



## Interim report May 2008 – July 2008

### PERIOD MAY 2008 – JULY 2008

- Net sales decreased by 5 per cent to SEK -200.3m (211.6) as a result of the expiry on June 30, 2008 of a distribution agreement with Gilead Sciences Ltd.
- Net sales excluding the Gilead products increased with 16 per cent.
- The gross profit increased by 9 per cent to SEK 112.5m (103.4).
- The operating profit fell by 10 per cent to SEK 61.9m (68.9) as a consequence of increased market investments in other Europe.
- The profit after tax was SEK 44.8m (47.2).
- Earnings per share before dilution were SEK 47.33 (49.52).
- Cash flow from operating activities was SEK 24.0m (34.3).

#### Consolidated financial performance

SEK million	Quarter		12 Months
	2008/2009	2007/2008	May-April 2007/2008
Net sales	200.3	211.6	764.8
Gross Profit	112.5	103.4	392.9
Operating profit	61.9	68.9	119.3
Profit after tax	44.8	47.1	79.3
Earnings per share, SEK	47.33	49.51	83.51
Operating profit, excl. non-recurring items*	61.9	68.9	181.8
Profit after tax, excl. non-recurring items*	44.8	47.1	141.8
Earnings per share, excl. non-recurring items*	47.33	49.51	149.43

\*Excluding settlement expenses of SEK 62.5m relating to a dispute in 2007/2008.

### Swedish Orphan International in brief

Swedish Orphan International Holding is an international growth company specialising in the development, registration, marketing and distribution of pharmaceutical drugs for rare and life-threatening diseases, a category known as "orphan drugs". The company's products satisfy a medical need where no treatment exists at present or the existing treatment is inadequate.

The original company, Swedish Orphan International AB, was founded in 1988 and has since concluded partnership agreements with 30 different drug makers and university institutions. The company currently provides more than 40 different orphan drugs.

## Significant events

### May 2008 – July 2008

#### SIGNIFICANT EVENTS IN THE FIRST QUARTER

- Since Swedish Orphan's distribution agreement with Gilead Sciences Ltd for the Nordic market expired in June 2008 the products were transferred to Gilead.

## Financial summary for the period May 2008 – July 2008

#### COMMENTS TO THE INCOME STATEMENT AND BALANCE SHEET

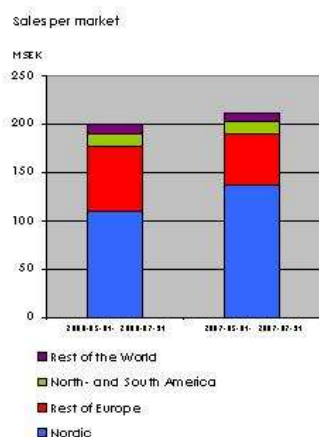
#### FIRST QUARTER (MAY 2008 – JULY 2008)

##### NET SALES

In the first quarter of the financial year 2008/2009 the Group's net sales decreased by 5 per cent year-on-year to SEK 200.3m (211.6). Net sales were adversely affected by the expiry on June 30, 2008 of Swedish Orphan's distribution agreement with Gilead Sciences Ltd in the HIV products therapy area and the expiry in January 2008 of the company's distribution agreement for Tobi® from Novartis. The decrease was to a large extent offset by a 16 per cent increase in sales of other products.

Despite the reduction in sales, the changed product mix increased the company's gross margin from 49 to 56 per cent, raising the gross profit to SEK 112.5m (103.4), an improvement of 9 per cent.

In the Nordic region net sales declined to SEK 110.6m (136.9), which is equivalent to 55 per cent (65%) of consolidated net sales for the period. The reduction is due to the expiry of the above-mentioned distribution agreements. During the period the company continued its rapid expansion in Rest of Europe, generating sales of SEK 66.2m (53.9), which corresponds to a growth rate of 23 per cent. Sales in the region accounted for 33 per cent (26%) of total net sales in the period. The strong sales increase in Rest of Europe is attributable to Swedish Orphan's proprietary product Orfadin®, sales of Ammonaps® and the launch of Yondelis®.



#### What are orphan drugs?

The term "orphan drugs" alludes to children without parents, which is exactly what is intended. The term was coined in the United States in the early 1980s, when patient organisations for rare diseases brought attention to what was perceived as a reluctance on the part of pharmaceutical companies to invest in developing drugs for rare diseases, as the small volumes made it hard to justify the outlay. No one, in other words, wanted to take responsibility for these diseases – just like with orphaned children.

**Sales per market**

SEK million	Quarter		12 Months
	May-July		May-April
	2008/2007	2007/2008	2007/2008
Nordic	110.6	136.9	474.5
Rest of Europe	66.2	53.9	224.0
North & South America	13.7	12.2	40.0
Rest of the World	9.8	8.6	26.3
Total	200.3	211.6	764.8

**QUARTERLY EARNINGS**

The operating profit for the period was SEK 61.9m (68.9), a decrease of 10 per cent. The reduction of the operating profit is primarily due to the decided increased expenses due to the strengthening of the European sales organisation.

The profit after tax for the period was SEK 44.8m (47.2).

**INTANGIBLE ASSETS**

Intangible assets at July 31, 2008 were SEK 243.9m (231.1). These primarily comprise goodwill. The increase was mainly due to the acquisition of rights for Multiferon®.

**TANGIBLE ASSETS**

Tangible assets at July 31, 2008 were SEK 13.0m (1.2). The increase refers largely to assets relating to the acquisition of the assets and liabilities of ViraNative AB in October 2007.

**FINANCIAL POSITION**

The strong sales performance helped to strengthen consolidated shareholders' equity, which increased by SEK 44.9m during the period, from SEK 271.3m at the beginning of the financial year to SEK 316.2m at July 31, 2008. The equity/assets ratio was 57 per cent (45%). The company's net debt decreased by 38 per cent to SEK 40.3m (58.2). At July 31, 2008 cash and cash equivalents were SEK 63.9m (83.7), a year-on-year decrease of SEK 19.8m. Total assets at the same date were SEK 556.8m (533.0). Out of the Group's overdraft facility of SEK 150m, SEK 39.5m (-) had been drawn at July 31, 2008.

**CASH FLOW**

Cash flow from operating activities during the period was SEK 24.0m (34.3) and cash flow from operating activities before changes in working capital was SEK 60.5m (66.1).

**EARNINGS PER SHARE**

Earnings per share before dilution for the period were SEK 47.33 (49.52) and equity per share was SEK 333.81 (251.88). At July 31, 2008 the number of shares in Swedish Orphan International Holding AB was 947,164. The average number of shares before dilution was 947,164.

### **INCENTIVE SCHEME**

The parent company has issued warrants to a number of senior executives and key individuals as part of an incentive programme. Full exercise of all warrants would result in a dilution of about 0.8%.

### **RISK FACTORS**

Swedish Orphan International Holding's activities are exposed to financial risks. The management of these risks is described in Note 2 of the 2007/2008 annual report. The Group's business is also exposed to a number of other factors that cannot be fully controlled by the company. Factors that are deemed to be of particular significance to Swedish Orphan International Holding's future development include partnerships, regulatory actions, market assessments, patents and key individuals and recruitment.

### **DISPUTES**

There are no outstanding disputes in the Swedish Orphan International Holding Group.

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Positive phase III data on Yondelis® in combination with Doxil® in the second line treatment of ovarian cancer were disclosed at the ESMO conference in Stockholm on September 15<sup>th</sup>.

### **THE PARENT COMPANY**

The parent company's business comprises senior management and certain shared functions as well as financial management. Net sales in the parent company during the period were SEK 4.3m (3.6) and the profit after financial items was SEK 1.5m (3.8). Cash and cash equivalents in the parent company were SEK 0.1m (1.7).

STOCKHOLM, SEPTEMBER 22, 2008



Bo Jesper Hansen  
*Chief Executive Officer*

## Consolidated income statement

SEK thousand	Note	May-July		May-April
		2008/2009	2007/2008	2007/2008
Net sales	2	200 294	211 565	764 837
Cost of goods sold		-87 768	-108 200	-371 889
<b>Gross Profit</b>		<b>112 526</b>	<b>103 365</b>	<b>392 948</b>
Selling expenses		-30 879	-21 688	-131 776
Administrative expenses		-12 254	-8 737	-54 048
Research and development expenses		-6 452	-4 874	-27 264
Other operating income		3 437	5 258	17 114
Other operating cost		-4 480	-4 470	-77 655
<b>Operating profit</b>		<b>61 898</b>	<b>68 854</b>	<b>119 319</b>
Interest income and similar items		598	-183	818
Interest expenses and similar items		-811	-2 831	-11 428
<b>Profit after financial items</b>		<b>61 685</b>	<b>65 840</b>	<b>108 709</b>
Tax		-16 857	-18 678	-29 450
<b>Profit for the period</b>		<b>44 828</b>	<b>47 162</b>	<b>79 259</b>
<b>DATA PER SHARE</b>				
Earnings per share, before dilution, SEK		47,33	49,52	83,51
Average number of outstanding shares before dilution		947 164	952 354	949 045
Number of outstanding shares before dilution		947 164	948 219	947 164

## Consolidated balance sheet

SEK thousand	31 July	31 July	30 April
	2008/2009	2007/2008	2007/2008
Goodwill	213 009	213 009	213 009
Other intangible fixed assets	30 884	18 133	29 610
Tangible fixed assets	12 953	1 239	12 640
Financial fixed assets	1 716	805	1 716
Inventories	56 920	54 840	89 717
Current receivables	177 451	161 307	149 434
Cash and bank balances	63 913	83 692	35 665
<b>Total assets</b>	<b>556 846</b>	<b>533 025</b>	<b>531 791</b>
Shareholders' equity	316 174	238 837	271 271
Long-term liabilities, interest bearing	50 408	126 260	49 772
Long-term liabilities, non-interest bearing	26 705	22 723	25 961
Short-term liabilities, interest bearing	53 775	15 600	49 142
Short-term liabilities, non-interest bearing	109 784	129 605	135 645
<b>Total equity and liabilities</b>	<b>556 846</b>	<b>533 025</b>	<b>531 791</b>

## Statement of changes in equity attributable to equity holders of the parent company

SEK thousand	31 July	31 July	30 April
	2008/2009	2007/2008	2007/2008
<b>Opening balance at beginning of fiscal year</b>	<b>271 271</b>	<b>196 844</b>	<b>196 844</b>
Translation differences for the period	75	31	67
<b>Income and expenses for the period recognised directly in equity</b>	<b>75</b>	<b>31</b>	<b>67</b>
Profit after tax for the period	44 828	47 162	79 259
<b>Total income and expenses for the period</b>	<b>44 903</b>	<b>47 193</b>	<b>79 326</b>
Repayment to shareholders	-	-5 200	-6 934
Issue of new shares	-	-	487
Warrants	-	-	1 548
<b>Closing balance at end of period</b>	<b>316 174</b>	<b>238 837</b>	<b>271 271</b>

## Consolidated cash flow statement

SEK thousand	May-July		May-April
	2008/2009	2007/2008	2007/2008
Cash flow from operations before changes in working capital	60 524	66 135	125 721
Cash flow from changes in working capital	-36 529	-31 788	-14 976
<b>Cash flow from operations</b>	<b>23 995</b>	<b>34 347</b>	<b>110 745</b>
Cash flow from investing activities	-469	-122	-17 690
Cash flow from financing activities	4 422	-13 104	-119 959
<b>Cash flow for the period</b>	<b>27 948</b>	<b>21 121</b>	<b>-26 904</b>
Cash and cash equivalents at start of period	35 665	62 547	62 547
Cash flow for the period	27 948	21 121	-26 904
Exchange rate difference in cash and cash equivalents	300	24	22
<b>Cash and cash equivalents at end of period</b>	<b>63 913</b>	<b>83 692</b>	<b>35 665</b>

## Parent company income statement

SEK thousand	May-July		May-April
	2008/2009	2007/2008	2007/2008
Net sales	4 314	3 562	16 473
<b>Gross Profit</b>	<b>4 314</b>	<b>3 562</b>	<b>16 473</b>
Administrative expenses	-5 809	-4 672	-22 391
Other operating income	-	15	19
Other operating costs	-1	-5	-8
<b>Operating profit/loss</b>	<b>-1 496</b>	<b>-1 100</b>	<b>-5 907</b>
Profit/loss from participations in Group companies	-	-	61 781
Interest income	16	5	98
Interest expenses	-17	-2 752	-11 020
<b>Profit/loss after financial items</b>	<b>-1 497</b>	<b>-3 847</b>	<b>44 952</b>
Appropriations	-	-	-11 602
Tax	-	-	-9 740
<b>Profit/loss for the period</b>	<b>-1 497</b>	<b>-3 847</b>	<b>23 610</b>

## Parent company balance sheet

SEK thousand	31 July	31 July	30 April
	2008/2009	2007/2008	2007/2008
Tangible fixed assets	12	-	-
Financial fixed assets	280 343	280 343	280 343
Current receivables	6 590	95 830	557
Cash and bank balances	50	1 656	818
<b>Total assets</b>	<b>286 995</b>	<b>377 829</b>	<b>281 718</b>
Shareholders' equity	174 230	147 969	175 727
Untaxed reserves	56 819	45 217	56 819
Long-term liabilities, interest bearing	-	126 450	-
Current liabilities, interest bearing	-	15 808	-
Current liabilities, non-interest bearing	55 946	42 385	49 172
<b>Total equity and liabilities</b>	<b>286 995</b>	<b>377 829</b>	<b>281 718</b>

## Notes

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### 1 ACCOUNTING PRINCIPLES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act, while the interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act. As of May 1, 2007 the Group applies IFRS 7 Financial Instruments: Disclosures, the amendment to IAS 1 Presentation of Financial Statements and IFRIC 9, 10 and 11. These have not had any financial impact on the Group's financial statements. In other respects, the accounting principles are unchanged since the last annual report.

### 2 SEGMENT REPORTING

The Group develops and sells pharmaceutical drugs. These activities constitute the Group's only segment, and no reporting by primary segment is therefore presented. For secondary segments that constitute geographic areas, see the table on page 3.

### FOR MORE INFORMATION, PLEASE CONTACT:

Bo Jesper Hansen, CEO  
Phone: +46 8 412 98 00  
E-mail: [bo.jesper.hansen@swedishorphan.com](mailto:bo.jesper.hansen@swedishorphan.com)

Mats Blom, CFO  
Phone: +46 8 412 98 00  
E-mail: [mats.blom@swedishorphan.com](mailto:mats.blom@swedishorphan.com)

Swedish Orphan International Holding AB  
(Org.no. 556613-7674)  
Drottninggatan 98  
SE-111 60 Stockholm, Sweden  
Phone: +46 8 412 98 00  
Fax: +46 8 412 98 99  
E-mail: [info@swedishorphan.se](mailto:info@swedishorphan.se)  
[www.swedishorphan.com](http://www.swedishorphan.com)

*This report has not been examined by the company's auditors.*

### FUTURE FINANCIAL REPORTS:

Interim report May 2008-October 2008	Dec 18, 2008
Interim report May 2008-January 2009	Mar 16, 2009
Year-end financial statement, May 2008-April 2009	Jun 25, 2009