sobi
Pioneer in Rare Diseases

INTERIM REPORT
JANUARY–JUNE 2018

Q2 outperforms our expectations

- Total revenues of SEK 2,289 M (1,639) for Q2 and SEK 4,253 M (3,035) for H1
- 40 per cent sales growth in the quarter compared with Q2 2017 (36 per cent at constant exchange rates, CER)
- EBITA increased by 94 per cent to SEK 951 M (492) for Q2 and 92 per cent to SEK 1,722 M (898) for H1
- Net cash position of SEK 2,300 M (1,472 as of 31 December 2017)
- Revenues for Elocta® and Alprolix® were SEK 794 M (351) and SEK 263 M (84) respectively for Q2
- Kineret® sales were SEK 340 M (286) for Q2, an increase of 19 per cent
- Kineret approved by the European Commission (EC) for the treatment of Still's disease
- Orfadin® sales reached their highest level yet, with revenue growth of 7 per cent to SEK 236 M (220) in Q2
- Encouraging results from the BIVV001 phase 1/2a study, EXTEN-A
- Completion of enrolment in the anaGO phase 2 study, with Kineret for the potential treatment of acute gout
- First patient screened in the SOBI003 phase 1/2 study
- Outlook revised—see page 9

REVENUES

SEK 2,289 M

+40%

GROSS MARGIN[2]

73%

EBITA[2]

SEK 951 M

+94%

EARNINGS PER SHARE

SEK 2.54

Financial summary

Amounts in SEK M	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	Full-year 2017
Total revenues	2,289	1,639	40%	4,253	3,035	40%	6,511
Gross profit[1]	1,677	1,163	44%	3,089	2,191	41%	4,657
Gross margin[2]	73%	71%		73%	72%		72%
EBITA[2]	951	492	94%	1,722	898	92%	2,053
EBITA margin[2]	42%	30%		40%	30%		32%
EBIT (Operating profit/loss)	841	381	120%	1,500	666	125%	1,600
Profit for the period[3]	685	265	158%	1,200	468	157%	1,149
Earnings per share, SEK	2.54	0.99	158%	4.45	1.74	156%	4.27

[1]2017 includes a one-time inventory adjustment of SEK 59 M in Q1 due to delayed release of Kineret drug substance manufactured in 2016.

[2]Alternative performance measures (APMs), see page 14 for further information.

[3]Deferred tax was adjusted in 2017, affecting profit for the period Q2 2017 by SEK 19 M.

CEO statement

Total revenues grew by 40 per cent, totalling SEK 2,289 M for the quarter. Revenues for Elocta and Alprolix were once again impressive. Specialty Care grew by 11 per cent: Kineret showed strong double-digit growth, while sales of Orfadin reached their highest level yet although generics are entering the market. Kineret was approved by the EC for the treatment of Still's disease and we completed the enrolment of patients in the phase 2 study anaGO.

"Once again we have successfully delivered an outstanding result across the portfolio."

Guido Oelkers,
CEO and President

Haemophilia

Revenues grew by 62 per cent to SEK 1,493 M (923), including royalties. Elocta sales amounted to SEK 794 M (351) and Alprolix sales to SEK 263 M (84), up 126 and 215 per cent respectively. The main drivers of this growth were France, Germany, Italy and the UK.

Data presented at the World Federation of Hemophilia (WFH) Congress in Glasgow in May included evidence of real-life improvements in quality of life, including physical activity and joint pain, in patients treated prophylactically with Elocta and Alprolix, when compared with treatments without half-life modification. By gathering and presenting data on actual outcomes for people with haemophilia, we are maintaining our focus on research that reflects a meaningful difference for patients. At Sobi, we believe protection must go beyond bleed prevention. The real-world data continue to demonstrate the safety profile of Elocta and Alprolix. And since both are indicated for all age groups – in prophylaxis, on-demand as well as in surgery – they also provide the opportunity for individualised treatment.

Clinical data for BIVV001 — a treatment under development by Bioverativ, a Sanofi company that Sobi collaborates with — were also presented at the WFH Congress. Bioverativ is now exploring the possibility of twice-a-month dosing with BIVV001, which could revolutionise treatment for people with haemophilia A.

ELOCTA PRODUCT SALES

+126%

ALPROLIX PRODUCT SALES

+215%

Specialty Care

Growth in the Specialty Care business area was mainly driven by Kineret and Orfadin, with total revenues of SEK 796 M (716) for the quarter, an increase of 11 per cent.

Kineret sales amounted to SEK 340 M (286), an increase of 19 per cent. The approval of Kineret for Still's disease by the EC was the main highlight for the Speciality Care business during the quarter; since approval, the product has been launched for the new indication in Austria, Denmark, Finland, Ireland, Norway, Sweden and the UK. More countries will follow.

Orfadin sales reached their highest level yet, with revenue growth of 7 per cent to SEK 236 M (220) although generics are entering the market. We have successfully ensured access to Orfadin for the majority of HT-1 patients in Canada under a three-year tender which started in April. Our on-going commitment to the global HT-1 community includes the new formulations that meet the needs of an increasing number of patients as more infants are diagnosed at birth and more adolescents grow up to become adults.

Kineret sales
+ 19%

Orfadin sales
+ 7%

Pipeline advances

An important milestone was the completion of enrolment in the phase 2 study anaGO for the evaluation of Kineret in the treatment of acute gout. This puts us on track for our target of obtaining key results which in turn will allow us to make a decision on a phase 3 study.

Work continued during the quarter in preparation for the clinical study of SOBI003 as a potential treatment for Sanfilippo A syndrome, also known as MPS IIIA. The first patient was screened and dosing of the patient is expected to take place during the second half of 2018.

Kineret approved by the EC for the treatment of Still's disease

Delivering on our strategy

Once again, we have successfully delivered an outstanding result. Our extended half-life (EHL) products keep outperforming expectations despite a competitive haemophilia market. We are confident of the value that our EHL treatments can bring, as seen in increasing market penetration in key treatment centres across the launch countries.

Our Specialty Care business also continues to develop in line with our strategy. Our active approach to strategic partnership management in order to introduce novel therapies into key markets can be seen clearly in the rollout of Ravicti® since its European launch in February: it is now available and reimbursed for patients with urea-cycle disorders in nine European countries. This demonstrates our strength and speed in getting new specialist treatments to people living with rare diseases.

To expand capacity for future growth and drive economies of scale in the value chain, we have successfully transferred production of the drug substance for Kineret to Pfizer's facility in Strängnäs, Sweden. First products have already been delivered to patients in the US and the Netherlands. This move positions Sobi well for future growth in existing and new indications.

Our organisation keeps evaluating opportunities for external growth to advance our existing business and late-stage pipeline.

In closing, I would like to pay tribute to Mats-Olof Wallin for his loyalty and exceptional work as Chief Financial Officer for Sobi over the past five years. Mats-Olof can now look forward to exploring new opportunities post-retirement knowing that the company is in an excellent financial position. I look forward to working with Henrik Stenqvist as CFO from 20 July.

Solna, Sweden, 18 July 2018

Guido Oelkers, CEO and President

Business review Q2

Haemophilia

Sobi presented data at the WFH 2018 Congress in Glasgow, Scotland, 20-24 May including:

- A real-world comparison of prophylactic treatment in patients with haemophilia A, before and after switching from conventional rFVIII therapy to **Elocta**, was presented. The data, gathered from the UK National Haemophilia Database, showed a significant reduction among patients in injection frequency and clotting factor consumption, without a significant change in bleed-rate. The authors concluded that this provides further evidence that EHL rFVIII products can provide effective prophylaxis while reducing the treatment burden.

Elocta is now reimbursed in 25 countries, with the addition of Croatia in the quarter. **Alprolix** is reimbursed in 16 countries.

Specialty Care

As previously announced, the European Commission approved **Kineret** for the treatment of Still's disease during the quarter. This is an important milestone, providing a new treatment option. Ireland was the first country in the EU to make Kineret available as a treatment in this indication, followed by Austria, Denmark, Finland, Norway, Sweden and the UK during the quarter.

In December 2017, the transfer of Kineret drug substance production to Pfizer was approved by both the FDA and the EMA. The first commercial batch of the product was delivered from our supplier during the quarter, and we have also supplied the first finished products to patients in the US and the Netherlands. The transfer will significantly expand capacity, improve access for patients and support the growth of Kineret in existing and planned indications, as well as improving cost efficiency for Sobi.

In Canada, Sobi won a three-year tender for the supply of **Orfadin** in Quebec Province, with deliveries commencing on 1 April 2018. Under this tender, Sobi will provide treatment for the vast majority of the people with hereditary tyrosinaemia type 1 (HT-1) in Canada.

Following the first commercial launch in Europe in February, **Ravicti** is now commercially available and reimbursed in Austria, Denmark, Finland, Germany, Italy, the Netherlands, Northern Ireland (UK), Spain and Sweden. Ravicti, a treatment within our partnered product portfolio, is a new therapy option for patients with urea-cycle disorders.

R&D pipeline

The phase 2 study anaGO in the US, which is evaluating the efficacy and safety of Kineret (anakinra) in the treatment of acute gout, met an important milestone with the recruitment of the final patient for the study.

In a late-breaking session at WFH 2018, Bioverativ, a Sanofi company that Sobi collaborates with, presented initial clinical data for BIVV001 (rFVIIIFc-VWF-XTEN), a novel and investigational von Willebrand factor (VWF)-independent factor VIII therapy for people with haemophilia A. Preliminary safety and pharmacokinetic data from the ongoing EXTEN-A phase 1/2a study showed that a single low dose of BIVV001 (25 IU/Kg) extended the half-life of factor VIII to 37 hours with high factor activity levels, (5.6% 7 days post infusion), and was generally well tolerated. Under the agreement between Sobi and Bioverativ, Sobi has an exclusive opt-in right to the BIVV001 programme, and the option to take the commercial rights in Sobi's territory.

The first public presentation of Elvera™, one of Sobi's proprietary platforms to extend the half-life of biological drugs in the body, was given in Boston in May. The presentation follows Sobi's recent submission of four patent applications to obtain intellectual property protection for the platform.

The first patient in the SOBI003 phase 1/2 study for a potential treatment for MPSIIIA was screened, and dosing of the patient is expected to take place during the second half of 2018.

Corporate

As previously announced, Fredrik Wetterlundh was appointed Head of Human Resources during the quarter and is now a member of Sobi's Executive Committee.

Henrik Stenqvist will formally assume the role as CFO on 20 July when Mats-Olof Wallin retires.

Sobi is well-prepared to meet the demands of new EU legislation against falsified medicines well ahead of the February 2019 deadline. During the quarter, Sobi became one of the first pharmaceutical companies to connect to the EU Hub within the European Medicines Verification System as part of the EU's efforts to combat the growing problem of counterfeit medicines.

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Financial review Q2

Total revenues

Total revenues for the quarter amounted to SEK 2,289 M (1,639), up 40 per cent compared with the second quarter of 2017 (36 per cent at CER).

Half-year revenues were SEK 4,253 M (3,035), an increase of 40 per cent (39 per cent at CER).

Revenues by business area

Haemophilia

Total revenues for the Haemophilia business rose by 62 per cent to SEK 1,493 M (923) for the quarter. Half-year revenues amounted to SEK 2,714 M (1,620), up 68 per cent.

Product sales reached SEK 1,057 M (434) for the quarter, up 143 per cent. France, Germany, Italy and the UK accounted for more than 60 per cent of the growth. Elocta sales amounted to SEK 794 M (351) and Alprolix sales to SEK 263 M (84). Half-year sales totalled SEK 1,859 M (735), with Elocta and Alprolix sales up 140 and 211 per cent, respectively.

Royalty revenues were SEK 335 M (305) for the quarter and SEK 636 M (581) for the half year.

ReFacto manufacturing revenues were SEK 100 M (184) for the quarter, down 46 per cent due to phasing effects. Half-year manufacturing revenues were SEK 220 M (304).

Specialty Care

Revenues for Specialty Care were SEK 796 M (716) for the quarter, an increase of 11 per cent. Half-year revenues were SEK 1,538 M (1,414), an increase of 9 per cent representing a strong performance across the entire portfolio.

Kineret revenues were SEK 340 M (286) for the quarter, an increase of 19 per cent. Half-year revenues were SEK 637 M (563), an increase of 13 per cent, representing strong growth across all regions. Growth in the US was mainly driven by patient support programmes and high demand within the IL-1 area.

Revenues for Orfadin were SEK 236 M (220) for the quarter, an increase of 7 per cent. Half-year revenues were SEK 461 M (437), an increase of 6 per cent. Growth continued across EMENAR and North America due to solid patient

Revenues by business area

Amounts in SEK M	Q2 2018	Q2 2017	Change	Change at CER[1]	H1 2018	H1 2017	Change	Change at CER[1]	Full-year 2017
Haemophilia									
Elocta	794	351	126%	115%	1,442	601	140%	130%	1,557
Alprolix	263	84	215%	198%	416	134	211%	196%	363
Manufacturing	100	184	-46%	-46%	220	304	-28%	-28%	559
Royalty	335	305	10%	15%	636	581	9%	18%	1,203
Total	**1,493**	**923**	**62%**	**58%**	**2,714**	**1,620**	**68%**	**66%**	**3,682**
Specialty Care									
Orfadin	236	220	7%	6%	461	437	6%	7%	862
Kineret	340	286	19%	17%	637	563	13%	15%	1,142
Xiapex	43	39	12%	6%	90	84	8%	4%	164
Other	176	171	3%	-1%	350	331	6%	4%	661
Total	**796**	**716**	**11%**	**9%**	**1,538**	**1,414**	**9%**	**9%**	**2,829**
Total revenues	**2,289**	**1,639**	**40%**	**36%**	**4,253**	**3,035**	**40%**	**39%**	**6,511**

[1]Constant exchange rates.

support programmes and new formulations. The first generics have entered some markets.

Xiapex revenues were SEK 43 M (39) for the quarter, an increase of 12 per cent. Half-year revenues were SEK 90 M (84), an increase of 8 per cent. Growth was mainly driven by the Peyronie's indication with Italy as a strong contributor.

Gross profit

Gross profit for the quarter was SEK 1,677 M (1,163), representing a gross margin of 73 per cent (71).

Gross profit for the half year was SEK 3,089 M (2,191), representing a gross margin of 73 per cent (72).

Operating expenses

Sales and administrative expenses excluding amortisation and write-downs amounted to SEK 483 M (413) for the quarter and SEK 916 M (796) for the half year. The increase for the quarter was mainly driven by continued investments in the Haemophilia franchise in the EMENAR region and in the Specialty Care business in North America. Half-year expenses reflect activities within the Haemophilia business including marketing and personnel increases.

Research and development expenses were SEK 241 M (247) for the quarter and SEK 475 M (465) for the half year. The decrease for the quarter was mainly due to the phasing of Sobi's share of Bioverativ's costs. The cost increase for the half year reflects increased spending primarily for the SOBI003 programme, as well as the phasing of Sobi's share of Bioverativ's development costs for the early-stage development programmes for Elocta and Alprolix.

Operating profit

EBITA for the quarter was SEK 951 M (492) and SEK 1,722 M (898) for the half year.

Amortisation and write-downs of intangible assets for the quarter amounted to SEK 111 M (110) and SEK 221 M (232) for the half year. Q2 2017 included a write-down for one of the early-stage programmes amounting to SEK 12 M.

EBIT for the quarter amounted to SEK 841 M (381) and SEK 1,500 M (666) for the half year. EBIT increased by SEK 460 M for the quarter and SEK 834 M for the half year.

Net financial items and tax

Net financial items amounted to SEK -6 M (-21) for the quarter, including exchange rate gains of SEK 6 M (-5). The difference was mainly attributable to a lower interest expense for the debt to Bioverativ and higher exchange rate gains. For more information regarding the agreement with Bioverativ, see note 17 in the 2017 Annual Report.

Operating profit/loss

Amounts in SEK M	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Total revenues	2,289	1,639	4,253	3,035	6,511
Total cost of goods and services sold	-612	-475	-1,164	-844	-1,854
Gross profit	**1,677**	**1,163**	**3,089**	**2,191**	**4,657**
Gross margin[1]	*73%*	*71%*	*73%*	*72%*	*72%*
Sales and administrative expenses before amortisation and write-downs	-483	-413	-916	-796	-1,644
Research and development expenses	-241	-247	-475	-465	-908
Total opex less amortisation and write-downs	**-725**	**-661**	**-1,391**	**-1,261**	**-2,551**
Other operating revenue/expenses	**-1**	**-11**	**24**	**-32**	**-52**
EBITA	**951**	**492**	**1,722**	**898**	**2,053**
Amortisation related to Sales and administrative expenses	-111	-110	-221	-232	-453
EBIT	**841**	**381**	**1,500**	**666**	**1,600**

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

[1]Gross margin for 2017 was impacted by a one-time adjustment of inventory of SEK 59 M due to delayed release of Kineret drug substance manufactured in 2016.

Net financial items for the half year amounted to SEK -4 M (-36), including exchange rate gains/losses of SEK 22 M (-2).

Tax amounted to SEK -149 M (-95) for the quarter and SEK -297 M (-162) for the half year. On 14 June 2018, the corporate tax rate in Sweden was reduced to 21.4 per cent from 1 January 2019 and to 20.6 per cent from 1 January 2021. The company's deferred tax assets and liabilities have been calculated using the applicable tax rate in the year that temporary differences are expected to be reversed to taxation, and tax deductions are expected to be used. The balance as of 30 June 2018 has been affected by SEK 39 M.

Profit

Profit totalled SEK 685 M (265) for the quarter and SEK 1,200 M (468) for the half year.

Cash flow and investments

Cash flow from operations before change in working capital amounted to SEK 679 M (284) for the quarter and to SEK 1,187 M (685) for the half year.

Working capital impacted cash flow by SEK -115 M (-112) for the quarter and by SEK -346 M (-188) for the half year.

Cash flow from investing activities was SEK -19 M (-14) for the quarter and SEK -35 M (-90) for the half year.

Cash

At the end of the quarter, cash and cash equivalents amounted to SEK 2,306 M, compared with SEK 1,478 M at 31 December 2017.

Net cash/debt

Sobi ended the quarter with a net cash position of SEK 2,300 M, compared with SEK 1,472 M at 31 December 2017.

Equity

Consolidated shareholders' equity at 30 June 2018 was SEK 7,851 M compared with SEK 6,701 M at 31 December 2017.

Financial calendar

Q3 2018	31 October 2018
Q4 2018	20 February 2019
Q1 2019	25 April 2019
Q2 2019	17 July 2019
Q3 2019	31 October 2019

Parent Company

In the second quarter of 2018, net sales for the Parent Company, Swedish Orphan Biovitrum AB (publ), amounted to SEK 1,897 M (1,336), of which SEK 971 M (560) referred to sales to Group companies. Half-year sales amounted to SEK 3,730 M (2,606) of which SEK 1,979 M (1,149) referred to sales to Group companies.

Profit after financial items amounted to SEK 760 M (270) for the quarter and to SEK 1,581 M (608) for the half year.

Investments in tangible and intangible assets affecting cash amounted to SEK 20 M (12) for the quarter and to SEK 32 M (83) for the half year.

Other information

Personnel

At 30 June 2018, the number of full-time equivalents was 842 (800 at 31 December 2017).

Pharmaceutical taxes update in France

New market data were received from the pharmaceutical industry association in France during the first quarter 2018 and indicated that the provision made by Sobi's French subsidiary in 2017 for pharmaceutical tax may be too high. One component in the calculation of pharmaceutical tax is based on the development of the French market. Preliminary prognoses from an independent organisation in France are submitted to the industry body during the financial year, and provide a foundation for pharmaceutical tax provisions. In February 2018, the industry body reported that the growth figure on which the forecasts are based could potentially be too high. A final figure for pharmaceutical tax has been delayed and expects to be received during the third quarter of 2018, at which point the provision will be adjusted, if required, and reported.

Significant events after the reporting period

None

Financial outlook 2018[1,2] — revised

Sobi now expects total revenues for the full year to be in the range of SEK 8,600-8,800 M (7,900-8,100).

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

Sobi now expects EBITA for the full year to be in the range of SEK 3,400-3,600 M (2,800-3,000).

[1]At current exchange rates as of 18 July 2018.

[2]The latest outlook was published on 26 April 2018.

This report has not been audited.

Solna, Sweden, 18 July 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 18 July 2018.

The Board of Directors and the CEO of Swedish Orphan Biovitrum AB (publ) provide their assurance that the interim 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. See under the heading "Accounting and valuation principles and other information" for a description of the operational risks.

Stockholm, 18 July 2018

Håkan Björklund Chairman	David Allsop Board Member	Annette Clancy Board Member
Matthew Gantz Board Member	Lennart Johansson Board Member	Helena Saxon Board Member
Hans GCP Schikan Board Member	Elisabeth Svanberg Board Member	
Pia Axelson Employee Representative	Bo-Gunnar Rosenbrand Employee Representative	
Guido Oelkers CEO and President		

Financial statements – Group

Statement of comprehensive income

Amounts in SEK M	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Total revenues[1]	2,289	1,639	4,253	3,035	6,511
Total cost of goods and services sold	-612	-475	-1,164	-844	-1,854
Gross profit	**1,677**	**1,163**	**3,089**	**2,191**	**4,657**
Sales and administrative expenses[2]	-594	-524	-1,138	-1,028	-2,096
Research and development expenses	-241	-247	-475	-465	-908
Other operating revenue/expenses	-1	-11	24	-32	-52
Operating profit	**841**	**381**	**1,500**	**666**	**1,600**
Financial income/expenses[3]	-6	-21	-4	-36	-68
Profit before tax	**834**	**360**	**1,497**	**630**	**1,532**
Income tax expenses	-149	-95	-297	-162	-384
Profit for the period	**685**	**265**	**1,200**	**468**	**1,149**
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	2	3	2	-1
Items that may be reclassified subsequently to profit/loss					
Translation difference	10	-2	22	-3	-1
Cash flow hedge (net of tax)	-70	82	-92	118	150
Comprehensive income for the period	**628**	**347**	**1,133**	**584**	**1,296**
[1]See page 6 for split by business area.					
[2]Amortisation and write-downs of intangible assets included in Sales and administrative expenses.	-111	-110	-221	-232	-453
[3]Including financing costs amounting to:	0	0	1	1	1
Earnings per share, SEK	2.54	0.99	4.45	1.74	4.27
Earnings per share after dilution, SEK	2.53	0.98	4.43	1.73	4.25

Balance sheet

Amounts in SEK M	Jun 2018	Dec 2017	Jun 2017
ASSETS			
Non-current assets			
Intangible fixed assets[1]	6,240	6,445	6,643
Tangible fixed assets	135	134	126
Financial fixed assets[2]	193	167	144
Total non-current assets	**6,567**	**6,746**	**6,913**
Current assets			
Inventories	1,185	1,053	1,123
Accounts receivable	1,555	1,129	1,027
Current receivables, non-interest bearing	512	496	430
Cash and cash equivalents	2,306	1,478	1,189
Total current assets	**5,558**	**4,157**	**3,769**
Total assets	**12,124**	**10,903**	**10,682**
EQUITY AND LIABILITIES			
Shareholders´ equity	**7,851**	**6,701**	**5,963**
Long-term liabilities			
Long-term liabilities[3]	5	5	502
Long-term liabilities, non-interest bearing[2]	1,489	1,832	2,021
Total long-term liabilities	**1,493**	**1,838**	**2,524**
Current liabilities			
Current liabilities	2	2	2
Current liabilities, non-interest bearing	2,778	2,363	2,194
Total current liabilities	**2,780**	**2,365**	**2,195**
Total equity and liabilities	**12,124**	**10,903**	**10,682**

[1]Including goodwill of SEK 1,554 M.

[2]As per the end of June 2018 deferred tax assets and liabilities have been revalued due to new corporate tax rates in Sweden. Balance has been affected by SEK 39 M.

[3]External bank loan of SEK 500 M was repaid in 2017.

Changes in equity

Amounts in SEK M	Jan-Jun 2018	Full-year 2017	Jan-Jun 2017
Opening balance[1]	**6,701**	**5,365**	**5,365**
Share-based compensation to employees	18	40	14
Comprehensive income for the period[2]	1,133	1,296	584
Equity at end of period	**7,851**	**6,701**	**5,963**

[1]Adjustment of deferred tax affected the opening balance 2017 by SEK 11 M.
[2]Whereof changes in cash flow hedges amounted to SEK -71 M (118).

Cash flow statement

Amounts in SEK M	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Profit for the period	685	265	1,200	468	1,149
Adjustment for non-cash items[1]	-6	19	-12	217	283
Cash flow from operations before change in working capital	**679**	**284**	**1,187**	**685**	**1,431**
Change in working capital	-115	-112	-346	-188	-98
Cash flow from operations	**564**	**173**	**841**	**496**	**1,333**
Investment in intangible fixed assets	-12	-5	-21	-69	-92
Investment in tangible fixed assets	-11	-9	-19	-22	-48
Divestment of tangible fixed assets	1	0	1	0	1
Investment in financial assets	3	0	3	0	-1
Cash flow from investing activities	**-19**	**-14**	**-35**	**-90**	**-139**
Loans - Raising/Amortisation	–	–	–	–	-500
Net finance lease	0	–	0	–	–
Cash flow from financing activities	**0**	**–**	**0**	**–**	**-500**
Change in cash and cash equivalents	**546**	**159**	**806**	**406**	**694**
Cash and cash equivalents at the beginning of the period	1,750	1,033	1,478	786	786
Translation difference in cash flow and cash and cash equivalents	10	-2	22	-3	-1
Cash and cash equivalents at the end of the period	**2,306**	**1,189**	**2,306**	**1,189**	**1,478**
[1] Adjustment for non-cash items:					
Depreciation of tangible fixed assets	9	8	18	16	33
Amortisation and write-downs of intangible assets	111	110	221	232	453
Deferred tax	-23	55	-54	64	164
Other, whereof SEK -82 M (-168) in Q2 2018 and SEK -438 M in full-year 2017 reflect Elocta and Alprolix non-cash transactions. See also Note 17 in Sobi's 2017 Annual Report for more information on the agreement with Bioverativ	-103	-154	-198	-95	-367
Non-cash items	**-6**	**19**	**-12**	**217**	**283**

Key ratios and other information

Amounts in SEK M	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Profit measures					
Gross profit	1,677	1,163	3,089	2,191	4,657
EBITDA[1]	961	500	1,740	914	2,086
EBITA[1]	951	492	1,722	898	2,053
EBIT (Earnings before interest and tax)	841	381	1,500	666	1,600
Profit/loss	685	265	1,200	468	1,149
Per share data (SEK)					
Earnings per share	2.54	0.99	4.45	1.74	4.27
Earnings per share after dilution	2.53	0.98	4.43	1.73	4.25
Shareholders' equity per share[1]	28.8	22.1	28.8	22.1	24.6
Shareholders' equity per share after dilution[1]	28.6	22.0	28.6	22.0	24.5
Other information					
Gross margin[1]	73%	71%	73%	72%	72%
EBITA margin[1]	42%	30%	40%	30%	32%
Equity ratio[1]	65%	56%	65%	56%	61%
Net cash (-)/debt (+)[1]	-2,300	-685	-2,300	-685	-1,472
Number of ordinary shares	272,507,708	270,389,770	272,507,708	270,389,770	272,507,708
Number of C shares (in treasury)	-	1,621,178	-	1,621,178	-
Number of ordinary shares (in treasury)	3,249,870	1,265,801	3,249,870	1,265,801	3,249,870
Average number of ordinary shares (excluding shares in treasury)	269,257,838	269,009,207	269,257,838	268,894,446	269,020,363
Number of shares after dilution	274,138,213	271,513,971	274,138,213	281,513,971	273,458,932
Average number of ordinary shares after dilution (excluding shares in treasury)	270,788,396	270,093,158	270,788,396	270,093,158	270,003,546

[1]Alternative performance measures (APMs), see next page for further information.

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 not, therefore, be regarded as substitutes for measures defined according to IFRS. The following metrics are not defined according to IFRS:

All amounts in SEK M unless otherwise stated.

	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Total revenues	2,289	1,639	4,253	3,035	6,511
Cost of goods and services sold	-612	-475	-1,164	-844	-1,854
Gross profit	**1,677**	**1,163**	**3,089**	**2,191**	**4,657**
Gross margin, %	**73%**	**71%**	**73%**	**72%**	**72%**

Gross profit - Net sales less cost of goods and services sold.
Gross margin - Gross profit as a percentage of sales.

Operating profit	841	381	1,500	666	1,600
Plus amortisation and write-downs of intangible assets	111	110	221	232	453
EBITA	**951**	**492**	**1,722**	**898**	**2,053**
Plus depreciations of tangible assets	9	8	18	16	33
EBITDA	**961**	**500**	**1,740**	**914**	**2,086**

EBITA - Earnings before interest, tax and amortisation.
EBITDA - Earnings before interest, tax, depreciation and amortisation.

Liabilities to credit institutions					
- Long-term	5	502	5	502	5
- Current	2	2	2	2	2
Interest bearing liability	**7**	**504**	**7**	**504**	**7**
Cash and cash equivalents	2,306	1,189	2,306	1,189	1,478
Net debt (+)/Net cash (-)	**-2,300**	**-685**	**-2,300**	**-685**	**-1,472**

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.

Equity	7,851	5,963	7,851	5,963	6,701
Total assets	12,124	10,682	12,124	10,682	10,903
Equity ratio, %	**65%**	**56%**	**65%**	**56%**	**61%**
Number of ordinary shares	272,507,708	270,389,770	272,507,708	270,389,770	272,507,708
Equity per share, SEK	**28.8**	**22.1**	**28.8**	**22.1**	**24.6**

Equity ratio - Shareholders' equity as a proportion of total assets.
Equity per share - Equity divided by the number of shares.

Financial statements – Parent Company

Income statement

Amounts in SEK M	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Total revenues	1,897	1,336	3,730	2,606	5,756
Total cost of goods and services sold	-545	-471	-1,069	-858	-1,861
Gross profit	**1,353**	**865**	**2,662**	**1,748**	**3,895**
Sales and administrative expenses[1]	-350	-335	-648	-641	-1,400
Research and development expenses	-228	-234	-449	-441	-855
Other operating revenue/expenses	-6	-5	21	-23	-40
Operating profit	**768**	**291**	**1,585**	**643**	**1,600**
Result from participation in Group companies[2]	–	–	–	–	-1,000
Financial income/expenses	-8	-21	-4	-35	-65
Profit/loss after financial items	**760**	**270**	**1,581**	**608**	**535**
Appropriations	–	–	–	–	-911
Profit/loss before tax	**760**	**270**	**1,581**	**608**	**-376**
Income tax expenses	-147	-18	-301	-61	-132
Profit/loss for the period	**613**	**252**	**1,280**	**547**	**-508**

Statement of other comprehensive income

Amounts in SEK M	Q2 2018	Q2 2017	H1 2018	H1 2017	Full-year 2017
Profit/loss for the period	613	252	1,280	547	-508
Items that may be subsequently reclassified to profit/loss					
Cash flow hedge (net of tax)	-70	82	-92	118	150
Comprehensive income for the period	**543**	**334**	**1,189**	**665**	**-358**
[1]Amortisation and write-downs of intangible assets included in Sales and administrative expenses.	-71	-71	-143	-154	-296

[2]The Parent Company wrote down the value of the shares in the subsidiary Swedish Orphan Biovitrum International AB in 2017 by SEK 1,000 M.

Balance sheet

Amounts in SEK M	Jun 2018	Dec 2017	Jun 2017
ASSETS			
Non-current assets			
Intangible fixed assets	3,931	4,058	4,177
Tangible fixed assets	110	114	105
Financial fixed assets	2,915	2,915	3,882
Total non-current assets	**6,956**	**7,087**	**8,164**
Current assets			
Inventories	1,042	894	990
Current receivables, non-interest bearing	2,198	1,779	1,534
Cash and cash equivalents	2,170	1,381	1,131
Total current assets	**5,410**	**4,054**	**3,655**
Total assets	**12,365**	**11,140**	**11,819**
EQUITY AND LIABILITIES			
Shareholders´ equity	**6,643**	**5,436**	**6,434**
Untaxed reserves	2,124	2,124	1,154
Long-term liabilities			
Long-term liabilities[1]	–	–	498
Long-term liabilities, non-interest bearing	836	1,159	1,468
Total long-term liabilities	**836**	**1,159**	**1,966**
Current liabilities			
Current liabilities, non-interest bearing	2,763	2,421	2,265
Total current liabilities	**2,763**	**2,421**	**2,265**
Total equity and liabilities	**12,365**	**11,140**	**11,819**

[1]External bank loan of SEK 500 M was repaid in 2017.

Change in shareholders' equity

Amounts in SEK M	Jan-Jun 2018	Full-year 2017	Jan-Jun 2017
Opening balance[1]	**5,436**	**5,755**	**5,755**
Share-based compensation to employees	18	40	14
Comprehensive income for the period[2]	1,189	-358	665
Equity at end of period	**6,643**	**5,436**	**6,434**

[1]Adjustment of deferred tax affected the opening balance 2017 by SEK 11 M.

[2]Whereof changes in cash flow hedges amounted to SEK -71 M (118).

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-June 2018 have been prepared in accordance with 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 the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting 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) that 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 2017 Annual Report. More detailed information about the Group's accounting policies and measurement bases can be found in the 2017 Annual Report, available at www.sobi.com.

Change in accounting policies

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into effect on 1 January 2018. Preparations continue for the new accounting standard IFRS 16 Leasing, which will apply for financial periods beginning on or after 1 January 2019.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. One of the changes relates to liabilities measured at fair value. The part of the change relating to fair value attributable to the own credit risk should be reported in other comprehensive income instead of in the result, unless this causes inconsistency in the accounting. Sobi has no liabilities valued at fair value and is therefore not affected by the change. Another change relates to hedge accounting and requires increased disclosure of risk management and the effect of hedge accounting. Sobi's hedge accounting is made in accordance with IAS 39 with disclosures in accordance with IFRS 9; the new hedge requirements have no material impact on current hedge activities. Finally, new principles have been introduced regarding impairment of financial assets, where the model is based on expected losses. Sobi has applied the retrospective transition method which has no material impact on either earnings nor the financial position. In accordance with IFRS 9, Sobi has chosen not to recalculate comparative figures.

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 conducted a thorough analysis of the effects that the introduction of IFRS 15 may have on the Group's financial statements, and it will not have any material impact on either earnings or the financial position. To reach this conclusion, agreements and transactions have been reviewed and tested against the standard's five-step model for revenue recognition. Consequently, revenue recognition according to IFRS 15 has been applied in its entirety and remains unchanged from the present standard. As a transition method, Sobi has chosen full retrospective application, which means that the company applies IFRS 15 prospectively for contracts in place on the transition date. As revenue recognition remains unchanged on transition to the new standard, the choice of transition method is not of importance.

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 16 will have an effect on Sobi's accounts, primarily in terms of fixed assets, long-term liabilities and depreciations, 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 2017 Annual Report (see the Directors' Report). There are no major changes in the Group's risk exposure and risk management in 2018 compared to the previous year.

Note 2 – Fair value of financial instruments

The Group carries derivatives (see the 2017 Annual Report for a narrative description of the purpose of the holdings). The derivatives (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 30 June 2018, the net reported value in the balance sheet for derivatives was SEK -8 M (9).

At 30 June 2018, all other financial instruments in the balance sheet had reported values that are in all material aspects equivalent to fair value.

Definitions and glossary

Alprolix (eftrenonacog alfa)	A recombinant, EHL clotting factor IX therapy approved in the EU, Iceland, Kuwait, Liechtenstein, Norway, Saudi Arabia and Switzerland, as well as in Australia, Brazil, Canada, Japan, New Zealand and the United States, for the treatment of haemophilia B, and can be used by people of all ages.
Acute gout	An autoinflammatory disease and an intensely painful and disabling inflammatory arthritis involving one or several joints. Gout is also a disease associated with multiple comorbidities, which may limit the use of some conventional treatment regimens.
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 a placebo for the treatment of Still's disease.
BIVV001 (rFVIIIFc-VWF-XTEN)	Bioverativ's novel, investigational factor VIII therapy designed to extend protection from bleeds with prophylaxis dosing of once weekly or longer for people with haemophilia A. Builds on the Fc fusion technology by adding a region of von Willebrand factor and XTEN polypeptides to potentially extend its time in circulation.
CER	Constant Exchange Rate.
Dupuytren's contracture	Also known as "Viking disease", is a condition that affects the connective tissue in the palm of the hand and the inside surface of the fingers. It occurs when a collagen nodule forms in the palm of the hand resulting in a small lump. Eventually this can develop into a long "cord" in the palm which then contracts resulting in the finger being drawn in towards the palm of the hand.
Earnings per share	The portion of a company's profit allocated to each outstanding share of common stock.
EC	The European Commission.
EHL	Extended half-life.
Elocta (efmoroctocog alfa)	A recombinant, EHL clotting factor VIII therapy approved in the EU, Iceland, Kuwait, Liechtenstein, Norway, Saudi Arabia and Switzerland for the treatment of haemophilia A, which can be used by people of all ages. It is also approved in Australia, Brazil, Canada, Japan, New Zealand and the United States, where it is known as ELOCTATE®.
Elvera	Sobi's proprietary innovative recombinant polymer mimetic technology that can help protect active biological molecules and extend their circulatory half-life and target tissue exposure.
EMENAR	Abbreviation for Europe, Middle East, North Africa and Russia.
EXTEN-A	A Bioverativ phase 1 clinical study to assess safety and tolerability of a single intravenous (IV) administration of BIVV001 in adult previously treated patients with severe haemophilia A.

Definitions and glossary

FDA	The US Food and Drug Administration.
Full-time equivalents	Unit that indicates the workload of an employed person in a way that makes workloads comparable.
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, limited mobility, 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.
Kineret (anakinra)	A drug used to treat inflammatory diseases.
Modifa	Sobi's proprietary glycan modification technology. By modifying glycan sugar molecules Modifa™ can help protein molecules to circulate longer, thereby enabling penetration of the blood-brain barrier or distribution to hard-to-reach tissues such as cartilage and bone.
Mucopolysaccharidosis (MPS) type IIIA (Sanfilippo A syndrome)	A progressive, life-threatening and rare inherited metabolic disorder affecting children 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.
Ravicti (glycerol phenylbutyrate [GPB])	A medicine indicated for use as adjunctive therapy for chronic management of adult and paediatric patients aged two months or older with urea cycle disorders (UCDs).
SOBI003	A product candidate and a chemically modified variant of a recombinant human sulfamidase, using Sobi's proprietary glycan modification technology Modifa, intended as an enzyme replacement therapy in lysosomal storage disease MPS IIIA, aimed at reducing heparan sulfate storage materials in affected cells.
Still's disease	An autoinflammatory disease that affects both children and adults, 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).
Urea Cycle Disorders	Inborn errors of metabolism comprising a group of inherited deficiencies of one of the enzymes or transporters involved in the urea cycle, which converts ammonia to urea. They are rare, serious and life-threatening disorders since absence or severe dysfunction of the enzymes or transporters results in the accumulation of toxic levels of ammonia in the blood and brain of affected patients.
Xiapex (collagenase clostridium histolyticum)	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.

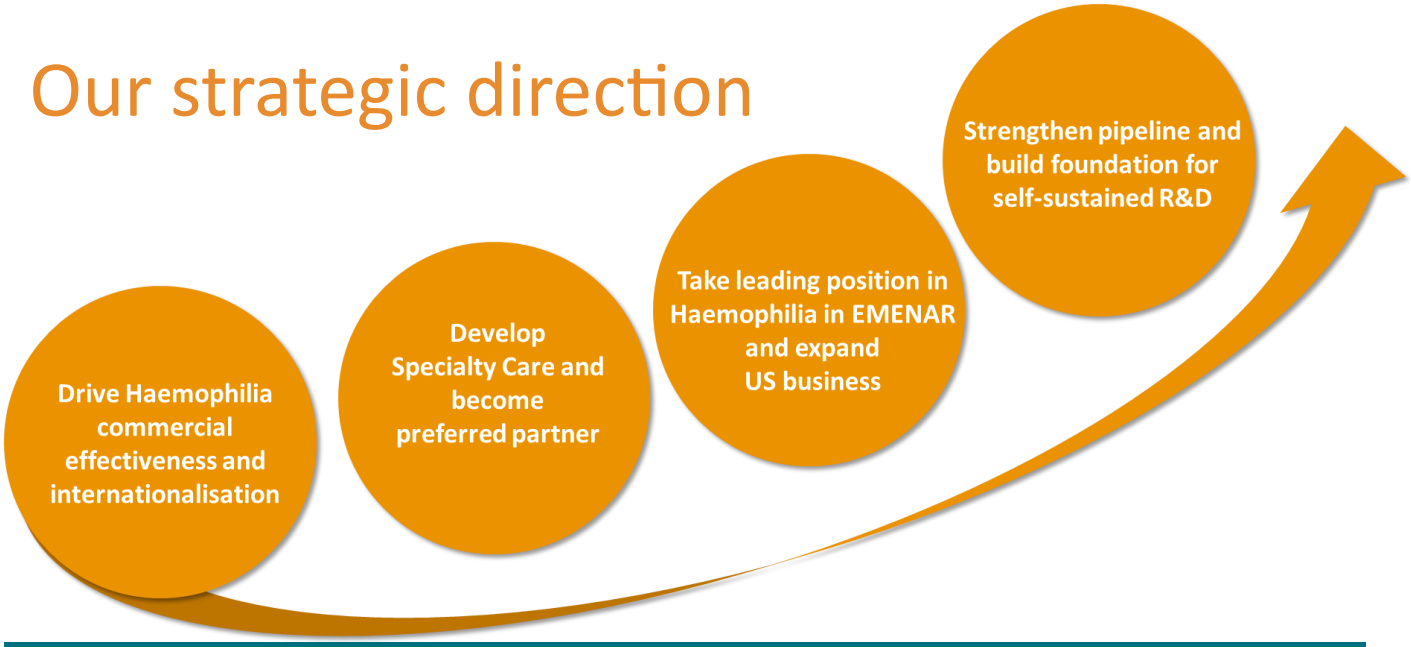
Our vision

To be recognised as a global leader in providing access to innovative treatments that transform lives for individuals with rare diseases.

Our value creation

True availability and access to treatment for patients are what bring long-term value to the patients we serve, our employees, partners and shareholders. The capabilities that make this possible are our knowledge of biologics manufacturing and industrialisation, our in-house research and development competencies within protein characterisation, and our ability to provide access to treatments for rare-disease patients. We believe that our ability to partner and to pioneer with different stakeholders – and bring together all the opportunities that exist to facilitate effective and timely rare-disease therapy development – creates unique opportunities to add value to the rare-disease field.

Our strategic direction



Operational and pipeline targets 2018

Strengthen commercial focus

- Increase sales of Elocta and Alprolix in existing and new markets
- Increase sales of Kineret in existing markets and in new indications

Expand our commercial portfolio through new in-licensing, acquisitions or partnerships focused on Europe and North America

Progress development towards a self-sustained R&D pipeline

- Begin SOBI003 first-in-human phase 1/2 study
- Complete enrolment into the RelTIrate study
- Phase 2 Gout (anakinra) key results for phase 3 decision

Expand R&D pipeline with new late-stage assets

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 transform lives 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
Pioneer in Rare Diseases

Swedish Orphan Biovitrum AB (publ)
SE-112 76 Stockholm, Sweden | Street address: Tomtebodavägen 23 A
Telephone: +46 8-697 20 00 | Fax: +46 8-697 23 30
www.sobi.com