



The Board of Directors and CEO  
of **Biovitrum AB** (publ)  
Corporate Identity Number 556038-9321  
hereby present the **Annual Financial Statements**  
and **Consolidated Accounts**  
for the financial year **1 January – 31 December 2006**

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# Directors' Report

(Refers to both the Group and Parent Company, as applicable)

## General comments on operations

Biovitrum is one of the largest biopharma companies in Europe. With operations in Sweden and the UK, Biovitrum conducts research and develops pharmaceuticals both for common diseases and conditions that affect smaller patient populations. Biovitrum focuses on drugs for the treatment of obesity, diabetes, inflammation and blood diseases, as well as a number of well-defined niche indications. Biovitrum also develops and produces protein-based drugs on a contractual basis and markets a range of specialist pharmaceuticals primarily in the Nordic countries.

## Significant events during 2006

### Summary

In 2006 Biovitrum continued to grow as an integrated biopharma company with increasing revenues, a strong financial position and a growing project portfolio. The net revenues for the year were SEK 1,201.1 M (936.6), which is 28 percent higher than in 2005. The main reason for the improvement is sharply increased revenues from ReFacto®.

On September 15 Biovitrum reached a very important milestone when the company was listed on the Stockholm Stock Exchange. In connection with the listing, the existing owners executed an initial public offering. The offering comprised a public offering of shares in Sweden and an international institutional offering in Europe and the United States comprising an aggregate of 7.7 million existing shares (including an over-allotment option of 1 million shares) in the range SEK 90–105 per share. The offering was oversubscribed more than ten times and the offering price was set at SEK 100 at the end of 2006.

Within the company's drug development, several projects advanced and the project portfolio includes five projects in the clinical phase for both niche indications and common diseases at the end of 2006, as well as an option to acquire one more project. Several new clinical studies were started in 2006. In August a phase I study was initiated within Biovitrum's 5-HT<sub>6</sub> project for the treatment of obesity, and in October a phase II study within the 5-HT<sub>2A</sub> project for the treatment of glaucoma was started.

In 2006 Biovitrum entered into three important partnership agreements to develop new drugs. In January an agreement was signed with the Danish company Symphogen A/S involving joint development and commercialization of Symphogen's anti-Rhesus D factor (anti-Rh(D)), which is polyclonal antibodies for the treatment of a platelet disorder (ITP) and for the prevention of Rh-immunization (anti-D prophylaxis).

In January Biovitrum also entered into an agreement with the US biotech company Syntonix Pharmaceuticals Inc. for joint development and commercialization of Syntonix's long-acting recombinant Factor IX (FIXFc) for the treatment of hemophilia B, a blood disorder caused by a deficiency of the coagulation factor IX.

In October Biovitrum entered into a development agreement with the Swedish biotech company Synphora AB. The agreement concerns Synphora's drug candidate JB991 for the treatment, among other things, of the inflammatory skin disease psoriasis.

The company's portfolio of marketed drugs was expanded in 2006, for example, when Biovitrum acquired the exclusive rights in the Nordic region to Aloxi® from the Swiss company Helsinn in February. The product was launched in the beginning of December.

The company used a portion of its cash funds to finance transactions in 2006. In April 4,514,400 shares owned by Pfizer were redeemed for a price of SEK 378.9 M. The company also repurchased 3,503,050 warrants in 2006 for a total of SEK 282.3 M.

### ReFacto®

Biovitrum manufactures, on a global basis, the drug substance for the hemophilia product ReFacto® for Wyeth. In addition, Biovitrum generates global royalty revenues as well as co-promotion revenues for the sale of ReFacto® in the Nordic region. Revenues from ReFacto® increased from SEK 405.6 M in 2005 to SEK 768.0 M in 2006.

The considerable improvement is mainly explained by a sharp increase in revenues from the manufacturing of ReFacto® from SEK 191.7 M to SEK 536.0 M. This is explained by the fact that, for the whole of 2006, Biovitrum produced and delivered quantities in line with market demand, while Wyeth sold from its inventory in 2005. Full-scale commercial production of ReFacto® did not start until March 2005, and the first deliveries took place at the end of the third quarter same year. In addition, global sales of ReFacto® increased by 14 percent to USD 306 M in 2006, which led to increased royalty revenues for Biovitrum. Co-promotion revenues from the sale of ReFacto® in the Nordic region by Biovitrum have also increased due to an increased market share on the Nordic market.

### Product sales

Biovitrum markets drugs with a dedicated sales force in the Nordic region and has currently Nordic rights for ReFacto® and five other approved specialist drugs. The company also has the European rights for one of these products (Kineret®).

In February Biovitrum acquired the exclusive rights to Aloxi® in the Nordic region from the Swiss company Helsinn. Aloxi® is a long-acting drug for the treatment of nausea and vomiting that often occur in connection with cancer chemotherapy. The product was launched in Norway in December and in the other Nordic countries in January 2007. In 2006 the launch also began for Kepivance® and Novastan®, to which Biovitrum already had the rights.

Revenues in 2006 from drug sales, including co-promotion revenues from Nordic sales of ReFacto®, increased by 24 percent to SEK 129.2 M (103.8), compared to 2005.

### Contract manufacturing and process development

Biovitrum has considerable expertise in manufacturing and advanced process development of recombinant protein drugs. This capacity is utilized for the company's internal projects and offered as a service to external customers. During the year a growing portion of the capacity was utilized for the internal projects Exinalda™, Anti-RhD, FIXFc and Kiobrina™. Internal projects will continue to utilize a larger portion of the company's capacity.

In August and November respectively, Biovitrum's process development contracts with Pfizer and Amgen expired. Biovitrum signed a new framework agreement with Pfizer in October and will continue to deliver services to this company, albeit to a lesser extent than in the past. Biovitrum is working actively with marketing initiatives aimed at existing and potential new customers, mainly small and medium-sized biotech companies. This resulted in a number of new assignments in 2006, such as a three-year contract signed in October with the Swedish company Resistentia.

Contract development revenues for the full year 2006 amounted to SEK 153.9 M (224.7), which was 32 percent lower than in 2005.

### Redemption of shares

When Pharmacia, now Pfizer, sold Biovitrum in 2001, it was agreed that the other shareholders would be entitled to acquire Pfizer shares for a pre-determined price. This agreement was renegotiated in December 2005, and, in April 2006, resulted in the redemption of Pfizer's 4,514,400 shares for a price of SEK 378.9 M.

### Biovitrum Stock Exchange listing

On September 15 Biovitrum reached an important milestone in the company's history when its shares were listed on the Stockholm Stock Exchange. In connection with the listing, the existing owners executed an initial public offering. The offering comprised a public offering of shares in Sweden and an international institutional offering in Europe and the United States comprising an aggregate of 7.7 million existing shares (including an over-allotment option of 1 million shares) in the range SEK 90–105 per share. The offering was oversubscribed more than ten times and the offering price was set at SEK 100. The closing price at the end of the year was SEK 114, which is 14 percent higher than the offering price. The costs associated with the IPO were charged to the 2006 earnings in the amount of SEK 32 M.

### Repurchase and exercise of warrants and new warrant program

In connection with the stock exchange listing, Biovitrum implemented a repurchase offering aimed at current and former employees who held warrants in the original warrant program offered to the employees when the company was formed in 2001. Each warrant in this program (expiring on November 30, 2006) entitled the holder to purchase two shares for an exercise price of SEK 59. Briefly, the warrant holders were given the opportunity to sell their warrants to Biovitrum in connection with the stock exchange listing for the real value at the time of the listing (the

offering price less the call price multiplied by two). Biovitrum repurchased a total of 1,840,100 warrants through this offering and 28,000 warrants were exercised to purchase shares, resulting in a net outflow of SEK 147.6 M.

Before the listing, 1,651,250 warrants in the same program were also repurchased and certain members of Biovitrum's senior management instead subscribed for a total of 2,326,136 warrants in a new program. This new program, divided into four tranches with different expiry dates, will run until May 31, 2009, and each warrant entitles the holder to purchase one share for an exercise price of SEK 59 instead of two shares per warrant as was the case in the previous program. The purpose of this program is to maintain an effective incentive scheme for Biovitrum's senior management.

After the listing and up to December 12, the remaining 1,132,050 warrants from the original 2001 program were exercised to purchase 2,264,100 new shares. Accordingly, all of the warrants in the original program have been repurchased or exercised and the program is now concluded.

In May, 150,000 warrants were issued, each carrying the right to acquire two shares for an exercise price of SEK 110 per share until May 31, 2011. These warrants are intended for a new employee option program for certain key employees of Biovitrum. The employee options will be allocated after completion of due preparation by Biovitrum's Compensation and Benefits Committee and entitle the employees to obtain warrants during a three-year period, with one third being allocated per year. If employment is terminated within this three-year period, the employee forfeits the right to the remaining warrants.

In 2006 Biovitrum decided to allocate 85,000 employee options within the program, 40,000 of which have been forfeited.

### Reorganization and cost-saving measures

As a final stage in the restructuring process decided upon in 2005, iNovacia, a contract research company involved in discovery research and with 35 employees, was spun off through a management buy-out. Biovitrum still holds a 10-percent share of the company and purchases services on a regular basis for discovery research from iNovacia. The cost of spin-off, SEK 42 M, was charged to the 2006 earnings.

To further improve cost efficiency, Biovitrum decided in January 2007 to concentrate the Swedish R&D operation in the Stockholm area by closing the company's research site in Gothenburg which has around 20 employees. The closure will not impact the development projects.

The restructuring costs will have an impact on the earnings in 2007.

### Premises and property

In September Biovitrum entered into an agreement with Akademiska Hus to lease new premises within the Karolinska Institutet Science Park. This will give Biovitrum access to newly constructed, cost-effective premises that will house the entire research & development unit starting from the summer of 2009.

## Research & Development

Biovitrum has a broad and balanced project portfolio and develops projects to treat common diseases (such as obesity, diabetes and pain) as well as niche indications, such as hemophilia. The company's strategy is to develop niche projects internally all the way to the market, and for projects in broader indication areas, the intention is to form partnerships with larger pharmaceutical companies before phase III. In addition to ReFacto® and the next generation of ReFacto® (ReFacto®AF), that are owned by Wyeth but manufactured by Biovitrum, the company currently has five projects in clinical development and an option to acquire another clinical project that is developed by a partner. The portfolio also includes ten projects in pre-clinical development or late Lead Optimization, and around 15 discovery projects.

Of Biovitrum's niche projects, Exinalda™, for the treatment of lipid malabsorption in cystic fibrosis patients, is now in clinical phase II. The project is currently focused on improving the drug formulation and production processes. At the same time, two smaller supplementary phase IIa studies are expected to be initiated in the first half of 2007. The same substance is being developed to increase lipid absorption for premature babies under the Kiobrina™ brand. This project is in preparation for a phase I/II study that is expected to start in the second half of 2007.

In January 2006 Biovitrum entered an agreement with the Danish company Symphogen A/S for joint development and commercialization of Symphogen's anti-Rhesus D factor (anti-Rh(D)), which is polyclonal antibodies for the treatment of a platelet disorder (ITP) and for prevention of Rh immunization (Anti-D prophylaxis). ITP is a blood disorder whereby the number of platelets is decreased to a level where bleeding aberrations occur. In Anti-D prophylaxis the mother is prevented from forming antibodies directed at the fetus's red blood cells. If left untreated this antibody development may lead to the deteriorations of blood cells and anaemia.

Under the agreement, Symphogen is responsible for marketing in North, Central and South America and Biovitrum for Europe, Russia and the Middle East. The companies share development costs for anti-Rh(D) equally and will also divide future profits equally. In 2006 the project progressed well and entered a clinical phase I study in March 2007. The study covers both indications.

In January 2006 Biovitrum entered into an agreement with the US biotech company Syntonix Pharmaceuticals Inc. for joint development and commercialization of Syntonix' long-acting recombinant Factor IX (FIXFc) for the treatment of hemophilia B, a blood disorder caused by a deficiency of the coagulation factor IX. Under the agreement, Syntonix is responsible for marketing in North America and Biovitrum for Europe, Russia and the Middle East. The companies will share costs and profits equally in connection with the development and commercialization of FIXFc. The project made great progress in 2006. A drug candidate was selected and is now being prepared for a phase I/II study, which is expected to be initiated around mid-2007.

Among the projects targeting metabolic diseases, Biovitrum's 11B-HSD1 inhibitors for the treatment of diabetes is the project that has progressed the farthest. This program is outlicensed to Amgen who owns the exclusive global rights to

develop and commercialize these compounds. The project is in phase I and development is carried out by Amgen overseen by a joint development committee.

In August the clinical portfolio within the area of metabolic diseases was expanded when a phase I study was initiated in the 5-HT<sub>6</sub> antagonist project for the treatment of obesity. The ongoing clinical study, which has the objective of testing safety and tolerance in both single and repeated dose administration, encompasses a total of 75 to 100 healthy volunteers. Results from the study are expected during the first half of 2007.

Inflammation is another core area for Biovitrum. Within this indication area, the A<sub>2A</sub> receptor agonist project for the treatment of neuropathic pain successfully concluded its phase I program in 2006. The project is being prepared for a phase IIa study, which is expected to be initiated during the first half of 2007.

In October Biovitrum entered into a development agreement with the Swedish biotech company Synphora AB. The agreement concerns Synphora's drug candidate JB991 for the treatment of the inflammatory skin disease psoriasis. Under the agreement, Biovitrum will co-finance Synphora's phase I and subsequent phase IIa studies with a maximum of SEK 5 M in total. In exchange for this investment, Biovitrum will after phase IIa; under certain provisions, be entitled to acquire the project according to pre-determined terms. Synphora remains fully responsible for conducting the studies of JB991 up to and including phase IIa. In 2006 the phase I study was successfully concluded and in February 2007 the phase IIa study involving 25–30 patients was initiated. The study is expected to be completed during the second half of 2007.

The company is also selectively developing projects in indication areas outside the core areas. One example is the 5-HT<sub>2A</sub> project for the treatment of glaucoma. In 2006 the phase I program for this project was successfully concluded and in October, a clinical phase IIa study began with 150 patients with elevated intra-ocular pressure (characteristic for glaucoma). The study is being conducted at a number of clinics in both Sweden and Ukraine and the results are expected around mid-2007.

## Operational risks

### Risk associated with drug development

Developing a new drug up to and including launch is a both capital-intensive and hazardous process. The probability of reaching the market increases as a project progresses in the development chain. This also affects the costs, which rise sharply in the later clinical phases.

Having built a broader project portfolio will in the longer term make the company less dependent on the success of individual projects.

### Biotechnology and patent risk

Scientific and technological advances within this field are in general typically highly complex and it is not always easy to evaluate them using the traditional criteria in patent contexts. This has made it difficult for patent authorities to accurately evaluate discoveries that are the subject of patent applications in relation to existing patents.

Thus, there is no guarantee that products and processes that are included in patents already granted will not be challenged or contested by competitors, or that granted patents will not infringe upon a competitor's patent. Biovitrum monitors and evaluates the activities, patents, and patent applications of its competitors on a continuous basis, in order to identify activity that is covered by the company's intellectual property rights, like patents that could possibly include parts of the company's sphere of activities.

### Competition

The market for all of the company's future products is characterized by significant competition and rapid technological development. Biovitrum's competitors are international pharmaceutical and biotech companies. There is therefore always a risk that the company's product concepts will be driven out of the market by similar products or that entirely new product concepts will prove superior. By allying itself with external research groups in the forefront of medical development, the company increases its chances of being able to be involved in the long-term development of competitive medical treatment alternatives. To strengthen its own position, the company emphasizes strong patent protection.

### Cooperation with external partners

One aspect of Biovitrum's strategy is to enter into partnership agreements involving, among other things, joint development and outlicensing with large pharmaceutical and smaller biotech companies to develop and launch certain substances produced by the company. The success of such partnerships depends largely on the work of the company's partners or license holders, since these parties retain the right to a large extent to determine the amount of work and resources that will be invested in the projects. Selecting future partners has a decisive impact on the competitiveness of Biovitrum's products and considerable work is done in connection with each partnership agreement to ensure that the selected partners are the best ones for the respective project and that the interests of both Biovitrum and the partner are given equal weight in the agreement.

### Manufacturing and selling pharmaceuticals

Biovitrum is dependent on the production and sale of ReFacto<sup>®</sup>, which is responsible for the majority of the company's revenues. Under the existing agreements with Wyeth, Biovitrum receives revenues from both contract development and the production of ReFacto<sup>®</sup>, as well as from co-promotion and royalties from sales. In 2006 ReFacto<sup>®</sup> accounted for just over 60 percent of the company's total revenues. This means that a significant reduction in ReFacto<sup>®</sup> revenues would have a negative impact on the company's financial position and profits; be it from low demand from the market, factors affecting Biovitrum's ability to develop and manufacture the required quantities or the company's ability to successfully sell the products.

If Biovitrum's production facilities were to be destroyed, damaged or for some other reason required to be shut down, this would seriously affect the company's ability to manufacture ReFacto<sup>®</sup> and the company would lose a significant portion of its revenues. The company has adequate insurance policies covering both property and consequential loss, but it is not pos-

sible to take out insurance policies to fully cover such loss and lost income.

In order to protect ReFacto<sup>®</sup> production, a number of steps have been taken. Biovitrum has maintenance and control routines in place to avoid equipment breakdown or malfunctions. The processes and certain pieces of equipment are constantly supervised by alarm and monitoring systems. The company also has back-up for critical equipment in order to avoid production stoppages and has sufficient raw material stocks for the parts of the processes that must operate continuously.

### Product liability

Although the company has no knowledge of any product liability claims against Biovitrum, the manufacture and sale of drug products carries significant risk for such claims. Although the company believes that its product liability insurance is sufficient, it cannot guarantee that this insurance will cover future claims against the company.

### Complex regulatory requirements for Biovitrum's activities

The regulatory requirements for manufacturing, testing and marketing the drug candidates in Biovitrum's project portfolio and products can change over time. Most member nations in the EU, for example, have incorporated the provisions in the EU directive on using generally accepted practices in clinical trials into their national laws. The end result of these EU rules for the company's activities is not known at this time. Changes in the rules that regulate drugs and biological products may increase the company's costs, negatively impact opportunities for process development and production or hinder development of the company's drug candidates and have a negative impact on Biovitrum's ability to generate revenues.

### Handling hazardous materials

The company's research and development work involves the controlled use of biological and harmful materials and waste. The company is required to comply with laws and regulations that regulate the use, manufacture, storage, handling and disposal of such materials and waste products. Although the company feels that its safety routines for the management and disposal of such materials meet the prescribed standards, it is not possible to entirely eliminate the risk of unintentional contamination or personal injury from such materials. If an accident should occur, the company could be liable or required to pay penalties, and this liability could exceed the company's financial resources. Also, Biovitrum may be affected by significant costs to meet the requirements in future environmental laws and regulations.

### Exchange rate fluctuation

The company's business is exposed to currency rate risk. Since most of Biovitrum's facilities are located in Sweden, most of the costs are in Swedish kronor, while a significant portion of the company's revenues are in other currencies. Revenues from the company's current partnership agreements with Amgen and GlaxoSmithKline, for example, are in US dollars, while the royalty agreement for Wyeth's global sales of ReFacto<sup>®</sup> are based on sales primarily in euro. Consequently, a fall in the US dollar or

euro rate or other foreign revenue currencies against the Swedish krona would have a negative impact on Biovitrum's profits and financial position.

#### **Tax risk as a result of numerous restructuring measures and transactions**

Biovitrum is subject to different forms of tax exposure as a result of numerous restructuring measures and other transactions that the company has carried out or been involved in, including restructuring in connection with the transfer of operations and property. Biovitrum believes that all of these transactions have been executed, accounted for and declared correctly and in accordance with the applicable tax laws and practices. However, it is not possible to guarantee that the company's interpretations of these rules will be approved or that the tax authorities will not question the way in which the company handles its tax obligations.

### **Employees**

Biovitrum combines scientific activity with commercial results. The complex nature of the business requires highly competent employees and an innovative corporate culture. Thus, values, commitment, fresh ideas, responsibility and a focus on results are important qualities that are needed for the company to achieve its goals. The qualities are expressed, for example, in leadership and are reflected in the way in which initiatives are evaluated.

Biovitrum is a knowledge-intensive company. Expertise and competence development are natural aspects in an organization dominated by university graduates and where 30 percent are PhDs. Innovation and competence development are crucial for the growth of Biovitrum's product portfolio, for the improvement of production processes and for the launch of new products. Developing employee competence is linked to the needs of the organization and the projects, and is determined in consultation between employees and their superiors. To attract and recruit new talents to this knowledge intensive organization, collaboration with universities is important, including cooperation on thesis work. Many employees are also active participants in academic networks, which gives them access to new scientific discoveries that can benefit the company.

In 2006 the Performance Management Process was developed to create a clearly-defined management-by-objectives approach for managers and employees. This involves career development and performance review meetings with employees where goals are set and evaluated. Biovitrum intends to continue to implement this process in 2007. A pleasant working environment and good leadership are crucial for the company's success. For this reason, employee surveys are carried out to ensure that the employees are happy and that their work environment is satisfactory. These surveys give the company an opportunity to constantly improve the organization and the company's leadership.

As of December 31, 2006 Biovitrum had 537 employees with a well-balanced ratio of men to women; 60 percent of the employees were women and 40 percent men. A significant number of the employees are young, with 60 percent under 40 years

of age. 93 percent are employed in Sweden, 6 percent in the UK and 1 percent in other Nordic countries.

Biovitrum advocates equality and diversity within the organization. It goes without saying that each individual is offered the same opportunities and treated in the same way irrespective of gender, religion or ethnicity. Biovitrum has an equal opportunities plan that was created jointly by the company and the employees. A joint action committee has been formed to work continuously and constructively with equality issues.

Biovitrum aims to offer a work environment that promotes good health and wellbeing. The rate of absence due to illness is low and this is attributable in part to the fact that the company's works proactively with these issues. Efforts are made to prevent burn-out and other workplace-related illnesses among the employees. The employees are offered a beneficial health program that is made possible through agreements with an organization that entitles employees to medical treatment and preventive healthcare. When need arises, Biovitrum conducts health screenings to identify employees who are in the risk zone for long-term sick leave so that preventive measures can be initiated. All employees are also offered an annual wellness allowance. Biovitrum works systematically with a work environment initiative. Under this initiative, group coordinators help managers throughout the organization to create a good work environment and health and safety representatives monitor and take steps to improve the work environment. There were no accidents in the workplace reported to the Swedish Work Environment Authority in 2006.

Biovitrum complies with and respects the rules that apply in the labor market and the agreements that have been signed by the various parties within it. The company also abides by the collective agreements between employer organizations and trade unions. Most of the employees are members of unions and Biovitrum has good relationships with these unions.

### **Environmental information**

Biovitrum is active in research and development of protein-based drugs and production takes place at facilities in Sweden. The company must therefore comply with the provisions in the Swedish Environmental Code. This Code regulates things such as:

- emissions to air,
- waste water management,
- other emissions to the environment,
- generation, management, storage, transportation, processing and removal of waste, and
- permit and reporting requirements for certain activities, and the supervision of such activities by the authorities.

Biovitrum has permits to produce pharmaceutical substances at the Hornsberg premises in Stockholm. The company also has permits for the contained use of genetically-modified microorganisms, the manufacture of pharmaceutical substances for testing, the manufacture and commercial use of preparations containing narcotics, and a permit for breeding and use of animals according to the Animal Protection Act.

Biovitrum operates in accordance with the environmental policy that was adopted in December 2003. The environmental policy states that all environmental, health and safety laws and regulations shall be complied with and that the company shall provide a safe and healthy work environment for its employees. Biovitrum has established a certifiable Environmental Management System for the entire company according to ISO 14001, not certified though. The rules in AFS 2001:1 on systematic work environment initiatives are incorporated in the company's Environmental Management System. The company believes that it is essentially in compliance with all applicable environmental, health and safety laws and regulations. The health and safety of the employees and protecting the health of the general public and the environment are paramount for Biovitrum. Adaptation to current regulations has so far not had any negative impact on Biovitrum's competitiveness or operations, although it is not possible for the company to predict the impact of future legislation.

## Revenues and profit

### Revenues

Revenues for 2006 amounted to SEK 1,201.1 M compared to SEK 936.6 M for 2005 and breaks down as follows:

| Amounts in SEK million                      | 2006           | 2005         |
|---|----------------|--------------|
| Licensing and milestone revenues            | 176.6          | 205.6        |
| Research revenues                           | 44.1           | 54.5         |
| ReFacto <sup>®</sup> manufacturing revenues | 536.0          | 191.7        |
| Contract development revenues               | 153.9          | 224.7        |
| Product sales revenues                      | 129.2          | 103.8        |
| Royalty revenues                            | 161.1          | 156.0        |
| Other                                       | 0.2            | 0.3          |
| <b>Total revenues</b>                       | <b>1,201.1</b> | <b>936.6</b> |

The significant improvement for the full year is explained mainly by a sharp increase in ReFacto<sup>®</sup> manufacturing revenues to SEK 536.0 M compared to SEK 191.7 M in 2005.

At the same time as full-scale commercial manufacturing restarted, the global demand for ReFacto<sup>®</sup> increased, and as a result, royalty revenues rose to SEK 161.1 M (156.0).

The market share of ReFacto<sup>®</sup> in the Nordic region also increased in 2006 and this led to higher co-promotion revenues from product sales. The revenues from product sales totaled SEK 129.2 M (103.8).

Contract development revenues amounted to SEK 153.9 M (224.7). The decrease is related to the fact that agreements with Amgen and Pfizer have expired and that a growing percentage of the capacity is being used for internal projects.

Licensing and milestone revenues fell in 2006 to SEK 176.6 M (205.6). In 2005, a milestone payment from Amgen of SEK 63.5 M was recorded. Excluding this one-off payment, revenues increased due to the deferral of the additional licensing fee that was paid when the agreement with Amgen was expanded in 2005.

Research revenues in 2006 amounted to SEK 44.1 M (54.5). These originate mainly from a research agreement with Amgen that expired in November 2006.

### Summarized consolidated income statement

| Amounts in SEK million                                | 2006         | 2005         |
|---|--------------|--------------|
| Total revenues  | 1,201.1      | 936.6        |
| Costs of goods and services sold                      | -293.8       | -270.7       |
| <b>Gross profit</b>                                   | <b>907.3</b> | <b>665.9</b> |
| Sales and Marketing expenses                          | -41.6        | -38.6        |
| Administration expenses                               | -121.9       | -151.2       |
| Research and Development expenses                     | -650.4       | -576.0       |
| Other operating revenues                              | 8.9          | 272.6        |
| Other operating expenses                              | -47.7        | -42.8        |
| <b>Operating profit</b>                               | <b>54.6</b>  | <b>129.9</b> |
| Financial income                                      | 40.1         | 49.4         |
| Financial expenses                                    | -0.5         | -1.5         |
| <b>Profit after financial items</b>                   | <b>94.2</b>  | <b>177.8</b> |
| Tax on profit/loss for the period                     | -1.5         | -1.6         |
| <b>Profit for the period</b>                          | <b>92.7</b>  | <b>176.2</b> |
| Earnings per share (SEK)                              | 2.0          | 3.4          |
| Earnings per share after dilution (SEK) <sup>1)</sup> | 1.8          | 3.1          |

<sup>1)</sup> The average market price of the shares for September 15 – December 29, 2006 has been used to calculate the dilution effect.

### Expenses

In 2006 administrative costs fell to SEK 121.9 M (151.2). The reduction is explained by the fact that administrative costs included restructuring costs of SEK 68.8 M in 2005, which were partially offset by the SEK 32 M that was expensed in 2006 for activities in connection with the stock exchange listing.

Research & development costs increased to SEK 650.4 M (576.0) in 2006. The increase is related to Biovitrum's growing clinical portfolio with greater CRO costs for clinical studies and the cost of producing clinical materials for protein projects.

### Profit/loss

The operating profit for 2006 amounted to SEK 54.6 M (129.9). The reduction is mainly explained by the fact that the 2005 profit included a capital gain for a property sale of SEK 244.9 M and restructuring costs amounting to SEK 94.5 M. Excluding these items, the operating profit for 2005 amounted to SEK -20.6 M. In addition to costs associated with the stock exchange listing, the 2006 profit was negatively affected in the amount of SEK 42 M for the spin-off of the contract research company iNovacia in April. Excluding the costs associated with the listing and iNovacia, the operating profit amounted to SEK 128.6 M.

The net financial income for 2006 was SEK 39.6 M (47.9). The reduction is mainly due to decrease in the market value for increasing bond rates.

The profit for 2006 amounted to SEK 92.7 M (176.2).

## Financial position

Cash and cash equivalents and short-term investments as of December 31, 2006 amounted to SEK 903.9 M (1,621.3). Of this amount, SEK 127.2 M (236.7) was bank balances and SEK 249.5 M (821.9) investments in securities with a term of less than three months from the date of acquisition. These short-term investments are classified as cash and cash equivalents. Besides these cash and cash equivalents, the company had other short-term investments as of December 31 with a term of more than three months amounting to SEK 527.2 M (562.7).

Cash flow from operations for the full year 2006 amounted to SEK -88.0 M (-65.5).

Cash flow from investment activities amounted to SEK -175.9 M in 2006 compared to SEK 69.5 M in 2005. This is explained by the fact that 2005 was an exceptional year with a property sale that contributed SEK 492.0 M and the acquisition of the companies Arexis and Cambridge Biotechnology (CBT) which reduced the cash flow by SEK 223.3 M. In 2006 Biovitrum made a supplementary payment to CBT's previous owners of SEK 41.1 M. Cash flow was negatively affected by the redemption Pfizer's shares. The acquisition of intangible assets of SEK -84.3 M mainly consists of investments in R&D projects and milestone payments relating to partnership agreements with Symphogen, Syntonix and Synphora entered into in 2006. Profit for 2006 amounted to SEK 92.6 M. The profit includes deferral of fees from Amgen, not affecting the cash flow.

## Investments

The Group's investments in fixed assets in 2006 amounted to SEK 175.3 M (199.2). Depreciation in 2006 amounted to SEK 74.5 M (84.9).

## Tax

The Group has an accumulated loss carry-forward that has not been booked as an asset, which means that the company's tax rate deviates from the general Swedish tax rate. Biovitrum's tax cost for 2006 was SEK -1.5 M (1.6).

## Changes in shareholders' equity

Shareholders' equity in the Group on December 31, 2006 was SEK 1,381.8 M compared to SEK 1,707.7 M on December 31, 2005.

In April, 4,514,400 shares held by Pfizer were redeemed. The amount paid was SEK 378.9 M.

In August, 1,651,250 warrants from Biovitrum's original program were repurchased. The amount paid for the warrants was SEK 131.4 M. In connection with this transaction, a new program consisting of 2,326,136 warrants was issued to senior executives who paid SEK 105.6 M for the new program.

In connection with the stock exchange listing in September, Biovitrum repurchased an additional 1,840,100 warrants for SEK 150.9 M. Altogether, including the buy-back from certain senior executives and other minor buy-backs from former employees, Biovitrum repurchased 3,503,050 warrants in 2006 for SEK 282.3 M.

At the time of and after the listing, 1,160,050 warrants were exercised to subscribe for 2,320,100 new shares, and this raised a total of 136.9 M.

## Parent Company

For the full year 2006, the Parent Company reported revenues of SEK 1,200 M (936), operating profit of SEK 60 M (-163) and a net profit of SEK 41 M (224). Cash and cash equivalents and short-term investments as of December 31, 2006 amounted to SEK 898 M (December 31, 2005: 1,604). Shareholders' equity in Biovitrum AB as of December 31, 2006 amounted to SEK 1,376 M (December 31, 2005: 1,753).

## Outlook

The total revenues for 2007, excluding new potential outlicensing, are expected to be in line with the revenues in 2006. This is explained by the fact that ReFacto® revenues are expected to be slightly higher than in 2006, while a reduction in process development revenues is expected as a result of increased capacity utilization for internal projects and lower research funding now that, since October 2006, there is no more funding from Amgen.

Research & development costs are expected to increase slightly, mainly due to increased external costs for clinical studies for the production of materials for clinical studies and for process development within the internal protein projects.

## Significant events following the period

In January 2007 Biogen-Idec announced that it had entered into an agreement to acquire Biovitrum's partner Syntonix Pharmaceuticals Inc. The total price for the acquisition Biovitrum's shares are USD 9.9 M, of which USD 3.4 M is an initial installment and the remaining USD 6.5 M will be paid when certain milestones are reached. The deal is expected to be finalized soon. Through the acquisition, Biogen-Idec becomes Biovitrum's partner within the FIXFc project, thereby strengthening the long term funding of this collaboration.

The closing of Biovitrum's R&D operation in Gothenburg, described under the section "reorganization", was decided in January 2007.

The phase IIa study of JB991 for psoriasis described under "Research and Development" was initiated in February 2007.

The phase I study of Symphogen's anti-Rhesus D factor described under "Research and Development" was initiated in March 2007.

## Owners

In 2006 Biovitrum's ownership structure was changed when the company was listed on the Stockholm Stock Exchange. In connection with the listing, 7.7 million existing shares were sold. At the end of the year Biovitrum had a total of 4,327 shareholders. Biovitrum's biggest shareholders, MPM Capital's fund MPM BioVentures II and Nordic Capital Funds each held 20.8 percent of the capital and votes at the end of the year, and the 15 largest shareholders controlled 81.9 percent of the company.

In connection with the stock exchange listing, the selling shareholders, senior management and AGM elected Board members undertook not to sell or pledge their shareholdings in Biovitrum during certain periods. These undertakings expired on March 15, 2007 for selling shareholders but still apply in the case of senior management and Board members as stipulated in the offering memorandum, i.e. for a period of 360 days from the date of the listing on September 15, 2006.

### Share holders

|  | Number of shares  | Share         |
|--|-------------------|---------------|
| Nordic Capital Funds   | 9,467,307         | 20.8%         |
| MPM Bioventures Funds  | 9,467,307         | 20.8%         |
| Alta Bioharma Partners II L.P.   | 2,774,057         | 6.1%          |
| HBM Bioventures (Cayman) Ltd.  | 2,766,805         | 6.1%          |
| H&B Capital LP   | 1,826,091         | 4.0%          |
| Life Equity Sweden KB  | 1,826,091         | 4.0%          |
| Nextgear SPV Ltd.  | 1,780,438         | 3.9%          |
| ABN/AMRO Nordic Ventures N.V.  | 1,506,524         | 3.3%          |
| Banque Carnegie Luxembourg   | 1,369,568         | 3.0%          |
| Orkla ASA  | 975,000           | 2.1%          |
| MPM Bioequities Master Fund LP   | 958,696           | 2.1%          |
| SEB Fonder   | 839,700           | 1.8%          |
| Teachers Insurance and Ann. Association  | 694,285           | 1.5%          |
| Morgan Stanley & Co Inc, W9  | 650,000           | 1.4%          |
| Catella Fondförvaltning  | 471,700           | 1.0%          |
| Swedbank Robur Fonder  | 357,800           | 0.8%          |
| Skandia Fonder   | 337,687           | 0.7%          |
| Lannebo Fonder   | 293,000           | 0.6%          |
| Stiftelsen för Främjande och Utveckling av Medicinsk Forskning vid Karolinska Institutet | 273,912           | 0.6%          |
| RBC Dexia Investor Services Trust  | 264,000           | 0.6%          |
| CEO and management   | 297,450           | 0.7%          |
| Others   | 6,425,282         | 14.1%         |
| <b>Total</b>   | <b>45,622,700</b> | <b>100.0%</b> |

### Share capital

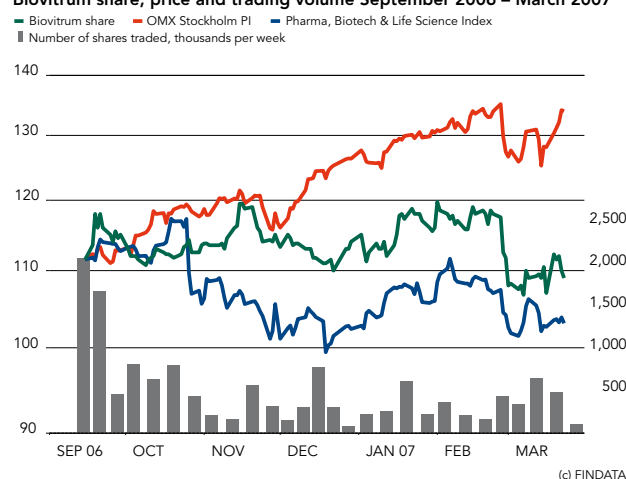
Biovitrum's share capital at the end of the year amounted to SEK 25,033,032 shared between 45,622,700 shares with a quoted price of SEK 0.55. All shares carry one vote and equal shares in the company's assets and profits.

In April, 4,514,400 shares with a quoted price of SEK 1.0 held by Pfizer were redeemed. In connection with this transaction, a bonus issue of 2,405,700 shares was implemented aimed at the other shareholders. In August a 1:2 share split was carried out. From September until the end of the year, a total of 2,320,100 shares were issued through warrants being exercised from Biovitrum's original warrant program from 2001 that expired on November 30, 2006.

### The Biovitrum share

Following the listing, the share price fluctuated between SEK 108 and 120.5 before ending at SEK 114 at the end of the year, which represents a total market capitalization of around SEK 5.2 billion. The share price trend in 2006 involved an upswing of 2.2 percent from the first closing price or 14 percent from the issue price. This can be compared to the index for Pharma Biotech and Life Science which fell by 8.2 percent during the same period.

#### Biovitrum share, price and trading volume September 2006 – March 2007



Below is a summary of the development of the share capital and the number of shares in the company.

|                 |   | Change in number of shares | Change in share capital, SEK | Total share capital, SEK | Total number of shares |
|-----------------|---|----------------------------|------------------------------|--------------------------|------------------------|
| January 2001    | Founding of company                                 | –                          | –                            | 10,000,000               | 10,000,000             |
| May 2001        | Bonus issue   | 1,880,000                  | 1,880,000                    | 11,880,000               | 11,880,000             |
| July 2001       | Issue of shares                                     | 11,880,000                 | 11,880,000                   | 23,760,000               | 23,760,000             |
| April 2006      | Redemption of shares                                | -4,514,400                 | -4,514,400                   | 19,245,600               | 19,245,600             |
| April 2006      | Bonus issue   | 2,405,700                  | 4,514,400                    | 23,760,000               | 21,651,300             |
| August 2006     | Split 1:2   | 21,651,300                 | –                            | 23,760,000               | 43,302,600             |
| Sept – Dec 2006 | Issue of shares in connection with warrant programs | 2,320,100                  | 1,273,032                    | 25,033,032               | 45,622,700             |

## Work of the Board of Directors

Biovitrum's Board of Directors has nine members, including two employee representatives. The Board members have considerable expertise in pharmaceutical research and science, developing and marketing pharmaceuticals and in finance, accounting and strategic business development. Biovitrum's CEO had primary responsibility for presenting reports at Board meetings in 2006, but other company officials also participated in the Board's work, for example, acting as secretary or presenting reports. The Board works according to an agenda with recurring items to be dealt with at board meetings, such as the strategic situation, licensing, research, development and collaboration issues, acquisitions and investments, interim and annual accounts, and issues concerning the budget and audits. The Chairman leads and delegates assignments and ensures that important matters over and above to the fixed items on the agenda are addressed. The Board's work is also regulated by rules of procedure established by the Board concerning the distribution of work between the Board members and the CEO.

The Board held 18 meetings in 2006. The reason for the frequency of the meetings during the year was related to preparations for the stock exchange listing. In connection with the listing planning, the Board handled proposals relating to valuation, the structure of the offering, the legal and capital structure, financial reporting, communication and incentive programs, such as the old and new warrant programs.

The Board frequently addressed issues concerning the development of the R&D portfolio in 2006 and concerning Biovitrum's planned new premises at Karolinska Institutet Science Park and the spin-off of iNovacia.

### Audit Committee

Biovitrum's Audit Committee currently has three members independent to company management, they are: Håkan Åström (Chairman), Anders Hultin and Håkan Björklund. CFO Göran Arvidson is the Committee's secretary but is not a member. The Committee's primary task is to handle issues concerning accounting, finances, financial reporting and audits within the company. In 2006 the Committee held six meetings.

The Committee's responsibilities include an annual review of the independent auditors' proposals on the scope and methods of audits, preliminary examination of proposed changes to the accounting principles, and verification of accounting documents used in financial reporting, consultation with the management and the independent auditors regarding compliance with laws and regulations relating to financial matters, and an annual review of fees paid to the company's independent auditors. The Committee held six meetings during the year. At these meetings the committee has mainly discussed and followed up budgets and outcome against budgets, the interim reports and the financial calendar. At two of these meetings the company auditors have been present. At the meetings issues such as the auditor's planning, their findings, the review of the company and the remuneration to the auditors were discussed. More information concerning the remuneration to the auditors are described in Note 15.

The company's audit costs for the 2006 financial year amounted to SEK 4,965 thousands (3,086).

### Compensation and Benefits Committee

Biovitrum's Compensation and Benefits Committee consisted of three members in 2006 independent to company management, they are: Toni Weitzberg (Chairman), Håkan Åström and Michael Steinmetz. Maria Berggren, Director Human Resources, is the Committee's secretary but is not a member. The Compensation and Benefits Committee's task is to suggest guidelines and principles for the remuneration packages within the group. This responsibility includes reviewing remuneration of senior executives and proposed stock option programs, share purchase programs, pension plans and other matters regarding remuneration of the company's employees. The Committee held two meetings during the year. At these meetings the committee discussed and followed up the annual salary review, CEO and senior executive management bonus outcome and suggested allotment of warrants for members of the senior executive management. More information as regards with salaries and remuneration to the CEO and senior executive management are described in, Note 14.

### Scientific Committee

The Committee consisted of three members independent to company management, they are: Michael Steinmetz (Chairman), Håkan Björklund and Hans Wigzell. This Committee advises the Board of Directors on scientific matters and also evaluates the company's research strategies and evaluates and reports on scientific trends. The committee's tasks have also included advisory services in connection with acquisitions and in-licensing of new research projects. The Committee held two meetings during the year. The meetings have mainly discussed the changes in the research and development portfolio.

## Management compensation

All officers in the management team are offered a basic salary that is supplemented by variable remuneration of a maximum of 50 percent of the annual salary following a performance review in relation to established individual goals. Other officers in the company also benefit from this variable remuneration model. The management team is also offered the opportunity to take part in a stock option program, which is described in detail in Note 14.

## Proposed appropriation of the company's profits

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

|                         |                        |
|-------------------------|------------------------|
| Profit brought forward  | SEK 509,542,689        |
| Net profit for the year | SEK 41,453,860         |
| <b>Total</b>            | <b>SEK 550,996,549</b> |

The Board of Directors and the CEO proposed the profit of SEK 550,996,549 to be carried forward.

# Income Statement

## Group

| SEK thousands                                   | Note       | 2006           | 2005           |
|---|------------|----------------|----------------|
| Total revenues                                  | 1-4<br>6-7 | 1,201,099      | 936,611        |
| Cost of goods and services sold                 | 8          | -293,805       | -270,664       |
| <b>Gross profit</b>                             |            | <b>907,294</b> | <b>665,947</b> |
| Sales and marketing expenses                    |            | -41,586        | -38,664        |
| Administration expenses                         |            | -118,947       | -151,232       |
| Research and development expenses               |            | -650,354       | -575,995       |
| Other operating revenues                        | 10         | 8,889          | 272,564        |
| Other operating expenses                        | 11         | -50,709        | -42,693        |
| <b>Operating profit</b>                         | 9-16, 19   | <b>54,587</b>  | <b>129,926</b> |
| Result from financial items                     |            |                |                |
| Interest income and similar items               | 17         | 41,108         | 49,430         |
| Interest expense and similar items              | 18         | -1,506         | -1,575         |
|   |            | <b>39,602</b>  | <b>47,855</b>  |
| <b>Profit after financial items</b>             |            | <b>94,189</b>  | <b>177,781</b> |
| Tax on profit earlier year                      |            | -1,521         | -560           |
| Tax on profit for the year                      | 20         | -              | -1,000         |
| <b>Profit for the year</b>                      |            | <b>92,668</b>  | <b>176,221</b> |
| Earnings per share <sup>1)</sup>                |            | 2.0            | 3.4            |
| Earnings per share after dilution <sup>1)</sup> |            | 1.8            | 3.1            |
| Number of shares                                |            | 45,622,700     | 52,331,400     |
| Average number of shares                        |            | 46,323,738     | 52,331,400     |
| Outstanding warrants causing dilution           |            | 2,371,136      | 4,663,100      |
| Number of shares after dilution                 |            | 46,745,433     | 56,820,849     |
| Average number of shares after dilution         |            | 50,163,619     | 56,783,349     |

<sup>1)</sup> Calculation is presented under section "Changes in shareholders equity – Group"

# Balance Sheet

## Group

| SEK thousands                                     | Note | 2006-12-31       | 2005-12-31       |
|---|------|------------------|------------------|
| <b>ASSETS</b>                                     |      |                  |                  |
| <b>Fixed assets</b>                               |      |                  |                  |
| Intangible fixed assets                           | 21   | 472,889          | 362,697          |
| Tangible fixed assets                             | 22   | 262,454          | 300,601          |
| Financial fixed assets                            | 24   | 30,500           | 2,066            |
| Deferred income tax assets                        | 25   | 11,800           | 11,800           |
| <b>Total fixed assets</b>                         |      | <b>777,643</b>   | <b>677,164</b>   |
| <b>Current assets</b>                             |      |                  |                  |
| Inventories                                       | 26   | 161,152          | 126,317          |
| Accounts receivable, trade                        | 27   | 54,377           | 84,298           |
| Other receivables                                 | 27   | 48,817           | 77,970           |
| Prepaid expenses and accrued income               | 28   | 131,814          | 141,088          |
| Short-term investments                            | 30   | 527,210          | 562,689          |
| Cash and cash equivalents                         | 30   | 376,642          | 1,058,609        |
| <b>Total current assets</b>                       |      | <b>1,300,012</b> | <b>2,050,971</b> |
| <b>TOTAL ASSETS</b>                               |      | <b>2,077,655</b> | <b>2,728,135</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |      |                  |                  |
| <b>Shareholders' equity</b>                       |      |                  |                  |
| Share capital                                     |      | 25,033           | 23,760           |
| Other capital contribution                        |      | 1,033,588        | 796,854          |
| Other reserves                                    |      | 2,015            | 1,964            |
| Retained Earnings                                 |      | 228,480          | 708,890          |
| Net result  |      | 92,668           | 176,221          |
| <b>Total shareholders' equity</b>                 |      | <b>1,381,784</b> | <b>1,707,689</b> |
| <b>LIABILITIES</b>                                |      |                  |                  |
| <b>Long-term liabilities</b>                      |      |                  |                  |
| Deferred income tax liabilities                   | 25   | 85,500           | 85,500           |
| Other liabilities                                 | 33   | 132,466          | 309,086          |
| Other provisions                                  | 32   | 6,128            | 14,774           |
| <b>Total long-term liabilities</b>                |      | <b>224,094</b>   | <b>409,360</b>   |
| <b>Short-term liabilities</b>                     |      |                  |                  |
| Prepayments from customers                        |      | –                | 1,465            |
| Accounts payable                                  |      | 144,170          | 113,253          |
| Current tax liabilities                           |      | –                | 602              |
| Other liabilities                                 |      | 22,523           | 19,893           |
| Accrued expenses and prepaid revenues             | 34   | 294,523          | 397,536          |
| Other provisions                                  | 32   | 10,561           | 78,337           |
| <b>Total short-term liabilities</b>               |      | <b>471,777</b>   | <b>611,086</b>   |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |      | <b>2,077,655</b> | <b>2,728,135</b> |

# Changes in shareholders' equity

## Group

| SEK thousands                                    | Share capital | Other capital contribution | Other reserves | Profit/loss carried forward | Total shareholders' equity |
|--|---------------|----------------------------|----------------|-----------------------------|----------------------------|
| <b>Shareholders' equity, Jan 1 2005</b>          | <b>23,760</b> | <b>795,414</b>             | <b>2</b>       | <b>704,367</b>              | <b>1,523,543</b>           |
| Adjustment of opening balance <sup>1)</sup>      |               |                            |                | 4,523                       | 4,523                      |
| <b>Adjusted shareholders' equity, Jan 1 2005</b> | <b>23,760</b> | <b>795,414</b>             | <b>2</b>       | <b>708,890</b>              | <b>1,528,066</b>           |
| Translation difference                           |               |                            | 1,962          |                             | 1,962                      |
| Net profit for the year                          |               |                            |                | 176,221                     | 176,221                    |
| <b>Total change net worth</b>                    |               |                            | <b>1,962</b>   | <b>176,221</b>              | <b>178,183</b>             |
| Warrants issued                                  |               | 1,549                      |                |                             | 1,549                      |
| Repurchased warrants                             |               | -109                       |                |                             | -109                       |
| <b>Shareholders' equity, Dec 31 2005</b>         | <b>23,760</b> | <b>796,854</b>             | <b>1,964</b>   | <b>885,111</b>              | <b>1,707,689</b>           |

<sup>1)</sup> One-time effect of implementing the new accounting standard IAS 39 on Opening Balance on January 1, 2005 is an increase of profit brought forward of SEK 4,523 M.

| SEK thousands                            | Share capital | Other capital contribution | Other reserves | Profit/loss carried forward | Total shareholders' equity |
|--|---------------|----------------------------|----------------|-----------------------------|----------------------------|
| <b>Shareholders' equity, Jan 1 2006</b>  | <b>23,760</b> | <b>796,854</b>             | <b>1,964</b>   | <b>885,111</b>              | <b>1,707,689</b>           |
| Translation difference                   |               |                            | 51             |                             | 51                         |
| Net profit for the year                  |               |                            |                | 92,668                      | 92,668                     |
| <b>Total change net worth</b>            | <b>-</b>      | <b>-</b>                   | <b>51</b>      | <b>92,668</b>               | <b>92,719</b>              |
| Repurchased warrants                     | -             | -                          |                | -282,252                    | -282,252                   |
| Warrants issued                          | -             | 105,636                    |                | -                           | 105,636                    |
| Redemption of shares                     | -4,514        | -                          |                | -374,379                    | -378,893                   |
| Issue of shares                          | 5,787         | 131,098                    |                |                             | 136,885                    |
| <b>Shareholders' equity, Dec 31 2006</b> | <b>25,033</b> | <b>1,033,588</b>           | <b>2,015</b>   | <b>321,148</b>              | <b>1,381,784</b>           |

Biovitrums share capital amounted to SEK 25,033,032 by the end of 2006. The share capital was distributed on 45,622,700 shares with a quoted value for 0.55 SEK. Each share entitles to one vote and an equal part of the company profit.

### Earnings per share

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

|   | 2006   | 2005    |
|---|--------|---------|
| Net profit/loss referable to shareholders of the Parent company | 92,668 | 176,221 |
| Average number of ordinary shares                               | 46,323 | 52,331  |
| Earnings per share before dilution                              | 2.0    | 3.4     |

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

|   | 2006   | 2005    |
|---|--------|---------|
| Net profit/loss referable to shareholders of the parent company | 92,668 | 176,221 |
| Average number of shares <sup>1)</sup>                          | 50,164 | 56,783  |
| Earnings per share after dilution                               | 1.8    | 3.1     |

<sup>1)</sup> The average market price during September 15 – December 29, 2006, has been used when calculating the effect of the dilution.

# Cash Flow Statement

## Group

| SEK thousands   | 2006             | 2005             |
|---|------------------|------------------|
| <b>Operations</b>   |                  |                  |
| Profit for the year   | 92,668           | 176,221          |
| Adjustment for items not affecting cash flow                      | -155,883         | -149,881         |
| <b>Cash flow from operations before change in working capital</b> | <b>-63,215</b>   | <b>26,340</b>    |
| <b>Change in working capital</b>                                  |                  |                  |
| Decrease(+) / Increase(-) inventories                             | -34,835          | -42,119          |
| Decrease(+) / Increase(-) operating receivables                   | 68,348           | -9,045           |
| Decrease (-) / Increase(+) operating liabilities                  | -58,256          | -40,497          |
| <b>Cash flow from operations</b>                                  | <b>-87,958</b>   | <b>-65,321</b>   |
| <b>Investment activities</b>                                      |                  |                  |
| Investment in intangible fixed assets                             | -84,333          | -50,909          |
| Investment in tangible fixed assets                               | -70,183          | -122,274         |
| Aquisition of subsidiary  | -41,152          | -223,313         |
| Investment in financial fixed assets                              | -15,754          | -                |
| Investment/Sale of short term financial assets                    | 35,479           | -25,951          |
| <b>Cash flow from investment activities</b>                       | <b>-175,943</b>  | <b>69,588</b>    |
| <b>Financing activities</b>                                       |                  |                  |
| Issue of warrants   | 105,636          | 788              |
| Re-purchase of warrants   | -282,252         | -109             |
| Issue of shares   | 136,885          | -                |
| Redemption of shares  | -378,893         | -                |
| <b>Cash flow from financing activities</b>                        | <b>-418,624</b>  | <b>679</b>       |
| <b>Net change in liquid funds</b>                                 | <b>-682,525</b>  | <b>4,946</b>     |
| <b>Liquid funds at beginning of year</b>                          | <b>1,058,609</b> | <b>1,048,394</b> |
| <b>One-off effect implementation of IAS39</b>                     | <b>-</b>         | <b>4,523</b>     |
| <b>Exchange rate differences in liquid funds</b>                  | <b>558</b>       | <b>746</b>       |
| <b>Liquid funds at end of year <sup>1)</sup></b>                  | <b>376,642</b>   | <b>1,058,609</b> |

<sup>1)</sup> Short-term investments corresponding to SEK 527.2 M are not included in the cash flow statement.

# Supplementary data to the Cash Flow Statement

## Group

| SEK thousands   | 2006            | 2005             |
|---|-----------------|------------------|
| <b>Interest paid and received</b>                               |                 |                  |
| Interest received   | 32,970          | 44,491           |
| Interest paid   | 262             | 315              |
| <b>Adjustments for items not affecting cash flow</b>            |                 |                  |
| Depreciation and write downs                                    | 74,539          | 117,118          |
| Capital gain/loss from divestment of fixed assets               | 45,428          | -244,947         |
| Revaluation of financial fixed assets                           | -7,806          | -                |
| Pensions  | -4,874          | 2,066            |
| Defferral of fees from Amgen                                    | -176,620        | -81,695          |
| Restructring costs  | -83,073         | 57,577           |
| Other items   | -3,477          | -                |
|   | <b>-155,883</b> | <b>-149,881</b>  |
| <b>Acquisition of subsidiaries and other business units</b>     |                 |                  |
| <i>Acquired assets and liabilities</i>                          |                 |                  |
| Intangible fixed assets   | -               | 308,110          |
| Tangible fixed assets   | -               | 5,632            |
| Deferred income tax assets                                      | -               | 11,800           |
| Operating receivables   | -               | 86,246           |
| <b>Total asstes</b>   | <b>-</b>        | <b>411,788</b>   |
| Deferred tax liabilities  | -               | 85,500           |
| Loan  | -               | 5,357            |
| Operating liabilities   | -               | 26,919           |
| <b>Total liabilities</b>  | <b>-</b>        | <b>117,776</b>   |
| Purchase sum  | 41,152          | 254,014          |
| <b>Purchase sum paid</b>  | <b>41,152</b>   | <b>254,014</b>   |
| Less: Liquid funds in acquired operation                        | -               | -30,701          |
| <b>Effect on liquid funds</b>                                   | <b>41,152</b>   | <b>223,313</b>   |
| <b>Liquid funds</b>   |                 |                  |
| <i>Liquid funds include the following:</i>                      |                 |                  |
| Cash and bank balances  | 127,165         | 236,692          |
| Short-term investments equivalent to liquid funds <sup>1)</sup> | 249,477         | 821,917          |
|   | <b>376,642</b>  | <b>1,058,609</b> |

<sup>1)</sup> The above items have been classified as liquid funds on the following basis:

- They are subject to minimal risk for fluctuation in value.
- They can immediately be converted into cash funds.
- They have a maximum maturity of three months from the initial date of validity.

# Income Statement

## Parent Company

| SEK thousands                                | Note            | 2006           | 2005            |
|--|-----------------|----------------|-----------------|
|  | 1-4             |                |                 |
| Total revenues                               | 6-7             | 1,200,338      | 936,570         |
| Cost of goods and services sold              | 8               | -293,805       | -270,882        |
| <b>Gross profit</b>                          |                 | <b>906,533</b> | <b>665,688</b>  |
| Sales and marketing expenses                 |                 | -41,585        | -38,687         |
| Administration expenses                      |                 | -125,647       | -204,917        |
| Research and development expenses            |                 | -634,208       | -559,371        |
| Other revenues and value change              | 10              | 2,411          | 10,402          |
| Other operating expenses                     | 11              | -47,442        | -36,182         |
| <b>Operating profit</b>                      | 9-12, 14-16, 19 | <b>60,062</b>  | <b>-163,067</b> |
| Result from financial items                  |                 |                |                 |
| Result from participation in Group companies | 13              | -56,684        | 339,262         |
| Interest income and similar items            | 17              | 40,919         | 48,978          |
| Interest expense and similar items           | 18              | -1,302         | -1,546          |
|  |                 | <b>-17,067</b> | <b>386,694</b>  |
| <b>Profit after financial items</b>          |                 | <b>42,995</b>  | <b>223,627</b>  |
| Profit before tax                            |                 | 42,995         | 223,627         |
| Tax on profit on earlier year                | 20              | -1,541         | -               |
| <b>Profit for the year</b>                   |                 | <b>41,454</b>  | <b>223,627</b>  |

# Balance Sheet

## Parent Company

| SEK thousands                         | Note | 2006-12-31       | 2005-12-31       |
|---------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                         | 1-4  |                  |                  |
| <b>Fixed assets</b>                   |      |                  |                  |
| Intangible fixed assets               | 21   | 122,222          | 52,904           |
| Tangible fixed assets                 | 22   | 255,039          | 293,231          |
| Shares in Group companies             | 23   | 753,206          | 742,807          |
| Financial fixed assets                | 24   | 23,560           | –                |
| <b>Total fixed assets</b>             |      | <b>1,154,027</b> | <b>1,088,942</b> |
| <b>Current assets</b>                 |      |                  |                  |
| Inventories                           | 26   | 161,152          | 126,317          |
| Accounts receivable                   | 27   | 54,377           | 81,959           |
| Current receivables                   | 27   | 48,005           | 71,367           |
| Receivables from Group companies      |      | 4,781            | –                |
| Prepaid expenses and accrued revenues | 28   | 124,506          | 117,345          |
| Short-term investments                | 30   | 527,210          | 562,689          |
| Cash and bank balances                | 30   | 370,580          | 1,041,737        |
| <b>Total current assets</b>           |      | <b>1,290,611</b> | <b>2,001,415</b> |
| <b>TOTAL ASSETS</b>                   |      | <b>2,444,638</b> | <b>3,090,357</b> |

| SEK thousands                                     | Note | 2006-12-31       | 2005-12-31       |
|---|------|------------------|------------------|
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |      |                  |                  |
| <b>Shareholders' equity</b>                       |      |                  |                  |
| <b>Restricted equity</b>                          |      |                  |                  |
| Share capital                                     |      | 25,033           | 23,760           |
| Statutory reserve                                 |      | 800,257          | 800,257          |
|   |      | <b>825,290</b>   | <b>824,017</b>   |
| <b>Non-restricted equity</b>                      |      |                  |                  |
| Premium reserve                                   |      | 236,734          | –                |
| Profit/loss carried forward                       |      | 272,810          | 705,814          |
| Net profit/loss for the year                      |      | 41,454           | 223,627          |
|   |      | <b>550,998</b>   | <b>929,441</b>   |
| <b>Total shareholders' equity</b>                 |      | <b>1,376,288</b> | <b>1,753,458</b> |
| <b>LIABILITIES</b>                                |      |                  |                  |
| <b>Long-term liabilities</b>                      |      |                  |                  |
| Provisions  | 32   | –                | 6,053            |
| Other liabilities                                 | 33   | 132,466          | 309,086          |
|   |      | <b>132,466</b>   | <b>315,139</b>   |
| <b>Current liabilities</b>                        |      |                  |                  |
| Accounts payable                                  |      | 141,629          | 108,818          |
| Liabilities to Group companies                    |      | 423,516          | 409,496          |
| Other liabilities                                 |      | 8,365            | 8,555            |
| Accrued expenses and prepaid revenues             | 34   | 354,405          | 418,731          |
| Other provisions                                  | 32   | 7,969            | 76,160           |
| <b>Total current liabilities</b>                  |      | <b>935,884</b>   | <b>1,021,760</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |      | <b>2,444,638</b> | <b>3,090,357</b> |

## Pledged assets and contingent liabilities – Parent Company

| SEK thousands                 | Note | 2006-12-31 | 2005-12-31 |
|-------------------------------|------|------------|------------|
| <b>Pledged assets</b>         | 35   | 36,500     | None       |
| <b>Contingent liabilities</b> | 35   | 3,891      | 56,250     |

# Change in shareholders' equity

## Parent Company

| SEK thousands   | Restricted Equity |                   |                       | Non Restricted Equity       | Total                |
|---|-------------------|-------------------|-----------------------|-----------------------------|----------------------|
|   | Share capital     | Statutory reserve | Share premium reserve | Profit/loss carried forward | Shareholders' equity |
| <b>Shareholders' equity, Jan 1 2005</b>                 | <b>23,760</b>     | <b>2,000</b>      | <b>796,816</b>        | <b>701,291</b>              | <b>1,523,867</b>     |
| Adjustment of opening balance <sup>1)</sup>             |                   |                   |                       | 4,523                       | 4,523                |
| <b>Adjusted shareholders' equity, Jan 1 2005</b>        | <b>23,760</b>     | <b>2,000</b>      | <b>796,816</b>        | <b>705,814</b>              | <b>1,528,390</b>     |
| Warrants issued   |                   |                   | 1,550                 |                             | 1,550                |
| Repurchased warrants                                    |                   |                   | -109                  |                             | -109                 |
| Net profit for the year                                 |                   |                   |                       | 223,627                     | 223,627              |
| Reclassification of share premium reserve <sup>2)</sup> |                   | 798,257           | -798,257              |                             |                      |
| <b>Shareholders' equity, Dec 31 2005</b>                | <b>23,760</b>     | <b>800,257</b>    | <b>-</b>              | <b>929,441</b>              | <b>1,753,458</b>     |

<sup>1)</sup> One-time effect of implementing the new accounting standard IAS 39.

<sup>2)</sup> Swedish Company Act, incorporated by Jan 1, 2006.

| SEK thousands                            | Restricted Equity |                   | Non Restricted Equity |                             | Total                |
|--|-------------------|-------------------|-----------------------|-----------------------------|----------------------|
|  | Share capital     | Statutory reserve | Share premium reserve | Profit/loss carried forward | Shareholders' equity |
| <b>Shareholders' equity, Jan 1 2006</b>  | <b>23,760</b>     | <b>800,257</b>    | <b>-</b>              | <b>929,441</b>              | <b>1,753,458</b>     |
| Repurchased warrants                     |                   |                   |                       | -282,252                    | -282,252             |
| Warrants issued                          |                   |                   | 105,636               |                             | 105,636              |
| Redemption of shares                     | -4,514            |                   |                       | -374,379                    | -378,893             |
| Issue of shares                          | 5,787             |                   | 131,098               |                             | 136,885              |
| Net profit for the year                  |                   |                   |                       | 41,454                      | 41,454               |
| <b>Shareholders' equity, Dec 31 2006</b> | <b>25,033</b>     | <b>800,257</b>    | <b>236,734</b>        | <b>314,264</b>              | <b>1,376,288</b>     |

# Cash Flow Statement

## Parent Company

| SEK thousands   | 2006             | 2005             |
|---|------------------|------------------|
| <b>Operations</b>   |                  |                  |
| Profit for the year   | 41,454           | 223,627          |
| Adjustment for items not affecting cash flow                      | -93,295          | -269,457         |
| <b>Cash flow from operations before change in working capital</b> | <b>-51,841</b>   | <b>-45,830</b>   |
| <b>Change in working capital</b>                                  |                  |                  |
| Decrease(+) / Increase(-) inventories                             | -34,835          | -42,119          |
| Decrease(+) / Increase(-) operating receivables                   | 39,002           | 98               |
| Decrease (-) / Increase(+) operating liabilities                  | -33,223          | 39,715           |
| <b>Cash flow from operations</b>                                  | <b>-80,897</b>   | <b>-48,136</b>   |
| <b>Investment activities</b>                                      |                  |                  |
| Acquisition of subsidiaries                                       | -41,152          | -294,015         |
| Sale of subsidiary  | 100              | 527,100          |
| Investments in intangible fixed assets                            | -84,333          | -50,909          |
| Investments in tangible fixed assets                              | -65,976          | -118,255         |
| Divestment of tangible assets                                     | -                | 50               |
| Investments in financial fixed assets                             | -15,754          | -                |
| Disposal of short-term financial assets                           | 35,479           | -25,951          |
| <b>Cash flow from investment activities</b>                       | <b>-171,636</b>  | <b>38,020</b>    |
| <b>Financing activities</b>                                       |                  |                  |
| Issue of warrants   | 105,636          | 788              |
| Re-purchase of warrants   | -282,252         | -109             |
| Issue of shares   | 136,885          | -                |
| Redemption of shares  | -378,893         | -                |
| <b>Cash flow from financing activities</b>                        | <b>-418,624</b>  | <b>679</b>       |
| <b>Net change in liquid funds</b>                                 | <b>-671,157</b>  | <b>-9,437</b>    |
| <b>Liquid funds at beginning of year</b>                          | <b>1,041,737</b> | <b>1,046,651</b> |
| <b>One-off effect implementaion of IAS39</b>                      | <b>-</b>         | <b>4,523</b>     |
| <b>Liquid funds at end of year <sup>1)</sup></b>                  | <b>370,580</b>   | <b>1,041,737</b> |

<sup>1)</sup> Short-term investments corresponding to SEK 527.2 M are not included in the cash flow statement.

# Supplementary data to the Cash Flow Statement

## Parent Company

| SEK thousands   | 2006           | 2005             |
|---|----------------|------------------|
| <b>Interest paid and received</b>                               |                |                  |
| Interest received   | 32,778         | 44,039           |
| Interest paid   | 252            | 286              |
| <b>Adjustments for items not affecting cash flow</b>            |                |                  |
| Write-downs and amortization/depreciation of assets             | 126,840        | 104,597          |
| Capital gain/loss from divestment of fixed assets               | 45,428         | -344,256         |
| Appropriation of provisions                                     | -81,137        | 79,131           |
| Deferral of fees from Amgen                                     | -176,620       | -81,695          |
| Revaluation of financial fixed assets                           | -7,806         | -27,234          |
|   | <b>-93,295</b> | <b>-269,457</b>  |
| <b>Liquid funds</b>   |                |                  |
| <i>Liquid funds include the following:</i>                      |                |                  |
| Cash and bank balances  | 121,103        | 219,820          |
| Short-term investments equivalent to liquid funds <sup>1)</sup> | 249,477        | 821,917          |
|   | <b>370,580</b> | <b>1,041,737</b> |

<sup>1)</sup> The above items have been classified as liquid funds on the following basis:

- They are subject to minimal risk for fluctuation in value.
- They can immediately be converted into cash funds.
- They have a maximum maturity of three months from the initial date of validity.

# Accounting Principles and Notes

1

2

## NOTE 1

### General information

Biovitrum AB (publ), the Parent Company and its subsidiaries (collectively the Group), is a public listed biopharma company that focuses on research and development of new drugs, sales of pharmaceuticals in the Nordic market and process development and manufacturing of new protein-based drugs. The company has strong intellectual property rights and technologies and a number of substances in preclinical and clinical phases. Annual revenues, including royalties and contract fees, finance most of the annual research budget. Since September 15, 2006 the company has been listed as a mid cap company on the Stockholm Stock Exchange.

The consolidated financial statements for Biovitrum AB (publ) for the financial year ending on December 31, 2006 were approved by the Board of Directors and CEO on March 27, 2007, and will be submitted to the Annual General Meeting on May 3, 2007 for adoption.

The Parent Company is a limited company with registered offices in Stockholm, Sweden. The head office address is Berzelius Väg 8, Solna, Sweden.

## NOTE 2

### Accounting Principles

#### Conformity with standards and laws

The consolidated accounts have been prepared in accordance with the Annual Accounts Act, the International Financial Reporting Standards (IFRS/IAS) and the statements issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. The consolidated accounts have been prepared according to the cost method, except in the case of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value through income statement.

The supplementary accounting rules for Groups in the Swedish Financial Accounting Standards Council's recommendation RR 30 have also been applied.

#### IAS 19 Employee Benefits – Amendment

IAS 19 was amended in December 2004. The amendment was effective from January 1, 2006 and allows alternative accounting methods for actuarial gains and losses. Compliance with this amendment is mandatory for groups of companies whose financial year begins on January 1, 2006 or later. Biovitrum does not intend to change its accounting principles to incorporate this amendment, which means that the application of this amendment will only affect the structure and scope of the supplementary information presented in the financial reports.

#### IAS 21 The Effects of Changes in Foreign Exchange Rates – Amendment

This amendment applies to financial years starting on January 1, 2006 or later. Biovitrum has concluded that this amendment will not affect the company's financial statements.

Compliance with the following standards, amendments and interpretations is mandatory when the financial year begins after January 1, 2006 or later, they do not, however, apply to the Group:

- IAS 39 Hedge accounting for cash flow hedges and the fair value option
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC 4 Determining Whether an Arrangement Contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities Arising from Participating in a Specific Market – Contracts that consist of or contain electric or electrical products.

Compliance with the following standards or interpretations of existing standards is mandatory for the Group's financial reporting for the financial

year beginning on March 1, 2006 or later, but they have not been applied prospectively or the company or Group is not permitted to apply them prospectively.

#### IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

This interpretation is effective from March 1, 2006 and applies to financial years beginning after March 1, 2006. Biovitrum does not currently have operations in any countries where transition to reporting in hyperinflationary economies is required.

#### IFRS 7 Financial Instruments: Recognition and Measurement

This standard is effective from January 1, 2007. Biovitrum has decided not to apply the standard prospectively. For Biovitrum this standard is not expected to result in the need for additional disclosures other than those provided in this Annual Report. Accordingly, the standard will have no effect on the amendment to IAS 1, Presentation of Financial Statements.

#### IFRIC 8 Scope of IFRS 2

This interpretation is effective from May 1, 2006 and applies to the financial year beginning on May 1, 2006. According to IFRIC 8, the rules in IFRS 2 cover goods and services received in exchange for an equity instrument even if such goods and services, wholly or partly, cannot be specifically identified. This interpretation does not apply to the Group since this type of transaction does not occur.

#### IFRIC 9 Reassessment of Embedded Derivatives

This interpretation applies for financial years beginning on June 1, 2006 or later. At this time, the interpretation is not applicable to Biovitrum since no Group companies have entered into embedded derivative agreements.

#### IFRIC 10 Interim Financial Reporting and Impairment

This interpretation applies for financial years beginning on November 1, 2006 or later. The interpretation does not allow the impairment losses recognized during a period (on goodwill, investments in equity instruments or financial assets) at cost to be reversed on the subsequent closing day. The Group will apply IFRIC 10 from January 1, 2007, but this is not expected to have any impact on the Group's financial statements.

#### IFRIC 11 Group and Treasury Share Transactions

This interpretation applies for financial years beginning on March 1, 2007 or later. Prospective application of this interpretation is not permitted. At this time, it is unclear how the standard will affect Biovitrum's financial statements. The Group will not apply the interpretation until the financial year beginning on January 1, 2008.

#### IFRIC 12 Service Concession Agreements

This interpretation applies to financial years beginning on January 1, 2008 or later. The interpretation is not applicable to Biovitrum's operations at this time.

## Consolidated accounts

### General information

In addition to the Parent Company, the consolidated accounts include all companies in which the Parent Company directly or indirectly holds more than 50 percent of the votes or in another way has a controlling influence.

The purchase method is used in the preparation of the consolidated accounts. According to this method, equity in an acquired subsidiary is established based on the fair value of the identified assets and liabilities assumed on the date of acquisition. The difference between the cost of acquiring the shares and the fair value of the acquired identifiable assets constitutes goodwill or negative goodwill. Goodwill is not amortized according to plan, but is instead tested annually for impairment.

The subsidiaries' revenues and expenses as well as assets and liabilities are included in the consolidated accounts from the date the controlling influence is established to the date it ceases. Assets, liabilities, revenues and expenses within the Group, as well as unrealized gains and losses between companies in the Group, are eliminated.

#### Translation of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are established in the respective functional currency, determined by the primary economic environment in which the company operates. Biovitrum's foreign subsidiaries are translated according to the current rate method. This means that all assets, provisions and other liabilities are translated at the exchange rate on the balance sheet date into the Group's reporting currency (SEK) and exchange rate differences arising from this are reported directly to equity in the foreign currency translation reserve. All items in the income statement are translated using the average exchange rate for the year.

#### Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the balance sheet date. Exchange rate differences that arise in translation are reported in the income statement.

### Revenues

#### Net sales

Invoiced sales are reported as net sales. Revenues from the sale of goods are reported in the income statement once the significant risks and benefits have been transferred to the buyer.

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

Revenue from the sale of pharmaceuticals is reported when the goods have been delivered from the company's consignment inventory to the end customer.

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

The Group's revenues include revenue from licensing agreements, such as outlicensing revenue, milestone payments and royalties from third parties within the course of normal operations. According to the milestone method, successive milestones are considered as separate from initial licensing fees. The initial licensing fees are allocated over the duration of the licensing agreement, because, when the fees are received, a separate earning period is not considered to have been completed. Subsequent milestone payments, on the other hand, are considered to belong to a separate completed part of the agreement. This portion of the revenue is recognized as soon as it is received, i.e. when the terms of the agreement have been met.

When the Group has undertaken to carry out research and development assignments and receives payment for services provided by the Group, this is recognized as deferred income and is recognized as and when work is carried out. Revenue from research collaboration is recognized in the period in which it is carried out. Milestone payments are recognized when they fall due for payment according to the agreement. Revenue from long-term development agreements is recognized over the term of the agreement.

#### Other operating revenues

Revenues from activities outside the normal operations are reported as other operating revenues. This item consists primarily of rental income from external tenants in previously owned property and current rented property.

#### Government subsidies

Government subsidies are reported when the company fulfills the requirements associated with the subsidy and when it can be established with certainty that the subsidy will be received. Subsidies received are reported in the balance sheet as deferred income and taken up as income in the period they are earned. Government subsidies are reported in the income statement as a reduction of the corresponding expense. Biovitrum receives government subsidies mainly in the form of research grants from the EU. A minor part of Biovitrum's projects are financed through Governmental subsidies.

#### Classification etc.

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

Receivables and liabilities in foreign currencies are translated at the closing day rate of exchange. Transactions are translated at the average exchange rate for the period.

#### Financial instruments

The Group classifies its financial instruments in the following categories: financial assets measured at fair value through profit or loss, loan receivables and accounts receivable, held-to-maturity investments and available-for-sale financial assets. Classification depends on the purpose for which the instrument was acquired. Management determines how the instruments will be classified in connection with initial recognition and reviews this decision on each reporting occasion. Biovitrum currently has financial assets measured at fair value through profit or loss and accounts receivable.

The fair value of listed securities is based on current quoted market prices. The Group has a number of short-term investments with a term of more than three months. If a market for a financial instrument is not active, the Group establishes the fair value applying valuation techniques such as using information about recent arm's length transactions, reference to the fair value of another instrument that is substantially the same, company acquisition agreements and discounted cash flow analysis and option pricing models. The same principle applies for unlisted securities. In this case, market information is used to the greatest extent possible. Company-specific information is used to the least extent possible. The Group has investments in unlisted securities.

Financial instruments reported in the balance sheet include, on the assets side, liquid funds and accounts receivable. Liabilities and shareholders' equity include accounts payable, issued debt and equity instruments and borrowing. Currency derivatives are stated either as assets or liabilities, depending on the fluctuation in exchange rates. Currency derivatives are mainly formed through forward contracts in USD.

Financial instruments are initially stated at cost which corresponds to the fair value of the instruments.

A financial asset or liability is entered in the balance sheet when the company becomes party to the instrument's contractual terms and conditions. Accounts receivable are entered in the balance sheet when the invoice is dispatched. Liabilities are entered when a contractual obligation exists for the counterparty to pay, even if the invoice has not yet been received. Accounts payable are entered when the invoice is received.

A financial asset is derecognized from the balance sheet when the rights under the agreement have been exercised, have expired or the company has lost control over them. The same applies to parts of a financial asset. A financial liability is derecognized from the balance sheet when the commitment in the agreement has been fulfilled or otherwise extinguished. The same applies for parts of a financial liability.

Acquisition and disposal of financial assets are reported on the settlement date.

On each reporting occasion, the company evaluates whether there is objective proof of impairment of a financial asset. A gain or loss on a financial asset or liability measured at fair value through profit or loss is recognized in the income statement. A gain or loss on a financial asset in the category of available-for-sale financial assets is reported directly in equity, under changes in shareholders' equity.

#### Financial assets

Bank balances, loan receivables and accounts receivable are measured at amortized cost. Investments are valued on an ongoing basis at the current market value.

#### Cash and cash equivalents

The Parent Company's and the Group's cash and equivalents include the balances on the Group's common accounts and other bank accounts, as well as investments with a term of less than three months from the date of acquisition. The Group's cash and cash equivalents are thus only exposed to minimal risk of value fluctuation.

#### Accounts receivable

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

**Liabilities**

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

**Accounts payable**

Accounts payable are classified as financial liabilities and have a short anticipated life. They are measured with no discounting at fair value and then at amortized cost using the effective interest method.

**Derivatives and hedge accounting**

Derivative instruments consist of currency forward contracts that are used to hedge the risk of exchange rate fluctuation. All derivatives are assigned a market value and the market values are reported in the balance sheet. Biovitrum's transaction exposure in foreign currencies arises due to the company's exports and imports of goods paid for in foreign currencies. Currency exposure relating to forecast future flows is from time to time hedged primarily through currency forward contracts. The forwards contracts are recognized in the balance sheet at fair value. Changes in value are reported directly in equity in the hedging reserve until such time as the hedged flows enter the income statement. The hedged flows may be both contracted and forecast transactions.

When the hedged future cash flows relate to a transaction that is capitalized in the balance sheet, the hedging reserve is reversed when the hedged item is reported in the balance sheet. When hedging instruments mature, are sold, disposed of or redeemed, the recognized accumulated gain or loss remains in equity and is reported in the same way as above when the transaction takes place. If the hedged transaction is no longer expected to take place, the hedging instrument's accumulated gains and losses go directly to profit or loss.

**Intangible fixed assets****Goodwill**

Goodwill consists of the amount by which the cost of acquisition exceeds the fair value of the Group's participation in the acquired subsidiary's/ associated company's identifiable net assets at the time of acquisition. Goodwill on acquisition of the subsidiary is reported as an intangible asset. Goodwill in connection with the acquisition of associated companies is included in the value of the holding in the associated company. Goodwill is tested annually to identify possible impairment and is recognized at cost less accumulated write-downs. Gains or losses on the sale of a unit include the remaining carrying amount of the goodwill attributable to the sold unit. If the net fair value of the acquired operation's identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the surplus (negative goodwill) goes directly to income statement.

**Licenses**

Licenses are stated at cost. Licenses have a limited useful life and are stated at cost less accumulated depreciations. Amortization is done on a straight-line basis to distribute the cost of licenses over their anticipated useful life, which in Biovitrum is three years.

**Research and development costs**

Expenditure for a development project is recognized as an intangible asset if the company can prove that it is technically possible to fulfill and profitably commercialize the results and then only if the expenditure for the project can be measured in a reliable way. Amortization is done on a straight-line basis to distribute the cost of the development project over its anticipated useful life. Other development expenditures are expensed as they are incurred. Biovitrum's research involves the discovery stage of research and accordingly, all research expenditure is expensed.

**Acquired R&D**

Expenditures for acquired research and development projects are reported as intangible assets. When an acquired research project begins to generate revenue, amortization begins and continues over the project's anticipated useful life. Research and development projects are tested annually for impairment.

**Software and IT projects in progress**

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

Costs associated with development or maintenance of software are expensed as incurred. Costs with a direct link to identifiable software products developed specially for Biovitrum and that are controlled by the company and likely to generate economic benefits that exceed the costs over a period of more than one year, are reported as intangible fixed assets. Direct costs include the cost of the individuals working with development of the computer program and a reasonable portion of the overhead costs.

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

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

**Tangible fixed assets**

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

All tangible assets are stated at cost less depreciation. Cost includes expenditure that can be directly attributed to the acquisition of the asset as well as transfers from equity of gains/losses from cash flow hedges that meet the criteria for hedge accounting with respect to tangible fixed assets purchased in foreign currencies.

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

**Depreciation of tangible fixed assets**

Depreciation according to plan of tangible fixed assets is based on the assets' useful life. Depreciation is performed on a straight-line basis over the assets' anticipated useful life. The following depreciation schedule applies:

|   |            |
|---|------------|
| Machinery and technical equipment               |            |
| Laboratory equipment and other investments      | 3–7 years  |
| Other large investments                         | 10 years   |
| Equipment, tools, fixtures and fittings         |            |
| Computers                                       | 3 years    |
| Servers and other large computer hardware items | 3–5 years  |
| Furniture, fixtures and fittings                | 5–10 years |

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

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

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

**Leased assets**

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

**Impairments and write-downs**

Assets with an indeterminable useful life are not depreciated, but are instead tested at least annually for impairment. Assets that are written down are assessed to determine if the value has decreased where events

or changes in circumstances indicate that the carrying amount may not be recoverable. The write-down is the difference between the carrying amount and the recoverable amount where the recoverable amount is defined as the greater of the asset's net realizable value and its value in use. When testing for impairment, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units). Since Biovitrum has made the assessment that the Group's operations comprise a business segment, the Group as a whole is considered to be the smallest cash-generating unit. A write-down is reversed if there has been a change in the conditions that were the basis for determining the recoverable amount. Reversal amounts do not exceed the carrying amount that would have been reported, less depreciation, if no write down had been performed. Goodwill write-downs are never reversed. Impairment testing of goodwill and capitalized research and development projects is described in Note 21.

According to IAS 36, an asset is impaired if its carrying amount exceeds its recoverable amount, where the recoverable amount is defined as the higher of the asset's net realizable value and its value in use. When calculating value in use, the future cash flow that the asset is expected to generate is deducted using an interest rate that corresponds to Biovitrum's weighted cost of capital.

### Inventories

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

### Provisions

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

### Taxes

Taxes reported in the income statement consist of current tax and deferred tax. Current tax is tax to be paid or received in the current year. Deferred tax is calculated according to the balance sheet method based on temporary differences between the carrying amount and the tax base of assets and liabilities, applying the tax rates and tax rules that have been set or announced as of the closing day. The calculated amounts are based on the manner in which temporary differences are expected to be offset and using the tax rates and rules that have been established or will have been announced as of the balance sheet date.

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

### Employee benefits

Biovitrum offers pensions plans to all of its employees and uses both defined contribution and defined benefit plans. The CEO and senior management are mainly covered by defined contribution plans. For other employees, both defined contribution and defined benefit plans are used.

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

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

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

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

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

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

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

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

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

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are insured through Alecta. According to statement URA 42 issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, these are defined benefit plans covering multiple employers. For the 2005 and 2006 financial years, the company did not have access to the information necessary to be able to report this plan as a defined benefit plan. The ITP pension plan insured through Alecta is therefore reported as a defined contribution plan.

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

The anticipated bonus outcome for the Group is reconciled on a regular basis throughout the year and the reserves are adjusted every quarter. At the end of each reporting period an assessment is made of the likelihood of the maximum bonus being reached. This assessment is the basis for the amount of bonus that is expensed in the income statement.

In order to attract and keep competent employees, Biovitrum has established a long-term incentive program. At the time of allocation the value of the options is calculated. The company reports a payroll cost and social security expenses for the services performed by the employees. The costs are distributed on a straight-line basis over the term of the options. A more detailed description of the program can be found in Note 14.

### Remuneration in connection with terminated employment

A provision is reported in connection with termination only if the company is demonstrably obliged to terminate a position before the normal period of service has ended or when remuneration is offered in order to encourage voluntary resignation, e.g. retirement packages. In cases where the company terminates employment, a detailed plan is drawn up that, as a minimum, contains information on the workplace, positions and

approximate number of individuals involved, as well as the remuneration due to each employee category or position and the schedule for the plan's implementation.

#### Contingent liabilities

Contingent liabilities are reported when there is a possible commitment arising from events that have occurred and whose existence is based on the occurrence of one or more uncertain future events, or where there is a commitment which is not reported as a liability or a provision due to the fact that it is unlikely that an outflow of resources will be required.

#### Parent Company's accounting principles

From January 1, 2005 Biovitrum AB (publ), the Parent Company, complies with the Swedish Financial Accounting Standards Council's recommendation RR 32:05, Reporting for Legal Entities. Since the Parent Company, according to RR 32:05, is to formulate its reports in accordance with all of the applicable IFRS/IAS recommendations, unless the recommendation stipulates that an exemption applies, the fair value of short-term investments will be reported. As the Swedish Annual Accounts Act permits changes in value during a period to be reported in the income statement, and this is the principle chosen for the Group's reporting according to IAS 39, Biovitrum AB (publ) will use the same principles as the Group in this regard.

#### Employee benefits/defined benefit plans

When calculating defined benefit pension plans, the Parent Company complies with the Swedish law safeguarding pensions and the Swedish Financial Supervisory Authority's instructions, as compliance with these is a prerequisite for exercising the right to tax deductions. The parent company also complies with FAR's recommendation redR4. The most important differences in comparison with the provisions in IAS 19 are the way in which the discount rate is established, that the defined benefit commitment is calculated according to the current salary level without assumptions on future salary increases and that actuarial gains and losses are reported in the income statement as they arise.

#### Financial instruments

The Parent Company applies the same accounting principles for financial Instruments as the Group.

#### Leased assets

All of the Parent Company's leases are reported according to the rules for operating leases.

### NOTE 3

#### Basis for preparation of the financial reports of the Parent Company and the Group

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. The financial reports are therefore presented in SEK.

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

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

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

The stated amounts and figures within parenthesis are comparative figures from 2005.

### NOTE 4

#### Important estimations and assumptions for accounting purposes

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

#### Impairment testing of acquired R&D and other intangible assets

When calculating future cash flows for acquired projects for the company's assessment of impairment of acquired R&D, assumptions have been made regarding circumstances in the future and key figures have been estimated. However, Biovitrum's management is of the opinion that any necessary changes based on the information available today would not have such an impact as to reduce the recoverable amounts to levels that are lower than the reported amounts.

#### Assumptions for the calculation of pension benefits

The actuarial calculations of pension commitments and pension costs are based on actuarial assumptions as specified in Note 2 and Note 33.

#### Indirect production costs

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

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

#### Inventory

The inventory consists of biological items, which all can create a risk for defects in the production. Biovitrum is a biopharma company manufacturing and selling pharmaceutical products, an environment regulated by laws and certain Governmental offices both in and outside Sweden. In agreements with Swedish and foreign external parts Biovitrum is constantly evaluating the contents in inventory.

#### Revenues

The Group assesses the likelihood of future economic benefits accruing to the Group on the basis of a number of factors, including a customer's payment history and credit rating. On certain occasions the Group requests payment in advance in the form of a signing fee from customers. If a receivable is deemed doubtful by the Group, a provision is made for the receivable until it is possible to determine whether the Group will receive payment or not. According to the Group's routine for advances, advance payments are reported as other current liabilities until they are received.

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

In September 2003, Biovitrum entered into a Development and Marketing Collaboration Agreement with Amgen. This agreement is very complex and contains a number of components to be delivered at different times. On signing the agreement, Biovitrum received a large sum in the form of an initial licensing fee. Biovitrum is also entitled to a number of milestone payments during the development period. The company has assessed the earning period as 5 years based on the project and the formulation of the agreement. Of the original payment of SEK 711 M, SEK 142 M is recognized as revenue annually until September 2008.

2

3

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The company assesses the status of the project on an ongoing basis to determine whether revenues shall continue to be allocated over the estimated economic life of the project.

### Taxes

The Group's deferred tax receivables have been reported based on the assumption that it is likely that it will be possible to utilize them to reduce future tax payments. Deferred tax is calculated according to the balance sheet method based on temporary differences between reported amounts and the written down value of assets and liabilities. The amounts are calculated on the basis of how the temporary differences are expected to be offset and using the tax rates that apply or have been announced as of the closing day.

### Leasing/Rent

Biovitrum has adopted IAS 17 accounting for leased agreements. The leasing agreements in the Group Balance Sheet are either classified as financial or operational leases. Leased fixed assets where Biovitrum is responsible for the same risks and benefits as is the case with direct ownership are classified as finance leases. All other classifications are considered as operational lease.

In case of a property is part of a sale and lease back deal, a estimation is made on which company carries the most essential risks and benefits related to the property, and if the Group continues to have a major engagement in the sold property.

Contracts regarding land that is not transferred to the lessee upon expiry of the lease contract are regarded as operating leases. In this case, the right of ownership of the land is not transferred to Biovitrum at the end of the lease period and accordingly, no calculation is made of this portion of the minimum leasing charges.

Minimum leasing charges are, in this case, the rental cost established in the lease contracts. Variable fees, possible service fees and taxes are not included. The distribution of minimum leasing charges between land and buildings shall, according to IAS 17, be based on the fair value of the respective asset. The company has used the property's taxable value as a basis for distribution in order to divide the minimum leasing charges between buildings and land.

The company has assessed the present value of future minimum leasing charges in relation to the selling price indicated in the property sale agreements of 2004 and 2005. See Note 12

Based on the fact that the present value of minimum leasing charges does not constitute a significant portion of the fair value of the Paradiset property, this cannot be seen as an indication of a finance lease. In connection with the sale of Hornsberg 10, Biovitrum signed a two-year contract with Index Real Estate and for this reason the company regards this as an operating lease.

Biovitrum sold properties through its subsidiaries in 2004 and 2005. Hornsberg 10 was sold in 2005 to Index Real Estate and Paradiset 12-14 was sold in 2004 to Guldsålen J 301 AB, after which Biovitrum entered into leasing agreements regarding the same properties.

The purchase amount for the sale of Hornsberg 10 totalled a net amount of SEK 492 million and a capital gain mounted to SEK 245 million. In order to execute the transaction, renegotiation of the leasing agreement with Pfizer was required, which entailed that Biovitrum continue to sub-lease the Hornsberg 10 premises from Pfizer for a period of 2 years. Biovitrum also has the premises at Paradiset, at which the entire Biopharmaceuticals operation will be consolidated.

### Research and development costs

The company carries out research and development within internal projects as well as with one external partner. In cases where the company runs projects in cooperation with external partners and both parties share certain costs, an assessment is made of costs in connection with project start-up. This cost is then used as a basis for deductions in connection with reconciliation with the external party. This calculation is assessed and updated on a regular basis. In certain partnership agreements the company agrees to pay a milestone payment. This payment is accounted for as R&D and depreciation only starts when the project has reached the commercialization phase. Evaluation of a project's development and impairment testing are carried out regularly, at least once a year.

In some agreements with external parts the company agrees to pay a milestone payment. Expenditure for a development project is recognized as Research and Development. Depreciation starts when the project has reached its commercialization phase. An evaluation of the calculation is performed on regular basis.

Expenses for research and development internally are expensed at the time they occur, unless they are met by the standards and demands in IAS 38 Intangible Assets. Standards and uncertainty are usually the basis for that the criteria are not met. In the case of all criteria being fulfilled, the intangible assets are capitalized on the Balance Sheet and is depreciated linearly from the time the company can prove that it is technically possible to fulfill and profitably commercialize the results.

Payments concerning the projects and substances in agreements with external parts, which on a normal basis are defined as prepaid payments and conditional payments are recognized as an intangible asset if the company can prove that it is technically possible to fulfill and profitably commercialize the results and then only if the expenditure for the project can be measured in a reliable way. According to this policy, it is impossible to determine the exact economic life time for certain intangible assets.

### NOTE 5

#### Acquired Operations

In 2005 Biovitrum acquired two companies: Cambridge Biotechnology (CBT) in April and Arexis AB in August. No acquisitions were made in 2006.

Both of the above acquisitions were paid for in cash and Biovitrum owns 100 percent of the companies. The total purchase sum including the milestone payments that have been paid amounts to SEK 295 M, of which SEK 41.2 M was paid for CBT in 2006. The payment of SEK 41.2 M is recorded as goodwill. No additional payments were made for Arexis in 2006. The tables below shows the distribution of surplus values. Most of the surplus value is in research and development. In connection with the closing of the books, these surplus values were tested and no impairment was found. The same method was used as in previous years, i.e. based on the probability of future cash flows, which are discounted on the balance sheet date. The CBT acquisition may involve additional milestone payments up to the proof-of-concept stage (PoC), i.e. after successful completion of a clinical phase IIa study. Additional payments may be required in the form of cash and Biovitrum shares. The share transfer and the majority of the cash payment will take place in connection with PoC. The acquisition of Arexis may also involve additional payments if certain criteria are met. The agreement contains a total of 17 different milestones divided between five projects and they relate to criteria up to and including the point at which the product/products are approved for launch. 50 percent of each payment is in cash and the remainder is in the form of Biovitrum shares.

Possible additional payments in the future will be reported when the milestones have been reached due to uncertainty about when and if the payments will be made.

**NOTE 5 Cont. – Acquired Operations****Cambridge Biotechnology Ltd.****Purchase price allocation**

| Amounts in SEK million                   | 2005         |
|--|--------------|
| <b>Purchase price</b>                    |              |
| – cash payment                           | 111.2        |
| – direct cost related to the acquisition | 16.1         |
| <b>Total purchase price</b>              | <b>127.3</b> |
| Fair values acquired net assets          | -127.3       |
|  | –            |

**Assets and liabilities in acquired operation**

| Amounts in SEK million                         | Fair value   | Acquired book value |
|--|--------------|---------------------|
| R&D in progress                                | 133.3        | –                   |
| Tangible assets                                | 4.0          | 4.0                 |
| Other current assets                           | 37.7         | 37.7                |
| <b>Total assets in acquired operation</b>      | <b>175.0</b> | <b>41.6</b>         |
| Deferred income tax liabilities                | 37.3         | –                   |
| Current liabilities                            | 10.3         | 10.3                |
| <b>Total liabilities in acquired operation</b> | <b>47.6</b>  | <b>10.3</b>         |
| <b>Acquired net assets</b>                     | <b>127.3</b> | <b>31.3</b>         |

**Liquid funds**

| Amounts in SEK million             |              |
|------------------------------------|--------------|
| Cash payment                       | -111.2       |
| Paid acquisition costs             | -16.1        |
| Liquid funds in acquired operation | 28.5         |
| <b>Effect on liquid funds</b>      | <b>-98.8</b> |

**Arexis Group****Purchase price allocation**

| Amounts in SEK million                   | 2005         |
|--|--------------|
| <b>Purchase price</b>                    |              |
| – cash payment                           | 125.0        |
| – direct cost related to the acquisition | 1.7          |
| <b>Total purchase price</b>              | <b>126.7</b> |
| Fair values acquired net assets          | -126.7       |
|  | –            |

**Assets and liabilities in acquired operation**

| Amounts in SEK million                         | Fair value   | Acquired book value |
|--|--------------|---------------------|
| R&D in progress                                | 172.2        | –                   |
| Other intangible assets                        | 2.6          | 2.6                 |
| Tangible assets                                | 1.7          | 1.7                 |
| Deferred income tax receivables                | 11.8         | –                   |
| Other current assets                           | 8.6          | 8.6                 |
| <b>Total assets in acquired operation</b>      | <b>196.9</b> | <b>12.9</b>         |
| Long-term liabilities                          | 5.4          | 5.4                 |
| Deferred income tax liabilities                | 48.2         | –                   |
| Current liabilities                            | 16.6         | 16.6                |
| <b>Total liabilities in acquired operation</b> | <b>70.2</b>  | <b>22.0</b>         |
| <b>Acquired net assets</b>                     | <b>126.7</b> | <b>-9.1</b>         |

**Liquid funds**

| Amounts in SEK million             |               |
|------------------------------------|---------------|
| – Cash payment                     | -125.0        |
| Paid acquisition costs             | -1.7          |
| Liquid funds in acquired operation | 2.2           |
| <b>Effect on liquid funds</b>      | <b>-124.5</b> |

**NOTE 6****Distribution of revenues**

| Group   | 2006             | 2005           |
|---|------------------|----------------|
| <b>Total revenues by major type of income</b> |                  |                |
| Licensing and milestone revenues              | 176,621          | 205,615        |
| Research revenues                             | 44,061           | 54,525         |
| Manufacturing revenues                        | 536,033          | 191,705        |
| Contract development revenues                 | 153,917          | 224,738        |
| Product sales revenues                        | 129,216          | 103,948        |
| Royalty revenues                              | 161,091          | 156,044        |
| Other revenues                                | 160              | 36             |
|   | <b>1,201,099</b> | <b>936,611</b> |
| <b>Parent Company</b>                         | <b>2006</b>      | <b>2005</b>    |
| <b>Total revenues by major type of income</b> |                  |                |
| Licensing and milestone revenues              | 176,621          | 205,615        |
| Research revenues                             | 43,819           | 54,525         |
| Manufacturing revenues                        | 536,033          | 191,705        |
| Contract development revenues                 | 153,917          | 224,738        |
| Product sales revenues                        | 129,216          | 103,948        |
| Royalty revenues                              | 160,573          | 156,044        |
| Other revenues                                | 159              | -5             |
|   | <b>1,200,338</b> | <b>936,570</b> |

**NOTE 7****Segments**

It is Biovitrum's assessment that the Group's operations comprise one segment. Biovitrum's business areas and revenues comprise an integrated operation with similar risks and opportunities, which implies that different segments within the Group cannot be identified. During 2005 and 2006, Biovitrum acquired and established a number of collaboration agreements regarding protein-based pharmaceuticals, which implies that an increasing portion of the Biopharmaceuticals organisation is working on internal projects with risks similar to those of other R&D projects.

The majority of Biovitrum's operations are conducted within of Sweden, with the exception of the relatively small portion of the research that is run in England. Biovitrum invoices partners in, above all, the USA and Europe who, in turn, distribute and invoice locally. Biovitrum has determined that geographic reporting would not provide any material information regarding Biovitrum's operations.

**NOTE 8****Cost for sold goods and services**

| Group                                   | 2006            | 2005            |
|---|-----------------|-----------------|
| Cost of goods sold                      | -163,023        | -85,938         |
| Cost of goods sold contract development | -130,782        | -184,726        |
|   | <b>-293,805</b> | <b>-270,664</b> |
| <b>Parent Company</b>                   | <b>2006</b>     | <b>2005</b>     |
| Cost of goods sold                      | -163,023        | -86,043         |
| Cost of goods sold contract development | -130,782        | -184,839        |
|   | <b>-293,805</b> | <b>-270,882</b> |

**NOTE 9****Depreciation/amortization of intangible and tangible fixed assets**

| Group  | 2006           | 2005           |
|--|----------------|----------------|
| <b>Depreciation according to plan by type of asset</b> |                |                |
| Capitalized software expenses                          | -5,524         | -3,421         |
| Concessions, patents, licenses, trademarks             | -9,769         | -188           |
| Land and buildings                                     | -              | -5,183         |
| Plant and machinery                                    | -43,849        | -59,682        |
| Equipment, tools, fixtures and fittings                | -15,397        | -16,459        |
|  | <b>-74,539</b> | <b>-84,933</b> |
| <b>Depreciation according to plan by function</b>      |                |                |
| Cost of goods and services sold                        | -33,960        | -25,262        |
| Sales and marketing expenses                           | -56            | -64            |
| Administration expenses                                | -5,130         | -5,566         |
| Research and development expenses                      | -35,393        | -38,338        |
| Other operating expenses                               | -              | -15,703        |
|  | <b>-74,539</b> | <b>-84,933</b> |
| <b>Parent Company</b>                                  | <b>2006</b>    | <b>2005</b>    |
| <b>Depreciation according to plan by type of asset</b> |                |                |
| Capitalized software expenses                          | -5,524         | -3,421         |
| Concessions, patents, licenses, trademarks             | -9,491         | -              |
| Plant and machinery                                    | -39,924        | -56,983        |
| Equipment, tools, fixtures and fittings                | -15,215        | -12,008        |
|  | <b>-70,154</b> | <b>-72,412</b> |
| <b>Depreciation according to plan by function</b>      |                |                |
| Cost of goods and services sold                        | -33,956        | -25,262        |
| Sales and marketing expenses                           | -56            | -64            |
| Administration expenses                                | -5,130         | -5,566         |
| Research and development expenses                      | -31,012        | -36,091        |
| Other operating expenses                               | -              | -5,429         |
|  | <b>-70,154</b> | <b>-72,412</b> |

**NOTE 10****Other operating revenues**

| Group   | 2006         | 2005           |
|---|--------------|----------------|
| Divestment real estate property                           | -            | 244 904        |
| Rental income   | 133          | 13 916         |
| Exchange rate profit on operating receivables/liabilities | 1 385        | 4 888          |
| Governmental contribution received                        | 7 180        | 4 416          |
| Research cooperation with BioFocus                        | -            | 3 833          |
| Other   | 191          | 607            |
|   | <b>8 889</b> | <b>272 564</b> |
| <b>Parent Company</b>                                     | <b>2006</b>  | <b>2005</b>    |
| Rental income   | 264          | -              |
| Exchange rate profit on operating receivables/liabilities | 1 385        | 4 873          |
| Governmental contribution received                        | 571          | 1 233          |
| Research cooperation with BioFocus                        | -            | 3 833          |
| Other   | 191          | 463            |
|   | <b>2 411</b> | <b>10 402</b>  |

**NOTE 11****Other operating expenses**

| Group   | 2006           | 2005           |
|---|----------------|----------------|
| Exchange rate losses on operating receivables/liabilities | -3,284         | -2,001         |
| Scrapping/Divestment of fixed assets                      | -2,298         | -7             |
| Cost of rented premises                                   | -              | -6,450         |
| Restructuring costs                                       | -              | -25,649        |
| Scrapping costs   | -              | -8,616         |
| Costs related to divestment of iNovacia                   | -42,035        | -              |
| Reimbursed foreign VAT                                    | 175            | 91             |
| Other   | -3,267         | -61            |
|   | <b>-50,709</b> | <b>-42,693</b> |
| <b>Parent Company</b>                                     | <b>2006</b>    | <b>2005</b>    |
| Exchange rate losses on operating receivables/liabilities | -3,284         | -2,001         |
| Scrapping/Divestment of fixed assets                      | -2,298         | -7             |
| Restructuring costs                                       | -              | -25,649        |
| Restructuring costs                                       | -              | -8,616         |
| Costs related to divestment of iNovacia                   | -42,035        | -              |
| Reimbursed foreign VAT                                    | 175            | 91             |
|   | <b>-47,442</b> | <b>-36,182</b> |

**NOTE 12****Expenses for operational leasing**

Contractual future leasing costs with non-cancellable contracts, falling due as follows:

|                             | Group        |              | Parent Company |              |
|-----------------------------|--------------|--------------|----------------|--------------|
|                             | 2006         | 2005         | 2006           | 2005         |
| Within 1 year               | 1,660        | 2,127        | 1,186          | 1,107        |
| Between 1 and 5 years       | 483          | 1,940        | 129            | 1,311        |
|                             | <b>2,143</b> | <b>4,067</b> | <b>1,315</b>   | <b>2,418</b> |
| Leasing costs for the year: | 3,872        | 9,571        | 3,145          | 3,097        |

Contractual future rental costs for premises with non-cancellable contracts, falling due as follows:

|                             | Group            |                | Parent Company   |                |
|-----------------------------|------------------|----------------|------------------|----------------|
|                             | 2006             | 2005           | 2006             | 2005           |
| Within 1 year               | 90,236           | 64,197         | 83,926           | 55,295         |
| Between 1 and 5 years       | 384,090          | 316,416        | 348,676          | 273,734        |
| Later than 5 years          | 837,947          | 243,915        | 837,947          | 243,915        |
|                             | <b>1,312,273</b> | <b>624,528</b> | <b>1,270,549</b> | <b>572,944</b> |
| Leasing costs for the year: | 76,944           | 85,625         | 65,297           | 111,721        |

The most important leasing-contract are:

- \* Näringsparadiset 2 AB
- \* Vasakronan AB
- \* Föreningsparbanken Finans
- \* Cohen Capital (former EVP)
- \* Karolinska Institutet
- \* Akademiska Hus
- \* Pfizer

The decisive factor in the classification of leases is to what extent the economic risks and benefits associated with ownership of the leased object are retained by the lessor or transferred to the lessee. In the case of properties, assessments must be made of the lease agreement for both the building and the land. Biovitrum bases its position mainly on the fact that the present value of minimum leasing charges does not constitute a significant portion of the fair value of the property and that there are otherwise no significant indications that a finance lease exists. Biovitrum rents out parts of its premises in Gothenburg. This agreement is regarded as an operating lease and rental income is recognized over the period of the lease.

**NOTE 13****Result from participation in Group companies**

| Parent Company                             | 2006           | 2005           |
|--|----------------|----------------|
| Result from limited partnership            | -3,106         | 27,233         |
| Capital gain from disposal of subsidiaries | -              | 344,214        |
| Write-down of shares in Group companies    | -53,578        | -32,185        |
|  | <b>-56,684</b> | <b>339,262</b> |

**NOTE 14****Personnel, personnel costs and remuneration to Board members and executive management****Average number of employees**

| Group and Parent Company | 2006       | of which men | 2005       | of which men |
|--------------------------|------------|--------------|------------|--------------|
| Sweden                   | 556        | 43%          | 571        | 44%          |
| Denmark                  | 1          | -            | 1          | -            |
| Finland                  | 2          | 100%         | 2          | 100%         |
| Norway                   | 2          | 100%         | 2          | 50%          |
| United Kingdom           | 30         | 50%          | 28         | 50%          |
| <b>Total</b>             | <b>591</b> | <b>44%</b>   | <b>604</b> | <b>44%</b>   |

**Salaries, other remunerations and social security expenses**

| Group and Parent Company              | 2006                       |                       | 2005                       |                       |
|---------------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                                       | Salaries and remunerations | Social security costs | Salaries and remunerations | Social security costs |
| Parent Company                        | 283,588                    | 152,829               | 280,956                    | 155,205               |
| (of which pension cost) <sup>1)</sup> |                            | (59,831)              |                            | (53,719)              |
| Subsidiary                            | 23,901                     | 6,105                 | 20,506                     | 6,794                 |
| (of which pension cost)               |                            | (3,308)               | (-)                        | (2,243)               |
| <b>Group total</b>                    | <b>307,489</b>             | <b>158,934</b>        | <b>301,462</b>             | <b>161,999</b>        |
| (of which pension cost) <sup>1)</sup> | -                          | (63,139)              | -                          | (55,962)              |

<sup>1)</sup> Of the Group's and Parent Company's pensions costs, SEK 2,912 thousands (1,453) pertain to the Board and CEO. The Group's outstanding pension commitments for the Board and CEO amount to SEK 0 thousand (0).

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

|                             | 2006          |                 | 2005          |                 |
|-----------------------------|---------------|-----------------|---------------|-----------------|
|                             | Board and CEO | Other employees | Board and CEO | Other employees |
| <b>Parent Company</b>       |               |                 |               |                 |
| Sweden                      | 5,984         | 273,032         | 6,081         | 271,913         |
| (of which bonuses, etc.)    | (1,330)       | (4,197)         | (1,507)       | (3,654)         |
| Denmark                     | -             | 871             | -             | 825             |
| Finland                     | -             | 1,607           | -             | 1,228           |
| Norway                      | -             | 2,094           | -             | 910             |
| <b>Parent company total</b> | <b>5,984</b>  | <b>277,604</b>  | <b>6,081</b>  | <b>274,876</b>  |
| (of which bonuses, etc.)    | (1,330)       | (4,197)         | (1,507)       | (3,654)         |
| <b>Subsidiaries</b>         |               |                 |               |                 |
| in Sweden                   | 328           | 1,419           | 592           | 6,469           |
| outside Sweden              |               |                 |               |                 |
| United Kingdom              | 2,584         | 19,570          | 4,910         | 8,535           |
| <b>Subsidiary total</b>     | <b>2,912</b>  | <b>20,989</b>   | <b>5,502</b>  | <b>15,004</b>   |
| <b>Group total</b>          | <b>8,896</b>  | <b>298,593</b>  | <b>11,583</b> | <b>289,880</b>  |
| (of which bonuses, etc.)    | (1,330)       | (4,197)         | (1,507)       | (3,654)         |

**Remuneration paid to the CEO**

In 2006 CEO Mats Pettersson received a salary of SEK 3,404 thousands (3,324). The CEO's salary is reviewed each year on January 1 by the Board of Directors and the Compensation and Benefits Committee. In addition to a salary, the CEO receives a bonus not exceeding 50 percent of the fixed annual cash salary (basic pay). The bonus, which is determined by a system adopted by the Board, is based on overall company goals. The bonus for 2006 is expected to amount to SEK 1,330 thousands (1,507).

**NOTE 14 Cont.**

Biovitrum pays a contribution of 30 percent of the pensionable salary for Mats Pettersson's future pension benefits. The pensionable salary amounts to SEK 4,000 thousands (4,000) per year.

Mats Pettersson is entitled to a six-month period of notice if notice is given by Biovitrum and six months if he resigns. If notice is given by Biovitrum, he may receive severance pay equivalent to 18 monthly salaries. However, severance pay may not exceed the current salary for the number of months remaining until normal the normal retirement age.

The CEO participates in Biovitrum's long-term incentive program. Mats Pettersson holds 112,500 Biovitrum shares and 875,308 warrants.

**Bonus**

The CEO, senior management, all managers and a number of key individuals receive a bonus in addition to their salary. The bonus, which is determined by a system adopted by the Board, is based both on overall company goals and individual goals. The bonus for the CEO and senior management is 100 percent based on overall company goals. Bonus levels (max. bonus) for each individual are between 30 and 50 percent of basic pay. For other managers and key individuals, the bonus is based to 30 percent on overall company goals and 70 percent on individual targets. Bonus levels for each individual are between 5 and 30 percent of basic pay. The bonus is paid out annually in cash for the previous year. Bonuses are pensionable and the calculation is based on Alecta's calculation and on a three-year average amount.

The bonus outcome for 2006 (for bonus year 2005) was 93 percent for the CEO and senior management and an average of 95 percent for other managers and key individuals.

The anticipated bonus outcome for the Group is reconciled on a regular basis throughout the year and the reserves are adjusted every quarter. On each reporting occasion an assessment is made of the likelihood of the maximum bonus being reached. This assessment is the basis for the amount of bonus that is expensed in the income statement.

**Pensions for senior management**

Biovitrum's pension plans for senior management are defined contribution plans. The senior management plan involves Biovitrum paying contributions equivalent to the 27 percent of the employees' pensionable salaries into a pension plan established for the employee. The employees are covered by the ITP plan and senior management by the alternative ITP plan. The contribution paid to Alecta is included in the agreed 27 percent. The pensionable salary is maximized at 50 income base amounts.

In connection with the transition from defined benefit to defined contribution pension plans, individual agreements have been reached regarding contributions exceeding 27 percent. This applies to four individuals who have received contributions of 27–35 percent and in these cases the contributions paid to Alecta for the ITP plans' basic benefits have been excluded and paid in addition to the agreed contribution level.

One person is still covered by the defined benefit plan for senior management. This plan entitles the individual to annual remuneration in accordance with the ITP plan from the age of 60 with the following supplements: 32.5 percent of salary constituting the pension base between 30 and 50 income base amounts. The plan also includes a guarantee of 50 percent in pension if the employee resigns his post after having completed a full period of service by retirement age.

**Former Arexis employees**

Former Arexis employees are covered by a separate pension plan that is valid up to March 31, 2007. This is a defined contribution pension plan covering former Arexis employees. The contributions in this plan can be compared to the ITP plan. At this time 19 individuals are covered by this plan.

**Paid contributions and other benefits, senior executives, Parent company**

|                                       | Basic pay/fees    | Variable remuneration | Pension cost     | Financial instruments | Total             |
|---------------------------------------|-------------------|-----------------------|------------------|-----------------------|-------------------|
| Chairman of the board                 | 500,000           |                       |                  |                       | 500,000           |
| Other Board members                   | 750,000           |                       |                  |                       | 750,000           |
| CEO <sup>1)</sup>                     | 3,404,426         |                       | 2,911,990        | 2,592                 | 6,319,008         |
| Other senior management <sup>2)</sup> | 11,146,956        | 3,322,027             | 5,142,855        | 226,288               | 19,838,126        |
|                                       | <b>15,801,382</b> | <b>3,322,027</b>      | <b>8,054,845</b> | <b>228,880</b>        | <b>27,407,134</b> |

<sup>1)</sup> The CEO decided to refrain from the agreed bonus and to instead retain it as a pension payment.

<sup>2)</sup> Other senior management refers to Biovitrum's management team.

**Incentive scheme**

To attract and retain skilled and motivated personnel, Biovitrum has established a long-term incentive program. Below is a description about the programs that are currently being used.

**Share program**

In conjunction with the formation of Biovitrum, certain members of Biovitrum's senior management was offered to purchase a total of 340 000 shares in the company.

The share price was valued at the estimated market price, which was set to 33, 67 SEK at the acquisition date.

Employees have also been offered the possibility to subscribe to a warrant program. For further information, please see below.

**Warrant program****Warrant program 2001/2006**

At the Annual General Meeting of shareholders in 2001, a decision was made to issue a total of 4,975,000 warrants. The warrant program was open to all employees.

Each warrant entitled, after a split of 1:2 had been carried out, to acquire two shares for the exercise price of 59 SEK per share. The offer was valid between the exercise period November 30, 2005 and November 30, 2006.

Employees and board members received a total of 4,785,200 warrants. 122,100 of the outstanding warrants had been repurchased earlier, and 189,800 was cancelled after not being distributed. In the beginning of 2006 a total of 4,663,100 warrants was outstanding.

During 2006 11,700 warrants were repurchased by employees who had left the company. 1,651,200 warrants were repurchased before Biovitrum's stock exchange listing, and certain members of the senior management have instead purchased warrants in a new program.

**NOTE 14 Cont.**

A more detailed description is to be found below. (Warrant program 2006/2008).

In conjunction with the stock exchange listing an additional offer to repurchase warrants was aimed at the remaining owners within the warrant program. In total, a number of 1,840,100 warrants and 28,000 warrants were used to subscribe for shares.

After the stock exchange listing until November 30, 1,132,050 other warrants were used to subscribe for a number of 2,264,100 shares. All included, warrants in the program have thereby been used or repurchased and cancelled. The program has therefore been terminated.

| Warrants                             | 2006       | 2005             |
|--------------------------------------|------------|------------------|
| Outstanding January 1                | 4,663,100  | 4,585,200        |
| Allocated during the period          | –          | –                |
| Sold during the period               | –          | 105,000          |
| Exercised during the period          | -1,160,050 | –                |
| Repurchased during the period        | -3,503,050 | -27,100          |
| <b>Outstanding as of December 31</b> | <b>0</b>   | <b>4,663,100</b> |
| Redeemable as of December 31         | 0          | 4,663,100        |

**Warrant program 2006/2008 for certain members of management**

Before the stock exchange listing in 2006 warrants have been repurchased and certain members of Biovitrum's senior management have instead subscribed to warrants in this new program. The purpose of the program is to maintain an effective incentive scheme for Biovitrum's senior management. The total number of warrants amounts to 2,326,136, and each warrant carries the right to purchase one share. The program is divided into four equal tranches with an expiry date of August 31 2008, November 30 2008, February 28 2009, and May 31, 2009 with a common exercise price of SEK 59. The warrants have an exercise period starting 12 months before each expiry date.

| Warrants                             | 2006             |
|--------------------------------------|------------------|
| Outstanding January 1                | 0                |
| Allocated during the period          | 2,326,136        |
| Exercised during the period          | –                |
| Repurchased during the period        | –                |
| <b>Outstanding as of December 31</b> | <b>2,326,136</b> |
| Redeemable as of December 31         | 0                |

**Employee option program 2006/2011**

In May 2006, 150 000 warrants were issued, each giving right to acquire two shares, intended to be used for an employee option program for certain key employees of Biovitrum. The exercise price for these warrants is SEK 110 per share with an exercise period ending on May 31, 2011.

The employee options will be allocated following due preparation in Biovitrum's Compensation Committee, and give the employees the right to obtain warrants during a three-year period, with allocation of one third per year. Employee options and following warrants have been allocated free of charge (without compensation). If employment is terminated within this three-year period, the employee forfeits his/her right to the remaining warrants.

In 2006 Biovitrum decided to allocate 85 000 employee options within the program, 40 000 of which have been forfeited. Accordingly, at the end of the year, there were 45 000 outstanding employee options that have not yet resulted in the allocation of any warrants. The total costs for the option programs during 2006 amount to SEK 179,365.

| Employee options                     | 2006          |
|--------------------------------------|---------------|
| Outstanding January 1                | 0             |
| Allocated during the period          | 85 000        |
| Forfeited                            | -40 000       |
| Exercised during the period          | –             |
| Repurchased during the period        | –             |
| <b>Outstanding as of December 31</b> | <b>45 000</b> |
| Redeemable as of December 31         | 0             |

Biovitrum has selected the Black & Scholes model for valuation of the warrants. When selecting a model, the company has taken into account the same considerations as knowledgeable and interested parties independent of each other would have done. Important underlying parameters in that model are:

- Exercise price
- Exercise period
- Current price of the underlying shares
- Expected volatility of the share price
- Expected dividends
- Risk free interest rate until the expiration date

The selection of model is motivated by the relatively short exercise period of the warrants and that the expectation of volatility will remain stable.

The expected volatility is a measure of how much the share price fluctuates during a period. Biovitrum has taken the following considerations into account for the estimation of the expected volatility:

- Implicit volatility for other companies' derivatives that are publicly traded
- Historical volatility of the actual share price and, since the company was recently listed the share price development of peer companies. The historical period has been as long as the exercise period of the warrants.
- The long term average level of volatility.

**Shares pertaining personnel and board members**

|          | 2006 | 2005    |
|----------|------|---------|
| Allotted | –    | 170,000 |

**Financial instruments pertaining personnel and board members**

|             | 2006             | 2005             |
|-------------|------------------|------------------|
| Allotted    | 4,663,100        | 4,585,200        |
| Allocated   | 2,411,136        | –                |
| Sold        | –                | 105,000          |
| Forfeited   | -40,000          | –                |
| Repurchased | -3,503,050       | -27,100          |
| Used        | -1,160,050       | –                |
|             | <b>2,371,136</b> | <b>4,663,100</b> |

**NOTE 14 Cont.****Specification of men and women in the Board and Management**

| Group   | 2006         | 2005         |
|---|--------------|--------------|
| <b>The Board Members</b>  |              |              |
| Men   | 7            | 5            |
| Women   | 2            | 3            |
|   | <b>9</b>     | <b>8</b>     |
| <b>CEO and executive management</b>   |              |              |
| Men   | 6            | 6            |
| Women   | 2            | 2            |
|   | <b>8</b>     | <b>8</b>     |
| <b>Absence due to illness</b>   |              |              |
| <b>Parent Company</b>   | <b>2006</b>  | <b>2005</b>  |
| Leave of absence due to illness in relation to ordinary working hours specified according to age and sex: |              |              |
| 29 years and younger:   | 0.90%        | 0.41%        |
| 30–49 years:  | 2.30%        | 2.32%        |
| 50 years and older:   | 2.50%        | 2.01%        |
| <b>Total leave of absence due to illness in relation to ordinary working hours:</b>                       | <b>2.30%</b> | <b>2.06%</b> |
| <i>of which:</i>  |              |              |
| Men   | 18.84%       | 23.48%       |
| Women   | 81.16%       | 76.52%       |
| Portion of leave of absence due to illness for leave of absence of 60 consecutive days or more:           | 31.69%       | 49.08%       |

**NOTE 15****Remuneration and reimbursement paid to auditors**

| Group                                  | 2006         | 2005         |
|--|--------------|--------------|
| <b>Öhrlings PricewaterhouseCoopers</b> |              |              |
| Auditing assignments <sup>1)</sup>     | 4,965        | 3,086        |
| Other assignments                      | 1,008        | 669          |
|  | <b>5,973</b> | <b>3,755</b> |
| <b>Other auditor</b>                   |              |              |
| Auditing assignments                   | 223          | 299          |
| Other assignments                      | –            | 72           |
| <b>Parent Company</b>                  | <b>2006</b>  | <b>2005</b>  |
| <b>Öhrlings PricewaterhouseCoopers</b> |              |              |
| Auditing assignments <sup>1)</sup>     | 4,965        | 3,036        |
| Other assignments                      | 1,008        | 669          |
|  | <b>5,973</b> | <b>3,705</b> |

<sup>1)</sup> Includes audit and accounting services provided in connection with the stock exchange listing.

**NOTE 16****Costs according to type of cost**

| Group                         | 2006              | 2005              |
|-------------------------------|-------------------|-------------------|
| Raw materials and consumables | -36 250           | -2 214            |
| Other external costs          | -569 540          | -423 737          |
| Personel costs                | -466 420          | -525 671          |
| Depreciation and write-downs  | -74 539           | -84 933           |
| Other operating expenses      | -8 652            | -42 693           |
| <b>Total expenses</b>         | <b>-1 155 401</b> | <b>-1 079 248</b> |
| <b>Parent Company</b>         | <b>2006</b>       | <b>2005</b>       |
| Raw materials and consumables | -36 250           | -2 214            |
| Other external costs          | -531 505          | -497 972          |
| Personel costs                | -442 685          | -501 259          |
| Depreciation and write-downs  | -126 840          | -72 412           |
| Other operating expenses      | -5 407            | -36 182           |
| <b>Total expenses</b>         | <b>-1 142 687</b> | <b>-1 110 039</b> |

**NOTE 17****Financial income and similar items**

| Group  | 2006          | 2005          |
|--|---------------|---------------|
| Interest income, miscellaneous                       | 32,970        | 45,056        |
| Exchange rate gains/losses on short term receivables | -1,246        | 4,374         |
| Revaluation of shares in Synthonix                   | 7,805         | –             |
| Other  | 1,579         | –             |
|  | <b>41,108</b> | <b>49,430</b> |
| <b>Parent Company</b>                                | <b>2006</b>   | <b>2005</b>   |
| Interest income, miscellaneous                       | 32,778        | 44,603        |
| Exchange rate gains/losses on short term receivables | -1,243        | 4,374         |
| Revaluation of shares in Synthonix                   | 7,805         | –             |
| Other  | 1,579         | 1             |
|  | <b>40,919</b> | <b>48,978</b> |

**NOTE 18****Financial expenses and similar items**

| Group                            | 2006          | 2005          |
|----------------------------------|---------------|---------------|
| Interest expenses, miscellaneous | -262          | -228          |
| Financing expenses               | -973          | -1,260        |
| Other                            | -271          | -87           |
|                                  | <b>-1,506</b> | <b>-1,575</b> |
| <b>Parent Company</b>            | <b>2006</b>   | <b>2005</b>   |
| Interest expenses, miscellaneous | -252          | -199          |
| Financing expenses               | -973          | -1,260        |
| Other                            | -77           | -87           |
|                                  | <b>-1,302</b> | <b>-1,546</b> |

**NOTE 19****Exchange rate differences affecting profit/loss**

| Group   | 2006        | 2005        |
|---|-------------|-------------|
| Exchange rate differences affecting operating profit/loss | 1,899       | 2,863       |
| <b>Parent Company</b>                                     | <b>2006</b> | <b>2005</b> |
| Exchange rate differences affecting operating profit/loss | 1,899       | 2,872       |

**NOTE 20****Tax on profit/loss for the year**

| <b>Current tax expense (-)/ tax income (+)</b> |               |               |
|--|---------------|---------------|
| Group  | 2006          | 2005          |
| Tax expense for the year                       | -             | -1,000        |
| Adjustment of taxes related to earlier years   | -1,521        | -560          |
| <b>Total tax reported in the Group</b>         | <b>-1,521</b> | <b>-1,560</b> |

**Deferred tax income**

| Parent Company   | 2006          | 2005     |
|--|---------------|----------|
| Tax income for the year                                  | -             | -        |
| Adjustment of taxes related to earlier years             | -1,541        | -        |
| <b>Total reported tax expenses in the Parent Company</b> | <b>-1,541</b> | <b>-</b> |

**Reconciliation of actual tax**

| Group  | 2006          | 2005          |
|--|---------------|---------------|
| Pre-tax profit   | 94,189        | 177,781       |
| Tax on the basis of prevailing tax rate for Parent Company   | -26,373       | -49,779       |
| Other non-deductible expenses  | -2,549        | -2,143        |
| Non-taxable income   | 27            | 136,175       |
| Increase in loss carry-forward without corresponding capitalization of deferred tax                          | 27,373        | -85,483       |
| Decrease / increase in deductible temporary differences without corresponding capitalization of deferred tax | -             | -331          |
| <b>Reported actual tax</b>   | <b>-1,521</b> | <b>-1,560</b> |

| Parent Company  | 2006          | 2005     |
|---|---------------|----------|
| Pre-tax profit  | 42,995        | 223,627  |
| Tax on the basis of prevailing tax rate for Parent Company                          | -12,039       | -62,615  |
| Other non-deductible expenses   | -2,549        | -11,114  |
| Non-deductible loss on sale of shares in limited partnerships                       | -15,871       | -        |
| Non-taxable income  | 27            | 136,175  |
| Increase in loss carry-forward without corresponding capitalization of deferred tax | 28,891        | -62,446  |
| <b>Reported actual tax</b>  | <b>-1,541</b> | <b>0</b> |

Prevailing tax rate for the Parent Company is 28 % (28%).

**NOTE 21****Intangible fixed assets**

| Group                                     | Goodwill      | R&D in progress | Trademarks & licences | Software and other | IT-software in progress | Total          |
|---|---------------|-----------------|-----------------------|--------------------|-------------------------|----------------|
| <b>1 January – 31 December 2005</b>       |               |                 |                       |                    |                         |                |
| Opening net book amount                   | –             | –               | –                     | 5,416              | –                       | 5,416          |
| Acquisition of subsidiary                 | –             | 305,500         | 4,381                 | –                  | –                       | 309,881        |
| Additions                                 | –             | –               | 37,756                | –                  | 13,153                  | 50,909         |
| Disposals                                 | –             | –               | –                     | –                  | –                       | –              |
| Depreciation                              | –             | –               | -88                   | -3,421             | –                       | -3,509         |
| <b>Closing net book amount</b>            | <b>–</b>      | <b>305,500</b>  | <b>42,049</b>         | <b>1,995</b>       | <b>13,153</b>           | <b>362,697</b> |
| <b>At 31 December 2005</b>                |               |                 |                       |                    |                         |                |
| Cost                                      | –             | 305,500         | 42,137                | 10,262             | 13,153                  | 371,052        |
| Accumulated depreciation and amortization | –             | –               | -88                   | -8,267             | –                       | -8,355         |
| <b>Net book amount</b>                    | <b>–</b>      | <b>305,500</b>  | <b>42,049</b>         | <b>1,995</b>       | <b>13,153</b>           | <b>362,697</b> |
| <b>1 January – 31 December 2006</b>       |               |                 |                       |                    |                         |                |
| Opening net book amount                   | –             | 305,500         | 42,049                | 1,995              | 13,153                  | 362,697        |
| Reclassification                          | –             | –               | -9,438                | –                  | –                       | -9,438         |
| Start up of plant in progress             | –             | –               | –                     | 13,153             | -13,153                 | –              |
| Acquisition of subsidiary                 | 41,152        | –               | –                     | –                  | –                       | 41,152         |
| Additions                                 | –             | –               | 80,487                | 1,143              | 2,703                   | 84,333         |
| Disposals                                 | –             | –               | –                     | –                  | –                       | –              |
| Depreciation                              | –             | –               | -9,769                | -5,524             | –                       | -15,293        |
| Reclassification                          | –             | –               | 9,438                 | –                  | –                       | 9,438          |
| <b>Closing net book amount</b>            | <b>41,152</b> | <b>305,500</b>  | <b>112,767</b>        | <b>10,767</b>      | <b>2,703</b>            | <b>472,889</b> |
| <b>At 31 December 2006</b>                |               |                 |                       |                    |                         |                |
| Cost                                      | 41,152        | 305,500         | 113,186               | 24,558             | 2,703                   | 487,099        |
| Accumulated depreciation and amortization | –             | –               | -419                  | -13,791            | –                       | -14,210        |
| <b>Net book amount</b>                    | <b>41,152</b> | <b>305,500</b>  | <b>112,767</b>        | <b>10,767</b>      | <b>2,703</b>            | <b>472,889</b> |
| <b>Parent company</b>                     |               |                 |                       |                    |                         |                |
| <b>1 January – 31 December 2005</b>       |               |                 |                       |                    |                         |                |
| Opening net book amount                   | –             | –               | –                     | 5,416              | –                       | 5,416          |
| Exchange rate differences                 | –             | –               | –                     | –                  | –                       | –              |
| Acquisition of subsidiary                 | –             | –               | –                     | –                  | –                       | –              |
| Additions                                 | –             | –               | 37,756                | –                  | 13,153                  | 50,909         |
| Disposals                                 | –             | –               | –                     | –                  | –                       | –              |
| Depreciation                              | –             | –               | –                     | -3,421             | –                       | -3,421         |
| <b>Closing net book amount</b>            | <b>–</b>      | <b>–</b>        | <b>37,756</b>         | <b>1,995</b>       | <b>13,153</b>           | <b>52,904</b>  |
| <b>At 31 December 2005</b>                |               |                 |                       |                    |                         |                |
| Cost                                      | –             | –               | 37,756                | 10,262             | 13,153                  | 61,171         |
| Accumulated depreciation and amortization | –             | –               | –                     | -8,267             | –                       | -8,267         |
| <b>Net book amount</b>                    | <b>–</b>      | <b>–</b>        | <b>37,756</b>         | <b>1,995</b>       | <b>13,153</b>           | <b>52,904</b>  |
| <b>1 January – 31 December 2006</b>       |               |                 |                       |                    |                         |                |
| Opening net book amount                   | –             | –               | 37,756                | 1,995              | 13,153                  | 52,904         |
| Reclassification                          | –             | –               | -9,438                | –                  | –                       | -9,438         |
| Start up of plant in progress             | –             | –               | –                     | 13,153             | -13,153                 | –              |
| Additions                                 | –             | –               | 80,487                | 1,143              | 2,703                   | 84,333         |
| Disposals                                 | –             | –               | –                     | –                  | –                       | –              |
| Depreciation                              | –             | –               | -9,491                | -5,524             | –                       | -15,015        |
| Reclassification                          | –             | –               | 9,438                 | –                  | –                       | 9,438          |
| <b>Closing net book amount</b>            | <b>–</b>      | <b>–</b>        | <b>108,752</b>        | <b>10,767</b>      | <b>2,703</b>            | <b>122,222</b> |
| <b>At 31 December 2006</b>                |               |                 |                       |                    |                         |                |
| Cost                                      | –             | –               | 108,805               | 16,291             | 2,703                   | 127,799        |
| Accumulated depreciation and amortization | –             | –               | -53                   | -5,524             | –                       | -5,577         |
| <b>Net book amount</b>                    | <b>–</b>      | <b>–</b>        | <b>108,752</b>        | <b>10,767</b>      | <b>2,703</b>            | <b>122,222</b> |

**NOTE 21 Cont.****Testing for impairment of intangible fixed assets**

Testing for impairment of intangible fixed assets is carried out as needed and is done at least once a year. Impairment tests have been carried out for the Group's only segment consisting of business segments. A small portion of the Group's reported values relate to goodwill. Impairment tests are based on a calculation of future value in use. Assessments of the value of the Group's goodwill items and other intangible fixed assets are exclusively based on the cash-generating units' value in use. The value in use is based on cash flows that are expected to be generated over the remaining life of the unit. The future cash flows used in the calculation of the various units' value in use are based on a detailed review of the units. The forecast future cash flows are calculated at present value with a discount rate of 10 percent after tax.

The discount rate represents Biovitrum's estimated average cost of capital, i.e. the weighted sum of the required return on equity and the cost of capital raised externally through loans. Biovitrum has conducted a sensitivity analysis taking into account the fact that a very good margin exists between the recoverable amount and the carrying amount. There is therefore no need for the assets to be written down.

**Assumptions regarding the rate of return:**

**Risk free rate:** 10 year Governmental bond or comparable investment.

**Market risk premium:** 5 %.

**Beta value:** Biovitrum is considered to follow the general development on the market. The Beta value is therefore calculated as One.

**Cost of interest:** In accordance with Biovitrum's interest cost for loans.

**Tax rate:** In accordance with the tax rate for each country within the Group.

**Important variables**

Biovitrum is dependent on the success of its research and development projects. Biovitrum has conducted a review and estimated the future cash flow for each of the projects. The cash flow has then been adjusted for the projects probability of commercialization. This rate fluctuates depending on the phase of development for the projects.

**Analysis of sensitivity**

The impairment tests that have been conducted, and not proved any need for write down of goodwill and other intangible assets have been performed with such a margin, that the financial board appraise reasonable changes in single variables will not cause the useful value to fall below the book value. The financial board therefore appraise, that even with some kind of variation in the most important variables, there will not be any need for write downs.

**NOTE 22****Tangible fixed assets**

| Group                                     | Land and buildings | Plant and machinery | Equipment, tools, fixtures and fittings | Plant in progress | Total          |
|---|--------------------|---------------------|---|-------------------|----------------|
| <b>1 January – 31 December 2005</b>       |                    |                     |   |                   |                |
| Opening net book amount                   | 177,411            | 174,107             | 49,992                                  | 33,071            | 434,581        |
| Start-up of plant in progress             | –                  | –                   | –                                       | -17,980           | -17,980        |
| Acquisition of subsidiary                 | –                  | 5,632               | –                                       | –                 | 5,632          |
| Additions                                 | –                  | 48,547              | 32,597                                  | 59,110            | 140,254        |
| Disposals                                 | -172,228           | -2,514              | -5,820                                  | –                 | -180,562       |
| Depreciation                              | -5,183             | -59,682             | -16,459                                 | –                 | -81,324        |
| <b>Closing net book amount</b>            | <b>–</b>           | <b>166,090</b>      | <b>60,310</b>                           | <b>74,201</b>     | <b>300,601</b> |
| <b>At 31 December 2005</b>                |                    |                     |   |                   |                |
| Cost                                      | –                  | 746,104             | 136,288                                 | 74,201            | 956,593        |
| Accumulated depreciation and amortization | –                  | -580,014            | -75,978                                 | –                 | -655,992       |
| <b>Net book amount</b>                    | <b>–</b>           | <b>166,090</b>      | <b>60,310</b>                           | <b>74,201</b>     | <b>300,601</b> |
| <b>1 January – 31 December 2006</b>       |                    |                     |   |                   |                |
| Opening net book amount                   | –                  | 166,090             | 60,310                                  | 74,201            | 300,601        |
| Start-up of plant in progress             | –                  | 9,191               | 65,010                                  | -74,201           | –              |
| Acquisition of subsidiary                 | –                  | –                   | –                                       | –                 | –              |
| Additions                                 | –                  | 28,430              | 5,925                                   | 35,828            | 70,183         |
| Disposals                                 | –                  | -40,578             | -7,345                                  | –                 | -47,923        |
| Depreciation                              | –                  | -43,849             | -15,397                                 | –                 | -59,246        |
| Reclassification                          | –                  | -1,040              | -121                                    | –                 | -1,161         |
| <b>Closing net book amount</b>            | <b>–</b>           | <b>118,244</b>      | <b>108,382</b>                          | <b>35,828</b>     | <b>262,454</b> |
| <b>At 31 December 2006</b>                |                    |                     |   |                   |                |
| Cost                                      | –                  | 598,996             | 188,830                                 | 35,828            | 823,654        |
| Accumulated depreciation and amortization | –                  | -480,752            | -80,448                                 | –                 | -561,200       |
| <b>Net book amount</b>                    | <b>–</b>           | <b>118,244</b>      | <b>108,382</b>                          | <b>35,828</b>     | <b>262,454</b> |
| <b>Parent Company</b>                     |                    |                     |   |                   |                |
| <b>1 January – 31 December 2005</b>       |                    |                     |   |                   |                |
| Opening net book amount                   | –                  | 170,953             | 39,950                                  | 33,071            | 243,974        |
| Start-up of plant in progress             | –                  | –                   | –                                       | -17,980           | -17,980        |
| Acquisition of subsidiary                 | –                  | –                   | –                                       | –                 | –              |
| Additions                                 | –                  | 44,750              | 32,375                                  | 59,110            | 136,235        |
| Disposals                                 | –                  | –                   | -7                                      | –                 | -7             |
| Depreciation                              | –                  | -56,983             | -12,008                                 | –                 | -68,991        |
| <b>Closing net book amount</b>            | <b>–</b>           | <b>158,720</b>      | <b>60,310</b>                           | <b>74,201</b>     | <b>293,231</b> |
| <b>At 31 December 2005</b>                |                    |                     |   |                   |                |
| Cost                                      | –                  | 736,675             | 136,288                                 | 74,201            | 947,164        |
| Accumulated depreciation and amortization | –                  | -577,955            | -75,978                                 | –                 | -653,933       |
| <b>Net book amount</b>                    | <b>–</b>           | <b>158,720</b>      | <b>60,310</b>                           | <b>74,201</b>     | <b>293,231</b> |
| <b>1 January – 31 December 2006</b>       |                    |                     |   |                   |                |
| Opening net book amount                   | –                  | 158,720             | 60,310                                  | 74,201            | 293,231        |
| Start-up of plant in progress             | –                  | 9,191               | 65,010                                  | -74,201           | –              |
| Additions                                 | –                  | 24,223              | 5,925                                   | 35,828            | 65,976         |
| Disposals                                 | –                  | -40,341             | -7,527                                  | –                 | -47,868        |
| Depreciation                              | –                  | -39,924             | -15,215                                 | –                 | -55,139        |
| Reclassification                          | –                  | -1,040              | -121                                    | –                 | -1,161         |
| <b>Closing net book amount</b>            | <b>–</b>           | <b>110,829</b>      | <b>108,382</b>                          | <b>35,828</b>     | <b>255,039</b> |
| <b>At 31 December 2006</b>                |                    |                     |   |                   |                |
| Cost                                      | –                  | 585,362             | 188,830                                 | 35,828            | 810,020        |
| Accumulated depreciation and amortization | –                  | -474,533            | -80,448                                 | –                 | -554,981       |
| <b>Net book amount</b>                    | <b>–</b>           | <b>110,829</b>      | <b>108,382</b>                          | <b>35,828</b>     | <b>255,039</b> |

**NOTE 23****Participation in Group companies**

|   | 2006            | 2005           |
|---|-----------------|----------------|
| <b>Accumulated acquisition values</b>           |                 |                |
| Accumulated acquisition values, opening balance | 809,812         | 488,563        |
| Acquisitions                                    | 41,152          | 294,015        |
| Shareholders' contribution                      | 26,031          | –              |
| Divestment of participation in Group Companies  | -100            | –              |
| Participation in limited partnerships           | -3,106          | 27,234         |
|   | <b>873,789</b>  | <b>809,812</b> |
| <b>Accumulated write-down</b>                   |                 |                |
| Opening balance                                 | -67,005         | -34,820        |
| This years write-down                           | -53,578         | -32,185        |
|   | <b>-120,583</b> | <b>-67,005</b> |
| <b>Book value end of period</b>                 | <b>753,206</b>  | <b>742,807</b> |

**Specification of Parent Company and Group's holdings in Group companies**

| Subsidiary / Corp Identity No / Domicile                 | No of shares | Share in % <sup>1)</sup> | Book value     |
|--|--------------|--------------------------|----------------|
| Biovitrum Treasury AB, 556616-7317, Stockholm            | 1,000        | 100.0                    | 100            |
| Paradiset B.V., 34209249, Amsterdam, Holland             | 180          | 100.0                    | 164            |
| Fastighetsaktiebolaget Paradiset, 556149-2611, Stockholm | 900          | 90.0                     | 90             |
| Hornet Fastighetsbolag KB, 916613-5534, Stockholm        | 1            | 1.0                      | –              |
| Fastighetsbolaget Paradiset KB, 916400-9350, Stockholm   | 1            | 1.0                      | –              |
| Hornet Fastighetsbolag KB, 916613-5534, Stockholm        | 1            | 99.0                     | 381,448        |
| Fastighetsbolaget Paradiset KB, 916400-9350, Stockholm   | 1            | 99.0                     | 36,137         |
| Nya Paradiset 19 AB, 556603-1943, Stockholm              | 1,000        | 100.0                    | 100            |
| Fastighetsaktiebolaget Paradiset, 556149-2611, Stockholm | 100          | 10.0                     | –              |
| Cambridge Biotechnology Limited, 4221335, Cambridge, UK  | 1,000        | 100.0                    | 168,460        |
| Arexis AB, 556573-5130, Gothenburg                       | 1,000        | 100.0                    | 166,607        |
| Arexis Inflamm AB, 556584-4676, Gothenburg               | 1,000        | 100.0                    | 100            |
|  |              |                          | <b>753,206</b> |

<sup>1)</sup> Refers to the percentage of capital holding, which is equal to the percentage of voting rights.

**NOTE 24****Financial Fixed Assets**

| Group                                 | 2006          | 2005         |
|---------------------------------------|---------------|--------------|
| <b>Accumulated acquisition values</b> |               |              |
| Opening balance                       | 2,066         | 12,678       |
| Acquisition                           | 15,451        | –            |
| Change in pension commitment          | 4,874         | -10,612      |
| Revaluation of holdings in Synthonix  | 7,806         | –            |
| Capital contribution                  | 303           | –            |
| <b>Accumulated acquisition values</b> | <b>30,500</b> | <b>2,066</b> |
| <b>Book value at end of period</b>    | <b>30,500</b> | <b>2,066</b> |
| <b>Parent Company</b>                 | <b>2006</b>   | <b>2005</b>  |
| <b>Accumulated acquisition values</b> |               |              |
| Opening balance                       | –             | –            |
| Acquisition                           | 15,451        | –            |
| Revaluation of holdings in Synthonix  | 7,806         | –            |
| Capital contribution                  | 303           | –            |
| <b>Accumulated acquisition values</b> | <b>23,560</b> | <b>–</b>     |
| <b>Book value at end of period</b>    | <b>23,560</b> | <b>–</b>     |

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**NOTE 25****Deferred tax receivables and liabilities****Accounted deferred tax receivables and liabilities**

| Group 2006                         | Deferred tax receivable | Deferred tax liability | Net            |
|------------------------------------|-------------------------|------------------------|----------------|
| Acquired R&D                       | -                       | -85,500                | -85,500        |
| Deferred pension expense           | -                       | -578                   | -578           |
| Other                              | 12,378                  | -                      | 12,378         |
| <b>Loss carry-forward</b>          | <b>12,378</b>           | <b>-86,078</b>         | <b>-73,700</b> |
| Offsetting                         | -578                    | 578                    | -              |
| <b>Net deferred tax receivable</b> | <b>11,800</b>           | <b>-85,500</b>         | <b>-73,700</b> |

| Group 2005                         | Deferred tax receivable | Deferred tax liability | Net            |
|------------------------------------|-------------------------|------------------------|----------------|
| Acquired R&D                       | -                       | -85,500                | -85,500        |
| Deferred pension expense           | -                       | -578                   | -578           |
| Loss carry-forward                 | 12,378                  | -                      | 12,378         |
| <b>Loss carry-forward</b>          | <b>12,378</b>           | <b>-86,078</b>         | <b>-73,700</b> |
| Offsetting                         | -578                    | 578                    | -              |
| <b>Net deferred tax receivable</b> | <b>11,800</b>           | <b>-85,500</b>         | <b>-73,700</b> |

There are no deferred tax receivables or liabilities in the parent company.

**Non accounted deferred tax receivables**

| Group                            | 2006-12-31     | 2005-12-31     |
|----------------------------------|----------------|----------------|
| Deductable temporary differences | -              | -              |
| Deficit for tax purposes         | 171,227        | 221,114        |
|                                  | <b>171,227</b> | <b>221,114</b> |

| Parent Company                   | 2006-12-31     | 2005-12-31     |
|----------------------------------|----------------|----------------|
| Deductable temporary differences | -              | -              |
| Deficit for tax purposes         | 109,204        | 144,940        |
|                                  | <b>109,204</b> | <b>144,940</b> |

The loss carry-forwards for tax purposes refers to the Parent Company. According to current tax legislation, this deficit can be carried forward indefinitely. Deferred tax receivables will be reported for the above items when it is deemed likely that the Group will be able to utilize the amounts to offset future taxable profits.

**Change in deferred tax in temporary differences and loss carry-forward**

| Group 2006                        | Amount Jan 1   | Reported in income statement | Acquired R&D | Other changes reported against equity | Amount Dec 31  |
|-----------------------------------|----------------|------------------------------|--------------|---------------------------------------|----------------|
| Acquired R&D                      | -85,500        | -                            | -            | -                                     | -85,500        |
| Deferred pension expense          | -578           | -                            | -            | -                                     | -578           |
| Utilization of loss carry-forward | 12,378         | -                            | -            | -                                     | 12,378         |
|                                   | <b>-73,700</b> | <b>-</b>                     | <b>-</b>     | <b>-</b>                              | <b>-73,700</b> |

| Group 2005                        | Amount Jan 1 | Reported in income statement | Acquired R&D   | Other changes reported against equity | Amount Dec 31  |
|-----------------------------------|--------------|------------------------------|----------------|---------------------------------------|----------------|
| Acquired R&D                      | -            | -                            | -85,500        | -                                     | -85,500        |
| Deferred pension expense          | -4,599       | 4,021                        | -              | -                                     | -578           |
| Utilization of loss carry-forward | 4,599        | -4,021                       | 11,800         | -                                     | 12,378         |
|                                   | <b>-</b>     | <b>-</b>                     | <b>-73,700</b> | <b>-</b>                              | <b>-73,700</b> |

**NOTE 26****Inventories**

| Group                                  | 2006           | 2005           |
|--|----------------|----------------|
| Raw materials and consumables          | 12,211         | 9,574          |
| Work-in-progress                       | 30,981         | 52,857         |
| Finished products and goods for resale | 117,960        | 63,886         |
|  | <b>161,152</b> | <b>126,317</b> |

| Parent Company                         | 2006           | 2005           |
|--|----------------|----------------|
| Raw materials and consumables          | 12,211         | 9,574          |
| Work-in-progress                       | 30,981         | 52,857         |
| Finished products and goods for resale | 117,960        | 63,886         |
|  | <b>161,152</b> | <b>126,317</b> |

The expenditure for the inventories that was carried as an expense is included in cost of goods sold amounts to SEK 197,193 thousands (98,296).

The parent company reversed SEK 4,629 thousands ( 6,082) due to a reservation of the inventories done in 2005.

Obsolescence: SEK 18,835 thousands (4,629).

**NOTE 27****Accounts receivable and Other receivables**

| Group  | 2006          | 2005          |
|--|---------------|---------------|
| Accounts receivable                            | 54,377        | 84,298        |
| Minus: reservations for decrease in receivable | -             | -             |
| Accounts receivable - net                      | <b>54,377</b> | <b>84,298</b> |

|  |                |                |
|--|----------------|----------------|
| Tax receivables  | 17,496         | 23,069         |
| Other receivables                                      | 31,321         | 54,901         |
| <b>Total other receivables</b>                         | <b>48,817</b>  | <b>77,970</b>  |
| <b>Total accounts receivable and other receivables</b> | <b>103,194</b> | <b>162,268</b> |

| Parent Company                                 | 2006          | 2005          |
|--|---------------|---------------|
| Accounts receivable                            | 54,377        | 81,959        |
| Minus: reservations for decrease in receivable | -             | -             |
| Accounts receivable - net                      | <b>54,377</b> | <b>81,959</b> |

|  |                |                |
|--|----------------|----------------|
| Tax receivables  | 16,840         | 16,840         |
| Other receivables                                      | 31,165         | 54,527         |
| <b>Total other receivables</b>                         | <b>48,005</b>  | <b>71,367</b>  |
| <b>Total accounts receivable and other receivables</b> | <b>102,382</b> | <b>153,326</b> |

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customer, internationally dispersed. There has been no write-down with impact on the income statement.

**NOTE 28****Prepaid expenses and accrued revenues**

| Group                                 | 2006           | 2005           |
|---------------------------------------|----------------|----------------|
| Accrued royalty revenues              | 41,671         | 38,949         |
| Accrued product sales revenues        | 32,260         | 27,838         |
| Accrued contract development revenues | 5,135          | 9,732          |
| Accrued interest income               | 9,528          | 5,685          |
| Accrued research contribution         | 3,265          | 2,881          |
| Prepaid leasing expenses              | 2,323          | –              |
| Prepaid rents                         | 20,699         | 16,809         |
| Prepaid insurance expenses            | 3,542          | 3,184          |
| Prepaid IT Software & Licenses        | 7,209          | 3,007          |
| Contribution received                 | –              | 2,040          |
| Other items                           | 6,182          | 30,963         |
|                                       | <b>131,814</b> | <b>141,088</b> |

| Parent Company                        | 2006           | 2005           |
|---------------------------------------|----------------|----------------|
| Accrued royalty revenues              | 41,671         | 38,949         |
| Accrued product sales revenues        | 32,260         | 27,838         |
| Accrued contract development revenues | 5,135          | 9,732          |
| Accrued interest income               | 9,528          | 5,685          |
| Accrued research contribution         | 3,265          | –              |
| Prepaid leasing expenses              | 2,259          | –              |
| Prepaid rents                         | 18,898         | 15,409         |
| Prepaid insurance expenses            | 3,542          | 3,184          |
| Prepaid IT Software & Licenses        | 7,209          | 3,007          |
| Contribution received                 | –              | 2,040          |
| Other items                           | 739            | 11,501         |
|                                       | <b>124,506</b> | <b>117,345</b> |

**NOTE 29****Current assets**

There are no receivables maturing later than 1 year from balance sheet date.

**NOTE 30****Short-term investments and Liquid funds****Specification of security**

| Group                         | 2006                       |                | 2005                       |                  |
|-------------------------------|----------------------------|----------------|----------------------------|------------------|
|                               | Listed value or equivalent | Book value     | Listed value or equivalent | Book value       |
| <b>Short-term investments</b> |                            |                |                            |                  |
| Discount securities           | 144,116                    | 144,116        | 258,503                    | 258,503          |
| Coupon securities             | 363,129                    | 363,129        | 203,741                    | 203,741          |
| Structured bonds              | 19,965                     | 19,965         | 100,445                    | 100,445          |
|                               | <b>527,210</b>             | <b>527,210</b> | <b>562,689</b>             | <b>562,689</b>   |
| <b>Liquid funds</b>           |                            |                |                            |                  |
| Interest rate funds           | 249,477                    | 249,477        | 821,917                    | 821,917          |
| Cash and Bank                 | 127,165                    | 127,165        | 236,692                    | 236,692          |
|                               | <b>376,642</b>             | <b>376,642</b> | <b>1,058,609</b>           | <b>1,058,609</b> |

| Parent Company                | 2006                       |                | 2005                       |                  |
|-------------------------------|----------------------------|----------------|----------------------------|------------------|
|                               | Listed value or equivalent | Book value     | Listed value or equivalent | Book value       |
| <b>Short-term investments</b> |                            |                |                            |                  |
| Discount securities           | 144,116                    | 144,116        | 258,503                    | 258,503          |
| Coupon securities             | 363,129                    | 363,129        | 203,741                    | 203,741          |
| Structured bonds              | 19,965                     | 19,965         | 100,445                    | 100,445          |
|                               | <b>527,210</b>             | <b>527,210</b> | <b>562,689</b>             | <b>562,689</b>   |
| <b>Liquid funds</b>           |                            |                |                            |                  |
| Interest rate funds           | 249,477                    | 249,477        | 821,917                    | 821,917          |
| Cash and Bank                 | 121,103                    | 121,103        | 219,820                    | 219,820          |
|                               | <b>370,580</b>             | <b>370,580</b> | <b>1,041,737</b>           | <b>1,041,737</b> |

Effective rate on short-term investments has been 1.81% (2.07). These investments have an average maturity date of 40 (30) days.

**NOTE 31****Employee benefits (pension commitments)**

The pension commitments are calculated annually on the closing day, based on actuarial calculations. The figures below do not include a special payroll tax of 24.26 percent of reported assets in accordance with URA 43 (Swedish Financial Accounting Standards Council's Emerging Issues Task Force statement No. 43). Pension costs are reported under the items: selling expenses, administration expenses and research and development expenses.

**Pension benefits**

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are insured through Alecta. According to statement URA 42 issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, these are defined benefit plans covering multiple employers. For the 2006 financial year, the company did not have access to the information necessary to be able to report this plan as a defined benefit plan. The ITP pension plan insured through Alecta is therefore reported as a defined contribution plan. The cost for the year of pension insurance through Alecta amounted to SEK 18,054 thousands (18,345). Alecta's surplus is distributable among the policy holders and/or the insured parties. At the end of 2006 Alecta's surplus in the form of the collective consolidation level amounted to SEK 143.1 percent (128.5). The collective consolidation level consists of the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

**Change in benefit obligation during the year:**

|  | 2006          | 2005          |
|--|---------------|---------------|
| <b>Benefit obligation at start of year</b> | <b>67,040</b> | <b>48,637</b> |
| Service cost                               | 14,239        | 15,174        |
| Interest cost                              | 2,482         | 2,431         |
| Actuarial (gain) / loss                    | 12,283        | 11,904        |
| Benefits paid                              | -14,257       | -11,106       |
| Special termination benefits               | 5,367         | -             |
| <b>Benefit obligation at end of year</b>   | <b>87,154</b> | <b>67,040</b> |

**Change in Fair Value of Plan assets:**

|   | 2006          | 2005          |
|---|---------------|---------------|
| <b>Fair value of plan assets at start of year</b> | <b>52,985</b> | <b>59,723</b> |
| Return on assets                                  | 2,243         | 3,446         |
| Actuarial gain / (loss)                           | 3,139         | -1,695        |
| Contributions                                     | 20,057        | 17,979        |
| Benefits paid                                     | -8,890        | -11,106       |
| Remuneration                                      | -             | -15,362       |
| <b>Fair value of plan assets at end of year</b>   | <b>69,534</b> | <b>52,985</b> |

**The amounts recognized in the financial statement were determined as follows:**

|                              | 2006          | 2005          |
|------------------------------|---------------|---------------|
| Service cost                 | 14,239        | 15,174        |
| Interest cost                | 2,482         | 2,431         |
| Return on assets             | -2,243        | -3,446        |
| Actuarial gains and losses   | 705           | 14            |
| Special termination benefits | 5,367         | 0             |
| <b>Total</b>                 | <b>20,550</b> | <b>14,173</b> |

**Actuarial assumptions on the balance sheet date:**

|                                | 2006  | 2005  |
|--------------------------------|-------|-------|
| Discount rate                  | 3.75% | 3.75% |
| Future salary increases        | 3.00% | 3.00% |
| Future pension increases       | 2.00% | 2.00% |
| Expected                       | 2.50% | 2.50% |
| Expected return on plan assets | 3.75% | 3.75% |

**The amounts recognized in the balance sheet were determined as follows:**

|   | 2006         | 2005         |
|---|--------------|--------------|
| Fair value of plan assets                   | 69,534       | 52,985       |
| Present value of defined benefit obligation | -87,154      | -67,040      |
| Deficit/(surplus)                           | -17,620      | -14,055      |
| Unrecognized actuarial losses               | 24,157       | 15,718       |
| <b>Net asset value</b>                      | <b>6,537</b> | <b>1,663</b> |

**Specification of changes in net assets reported in the balance sheet**

|   | 2006         | 2005         |
|---|--------------|--------------|
| Net asset/liability at beginning of year according to adopted balance sheet | 1,663        | 13,219       |
| Net pension expense   | -20,550      | -14,173      |
| Employer contribution   | 20,057       | 17,979       |
| Remunerations   | -8,890       | -26,468      |
| Pension payments  | 14,257       | 11,106       |
| <b>Net asset at end of year</b>   | <b>6,537</b> | <b>1,663</b> |

The actual return on plan assets was SEK 5,382 thousands (1,751).

**Allocation of asset type**

|                             | 2006-12-31    |             | 2005-12-31    |             |
|-----------------------------|---------------|-------------|---------------|-------------|
| Shares                      | 5,105         | 7%          | 4,706         | 9%          |
| Bonds                       | 6,075         | 9%          | 4,459         | 9%          |
| Other                       | 2,204         | 3%          | 1,273         | 2%          |
| Insurance company provision | 56,150        | 81%         | 42,547        | 80%         |
| <b>Total</b>                | <b>69,534</b> | <b>100%</b> | <b>52,985</b> | <b>100%</b> |

**Other information**

The anticipated return on plan assets is established by taking into account the anticipated return on the assets that are covered by the investment policy in question. The anticipated return on investments with fixed interest is based on the return received if these securities are held to maturity. The anticipated return on equities and properties is based on the long-term return in the respective market. Contributions made to plans for remuneration after terminated employment are expected to amount to SEK 19,703 thousands for the 2007 financial year.

| End of year                                 | 2006           | 2005           |
|---|----------------|----------------|
| Present value of defined benefit obligation | -87,154        | -67,040        |
| Fair value of plan assets                   | 69,534         | 52,985         |
| <b>Deficit/(surplus)</b>                    | <b>-17,620</b> | <b>-14,055</b> |
| Experience adjustments on plan liabilities  | 12,283         | 3,338          |
| Experience adjustments on plan assets       | -3,139         | 1,695          |
| <b>Total</b>                                | <b>9,144</b>   | <b>5,033</b>   |

**NOTE 32**  
**Provisions****Provisions**

|                        | Group         |               | Parent company |               |
|------------------------|---------------|---------------|----------------|---------------|
|                        | 2006-12-31    | 2005-12-31    | 2006-12-31     | 2005-12-31    |
| Opening balance        | 93,111        | 34,172        | 82,213         | 34,172        |
| Costs incurred         | -76,422       | -25,168       | -74,244        | -25,168       |
| Allocation this year   | -             | 84,107        | -              | 73,209        |
| <b>Closing balance</b> | <b>16,689</b> | <b>93,111</b> | <b>7,969</b>   | <b>82,213</b> |

Other provisions relate to restructuring cost for rent and personnel.

|                         | Group         |               | Parent company |               |
|-------------------------|---------------|---------------|----------------|---------------|
|                         | 2006-12-31    | 2005-12-31    | 2006-12-31     | 2005-12-31    |
| Long term               | 6,128         | 14,774        | -              | 6,053         |
| Short term              | 10,561        | 78,337        | 7,969          | 76,160        |
| <b>Total provisions</b> | <b>16,689</b> | <b>93,111</b> | <b>7,969</b>   | <b>82,213</b> |

**NOTE 33**  
**Other liabilities, long-term**

| Group               | 2006           | 2005           |
|---------------------|----------------|----------------|
| Licence sales Amgen | 132,466        | 309,086        |
|                     | <b>132,466</b> | <b>309,086</b> |
| Parent company      | 2006           | 2005           |
| Licence sales Amgen | 132,466        | 309,086        |
|                     | <b>132,466</b> | <b>309,086</b> |

**NOTE 34**  
**Accrued expenses and deferred revenues**

| Group   | 2006           | 2005           |
|---|----------------|----------------|
| Provision for vacation pay and bonus incl social security contributions | 59,667         | 58,528         |
| Accrued social security contributions                                   | 24,886         | 27,713         |
| Accrued expenses  | 18,400         | -              |
| Restructuring reserve Hornet  | 10,537         | 36,573         |
| Licence agreements Amgen  | 176,621        | 176,621        |
| Prepaid revenues  | 2,194          | 45,671         |
| Other items   | 2,218          | 52,430         |
|   | <b>294,523</b> | <b>397,536</b> |

| Parent Company  | 2006           | 2005           |
|---|----------------|----------------|
| Provision for vacation pay and bonus incl social security contributions | 59,667         | 58,528         |
| Accrued social security contributions                                   | 24,886         | 27,713         |
| Accrued expenses  | 78,282         | 47,285         |
| Restructuring reserve Hornet  | 10,537         | 31,090         |
| Licence agreements Amgen  | 176,621        | 176,621        |
| Prepaid revenues  | 2,194          | 45,671         |
| Other items   | 2,218          | 31,823         |
|   | <b>354,405</b> | <b>418,731</b> |

**NOTE 35**  
**Contingent liabilities**

| Parent company         | 2006   | 2005   |
|------------------------|--------|--------|
| Bank guarantee         | 36,500 | -      |
| Contingent liabilities | 3,891  | 56,250 |

**NOTE 36**  
**Risk****Risk and risk management**

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

**Financial risk and policies**

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

**Liquidity risk**

The liquidity risk is the risk that the Group will not secure sufficient financing or that the cost of financing will increase significantly. Biovitrum's investment policy aims to reduce the Group's external borrowing as far as possible by coordinating the management of surplus liquidity within the Group. Investments should only be made in instruments with low credit risk and a high level of liquidity. A high level of liquidity means that the investments can be converted into liquid funds at any given time.

**Currency risk****Transaction exposure**

A minor portion of Biovitrum's sales are in currencies other than the transaction currency, SEK. Transaction exposure also arises when imported goods are paid for in foreign currencies. To minimize the effects of exchange rate fluctuation, Biovitrum hedges net flows by means of currency forward contracts and currency options. In 2006 all hedging was in the form of currency forward contracts in USD.

**Translation exposure**

The Group's results are affected by exchange rate fluctuation when the foreign subsidiaries' results are translated into SEK. Since the foreign subsidiaries only make up a minor portion of the Group's operations, this risk is not normally hedged.

The Group's shareholders' equity is affected by exchange rate fluctuation when the foreign subsidiaries' assets and liabilities are translated to SEK. Hedging of this exposure is assessed from case to case and there are currently no hedges in place.

**Interest risk**

Biovitrum's financial management policy is to limit the short-term effects on the Group's results and cash flow due to changes and movement on the financial markets. Interest risk consists partly of changes in fair value (price risk) and partly changes in cash flow (cash-flow risk). Fixing interest rates mainly affects cash flow risk. The duration of fixed interest rates for the Group's assets and liabilities is usually short. The Board may decide to extend the duration of fixed-interest rates in order to limit the impact of increased interest rates.

**Credit risk**

Biovitrum's financial transactions give rise to credit risk relating to financial counterparties. The risk of a counterparty not fulfilling its obligations is limited partly by the Group choosing counterparties with a good credit rating and partly by limiting the size of the counterparties' obligations.

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**NOTE 37****Transactions with associated parties**

The Annual General Meeting on March 31, 2006 resolved to redeem shares held by Pfizer equivalent to 19 percent of Biovitrum's share capital. This involved a total of 4,514,400 shares for a price of SEK 378.9 M. When Pfizer sold Biovitrum in 2001, it was agreed that the other shareholders would acquire Pfizer shares for a predetermined price. Due to Biovitrum's strong financial position, this agreement was renegotiated in December 2005, which instead resulted in the Pfizer shares being redeemed by Biovitrum. The shares were redeemed and liquidated, at the same time as a bonus issue was implemented involving 2,405,700 shares. On April 18, 2006 Pfizer was paid for its portion of the Biovitrum shares.

On September 25, 2006, Biovitrum entered into a development agreement with the biotech company Synphora. Under the agreement, Biovitrum will co-finance Synphora's studies up to a maximum of SEK 5 M. SEK 2 M of this amount was paid in October 2006. Toni Weitzberg is a member of Biovitrum's Board of Directors and Chairman of the Board of Synphora AB.

**NOTE 38****Significant Events following the year end**

In January 2007 Biogen-Idec Inc. announced that it had entered into an agreement to acquire Biovitrum's partner Syntonix Pharmaceuticals Inc. The total purchase price is USD 120 M, of which USD 40 M is the initial payment and the remaining USD 80 M will be paid when certain milestones have been reached. The acquisition means that Biogen-Idec Inc. will become Biovitrum's partner for the FIXFc project, which will strengthen the long-term financing of this partnership.

The decision to close the research unit in Gothenburg as described in the Reorganization section, was taken in January 2007, referring to page 5.

The phase IIa study of JB991 for psoriasis described in the Research & development section started in February 2007, referring to page 6.

The phase I study of Symphogen's anti-Rhesus D factor described in the Research and Development section started in March 2007, referring to page 5.

The Income Statements and Balance Sheets will be presented for adoption at the Annual General Meeting on 3rd May, 2007.

Stockholm 27th March, 2007

Håkan Åström  
*Chairman*

Michael Steinmetz

Toni Weitzberg

Håkan Björklund

Hans Wigzell

Wenche Rolfsen

Anders Hultin

Catarina Larsson  
*Employee Representative*

Bo-Gunnar Rosenbrand  
*Employee Representative*

Mats Pettersson  
*CEO*

Our audit report was submitted on 30th March, 2007

PricewaterhouseCoopers AB

Peter Bladh  
*Authorised Public Accountant*

# Members of the Board



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## 1. Håkan Åström, Chairman

Born in 1947. M.Sc. in Business Administration and Economics. MDhc., Sahlgrenska Academy, Gothenburg University 2003. Board member of Biovitrum since 2001, Chairman since 2004. Board member of Karolinska Institutet, Biolipox AB (Chairman), Ferrosan AS (Chairman), Orexo AB (Chairman), Sanos AS (Chairman) and Topotarget (Chairman). Former CEO of Kabi Pharmacia and Former Senior Vice President of Pharmacia Corporation.

Holdings: 50,000 shares, 0 options

## 2. Håkan Björklund

Born in 1956. Ph.D. Board member of Biovitrum since 2001. CEO, Nycomed Holding A/S. Board member of Atos Medical, Coloplast A/S and Danisco A/S.

Holdings: 15,800 shares, 0 options

## 3. Anders Hultin

Born 1956. B.Sc. in Economics and Business Administration. Partner, Nordic Capital. Board member since 2006. Board member of Plastal AB and Tradimus AB. Earlier: Head of Nordic Corporate Finance, Carnegie

Holdings: 0 shares, 0 options

## 4. Wenche Rolfsen

Born in 1952. Ph.D. Associate professor Pharmaceutical Faculty, Uppsala University. Board Member of Biovitrum since 2004. Managing Director of Quintiles Sweden AB. Board member of Uppsala University Holding Company AB.

Holdings: 20,400 shares, 0 options

## 5. Michael Steinmetz

Born in 1947. Ph.D. Board member of Biovitrum since 2001. Managing Director, Clarus Ventures. General Partner, MPM Capital Funds Bio Ventures I, II and III. Board member of BioXell, CGI Pharmaceuticals, ESBATech, ISB Accelerator (Chairman), MacroGenics, TaiGen and VLT. Representative of MPM Capital.

Holdings: 0 shares, 0 options

## 6. Toni Weitzberg

Born in 1950. M.Sc. in Business Administration and Economics. Board member of Biovitrum since 2001, Chairman 2001–2004. Partner, Nordic Capital. Board member of Atos AB (Chairman), Nycomed A/S (Chairman), Synphora AB and Permobil AB. Representative of Nordic Capital.

Holdings: 0 shares, 0 options

## 7. Hans Wigzell

Born in 1938. MD, Ph.D. Professor of Immunology. Board member since 2004. Chairman of Biovitrum Scientific Advisory Board since 2001. Chief Scientific Advisor to the Swedish government since 1999. Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences. President of Karolinska Institute 1995–2003. Board member of the Karolinska Institute Holding AB (Chairman), Karolinska Development I and II AB (Chairman), Karolinska University Hospital and RaySearch AB.

Holdings: 60,000 shares, 0 options

## Union representatives:

### 8. Catarina Larsson

Born in 1952. Laboratory engineer. Board member since 2001. Representative of Federation of Salaried Employees in Industry and Services.

Holdings: 200 shares, 0 options

### 9. Bo Gunnar Rosenbrand

Born in 1963. Laboratory engineer. Board member since 2001. Representative of Federation of Salaried Employees in Industry and Services.

Holdings: 350 shares, 0 options

## Deputies for the union representatives:

### Magnus Cernerud

Born in 1970. M.Sc. in Chemical Engineering and Ph.D in Organic Chemistry. Deputy board member since 2006. Representative of Federation of Salaried Employees in Industry and Services.

Holdings: 400 shares, 0 options

### Urban Freij

Born in 1966. QA Manager. Representative of Federation of Salaried Employees in Industry and Services.

Holdings: 300 shares, 0 options

# Audit Report

To the annual meeting of the shareholders of **Biovitrum AB**  
Corporate identity number 556038-9321

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Biovitrum AB for the year 2006. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether

any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 30 March 2007

PricewaterhouseCoopers AB

Peter Bladh

Authorized Public Accountant



Biovitrum AB  
SE-112 76 Stockholm, Sweden  
Visiting address: Berzelius väg 8  
Telephone: +46-8-697 20 00  
Fax: +46-8-697 23 30  
e-mail: [info@biovitrum.com](mailto:info@biovitrum.com)  
[www.biovitrum.com](http://www.biovitrum.com)