sobi

Pioneer in Rare Diseases

Q4 & FY

REPORT 2017

TABLE OF CONTENTS

FINANCIAL CALENDAR

Q1 2018	26 April 2018
AGM	9 May 2018
Q2 2018	18 July 2018
Q3 2018	31 October 2018

Q4 2017

Business highlights Q4 2017

- Continued strong growth driven by successful launches of Elocta® and Alprolix®
- Alprolix approved in Saudi Arabia
- First patients enrolled in the ReITIrate study to evaluate immune tolerance induction with Elocta
- Initiated phase 1/2 trial for rFVIIIFc-VWF-XTEN (BIVV001) in haemophilia A
- Double-digit growth for Kineret® and Orfadin®
- Orfadin oral suspension formulation approved in Canada
- First patient randomised in the anaSTILLs study to evaluate Kineret as potential treatment for Still's disease

Financial summary Q4 2017

- Total revenues were SEK 1,875 M (1,292), an increase of 45 per cent (50 per cent at CER)
- Product revenues were SEK 1,746 M (1,144), an increase of 53 per cent (58 per cent at CER)
- Gross margin was 71 per cent (67)
- EBITA rose 195 per cent to SEK 619 M (210)
- Earnings per share of SEK 1.33 (0.27)

FY 2017

Financial summary FY 2017

- Total revenues were SEK 6,511 M (5,204), an increase of 25 per cent (24 per cent at CER). Adjusted for one-time credits in 2016, the increase was 45 per cent
- Product revenues were SEK 5,917 M (4,548), an increase of 30 per cent (29 per cent at CER)
- Gross margin was 72 per cent (70)
- EBITA of SEK 2,053 M (1,543)
- Cash position of SEK 1,478 M (786) at year-end
- Repaid bank loan of SEK 500 M
- Earnings per share of SEK 4.27 (2.99)
- The Board of Directors proposes that no dividend be paid for the 2017 financial year.

CEO statement

2017 was an outstanding year for Sobi. We delivered and exceeded expectations. Our Haemophilia franchise continued to grow rapidly and our strong quarter-on-quarter growth shows that we delivered consistently on our launch strategy for Elocta and Alprolix. During the year, we established our new business area Specialty Care which we expect to be a strong contributor to future growth. We also made advancements in our pipeline portfolio, initiating several clinical studies.

Total revenues for the 2017 financial year were SEK 6,511 M (5,204), an increase of 25 per cent. Adjusted for one-time credits received in 2016, the increase was 45 per cent. EBITA was SEK 2,053 M (1,543), an increase of 33 per cent, and the gross margin was 72 per cent.

Haemophilia
In 2017, our Haemophilia franchise grew 67 per cent with full-year revenues of SEK 3,088 M (1,853), including royalties. Elocta sales were SEK 1,557 M (267) and Alprolix sales were SEK 363 M (60), a six-fold sales increase for both products. This strong growth is a result of our hard, dedicated and collaborative work across the organisation. France, Germany, Italy and the UK were the main contributors to the result. In France, Elocta is now the leading treatment option for people with haemophilia A. We were also successful in tender markets such as Ireland, Saudi Arabia and the UK, where the added-value of our products over conventional treatments has been recognised. We recently announced that after the signing of new supply contracts, Ireland has become the first country in Europe where all people with haemophilia A and B taking replacement clotting factors will be treated with our extended half-life therapies Elocta and Alprolix. The amount of real-world data generated continued to grow throughout the year and authorities have recognised that our products are the only extended half-life products to have substantial real-world data in the market. Elocta is also the only haemophilia A product with extended half-life approved for treatment of all age groups.

In 2017, we also saw interesting new study results published and presented, supporting the value proposition of our extended half-life products. Results from the ASPIRE study demonstrated improved joint health for people with haemophilia A after prophylactic treatment with Elocta. We also enrolled the first patients in the ReITIrate study, evaluating immune tolerance induction (ITI) with Elocta. We are very excited about this study. Positive results could significantly improve and facilitate treatment for patients who develop inhibitors.

Specialty Care
The Specialty Care business area was formed in the second quarter, and further strengthened during the year with new and strong leadership. Together with the old Partner Product business area, Specialty Care has a proven commercial track record in the rare disease area, which gives the Group a substantial platform for further growth in North America and EMENAR.

Both Orfadin and Kineret had double-digit growth in 2017, with an increase of 12 per cent and 14 per cent, respectively. The significant increase for Orfadin was achieved despite a challenging year, with generic competition entering several markets. This growth for Orfadin is mainly attributable to the launch of the 20 mg capsule and oral suspension formulations, a result of our innovative efforts to better understand patient needs by engaging with the tyrosinaemia patient community.

Pipeline advancements
We made several advancements in our pipeline during the year. Two clinical studies were initiated - anaGO and anaSTILLs - to evaluate the safety and efficacy of anakinra (Kineret) as a treatment for acute gout and Still's disease. These are exciting studies within the inflammation area, exploring the many opportunities within IL-1 inhibition.

Our drug candidate SOBI003, for the potential treatment of MPS IIIA, received orphan drug designation in the US following the orphan designation in the EU late in 2016. We are now preparing for the first clinical trial in humans to be initiated during 2018, with an Investigational New Drug (IND) application and Fast Track approval granted by the FDA at the beginning of 2018. The bulk of our early stage clinical trials going forward will be focused on the US, in line with our strategy to expand our footprint there and further build our presence in North America.

Delivering on our strategy
Sobi is a biotech company which has successfully transitioned into a strong revenue and earnings generating entity. Our strategy – with a clear focus on execution – is reflected in the new leadership team. Supported by our strong operating results in 2017, we are convinced that we can develop the company into a global leader in rare diseases over the coming years.

Solna, Sweden, 22 February 2018
Guido Oelkers

CEO and President

Business review Q4

Haemophilia
The launches of Elocta and Alprolix continued, resulting in substantial growth. France, Germany, Italy and the UK were the main contributors to the result. In France, Elocta is now the leading treatment option for people with haemophilia A and we achieved successful tender outcomes in Ireland, Saudi Arabia and the UK.

Alprolix was reimbursed in Bulgaria and Greece and received market approval in Saudi Arabia. Both Elocta and Alprolix are now approved in the largest market in the Middle East.

The phase 4 study reITIrate was initiated. The study is investigating the ITI potential with Elocta in patients with haemophilia A who have developed inhibitors which other therapies have failed to resolve. The study had enrolled four patients by year-end.

Specialty Care
Specialty Care was strengthened by new management with experience in commercial effectiveness and emerging markets.

Orfadin oral suspension, for the treatment of hereditary tyrosinaemia type 1, was approved in Canada. During 2017, sales of the original capsules in Canada were impacted by generic competition, and the new formulations have provided an opportunity to effectively meet patient needs.

R&D pipeline
Our partner Bioverativ initiated the first in-human phase 1/2 trial for rFVIIIFc-VWF-XTEN (BIVV001), the next generation extended half-life product in haemophilia A.

New scientific data was presented for both Elocta and Alprolix at the 59th Annual Meeting of the American Society of Hematology (ASH):

- The phase 3 A-LONG study and ASPIRE long-term extension study showed that weekly prophylactic dosing with Elocta has the potential to provide improved bleed protection over episodic treatment, resolve target joints and reduce the treatment burden associated with more frequent dosing intervals.
- Data from the phase 3 B-LONG and BYOND studies showed that individualised prophylactic treatment with Alprolix, starting at weekly or ten-day dosing intervals with the possibility to extend to 14 days or longer, has the potential to deliver optimal protection against bleeds for people with haemophilia B.

The first patient was randomised in the phase 3 anaSTILLs study to evaluate the safety and efficacy of anakinra (Kineret) in the treatment of Still's disease. AnaSTILLs is one of two studies initiated in 2017 to further investigate potential new indications for anakinra.

Financial review Q4 and FY 2017

Revenues

Total revenues for the quarter amounted to SEK 1,875 M (1,292), an increase of 45 per cent compared to Q4 2016. Product sales amounted to SEK 1,746 M (1,144), an increase of 53 per cent.

Revenues for the full-year totalled SEK 6,511 M (5,204), an increase of 25 per cent. Adjusted for the one-time credits of SEK 708 M for Elocta and Alprolix, which were received in the first half of 2016, the increase was 45 per cent. Product sales for the year were SEK 5,917 M (4,548).

Revenues by business area

Haemophilia

Total revenues for the quarter for the Haemophilia franchise were SEK 985 M (451), including royalty revenues of SEK 314 M (277). Product sales were SEK 671 M (174), whereof SEK 540 M (135) from Elocta and SEK 131 M (39) from Alprolix. The growth primarily derived from France, Germany, Italy and the UK.

Full-year revenues were SEK 3,088 M (1,853), including royalties of SEK 1,168 M (1,525). The comparative period in 2016 included one-time credits of SEK 708 M for the first commercial sale of Elocta and Alprolix in the first half of the year. Product sales for the full-year reached SEK 1,557 M (267) for Elocta and SEK 363 M (60) for Alprolix.

By year-end, reimbursement had been granted in 22 countries for Elocta, and in 14 countries for Alprolix, with the addition of Bulgaria and Greece in the quarter for Alprolix.

Specialty Care

Total revenues for Specialty Care amounted to SEK 761 M (692) for the quarter and SEK 2,829 M (2,695) for the full-year.

Revenues for Orfadin were SEK 223 M (197) for the quarter, an increase of 13 per cent, with strong growth in North America and EMENAR. Growth in North America was mainly attributable to the launch of the 20 mg capsule and oral suspension formulations. EMENAR showed strong performance across all markets, particularly in the Middle East, North Africa and Russia.

Full-year revenues for Orfadin amounted to SEK 862 M (770), an increase of 12 per cent.

Kineret revenues were SEK 307 M (266) for the quarter, an increase of 15 per cent, with a continued high volume growth in both North America and EMENAR. This growth was mainly driven by the high interest in the IL-1 field. EMENAR sales were positively impacted by phasing of shipments to the Middle East in the third quarter. Year-end revenues for Kineret increased by 14 per cent, compared to the same period last year, and reached SEK 1,142 M (1,001).

Xiapex® revenues were SEK 49 M (43) for the quarter, an increase of 16 per cent. Revenues for the full-year amounted to SEK 164 M (153), an increase of 7 per cent. Growth was driven by good uptake in both Dupuytren's contracture and Peyronie's disease, especially in less mature markets.

ReFacto

ReFacto manufacturing revenues and royalty for the quarter were SEK 128 M (148), a decrease of 13 per cent due to phasing effects.

The manufacturing revenues represented SEK 120 M (145) and the royalty revenues were SEK 9 M (3).

Manufacturing and royalty revenues for the full-year were SEK 594 M (656), a decrease of 10 per cent. Royalty to Sobi on sales of ReFacto AF outside of the US ceased on 1 June 2016.

Financial summary

Amounts in SEK M	Q4 2017	Q4 2016	Change	Full-year 2017	Full-year 2016	Change
Total revenues[1]	1,875	1,292	45%	6,511	5,204	25%
Gross profit[2]	1,337	860	56%	4,657	3,651	28%
Gross margin	71%	67%		72%	70%	
EBITA	619	210	195%	2,053	1,543	33%
EBIT (Operating profit)	509	100	410%	1,600	1,133	41%
Profit for the period	357	73	387%	1,149	802	43%

[1]Full-year 2016 revenues include a one-time credit of SEK 322 M received in Q1 relating to the first commercial sales of Elocta, and a one-time credit of SEK 386 M received in Q2 relating to first commercial sales of Alprolix.

[2]Full-year 2017 includes a one-time inventory adjustment of SEK 59 M in Q1 due to delayed release of Kineret drug substance manufactured in 2016.

Gross profit

Gross profit for the quarter was SEK 1,337 M (860), representing a gross margin of 71 per cent (67).

Gross profit for the year was SEK 4,657 M (3,651), representing a gross margin of 72 per cent (70). The improved gross profit mainly relates to increased sales of haemophilia products. Adjusted for one-time credits received in the first half of 2016 and an inventory adjustment in Q1 2017, the gross margin was 71 per cent (65).

Operating expenses

Operating expenses for sales and administration excluding amortisation and write-down amounted to SEK 477 M (399) for the quarter and SEK 1,644 M (1,366) for the full-year.

Investments in the Haemophilia franchise continued to increase compared to the previous year. The increase mainly relates to the strengthening of the organisation, in particular in the affiliates with increased market activities and personnel recruitment.

Research and development expenses were SEK 228 M (258) for the quarter. The decrease was driven by phasing between the quarters.

Research and development expenses excluding amortisation for the full-year were SEK 908 M (778). Increased investments were driven by clinical activities for Elocta, Sobi's share of Bioverativ's development costs for Elocta and Alprolix, early-stage development programmes, and the Kineret programme - anaGO - for acute gout.

Revenues by business area

Amounts in SEK M	Q4 2017	Q4 2016	Change	Change at CER[1]	Full-year 2017	Full-year 2016	Change	Change at CER[1]
Haemophilia								
Elocta	540	135	299%	297%	1,557	267	483%	480%
Alprolix	131	39	238%	238%	363	60	500%	504%
Royalty[2]	314	277	13%	25%	1,168	1,525	-23%	-22%
Total	**985**	**451**	**118%**	**125%**	**3,088**	**1,853**	**67%**	**64%**
Specialty Care								
Orfadin	223	197	13%	18%	862	770	12%	12%
Kineret	307	266	15%	21%	1,142	1,001	14%	14%
Xiapex	49	43	16%	17%	164	153	7%	7%
Other	181	187	-3%	-1%	661	772	-14%	-15%
Total	**761**	**692**	**10%**	**14%**	**2,829**	**2,695**	**5%**	**5%**
ReFacto								
Manufacturing revenues	120	145	-17%	-17%	559	569	-2%	-2%
Royalty revenues	9	3	158%	258%	34	88	-61%	-59%
Total	**128**	**148**	**-13%**	**-12%**	**594**	**656**	**-10%**	**-10%**
Total revenues	**1,875**	**1,292**	**45%**	**50%**	**6,511**	**5,204**	**25%**	**24%**

[1]Constant exchange rates.

[2]Full-year 2016 revenues include a one-time credit of SEK 322 M received in Q1 relating to the first commercial sale of Elocta, and a one-time credit of SEK 386 M received in Q2 relating to the first commercial sale of Alprolix.

Operating profit

EBITA was SEK 619 M (210) for the quarter and SEK 2,053 M (1,543) for the full-year. Adjusted for one-time items, EBITA increased by SEK 1,159 M for the full-year.

Amortisation and write-down of intangible assets for the quarter amounted to SEK 110 M (110) and SEK 453 M (410) for the full-year, including a write-down for one of the early stage programmes in Q2 2017 amounting to SEK 12 M.

EBIT for the quarter amounted to SEK 509 M (100) and to SEK 1,600 M (1,133) for the full-year. Compared to the same period last year, EBIT increased by SEK 409 M for the quarter and by SEK 1,116 M for the full-year, adjusted for one-time items.

Net financial items and tax

Net financial items amounted to SEK -15 M (-12) for the quarter, including exchange rate gains of SEK 0 M (8).

Net financial items for the full-year amounted to SEK -68 M (-85), including exchange rate losses of SEK -3 M (5). The difference was mainly attributable to the bond redemption in 2016 resulting in lower interest expense for 2017.

Tax amounted to SEK -137 M (-15) for the quarter and SEK -384 M (-246) for the full-year.

Profit

Profit was SEK 357 M (73) for the quarter and SEK 1,149 M (802) for the full-year.

Operating profit/loss

Amounts in SEK M	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Total revenues	1,875	1,292	6,511	5,204
Total cost of goods and services sold	-538	-432	-1,854	-1,554
Gross profit	**1,337**	**860**	**4,657**	**3,651**
Gross Margin[1]	*71%*	*67%*	*72%*	*70%*
Sales and administration expenses before amortisation and write-down	-477	-399	-1,644	-1,366
Research and development expenses	-228	-258	-908	-778
Total opex before amortisation and write-down	**-705**	**-657**	**-2,551**	**-2,144**
Other operating revenues/expenses	**-13**	**7**	**-52**	**36**
EBITA	**619**	**210**	**2,053**	**1,543**
Amortisations related to sales and administration expenses	-110	-110	-453	-410
Amortisations	**-110**	**-110**	**-453**	**-410**
EBIT	**509**	**100**	**1,600**	**1,133**

The statement is a non-IFRS statement. For an IFRS income statement, please refer to the Group Statement of comprehensive income.

[1]The gross margin for full-year 2016 was also impacted by the one-time credit of SEK 233 M received in Q1 relating to the first commercial sale of Elocta, and by the one-time credit of SEK 386 M received in Q2 relating to the first commercial sale of Alprolix. The gross margin for full-year 2017 was also impacted by a one-time adjustment of stocks of SEK 59 M due to a delayed release of the drug substance for Kineret manufactured in 2016.

Cash flow and investments

Cash flow from operations before change in working capital for the quarter amounted to SEK 467 M (137). Cash flow from operations before change in working capital for the full-year amounted to SEK 1,431 M (643).

Working capital impacted cash flow by SEK -210 M (-111) for the quarter and by SEK -98 M (-300) for the full-year.

Cash flow from investing activities for the quarter amounted to SEK -42 M (-66) and SEK -139 M (-158) for the full-year. The largest investment during the year relates to the opt-in right to participate in the rFIXFc-XTEN programme, amounting to SEK 56 M.

The improved cash position is a consequence of higher sales, but net cash was adversely impacted by repayment of an external bank loan of SEK 500 M.

Cash

At year-end, cash and cash equivalents amounted to SEK 1,478 M, compared to SEK 786 M, at 31 December 2016.

Net cash/debt

Sobi ended the quarter with a net cash position of SEK 1,472 M, compared to SEK 282 M, at 31 December 2016.

Equity

Consolidated shareholders' equity at 31 December 2017 amounted to SEK 6,701 M compared to SEK 5,365 M at 31 December 2016.

Parent Company

Net sales in Q4 2017 for the Parent Company, Swedish Orphan Biovitrum AB (publ), amounted to SEK 1,605 M (1,083) of which SEK 762 M (413) referred to sales to Group companies.

Sales for the year amounted to SEK 5,756 M (4,594) whereof SEK 2,732 M (1,472) referred to sales to Group companies.

Profit/loss after financial items amounted to SEK -594 M (-10) for the quarter and to SEK 535 M (1,133) for the year, which includes a write-down of the shares in Swedish Orphan Biovitrum International AB of SEK 1,000 M. See the Parent Company Income Statement for more information.

Investments in tangible and intangible assets affecting cash amounted to SEK 39 M (65) for the quarter and to SEK 129 M (155) for the full-year. The investment last year in Alprolix and Elocta of SEK 1,649 M had no cash impact.

Outlook 2018[1]

Sobi expects total revenues for the full-year to be in the range of SEK 7,500 - 7,700 M.

The gross margin is expected to be at least 70 per cent.

Sobi expects EBITA for the full-year to be in the range of SEK 2,500 - 2,700 M.

[1] *At current exchange rates.*

Other information

Personnel

At 31 December 2017, the number of full-time equivalents was 800 (760).

Significant events after the reporting period

- The FDA accepted the investigational new drug (IND) application and granted Fast Track status for SOBI003 for the treatment of MPS IIIA.
- Reimbursement was granted for Elocta in Poland and Slovakia.
- Sobi signed a two-year contract with Health Services Executive in Ireland for the supply of Elocta and Alprolix to all patients previously treated with replacement factor therapy.

Annual General Meeting 2018

The Annual General Meeting (AGM) of Swedish Orphan Biovitrum AB (publ) will be held on Wednesday, 9 May 2018 at 3 pm, Näringslivets Hus, Stockholm, Sweden.

The Board of Directors proposes that no dividend be paid for the 2017 financial year.

The Annual Report for 2017 will be published on www.sobi.com three weeks before the AGM. It will also be available at Sobi´s head office in Solna.

This report has not been audited.

Solna, Sweden, 22 February 2018

Guido Oelkers
CEO and President

Forward-looking statements

This report includes forward-looking statements. Actual results may differ from those stated. Internal factors such as the successful management of research programmes and intellectual property rights may affect future results. There are also external conditions such as the economic climate, political changes and competing research programmes that may affect Sobi's results.

This information is information that Swedish Orphan Biovitrum AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of Linda Holmström, Senior Communications Manager, at 08:00 CET on 22 February 2018.

Financial statements

Group
Statement of comprehensive income

Amounts in SEK M	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Total revenues[1]	1,875	1,292	6,511	5,204
Total cost of goods and services sold	-538	-432	-1,854	-1,554
Gross profit	**1,337**	**860**	**4,657**	**3,651**
Sales and administration expenses[2]	-587	-509	-2,096	-1,776
Research and development expenses	-228	-258	-908	-778
Other operating revenues/expenses	-13	7	-52	36
Operating profit	**509**	**100**	**1,600**	**1,133**
Financial income/expenses	-15	-12	-68	-85
Profit before tax	**494**	**88**	**1,532**	**1,048**
Income tax	-137	-15	-384	-246
Profit for the period	**357**	**73**	**1,149**	**802**
All earnings are attributable to Parent Company shareholders				
Other comprehensive income				
Items that will not be reclassified to profit/loss				
Remeasurements of post-employment benefit obligations	-3	1	-1	1
Items that may be reclassified subsequently to profit/loss				
Translation difference	6	2	-1	5
Cash flow hedge (net of tax)	-23	-95	150	-176
Comprehensive income for the period	**337**	**-19**	**1,296**	**631**
[1]See page 6 for split by business area.				
[2]Amortisation and write-down of intangible assets included in Sales and administration expenses.	-110	-110	-453	-410
Earnings per share	1.33	0.27	4.27	2.99
Earnings per share after dilution	1.32	0.27	4.25	2.98

Group
Balance sheet

Amounts in SEK M	Dec 2017	Dec 2016
ASSETS		
Non-current assets		
Intangible fixed assets[1]	6,445	6,806
Tangible fixed assets	134	121
Other long-term assets	167	136
Total non-current assets	**6,746**	**7,063**
Current assets		
Inventories	1,053	870
Accounts receivable	1,129	769
Current receivables, non-interest bearing	496	487
Cash and cash equivalents	1,478	786
Total current assets	**4,157**	**2,911**
Total assets	**10,903**	**9,974**
EQUITY AND LIABILITIES		
Shareholders´ equity	**6,701**	**5,365**
Long-term liabilities		
Long-term liabilities[2]	5	502
Long-term liabilities, non-interest bearing	1,832	2,349
Total long-term liabilities	**1,838**	**2,851**
Current liabilities		
Current liabilities	2	2
Current liabilities, non-interest bearing	2,363	1,756
Total current liabilities	**2,365**	**1,758**
Total equity and liabilities	**10,903**	**9,974**

[1]Including goodwill SEK 1,554 M.

[2]External bank loan of SEK 500 M has been repaid in Q4 2017.

Group
Changes in equity

Amounts in SEK M	Full-year 2017	Full-year 2016
Opening balance[1]	**5,365**	**4,678**
Share-based compensation to employees	40	32
Sale of own shares	–	24
Comprehensive income for the period[2]	1,296	631
Equity at end of period	**6,701**	**5,365**

[1]Deferred tax regarding cash flow hedge has affected the opening balance 2016 with SEK 18 M, see Note 3 for more information.

[2]Whereof changes in cash flow hedges amounted to SEK 150 M (-176).

Group

Cash flow statement

Amounts in SEK M	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Profit for the period	357	73	1,149	802
Adjustment for non-cash items[1]	110	64	283	-159
Cash flow from operations before change in working capital	**467**	**137**	**1,431**	**643**
Change in working capital	-210	-111	-98	-300
Cash flow from operations	**257**	**26**	**1,333**	**343**
Investment in intangible fixed assets	-20	-48	-92	-119
Investment in tangible fixed assets	-21	-18	-48	-46
Divestment of tangible fixed assets	0	1	1	7
Investment in financial assets	-1	0	-1	0
Cash flow from investing activities	**-42**	**-66**	**-139**	**-158**
Loans - Raising/Amortisation	-500	0	-500	-331
Sale of own shares	–	–	–	24
Cash flow from financing activities	**-500**	**0**	**-500**	**-308**
Change in cash and cash equivalents	**-285**	**-39**	**694**	**-123**
Cash and cash equivalents at the beginning of the period	1,758	824	786	904
Translation difference in cash flow and cash and cash equivalents	6	1	-1	5
Cash and cash equivalents at the end of the period	**1,478**	**786**	**1,478**	**786**
[1] Adjustment for non-cash items:				
Depreciation tangible fixed assets	8	8	33	31
Amortisation and write-down intangible assets	110	110	453	410
Deferred tax	75	-22	164	165
Other, whereof SEK -98 M (-42) in Q4 2017 and SEK -438 M (-812) in full-year 2017 reflects Elocta and Alprolix, see also Sobi's 2016 Annual Report for more information on the agreement with Bioverativ in Note 19	-84	-33	-367	-765
Non-cash items	**110**	**64**	**283**	**-159**

Group
Key ratios and other information

Amounts in SEK M	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Profit measures				
Gross profit	1,337	860	4,657	3,651
EBITDA[1,2]	628	218	2,086	1,574
EBITA[1]	619	210	2,053	1,543
EBIT (Operating profit)	509	100	1,600	1,133
Profit/loss	357	73	1,149	802
Per share data (SEK)				
Earnings per share	1.33	0.27	4.27	2.99
Earnings per share after dilution	1.32	0.27	4.25	2.98
Shareholders' equity per share[3]	24.6	19.8	24.6	19.8
Shareholders' equity per share after dilution[3]	24.5	19.8	24.5	19.8
Other information				
Gross margin	71%	67%	72%	70%
Equity ratio[3, 4]	61%	54%	61%	54%
Net cash (-)/debt (+)[5]	-1,472	-282	-1,472	-282
Number of ordinary shares	272,507,708	270,389,770	272,507,708	270,389,770
Number of C-shares (in treasury)	–	1,621,178	–	1,621,178
Number of ordinary shares (in treasury)	3,249,870	1,610,086	3,249,870	1,610,086
Average number of ordinary shares (excluding shares in treasury)	269,168,592	268,769,468	269,020,363	268,362,041
Average number of ordinary shares after dilution (excluding shares in treasury)	269,913,933	269,263,439	270,003,546	269,218,052

[1,2,3] Sobi presents certain financial measures in the interim report that are not defined according to IFRS, so called alternative performance measures (APMs). Where APMs are not directly identifiable from the financial statements and in need of an explanation, the parameters used to calculate these key ratios have been specified below. Further information on why these are considered important can be found in Definitions and glossary at the end of this report.

[1]Amortisations and write-down	-110	-110	-453	-410
[2]Depreciations	-8	-8	-33	-31
[3]Equity	6,701	5,365	6,701	5,365
[4]Total assets	10,903	9,974	10,903	9,974
[5]Long-term liabilities interest-bearing	5	502	5	502
[5]Current liabilities interest-bearing	2	2	2	2
[5]Cash	1,478	786	1,478	786

Parent Company
Income statement

Amounts in SEK M	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Total revenues	1,605	1,083	5,756	4,594
Total cost of goods and services sold	-510	-424	-1,861	-1,470
Gross profit	**1,095**	**659**	**3,895**	**3,124**
Sales and administration expenses[1]	-453	-408	-1,400	-1,218
Research and development expenses	-210	-250	-855	-729
Other operating revenues/expenses	-12	-1	-40	30
Operating profit	**420**	**0**	**1,600**	**1,206**
Result from participation in Group companies[2]	-1,000	–	-1,000	–
Financial income/expenses	-14	-10	-65	-73
Profit/loss after financial items	**-594**	**-10**	**535**	**1,133**
Appropriations	-911	-1,049	-911	-1,049
Profit/loss before tax	**-1,505**	**-1,059**	**-376**	**85**
Income tax	-30	-27	-132	-33
Profit/loss for the period	**-1,535**	**-1,086**	**-508**	**51**

Statement of other comprehensive income

Amounts in SEK M	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Profit/loss for the period	-1,535	-1,086	-508	51
Items that may be subsequently reclassified to profit/loss				
Cash flow hedge (net of tax)	-23	-95	150	-176
Comprehensive income for the period	**-1,558**	**-1,181**	**-358**	**-125**

[1]Amortisation and write-down of intangible assets included in Sales and administration expenses. -71 -71 -296 -244

[2]The Parent Company has written down the value of the shares in the subsidiary Swedish Orphan Biovitrum International AB in the fourth quarter of 2017 by SEK 1,000 M. The impairment loss is a result of a revision of the underlying forecast cash flow from certain products owned by Swedish Orphan Biovitrum International AB, which has a negative impact on the value of the Parent Company's shares in the subsidiary. The write-down has no impact on the Group's earnings or financial position, since surplus value in the form of assets in the Group is amortised annually according to plan.

Parent Company
Balance sheet

Amounts in SEK M	Dec 2017	Dec 2016
ASSETS		
Non-current assets		
Intangible fixed assets	4,058	4,262
Tangible fixed assets	114	103
Other long-term assets	2,915	3,882
Total non-current assets	**7,087**	**8,247**
Current assets		
Inventories	894	766
Current receivables, non-interest bearing	1,779	1,460
Cash and cash equivalents	1,381	662
Total current assets	**4,054**	**2,888**
Total assets	**11,140**	**11,136**
EQUITY AND LIABILITIES		
Shareholders´ equity	**5,436**	**5,755**
Untaxed reserves	*2,124*	*1,154*
Long-term liabilities		
Long-term liabilities[1]	–	497
Long-term liabilities, non-interest bearing	1,159	1,867
Total long-term liabilities	**1,159**	**2,364**
Current liabilities		
Current liabilities, non-interest bearing	2,421	1,863
Total current liabilities	**2,421**	**1,863**
Total equity and liabilities	**11,140**	**11,136**

[1]External bank loan of SEK 500 M has been repaid in Q4 2017.

Parent Company
Change in shareholders' equity

Amounts in SEK M	Full-year 2017	Full-year 2016
Opening balance[1]	**5,755**	**5,821**
Share-based compensation to employees	40	35
Sale of own shares	–	24
Comprehensive income for the period[2]	-358	-125
Equity at end of period	**5,436**	**5,755**

[1]Deferred tax regarding cash flow hedge has affected the opening balance

[2]Whereof changes in cash flow hedges amounted to SEK 150 M (-176).

Financial notes

Note 1 – Accounting policies and measurement bases and other information

Significant accounting policies

This report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The consolidated financial statements for the period January - December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the EU and the Swedish Annual Accounts Act. The Parent Company applies the Annual Accounts Act and Council for Financial Reporting, RFR 2 Reporting for legal entities. The consolidated financial statements have been prepared according to the historical cost convention, except in the case of financial assets and certain financial assets and liabilities (including derivative instruments) which are measured at fair value through profit and loss.

The accounting policies applied, except for the changes listed below, are in accordance with those described in the 2016 Annual Report. More detailed information about the Group's accounting policies and measurement bases can be found in the 2016 Annual Report, available on www.sobi.com.

Change in accounting policies

Preparations continue for the implementation of new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which come into force for annual reporting periods beginning on or after 1 January 2018, as well as IFRS 16 Leasing, which will apply for the financial year beginning on or after 1 January 2019.

IFRS 9 covers rules for classification and measurement of financial assets and liabilities, impairment of financial instruments, and hedge accounting; it replaces the existing requirements for these areas under IAS 39.

Sobi has analysed the effects of IFRS 9 and has concluded that the implementation of the new standard will not have any material effects on the Group's financial statements. Sobi will use the retrospective method when implementing IFRS 9, meaning the cumulated change will be recognised as a change of retained earnings at of 1 January 2018. As permitted by IFRS 9, Sobi has chosen not to restate comparative figures. Hedge accounting will be carried out in accordance with IAS 39; the new hedge requirements will have no material impact on current hedge activities.

IFRS 15 contains a comprehensive accounting model for revenues from customer contracts and replaces the existing standards for revenue accounting, such as IAS 18.

Sobi has carried out a thorough analysis of the effects of IFRS 15 on the Group's accounts, and is determined that it will not involve any material effects on either the results or financial position. Any commitments in Sobi's customer contracts are generally finalised on delivery, implying that the income statement under IFRS 15 will be unchanged compared with the previous standard.

IFRS 16 replaces IAS 17 Leases, with new accounting requirements for lessees. All leasing contracts, except short-term and minor leases, must be reported as assets with the right of use, and as a corresponding liability in the lessee's balance sheet. Lease payments must be reported as repayment, depreciation and interest expenses. The accounting requirements for lessors are unchanged. IFRS will have some effect on Sobi's accounts, primarily in terms of fixed assets and long-term liabilities, but the full extent has yet to be determined.

Operating risks

All business operations involve risk. Managed risk-taking is necessary to maintain good profitability. Risk may be due to events in the external environment and may affect a certain industry or market. Risk may also be specific to a certain company.

Sobi is exposed to three main risk categories:

Operational risks, e.g. due to the capital-intensive and risky nature of new drug development, dependence on external partners in various collaborations, product liability claims and laws, and rules on the treatment of hazardous materials.

External risks, such as patent infringements, competition within product concepts and decisions by authorities regarding product use and prices.

Financial risks, such as currency risk, interest risk, credit risk and liquidity risk.

A more detailed description of the Group's risk exposure and risk management is included in Sobi's 2016 Annual Report (see the Directors' Report). There are no major changes in the Group's risk exposure and risk management in 2017 compared to the previous year.

Note 2 – Fair value of financial instruments

The Group carries derivatives (see the 2016 Annual Report for a narrative description of the purpose of the holdings). The deriva-

tives (under the heading "current assets/liabilities") are all level 2 instruments in the fair value hierarchy in the standard IFRS 13 (inputs other than quoted prices that are observable for the instruments, either directly or indirectly, are used in the fair value measurement). All derivatives are measured at fair value based on market data in accordance with IFRS. At 31 December 2017, the net reported value in the balance sheet for derivatives was SEK 2 M (4).

At 31 December 2017, all other financial instruments in the balance sheet had reported values that are in all material aspects equivalent to fair value.

Note 3 – Correction of deferred tax

A correction of deferred tax, related to the effects of the return to the residual value method of depreciation, has been made in the Parent Company in Q2 2016. The correction has also affected Q4 2016 as well as FY 2016, see the following table.

The opening balance on 1 January 2017 relating to deferred tax attributable to cash flow hedge has been adjusted and reported against retained earnings as the effect should not be considered temporary and thus only affect current tax in previous periods. The correction does not affect paid taxes in previous periods.

Both corrections affect the Group as well as the Parent Company.

Correction of deferred tax

Group	Previously reported	Adjusted figures	Previously reported	Adjusted figures
	Q4	Q4	Full-year	Full-year
Amounts in SEK M	**2016**	**2016**	**2016**	**2016**
Balance sheet				
Equity	5,354	5,365	5,354	5,365
Long-term liabilities, non-interest bearing	2,360	2,349	2,360	2,349
Total equity and liabilities	**9,974**	**9,974**	**9,974**	**9,974**
Income statement				
Income tax	12	-15	-239	-246
Profit for the period	100	73	809	802
P&L effect of adjusted tax	**0**	**-27**	**0**	**-7**

Definitions

CER
Constant exchange rates.

Earnings per share
The portion of a company's profit allocated to each outstanding share of common stock.

Full-time equivalents
Unit that indicates the workload of an employed person in a way that makes workloads comparable.

Profit/loss
Profit/loss for the period.

FINANCIAL MEASURES NOT DEFINED ACCORDING TO IFRS

Sobi uses certain financial measures in the interim report that are not defined according to IFRS. The company considers these measures to provide valuable supplementary information for investors and company management, as they enable an assessment and benchmarking of the company's reporting. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should therefore not be regarded as substitutes for measures defined according to IFRS. The following key ratios are not defined according to IFRS:

EBIT
Earnings before interest and tax (Operating profit/loss).

EBITA
Earnings before interest, tax and amortisation.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Equity per share
Equity divided by the number of shares.

Equity ratio
Shareholders' equity as a proportion of total assets.

Gross margin
Gross profit as a percentage of sales.

Gross profit
Net sales less cost of goods and services sold.

Interest bearing liability
Credit facilities and other liabilities to credit institutions.

Net debt/net cash
Interest-bearing long-term and current liabilities less cash at bank.

Glossary

Acute gout
An autoinflammatory disease and an intensely painful and disabling inflammatory arthritis involving one or several joints. Gout is also a disease that is associated with multiple comorbidities, which may limit the use of some conventional treatment regimens.

Alprolix (eftrenonacog alfa)
A recombinant, extended half-life clotting factor IX therapy approved in the EU, Iceland, Liechtenstein, Norway, Switzerland, Kuwait and Saudi Arabia, as well as in the United States, Canada, Japan, Australia, New Zealand and Brazil, for the treatment of haemophilia B, and can be used by people of all ages.

anaGO
A randomised, double-blind, multicentre study being conducted in North America studying two dose levels of anakinra in comparison to intramuscular triamcinolone for the treatment of acute gout.

anaSTILLs
A randomised, double-blind, multicentre study being conducted in North America studying two dose levels of anakinra, administrated subcutaneously, in comparison to placebo for the treatment of Still's disease.

Dupuytren's contracture
A condition where one or more fingers are bent forwards toward the palm and cannot fully be straightened.

EC
The European Commission.

Elocta (efmoroctocog alfa)
A recombinant, extended half-life clotting factor VIII therapy approved in the EU, Iceland, Liechtenstein, Norway, Switzerland, Kuwait and the Kingdom of Saudi Arabia, for the treatment of haemophilia A and can be used by people of all ages. It is also approved in the United States, Japan, Canada, Australia, New Zealand and Brazil, where it is known as ELOCTATE®.

EMENAR
Abbreviation for Europe, Middle East, North Africa and Russia.

FDA
The US Food and Drug Administration.

Haemophilia
A rare, genetic disorder in which the ability of a person's blood to clot is impaired. Haemophilia A occurs in about one in 5,000 male births annually, and haemophilia B occurs in about one in 25,000 male births annually. Both occur more rarely in females. People with haemophilia experience bleeding episodes that may cause pain, irreversible joint damage and life-threatening haemorrhages.

Hereditary tyrosinemia type 1 (HT-1)
People with HT-1 have problems breaking down an amino acid called tyrosine. Toxic by-products are formed and accumulate in the body, which can cause liver, renal and neurological complications.

ITI - Immune tolerance induction
A therapy used when haemophilia patients develop inhibitors to treatment. Factor concentrate is given regularly and at high doses, over a period of time until the body is trained to recognise the treatment product without reacting to it.

Kineret (anakinra)
A drug used to treat inflammatory diseases.

Mucopolysaccharidosis (MPS) type IIIA (Sanfilippo A syndrome)
A progressive, life-threatening and rare inherited metabolic disorder affecting children already from a young age. Belongs to a group of diseases called Lysosomal Storage Disorders (LSDs).

Orfadin (nitisinone)
A drug used to treat hereditary tyrosinaemia type 1 (HT-1).

Peyronie's disease
A condition in which men develop plaques of fibrous, scar-like tissue in their penis, causing it to become abnormally curved when erect.

reITIrate
An open-label, multicentre study designed to investigate the ITI potential of Elocta in patients with haemophilia A who have developed inhibitors which have failed to be resolved with other therapies.

SOBI003
A Sobi product candidate. A chemically modified variant of a recombinant human sulfamidase intended as an enzyme replacement therapy in lysosomal storage disease MPS IIIA, aimed to reduce heparan sulfate storage materials in affected cells.

Still's disease
An autoinflammatory disease that affects both children and adults, and is characterised by persistent high spiking fevers, recurring rashes and arthritis. Still's disease is also known as systemic-onset juvenile idiopathic arthritis (SJIA) or adult-onset Still's disease (AOSD).

Xiapex (collagenase clostridium histolycticum)
Used to treat Dupuytren's contracture and Peyronie's disease in adults.

XTEN
A protein-based technology that increases the hydrodynamic radius of target proteins with the goal of extending the half-life of those proteins.

Sobi™ is an international speciality healthcare company dedicated to rare diseases. Our vision is to be recognised as a global leader in providing access to innovative treatments that make a significant difference for individuals with rare diseases.

The product portfolio is primarily focused on treatments in Haemophilia and Specialty Care. Partnering in the development and commercialisation of products in specialty care is a key element of our strategy. Sobi has pioneered in biotechnology with world-class capabilities in protein biochemistry and biologics manufacturing. In 2017, Sobi had total revenues of SEK 6.5 billion and approximately 850 employees. The share (STO:SOBI) is listed on Nasdaq Stockholm. More information is available at www.sobi.com.

sobi
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