of the underlying disease.

Transfer of Kineret production

The transfer of production of the active substance for Kineret from Amgen Inc. in the US to Boehringer Ingelheim in Europe, which started in 2010, has been delayed due to technical issues. Process validation is expected to be concluded in the first quarter of 2012. Costs in 2012 related to the transfer of Kineret production are estimated at SEK 60 M, see the Outlook for 2012.

Geoffrey McDonough appointed as new CEO

Geoffrey McDonough was appointed President and CEO as of 15 August 2011. He succeeded Kennet Rooth who had been acting CEO since 1 January 2011.

Dr. McDonough's most recent position was President of Europe, Middle East and Africa with Genzyme Corporation, USA, one of the world's leading biotechnology companies in the orphan drug area, which is now part of the French company Sanofi. Dr. McDonough has held several senior positions in Genzyme in the US since 2002. Before that he worked as a physician in the US. Dr. McDonough was born in 1970 and is a graduate of Harvard Medical School. He holds a Bachelor of Arts and a Bachelor of Science from University of North Carolina.

New subsidiary in the US

In the autumn of 2011 Sobi established a subsidiary in the US, Sobi Inc., in order to build on the growth Sobi has achieved in this market. The subsidiary is expected to be operational at the beginning of 2012. Sales in the US have so far been handled by employees of Quintiles Inc.

Legal issues

In March 2011, the Administrative Court announced its decision to uphold the Tax Agency's request for Sobi, pursuant to the Swedish Tax Avoidance Act, to be charged an amount of SEK 232.2 M as revenue in the 2005 tax year for a portion of the compensation received when Fastighetsbolaget Paradiset KB sold the Paradiset 14 property to Nya Paradiset KB. The company has appealed the ruling.

As stated in the 2010 Annual Report, the sellers of pharmaceutical company Arexis, which Sobi acquired in August 2005, have made a claim against Sobi in the amount of SEK 325 M. The sellers claim that Sobi has not met its obligations under the share purchase agreement entered into at the time of the acquisition. Sobi has contested all of the sellers' claims. The sellers have

requested arbitration regarding parts of the above-mentioned claim as well as, regarding the other parts, and an expert determination provided for in the agreement. See Note 37.

Environmental information

Sobi's environmental management system is based on the ISO 14001 standard, although the company is not certified. The system also covers the Swedish work environment regulations. Sobi's environmental management system is integrated into the company's operations with formal responsibility delegated down the line. Management has established an environmental policy to further underscore the importance of environmental work. The policy is available on the company's website, www.sobi.com.

The production facilities in Stockholm and Umeå have permits for hazardous operations in compliance with the Swedish Environmental Code with stipulations for emissions to water. Compliance with the terms of the permit is reported annually in environmental reports prepared for the local supervisory authorities. In 2011 no violations were reported. The company also has operations subject to a reporting obligation according to the same regulations in Solna.

In 2011 Sobi had a permit from the Swedish Work Environment Authority for the handling of thioacetamide. The company has previously reported to the Swedish Work Environment Authority its use of contagions in risk category 2 and the contained use of genetically modified microorganisms (GMMs) with an annual update. The company also has an import license from the Swedish Board of Agriculture for animal byproducts and a license to handle flammable goods. In 2011 Sobi applied to the Swedish Radiation Safety Authority for a new license to work with radioactive substances. Sobi is associated with REPA.

Adjustment to the current regulations has so far not affected Sobi's competitiveness or operations negatively. The company cannot, however, predict the effects of future regulations.

Significant events after the reporting period

Agreement with Pfizer regarding ReFacto AF/XYNTHA

Sobi and Pfizer have extended their supply agreement for ReFacto AF/XYNTHA until 31 December 2020, with an option to be further renewed. The previous agreement was due to expire in 2015.

In a separate agreement, Sobi and Pfizer also agreed that Sobi would return the co-promotion rights for ReFacto and BeneFIX in the Nordic region to Pfizer as of 15 February 2012 in exchange for a payment to Sobi in the amount of USD 47.5 M.

Terms of agreement with Biogen Idec regarding hemophilia programs

Further details on the restructured agreement with Biogen Idec regarding development and commercialization of long-lasting recombinant factor VIII and factor IX hemophilia programs, was disclosed in a press release on 6 February 2012. See Note 36.

Licensing agreement for novel neonatology treatment

In January 2012, Sobi signed a global licensing agreement with the French company Only for Children Pharmaceuticals (O4CP) regarding bumetanide reformulated for treatment of diuresis and seizures in neonates. The new drug is currently in clinical phase II under the EU financed NEMO project. The first market authorization of the product is expected in 2014.

O4CP will be responsible for obtaining market authorizations and for the development and manufacture of drug product. Sobi will be accountable for the commercialization of the product on a global basis.

The agreement included an upfront payment by Sobi in the amount of EUR 300 000 and potential future milestones of a value up to approximately EUR 1.7 M. O4CP will also receive royalties on future commercial sales.

Distribution agreement with Gentium

In January 2012 an agreement was signed with Gentium S.p.A. regarding exclusive distribution rights during 10 years for Defibrotide in the Nordic and Baltic region. Defibrotide is a drug for the treatment of hepatic veno-occlusive disease (VOD)[1]. Sobi will be responsible for achieving price and reimbursement approvals and for sales, marketing and local medical affairs in the defined markets.

[1] VOD is a serious and potentially fatal complication of hematopoietic stem-cell transplantation (HSCT).

Changes in Executive Management

Alan Raffensperger was appointed Chief Operating Officer (COO) as of January 2012 with responsibility for Sales and Marketing, Supply Chain, Procurement and IT. His most recent position was CEO of Benechill Inc., an American medical device company within the therapeutic hypothermia field. Alan Raffensperger holds a Bachelor of Science from University of Maryland, Baltimore, USA.

Wills Hughes-Wilson was appointed Vice President, Government Affairs & Policy as of February 2012. She will be responsible for Sobi's contacts with all stakeholders in the health policy area. Her most recent position was Vice President Health/Market Access Policy, Europe, within Genzyme Corporation, now part of the French Sanofi Group. Wills Hughes-Wilson holds an Honors graduate in Law from University of Durham in the UK.

Employees

The average number of employees in 2011 amounted to 517 (508), of whom 412 (415) were in Sweden. Salaries and other remuneration amounted to SEK 356.3 M (376.9), of which SEK 253.5 M (266.7) was paid in Sweden (parent company).

Values and culture

Sobi's business model combines advanced research with commercial activity. Sobi is a knowledge-intensive company with high expectations of the individual employees and with respect to maintaining a corporate culture of innovation and a high level of performance.

During 2011, the company adopted new values: C A R E – Collaborative, Accountable, Respectful and Engaged. These values are to be expressed in the company's leadership, among other places, and form the foundation for the annual evaluation of employee performance. The company has a well-defined process for management by objectives and follow-up. In this Performance Management Process, managers and employees jointly set individual goals for the year ahead in line with the overall objectives of the company. The purpose is for every employee to have an understanding of the company's mission and goals and how their own performance contributes to these. At the end of the year their efforts are assessed in a performance review.

Competence development and innovation

Continuous competence development is crucial in order to develop the project portfolio, strengthen production processes and successfully launch and sell products in the market. Competence development is linked to the individual goals of the

employees. These goals are in turn defined by the needs of the company and the projects. Many employees participate actively, for example, in academic networks to gain access to new research discoveries that can benefit the company's operations.

Salaries and benefits
Competitive terms of employment are a prerequisite in order to recruit and retain qualified employees. Salaries are determined on an individual basis and are differentiated and adapted to salary criteria agreed upon locally.

Diversity and equal opportunity
Of the total number of employees in 2011, 40% were men and 60% were women.

All employees are treated equally and offered the same opportunities regardless of age, gender, religion, sexual orientation, disability or ethnicity. Working life and private life should be able to be harmonized within the framework of the company's operations.

Health and wellness
The company aims to offer a working environment that promotes health and wellness. In 2011 absence due to illness amounted to 1.26% (1.9), for the parent company (approx. 380 employees). The employees are offered an annual wellness allowance that can be used for various wellness activities.

Work environment
Sobi strives to fully comply with all work environment-related laws and regulations and systematic environmental initiatives are integrated into our work environment and quality assurance work. The company's work environment and environmental policy emphasizes the significance of the work environment. The environmental policy is available at www.sobi.com. The formal work environment responsibility is delegated down the line. Each restricted area has an environmental group coordinator who helps the people in charge create a good work environment. The coordinators work with managers, safety officers and other employees to compile environmental action plans. Risk inventories and safety inspections focusing on ergonomics, chemicals, GMMs, electrical safety and radiation protection are performed regularly in restricted areas. There were no workplace accidents to report to the Swedish Work Environment Authority in 2011.

Respect for labor market regulations
Sobi complies with and respects labor market regulations and the agreements signed between the parties in the labor market. The company works constructively with trade unions and employer organizations and has good relationships with these.

Proposal for guidelines for remuneration to senior executives
The Extraordinary General Meeting on 24 August 2011 approved the Board's proposal for guidelines for remuneration to management based on what is described below until the 2012 Annual General Meeting. Management in this context refers to Sobi's CEO and the executives who report to him at any given time and who are part of the company's management team, as well as members of the Board of Directors to the extent they have entered into consulting agreements.

Motives
Swedish Orphan Biovitrum shall offer a total remuneration in line with market conditions to enable the company to recruit and retain competent personnel. The remuneration to management may consist of fixed salary, variable salary, pension and other compensation. Long-term incentive programs may be offered in addition to the above and will then be submitted to the annual general meeting for approval. The remuneration is mainly based on position, performance and the Company's and the member's, respectively, performance in relation to objectives determined in advance.

Fixed salary
The fixed salary for the CEO and the other members of the management shall be in line with market conditions and mirror the demands and responsibility that the position entails. The fixed salary for the CEO and the other members of the management is revised once every year, as per 1 January.

To the extent a member of the Board of Directors carries out work for the Company or for another group company, in addition to the Board work, consulting fees and/or other remuneration for such work may be payable.

Variable salary
The variable salary for the CEO and the other members of the management shall be based on the company's fulfillment of objectives determined in advance. These objectives are determined for the promotion of the company's/the group's long-term development, value creation and financial growth and shall be designed in a way that does not encourage an excessive risk-taking. The variable salary may not amount to more than 50% of the annual gross salary (including pension) for the CEO and not more than 20–50% of the fixed annual salary (excluding pension, or in specific cases, including pension) for the other members of the management.

Long-term incentive programs
Long-term incentive programs may constitute a complement to the fixed salary and the variable salary. The participants in the program are nominated based on competence, performance and to retain key employees with the Company. The outcome is dependent on the fulfillment of certain predetermined performance requirements. The aim with having long-term incentive programs shall be to create a long-term commitment to Sobi, to offer the participants to take part in the Company's long-term success and value creation and to create possibilities to attract and retain members of the management and key employees. For more information on the current incentive programs, see Note 14.

Other remuneration and terms of employment
The pension benefits for the CEO and the other members of management shall preferably consist of premium based pension plans, but may also be defined-benefit pursuant to collective agreements.

Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed salary for two years. The total severance payment shall for all members of the management be limited to the existing monthly salary for the remaining months up to the age of 65.

The CEO may, in case of a change of control of the company, meaning that more than 50% of the shares in the company are owned by one shareholder, (i) be entitled to a retention bonus corresponding to maximum 6 monthly gross salaries (including pension) provided that notice of termination of the CEO's employment has not been given 6 months after the change of control, alternatively (ii) in case of a material change of the CEO's employment conditions, be entitled to terminate the employment with a right to severance payment in accordance with the above. Upon a material change in the business, other executives may (i) be entitled to a retention bonus corresponding to maximum 6 monthly fixed salaries (excluding pension, or in specific

cases, including pension), provided that notice of termination of employment has not been given 6 months after such change, alternatively (ii) under certain circumstances, be entitled to terminate the employment with a right to severance payment, however, corresponding to maximum 12 monthly fixed salaries (excluding pension, or in specific cases, including pension), to be paid in addition to the salary during the notice period.

Other compensation may consist of other customary benefits, such as healthcare insurance, which shall not constitute a material portion of the total remuneration.

In addition, additional compensation may be paid out in extraordinary circumstances, provided that such arrangement is made for management recruitment or retention purposes and is agreed on an individual basis. Such extraordinary arrangements may for example include a one-time cash payment, or a support package including relocation support, tax filing support, or similar.

Deviation from the guidelines
The Board of Directors may resolve to deviate from the guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying that.

Guidelines and remuneration 2011
Guidelines and other terms of employment approved by the Annual General Meeting in 2011 and revised by the Extra ordinary General Meeting in August 2011, can be found in Note 14.

Share and option programs
Sobi currently has one active employee option program and four share programs. All programs are described in detail in Note 14.

Employee option program 2006/2011
This program expired on 31 May 2011. No shares were awarded under this program.

Employee option program 2007/2012
The 2007 Annual General Meeting resolved to initiate a new employee option program for 2007/2012. As part of this program employee options may be issued conferring rights to acquire up to 639,000 [1] shares in the company.

Performance-based share program
Sobi has four performance-based, long-term share programs covering management and key individuals. A detailed description of the programs can be found in Note 14.

- *Share program 2008.* This program expired on 25 November, 2011. No shares were awarded under this program.
- *Share program 2009*, is based on the same principles as the 2008 program and may involve a maximum allotment of 307,601 shares[1]. The program will run from 10 June 2009 through 9June 2012.
- *Share program 2010*, is based on the same principles as previous programs, but also involves a requirement for participants to invest in Sobi shares and retain them for the full three-year period. Provided that all criteria are met the participants may receive shares free of charge equivalent to the number of shares invested in within the framework of the program ("matching shares") and additional shares depending on whether the targets established by the Board of Directors are met ("performance shares"). The program was implemented at the end of 2010 and the performance period is from 13 December 2010 to 12 December 2013 and may involve a maximum total allotment of 526,242[1] shares.
- *Share program 2011*, is based on the same principles as the 2010 program. This program will run from 15 December 2011 to 15 December 2014 and may involve a maximum total allotment of 608,283 shares.
- *Long-term share program for CEO Geoffrey McDonough*
The Extraordinary General Meeting on 24 August 2011 approved the Board of Directors' proposal to initiate a performance-based, long-term share program for the newly appointed Chief Executive Officer Geoffrey McDonough. The share program is based on the CEO's investment in Sobi shares in the market and the allotment requires, among other things, the fulfillment of certain performance based targets related to the development of the Sobi share price, see Note 14. The EGM also resolved to expand the authority granted to the Board at the 2011 Annual General Meeting to issue and repurchase C shares that will cover the CEO's share program as well. The meeting also resolved to approve the Board's proposal regarding the transfer of own shares for the CEO program in order to guarantee the company's commitment under this program.

[1] Adjusted for the rights issue in June 2011.

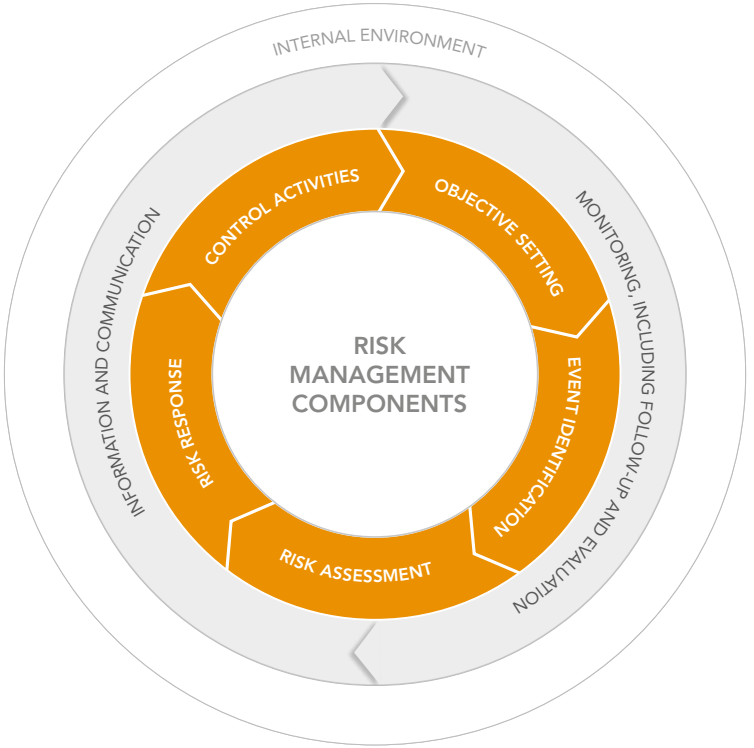
Proposed appropriation of profit

The following funds are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	4,104,779,982
Retained earnings	–67,902,619
Profit/loss for the year	546,228,125
Total	**4,583,105,488**

The Board of Directors and the Chief Executive Officer propose that the funds at their disposal, SEK 4,583,105,488, be carried forward.

Risk Management



The overall risk management structure consists of eight interrelated components:

1. Internal environment
2. Objective setting
3. Event identification
4. Risk assessment
5. Risk response
6. Control activities
7. Information and communication
8. Monitoring, including follow-up and evaluation.

All business operations involve risks. Creating awareness of such risks enables them to be limited, controlled and managed, while business opportunities can be utilized in the interest of increasing income and profitability.

During 2011, Sobi established a special Risk Management Committee which is responsible on behalf of management for this work. The committee includes the heads of the major functions. Representatives from other functions participate depending on the agenda. The Chairman of the Committee is Sobi's General Counsel and the Risk Manager is the Secretary. Reports are presented on a quarterly basis to the management team, audit committee and the Board of Directors. Sobi works continually to improve the Company's risk management processes by following the established COSO – ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management Integrated Framework), which forms the foundation for Sobi's Risk Management Policy.

Sobi also has a Crisis Management team that works on planning preventive measures and communication in the event of an crisis. Crisis preparedness is an important part of the Company's efforts to be optimally prepared to handle any crisis that may occur. The Crisis Management team meets regularly for planning and training.

Purpose

The objective for the risk management is to integrate the framework into all strategic and operational work, and to Identify and assess events that may affect the Company's ability to achieve its objectives.

Events are assessed based on the following two factors:

- the likelihood that they may occur
- the consequences if they did occur.

Based on this, a judgment is made how the risks should be managed – Accept, Monitor, Reduce or Eliminate.

Operational risks

Sobi is a leading integrated biopharmaceutical Company that operates internationally. The regulations regarding manufacturing, testing and marketing candidate drugs and pharmaceutical products are complex and may change over time. Below is a summary of the main risks that may affect the Company's operations.

- Research and development
- Production
- Sales
- Other risks

Research and development

Failure to meet development targets

Sobi currently has a number of projects in clinical development and several projects in preclinical development. To develop a new pharmaceutical product up to and including market launch is both capital-intensive, complex and risky process. The likelihood to reach market increases as the project advances in the development chain, while the costs increase at a growing pace in the later clinical phases.

Before the Company can get approval to launch any of its pharmaceutical products it must prove that they are safe and efficacious through sufficient, well-controlled preclinical studies and clinical trials. The number of preclinical studies and clinical trials required varies depending on the candidate drug, indications, preclinical and clinical results and the regulations that apply for the specific candidate drug.

Preclinical and clinical development is a time-consuming and costly process that is affected by numerous factors, including factors beyond the Company's control, such and changes in requirements from the authorities. During clinical development it may emerge that the pharmaceutical candidates are not sufficiently effective or they may prove to have undesirable or unintended side effects, toxicities or other properties and this may disrupt, delay or stop clinical development and prevent or limit the commercial application of the candidate drug.

Difficulties of obtaining and maintaining regulatory approvals

Before the launch of any of Sobi's pharmaceutical products is initiated, the Company and its partners must demonstrate that the pharmaceutical product meets the rigorous demands for safety and efficacy expected by the authorities in the countries in which Sobi plans to market the drug.

Even if the Company's pharmaceutical product meets the criteria for safety and efficacy in clinical trials, the authorities may be of another opinion than Sobi regarding how the data from preclinical studies and clinical trials is interpreted. Authorities may also approve a candidate drug for fewer indications than applied for or make the approval conditional upon aftermarket studies being conducted. The FDA, EMA and other authorities may delay or limit new approval.

Even if the pharmaceuticals in Sobi's product portfolio were to receive marketing approval, it is not certain that any of these products would gain price approval and reimbursement status within the national healthcare systems, acceptance in the market among physicians, patients, procurement organizations and the medical community. The degree of market acceptance for each of the Company's pharmaceutical product depends on a number of factors.

Collaborations

Part of Sobi's strategy is also to enter into various partnership agreements, e.g. regarding joint development and licensing, with pharmaceutical and biotech companies for the development and launch of some of Sobi's substances. The success of such partnerships will largely depend on the work of Sobi's partners or licensees, since these still have considerable right of determination over the work and resources that will be put into the projects.

Risks relating to intellectual property rights and patent risks

Sobi's success will largely depend on the Company's or its licensor's ability to obtain protection in the US, the EU and other countries for the intellectual property rights for the products that the Company develops, manufactures, markets and sells. The patent situation within the area of biotechnology and pharmaceuticals involves complex legal and scientific issues. Even if a patent is granted, it may be opposed, declared void or circumvented, which would limit the Company's ability to prevent competitors from marketing similar products and reduce the period during which the Company obtain patent protection for its products. Sobi has a number of technology licenses that are important for the business, and the Company is expected to be able to obtain further licenses in the future.

In addition to patented products and technologies, Sobi uses its own technology, processes and knowhow not protected by patents. The Company's objective is to protect such information through confidentiality agreements with employees, consultants and partners.

The technologies that Sobi uses in its research, or that are included in target products or candidate drugs that the Company is trying to develop and commercialize, may infringe patents or patent applications owned or controlled by other companies.

Production

Deficiencies in production and processes

Sobi manufactures recombinant protein- and protein pharmaceutical products and is dependent on the Company's production facilities in Stockholm and Umeå being maintained and highly available. Sobi also collaborates on manufacturing pharmaceuticals with other pharmaceutical companies

The manufacture of proteins and recombinant protein pharmaceuticals requires precise and high-quality manufacturing processes and controls, which means that the Company must ensure that all manufacturing processes and methods and all equipment meet the Good Manufacturing Practice (GMP) requirements. Furthermore, Sobi must perform extensive audits of its distributors, contract laboratories and suppliers who are also covered by these requirements. GMP requirements regulate all aspects of the manufacturing of pharmaceuticals, including quality control and quality assurance, manufacturing processes and documentation.

To be compliant with these GMP requirements, Sobi and its distributors, contract laboratories and suppliers needs to maintain high-quality manufacturing processes and controls that are sufficient to guarantee that the products meet the current specifications and other requirements.

Sobi's production facilities may be inspected at any time by the authorities and by the Company's customers.

The Company's research and development involves the controlled use of biological and hazardous materials and waste. The Company is subject to laws and regulations controlling the use, manufacture, storage, handling and disposal of such materials and waste products.

Sales

Competitors and marketing regulations

The market for specialist pharmaceuticals is characterized by significant competition and rapid technology development. Sobi's competitors include international pharmaceutical, biotech and specialist pharmaceutical companies. Some competitors have significantly greater financial, technical and human resources. Sobi's competitors may also have greater manufacturing, distribution, sales and marketing capabilities than the Company.

Furthermore, there is always a risk that the Company's product concepts will be exposed to competition from similar products or entirely new product concepts which prove to be superior. Sobi therefore initiates collaborations with external research groups in the forefront of medical development in

order to increases the chances of gaining access to target proteins that can be developed into competitive medical treatments. To ensure best possible protection against competition, Sobi focuses on strong intellectual property rights.

Each significant reduction in revenues from its key products could have a significantly negative effect on Sobi's business, results and financial position. This could be the case regardless of whether the reduction is due to a fall in demand, an increase in competition or other reasons, such as changes in regulations for state subsidies for pharmaceuticals.

The market in which Sobi operates is increasingly affected by price pressure. The increased cost of healthcare in many countries leads to governments and other payers becoming more aware of the costs, which in turn leads to strong price pressure. In most of the markets where Sobi is active, governments exercise a certain degree of control over the price of pharmaceuticals. This control and the effects of it vary from country to country, and various methods are being used on both the supply and the demand side to control pharmaceutical costs.

Sobi's success is dependent on the products developed by the Company are covered by and entitled to compensation through private or state payment systems within the healthcare sector. Legislation and regulatory proposals in various European countries and in the US include measures that could restrict or prevent payment for treatment with certain pharmaceuticals. In certain cases such legislation has also resulted in the pricing of pharmaceuticals being subject to increased state price controls or mandatory price cuts, which can create price differences between countries and increase parallel distribution. The use of pharmaceuticals may also be affected by guidelines, recommendations and studies published by authorities and organizations.

Parallel imports
It cannot be ruled out that differences in pharmaceutical prices in the markets where Sobi operates could lead to an increase in parallel imports, which means that Sobi's products could be purchased less expensively in certain markets and then compete with Sobi's sales in other markets.

Product counterfeiting
Furthermore, the supply of prescription Pharmaceuticals has come to face an increasing challenge in that the distribution channels are vulnerable to counterfeit pharmaceutical products in a greater number of markets as well as on the Internet. Counterfeit products may contain the wrong dose of the pharmaceutical ingredient or no ingredient at all or may contain harmful substances.

Other risks

Financial risks
The Company's business is also exposed to currency risk. The majority of the Company's expenses are incurred in SEK (Swedish kronor), while a significant proportion of its revenues are in other currencies. As a result of the Company's international expansion, a reduction in the exchange rate of US dollars and the euro in particular, or other foreign currencies in which revenues are earned relative to SEK, could have a negative impact on Sobi's results and financial position. See more information about financial risks in Note 3.

All parts of the Company are dependent on an efficient IT system
The Company's IT system could suffer a crash, collapse or breach of security. In order to be able to resume normal operations and alleviate any losses, the Company has back-up processes and contingency plans for the recovery of lost data in the event of the collapse of the IT system.

Tax disputes, other tax risks and legal disputes
See the sections for Legal issues on page 6 and in Note 37.

The Sobi share

The share is listed on NASDAQ OMX Stockholm under the company name Swedish Orphan Biovitrum since June 2010 (ticker SOBI). The Biovitrum share was originally listed in September 2006.

Share performance and turnover

The total turnover of Sobi shares in 2011 was 99 million shares (148 million adjusted for the share issue in June) for a total value of SEK 1,575 M (3,766).

The price[1] of the Sobi share fell in 2011 by 58.3%, from SEK 36.24 at the beginning of the year to SEK 15.10 at the end of the year. The highest price paid was SEK 37 (3 January) and the lowest was SEK 11.40 (23 and 24 November). The last price paid in 2011 was SEK 15.10. The share is included in the OMX Stockholm Pharmaceuticals & Biotechnology PI Index, which fell by 12.34% during the same period.

The market capitalization at the end of the year was SEK 4.04 billion.

Shareholders

At the end of the year Sobi had a total of 8,013 shareholders (8,661). Investor AB was the largest owner with 40.3% of the capital and 40.5% of the votes. The 15 largest shareholders accounted for a total of 76.9% of the capital and 77.5% of the votes. Approximately 65.4% of the shares were owned by Swedish institutions and funds.

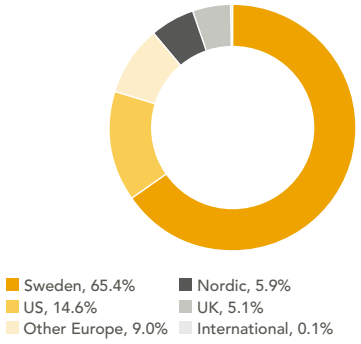
[1] Adjusted for the rights issue in June 2011.

Largest shareholders as of 30 December 2011*

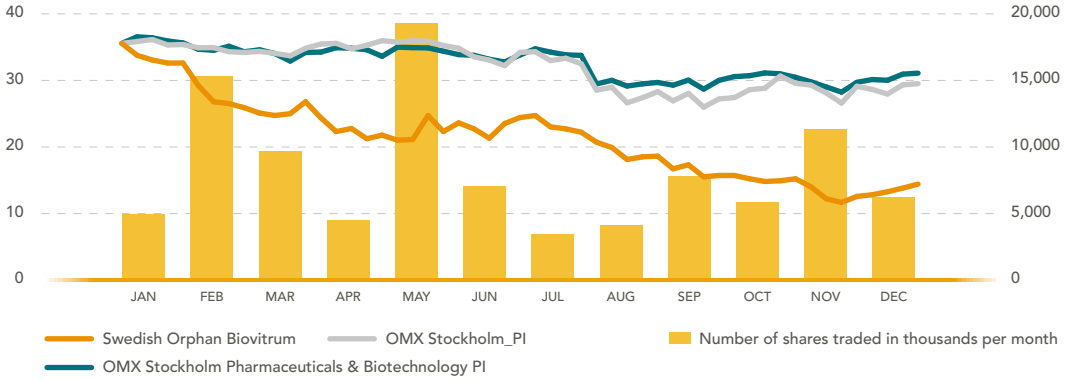
Share Holder	Number of shares	Share capital, %	Share votes, %
Investor AB	107,594,165	40.25	40.54
MPM Funds	15,796,540	5.91	5.95
Omnibus Account W FD: OM80	14,454,140	5.41	5.45
Bo Jesper Hansen	8,893,846	3.33	3.35
Nordea Bank Norge Nominee	8,332,501	3.12	3.14
Swedbank Robur Fonder	7,358,377	2.75	2.77
SIX SIS AG, W8IMY	7,057,343	2.64	2.66
Livförsäkringsaktiebolaget Skandia	6,222,135	2.33	2.34
Handelsbanken Fonder	6,124,852	2.29	2.31
Orkla ASA	5,900,087	2.21	2.22
Fjärde AP fonden	4,105,560	1.54	1.55
Apoteket AB's Pensionsstiftelse	3,657,879	1.37	1.38
Gladiator	3,405,000	1.27	1.28
CBLN-400 Series Fund	3,090,289	1.16	1.16
ABN AMRO Nordic Ventures	3,053,189	1.14	1.15
Total	**205,045,903**	**76.71**	**77.25**
Other	60,180,695	22.51	22.67
Swedish Orphan Biovitrum AB C-aktier, voting rights 1/10)	2,068,534	0.77	0.08
Total	**267,295,132**	**100.00**	**100,00**

* Source: Share register at Euroclear Sweden AB and Sobi

Shareholders by country



The Sobi share price and trading volume during 2011 *



* Source: SIX Telekurs

Share capital

The share capital at the end of the year amounted to SEK 146,663,999 distributed between 267,295,132 shares, with a quota value of approximately SEK 0.55, of which 265,226,598 ordinary shares and 2,068,534 are C shares. The ordinary shares carry one vote per share and the C shares carry 1/10 of a vote per share.

All C shares are treasury shares and were issued in connection with the long term incentive programs, Share Program 2008, Share Program 2009 and Share Program 2010. The C shares are only entitling the holder to a dividend on the company's distributable profit in an amount equivalent to 10% of the share's quota value. All shares carry equal rights to the company's assets and any surplus in the event of liquidation.

A rights issue with preferential rights for the company's shareholders was completed in June. The issue increased the number of ordinary shares by 53,045,319. Trading in the new shares on NASDAQ OMX Stockholm commenced on 10 June 2011.

Development of share capital and number of shares

	No of shares	Share capital SEK
December 2010	214,249,813	117,558,200
June 2011 Rights issue	53,045,319	29,105,800
December 2011	267,295,132	146,664,000

Analysts coverage

ABG Sundal Collier	Erik Hultgård
Carnegie	Kristoffer Liljeberg Camilla Oxhamre
Danske Bank	Mattias Häggblom
SEB Enskilda	Lars Hevreng
Nordea	Patrik Ling
Swedbank	Susanna Karlsson Li Johan Unnerus
Öhman Fondkommision	Yilmaz Mashid

Short facts Sobi share

Listing	NASDAQ OMX Stockholm
Number of shares:	267,295,132
Market capitalization:	SEK 4.04 billion
Ticker:	SOBI
ISIN	SE0000872095

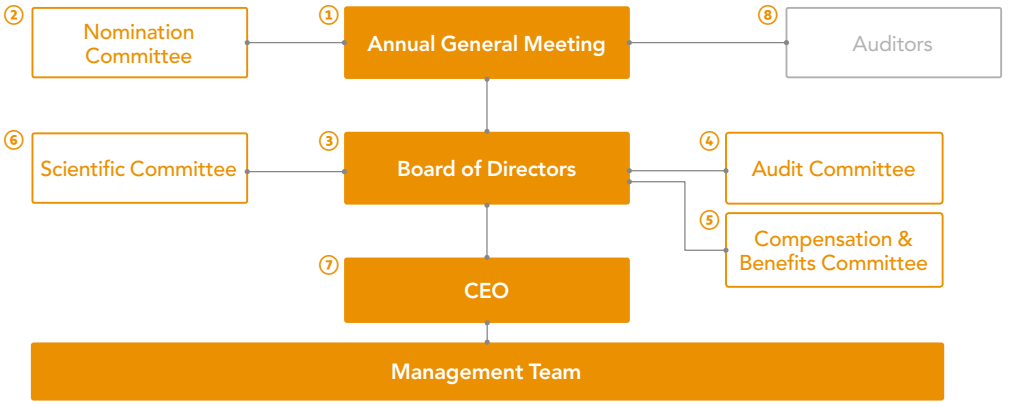
Corporate Governance Report 2011

Major external regulations

- Swedish Companies Act
- Swedish and International accounting law
- NASDAQ OMX Stockholm regulations
- Swedish Code of Corporate Governance

Major internal regulations

- Articles of Association
- Board of Directors' working procedures
- Instructions to the CEO
- Policy documents



① Annual General Meeting

Sobi's highest decision-making body is the Annual General Meeting, at which all shareholders have the right to elect the Board of Directors .The Annual General Meeting also elects the auditor.

② Nomination Committee

The Nomination Committee represents the shareholders and has the sole task of preparing resolutions on election and compensation issues for the Meeting.

③ Board of Directors

The Board of Directors' responsibility for the Group's organization and administration entails satisfactory monitoring of accounting, funds management and financial circumstances in general. The Board also decides on overall objectives, strategies, financial structure, policies, appointment of the CEO and executive compensation, acquisitions, disposals and major investments. The Board approves and adopts the Annual Report and Interim Reports, and is responsible for proposing a dividend, if any, to the Annual General Meeting. The Board bases its work on the work plan for the Board, the instructions to the CEO and the principles governing the division of duties among the CEO, Chairman, Board of Directors and various working committees that the Board has established. The Board's work plan and the instructions to the CEO are revised and updated once a year.

The Chairman leads the Board's work, monitors the Company's development, and ensures that important issues are addressed as needed and that all important decisions are preceded by active and constructive discussions. The Chairman is employed by the Company as executive chairman.

④ Audit committee

The Committee's main duties are to handle the Company's accounting, financial, reporting and audit matters, as well as matters relating to internal control within the Company. The responsibilities of the Committee include an annual discussion of the proposals from the auditors regarding the scope and methods of the audit, examining in advance proposed changes in auditing principles and adjustments of accounting documents that affect the financial reporting, consulting with the management and the auditor regarding compliance with laws and regulations involving financial matters, and annually examining remuneration to the auditors.

⑤ Compensation & Benefits Committee

The task of the Compensation & Benefits Committee is to propose guidelines and principles for the Company's remuneration programs. This responsibility includes oversight and proposals for remuneration to senior executives and proposals for long-term incentive programs, pension plans and other issues relating to remuneration to the Company's employees.

⑥ Scientific Committee

The Committee's tasks include advising on scientific matters, evaluating the Company's research strategies, and following up and reporting to the Board regarding scientific trends and new areas of research.

⑦ CEO/Management team

The Company has a functional organization and the Management Team consists of the CEO and the heads of the most important functions. The Management Team comprises a broad composition of people with deep and extensive experience in R&D, as well as the production and sale of pharmaceuticals. In addition, Management Team members also possess the requisite skills in finance and business, law, human resources and communications. The Team meets once or twice a month, and consisted of 13 members at year-end (including one vacancy). The operative management is based on the decision-making procedure that the Board of Directors established, as reflected in the organizational and management model based on which Sobi works and is governed. At Board Meetings, the CEO and, when necessary, the Chief Financial Officer, General Counsel and other senior executives in the Management present information on matters that require the attention of the Board of Directors.

⑧ Auditors

The Company's auditor, elected at the AGM, audits the consolidated financial statements, as well as the annual accounts of the Parent Company and subsidiaries, and also provides an audit report.

Swedish Orphan Biovitrum AB (Sobi) is a Swedish public limited liability company with its registered office in Stockholm. The Company is listed on NASDAQ OMX Stockholm. In addition to the rules stipulated by law or other statute, the Company applies the Swedish Code of Corporate Governance.

The Company does not deviate from the code. This corporate governance report refers to the 2011 financial year. The report comprises a part of the formal Annual Report and has been reviewed by the Company's auditors.

Shareholders, share capital, the share and voting rights

On 31 December 2011, Sobi had a total of 8,013 (8,661) shareholders. Investor AB was the largest shareholder, holding 40.3% (40.2) of the share capital and 40.5% (40.5) of the voting rights. The 15 largest shareholders accounted for 76.9% (78.5) of the share capital and 77.5% (79.2) of the voting rights. No owner other than Investor AB has a direct or indirect shareholding that represents at least one tenth of the voting rights of all shares in the Company. Sobi's Articles of Association contain no restrictions on how many votes each shareholder may cast at a general meeting.

The Articles of Association do not have any specific provisions regarding the appointment and dismissal of directors, or about amending the articles.

At present, the Board intends to use any future profits for Sobi to finance the continued development and expansion of operations. The Board does not intend to propose any dividend within the foreseeable future.

Annual General Meeting

The Company does not apply any special arrangements relating to the function of the annual meeting of shareholders, either due to provisions in the Articles of Association or, as far as is known to the Company, shareholder agreements. The Articles of Association stipulate that the Annual General Meeting be held in Stockholm. Sobi has not found that the composition of the body of shareholders motivates any particular measures for shareholders being able to follow the Annual General Meeting remotely.

Annual General Meeting 2011

At the AGM on 28 April 2011, directors Bo Jesper Hansen, who was also re-elected as Chairman, Adine Grate Axén, Lennart Johansson and Hans Wigzell were reelected to serve until the 2012 AGM. Helena Saxon and Hans GCP Schikan were elected as new directors. Hans Glemstedt, Wenche Rolfsen, and Michael Steinmetz had declined reelection.

The AGM also resolved on remuneration to the Chairman of the Board and the directors elected by the AGM, see Note 14.

The AGM also resolved on: a new performance-based, long-term share program (Share Program 2011) as well as resolutions on a directed issue of C-shares and authorization for the Board to repurchase issued C-shares. The AGM also resolved to amend the limits in the Articles of Association regarding share capital and number of shares. In addition, the AGM resolved to approve the Board of Directors' resolution on a new issue of common shares with preferential rights for the shareholders. All resolutions were unanimously adopted.

The minutes of the 2011 AGM are available at www.sobi.com.

Extraordinary General Meeting 2011

Sobi held an extraordinary general meeting on 24 August 2011. The EGM approved the Board of Directors' proposal regarding a performance based, long-term share program for the new CEO Geoffrey McDonough. The share program is based on a personal investment in Sobi shares in the market and the allotment requires, among other things, fulfillment of certain performance-based targets related to the development of the price of the Sobi share.

The EGM also resolved to extend the Board of Directors' authorizations, granted by the Annual General Meeting 2011, to issue and repurchase C-shares to also cover the share program for the CEO. In addition, the EGM approved the Board of Directors' proposal regarding transfer of own shares under the CEO share program in order to secure the Company's obligations under the program.

Complete information on each proposal adopted by the General Meeting is available at www.sobi.com.

Nomination Committee

According to the instructions and rules adopted by the AGM on 28 April 2011, the Nomination Committee shall consist of four members, three of whom shall represent the three largest shareholders of the company as of the last banking day of August, 2011. The fourth person shall be the Chairman of the Board, as stipulated in the same resolution. The composition of the Nomination Committee shall be announced at least six months before the AGM.

The members of the Nomination Committee for the AGM 2012:
Petra Hedengran, Investor AB (nomination committee chair)
Roger Johanson, Skandia Liv
Åsa Nisell, Swedbank Robur Fonder AB
Bo Jesper Hansen, Chairman of the board, Sobi

The Nomination Committee has held four meetings.

Annual General Meeting 2012

The Annual General Meeting will be held on Thursday 26 April, 2012, in the Wallenberg hall at the Royal Academy of Engineering Sciences (IVA), see the first page in the formal Annual Report section.

Board of Directors

Composition of the Board of Directors

During the fiscal year 2011 the Board of Directors consisted of six members elected at the AGM on 28 April 2011, as well as two employee representatives and two deputies appointed by the trade unions. Three members were women, including the employee representatives.

Sobi is a specialty pharmaceutical company with a focus on marketing, development, and production of medications to treat rare diseases. The portfolio contains both marketed products and a number of products in late stage clinical development. It is therefore crucial that the members of the Board of Directors have extensive, in-depth experience of marketing and research in the pharmaceutical industry, as well as financial qualifications.

Chairman of the Board

The Chairman of the Board of Directors' duties, apart from leading the Board in its work, include following the development of the Company and ensuring that important matters in addition to those already on the agenda are brought up for discussion as necessary.

The Chairman shall consult with the CEO regarding strategic matters, participate in important external contacts and represent the Company with regard to ownership matters. The Chairman is also responsible for ensuring that the work of the Board is regularly evaluated and that new directors receive adequate training.

The Chairman of the Board is employed by the Company as executive chairman. His duties, in addition to those stipulated under the Companies Act and the Swedish Code of Corporate Governance for the Chairman, include representing the Com-

pany with partners and other stakeholders in the pharmaceutical field and actively participating in acquisition and contract negotiations.

Independence
The Company complies with the independence requirements in the Swedish Code of Corporate Governance's in terms of the majority of the Board members elected at the AGM are independent from the Company and management, and that at least two of them are independent in relation to the larger shareholders.

The table below shows the independence of the directors at the time of publication of this report.

Number of meetings
The Board meets at least five times a year, usually in conjunction with publication of the interim and annual financial statements and the Annual General Meeting. Additional meetings or telephone conferences are scheduled as necessary. The Board carries out an in-depth strategic review of operations during at least one Board Meeting each year.

The Board has scheduled a total of 5 meetings and 3 teleconferences for 2012.

The Board's work in 2011
The Board of Directors held 23 meetings in 2011. The statutory board meeting was held on April 28. Sobi's general counsel has been secretary at the meetings. Other Sobi employees have presented reports. The board met more times than planned due to the appointment of a new CEO, the rights issue and several matters regarding commercial agreements.

Major issues during the year
- Rights issue
- The appointment of new CEO
- Strategic focus of the company
- Proposals for potential acquisitions and collaborations
- Evaluation and amendment to commercial agreements
- Development of project portfolio

Committees

Compensation & Benefits Committee
Sobi's Compensation & Benefits Committee has consisted of three members: Bo Jesper Hansen (chairman), Hans GCP Schikan and Helena Saxon. Hans GCP Schikan and Helena Saxon are independent in relation to senior management. The head of human resources serves as secretary to the committee, but is not a member.

The Compensation & Benefits Committee met five times during the year. The table below shows the attendance and status (independent/dependent) of each director. At these meetings, the Committee discussed and followed up on annual salary revision and bonuses for the CEO and senior management, and made proposals for guidelines, nominations, and allocation in the long-term incentive program. Proposals for guidelines for remuneration to the CEO and senior management will be presented to the Annual General Meeting in April 2012, for the approval of the shareholders.

For information about salaries and benefits for the CEO and senior management, see Note 14.

Audit Committee
Sobi's Audit Committee consists of three members who are independent of management: Lennart Johansson (chairman), Adine Grate Axén and Helena Saxon. The Company's CFO, Lars Sandström, is secretary of the Committee, but is not a member.

The Committee met thirteen times during the year. The table below shows the attendance of each director. The Company's elected auditors also attended four of the meetings. Discussion topics at these meetings included the auditors' planning of the audit, their observations and review of the Company and compensation to the auditors, and the Company's interim reports. The large number of meetings during the year was mainly related to the rights issue, the renegotiation of the Company's credit facilities and the write-down of balance sheet items.

For information on remuneration to the Company's auditors, see Note 15.

	Dependent to		Attendance [3]			
	Company [1]	Owners [2]	Board meetings	Audit Committee	Comp.& Ben. Committee	Shareholding as of 31 Dec 2011
Bo Jesper Hansen, Chairman	•		23/23	–	5/5	8 ,893,846
Hans Wigzell			20/23	–	–	200,000
Lennart Johansson		•	20/23	13/13	–	20,000
Helena Saxon as from 29/4		•	17/23	10/13	3/5	10,000
Wenche Rolfsen up until 28/4			5/23	–	–	–
Hans Glemstedt up until 28/4		•	6/23	3/13	2/5	–
Adine Grate Axén			20/23	13/13	–	32,000
Hans Schikan as from 29/4			16/23	–	3/5	–
Catarina Larsson [4]			21/23	–	–	750
Bo-Gunnar Rosenbrand [4]			22/23	–	–	1,312
Michael Steinmetz up until 28/4		•	5/23	–	2/5	–

[1] Member to be regarded as dependent to both the company and its management
[2] Member to be regarded as dependent to lager principal share holders
[3] Table figures show the total meeting attendance
[4] Employee representative

Scientific Committee
The Scientific Committee has consisted of three members, two of whom are independent of management: Hans Wigzell (chairman) and Hans GCP Schikan. The third member, Bo Jesper Hansen, is not independent of management. The Committee's work in 2011 included advising on acquisitions and licensing in of new research projects. The Committee convened two times during the year, with all three members present.

Remuneration to Board members
The Annual General Meeting held on 28 April 2011 resolved that for the period up until the next Annual General Meeting, a Board remuneration of SEK 1,480,000 shall be paid of which SEK 250,000 shall be paid to each director elected by the Annual General Meeting with the exception of the Chairman of the Board, who will not receive any remuneration for work on the Board. For work on the Audit Committee, a fee of SEK 75,000 will be paid to the Chairman of the committee and SEK 40,000 to each of the other committee members. For work on the Scientific Committee a fee will be paid amounting to SEK 50,000 to the Chairman of the committee and SEK 25,000 to each of the other committee members. No fee will be paid for work on the Compensation and Benefits Committee.

For a specification of remuneration to the Board, see Note 14.

Changes in the Board of Directors
The AGM in April 2011 elected Helena Saxon and Hans GCP Schikan as new Board members. Hans Glemstedt, Wenche Rolfsen and Michael Steinmetz declined re-election.

Management Team
Each year, the Board of Directors establishes the distribution of work between the Board of Directors, the chairman of the Board, and the CEO. The operative management is based on the decision-making procedure that the Board of Directors established. The decision-making procedure stipulates which matters require approval or confirmation by the Board of Directors. This is subsequently reflected in the organization and management model that forms the basis of the Company's management and operation. At Board Meetings, the CEO and, when necessary, the Chief Financial Officer, General Counsel and other senior executives in the Management Team present information on matters that require the attention of the Board of Directors. The Company has a functional organization and the Management Team consists of the heads of the most important functions, who meet once or twice a month.

At year-end the Management Team consisted of 13 members. The Management Team comprises a broad composition of people with deep and extensive experience in R&D, as well as the production and sale of pharmaceuticals. In addition, the members of the Management Team have the requisite background in finance and accounting, law, human resources and communications.

New CEO commencing in August
Geoffrey McDonough was appointed President and CEO of Sobi as of 15 August 2011. He succeeded Kennet Rooth, who had served as acting CEO since 1 January 2011. Geoffrey McDonough came most recently from Genzyme Corporation where he was head of operations in Europe, the Middle East and Africa

For a presentation of the Management Team, see pages 22–23.

Remuneration to senior management
In order to attract and keep competent employees, Sobi has established long-term incentive programs. The CEO, senior management, all managers and a number of other key persons receive a fixed salary and a variable salary. The variable salary, which shall be in accordance with a system adopted by the Board of Directors, is based on both overall company goals and individual goals. The variable salary may amount to a maximum of 20–50% of annual salary. For more information, see Note 14.

System for internal control and risk management over the financial reporting

The Board is responsible for internal control in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance. Below the Board presents the most important features of the system for internal control and risk management as regards financial reporting. During 2011, efforts to streamline and develop the processes in the accounting department have continued.

The internal control environment at Sobi follows the established framework, Internal Control – Integrated Framework "COSO," which consists of the following five components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Follow-up.

Control Environment
The control environment constitutes the basis of the Company's internal controls. The control environment mainly comprises the culture based on which the Board and corporate management communicate and work.

This culture includes values, management philosophy, procedures and policies. The following is a more detailed description of the constituent elements. The basis of the internal control of the financial reporting is comprised by the control environment, which includes organization, decision-making processes, authority and responsibilities that are documented and communicated in governing documents such as internal policies, guidelines, manuals and codes.

All of the guidelines for Sobi's activities can be found on the Company's intranet. The content includes the following:

- The Group's business concept, vision, strategies, goals and values.
- Organizational structure and descriptions of positions.
- Administrative processes, guidelines and instructions such as authorities, authorization instructions, risk management, purchasing and investment policy, workplace health and safety, accounting and reporting instructions, and more.
- Information about the Company's values, expertise issues and the regulatory environment in which the Company is active.

Risk assessment
Effective risk assessment unites Sobi's business opportunities and results with the requirements of shareholders and other interested parties for stable, long-term value growth and control.

Structured risk assessment or risk management make it possible to a) identify the important risks that affect the internal controls with regard to financial reporting and b) identify where these risks are, i.e., at what level in the Company. Risk management is intended to minimize the number of risk factors within financial reporting, and to ensure that the opportunities available within the Company are used in the best possible way.

The operating units carry out risk analyses regarding financial reporting to identify and assess risks in the various accounting and reporting processes. Work in 2011 included monitoring the units' work with process-based control, monitoring and reporting on internal governance and control. Risk work is reported quarterly to the Management Team, Audit Committee and Board.

Control activities
After identifying risks relating to financial reporting, Sobi has developed several control activities. These activities are implemented in all areas that affect financial reporting. The purpose of the control activities is to prevent, detect and correct errors and irregularities. Activities include analytical monitoring and

comparison of financial performance or entries, account reconciliation, monitoring, checking Board decisions and the Board's established policies and procedures, approval and reporting of business transactions and agreements, mandate and authorization instructions, as well as accounting and valuation principles.

Controllers' responsibility for maintaining internal controls within each area is being developed within the Company. They follow up activities through a variety of controls, such as forecasting and budgets follow-up, income and balance sheet analysis, reconciliations, as well as trend analysis and business intelligence. The result of this work is reported to the management of each business area, as well as to the executive management and Board. Independent Swedish and foreign authorities perform regular tests and checks of Sobi's production environment. These inspections primarily focus on production-related procedures. The outcome of these controls and inspections is followed up by Sobi's Management Team.

Information and communication

Sobi has information and communication channels aimed at ensuring efficient and accurate information services relating to financial reporting. Guidelines for financial reporting are communicated to employees through policies and are made accessible through the Company's intranet. Meetings are held within the Company at management level, then at the level that each department head considers appropriate, as well as several large meetings at which all employees participate.

The Board of Directors receives regular financial updates relating to the Group's financial position and performance.

Procedures for providing external information aim to provide the market with relevant, reliable and correct information concerning Sobi's development and financial position. Sobi has a communications policy meeting the requirements for a listed company.

To assess the materiality of information and ensure timely communication of important information to the market, a Disclosure Committee has been formed that includes the CEO, CFO, General Counsel and the head of Communications.

Financial information is regularly presented in the form of:

- Interim reports and full-year reports, published as press releases.
- The Annual Report.
- Press releases on all matters which could materially affect the valuation of the Company and the share price.
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of full-year and quarterly results and in conjunction with the release of important news.
- Meetings with financial analysts and investors.

All reports, presentations and press releases are published simultaneously at: www.sobi.com

Follow-up

The Board and the Audit Committee decide on the arrangements for monitoring of internal controls. Sobi's Chief Financial Officer is responsible for ensuring compliance with the internal controls in compliance with the resolution of the Board of Directors. Follow-up is done on various levels in the Group.

The Board deals with all quarterly financial statements and the annual report before publication, and monitors auditing of internal controls, especially those carried out by external auditors, through the Audit Committee. The information provided is evaluated regularly. The Company's auditors personally report their observations and assessment of internal controls to the Audit Committee.

Internal audit

Sobi does not have a separate internal audit function, but has chosen to carry out the follow-up and the annual evaluation of the compliance of the internal control over the financial reporting through the existing organization. The Board and the Audit Committee regularly reconsider the question of the establishment of an internal audit function.

Violation

The Company has not violated any of the rules of the stock exchange where the Company's shares are listed or any good practices of the Swedish stock market.

Board of Directors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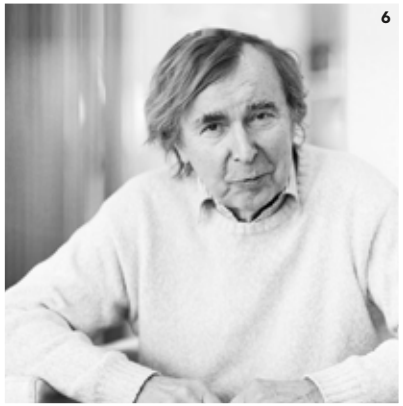
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1 Bo Jesper Hansen

Born 1958.
Board member since 2010, Chairman since 2010.
MD with a Ph.D. from Copenhagen University.

Other appointments: Board member of MipSalus ApS, TopoTarget A/S, Zymenex A/S, Gambro AB, Hyperion Therapeutics Inc., Genspera Inc., Orphazyme ApS and CMC Kontrast AB.
Previous appointments: Various positions in Swedish Orphan International AB since 1993, CEO 1998–2010. Medical advisor for Synthélabo, Pfizer, Pharmacia and Yamanouchi. Founder of Scandinavian Medical Research.

Shares: 8,893,846

2 Adine Grate Axén

Born 1961.
Board member since 2010.
MBA from Stockholm School of Economics, Harvard AMP.

Other appointments: Chairman of Nasdaq OMX Stockholm's Listing Committee and Alhanko & Johnson AB. Advisor and working board member of HI3GS Holding AB. Board member of Sampo OY, 3G Infrastructure Services AB. Vice Chairman Sjunde AP-Fonden, Adine Grate AB and Swedavia AB.
Previous appointments: Member of the Commission for the sale of shares in companies with state ownership. Board member of Gambro AB, OMX AB 1994–2007, various senior management positions and Board assignments within Investor AB and member of the management group 1999–2007. Board member of Acne Studios Holding AB, Micaro AB, EDB Ergo Group AS, and Carnegie Investment Bank AB.

Shares: 32,000

3 Lennart Johansson

Born 1955.
Board member since 2010.
MBA from Stockholm School of Economics.

Other appointments: Member of the management team and Head of the Financial Investments group at Investor AB. Board member of Hi3G and Lindorff group.
Previous appointments: CEO in b-business partners and Emerging Technologies AB. Board member of SAAB AB, Acti AB, Syncron International AB, IBX Group AB, Gambro Holding AB, Gambro Hospal AB and Management Participation Programme (MPP) BCT AB. Chairman of Invifed AB with subsidiaries and Cator Holding AB. Board member of Mölnlycke group, Indap Sweden AB with subsidiaries (including Gambro AB).

Shares: 20,000

4 Helena Saxon

Born 1970.
Board member since 2011.
MBA from Stockholm School of Economics.

Other appointments: Investment Manager at Investor AB, Board member of Gambro AB.
Previous appointments: CFO of Hallvarsson & Halvarsson, CFO of Syncron International and Vice President of Investor AB.

Shares: 10,000

5 Hans GCP Schikan

Born 1958.
Board member since 2011.
Pharm.D, Utrecht University.

Other appointments: CEO of Prosensa, Holland. Executive Board member of Top Institute Pharma. Member of Advisory Board BioScience Park Leiden.
Previous appointments: Chairman of Dutch Association of the Innovative Pharmaceutical Industry, Nefarma. Various senior management positions within previous Organon and Genzyme.

Shares: 0

6 Hans Wigzell

Born 1938.
Board member since 2005.
Med Dr. h.c., Professor Immunology.

Other appointments: Chairman of Karolinska Development AB and Rhenman & Partners Asset Management AB. Board member of RaySearch Laboratories AB (publ), Intercell AG, HuMabs AG and AVI Biopharma and AB Wigzellproduktion. Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences.
Previous appointments: President of Karolinska Institutet. Board member of NeoDynamics AB, PROBI AB and Diamyd Medical AB.

Shares: 200,000

7 Catarina Larsson

Born 1952.
Employee Representative.
Laboratory engineer.
Board member since 2001.

Representative of Federation of Salaried Employees in Industry and Services.

Shares: 750

8 Bo-Gunnar Rosenbrand

Born 1963.
Employee Representative.
Laboratory engineer.
Deputy board member 2001– 2005. Board member since 2006.

Representative of Federation of Salaried Employees in Industry and Services.

Shares: 1,312

Mikael Winkvist

Authorized Public Accountant
PricewaterhouseCoopers AB

Group Management

1 Geoffrey McDonough

Born 1970.
Chief Executive Officer .
Employed since 2011.
Medical doctor, M.D., Harvard Medical School, B.Sc. in Biology and B.A. in Philosophy from University of North Carolina.

Previous positions: Various senior positions within Genzyme Corporation since 2002, latest as President of Europe, Middle East and Africa 2010–2011. General Manager, Personalized Genetic Health 2008–2010, Head of and Global Business leader, LSD Therapeutics USA 2005–2008. Before Genzyme he was working as an Paediatrician in USA and was also President, and Co-founder of Catalyst Medical Solutions Inc.

Shares: 186,701

2 Alan Raffensperger

Born 1960.
Chief Operating Officer.
Employeed since January 2012.
B.Sc.in Health Service Management, University of Maryland, Baltimore, USA.

Previous positions: CEO of Benechill Inc.,USA, Executive Director, Head of Nephrology at Amgen 2008–2010, General Manager of the Nordic and Baltic region at Amgen 2005–2008, Sales and Marketing Director at Roche Pharmaceuticals, Sweden 1999–2004, Vice President, Global Marketing Diabetes Care, Roche Diagnostics 1996–1998, Business Director Europe, Diabetes Care at Boeringher Mannheim 1994–1996. Leading positions within Pharmacia in Sweden and USA.

Shares: 12,250

3 Göran Arvidson

Born 1960.
Vice President, Head of Corporate Strategy.
Employed since 2001.
B.Sc. in Economics and Business Administration from Stockholm School of Economics.

Other appointments: Deputy board member of M&D Selection AB.
Previous positions: CFO of Biovitrum and Sobi 2001–2011. Various senior positions primarily within economics, finance and business development at Procordia AB, Pharmacia AB and Pharmacia Upjohn. Actively involved in all major transactions within Procordia/Pharmacia, the acquisition of Pharmacia in 1989, Carlo Erba in 1993, the merger of Pharmacia and Upjohn in 1995, and the acquisition of Monsanto in 1999.

Shares: 152,456

4 Fredrik Berg

Born 1955.
Vice President , General Counsel and Head of Legal & Intellectual Property, Risk- Safety and Environment Management.
Employed since 2001.
Master of Law.

Previous positions: Head of Legal/Intellectual Property at Pharmacia AB and General Counsel for Pharmacia Europe, Middle East, and Africa 1997–2001. Law firm Lindahl 1996–1997. Procordia, Kabi Pharmacia and Pharmacia & Upjohn and various positions as company lawyer and head of legal services at KabiVitrum 1988–1996. Law firm Tisell & Co 1984–1988.

Shares: 61,544

5 Maria Berggren

Born 1961.
Vice President, Head of Human Resources.
Employed since 2005.
Behavioural science degree.

Previous positions: People Relationship Manager for Technology Services at Cap Gemini Sverige AB, People Relationship Manager for the Nordic activities within Cap Gemini Ernst & Young Telecom & Media and various senior human-resources positions within Ericsson AB. Consultant in human resources and management development.

Shares: 4,803

6 Anders Edvell

Born 1969.
Vice President, Head of Global Marketing and Product area Partner Products .
Employed since 2006.
M.D., Ph.D., MBA from Stockholm School of Economics, degree in launching strategy from SIMI (Copenhagen) and degree in pharmaceutical medicine from ECPM University (Basel).

Other appointments: Board member of LFF Service AB
Previous positions: Country Manager in Swedish Orphan International, Northern European Regional Director at Sobi and a number of international and national positions within Swedish and foreign pharmaceutical compaies.

Shares: 7,842

7 Stefan Fraenkel

Born 1972.
Vice President, Head of Corporate Development
Employed since 2009.
Ph.D. in International Economics & Management, MBA from Copenhagen Business School and BSc engineering degree from Chalmers University of Technology.

Previous positions: Various international senior positions within Wyeth 2001–2009 (including Global Brand Director and Business Operations Director and Business Development). Management consultant.

Shares: 9,170

8 Lena Nyström

Born 1956.
Vice President, Head of Manufacturing Operations
Employed since 2001.
M.Sc. in Chemistry at KTH in Stockholm.

Previous positions: Joined Kabi Vitrum in 1984. From 1995 various management positions within process development and manufacturing in Kabi Pharmacia AB, Pharmacia AB and Pharmacia Upjohn.

Shares: 6,572

9 Lars Sandström

Born 1972.
Chief Financial Officer.
Employed since 2010.
MSc Business Administration.

Previous positions: Head of Finance in Sobi. Various leading positions both in Sweden and internationally in the area of Finance within Scania.

Shares: 5,550

10 Åsa Stenqvist

Born 1947.
Vice President, Head of Investor Relations and Communications, (acting).
Employed since 2011.
B.A. in Business Administration and Economics, Stockholm University, and degree in market communication DIHR, Stockholm University, Poppius School of Journalism.
Previous positions: Head of group staff Communications and Investor Relations and member of group management of Husqvarna AB 2005–2010. Various leading positions in communication at AB Electrolux 1982–2005, including Vice President, head of Investor Relations and Financial Information 1993–2005 and head of Investor Relations within Mergers & Acquisitions 1988–1993.

Shares: 0

11 Wills Hughes-Wilson

Born 1971.
Vice President, Head of Government Affairs & Policy.
Employed since February, 2012.
Honors graduate in Law from University of Durham in the UK.
Previous positions: Vice President Health/Market Access Policy, Europe with Genzyme Corporation, 2005–2012. Executive Director of Emerging Biopharmaceutical Enterprises (EBE), a specialized group of the European Federation of Pharmaceuticals Industries & Associations (EFPIA).

Shares: 4,450

12 Stephen James

Born 1966.
Vice President. Head of Drug Design and Development.
Employed since 2001.
PhD in Biochemistry and Cell Biology, University of Leeds, UK. BSc (Hons) in Biochemistry and Microbiology, University of St. Andrews, UK.

Previous positions: A number of management positions in Research and Pre-Clinical Development in Pharmacia & Upjohn, Pharmacia Corporation and Biovitrum AB. Prior to this, University of Dundee Research Fellow, UK.

Shares: 4,319

13 Cecilia Förberg

Born 1956.
Vice President, Head of Project and Portfolio Management.
Employed since 2001.
M.Sc. in Chemical Engineering and Ph.D. in Biochemical Engineering from the Royal Institute of Technology in Stockholm.

Previous positions: Joined Kabi Pharmacia in 1989 and has held Various project leader and management positions, primarily within biopharmaceutical process development in Kabi Pharmacia, Pharmacia and Pharmacia Upjohn.

Shares: 5,020

Group's statement of comprehensive income

SEK THOUSANDS	Note	2011	2010
	1–4		
Total revenues	6–7	1,910,834	1,906,741
Cost of goods and services sold		–936,264	–685,720
Gross profit		**974,570**	**1,221,021**
Sales and administration expenses	15	–804,462	–746,777
Research and development expenses		–555,719	–558,753
Non-recurring items	8	–80,404	–87,745
Other operating revenue	10	201,055	234,108
Other operating expenses	11	–53,656	–72,123
Operating profit/loss	9, 12, 14, 16, 19, 31	**–318,616**	**–10,269**
Financial income	17	10,504	–4,731
Financial expenses	18	–62,733	–77,439
Financial items – net		**–52,229**	**–82,170**
Profit/loss before tax		–370,845	–92,439
Income tax expense	20	388,772	–12,012
Profit/loss for the year		**17,927**	**–104,451**
Other comprehensive income [1]			
Translation difference		–244	–1,754
Comprehensive income for the year		**17,683**	**–106,205**
Earnings/loss per share (SEK) [2]		0.07	–0.47
Earnings/loss per share after full dilution (SEK) [2]		0.07	–0.47
Number of shares (ordinary)		265,226,598	212,181,279
Average number of shares		242,119,185	198,741,374
Outstanding warrants		300,000	315,000
Number of shares after full dilution		265,226,598	212,804,979
Average number of shares after full dilution		242,119,185	199,371,494

[1] In correspondence with Revised IAS 1 all changes in equity that do not arise from transactions with owners should be reported in statement of comprehensive income. Translation differences does entirely concern equity in foreign subsidiary.
[2] For calculation, see disclosure "Changes in Equity" Earnings per share have been adjusted for the rights issue completed in June 2011.

Group balance sheet

SEK THOUSANDS	Note	2011-12-31	2010-12-31
ASSETS	1–4		
Fixed assets			
Intangible fixed assets	21	4,885,077	5,224,294
Tangible fixed assets	22	155,941	251,446
Financial fixed assets	24	11,410	10,033
Deferred income tax assets	25	–	11,800
Total fixed assets		**5,052,428**	**5,497,573**
Current assets			
Inventories	26	893,819	1,070,434
Accounts receivable, trade	27,30	309,631	322,618
Other receivables	27	49,885	63,564
Prepaid expenses and accrued income	28	174,727	76,892
Liquid funds	29,30	219,043	38,469
Total current assets		**1,647,105**	**1,571,977**
TOTAL ASSETS		**6,699,533**	**7,069,550**

SEK THOUSANDS	Note	2011-12-31	2010-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		146,664	117,559
Other capital contribution		4,841,762	4,267,494
Other reserves		–29,731	–29,487
Retained Earnings		–12,951	93,010
Net result		17,683	–106,205
Shareholders' equity referring to the owners of the parent company		**4,963,427**	**4,342,371**
Liabilities			
Long-term liabilities			
Deferred income tax liabilities	25	352,684	759,209
Other liabilities	32	700,000	1,022,452
Provisions for other liabilities and charges	33	6,719	188,380
Total long-term liabilities		**1,059,403**	**1,970,041**
Short-term liabilities			
Liabilities to credit institutions	32	–	164,286
Accounts payable		287,971	289,367
Current tax liabilities		13,088	46,212
Other liabilities		41,878	52,204
Accrued expenses and prepaid revenues	34	333,766	196,632
Other provisions	33	–	8,437
Total short-term liabilities		**676,703**	**757,138**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**6,699,533**	**7,069,550**

Group statement of changes in equity

SEK THOUSANDS	Share capital	Other capital contribution	Other reserves	Profit/loss carried forward	Total share-holders' equity
Shareholders' equity, January 1 2010	**27,936**	**1,261,336**	**–27,733**	**91,256**	**1,352,795**
Changes in accounting principles[1]		–58,753			–58,753
Adjusted shareholders' equity, January 1 2010	**27,936**	**1,202,583**	**–27,733**	**91,256**	**1,294,042**
Comprehensive income					
Net profit/loss for the year	–	–	–	–104,451	–104,451
Comprehensive income	**–**	**–**	**–**	**–104,451**	**–104,451**
Other comprehensive income					
Translation differences	–	–	–1,754	–	–1,754
Transactions with shareholders'					
Share based compensation	–	8,511	–	–	8,511
Redemption of shares	–	–852	–	–	–852
Issue of shares	89,623	3,057,252	–	–	3,146,875
Sum transactions with shareholders'	**89,623**	**3,064,911**	**–**	**–**	**3,154,534**
Shareholders' equity, Dec 31 2010	**117,559**	**4,267,494**	**–29,487**	**–13,195**	**4,342,371**
Shareholders' equity, January 1 2011	**117,559**	**4,267,494**	**–29,487**	**–13,195**	**4,342,371**
Comprehensive income					
Net profit/loss for the year	–	–	–	17,927	17,927
Comprehensive income	**–**	**–**	**–**	**17,927**	**17,927**
Other comprehensive income					
Translation differences	–	–	–244	–	–244
Transactions with shareholders'					
Share based compensation	–	9,329	–	–	9,329
Issue of shares	29,105	564,939	–	–	594,044
Sum transactions with shareholders'	**29,105**	**574,268**	**–**	**–**	**603,373**
Shareholders' equity, Dec 31 2011	**146,664**	**4,841,762**	**–29,731**	**4,732**	**4,963,427**

[1] As a consequence of adopting new accounting principles, IFRS 3, as from January 1, 2010, prepaid expenses related to acquisition in progress as per December 31, 2009, has been charged to equity as an adjustment of opening balances.

Swedish Orphan Biovitrum's share capital at year-end was SEK 146,663,999 shared between 267,295,132 shares with a par value of around SEK 0.55. The issued shares break down as 265,226,598 ordinary shares and 2,068,534 C shares. The ordinary shares carry one vote per share and the C shares carry 1/10 vote per share. All C shares are treasury shares. These shares represent 0.8% of the total number of shares in the company. The issue of shares was based on the long-term share program.

Earnings per share

Earnings per share before dilution is calculated by comparing the part of the profit that belongs to the shareholders of the parent company, divided with an average of outstanding ordinary shares during the period, with exclusion of redempted shares.

	2011	2010
Net profit/loss referable to shareholders of the Parent company	17,927	–104,451
Average number outstanding ordinary shares (thousands)[1]	242,119	198,741
Earnings per share before dilution[2] (SEK per share)	0,07	–0,47

The average number of outstanding ordinary shares have been adjusted with all potential ordinary shares, in order to calculate the earnings per share after dilution.

	2011	2010
Net profit/loss referable to shareholders of the Parent company	17,927	–104,451
Average number outstanding ordinary shares for calculation of earnings per share after dilution (thousands)[1]	242,119	199,371
Earnings per share after dilution[2] (SEK per share)	0,07	–0,47

[1] The difference between 198,741 and 199,371 consist of outstanding warrants.
[2] Earnings per share have been adjusted for the rights issue in June 2011.

Group cash flow statement

SEK THOUSANDS	2011	2010
Operations		
Profit/loss for the year	17,927	–104,451
Adjustment for items not affecting cash flow	100,396	354,148
Cash flow from operations before change in working capital	**118,323**	**249,697**
Change in working capital		
Decrease (+) / Increase (–) in inventories	86,522	–399,275
Decrease (+) / Increase (–) in operating receivables	–99,138	245,722
Increase (+) / Decrease (–) in operating liabilities	–2,777	–311,252
Cash flow from operations	**102,930**	**–215,108**
Investment activities		
Investment in operation[1]	–29,768	–1,811,293
Investment in intangible fixed assets	–7,641	–80,692
Investment in tangible fixed assets	–7,664	–42,109
Divestment tangible fixed assets	1,320	1,389
Divestment of short term financial assets	–	48,359
Cash flow from investment activities	**–43,753**	**–1,884,346**
Financing activities		
Loans – Raising/Amortization	14,286	1,211,023
Issue of shares	594,044	1,415,003
Redemption of shares	–	–852
Repayment of bank loan	–486,763	–743,426
Cash flow from financing activities	**121,567**	**1,881,748**
Net change in liquid funds	**180,744**	**–217,706**
Liquid funds at beginning of year	**38,469**	**258,280**
Exchange rate differences in liquid funds	**–170**	**–2,105**
Liquid funds at end of year	**219,043**	**38,469**

[1] Investment in operation during 2010 is mainly related to the acquisition of Swedish Orphan.

Supplementary data to the Cash Flow Statement – Group

SEK THOUSANDS	2011	2010
Interest paid and received		
Interest received	2,856	2,212
Interest paid	51,509	34,328
Adjustments for items not affecting cash flow		
Amortization/depreciation and write down of assets	276,026	355,524
Write-down of financial asset	–4,888	20,073
Write-down of inventory and accounts receivable	117,990	–
Unrealized exchange rate differences	–	–932
Capital gain/loss from divestment of tangible fixed assets	177,025	6,207
Revaluation of present value of long-term liability	3,051	2,200
Allocation of costs for options	9,329	8,513
Revaluation of financial fixed assets	75	–
Pensions	6,594	13,367
Deferred tax	–394,725	–26,491
Additional purchase price Multiferon	–148,730	–
Restructuring costs	67,685	–18,760
Other items	–9,036	–5,553
	100,396	**354,148**

SEK THOUSANDS	2011	2010
Acquisition of subsidiaries		
Acquired assets and liabilities		
Intangible fixed assets	–	2,707,932
Tangible fixed assets	–	14,076
Inventories	–	95,546
Operating receivables	–	233,401
Liquid funds	–	122,240
Total assets	**–**	**3,173,195**
Deferred tax liabilities	–	–737,514
Operating liabilities	–	–245,146
Total liabilities	**–**	**–982,660**
Purchase sum	–	3,744,627
Less:		
Issue in kind	–	–1,656,760
Discounted value est. future additional purchase price	–	–165,000
Purchase sum paid	**–**	**1,922,867**
Less:		
Liquid funds in acquired operation	–	–122,240
Effect on liquid funds	**–**	**1,800,627**
Liquid funds		
Liquid funds include the following:		
Cash and bank balances	219,043	38,469
Short-term investments equivalent to liquid funds	–	–
	219,043	**38,469**

Liquid funds include only cash and bank balances.

Parent company income statement

SEK THOUSANDS	Note	2011	2010
	1–4		
Total revenues	6–7	1,170,073	1,185,888
Cost of goods and services sold		–647,222	–410,848
Gross profit		**522,851**	**775,040**
Sales and administration expenses	15	–380,091	–356,964
Research and development expenses		–534,725	–528,632
Non-recurring items	8	–77,898	–81,397
Other operating revenues	10	1,022,998	213,702
Other operating expenses	11	–29,865	–38,884
Operating profit/loss	9, 12, 14, 16, 19, 31	**523,270**	**–17,135**
Result from participation in Group companies	13	–538	–6,217
Financial income	17	11,077	–607
Financial expenses	18	–64,987	–80,787
Financial items – net		**–54,448**	**–87,611**
Profit/loss before tax		468,822	–104,746
Income tax expense	20	77,406	–
Profit/loss for the year		**546,228**	**–104,746**

Parent company statement of comprehensive income

SEK THOUSANDS	2011	2010
Profit/loss for the year	546,228	–104,746
Other comprehensive income	–	–
Comprehensive income for the year	**546,228**	**–104,746**

Parent company balance sheet

SEK THOUSANDS	Note	2011-12-31	2010-12-31
ASSETS	1–4		
Fixed assets			
Intangible fixed assets	21	665,872	833,439
Tangible fixed assets	22	143,494	237,103
Shares in Group companies	23	4,015,630	4,413,948
Financial fixed assets	24	141,313	684
Total fixed assets		**4,966,309**	**5,485,174**
Current assets			
Inventories	26	716,845	927,467
Accounts receivable	27	68,682	136,165
Current receivables	27	58,160	36,271
Receivables from Group companies		805,664	22,875
Prepaid expenses and accrued revenues	28	169,145	71,205
Cash and bank balances	29	175,025	9,083
Total current assets		**1,993,521**	**1,203,066**
TOTAL ASSETS		**6,959,830**	**6,688,240**

SEK THOUSANDS	Note	2011-12-31	2010-12-31
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´ equity			
Restricted equity			
Share capital		146,664	117,559
Statutory reserve		800,257	800,257
Total restricted equity		**946,921**	**917,816**
Non-restricted equity			
Share premium reserve		4,104,780	3,530,512
Profit/loss carried forward		–67,903	32,313
Net profit/loss for the year		546,228	–104,746
Total unrestricted equity		**4,583,105**	**3,458,079**
Total shareholders' equity		**5,530,026**	**4,375,895**
Liabilities			
Long-term liabilities			
Other liabilities	32	700,000	1,022,452
Provisions for other liabilities and charges	33	–	171,100
Total long-term liabilities		**700,000**	**1,193,552**
Current liabilities			
Liabilities to credit institutions	32	–	164,286
Accounts payable		193,132	237,086
Liabilities to Group companies		256,253	545,643
Other liabilities		6,567	5,259
Accrued expenses and prepaid revenues	34	273,852	158,212
Other provisions	33	–	8,307
Total current liabilities		**729,804**	**1,118,793**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**6,959,830**	**6,688,240**
Pledged assets – Parent Company			
Pledged assets	35	3,975,588	3,904,318

Parent company change in shareholders' equity

	RESTRICTED EQUITY		UNRESTRICTED EQUITY		
SEK THOUSANDS	Share capital	Statutory reserve	Share premium reserve	Profit/loss carried forward	Total share-holders' equity
Shareholders' equity, Jan 1 2010	**27,936**	**800,257**	**464,750**	**33,164**	**1,326,107**
Issue of shares	89,623		3,057,252	–	3,146,875
Redemption of shares	–	–	–	–851	–851
Share based compensation	–	–	8,510	–	8,510
Comprehensive income for the year	–	–	–	–104,746	–104,746
Shareholders' equity, Dec 31 2010	**117,559**	**800,257**	**3,530,512**	**–72,433**	**4,375,895**
Shareholders' equity, Jan 1 2011	**117,559**	**800,257**	**3,530,512**	**–72,433**	**4,375,895**
Issue of shares	29,105	–	564,939	–	594,044
Liquidation Gains	–	–	–	4,530	4,530
Share based compensation	–	–	9,329	–	9,329
Comprehensive income for the year	–	–	–	546,228	546,228
Shareholders' equity, Dec 31 2011	**146,664**	**800,257**	**4,104,780**	**478,325**	**5,530,026**

Swedish Orphan Biovitrum's share capital at year-end was SEK 146,663,999 shared between 267,295,132 shares with a par value of around SEK 0.55. The issued shares break down as 265,226,598 ordinary shares and 2,068,534 C shares. The ordinary shares carry one vote per share and the C shares carry 1/10 vote per share. All C shares are treasury shares.

Parent company cash flow statement

SEK THOUSANDS	2011	2010
Operations		
Loss for the year	546,228	–104,746
Adjustment for items not affecting cash flow	–658,793	209,102
	–112,565	**104,356**
Tax paid	–	–
Cash flow from operations before change in working capital	**–112,565**	**104,356**
Change in working capital		
Decrease (+) / Increase (–) in inventories	120,529	–349,069
Decrease (+) / Increase (–) in operating receivables	–140,001	129,967
Increase (+) / Decrease (–) in operating liabilities	67,509	–101,407
Cash flow from operations	**–64,528**	**–216,153**
Investment activities		
Acquisition of subsidiaries[1]	–29,785	–1,933,533
Investments in intangible fixed assets	–5,975	–5,068
Investments in tangible fixed assets	–5,522	–39,428
Investment in financial fixed assets	–	1,372
Divestment of short-term financial assets	–	48,359
Cash flow from investment activities	**–41,282**	**–1,928,298**
Financing activities		
Loan – Raising	14,286	1,211,023
Issue of shares	594,044	1,415,003
Redemption of shares	–	–852
Amortization of loans	–336,739	–729,617
Cash flow from financing activities	**271,591**	**1,895,557**
Net change in liquid funds	**165,781**	**–248,894**
Liquid funds at beginning of year	**9,083**	**257,977**
Cash added due to merger	**161**	–
Liquid funds at end of year	**175,025**	**9,083**

[1] Acquisition of subsidiaries during 2010 is mainly related to the acquisition of Swedish Orphan.

Supplementary disclosures to the Cash Flow Statement – Parent Company

SEK THOUSANDS	2011	2010
Interest paid and received		
Interest received	2,287	2,067
Interest paid	51,358	36,957
Adjustments for items not affecting cash flow		
Amortization/depreciation and write down of assets	374,278	184,582
Unrealized exchange rate differences	–	–932
Revaluation of present value of long-term liabilities	3,083	6,371
Capital gain/loss from divestment of fixed assets	–	1,007
Revaluation of deferred tax	–135,773	–
Allocation of costs for options	9,329	8,513
Appropriation for pensions	7,603	2,870
Internal transfers of operations	–985,000	–
Write-down of shares in subsidiaries	–	1,119
Write-down of financial fixed asset	–	19,303
Restructuring costs	67,685	–18,760
Other items	2	5,029
	–658,793	**209,102**
Liquid funds		
Liquid funds include the following:		
Cash and bank balances	175,025	9,083
	175,025	**9,083**

Liquid funds include only cash and bank balances.

Notes

Note 1

General information

Swedish Orphan Biovitrum AB (publ), company registration number 556038-9321, the parent company and its subsidiaries, collectively the Group, is a public, listed pharmaceutical company that markets specialist pharmaceuticals in a number of regions.

Revenues, including royalties and contract fees, finance most of the annual research budget.

The parent company is a limited company registered and headquartered in Stockholm, Sweden. The head office address is Tomtebodavägen 23A, Solna, Sweden.

The company has been listed as a mid-cap company on the Stockholm stock exchange (now NASDAQ OMX Stockholm) since September 15, 2006.

Note 2

Significant accounting principles and basis for preparation of the parent company's and the consolidated financial statements

Summary of significant accounting principles for Groups

The primary accounting principles applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the years presented unless otherwise indicated.

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1, supplementary Accounting Rules for Groups, and the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements have been prepared according to the historical cost convention except in the case of financial assets and financial assets and liabilities (including derivative instruments) measured at fair value through profit and loss.

Standards, amendments and interpretations that went into effect in 2011

By the standards that took effect in 2011 is not deemed to have any effect on the group.

New standards, amendments and interpretations to existing standards which have not yet entered into force and which has not been applied in advance by the Group.

IAS 19 "Employee Benefits" (not adopted by the EU) was amended in June 2011 and shall apply not later than for fiscal years beginning 1 January 2013. The change means that it will no longer be permitted to apply the corridor approach and instead to actuarial gains and losses recognized in other comprehensive income as incurred. Cost of past service will be reported immediately. Interest cost and expected return on plan assets. will be replaced by a net interest calculated using the discount rate, based on the net surplus or net deficit in the defined benefit plan. From 1 January 2012, the group will stop applying the "corridor method" in the current IAS 19 and instead recognize all actuarial gains and losses in other comprehensive income as incurred. Previous years' unrecognized actuarial losses, SEK 27.8 M before tax, will be reported as a change in accounting principle, directly against the opening balance of equity. This means that the introduction of the new IAS 19 will only have a limited effect on the consolidated results of operations.

IFRS 9 "Financial instruments" deals with the classification, valuation and reporting of financial liabilities and assets and replaces parts of IAS 39. IFRS 9 requires that financial assets be classified into two different categories and determined at initial recognition. For financial liabilities there are smaller changes, which refers to liabilities that are designated at fair value. The Group intends to apply the new standard by the financial year beginning 1 January 2015 and has not yet evaluated the effects. The standard has not yet been endorsed by the EU.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and "structured entities". The group is yet to assess IFRS 12's full impact. The Group intends to apply the new standard, the financial year beginning 1 January 2013. The standard has not yet been endorsed by the EU.

IFRS 13 "Fair Value Measurement" provides a precise definition and a single source of fair value measurement and disclosures and guidance on the application when other IFRSs already require or permit fair value measurement. The Group has not yet evaluated the full impact of IFRS 13 on the financial statements. The Group intends to apply the new standard, the financial year beginning 1 January 2013. The standard has not yet been endorsed by the EU.

None of the other IFRS and IFRIC interpretations that have not yet entered into force, expected to have a material impact on the Group.

CONSOLIDATED ACCOUNTS

General

The consolidated accounts include the parent company and the subsidiaries.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which Swedish Orphan Biovitrum has the power to govern the financial and operating strategies in a manner generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are included in the consolidated accounts from the day when decisive influence is transferred to the Group and are excluded when the decisive influence ends.

The acquisition method is used in the preparation of the consolidated accounts. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the transfer date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the acquired assets, and liabilities and contingent liabilities is assumed recorded as goodwill. When an acquisition occur in stages goodwill is to be determined only at the acquisition date rather than at the previous stages. The determination of goodwill when the acquisition occur in stages includes the previously held equity interest to be adjusted to fair value, with any gain or loss recorded in the income statement. For each acquisition, the Group determines whether to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Goodwill is not amortized according to plan but is instead tested annually for impairment. If the cost of acquisition is less than the fair value of the assets, and liabilities and contingent liabilities assumed of the subsidiary acquired, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on

transactions between Group companies are eliminated. Any unrealized losses are considered an impairment indicator of the asset transferred.
The accounting principles of the subsidiaries have been changed where necessary to ensure they are consistent with the principles adopted by the Group.

Segment reporting
Operating segments are presented from the management's perspective, which means presented on the same basis that is used for internal reporting. The basis for identifying reportable segments is the internal reporting as reported to and followed up by the highest decision-making executive. For Swedish Orphan Biovitrum, this is the Group's CEO.

Functional and reporting currency
Items included in the financial reports for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swedish crowns which is the company's functional and reporting currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates that apply on the dates of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at the exchange rate on the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Items relating to operations is reported within operating profit, while other items are reported as financial income or expense.

Translation of foreign subsidiaries
The assets and liabilities of foreign subsidiaries are established in the respective functional currency, determined by the primary economic environment in which the company operates. For Swedish Orphan Biovitrum's foreign subsidiaries, all assets, provisions and other liabilities are translated at the exchange rate on the balance sheet date into the Group's reporting currency (SEK) and exchange rate differences arising from this are reported directly against other comprehensive income. All items in the income statement are translated using the average exchange rate for the year.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the entity and translated at the exchange rate on the balance sheet date.

Revenues
Operating revenues
Revenue from the sale of pharmaceuticals is reported when risks and benefits have been transferred to the buyer, which normally occurs when the goods have been delivered from the company's consignment inventory to the end customer.

Co-promotion revenues from partners are recognized as revenue as the service is performed and the revenue can be measured reliably and it is probable that the economic benefits will accrue to the Group.

Contract manufacturing revenues (ReFacto) are reported when the goods have been delivered to the customer, i.e. when the responsibility for the risk associated with the goods has been transferred to the customer.

The Group's revenues include revenue from licensing agreements, such as out-licensing revenue, milestone payments and royalties from third parties within the course of normal operations. According to the milestone method, successive milestones are considered as separate from initial licensing fees. Depending on the contract, the initial licensing fee is either recognized up front or distributed over the expected life of the contract because, when it is received, no separate earning period is deemed to have been completed. Subsequent milestone payments are considered to belong to a separate completed part of the agreement. This portion of the revenue is recognized as soon as it is received, i.e. when the terms of the agreement have been met.

Revenue from service assignments is recognized when the economic outcome of the completed assignment can be reliably calculated and the economic benefits accrue to the Group.

When the Group has undertaken to carry out research and development assignments and receives payment for services provided by the Group, this is recognized as and when work is carried out. Revenue from research collaboration is recognized in the period in which it is carried out.

Government grants
Government grants are recognized when the company fulfills the requirements associated with the grant and when it can be established with certainty that the subsidy will be received. Grants received are recognized in the balance sheet as prepaid income and taken up as income in the period they are earned. Government grants are reported in the income statement as a reduction of the corresponding expense. Swedish Orphan Biovitrum receives government grants mainly in the form of research grants from the EU.

A minor part of Swedish Orphan Biovitrum's projects are financed through government grants.

Other operating revenues/expenses
Other operating revenues are revenues from activities outside the normal operations. The item includes rental income, divestment of product rights and exchange rate gains on operating receivables and liabilities. Other operating expenses are expenses from activities outside the normal operations. The item includes exchange rate differences on operation receivables and liabilities.

Non-recurring items
Non-recurring transactions and decisions affecting Swedish Orphan Biovitrums results are reported separately, ("non-recurring items"). This amount includes restructuring costs associated with the acquisition of Swedish Orphan. In addition to EBIT (operating profit), adjusted EBITA is also reported, which reflects the earning capacity of the operational activities of the company. Adjusted EBITA corresponds with operating income before amortization of intangible assets and extraordinary expenses reported in the consolidated statement of comprehensive income. Restructuring costs as described above can arise in association with acquisitions, along with costs for duplicated activities and their discontinuation. As part of Sobi's business is to continuously evaluate the existing product portfolio and product commitments. This can lead to a sale of a product right as in the case of Mimpara 2010 or renegotiation on a commitment to the case of Multiferon 2011, these are reported in earnings before non-recurring items.

Classification etc.
Within the Swedish Orphan Biovitrum Group, assets and liabilities are classified as either current or as long-term receivables and liabilities. Long-term receivables and liabilities consist essentially of the amounts for which payments are due more than one year from the balance sheet date. Current receivables and liabilities fall due within one year of the balance sheet date.

Intangible fixed assets
Goodwill
Goodwill consists of the amount by which the cost of acquisition exceeds the fair value of the Group's share in the acquired subsidiary/associated company's net identifiable assets at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets. In connection with the acquisition of associated companies, goodwill is included in the value of the holding in the associated company. Goodwill is tested annually for impairment and carried at cost less accumulated impairment write-downs.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Product rights
Products rights in the form of licenses and patents are reported at cost. Licenses and patents have a finite useful life and are carried at cost less accumulated amortization over their estimated useful lives (5 to 20 years). Depreciation is adapted to the expected earnings in each of the product right.

Research and development costs
Expenditure for a development project is recognized as an intangible asset if the company can prove that it is technically possible to complete and profitably commercialize the results and only if the expenditure for the project can be measured in a reliable way. Amortization is calculated using the straight-line method to allocate the cost of development projects over their estimated useful lives, and is implemented once the development project starts to generate revenues. Other development expenditure is recognized as incurred.

Acquired R&D
Expenditures for acquired research and development projects are recognized as intangible assets. When an acquired research project begins to generate revenue, amortization begins and continues over the project's estimated useful life. Research and development projects are tested at least a once a year for impairment.

Software and IT projects in progress
Acquired software licenses are capitalized on the basis of the costs incurred when the software in question is acquired and put into operation. These costs are amortized over the estimated useful life of the software.

Costs associated with developing or maintaining software are recognized as an expense as incurred. Costs directly associated with identifiable software products developed specially for Swedish Orphan Biovitrum, which are controlled by the Group and are likely to generate economic benefits exceeding costs beyond one year, are recognized as intangible fixed assets. Direct costs include the software development employee costs and a reasonable portion of relevant overhead.

Expenditure to enhance the performance of software or extend its useful life (development costs) beyond the original plan is capitalized and added to the initial cost of the software.

Amortization according to plan for computer programs that have been recognized as fixed assets is done using the straight-line method over the program's useful life up to a maximum of three years.

Tangible fixed assets
Tangible fixed assets are recognized as assets in the balance sheet if it is likely that future economic benefits will accrue to the company and the cost of the asset at acquisition can be calculated in a reliable way.

All tangible assets are stated at cost less depreciation. Cost includes expenditure that can be directly attributed to the acquisition of the asset. Additional expenditure increases the carrying amount of the asset or is reported as a separate asset, depending on which is appropriate, only when it is probable that future economic benefits associated with the asset will accrue to the Group and the initial cost of the asset can be measured in a reliable way. All other forms of repair and maintenance are reported as expenses in the income statement in the period in which they are incurred.

Depreciation of tangible fixed assets
Depreciation according to plan of tangible fixed assets is based on the asset's useful life. Depreciation is calculated on a straight-line basis over the asset's estimated useful life. The following depreciation plan applies:

Machinery and technical equipment	
Laboratory equipment and other investments	3–7 years
Other major investments, for example redevelopment of property	15 years
Equipment, tools, fixtures and fittings	
Computers	3 years
Computers servers and other major computer hardware items	3–5 years
Furniture, fixtures and fittings	5–10 years

The residual value and useful life of the assets are assessed at each closing day and adjusted as needed.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount exceeds the estimated recoverable amount.

Gains or losses from the sale or disposal of tangible fixed assets are determined by comparing the difference between the sale price and the carrying amount less direct selling expenses. The profit/loss item is reported as other operating revenues and other operating expenses respectively.

Leased assets
Leases are classified in the consolidated accounts either as finance or operating leases. Leased fixed assets where Swedish Orphan Biovitrum is responsible for the same risks and benefits as in the case of direct ownership are classified as finance leases. Accordingly, the asset is reported as a fixed asset in the balance sheet. Corresponding commitments of future lease charges are reported as current or long-term liabilities. The leased assets are depreciated according to plan, while lease payments are reported as interest and repayment of debt. Leased assets where the lessor essentially retains ownership of the assets are classified as operating leases and lease charges are expensed on a straight-line basis over the term of the lease.

Write-downs of non-financial assets
Goodwill, with an indeterminable useful life, and intangible assets not yet take into operation, are not depreciated but are instead tested annually for impairment. Product rights are depreciated, but are still tested annually for impairment since the book value is significant for the group. Other assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The write-down is the difference between the carrying amount and the recoverable amount where the recoverable amount is defined as the greater of the asset's net realizable value and its value in use. When calculating the recoverable amount a discount rate corresponding to the Company's weighted average cost of capital (WACC) is used.

When testing for impairment, assets are grouped at the lowest levels at which there are separate identifiable cash flows. Since Swedish Orphan Biovitrum has made the assessment that the Group's operations comprise one business segment, the Group as a whole is considered to be the smallest cash-generating unit. A write-down is reversed if there has been a change in the conditions that were the basis for determining the recoverable amount. Reversal amounts do not exceed the carrying amount that would have been recognized, less depreciation, if no write down had been performed. Impairment losses on goodwill are not reversed. Impairment testing of goodwill and capitalized research and development projects are described in Note 21.

Financial assets
The Group classifies its financial assets in the following categories: loan receivables and accounts receivable, financial assets measured at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Classification depends on the purpose for which the instrument was acquired. Management determines how the instruments will be classified in connection with initial recognition and reviews this decision on each reporting occasion. At present, Swedish Orphan Biovitrum has no financial assets measured at fair value through profit or loss.

Purchases and sales of financial assets are recognized on the trading date, i.e. the date on which the Group commits to purchase or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets

carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statement of comprehensive income.

On each reporting occasion, the company evaluates whether there is objective proof of impairment of a financial asset. If there is a need for impairment the value of the asset is impaired and the impairment is recognized in the statement of comprehensive income.

Financial assets reported in the balance sheet include, on the assets side, cash and cash equivalents and accounts receivable. Liabilities and shareholders' equity include accounts payable, issued debt and equity instruments and borrowing. Currency derivatives are stated either as assets or liabilities, depending on if the fair value is positive or negative.

Loans and accounts receivable
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as fixed assets. The Group's loans and accounts receivable are classified as accounts and other receivables as well as cash and cash equivalents in the balance sheet.

Loan receivables and accounts receivable are measured at amortized cost less provision for impairment.

Financial assets measured at fair value through profit or loss
Financial assets measured at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the financial assets measured at fair value through profit or loss are presented in the statement of comprehensive income in the period in which they arise within other losses/gains net or current investments under financial income.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that have been identified as available for sale or not classified in any of the other categories. They are included in the fixed assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

A gain or loss on a financial asset in the category of available-for-sale financial assets is reported directly as other comprehensive income. When assets in this category are sold or impaired, the accumulated fair value adjustments of equity are transferred to the consolidated statement of comprehensive income as gains and losses on financial instruments.

Derivative instruments
Derivative instruments, in the case of the Group, consist of currency forward contracts used to hedge the risk of exchange rate fluctuation. All derivatives are assigned a market value and the market values are reported in the balance sheet. The accounting method for the profit or loss which occurs in connection with a revaluation depends on if the derivative is identified as a hedge instrument and if so, on the character of the hedged item.

Swedish Orphan Biovitrum's transaction exposure in foreign currencies arises due to the company's exports and imports of goods paid for in foreign currencies. Currency exposure relating to forecast future flows is hedged as necessary primarily through currency forward contracts. The forward contracts are recognized in the balance sheet at fair value. When hedge accounting is not done the change in value is recognized in the consolidated statement of comprehensive income. Changes in value are reported directly in the income statement. The hedged flows may be both contracted and forecast transactions. Swedish Orphan Biovitrum has not applied hedge accounting during the year.

Borrowing
Borrowing transactions are initially reported at fair value, net after transaction costs. Borrowing is thereafter reported at amortized costs and any difference between the received amount and repaid amount is reported in the income statement distributed over the loan period, applying the effective rate method.

Borrowing is classified as short-term liabilities, unless the Group has an unconditional right to defer the liability no less than 12 months after balance day.

Current assets
Receivables maturing within one year from the balance sheet date are classified as current assets.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is calculated using the first in, first out principle (FIFO). The net realizable value is the expected sales price in continuing operations less selling expenses. Obsolescence risk and established obsolescence have been taken into account.

Accounts receivable
Accounts receivable are measured at amortized cost and reported at the amounts that are expected to be received after deductions for possible doubtful receivables after individual assessment. The terms for accounts receivable are short and their value is therefore initially recognized at nominal amounts without discounting. Write-downs of accounts receivable are reported as operating expenses.

Cash and cash equivalents
The parent company's and the Group's cash and cash equivalents include the balances on the Group's common accounts and other bank accounts, as well as investments with a term of less than three months from the date of acquisition. This means that the Group's cash and cash equivalents are only exposed to minimal risk of value fluctuations.

Shareholders' equity
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are reported in equity, net after tax, as a deduction from the proceeds. When a Group company purchases shares in the parent company (treasury share buy-back), the purchase price paid including any costs directly related to the transaction (net after tax) reduces the profit carried forward until the shares are withdrawn or sold. If these shares are subsequently sold, the payment received (net after any direct transaction costs and tax effects) are reported in the profit carried forward.

Provisions
Provisions are recognized in the balance sheet when Swedish Orphan Biovitrum has a legal or constructive obligation as a result of an event that has occurred and where it is probable that an outflow of resources will be required to fulfill the obligation. It must also be possible to make a reliable estimate of the amount. Provisions are recognized in the amount corresponding to the best estimate of the payment required to fulfill the obligation. If the outflow of resources is expected to take place at a point far in the future, the expected future cash flow is discounted and the provision is recognized at its present value. The discount rate corresponds with the market rate before tax, and the risks associated with the liability. Provisions are recognized in the balance sheet under other short- and non-current liabilities.

Provisions for restructuring, which substantially change the way in which the Swedish Orphan Biovitrum Group works, are recognized when a detailed and formal restructuring plan has been established and publicly announced, at which point clear expectations are created that the plan will be implemented. Provisions for restructuring often include benefits at termination, which can be either voluntary or involuntary. Termination benefits are recognized as described above, except in those cases in which a requirement for service is linked to the benefit, in which case cost is distributed over the period during which the services are carried out. Provisions for restructuring entail estimates of the time and cost of planned, future activities. The most significant estimates relate to the costs required for severance pay or other obligations in connection with termination of employment, as well as costs for termination of agreements and other cost for withdraw-

ing. Such estimates are based on the relevant situation in negotiations with the affected parties and/or their representatives.

Liabilities
Financial liabilities are measured at fair value less any transaction costs. After the date of acquisition, loans are measured at amortized cost using the effective interest method. Long-term liabilities have an anticipated life of more than one year while current liabilities mature within one year.

Taxes
Taxes recognized in the statement of comprehensive income consist of current tax and deferred tax. Current tax is tax to be paid or received in the current year. Deferred tax is calculated according to the balance sheet method based on temporary differences between the carrying amount and the tax base of assets and liabilities, applying the tax rates and tax rules that have been set or announced as of the balance sheet date.

Temporary differences arise when the carrying amount of holdings in subsidiaries differs from the acquisition cost. Deferred tax is not taken into account in the case of goodwill on consolidation, nor in differences attributable to participations in subsidiaries that are not expected to be taxed in the foreseeable future. In the consolidated accounts, however, untaxed reserves are divided between deferred tax liabilities and equity. Deferred tax liabilities are recognized for all taxable differences relating to holdings in subsidiaries, except where the parent company can control the date of the reversal of the temporary differences and it is not likely that such a reversal will take place in the foreseeable future. Deferred tax assets relating to deductible temporary differences and loss carry forwards are reported to the extent it is likely that they will be able to be utilized. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized. Tax is reported under the item Income tax in the income statement except for those items that are reported under other comprehensive income.

Employee benefits
Pensions
Swedish Orphan Biovitrum offers pension plans to all of its employees and uses both defined contribution and defined benefit plans. The CEO and senior executives are mainly covered by defined contribution plans. For other employees, mainly defined contribution plans are used; defined benefit plans are used to a lesser extent.

Pension costs relating to defined contribution plans are charged to earnings as and when the employees perform their duties. Pension commitments are calculated without discounting, as payments for all such plans fall due within a twelve month period.

In the case of defined contribution plans, the company pays fixed contributions to a separate legal entity and there is no obligation to make additional contributions. The Group's earnings are charged with the costs as and when the benefits are earned.

In the case of defined benefit plans, the amount of the pension is determined as a portion of the pensionable final salary, taking into account the number of years of service and average salary at the time of retirement. The Group bears the risk and is responsible for ensuring that the established benefits are paid out.

Swedish Orphan Biovitrum primarily has defined contribution pension commitments and these commitments are insured through Skandia, Alecta and two pension funds. Pension commitments in Alecta are accounted for as defined benefit pension commitments.

The net amount of the estimated present value of the commitments and fair value of the plan assets is reported in the balance sheet as either a provision or a long-term financial receivable. In cases where it is not possible to fully utilize a surplus in a plan, only the portion of the surplus that can be recovered by the company through reduced future charges or repayments is reported.

Regarding defined benefit plans, pension costs and pension commitments are calculated according to the Projected Unit Credit Method. This method allocates costs for pensions as and when employees perform services for the company that increase the employees' right to receive future remuneration. This calculation is performed annually by independent actuaries. The company's commitments have been valued at the present value of expected future payments by applying a discount rate equivalent to the interest on mortgage bonds with a duration equivalent to the commitments in question. The most important actuarial assumptions are specified in note 31.

Actuarial gains and losses may arise in connection with the determination of the present value of the commitments and the fair value of the plan asset. Such gains or losses arise either because the actual outcome differs from the previous assumption, or the assumptions have changed. The portion of the accumulated actuarial gains and losses at the end of the previous year that exceeds 10% of the greater of the present value of the commitments or the fair value of the plan assets is recognized in the income statement over the employees' average remaining period of service.

Interest expenses, less the anticipated yield on plan assets, are classified as financial expenses. Other expense items in the pension costs are charged to operating profit.

The accounting principle for defined benefit pension plans described above applies only to the consolidated accounts.

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are insured through Alecta. According to statement UFR3 issued by the Swedish Financial Reporting Board, these are defined benefit plans covering multiple employers. For the 2005–2011 financial years, the group did not have access to the information necessary to be able to report this plan as a defined benefit plan. The ITP pension plan insured through Alecta is therefore reported as a defined contribution plan.

A special payroll tax is calculated primarily on the premiums paid to Alecta, Collectum and Skandia. The special payroll tax is not calculated on non-deductible pension expenses and is expensed over the course of the year.

Long-term incentive programs
The anticipated outcome of variable salary for the Group is reconciled on a regular basis throughout the year and the reserves are adjusted on a monthly basis. At the end of each reporting period, an assessment is made of the outcome.

In order to attract and keep competent employees, Swedish Orphan Biovitrum has established long-term incentive programs. The value of the options is calculated at the time of allocation. The company reports a payroll cost and social security expenses for the services performed by the employees. A more detailed description of the program can be found in Note 14, Employees, personnel costs and remuneration to the Board and senior executives. The company's incentive plan also includes a long-term share program, the costs of which are recognized over the vesting period. Valuation of the Employee option programs and Share programs are be based on commonly accepted models. The Black and Scholes model has been used for the valuation of the warrants in the employee option programs and Monte Carlo simulation has been used to calculate the value of the performance shares in the Share programs.

Remuneration in connection with terminated employment
A provision is reported in connection with termination only if the company is demonstrably obliged to terminate a position before the normal period of service has ended or when remuneration is offered in order to encourage voluntary resignation, e.g. retirement packages. In cases where the company terminates employment, a detailed plan is drawn up that, as a minimum, contains information on the workplace, positions and approximate number of individuals involved, as well as the remuneration due to each employee category or position and the schedule for the plan's implementation.

Contingent liabilities
Contingent liabilities are reported when there is a possible commitment arising from events that have occurred and whose existence is based on the occurrence of one or more uncertain future events, or where there is a commitment which is not

reported as a liability or a provision due to the fact that it is unlikely that an outflow of resources will be required.

Parent company's accounting principles
The annual report for Swedish Orphan Biovitrum AB (publ), the parent company, has been prepared according to the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities" and statements from the Financial Reporting Board. The parent company applies the same accounting principles as the Group with the following exceptions:

Employee benefits/defined benefit plans
When calculating defined benefit pension plans, the parent company complies with the Swedish law safeguarding pensions and the Swedish Financial Supervisory Authority's instructions, as compliance with these is a prerequisite for exercising the right to tax deductions. The parent company also complies with FAR's recommendation redR4. The most important differences compared with the IAS 19 rules concern how the discount factor is established, that the calculation of the defined-benefit commitment is based on current salary levels without consideration to future increases, and that all actuarial gains and losses are recognized in the income statement as they occur. See further in Note 14 regarding the incentive program.

Leased assets
All of the parent company's leases are reported according to the rule for operating leases.

Taxes
For legal entities, untaxed reserves including deferred tax liabilities are reported.

Subsidiaries
Holdings in subsidiaries are reported under the cost method of accounting. Testing of the value of subsidiaries occurs when there is an indication of a decline in value. Dividends received from subsidiaries are recognized as revenue. Transaction costs in connection with acquisitions of companies are recognized in the income statement. Contingent consideration is recognized as part of the cost if they are likely to fall out. If, in subsequent periods it turns out that the initial assessment needs to be revised the acquisition cost should be adjusted. In 2011, the revision of conditional purchase price attributable to the acquisition of Swedish Orphan reduced the cost by SEK 149 M.

Group contributions
The principles of how a listed parent company should report group contributions changed in 2011 and is effective for annual beginning on 1 January 2011 or later. The meaning for the parent is that contributions received should be treated as dividends and accounted for as financial income. Left group contributions are reported as a net increase in entry Shares in group companies in the balance sheet.

Basis for preparation of the parent company's and the consolidated financial statements
The parent company's functional currency is the Swedish krona (SEK) which is also the reporting currency for the parent company and the Group. The financial statements are consequently presented in SEK.

All amounts are reported in thousands of SEK unless otherwise indicated. Assets and liabilities are stated at historical cost, except certain financial assets and liabilities which are stated at fair value.

In order to prepare the financial reports in accordance with generally accepted accounting principles, the Board of Directors and management make estimations and assumptions that affect the company's results and financial position as well as other information submitted. These estimations and assumptions are based on historical experience and are regularly reviewed.

Assessments made by management in conjunction with the implementation of IFRS that have a significant influence on the financial reports and estimations made have not involved any significant adjustments in the financial reports of the subsequent year. The accounting principles stated above are used consistently in the preparation of the financial reports that are published and are based on IFRS/ IAS.

The stated amounts and figures in parenthesis are comparative figures from 2010.

Note 3

Financial Risk Management

Risk and risk management
Through its operations, the Group is exposed to various kinds of financial risks. The operations are affected by several factors that may impact the company's results and financial position. Swedish Orphan Biovitrum's strategy includes continuously identifying and managing risk to the greatest extent possible. The risks can be divided into operational risks and financial risks. Below is a description of the financial risk factors that are deemed the most significant for Swedish Orphan Biovitrum's development and how the company manages them to minimize the level of risk. Operational risk is also described in a separate section in the Director's Report.

Financial risks and policies
Financial risk relates to fluctuations in the company's profits and cash flow as a result of changes in exchange rates, interest rates and credit exposure. Swedish Orphan Biovitrum has a comprehensive finance policy that establishes the division of responsibility regarding financial issues between the Board of Directors, the CEO, the CFO, the central finance department and other Group companies. The Board has appointed an Audit Committee to supervise the structure and content of the finance policy and, if necessary, suggest changes to the Board. The finance policy emphasizes a low level of risk. The aim is to minimize the Group's cost of capital by effectively managing and controlling the Group's financial risks.

Market risk
Currency risk
Transaction exposure
In its operations, the company is also exposed to currency risk. Most of the costs are in Swedish kronor but also in euro and US dollar, while a significant portion of the revenues are in US dollar, euro and Swedish kronor. Since revenues are more exposed to foreign currencies than expenses,, a drop in the US dollar and euro or other foreign currencies in which revenues are generated in relation to the Swedish krona will have a negative impact on Swedish Orphan Biovitrum's earnings and financial position.

To hedge future foreign currency flows, the company has adopted the following finance policy with respect to currency hedging:

- Based on forecasts, natural hedging (offset/netting of incoming and outgoing currency flows) should be applied as far as possible.
- Swedish Orphan Biovitrum CEO and CFO are authorized to risk hedge net exposure to foreign currency as follows:

Expected time period	Permitted hedging
1–3 months	0–70%
4–6 months	0–50%
7–9 months	0–40%
10–12 months	0–30%

If the net exposure to foreign currency with an expected duration of more than 12 months, the hedging must be approved by the board.

Translation exposure
The Group's results are affected by exchange rate fluctuation when the foreign subsidiaries' results are translated into SEK. Hedging of this exposure is evaluated on a case by case basis.

Interest risk
The Group's financing sources consist primarily of equity, cash flow from operations and borrowings. Borrowings which are interest bearing, the group is exposed to interest rate risk. Interest rate risk is the risk that changes in general interest rates that affect the Group's earnings negative . Fixed interest period mostly affects the cash flow risk. The Group's financial assets and liabilities are fixed-interest term normally short. In 2011, the average duration of fixed interest period was between 3 and 6 months. In order to limit the effect of a change in interest rates the CFO has the authority to extend the fixed interest period of up to 12 months and the CEO up to 24 months. The interest terms over 24 months is required board approval. Since the interest rate duration is short, changes in interest rates directly affect on the Group's net interest income and cash flow. The Group's interest-bearing liabilities at 31 December 2011 amounted to SEK 714 M, of which 700 million was in Swedish crowns and 14 million in euro.

The table below shows the theoretical effect on the Group financial items at a change in the rate of + / – 100 basis points.

KSEK Parameter	Change	Effect on financial	Effects on profit before tax
Interest rate	+/– 100 points	7,000	7,000

Credit risk
Credit risk is the risk that customers do not fulfill their commitments; i.e. that the group does not receive payment for their claims.

The credit risk in the Group is primarily related to accounts receivable. At the closing date, these amounted to SEK 309.6 M, of which SEK 135.6 M are overdue. See note 27 for information regarding overdue accounts receivable. Swedish Orphan Biovitrum's customers are primarily hospitals and government, which means that they are financed to a large part of their states. If the company deems that a claim will not flow in the asset must be written down. At December 31, 2011, the Group has made provisions for bad debts amounting to SEK 19 M. Normally there is no collateral for the credit risk in accounts receivable. Credit reports are taken up both in the distribution agreement and at single business, when the customer is not previously known or when other circumstances cause uncertainty exists regarding credit worthiness. Credit reports should be obtained from a market recognized rating agency.

Liquidity risk
Liquidity risk relates to the risk that the Group will not secure sufficient financing or that the cost of financing will increase significantly. The company has a loan facility amounting to SEK 1.2 billion see further note 32. Investments of any surplus liquidity should only be made in instruments with low credit risk and a high level of liquidity. Investments should only be made in the Swedish Government and in banks, financial institutes and enterprises assigned a credit rating of at least A- by independent evaluators. A high level of liquidity means that the investments can be converted into liquid funds at any given time.

The table below shows when the loans mature:

Loan maturity

	Less than 1 year	1–2 year	2–5 year	More than 5 year
As per December 31, 2011				
Other liabilities – long term	–	175,000	525,000	–
Accounts payable	287,971	–	–	–
Other liabilities	379,175	–	–	–
As per December 31, 2010				
Other liabilities – long term	214,945	207,789	477,580	119,243
Accounts payable	289,367	–	–	–
Other liabilities	303,485	–	–	–

Capital risk
The Group's goal regarding capital structure is to secure the Group's ability to continue its business, so that it can continue to generate earnings to its shareholders and benefits to other stakeholders, and retain an optimal capital structure in order to keep costs of capital down.

The Group's capital is based on the Group's equity ratio. It is the Group's goal to have an equity ratio of at least 40%. The equity ratio has increased compared with previous years. The increase is mainly attributable to the acquisition of Swedish Orphan and the rights issue in connection with the acquisition.

The equity ratio as of December 31, 2011 was as follows:

	2011	2010
Shareholders' equity	4,963,427	4,342,371
Total assets	6,699,533	7,069,550
Equity ratio	74.1%	61.4%

Contingent liabilities
See note 36.

Note 4

Important estimations and assumptions for accounting purpose

The Group makes estimations and assumptions about the future. The resulting estimations for accounting purposes, by definition, seldom correspond fully to actual results. The estimations and assumptions that involve a high risk of significant adjustments in the reported amounts of assets and liabilities for the coming financial year are discussed below.

Intangible assets
Intangible assets at Swedish Orphan Biovitrum are essentially attributable to acquired product rights, acquired R&D and "acquisition goodwill". The goodwill stems from the acquisitions of Arexis and Swedish Orphan.

All goodwill items and other intangible assets when indicated are subject to annual impairment testing. Impairment testing of acquired product rights and acquisition goodwill is based on recoverable amounts including important assumptions about sales trends and margins, see below and note 21.

Goodwill
The Group assesses periodically for impairment of goodwill in accordance with the policy described in note 2. The recoverable amount of the cash-generating unit is determined by a calculation of value in use. When calculating the value of use certain estimates must be made, see note 21.

On December 31, 2010, Swedish Orphan Biovitrum's goodwill amounted to SEK 1,605.0 M (1,601.0). The impairment tests carried out did not show any impairment loss.

Research projects
The Group assesses periodically for impairment of capitalized research projects in accordance with the policy described in note 2. The evaluation of impairment involves that certain estimates must be made, see note 21.

Product rights
Product rights have a limited useful life and depreciation is to spread the cost over this period. The amortization period is in the range 5–20 years and are adapted to the expected earnings in each of the product right. As a result of product rights, the booked value is very significant for the group these are tested annually for impairment. If it turns out that the company's assumption of product development and expanded uses for any medicine are not met it could result in a write-down of this product right. The assumption that has the greatest impact on the future value is the projected sales growth. It is based on the assumption that the underlying growth and future product development and expanded uses of the drug. The other assumptions made in testing for impairment of product rights is shown in note 21.

Assumptions for the calculation of pension benefits
The actuarial calculations of pension commitments and pension costs are based on actuarial assumptions as specified in Note 2 and Note 31.

Inventory
Indirect production costs
Costs for production consist of direct production costs such as raw materials, consumables, media and manpower, as well as indirect costs such as personnel costs, depreciation, maintenance, etc.

Indirect cost calculations are based on a method for calculating standard costs. This method is revised on a regular basis to ensure a reasonable calculation of the degree of usage, lead times and other relevant factors. Changes in the method of calculating the indirect production costs, including the degree of usage, lead times, etc. may have an impact on gross margins and the overall valuation of inventories.

Obsolescence
Inventory consists of drug substance and drug product for Kepivance, Stemgen, Orfadinand Kineretas well as finished stock for other products. For this inventory no provision for obsolescence is made. Stock levels for Kineret , Kepivance and Stemgen is estimated to last for several years. The stocked product durability can vary over time. This can lead to an increased risk of obsolescence when a significant change in the demand for a product or change in sustainability could lead to an impairment. Products not approved at quality inspection will be directly expensed.

Other stock mainly consists of ReFacto, consisting of biological crops with potentially defective components and Multiferon, production of ReFactocultivation and purification. If a certain portion of the stock is not approved by the quality department of Swedish Orphan Biovitrum and/or Pfizer, Swedish Orphan Biovitrum will do an obsolescence assessment of the batch that was not approved, based on historical obsolescence. Swedish Orphan Biovitrum is part of the pharmacological industry, which is regulated and controlled by several authorities in and outside Sweden. Also, the company collaborates with external partners, both Swedish and foreign, who control and evaluate the business. Externally acquired finished stock is continually evaluated.

Revenues
The Group assesses the likelihood of future economic benefits accruing to the Group on the basis of a number of factors, including a customer's payment history and credit rating. If a receivable is deemed doubtful by the Group, a provision is made for the receivable until it is possible to determine whether the Group will receive payment or not. According to the Group's routine for advances, advanced payments are recognized as other current liabilities until they are earned.

The Group also recognizes deferred revenue from licensing agreements. According to the milestone method, successive milestones are considered as separate from the initial licensing fee. The initial licensing fee is distributed over the expected life of the contract because, when it is received, no separate earning period is deemed to have been completed. However, subsequent milestones are considered to belong to a particular completed portion of the contract. This portion should therefore be able to be recognized as revenue as soon as it is received, i.e. when the terms of the underlying agreement have been met.

Taxes and legal disputes
During 2011 deferred tax receivables have been recognized based on the assumption that it will be possible to utilize them to reduce future tax payments. Deferred tax is calculated according to the balance sheet method based on temporary differences between reported amounts and the written down value of assets and liabilities. The amounts are calculated using the tax rates and tax regulations that apply or have been announced as of the balance sheet date. One Swedish subsidiary report tax loss carry-forwards. In accordance with current tax regulations, these never mature. At December 21, 2011 the activated tax losses amounts to SEK 37,884 M.

The sellers of the pharmaceutical company Arexis, which was acquired in August 2005, have made a claim against Swedish Orphan Biovitrum of about SEK 325 M, alleging that Swedish Orphan Biovitrum has not performed its obligations under the share purchase agreement entered into at the time of the acquisition. Swedish Orphan Biovitrum have contested all claims presented by the sellers. The sellers have requested arbitration in 2010 regarding parts of the above mentioned claim as well as, regarding the other parts, an expert determination provided for in the agreement.

Research and development costs
The company conducts research and development in internal projects as well as with external partners. In those cases where the company runs projects with an external partner and both parties share certain costs, an assessment is made of costs in connection with the start of the project. This cost is then used as a basis for deductions reconciled with the external partner. The calculation is assessed and updated regularly.

In certain partnership agreements, the company agrees to pay a milestone payment. This payment is carried forward as research and development and amortization only starts when the project has reached the commercialization phase. Evaluation of the project's progress and impairment testing are carried out regularly, at least once a year.

Expenses for internal R&D projects are expensed at the time they occur if they do not fulfill the requirements of IAS 38 Intangible Assets. Standards and uncertainty usually mean that the criteria are not fulfilled. In cases where all the criteria are fulfilled, however, the intangible assets are capitalized and amortized on a straight-line basis from the time the company can prove that it is technically possible to fulfill and profitably commercialize the results.

Payments concerning the projects and substances in agreements with third parties, which are generally defined as prepaid payment and conditional payments, are capitalized and amortized according to plan from the time the product can be commercialized.

For a sensitivity analysis, see Note 21.

Note 5

Acquired operations

In January 2010 the acquisition of Swedish Orphan was completed, creating a new specialty pharmaceutical company, focused on rare diseases. The transaction is built on strong industrial logic and profitable future growth of the business.

Below is a purchase price allocation for the acquisition of Swedish Orphan.

>> Note 5, cont.

Amounts in SEK M	Fair value
Purchase price allocation	
Purchase price	
– cash payment	1,922.9
– discounted value est. future additional purchase price	165.0
– fair value of shares issued	1,656.8
Total purchase price	**3,744.7**
Assets and liabilities in acquired operation	
Other intangible assets	2,707.9
Tangible assets	14.1
Financial fixed assets	2.3
Other current assets	448.9
Total assets in acquired operation	**3,173.2**
Long-term borrowings	30.8
Retirement benefit obligations	2.9
Deferred income tax liabilities	737.5
Current liabilities	211.5
Total liabilities in acquired operation	**982.7**
Acquired net assets	**2,190.5**
Goodwill	1,554.2
Total purchase sum	**3,744.7**

Goodwill pertains to the established sales structure and market presence in most countries and the synergy effects that are expected to arise by coordinating the operations of Biovitrum and Swedish Orphan.

The future conditional purchase sum is based on expected future sales volume of Multiferon. During 2011 a new agreement was reached regarding additional purchase price for Multiferon. According to the new agreement refrains the sellers from the additional payment and implementation of the study to a one-time payment of SEK 25 M. With the new agreement in place the booked provision for the additional purchase price of approximately SEK 149 M was dissolved in the second quarter and the amount is included in consolidated operating profit for 2011.

Amounts in SEK M	
Liquid funds	
– cash payment	–1,922.9
Liquid funds in acquired operation	122.2
Effect on liquid funds	**–1,800.7**

The acquisition agreement includes e.g. an undertaking by former CEO of Swedish Orphan, Bo Jesper Hansen, not to compete with Swedish Orphan Biovitrum or its subsidiaries during a period of three years from completion of the transaction. For this undertaking, during the relevant three-year period Bo Jesper Hansen is entitled to monthly compensation of about DKK 565,000, though reduced by any compensation payable to Bo Jesper Hansen during the same period by Swedish Orphan Biovitrum or any group company under any employment or consultancy arrangement.

Note 6

Distribution of revenues

GROUP	2011	2010
Total revenues by major type of income		
Product sales	1,230,887	1,262,480
Co-promotion revenues	104,953	122,984
Manufacturing and contract Development	451,683	388,025
Royalty revenues	123,311	109,652
Licensing and Milestone Revenues	–	23,600
	1,910,834	**1,906,741**

PARENT COMPANY	2011	2010
Total revenues by major type of income		
Product sales	490,126	541,627
Co-promotion revenues	104,953	122,984
Manufacturing and contract Development	451,683	388,025
Royalty revenues	123,311	109,652
Licensing and Milestone Revenues	–	23,600
	1,170,073	**1,185,888**

Revenues by regions

GROUP	2011	2010
Nordic[1]	487,150	443,730
Europe	986,796	939,564
North America	398,080	476,857
Other	38,808	46,590
Total revenues	**1,910,834**	**1,906,741**

PARENT COMPANY	2011	2010
Nordic[2]	220,953	162,967
Europe	606,044	606,451
North America	339,762	406,803
Other	3,314	9,667
Total revenues	**1,170,073**	**1,185,888**

[1] Net sales in Sweden totaled SEK 185 M (196).
[2] Net sales in Sweden totaled SEK 108 M (75).

Note 7

Segment reporting

The Group reports one operating segment, Product sales. The basis for identifying reportable segments is the internal reporting as reported to and followed up by the highest executive decision-maker. The Group has identified the highest executive decision-maker as the CEO. Swedish Orphan Biovitrum reports revenue distributed by geographical segments.

Swedish Orphan Biovitrum single largest customer is Pfizer, with net sales of SEK 452 M (388), corresponding to 24% (20%) of the company's total revenues. Swedish Orphan Biovitrum has not had any other customer for which revenue exceeds 10% of the company's total revenues in 2010 and 2011. The majority of fixed assets are in Sweden; no fixed assets amounting to any material value are abroad.

Note 8

Non-recurring items

GROUP	2011	2010
Personnel	–25,600	–41,816
Premises	–52,200	–16,233
Other	–2,604	–29,696
	80,404	**–87,875**

PARENT COMPANY	2011	2010
Personnel	–25,600	–40,404
Premises	–52,200	–12,630
Other	–98	–28,363
	–77,898	**–81,397**

Expenses for 2011 above refers to the restructuring program presented in Q1 2011.

Note 9

Depreciation/amortization and write-down of intangible and tangible fixed assets

GROUP	2011	2010
Depreciation according to plan by type of asset		
Capitalized software expenses	–3,890	–3,358
Patents and licenses	–34,028	–54,004
Product rights	–190,713	–162,905
Land and buildings	–336	–336
Plant and machinery	–17,355	–19,663
Equipment, tools, fixtures and fittings	–28,515	–27,832
Cars	–644	–677
	–275,481	**–268,775**
Depreciation according to plan by function		
Cost of goods and services sold	–24,911	–24,954
Sales and administration expenses	–241,675	–230,142
Research and development expenses	–8,895	–13,679
	–275,481	**–268,775**
Write-downs by type of asset		
Capitalized software expenses	–12,600	–
Patents and licenses	–	–78,829
Research and development	–126,932	–
Plant and machinery	–	–959
Equipment, tools, fixtures and fittings	–38,066	–6,615
	–177,598	**–86,403**
Write-downs by function		
Sales and administration expenses	–44,943	–78,154
Research and development expenses	–126,932	–
Other operating expenses	–3,123	–
Non-reccurring items	–2,600	–8,249
	–177,598	**–86,403**

PARENT COMPANY	2011	2010
Depreciation according to plan by type of asset		
Capitalized software expenses	–3,858	–2,437
Patents and licenses	–1,010	–1,366
Product rights	–48,671	–48,670
Plant and machinery	–16,650	–19,663
Equipment, tools, fixtures and fittings	–27,486	–26,043
	–97,675	**–98,179**
Depreciation according to plan by function		
Cost of goods and services sold	–23,869	–23,974
Sales and administration expenses	–65,069	–61,470
Research and development expenses	–8,737	–12,735
	–97,675	**–98,179**
Write-downs by type of asset		
Capitalized software expenses	–10,000	–
Patents and licenses	–	–78,829
Research and development expenses	–126,932	–
Plant and machinery	–	–959
Equipment, tools, fixtures and fittings	–38,066	–6,615
	–174,998	**–86,403**
Write-downs by function		
Sales and administration expenses	–44,943	–78,829
Research and development expenses	–126,932	–
Other operating expenses	–3,123	–
Non-recurring items	–	–7,574
	–174,998	**–86,403**

Note 10

Other operating revenues

GROUP	2011	2010
Divestment real estate property	3,623	6,202
Rental income	3	483
Exchange rate gains on operating receivables/liabilities	45,301	90,411
Contribution received	128	–340
Disposal of intangible assets	1,864	134,110
Additional purchase price for Multiferon [1]	148,730	–
Other	1,405	3,242
	201,055	**234,108**

PARENT COMPANY	2011	2010
Rental income	3	433
Exchange rate gains on operating receivables/liabilities	24,207	79,312
Furthermore invoiced costs to partners	1,110	–
Furthermore Invoiced costs to subsidiaries	10,714	–
Transfers of operation [2]	986,864	–
Disposal of intangible assets	–	134,110
Contribution received	100	–340
Other	–	187
	1,022,998	**213,702**

[1] The Director's report on page 6 presents the additional purchase price for Multiferon.

[2] Gains on disposals of fixed assets in the amount of SEK 987 M, relates to compensation for the research project Factor IX which was transferred to the subsidiary, Biovitrum Swedish Orphan International AB through an intercompany transaction.

Note 11

Other operating expenses

GROUP	2011	2010
Exchange rate losses on operating receivables/liabilities	–48,822	–66,089
Scrapping costs	–3,577	249
Cost related to divestment of business	–538	–6,217
Reimbursed foreign VAT	–318	824
Other	–401	–890
	–53,656	**–72,123**

PARENT COMPANY	2011	2010
Exchange rate losses on operating receivables/liabilities	–26,451	–40,031
Scrapping costs	–3,124	323
Reimbursed foreign VAT	–290	824
	–29,865	**–38,884**

Note 12

Expenses for operational leasing

Contractual future leasing payments with non-cancellable contracts, due for payment as follows:

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Within 1 year	5,246	6,863	340	3,396
Between 1 and 5 years	5,710	5,839	1,262	1,359
	10,956	**12,702**	**1,602**	**4,755**
Leasing costs for the year:	8,325	11,707	3,507	5,435

Contractual future rental payments for premises with non-cancellable contracts, due for payment as follows:

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Within 1 year	89,821	83,517	84,698	76,794
Between 1 and 5 years	296,675	331,787	286,355	326,316
Later than 5 years	263,195	732,347	263,195	732,347
	649,691	**1,147,651**	**634,248**	**1,135,457**
Leasing costs for the year:	88,664	91,854	76,585	84,066

>> Note 12, cont.

Swedish Orphan Biovitrum has reduced the floor space at its Stockholm-operations as a result of staff cuts in 2011. This has resulted in that future rental costs have decreased significantly compared to 2010.

The decisive factor in the classification of leases is to what extent the economic risks and benefits associated with ownership of the leased object are retained by the lessor or transferred to the lessee. As regards properties, assessments of the lease agreement must be made both for the building and the land. As regards properties, assessments of the lease agreement must be made both for the building and the land. Swedish Orphan Biovitrum bases its position mainly on the fact that the present value of minimum lease charges does not constitute a significant portion of the fair value of the property and that there are otherwise no significant indications that a finance lease exists.

Note 13

Result from participation in Group companies

PARENT COMPANY	2011	2010
Capital gain from divestment of subsidiaries	–538	–6,217
	–538	**–6,217**

Note 14

Personnel, personnel costs and remuneration to Board members and executive management

Average number of employees

GROUP	2011	of which men	2010	of which men
Sweden	412	40%	415	40%
Denmark	10	18%	12	17%
Finland	9	50%	10	60%
Norway	10	50%	11	48%
United Kingdom	14	71%	8	73%
France	16	53%	9	33%
Germany	16	39%	13	57%
Italy	10	40%	8	43%
Spain	7	45%	6	17%
Russia/Balticum	2	0%	5	21%
Central Eastern Europe	10	36%	11	38%
Total	**517**	**40%**	**508**	**40%**

Salaries, other remunerations and social security expenses

	2011		2010	
GROUP AND PARENT COMPANY	Salaries and remunerations	Social security costs	Salaries and remunerations	Social security costs
Parent Company	253,524	136,964	266,702	162,258
(of which pension cost [1])		*(53,919)*		*(55,372)*
Subsidiary	102,838	39,733	110,244	40,230
(of which pension cost [1])		*(13,278)*		*(14,593)*
Group total	**356,362**	**176,697**	**376,946**	**202,488**
(of which pension cost [1])		*(67,197)*		*(69,965)*

[1] Of the Group's and Parent Company's pensions costs, SEK 937 thousand (1,662 pertain to the Board and CEO.
The Group's outstanding pension commitments for the Board and CEO amount to SEK 0 thousand (0).

Salaries and other remuneration distributed by country and among board members, etc., and other employees

	2011		2010	
	Board and CEO	Other employee	Board and CEO	Other employee
Parent Company				
Salaries and benefits	23,358	230,166	35,177	231,525
(of which bonuses, etc.)	*(10,685)*	*(6,932)*	*(122)*	*(9,127)*
Subsidiaries				
Salaries and benefits	*12,080*	*90,758*	*13,923*	*96,321*
(of which bonuses, etc.)	*(767)*	*(6,557)*	*(1,412)*	*(9,350)*
Group total	**35,438**	**320,924**	**49,100**	**327,846**
(of which bonuses, etc.)	*(11,452)*	*(13,489)*	*(1,534)*	*(18,477)*

Remuneration policy 2011

The remuneration policy decided by the 2011 Extra General Meeting states that Swedish Orphan Biovitrum will provide market conditions to enable the company to recruit and retain skilled personnel. Remuneration of directors can be composed of a fixed salary, variable salary, pension and other customary benefits. Long-term incentive could be offered as a supplement to the above and will then be submitted for approval of Annual General Meeting. The compensation is based primarily on the level of the position, performance and the company's and the person's achievement of predetermined targets.

The full guidelines are described in the Directors' Report on page 8.

Remuneration to the CEO

Geoffrey McDonough took up the position as Chief Executive Officer and President of Sobi on August 15, 2011. He succeeded Kennet Rooth who had been acting CEO since 1 January , 2011.

In 2011 Geoffrey McDonough received SEK 1.5 M in annual gross salary. In addition to annual gross salary, which includes pension, Geoffrey McDonough received a non-reccurring amount of SEK 8.3 M when he became president. The CEO's salary is reviewed annually on January 1 by the Board and the company's Compensation & Benefits Committee. Besides fixed salary, a variable salary of no more than 50% of the annual gross salary including pension is paid. The variable salary adheres to a system approved by the Board and is based on comprehensive company objectives. The 2011 variable salary amounted to SEK 754 thousands. The gross salary for the CEO will not be reviewed before 1 January 2013.

The notice period for the company is three months and for the CEO´s side three months. The CEO is entitled to 21 months severance pay based on gross salary at termination. Severance pay is applicable if the employment is terminated by the company. The CEO is entitled to additional compensation equivalent to six months´ salary if the CEO is still employed 6 months after major changes in ownership structure based on gross salary at the end of the 6 months.

Swedish Orphan Biovitrum pays a contribution of 25% of annual gross salary for Geoffrey McDonough´s future pension benefits. Pensionable salary in 2011 was SEK 1,500 thousand annually and the retirement age is 65.

CEO participates in a special benefits package that includes, among others housing contribution, relocation assistance, tax declaration as well as various benefits that follow rules on tax relief for payments to foreign experts, researchers and other key personnel.

Kennet Rooth resigned as CEO on August 15 2011. In 2011 Kennet Rooth received SEK 1.575 M in fixed salary and SEK 590 thousand in variable pay.

Fixed and variable salaries

The CEO, executive management, managers, and a number of key employees receive a variable salary in addition to their fixed salary. The variable portion is in line with a system approved by the Board and is based on company objectives and individual goals. Variable salaries for the CEO and executive management are based 70% on company objectives and 30% of individual goals. The maximum individual levels are between 20 and 50% of basic salary.

For other executives and key employees, the variable salary is based 50% on company objectives and 50% on individual goals. Variable salary levels for these individuals are between 5 and 30% of fixed pay and this is paid annually in cash for the previous year. The variable salary is pensionable income and calculation is based on Alecta's calculation and on a three-year average.

The expected outcome is reconciled regularly throughout the year and reserves are adjusted monthly. On each reporting occasion, an assessment is made of the variable salaries.

Pensions for executive management

Swedish Orphan Biovitrum pays a contribution of 25% of Geoffrey McDonough´s pensionable salary at the agreed premium based direct retirement solution. The contribution is paid through a distribution of Geoffrey McDonough's annual gross salary of SEK 4 M which according to the employment contract include pension contributions. The pension is paid to the CEO at a retirement age.

Swedish Orphan Biovitrum's pension plan for executive management is principally a defined contribution plan. This means that Swedish Orphan Biovitrum makes contributions equal to 27% of the employee's pensionable salary into a pension plan set up for the employee. The employee is covered by the ITP plan and the Manager Plan constitutes the alternate ITP. The contribution paid to Alecta is included in the contracted contribution. The pensionable salary is maximized at 50 income base amounts.

In conjunction with the transition from defined benefit to defined contribution plans, individual agreements were reached with percentages exceeding 27%. This applies to four individuals who

have contributions of 30–35%, and in these cases, the contributions paid to Alecta for the ITP plan's basic benefits were excluded and paid in addition to the agreed contribution level. In addition, one person has a defined benefit or ITP and one person is still covered by the defined benefit Manager Plan. This plan entitles retirement at age 60 with a benefit level as per the ITP plan as well as 32.5% in pension on salary portions between 30 and 50 income base amounts. The plan also includes a guarantee of 50% in pension if the employee resigns his post after having completed a full period of service by retirement age.

Members of management who are employed abroad are covered by different pension plans, depending of the country of employment.

Remuneration and other benefits for the Board, CEO and other senior executives

	Basic pay/ fees	Variable remunera-tion	Pension cost	Other benefits	Financial instrument	Other remunera-tion	Total
2011							
Chairman of the Board[1]	–	–	–	–	–	8,226	8,226
Other board members[2]							
Helena Saxon[3]	193	–	–	–	–	–	193
Hans Schikan[3]	183	–	–	–	–	–	183
Adine Grate Axén	290	–	–	–	–	–	290
Lennart Johansson	325	–	–	–	–	–	325
Wenche Rolfsen[4]	91	–	–	–	–	–	91
Michael Steinmetz[4]	100	–	–	–	–	–	100
Hans Wigzell	291	–	–	–	–	–	291
Hans Glemstedt[4]	97	–	–	–	–	–	97
Chief Executive Officer							
Kennet Rooth[6]	1,575	590	577	36			2 778
Geoffrey McDonough[6]	1,125	754	375	105	429	8,300	11,088
Other senior management[5]	15,922	1,372	5,323	174	3,154	–	25,945
	20,192	**2,716**	**6,275**	**315**	**3,583**	**16,526**	**49,607**

[1] The purchase agreement relating to Swedish Orphan includes a commitment by Bo Jesper Hansen not to compete with Swedish Orphan Biovitrum and its subsidiaries for a period of three years from completion of the acquisition, see Note 5. Bo Jesper Hansen is employed as Executive Chairman and receives a monthly compensation amounting to about 565,000 DKK, which is entirely deducted from the compensation in the same amount that Bo Jesper Hansen is entitled to in accordance with the acquisition agreement.

[2] Information regarding the directors fees can be found in the Corporate Governance Report.

[3] Helena Saxon and Hans Schikan have been members of the board since the Annual General Meeting 2011. Compensations relates to work carried out during this period.

[4] Wenche Rolfsen, Michael Steinmetz and Hans Glemstedt resigned from the Board at the Annual General Meeting 2011.

[5] With other senior executives refers to Swedish Orphan Biovitrum's management team where 12 persons are included other than the CEO at 31 December, 2011.

[6] Geoffrey McDonough took up the position as CEO on August 15 2011. Compensations relates to work carried out during this period.
Kennet Rooth resigned as CEO on August 15 2011 and the compensations relates to work during January 1 2011 until August15 2011.

Remuneration and other benefits for the Board, CEO and other senior executives

	Basic pay/ fees	Variable remunera-tion	Pension cost	Other benefits	Financial instrument	Other remunera-tion	Total
2010							
Chairman of the Board[1]	–	–	–	–	–	8,687	8,687
Other board members[2]							
Håkan Åström[3]	325	–	–	–	–	–	325
Mats-Olof Ljungkvist[3]	100	–	–	–	–	–	100
Adine Grate Axén	193	–	–	–	–	–	193
Lennart Johansson	217	–	–	–	–	–	217
Wenche Rolfsen	275	–	–	–	–	–	275
Michael Steinmetz	300	–	–	–	–	–	300
Hans Wigzell	275	–	–	–	–	–	275
Hans Glemstedt	277	–	–	–	–	–	277
Peter Sellei[3]	100	–	–	–	–	–	100
Chief Executive Officer							
Martin Nicklasson[4]	4,860	122	1,662	244	907	10,800	18,595
Other senior management[5]	13,783	1,397	5,096	344	4,018	–	24,638
	20,705	**1,519**	**6,758**	**588**	**4,925**	**19,487**	**53,982**

[1] The purchase agreement relating to Swedish Orphan includes a commitment by Bo Jesper Hansen not to compete with Swedish Orphan Biovitrum and its subsidiaries for a period of three years from completion of the acquisition, see Note 5. Bo Jesper Hansen is employed as Executive Chairman and receives a monthly compensation amounting to about 565,000 DKK, which is entirely deducted from the compensation in the same amount that Bo Jesper Hansen is entitled to in accordance with the acquisition agreement.
[2] Information regarding the directors fees can be found in the Corporate Governance Report on page 18.
[3] Håkan Åström, Mats-Olof Ljungkvist and Peter Sellei were members of the board of Directors during 2009. The remuneration refers to work carried out during this period.
[4] Other compensation for the CEO include a severance pay totaling 24 months.
[5] Other senior management refers to Swedish Orphan Biovitrum's management group in which 8 individuals, excluding the Managing director, are included.

[1)] Adjusted for the rights issue completed in June 2011.

Remuneration and other benefits for the Board, CEO and other senior executives

	2011	2010
Parent Company and subsidiaries		
Parent Company		
Salaries and remunerations	39,655	49,997
(of which bonuses etc)	*(10,685)*	*(854)*
Pension cost	5,619	5,563
Number of persons (excl. union representatives)	17	16
Subsidiaries		
Salaries and remunerations	*14,008*	16,983
(of which bonuses etc)	(1,017)	*(2,077)*
Pension cost	1,862	2,587
Number of persons	11	12
Group		
Salaries and remunerations	*53,663*	66,980
(of which bonuses etc)	(11,702)	*(2,931)*
Pension cost	7,480	8,150
Number of persons (excl. union representatives)	28	28

Long-term incentive programs
In order to attract and keep competent employees, Swedish Orphan Biovitrum has established long-term incentive programs. Below is a description of the share-related programs that are currently in existence.

Employee option program 2006/2011
In May 2006 Swedish Orphan Biovitrum issued 150,000 warrants, intended for an employee option program for certain key individuals. The program expired May 31 2011. After the issue in 2009 each warrant carries the right to subscribe for 3.78 shares. The exercise price for these warrants is SEK 58.21 per share with an exercise period ending on May 31, 2011. 15,000 options expired during 2011. No options were returned or awarded under this program.

Employee option program 2007/2012
The 2007 Annual General Meeting resolved to initiate an employee stock option program for 2007/2012. As part of the plan, employee options may be issued with the right to acquire up to 639,000 shares in the company. Each employee option may be exercised through April 1, 2012, to acquire 2.13 shares in Swedish Orphan Biovitrum at an exercise price of SEK 51.77[1] per share.

To guarantee that the company can fulfill its obligation to employee option holders when they exercise their options, the Annual General Meeting decided to issue 300,000 warrants for the subscription of new shares. The company will use the warrants to cover its obligations to the employee option holders when exercising their options.

When expensing the employee option program 2007/2012, 100,000 of the allocated warrants are estimated to have an earning rate of one year, a further 100,000 warrants have an earning rate of two years, and the last 100,000 warrants have an earning rate of three years. This means that a proportionally larger share of the costs is reported in the first year of the program.

Warrants 2007–2012

	2011	2010
Outstanding January 1	300,000	300,000
Allocated during the period	–	–
Exercised during the period	–	–
Repurchased during the period	–	–
Outstanding as per December 31	**300,000**	**300,000**
Redeemable as per December 31	**300,000**	**300,000**

When expensing the employee option program 2007/2012, 100,000 of the allocated warrants are estimated to have an earning rate of one year, a further 100,000 warrants have an earning rate of two years, and the last 100,000 warrants have an earning rate of three years. This means that a proportionally larger share of the costs is reported in the first year of the program.

The following data was used to calculate the cost of the 2007/2012 program at the time of issue
- Share price SEK 73.06.
- Exercise price SEK 58.21.
- Volatility 30%.
- No expected dividends.
- Risk free interest rate of 3.95%

The fair value per option amounts to SEK 30.97.

Swedish Orphan Biovitrum has selected the Black and Scholes model for valuation of the warrants. When selecting a model, the company has taken into account the same considerations as knowledgeable and interested parties independent of each other would have done. Important factors in the underlying model are the following:
- exercise price
- the life of the option
- current price of the underlying shares
- the shares' expected volatility
- expected dividends, and
- the risk-free interest rate during the life of the option

The expected volatility is a measure of the share price fluctuations over a period of time. Swedish Orphan Biovitrum has taken the following into account in estimating the expected volatility:
- Implicit volatility for other company instruments that are traded and have the characteristics of warrants.
- Historical volatility of the share price and, since the company was only recently listed, the historical share price development of similar companies. The historical period is the same as the warrants' exercise period.
- The long-term average level of volatility.

Financial instruments pertaining to employees

	2011	2010
Allotted	315,000	335,000
Expired	–15,000	–20,000
Used	–	–
	300,000	**315,000**

Share Program 2008
This program expired November 25, 2011. No shares were awarded under this program.

Share Program 2009
At the 2009 Annual General Meeting a decision was made to introduce a performance-based, long-term share program. The terms and the conditions of the two programs are the same. The programs cover managers and key employees who have the opportunity to be allotted common shares in Swedish Orphan Biovitrum free of charge. The outcome of Share Program 2009 is dependent on the fulfillment of set value creation targets determined by the Board of Directors and linked to the total shareholder return of the Swedish Orphan Biovitrum common share (the share price development adjusted with respect to dividends), for a three year period from the date of the offer to participate in the program (the "Performance Period"). These targets are designated Performance Condition 1 and Performance Condition 2.

Performance Condition 1: For any allotment of common shares to be possible under Share Program 2009, the total shareholder return for the Swedish Orphan Biovitrum common share must amount to at least 15% during the Performance Period.

Performance Condition 2: Upon fulfillment of Performance Condition 1, an evaluation is carried out of the total shareholder return for the Swedish Orphan Biovitrum common share in relation to a group of comparable companies, as established by the Board of Directors. As a condition for the allotment of common shares, it has been established that a minimum level for the total shareholder return of the Swedish Orphan Biovitrum common share must correspond to the median performance for the comparable group. It has been established that full allotment will be carried out if the total shareholder return for the Swedish Orphan Biovitrum common share corresponds to the upper quartile for the comparable group (the maximum level) or exceeds this level. If the minimum level is reached, an allotment of 35% of the maximum number of common shares, in accordance with what has been described previously, will be carried out. If the total shareholder return for the Swedish Orphan Biovitrum common share exceeds the minimum level but falls below the maximum level, a pro rata allotment will be carried out.

The allotment of common shares requires that the individuals participating in the program are employed in the Swedish Orphan Biovitrum Group for the entire Performance Period and have not, at the time of allotment of the gratuitous common shares, terminated their employment. If all conditions in the Share Program 2009 are met, allotment of common shares will take place free of charge after the end of the Performance Period.

Share Program 2009 was implemented in June 2009 and the performance period runs from June 10, 2009 until June 9, 2012. The program may involve a total maximum allotment of 307,601 shares in Swedish Orphan Biovitrum AB (publ).

The value of the performance shares, using Monte Carlo simulation, has been calculated on the allotment date, taking market conditions into account but without regard to expected dividends. Important input data in the model were volume-weighted average share price of SEK 66.05 on the allotment date, volatility of 29.0% and a risk free interest rate of 1.74%. Volatility is measured as the standard deviation for expected return on the share price based on a statistical analysis of daily share prices for the Sobi common share over the last three years. The valuation model also reflected corresponding historical volatility for the share prices of comparable companies during the same period.

When the share program is carried as an expense 2009, the shares are calculated according to the following parameters:
- Number of shares 307,601
- Vesting period 36 months
- Fair value per performance share SEK 30.12
- Anticipated turnover of 10% among the relevant employees

Share program 2009

	Number of performance shares	Value	Purchase price	Benefit
Other senior management, 8	142,251	4,284,600	–	4,284,600
Sum	**142,251**	**4,284,600**	**–**	**4,284,600**

Share Program 2010
The 2010 Annual General Meeting resolved to approve a performance-based, long-term share program. Share Program 2010 is essentially the same as the share programs from earlier years, except that in Share Program 2010 participants are required to invest in Sobi shares and hold these shares throughout the three-year vesting period. The program covers management and key individuals, who receive the opportunity for allocation of common shares in Sobi on condition that involved employees invest in Sobi shares and on condition that involved employees remain employed throughout the vesting period. Provided that the abovementioned requirements are met, involved employees may receive Sobi shares free of charge equivalent to the number of shares the employee invested in under the Share Program 2010 ("Matching shares") as well as additional Sobi shares depending on whether targets set by the board of directors for value creation are met ("Performance shares").

The targets for value creation, determined by the board of directors, are connected to the total shareholder return of the Sobi common share (the share price development adjusted with respect to dividends), during a three year period as from the date of the offer to participate in the program (the "Performance Period"). These targets comprise market conditions as stated in IFRS 2 Employee benefits, and are called Performance condition 1 and Performance condition 2 in this program.

Performance Condition 1: For any allotment of common shares to be possible under Share Program 2010, the total shareholder return for the Sobi common share must amount to at least 15% during the Performance Period.

Performance Condition 2: Upon fulfillment of Performance Condition 1, an evaluation is carried out of the total shareholder return for the Sobi common share in relation to a group of comparable companies, established by the board of directors. As a condition for allotment of common shares, it has been established that a minimum level for the total shareholder return of the Sobi common share shall correspond to the median performance for the comparable group. It has been established that full allotment will be carried out if the total shareholder return for the Sobi common share corresponds to the upper quartile for the comparable group (the maximum level) or exceeds this level. If the minimum level is reached, an allotment of 35% of the maximum number of common shares, in accordance with what has been described previously, will be carried out. If the total shareholder return for the Sobi common share exceeds the minimum level but falls below the maximum level, a pro rata allotment will be carried out.

The value of the matching shares has been calculated on the allotment date based on the volume weighted price of the Swedish Orphan Biovitrum common share on that date under the assumption that no dividends are expected to occur during the measurement period.

The value of the performance shares, using Monte Carlo simulation, has been calculated on the allotment date, taking market conditions into account but without regard to expected dividends. Important input data in the model were volume-weighted average share price of SEK 39.71 on the allotment date, volatility of 32.8% and a risk free interest rate of 2.06%. Volatility is measured as the standard deviation for expected return on the share price based on a statistical analysis of daily share prices for the Sobi common share over the last three years. The valuation model also reflected corresponding historical volatility for the share prices of comparable companies during the same period.

Share Program 2010 was implemented at the end of 2010 and the performance period will run from December 13, 2010 until December 12, 2013. The program may involve a total maximum allotment of 526,242 shares in Swedish Orphan Biovitrum AB (publ).

Expensing of Share Program 2010 is calculated with the following parameters:
- Number of matching shares 92,212
- Number of performance shares 434,030
- Vesting period 36 months
- Fair value of matching share SEK 39.71
- Fair value per performance share SEK 20.05
- Anticipated turnover of 10% among the relevant employees.

Share program 2010

	Number of performance shares	Number of matching shares	Value	Purchase price	Benefit
Other senior management, 12	192,809	35,226	5,264,644	–	5,264,644
Sum	**192,809**	**35,226**	**5,264,644**	**–**	**5,264,644**

Share program 2011
The 2011 Annual General Meeting resolved to approve a performance-based, long-term share program. Share Program 2011 is essentially to the share program 2010. The program covers management and key individuals, who receive the opportunity for allocation of common shares in Sobi on condition that involved employees invest in Sobi shares and on condition that involved employees remain employed throughout the vesting period. Provided that the abovementioned requirements are met, involved employees may receive Sobi shares free of charge equivalent to the number of shares the employee invested in under the Share Program 2011 ("Matching shares") as well as additional Sobi shares depending on whether targets set by the board of directors for value creation are met ("Performance shares").

The targets for value creation, determined by the board of directors, are connected to the total shareholder return of the Sobi common share (the share price development adjusted with respect to dividends), during a three year period as from the date of the offer to participate in the program (the "Performance Period"). These targets comprise market conditions as stated in IFRS 2 Employee benefits, and are called Performance condition 1 and Performance condition 2 in this program.

Performance Condition 1: For any allotment of common shares to be possible under Share Program 2011, the total shareholder return for the Sobi common share must amount to at least 15% during the Performance Period.

Performance Condition 2: Upon fulfillment of Performance Condition 1, an evaluation is carried out of the total shareholder return for the Sobi common share in relation to a group of comparable companies, established by the board of directors. As a condition for allotment of common shares, it has been established that a minimum level for the total shareholder return of the Sobi common share shall correspond to the median performance for the comparable group. It has been established that full allotment will be carried out if the total shareholder return for the Sobi common share corresponds to the upper quartile for the comparable group (the maximum level) or exceeds this level. If the minimum level is reached, an allotment of 35% of the maximum number of common shares, in accordance with what has been described previously, will be carried out.
If the total shareholder return for the Sobi common share exceeds the minimum level but falls below the maximum level, a pro rata allotment will be carried out.

The value of the matching shares has been calculated on the allotment date based on the volume weighted price of the Swedish Orphan Biovitrum common share on that date under the assumption that no dividends are expected to occur during the measurement period.

The value of the performance shares, using Monte Carlo simulation, has been calculated on the allotment date, taking market conditions into account but without regard to expected dividends. Important input data in the model were volume-weighted average share price of SEK 13.93 on the allotment date, volatility of 37.0% and a risk free interest rate of1.82%. Volatility is measured as the standard deviation for expected return on the share price based on a statistical analysis of daily share prices for the Sobi common share over the last three years. The valuation model also reflected corresponding historical volatility for the share prices of comparable companies during the same period.

Share Program 2011 was implemented at the end of 2011 and the performance period will run from December 15, 2011 until December 15, 2014. The program may involve a total maximum allotment of 608,283 shares in Swedish Orphan Biovitrum AB (publ).

Expensing of Share Program 2011 is calculated with the following parameters:

- Number of matching shares 94,736
- Number of performance shares 513,547
- Vesting period 36 months
- Fair value of matching share SEK 13.93
- Fair value per performance share SEK 6.63
- Anticipated turnover of 10% among the relevant employees.

Long-term incentive program for CEO Geoffrey McDonough
Extraordinary General Meeting August 24, 2011 approved the Board's proposal for the introduction of a performance based long term incentive program for the newly appointed CEO Geoffrey McDonough. The program is based on a personal investment in Sobi-shares in the market and the assignment requires, inter alia, that certain performance requirements related to the development of Sobi's share price are met.

Allotted Performance Shares shall be received free of charge. The number of Performance Shares that may be received by the Participant is (in addition to the fulfillment of the other conditions set out in these Terms and Conditions) dependent on the fulfillment of the Performance Conditions, which relate to targets for value creation based on the development of the Share price during the Performance Period as set out below.

The calculation of the development of the Share price shall be based on a comparison of the volume weighted average purchase price for the Share as noted on NASDAQ OMX Stockholm's official list during a period of nine trading days prior to and including the first day of the Performance Period (i.e. during the period 10–22 June 2011) and the volume weighted average purchase price for the Share as noted on NASDAQ OMX Stockholm's official list during the last ten trading days of the Performance Period.

The 500,000 Performance Shares shall be allotted based on the following conditions:

Pro-rata allotment of 400,000 Performance Shares

a) For any allotment of Performance Shares to be possible the Share price must have increased by more than 15% during the Performance Period (i.e. the volume weighted average Share price during the last ten trading days of the Performance Period shall amount to more than SEK 25.77).
b) For the maximum allotment of 400,000 Performance Shares, the volume weighted average Share price during the last ten trading days of the Performance Period shall amount to at least SEK 45.00.
c) If the volume weighted average Share price during the ten last trading days of the Performance Period is between the thresholds set out in item a and item b above, the portion of the 400,000 Performance Shares to be allotted shall be calculated on a pro-rata basis (i.e. the calculation shall be linear).

Threshold allotment 1 of 30,000 Performance Shares

d) In addition to the pro-rata allotment of Performance Shares pursuant to items a-c above, the Participant shall be allotted 30,000 Performance Shares if the volume weighted average Share price during the last ten trading days of the Performance Period amounts to at least SEK 30.00.

Threshold allotment 2 of 70,000 Performance Shares

e) In addition to the pro-rata allotment and the threshold allotment 1 of Performance Shares pursuant to items a-d above, the Participant shall be allotted 70,000 Performance Shares if the volume weighted average Share price during the last ten trading days of the Performance Period amounts to at least SEK 35.00. For the avoidance of doubt, none of the 70,000 Performance Shares to be allotted pursuant to this item e shall be allotted at a volume weighted average Share price below SEK 35.00, i.e. there shall be no pro-rata allotment of the 70,000 Performance Shares where the volume weighted average Share price is between the thresholds set out in item d above and in this item e.

Share program 2011	Number of performance shares	Number of matching shares	Value	Purchase price	Cost
Other senior management, 10	293,636	49,176	2,631,828	–	2,631,828
Sum	**293,636**	**49,176**	**2,631,828**	**–**	**2,631,828**

Expensing for long-term incentive program for CEO Geoffrey McDonough is calculated with the following parameters:

- Number of Performance Shares in Pro-rata allotment: 400,000
- Number of Performance Shares in Threshold allotment 1: 30,000
- Number of Performance Shares in Threshold allotment 2: 70,000
- Vesting period 36 months
- Fair value per Performance Share in Pro-rata allotment: SEK 5.47
- Fair value per Performance Share in Threshold allotment 1: SEK 7.01
- Fair value per Performance Share in Threshold allotment 2: SEK 5.32

Allotment pursuant to the CEO Share Program 2011 requires that the participant remains employed as CEO of the Swedish Orphan Biovitrum-group during the three-year period as from 15 August 2011 up to and including 15 August 2014, subject to certain exemptions to be determined by the Board of Directors, and that the employment has not, at the time of allotment, been terminated following a termination from Swedish Orphan Biovitrum, or that the participant at such time has notified Swedish Orphan Biovitrum of his termination of the employment. Allotment also requires that the participant has kept his personal investment during the entire aforementioned period, i.e. from 15 August 2011 up to and including 15 August 2014. If all conditions for allotment in the CEO Share Program 2011 are met, allotment will take place free of charge after expiration of the Performance Period and following approval of the results by the board of directors at the board meeting that follows immediately after the expiration of the Performance Period.

Gender distribution of Board and management

The data in the table included representatives. The data refers to the ratio at closing.

GROUP	2011	2010
Board		
Men	4	5
Women	2	2
	6	**7**
CEO and other senior executives		
Men	9	7
Women	4	2
	13	**9**

Note 15

Remuneration and reimbursement

GROUP	2011	2010
PwC		
Auditing assignments [1]	3,050	2,778
of which auditing in addition to audit assignment	850	983
Tax assignments	2,430	1,459
Other assignments	1,600	1,761
	7,080	**5,998**
Other auditor		
Auditing assignments	–	–

PARENT COMPANY	2011	2010
PwC		
Auditing assignments [1]	2,540	1,766
of which auditing in addition to audit assignment	850	916
Tax assignments	1,952	1,345
Other assignments	1,600	1,761
	6,092	**4,872**

[1] "Auditing assignments" refer to the statutory audit to be able to provide the audit report and counseling related to the audit. The category "Other auditing services" refers to services such as reviewing interim reports.

Note 16

Costs according to type of cost

GROUP	2011	2010
Raw materials and consumables	–678,958	–467,603
Other external costs	–691,814	–681,595
Personnel costs	–556,125	–574,273
Depreciation and write-downs	–453,079	–355,524
Other operating expenses	–50,533	–72,123
	–2,430,505	**–2,151,118**

PARENT COMPANY	2011	2010
Raw materials and consumables	–414,008	–196,136
Other external costs	–555,212	–565,337
Personnel costs	–401,162	–431,786
Depreciation and write-downs	–272,673	–184,582
Other operating expenses	–26,742	–38,884
	–1,669,801	**–1,416,725**

Note 17

Financial income

GROUP	2011	2010
Interest income, miscellaneous	2,856	–1,206
Result from short-term investments	45	1,623
Exchange rate gains/losses on short term receivables	2,594	–7,981
Exchange rate difference long-term liability	–	2,712
Revaluation of financial asset	5,000	
Exchange rate difference loan in USD	–	–
Other	9	121
	10,504	**–4,731**

PARENT COMPANY	2011	2010
Interest income, miscellaneous	2,287	–1,353
Result from short-term investments	42	1,623
Exchange rate gains/losses on short term receivables	3,748	–3,691
Exchange rate difference long-term liability	–	2,712
Revaluation of financial claims	5,000	
Other	–	101
	11,077	**–607**

Note 18

Financial expenses

GROUP	2011	2010
Interest expenses, bank loan	–48,458	–49,722
Interest expenses, miscellaneous	–7,831	–5,263
Exchange rate difference liabilities	–445	3,273
Financing expenses	–2,842	–151
Re-evaluation of short-term investments	–3,051	–6,100
Write-down of financial fixed asset	–	–19,303
Other	–105	–173
	–62,733	**–77,439**

PARENT COMPANY	2011	2010
Interest expenses, bank loan	–48,458	–49,722
Interest expenses, miscellaneous	–10,530	–3,411
Exchange rate difference liabilities	–	–2,100
Financing expenses	–2,842	–151
Re-evaluation of short-term investments	–3,051	–6,100
Write-down of financial fixed asset	–	–19,303
Other	–105	–
	–64,987	**–80,787**

Note 19

Exchange rate differences affecting operating profit/loss

GROUP	2011	2010
Exchange rate differences affecting operating profit/loss	–3,521	24,322
	–3,521	**24,322**

PARENT COMPANY	2011	2010
Exchange rate differences affecting operating profit/loss	–2,245	39,281
	–2,245	**39,281**

Note 20

Income tax

Current tax expense (–)/ tax income (+)

GROUP	2011	2010
Tax expense / income for the year	–5,953	–38,137
Adjustment of taxes related to previous years	–	–375
Total tax reported for the Group	**–5,953**	**–38,512**
Deferred tax relating to:		
Pensions	1,787	–1,886
Change in tax allocation reserve and excess depreciation	–77,000	–14,319
Internal profit in inventories	3,019	986
Depreciation of immaterial assets	41,011	40,807
Write down of receivables	2,079	–
Capitalization of tax loss carry forwards	29,011	–
Revaluation of deferred tax	394,828	–
Other	–10	912
Total deferred tax reported for the Group	**394,725**	**26,500**
Total tax reported for the Group	**388,772**	**–12,012**

PARENT COMPANY	2011	2010
Tax income for the year	77,406	–
Adjustment of taxes related to previous years	–	–
Total tax reported for the Parent Company	**77,406**	**–**

Reconciliation of actual tax

GROUP	2011	2010
Pre-tax profit	**–370,845**	**–92,439**
Tax on the basis of prevailing tax rate for Parent Company	97,532	24,311
Effect of foreign taxrates	–1,171	–676
Other non-deductible expenses	–7,080	–6,284
Non-taxable income	40,498	1,337
Interest on tax allocation reserve	–957	–922
Adjustment of tax previous years	73	–5,725
Decrease (+) / Increase (–) in loss carry-forward without corresponding capitalization of deferred tax	124,104	–24,053
Revaluation of deffered tax	135,773	–
Reported actual tax	**388,772**	**–12,012**

PARENT COMPANY	2011	2010
Pre-tax profit	468,822	–104,746
Tax on the basis of prevailing tax rate for Parent Company	–123,300	27,548
Other non-deductible expenses	–1,107	–1,925
Non-deductible write-down shares in subsidiaries	–141	–1,635
Non-taxable income	307	–
Decrease (+) / Increase (–) in loss carry-forward without corresponding capitalization of deferred tax	124,242	–23,988
Revaluation of deferred tax	77,406	–
Reported actual tax	**77,406**	**–**

Prevailing tax rate for the Parent Company is 26.3% (26.3%).

Note 21

Intangible fixed assets and impairment testing

GROUP	Goodwill	Research & Development	Trademarks & licenses	Product rights	Software and other	IT-software in progress	Total
1 January – 31 December 2010							
Net book value – Opening balance	25,342	299,196	146,507	682,128	5,971	–	1,159,144
Additions	1,575,617	10	496,007	2,284,700	4,615	3,297	4,365,348
Reclassification of acquisition value	–	–	–	–	–684	684	–
Write-downs	–	–	–78,829	–	–	–	–78,829
Depreciation	–	–	–54,004	–162,905	–3,358	–	–221,369
Net book value – Closing balance	**1,600,959**	**299,206**	**509,681**	**2,803,909**	**6,544**	**3,981**	**5,224,294**
At December 31, 2010							
Acquisition value	1,635,277	408,352	647,351	3,014,758	36,362	3,981	5,746,081
Accumulated depreciation and amortization	–34,318	–109,146	–137,670	–210,835	–29,818	–	–521,787
Net book value	**1,600,959**	**299,206**	**509,681**	**2,803,923**	**6,544**	**3,981**	**5,224,294**
1 January – 31 December 2011							
Net book value – Opening balance	1,600,959	299,206	509,681	2,803,923	6,544	3,981	5,224,294
Additions	4,348	–	1,302	–	4,241	4,594	14,485
Reclassification of acquisition value	–	–	–	–	14,461	–	14,461
Write-downs	–	–126,932[1]	–	–	–12,600	–	–139,532
Depreciation	–	–	–34,028	–190,713	–3,890	–	–228,631
Net book value – Closing balance	**1,605,307**	**172,274**	**476,955**	**2,613,210**	**10,274**	**7,057**	**4,885,077**
At December 31, 2011							
Acquisition value	1,639,625	408,352	648,653	3,014,758	56,582	7,057	5,775,027
Accumulated depreciation and amortization	–34,318	–236,078	–171,698	–401,548	–46,308	–	–889,950
Net book value	**1,605,307**	**172,274**	**476,955**	**2,613,210**	**10,274**	**7,057**	**4,885,077**

[1] Investment in certain residual rights in the research program Leptin, which were sold to Astra Zeneca in 2009. The investment has been written down to zero during 2011.

>> Note 21, cont.

PARENT COMPANY	Research & Development	Trademarks & licenses	Product rights	Software and other	IT-software in progress	Total
1 January – 31 December 2010						
Net book value – Opening balance	126,957	144,616	682,128	5,971	–	959,672
Additions	–23	1,549	–	245	3,297	5,068
Reclassification of acquisition value	–	–	–	–684	684	–
Write-downs	–	–78,828	–	–	–	–78,828
Depreciation	–	–1,366	–48,670	–2,437	–	–52,473
Net book value – Closing balance	**126,934**	**65,971**	**633,458**	**3,095**	**3,981**	**833,439**
At December 31, 2010						
Acquisition value	126,934	148,847	730,058	31,992	3,981	1,041,812
Accumulated depreciation and amortization	–	–82,876	–96,600	–28,897	–	–208,373
Net book value	**126,934**	**65,971**	**633,458**	**3,095**	**3,981**	**833,439**
1 January – 31 December 2011						
Net book value – Opening balance	126,934	65,970	633,458	3,095	3,981	833,438
Commissioning of existing facilities	–	–	–	1,518	–1,518	–
Additions	–	–	–	3,852	4,594	8,446
Reclassification of acquisition value	–	–	–	14,461	–	14,461
Write-downs	–126,934[1]	–	–	–10,000	–	–136,934
Depreciation	–	**1,010**	–48,671	–3,858	–	–53,539
Net book value – Closing balance	**0**	**64,960**	**584,787**	**9,068**	**7,057**	**665,872**
At December 31, 2011						
Acquisition value	126,934	148,846	730,058	51,823	7,057	1,064,718
Accumulated depreciation and amortization	–126,934	–83,886	–145,271	–42,755	–	–398,846
Net book value	**0**	**64,960**	**584,787**	**9,068**	**7,057**	**665,872**

[1] Investment in certain residual rights in the research program Leptin, which were sold to Astra Zeneca in 2009. The investment has been written down to zero during 2011.

Intangible assets consist primarily of product rights, goodwill, licenses, patents and research projects. In some cases agreements on royalties or profit sharing can be linked to the product rights. These can vary in size and are often dependent on how the revenue develops.

Testing for impairment of intangible fixed assets

Goodwill

Assessment of the value of the Group's goodwill items are based on the groups, defined as the only cash-generating unit, value in use.

Cash flows are based on financial plans that have been established by management covering a five year period. The financial plans have been established based on past performance, experiences and expectations in the market. The plans includes assumptions about the current product development and future product launches for Kiobrina (2015) and hemophilia projects (2016). The financial plans also include assumptions of the development of price, expenses and sales. Cash flows beyond the five year period have been extrapolated using an estimated growth rate of 2%. Swedish Orphan Biovitrum's goodwill at December 31, 2011amounts to SEK 1,605 M (1,601). Completed impairment tests show no impairment loss of goodwill.

The following table shows key assumptions used the calculation of value:

Parameter	2011	2010
Growth rate beyond the initial five-year period	2%	0–4%
Discount rate	10.7%	12.2%

Assumptions regarding Swedish Orphan Biovitrum's weighted cost of capital (WACC):

Risk free interest rate: 10-year government bond or comparable investment with the lowest possible risk.

Market risk premium: 4%

Beta: Swedish Orphan Biovitrum's development largely follows the general trend on the market and is therefore calculated as 1.

Interest expense: according to Swedish Orphan Biovitrum's borrowing costs

Tax rate: according to tax rates in Sweden

Swedish Orphan Biovitrum has conducted a sensitivity analysis regarding the following variables in the impairment testing of goodwill: the discount rate, sales and eternal growth rate. The sensitivity analysis indicates that there are good margins in the calculation.

Product rights/Research projects

Testing for impairment of product rights and research is carried out as needed and done at least once a year. Impairment tests have been carried out for each product or project separately. Impairment tests are based on a calculation of future value in use. The value in use is based on cash flows that are expected to be generated over the remaining life of the unit. When discounting of future cash flows, the discount rate is used as described above. When Impairment testing of research the key factors are future cash flows from the individual asset, the probability to achieve positive outcomes in clinical studies , assumptions and the best commercial outcome. Future cash flows are estimated with respect to project development in the short-and long-term and adjusted for the probability that the project be commercialized. The risk is higher the earlier in the chain of development that the project is in, as it passes the defined development phases increases the likelihood of reaching the market. The assessment of the likelihood for a proposal to implement the current development phase successfully made on the basis of the scientific potential to project may have a positive outcome at the individual phase of the development. The best possible assumptions, so-called best case assumption, made on the parameters that affect the project to developed into a drug with the highest commercial potential, based on what is reasonable to assume the project's scientific profile with the information available today. The forecast period is based on the product's estimated life of market. In 2011, impairment of research projects has been mad with SEK 127 M, see below. Impairment testing of product rights, a number of assumptions are made. The assumptions are forecasts of future sales, costs attributable to each product, product life and discount rate. Where patents relating to contract or product rights is for a period exceeding five years is used, the contract- and the patent term as remaining life.

In cases where the contract or patent rights to the product exceeds five years, the contract- or the patent term is used as the remaining lifetime. Completed impairment testing of the product rights shows no impairment loss.

Impairments in 2011

In 2011, Swedish Orphan Biovitrum has made a write-down of research relating to Leptin. The write-down amounts to SEK 127 M and is accounted as research and development costs in the statement of comprehensive income. The reason for the impairment is that research has gone back to the preclinical phase and thus will not be commercialized according to previous expectations. The company also wrote down the intangible assets for IT projects with a total amount of SEK12.6 M. The Impairments are motivated by that the book value of assets does not correspond to the financial benefit that the company previously expected.

Note 22

Tangible fixed assets

GROUP	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Cars	Plant in progress	Total
1 January – 31 December 2010						
Net book value – Opening balance	–	43,675	102,316	–	105,972	251,963
Exchange differences	–	16,659	81,693	–	–98,352	–
Acquisition of subsidiary	6,399	–	5,210	2,269	–	13,878
Additions	84	17,926	16,434	1,311	7,665	43,420
Disposals	–	–934	–410	–389	–	–1,733
Depreciation	–336	–19,663	–27,832	–677	–	–48,508
Write-downs	–	–959	–6,615	–	–	–7,574
Net book value – Closing balance	**6,147**	**56,704**	**170,796**	**2,514**	**15,285**	**251,446**
At December 31, 2010						
Acquisition value	6,483	624,367	293,237	2,848	15,285	942,220
Accumulated depreciation and amortization	–336	–567,663	–122,441	–334	–	–690,774
Net book value	**6,147**	**56,704**	**170,796**	**2,514**	**15,285**	**251,446**
1 January – 31 December 2011						
Net book value – Opening balance	6,147	56,704	170,796	2,514	15,285	251,446
Exchange differences	–	149	657	–	–806	–
Additions	–	1,737	2,743	577	139	5,196
Reclassification of acquisition value		–	–14,461	–	–	–14,461
Disposals	–484	–	–22	–818	–	–1,324
Depreciation	–336	–17,355	–28,515	–644	–	–46,850
Write-downs	–	–	–38,066	–	–	–38,066
Net book value – Closing balance	**5,327**	**41,235**	**93,132**	**1,629**	**14,618**	**155,941**
At December 31, 2011						
Acquisition value	5,999	626,253	282,154	2,607	14,618	931,631
Accumulated depreciation and amortization	–672	–585,018	–189,022	–978	–	–775,690
Net book value	**5,327**	**41,235**	**93,132**	**1,629**	**14,618**	**155,941**

[1] Write downs during 2011:
The company has written down assets relating to the premises that no longer will be used due to the restructuring in 2011. The Impairment is due to assets no longer being used, and that the book value of assets do not correspond to the financial benefit that the company previously expected.

>> Note 22, cont.

PARENT COMPANY	Plant and machinery	Equipment, tools, fixtures and fittings	Plant in progress	Total
1 January – 31 December 2010				
Net book value – Opening balance	43,197	102,794	105,972	251,963
Exchange differences	16,659	81,693	–98,352	–
Additions	17,926	13,837	7,665	39,428
Disposals	–933	–74	–	–1,007
Depreciation	–19,663	–26,043	–	–45,706
Write-downs	–959	–6,615	–	–7,574
Net book value – Closing balance	**56,226**	**165,592**	**15,285**	**237,103**
At December 31, 2010				
Acquisition value	619,336	283,103	15,285	917,724
Accumulated depreciation and amortization	–563,110	–117,511	–	–680,621
Net book value	**56,226**	**165,592**	**15,285**	**237,103**
1 January – 31 December 2011				
Net book value – Opening balance	56,226	165,592	15,285	237,103
Exchange differences	149	657	–806	–
Additions	512	2,403	139	3,054
Reclassification of acquisition value	–	–14,461	–	–14,461
Depreciation	–16,650	–27,486	–	–44,136
Write-downs	–	–38,066	–	–38,066
Net book value – Closing balance	**40,237**	**88,639**	**14,618**	**143,494**
At December 31, 2011				
Acquisition value	619,997	271,702	14,618	906,317
Accumulated depreciation and amortization	–579,760	–183,063	–	–762,823
Net book value	**40,237**	**88,639**	**14,618**	**143,494**

Note 23

Participation in Group companies

PARENT COMPANY	2011	2010
Accumulated acquisition values		
Accumulated acquisition values, opening balance	4,741,893	974,866
Acquisitions	4,365	3,767,027
Group contribution to subsidiaries	163,559	–
Liquidation of subsidiaries[1]	–417,512	–
Participation in limited partnerships	–148,730	–
	4,343,575	**4,741,893**
Accumulated write-down		
Opening balance	–327,945	–325,887
This years write-down	–	–2,058
	–327,945	**–327,945**
Net book value end of period	**4,015,630**	**4,413,948**

[1] The subsidiaries Fastighetsbolaget Paradiset KB and Fastighetsbolaget Hornet KB have been liquidated in 2011.

Specification of Parent Company and Group´s holdings in Group companies

SUBSIDIARY/ CORP. IDENTITY NO/ DOMICILE	No of shares	Share in %[1]	Book value
Swedish Orphan Biovitrum International Holding AB, 556613-7674	947,128	100.0	3,655,588
Swedish Orphan Biovitrum International AB, 556329-5624	100	100.0	–
Biovitrum Treasury AB, 556616-7317, Stockholm, Sweden	1,000	100.0	100
Paradiset B.V., 34209249, Amsterdam, Netherlands	180	100.0	164
Fastighetsaktiebolaget Paradiset, 556149-2611, Stockholm, Sweden	900	90.0	100
Nya Paradiset 19 AB, 556603-1943, Stockholm, Sweden	1,000	100.0	100
Fastighetsaktiebolaget Paradiset, 556149-2611, Stockholm, Sweden	100	10.0	–
Arexis AB, 556573-5130, Gothenburg, Sweden	1,000	100.0	359,571
Arexis Inflam AB, 556584-4676, Gothenburg, Sweden	1,000	100.0	–
Swedish Orphan Biovitrum Inc., 68-0682244, Ardmore, USA	1,000	100.0	7
			4,015,630

[1] Refers to the percentage of capital holding, which is equal to the percentage of voting rights.

Note 24

Financial Fixed Assets

GROUP	2011	2010
Accumulated acquisition values		
Opening balance	10,033	102,707
Acquisition[1]	–	–60,812
Acquisition of subsidiary	–	2,306
Write-down of loan and shares	–	–19,303
Financial asset	5,000	–
Received payments of loan	–	–1,372
Change in pension commitment	–3,436	–13,373
Other	–187	–120
Accumulated acquisition values	**11,410**	**10,033**
Book value at end of period	**11,410**	**10,033**

PARENT COMPANY	2011	2010
Accumulated acquisition values		
Opening balance	684	21,359
Financial asset	5,000	–
Received payments of loan	–	–1,372
Write-down of loan and shares	–	–19,303
Revaluation of deferred tax	135,773	–
Accumulated acquisition values	**141,313**	**684**
Book value at end of period	**141,313**	**684**

[1] Prepaid expenses acquisition in progress.

Note 25

Deferred tax receivables and liabilities

Accounted deferred tax receivables and liabilities

GROUP 2011	Deferred tax receivable	Deferred tax liability	Net
Inventory	9,345	–	9,345
Acquired R&D	–	–48,965	–48,965
Acquired product rights	–	–613,822	–613,822
Deferred pension expense	704	–	704
Tax allocation reserve	–	–134,714	–134,714
Other	–	2,056	2,056
Revaluation of deferred tax	394,828	–	394,828
Loss carry-forward	37,884	–	–37,884
	442,761	**–795,445**	**–352,684**
Offsetting	–442,761	442,761	–
Net deferred tax receivable/liability	–	**–352,684**	**–352,684**

GROUP 2010	Deferred tax receivable	Deferred tax liability	Net
Inventory	6,326	–	6,326
Acquired R&D	–	–49,171	–49,171
Acquired product rights	–	–654,627	–
Deferred pension expense	–	–1,083	–1,083
Tax allocation reserve	–	–57,714	–57,714
Other	–	–13	–13
Loss carry-forward	8,873	–	8,873
	15,199	**–762,608**	**–747,409**
Offsetting	–3,399	3,399	–
Net deferred tax receivable/liability	**11,800**	**–759,209**	**–747,409**

For the Parent Company there is no deferred tax receivable or tax liability.

Non accounted deferred tax receivables

GROUP	2011-12-31	2010-12-31
Deductable temporary differences	–	–
Deficit for tax purpose	–	264,417
	–	**264,417**

PARENT COMPANY	2011-12-31	2010-12-31
Deductable temporary differences	–	–
Deficit for tax purpose	–	219,993
	–	**219,993**

The loss carry-forwards for tax purposes pertain to one Swedish subsidiary. According to tax legislation, this deficit can be carried forward indefinitely. The deficit has been fully recognized as a deferred tax asset per December 31, 2011. The deficit has been recognized since it is deemed likely that the Group will be able to utilize the amounts to offset future taxable profits. During the year the parent company has made an internal transfer of operations and utilized previous tax losses. The transfer has resulted in a tax temporary difference. The tax rate used is 26.3% as per 2011 (26.3). Following a tax audit, the amounts from last year have been changed.

Swedish Orphan Biovitrum AB will be charged an additional amount of SEK 232.2 M as revenue, in connection with the sale of the property Paradiset 14, as a result of a decision announced by the administrative court on March 3, 2011. The company has appealed the decision. The amount has reduced the company's unused deficit, which means that the deferred tax deficit that has been activated in 2011 does not include this amount. See note 37 for more information.

Change in deferred tax in temporary differences and loss carry-forward

GROUP 2011	Amount January, 1	Reported in income statement	Acquired operations	Amount December, 31
Inventory	6,326	3,019	–	9,345
Acquired R&D	–49,171	206	–	–48,965
Acquired product rights	–654,627	40,805	–	–613,822
Deferred pension expense	–1,083	1,787	–	704
Tax allocation reserves/excess depreciation	–57,714	–77,000	–	–134,714
Other	–13	2,069	–	2,056
Revaluation of deferred tax	–	394,828	–	394,828
Utilization of loss carry-forward	8,873	29,011	–	37,884
	–747,409	**394,725**	–	**–352,684**

GROUP 2010	Amount January, 1	Reported in income statement	Acquired operations	Amount December, 31
Inventory	–	986	5,340	6,326
Acquired R&D	–45,273	364	–4,262	–49,171
Acquired product rights	–	40,443	–695,070	–654,627
Deferred pension expense	–5,598	3,712	803	–1,083
Tax allocation reserves/excess depreciation	–	–14,312	–43,402	–57,714
Other	–	905	–918	–13
Utilization of loss carry-forward	14,471	–5,598	–	8,873
	–36,400	**26,500**	**–737,509**	**–747,409**

Note 26

Inventories

GROUP	2011	2010
Raw materials and consumables	11,465	17,025
Work-in-progress	585,921	685,785
Finished products and goods for resale	296,433	367,624
	893,819	**1,070,434**

The expenditure for the inventories that was carried as an expense is included in cost of goods sold amounts to SEK 531,212 thousand (387,507). Provision for obsolescence amounts to SEK 53,668 thousand (13,121).

PARENT COMPANY	2011	2010
Raw materials and consumables	9,889	10,383
Work-in-progress	553,416	665,764
Finished products and goods for resale	153,540	251,320
	716,845	**927,467**

The expenditure for the inventories that was carried as an expense is included in cost of goods sold amounts to SEK 282,569 thousand (179,720). Provision for obsolescence amounts to SEK 45,025 thousand (11,359).

Provision for obsolescence is higher in 2011 than 2010, mainly relating to validation batches for Tech Transfer Kineret and lower, but more stable, revenues for Kepivance.

Note 27

Accounts receivable and Other receivables

GROUP	2011	2010
Accounts receivable	329,510	327,433
Deduction: Provision for decrease in receivable	–19,879	–4,815
Accounts receivable – net	**309,631**	**322,618**
Tax receivables	545	278
Other receivables	49,340	63,286
Total other receivables	**49,885**	**63,564**
Total accounts receivable and other receivables	**359,516**	**386,182**

PARENT COMPANY	2011	2010
Accounts receivable	72,122	137,794
Deduction: Provision for decrease in receivable	–3,440	–1,629
Accounts receivable – net	**68,682**	**136,165**
Tax receivables	16,840	16,840
Other receivables	41,320	19,431
Total other receivables	**58,160**	**36,271**
Total accounts receivable and other receivables	**126,842**	**172,436**

No established credit losses are charged against profit for the year.

As of December 31, 2011, accounts receivable amounting to SEK 135,614 thousand (149,004) were past due and no write-down was deemed necessary. Provisions for doubtful receivables amounted to SEK 19,879 thousand (4,815) as of December 31, 2011. Of the past due accounts receivable per December 31, 2011, SEK 33,890 thousand (32,477) were settled in January 2012.

Accounts receivable past due

GROUP	2011	2010
Past due 1–30 days	40,046	81,753
Past due 31–90 days	19,762	16,332
Past due 91–120 days	6,951	5,261
Past due > 121 days	68,855	45,658
	135,614	**149,004**

PARENT COMPANY	2011	2010
Past due 1–30 days	18,543	46,906
Past due 31–90 days	2,529	8,037
Past due 91–120 days	–28	1,678
Past due > 121 days	5,697	7,733
	26,741	**64,354**

Amounts, per currency, for accounts receivables and other receivables

GROUP	2011	2010
SEK	86,067	144,004
NOK	10,254	10,219
DKK	15,297	7,443
USD	58,554	46,654
EUR	161,281	156,496
GBP	15,871	14,121
CHF	282	149
AUD	5,701	2,538
Other currencies	6,209	4,558
	359,516	**386,182**

PARENT COMPANY	2011	2010
SEK	72,799	96,211
NOK	–	2,016
DKK	–	1,468
USD	36,583	34,381
EUR	14,329	32,135
GBP	149	534
CHF	–	109
AUD	429	2,538
Other currencies	2,553	3,044
	126,842	**172,436**

Note 28

Prepaid expenses and accrued revenues

GROUP	2011	2010
Accrued royalty revenues	23,012	3,456
Accrued co-promotion revenues	26,007	20,537
Prepaid leasing fees	293	1,343
Prepaid rents	20,330	3,675
Prepaid insurance expenses	15,654	11,966
Prepaid service and maintenance expenses	2,954	402
Prepaid IT Software & Licenses	5,014	1,546
Prepaid expenses, tech transfer Kineret	67,438	23,203
Other items	14,025	10,764
	174,727	**76,892**

PARENT COMPANY	2011	2010
Accrued royalty revenues	23,012	3,456
Accrued co-promotion revenues	26,007	20,537
Prepaid leasing fees	–	1,059
Prepaid rents	18,906	2,195
Prepaid insurance expenses	13,839	10,514
Prepaid service and maintenance expenses	2,954	342
Prepaid IT Software & Licenses	5,014	1,457
Prepaid expenses, tech transfer Kineret	67,438	23,203
Other items	11,975	8,442
	169,145	**71,205**

Note 29

Short-term investments and Liquid funds

Specification of security

	2011		2010	
GROUP	Fair value	Book value	Fair value	Book value
Cash and Bank	219,043	219,043	38,469	38,469
	219,043	**219,043**	**38,469**	**38,469**

	2011		2010	
PARENT COMPANY	Fair value	Book value	Fair value	Book value
Cash and Bank	175,025	175,025	9,083	9,083
	175,025	**175,025**	**9,083**	**9,083**

Note 30

Financial assets per category (Group)

	Loans and receivables	Asset at fair value through the profit and loss	Total
December 31, 2011			
Assets as per balance sheet			
Accounts receivable	309,631	–	309,631
Liquid funds	219,043	–	219,043
Total	**528,674**	–	**528,674**
December 31, 2010			
Assets as per balance sheet			
Accounts receivable	322,618	–	322,618
Liquid funds	38,469	–	38,469
Total	**361,087**	**–**	**361,087**

Note 31

Employee benefits (pension commitments)

The pension commitments are calculated annually on the closing day, based on actuarial calculations.

The figures below do not include a special payroll tax of 24.26% of reported assets in accordance with UFR4 (Swedish Financial Accounting Standards Council's Emerging Issues Task Force). For the Norwegian Pension Fund 14.1% in payroll taxes in reported liabilities will be included.

Pension costs are reported under the items: selling expenses, administration expenses and research and development expenses.

Pension benefits

Commitments for retirement pensions and family pensions for white-collar employees in Swedish Orphan Biovitrum AB Sweden are insured through Alecta. According to statement UFR3 issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, these are defined benefit plans covering multiple employers.

For the 2011 financial year, the group did not have access to the information necessary to be able to report this plan as a defined benefit plan. The ITP pension plan insured through Alecta is therefore reported as a defined contribution plan.

The cost for the year of pension insurance through Alecta amounted to SEK 15,839 thousands (13,298). Alecta's surplus is distributable among the policy holders and/or the insured parties. At the end of 2011 Alecta's surplus in the form of the collective consolidation level amounted to 113.0% (143.0). The collective consolidation level consists of the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

Change in benefit obligation during the year:

	2011	2010
Benefit obligation at start of year	135,558	107,725
Acquired operations	–	7,663
Service cost	16,612	14,818
Interest cost	4,781	4,758
Actuarial gains (–) /losses (+)	939	14,639
Benefits paid	–1,535	–861
Settlement	–16,048	–12,611
This year's translation difference	4	–573
Benefit obligation at end of year	**140,311**	**135,558**

Change in fair value of plan assets during the year:

	2011	2010
Fair value of plan assets at start of year	104,340	94,781
Acquired operations	–	3,433
Return on assets	3,733	3,594
Actuarial gain (+) /loss (–)	1,534	668
Contributions	16,344	14,638
Settlement	14,153	–10,830
Remunerations one-time items	–1,535	–1,687
This year's translation difference	3	–257
Fair value of plan assets at end of year	**110,265**	**104,340**

The amounts recognized in the income statement regarding defined benefits are as follows:

	2011	2010
Service cost	16,612	14,818
Interest cost	4,781	4,758
Expected return on plan assets	–3,733	–3,594
Amortization on actuarial gains/losses	1,961	1,438
Administration cost	91	78
Collective agreement pension	2,180	7,335
Total, included in employee benefits	**21,893**	**24,834**

>> Note 31, cont.

Actuarial assumptions on the balance sheet date

SWEDISH PLAN	2011	2010
Discount rate	3.40%	3.40%
Future salary increases	3.00%	3.00%
Future pension increases	2.00%	2.00%
Expected increase of basic amount	3.00%	3.00%
Expected return on plan assets	3.30%	3.30%

NORWEIGAN PLAN	2011	2010
Discount rate	3.30%	3.20%
Future salary increases	4.00%	4.00%
Future pension increases	3.75%	3.75%
Expected increase of basic amount	3.75%	3.75%
Expected return on plan assets	4.80%	4.60%

The amounts recognized in the balance sheet are as follows:

	2011	2010
Fair value of plan assets	110,265	104,340
Fair value pension commitment	–140,311	–135,558
Net asset value	**–30,046**	**–31,218**
Unrecognized actuarial gains (–) / losses (+)	27,754	34,475
Net asset value	**–2,292**	**3,257**

The amounts are recognized in the balance sheet as follows:

	2011	2010
Financial fixed assets	2,999	5,765
Provisions	–5,291	–2,508
	–2,292	**3,257**

Specification of changes in net assets reported in the balance sheet

	2011	2010
Net asset/liability at beginning of year according adopted balance sheet	3,257	16,526
Acquired operations	–	–2,513
Net pension expense	–21,893	–24,834
Benefits paid	16,344	14,716
Withdrawal from plan assets (–)	–1,535	–1,687
Remunerations	–	861
Benefits paid	1,535	188
Net asset value	**–2,292**	**3,257**

The actual return on plan assets was SEK 5,310 thousands (4,263).

Allocation of asset type

	2011	%	2010	%
Shares	46,451	42	44,578	43
Bonds	51,178	46	47,144	45
Other	12,636	11	12,618	12
Insurance company provision	–	0	–	0
Total	**110,265**	**100**	**104,340**	**100**

Other information

The anticipated return on plan assets is established by taking into account the anticipated return on the assets that are covered by the investment policy in question. The anticipated return on investments with fixed interest is based on the return received if these securities are held to maturity. The anticipated return on equities and properties is based on the long-term return in the respective market.

Contributions, made to plans for remuneration after terminated employment, are expected to amount to SEK 12,425 thousands (16,611) for the financial year 2012.

AS PER DECEMBER 31	2011	2010	2009	2008	2007
Present value of defined benefit obligation	–140,311	–135,558	–107,725	–106,541	–86,154
Fair value of plan assets	110,265	104,340	94,781	97,432	86,199
Surplus / (Deficit)	**–30,046**	**–31,218**	**–12,944**	**–9,109**	**45**
Experience adjustments on plan liabilities, gain (–) / loss (+)	1,353	1,704	11,170	1,030	–808
Change in assumptions of plan liabilities, gain (–) / loss (+)	–415	12,935	–2,312	10,080	–8,118
Experience adjustments on plan assets, gain (+) / loss (–)	1,546	668	–2,173	–2,116	2,697

Note 32

Other liabilities, long-term

GROUP	2011	2010
Liabilities to credit institutions (in SEK)	700,000	1,022,452
	700,000	**1,022,452**

PARENT COMPANY	2011	2010
Liabilities to credit institutions (in SEK)	700,000	1,022,452
	700,000	**1,022,452**

The company has a loan facility amounting to a total of SEK 1,200 M. The facility includes a 6-year loan of SEK 700 M with straight-line amortization which will start during 2013 and a variable credit for SEK 150 M with the same maturity. In 2011 a total of SEK 501.1 M was amortized and at the year-end the loan balance was SEK 700 M, of which SEK 0 M is reported under current liabilities.

Security for the bank loan consists of future royalty revenues from ReFacto , contingent liabilities amounting to SEK 320 M and the group has also pledged the shares in the subsidiaries, see note 35. Interest on the loan is charged at STIBOR or equivalent reference interest rate plus a margin.

When these loans were taken, the company made a commitment to the bank regarding earnings and debt benchmarks and from 2011 onwards, cash flows.

Note 33

Provisions

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Opening balance	196,817	372,729	179,407	372,729
Provision through acquired business	–	30,800	–	–
Costs incurred	–44,525	–449,754	–30,677	–430,019
Reversed and unused provision	–148,730	–	–148,730	–
Provision this year	3,157	243,042	–	236,697
Closing balance	**6,719**	**196,817**	**0**	**179,407**

SEK 6,019 thousand of provisions per 31 December 2011 relates pensions, see note 31. The provision are lower than in 2010 mainly relating to integration costs within the restructuring program 2010 and the discounted additional consideration for Multiferon. Of the discounted additional consideration for Multiferon, SEK 25,000 thousand incurred during 2011 and SEK 148,730 thousand was reversed in the group profit and loss.

>> Note 33, cont.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Long-term	6,719	188,380	–	171,100
Short-term	–	8,437	–	8,307
Total provisions	**6,719**	**196,817**	–	**179,407**

Restructuring costs in the Group

In 2010 a restructuring program was carried out in connection with the acquisition of Swedish Orphan that was completed on January 14, 2010. The part of the restructuring program in 2010 that was not regularized by the financial statements in 2010 was recognized as a provision. Expenses related to the restructuring program 2011 that have not been settled by December 31, 2011 are reported as accrued expenses.

Note 34

Accrued expenses and deferred revenues

GROUP	2011	2010
Provision for vacation pay and bonus incl social security contributions	71,715	75,422
Accrued social security contributions	20,470	23,868
Accrued expenses[1]	232,024	96,229
Prepaid revenues	9,557	–
Other items	–	1,113
	333,766	**196,632**

PARENT COMPANY	2011	2010
Provision for vacation pay and bonus incl social security contributions	51,410	59,532
Accrued social security contributions	18,070	21,424
Accrued expenses[1]	204,372	76,156
Other items	–	1,100
	273,852	**158,212**

[1] Accrued expenses are higher in 2011 than 2010, mainly relating to Royalty, restructuring expenses 2011 and write-downs during quarter 4, 2011.

Note 35

Pledged assets

GROUP	2011	2010
Shares in subsidiaries	3,667,445	3,870,375

PARENT COMPANY	2011	2010
Contingent liabilities	320,000	100,000
Shares in subsidiaries	3,655,588	3,804,318
	3,975,588	3,904,318

In Swedish Orphan Biovitrum's loan agreement with Handelsbanken assets are pledged as security for loans. The group has also provided all future royalty income related to the product ReFacto as collateral for loans, a contingent liabilities amounting to SEK 320 M and the group has also pledged the shares in the subsidiaries; Swedish Orphan Biovitrum Sverige AB, Swedish Orphan Biovitrum International Holding AB and Swedish Orphan International AB. In addition to the collateral in the parent company, see table above, the subsidiary Swedish Orphan Biovitrum International AB has also a collateral amounting to SEK 240 thousand.

PARENT COMPANY	Book value 2011	Book value 2010
Shares in Swedish Orphan Biovitrum Holding AB	3,655,588	3,804,318

Note 36

Contingent liabilities

In connection with certain acquisitions and licensing agreements, Sobi agreed to pay additional payments (often called milestone payments) provided with certain pre-determined objectives. Listed below are the most significant agreements.

Arexis

The acquisition of Arexis may lead to payments in relates to the development of Kiobrina, amounting to about SEK 70 M to be paid if various defined objectives in the development will be achieved. See further in note 37 regarding the requirement of Arexis sellers.

Amgen

The acquisitions of the products Kineret, Kepivance and Stemgen resulted in commitments for milestone payments.

The milestone payments to Amgen at USD 55 million is expected to fall due for payment during the fourth quarter 2012 or first quarter 2013. The timing is dependent on the sales performance of Kineret .

Biogen Idec

The agreement between Sobi and Biogen Idec regarding development and commercialization of long-lasting recombinant factor VIII and factor IX hemophilia programs was restructured in February 2010. Under the new agreement, Biogen Idec assumed full development responsibilities and costs, as well as manufacturing rights. In addition, the cross-royalty rates were reduced and commercial rights for certain territories were changed.

Subject to the exercise of an option right, Sobi will have commercial rights in Europe, Russia, Turkey and certain countries in the Middle East (the Sobi territory). Biogen Idec has commercial rights for North America (the Biogen North American territory) and for rest of the world markets outside of Europe, Russia, Turkey and certain countries in the Middle East (the Biogen Direct territory).

Under the terms of the option right and following Biogen Idec's submission of a marketing authorization application to the European Medicines Agency (EMA) for each program, Sobi may opt to take over final regulatory approval, pre-launch and commercialization activities in the Sobi territory at a cost of USD 10.0 million per program.

Upon EMA regulatory approval of each program, Sobi will be liable to reimburse Biogen Idec 50% of the sum of all manufacturing and development expenses incurred by Biogen Idec from 1 October 2009 through the date on which Sobi is registered as the marketing authorization holder, as well as 100% of certain development expenses incurred exclusively for the benefit of the Sobi territory.

To effect Sobi's reimbursement to Biogen Idec for each program, the cross-royalty structure for direct sales in each company's respective territories will be adjusted until the consideration is paid in full. The mechanism for reimbursement is outlined in the table below.

In the event that Sobi exercises its option right, amounts under the amended agreement will become payable as follows:

			Rates should Sobi exercise its opt-in right	
ROYALTY AND NET REVENUE SHARE RATES	Method	Rate prior to first commercial sale in Sobi´s territory	Base rate following first commercial sale in Sobi´s territory	Rate during reimbursement period
Sobi rate to Biogen Idec on net sales in the Sobi territory	Royalty	N/A	10 to 12%	Base rate plus 5%
Biogen Idec rate to Sobi on net sales in the Biogen North American territory	Royalty	2% [3]	10 to 12%	Base rate less 5%
Biogen Idec rate to Sobi on net sales in the Biogen Direct territory	Royalty	2% [3]	15 to 17%	Base rate less 5%
Biogen Idec rate to Sobi on net revenue [1] in the Biogen Distributor territory [2]	Net revenue share	10%	50%	Base rate less 15%

[1] Net revenue represents Biogen Idec's pre-tax receipts from third-party distributors, less expenses incurred by Biogen Idec in the conduct of commercialization activities supporting the distributor activities.
[2] The Biogen Distributor Territory represents Biogen territories where sales are derived utilizing a third-party distributor.
[3] A credit will be issued to Sobi against its reimbursement of the Opt-in Consideration in an amount equal to the difference in the royalties paid by Biogen Idec to Sobi on sales in the Biogen territory for certain periods prior to the first commercial sale in the Sobi territory versus the rate that otherwise would have been payable on such sales.

>> Note 36, cont.

If the reimbursement of the opt-in consideration has not been achieved within six years of the first commercial sale of the respective programs, Biogen Idec has the right to require Sobi to pay any remaining balances within 90 days of the six year anniversary date of the first commercial sale.

Should Sobi not exercise its option right with respect to one or both programs or should Sobi terminate the agreement with respect to one or both programs, Biogen Idec will obtain full worldwide development and commercialization rights for such affected program and will be obligated to pay royalties to Sobi subject to separate terms defined under the restructured collaboration agreement. In addition, if EMA approval for any program is not granted within 18 months of the applicable EMA filing date, Sobi shall have the right to require that the first opt-in payment be refunded and revoke its option right for such program.

Should Sobi not exercise its option right with respect to one or both programs or should Sobi terminate the agreement with respect to one or both programs, Biogen Idec will obtain full worldwide development and commercialization rights for such affected program and will be obligated to pay royalties to Sobi subject to separate terms defined under the restructured collaboration agreement. In addition, if EMA approval for any program is not granted within 18 months of the applicable EMA filing date, Sobi shall have the right to require that the first opt-in payment be refunded and revoke its option right for such program.

Other

In addition, there are a few minor milestone payments linked to distribution agreements.

Note 37

Tax and legal disputes

Swedish Orphan Biovitrum has an ongoing dispute with the Tax Agency regarding the sale of the property Paradiset 14. The property Paradiset 14 was transferred in 2004 to a substantially owned foreign-limited, Nya Paradiset KB, whereupon the unit Nya Paradiset KB was sold to an outside party to market price. The property was transferred to Nya Paradiset KB, supported by the rules for so-called undervalue transfers for a fee equivalent to the tax value of the property. The Tax Agency has in a letter to the County Court April 17, 2008 – under the Act against tax evasion - requested that the rules relating to undervalue transfers is not applicable. This means, according to the Tax Agency, that Swedish Orphan Biovitrum as a result caused by the transfer of property to Nya Paradiset KB be taxed on a capital gain of SEK 234.5 M. According to Swedish Orphan Biovitrum's view, it is quite clear that the company has not acted in violation of the law as the Tax Agency claims in that letter.

The Tax Agency returned on October 9, 2009, with a new letter and with the support of two judgments of the Supreme Administrative Court dated May 29, 2009, the Tax Agency put forward a new basis for why the rules regarding undervalue transfers, supported by tax evasion law, is not applicable. The Swedish Orphan Biovitrum perception is that The Tax Agency nor with this new ground should succeed in proving their case. On March 3, 2011, The Administrative Court announced that they uphold the Tax Agency's request, explaining that Swedish Orphan Biovitrum AB under the tax law will be charged an amount of SEK 232.2 M as revenue in the 2005 tax year for share of compensation in Fastighetsbolaget Paradiset KB´s sale of the property Paradiset 14 to Nya Paradiset KB. The company has appealed the judgment but the disputed amount has decreased the tax loss carry forwards. Therefore, the amount is not included in capitalized tax losses per December 31, 2011.

The sellers of the pharmaceutical company Arexis, which was acquired in August 2005, have made a claim against Swedish Orphan Biovitrum of about SEK 325 M, alleging that Swedish Orphan Biovitrum has not performed its obligations under the share purchase agreement entered into at the time of the acquisition. Swedish Orphan Biovitrum have contested all claims presented by the sellers. The sellers have recently requested arbitration regarding parts of the above mentioned claim as well as, regarding the other parts, an expert determination provided for in the agreement.

Note 38

Transactions with related parties

Loans to related parties

	2011	2010
Loan to executive management in Parent Company:		
At beginning of the year:	153	153
Loan paid during the year	–153	–
	0	**153**

The loans granted to senior executives have been regulated during the year. The following terms and conditions apply to the loans issued to senior executives:

- The loans are interest free. A benefit is assigned to the borrower annually corresponding to the borrowed amount multiplied by the government loan interest plus one percentage point per year, which is in line with the rules in the Income Tax Act for valuation of loans in Swedish currency with an interest rate that is fixed in relation to the market interest rate or interest free loans. The benefit is measured on the date the loan is taken and updated annually.
- The borrowers agree to repay the entire borrowed amount to the lender, or for endorsement, the first of the following occasions:
  - the day the borrower resigns his/her position within the Swedish Orphan Biovitrum Group
  - May 31, 2011, when the warrants expire
  - the day the borrower receives the issued shares as a result of the borrower converting all warrants into shares

Other

A company related to the chairman of the Board, Orfacare, provides consultation as regards making available, marketing and distribution of drugs for the Swedish Orphan Biovitrum group in e.g. Switzerland and Austria. Consulting expenses were SEK 4.1 M (3.1) in 2011. During 2011, Swedish Orphan Biovitrum entered into an agreement with Investor AB, to obtain consulting services to a limited extent. These services were not executed by Investor's representatives on the Board. The agreement has been ended by year end.

Note 39

Significant events after balance sheet date

Agreement with Pfizer regarding ReFacto AF/XYNTHA

- Sobi and Pfizer have extended their supply agreement for ReFacto AF/XYNTHA until 31 December 2020, with an option to be further renewed. The previous agreement was due to expire in 2015.
- In a separate agreement, Sobi and Pfizer also agreed that Sobi would return the co-promotion rights for ReFacto and BeneFIX in the Nordic region to Pfizer as of 15 February 2012 in exchange for a payment to Sobi in the amount of USD 47.5 M.

Terms of agreement with Biogen Idec regarding hemophilia programs

- Further details on the restructured agreement with Biogen Idec regarding development and commercialization of long-lasting recombinant factor VIII and factor IX hemophilia programs, was disclosed in a press release on 6 February 2012. See Note 36.

Licensing agreement for novel neonatology treatment

- In January 2012, Sobi signed a global licensing agreement with the French company Only for Children Pharmaceuticals (O4CP) regarding bumetanide reformulated for treatment of diuresis and seizures in neonates. The new drug is currently in clinical phase II under the EU financed NEMO project. The first market authorization of the product is expected in 2014. O4CP will be responsible for obtaining market authorizations and for the development and manufacture of drug product. Sobi will be accountable for the commercialization of the product on a global basis. The agreement included an upfront payment by Sobi in the amount of EUR 300 000 and potential future milestones of a value up to approximately EUR 1.7 M. O4CP will also receive royalties on future commercial sales.

Changes in executive management

- Alan Raffensperger was appointed Chief Operating Officer (COO) with responsibility for Sales and Marketing, Supply Chain, Procurement and IT. His most recent position was CEO of Benechill Inc., an American medical device company within the therapeutic hypothermia field. Alan Raffensperger holds a Bachelor of Science from University of Maryland, Baltimore, USA.
- Wills Hughes-Wilson has been appointed Vice President, Government Affairs & Policy. She will be responsible for Sobi's contacts with all stakeholders in the health policy area. Her most recent position was Vice President Health/Market Access Policy, Europe, within Genzyme Corporation, now part of the French Sanofi Group. Wills Hughes-Wilson holds an Honors graduate in Law from University of Durham in the UK.

The Board of Directors and the CEO of Swedish Orphan Biovitrum certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair and true description of the Group's financial position and results. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors and the CEO of Swedish Orphan Biovitrum provide their assurance that the directors report provides a fair and true overview of the Parent Company's and the Group's operations, financial position and results, and describes material risks and uncertainties faced by the parent Company and the companies in the Group.

The income statements and balance sheets will be submitted to the AGM on 26 April 2012, for approval.

Stockholm, 21 March 2012

Bo Jesper Hansen
Chairman

Adine Grate Axén

Hans GCP Schikan

Helena Saxon

Lennart Johansson

Hans Wigzell

Catarina Larsson
Employee representative

Bo-Gunnar Rosenbrand
Employee representative

Geoffrey McDonough
CEO

Our audit report was submitted on 23 March 2012

PricewaterhouseCoopers AB

Mikael Winkvist
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of
Swedish Orphan Biovitrum AB (publ)
Corporate identity number 556038-9321

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Swedish orphan Biovitrum AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1–68.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions
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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement of the parent company, the statement of comprehensive income of the group and balance sheet of the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Swedish Orphan Biovitrum AB (publ) for the year 2011.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined [the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess] whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions
We recommend to the annual 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.

Stockholm 23 March 2012
PricewaterhouseCoopers AB

Mikael Winkvist
Authorized Public Accountant