



Corporate Governance Report 2010

Swedish Orphan Biovitrum AB (publ), referred below to as "Swedish Orphan Biovitrum," is a Swedish public limited liability company with registered office in Stockholm, listed on the NASDAQ OMX Stockholm AB. In addition to the rules laid down by law or regulation, the company applies Swedish Code of Corporate Governance. The company does not deviate from the code. This corporate governance report refers to the 2010 financial year. This report comprises a part of the formal Annual Report and has been reviewed by the company's auditors.

Swedish Orphan Biovitrum's Articles of Association and more information as to how Swedish Orphan Biovitrum is managed are available at www.sobi.com under the heading: Om oss/About us

Annual General Meeting

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

Annual General Meeting 2010

At the Annual General Meeting April 27, 2010, the following directors were elected until the Annual General Meeting 2011: Bo Jesper Hansen, who was also elected to serve as Chairman, Hans Glemstedt, Adine Grate Axén, Lennart Johansson, Wenche Rolfsen, Michael Steinmetz and Hans Wigzell. The

Meeting also passed resolutions regarding among other things fees for the Chairman and for directors elected at the Annual General Meeting, see page 45, Board remuneration.

The Meeting also adopted a resolution on a new performance-based, long-term share program 2010 as well as a decision on a directed issue of series C shares. Finally, the Board was authorized to repurchase the issued series C shares. All resolutions were unanimously adopted.

The minutes from the 2010 Annual General Meeting are available on the company's website, www.sobi.com.

Shareholders, share capital, the share and voting rights

At year-end, Swedish Orphan Biovitrum had a total of 8,661 shareholders. At that time Investor AB held 40.2 percent of capital and 40.5 percent of votes and the 15 largest shareholders together accounted for 78.5 percent of capital and 79.2 percent of the votes. No shareholder other than Investor AB has a direct or indirect shareholding in the company that represents at least one tenth of the voting rights for all shares in the company. The company's Articles of Association contain no restrictions on how many votes each shareholder may cast at a general meeting.

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

At present, the Board intends to use any future profits for Swedish Orphan Biovitrum to finance the continued development and expansion of operations, for which reason the Board does not intend to propose any dividend within the foreseeable future.

For more information about the company's share capital, see page 40, Share capital.

Nomination Committee

The Nomination Committee's duties include making recommendations to the Annual General Meeting regarding the Chairman of the General Meeting, the number of directors elected by General Meetings, the Chairman of the Board of Directors and other directors; making recommendations to the Annual General Meeting concerning compensation to the Chairman and other directors, and concerning potential compensation for committee assignments; and, whenever applicable, making recommendations for auditors, alternate auditors, and auditors' fees.

In accordance with the criteria stipulated by the Annual General Meeting held April 27, 2010, the Nomination Committee shall consist of four persons, three of whom shall represent the three largest owners of the company in the week preceding publication of the company's Interim Report for the third quarter. The fourth person shall, in accordance with the same resolution, be the Chairman of the Board of Directors. The members of the Committee are to be announced no later than six months before the Annual General Meeting. After contacts with the company's largest shareholders in accordance with the regulations for the Nomination Committee, the Nomination Committee, which shall prepare proposals for the 2011 Annual General Meeting, consists of:

- Petra Hedengran, representing Investor (Chairman of the Nomination Committee)
- Roger Johanson, representing Skandia Liv
- Åsa Nisell, representing Swedbank Robur Fonder AB
- Bo Jesper Hansen, in his capacity as Chairman of the Board of Swedish Orphan Biovitrum AB (publ)

The Nomination Committee held three meetings prior to the 2011 Annual General Meeting.

Board of Directors

Duties of the Board of Directors

The task of the Board of Directors according to the Swedish Companies Act is to be responsible for the Group's organization and management, and to ensure that bookkeeping, management of funds and financial conditions in general, are satisfactory. The Board shall make decisions regarding general goals, strategies, financial structure, policies, the appointment of the CEO and remuneration to management, acquisitions, sales and major capital expenditures. The Board approves and adopts the Annual Report and Interim Reports, and is responsible for proposing dividend, if any, to the Annual General Meeting.

In addition, the Board shall evaluate the work done by the CEO and management, and ensure that effective systems and

procedures are in place for the follow-up and supervision of operations and the financial position of the company in relation to established goals. The basis for these tasks is the formal work plan for the Board, which the Board has adopted, and the instructions to the CEO, and the principles for the division of work between the CEO, the Chairman of the Board, the Board of Directors and various committees that the Board has established. The formal work plan of the Board and the instructions to the CEO are revised and updated once a year.

Number of meetings

The Board meets at least five times a year, usually in connection with the Annual General Meeting and with the publication of the Interim Reports and full-year financial statements. Additional meetings or telephone conferences are scheduled as necessary. During at least one of the Board Meetings per year, the Board carries out an in-depth strategic review of operations. The Board has planned five meetings and three telephone conferences for 2011.

Committees

Within the Board there are committees for auditing, compensation and benefits and scientific matters. These have been established to streamline the work for the Board by preparing certain issues before the Board takes them up for review. The members of the committees are appointed by the inaugural Board Meeting, and working instructions for the committees are included in the Board's formal rules of procedure.

At the Board Meetings, ongoing matters are discussed concerning the follow-up of general operational goals, financial updating and updating of the product and R&D portfolio, and other activities and reports from the committees. In addition to these matters, a large part of the Board's time is spent on matters concerning capital expenditures, acquisitions, and licensing in and licensing out of drug projects and products.

Chairman of the Board

The Chairman of the Board of Directors' duties, apart from leading the Board in its work, include following the development of the company and ensuring that important matters in addition to those already on the agenda are brought up for discussion as necessary. The Chairman shall also ensure that constructive and active discussion is held prior to important decisions, and that the various members of the Board and their competencies are, in this regard, brought to expression in a fruitful way, and can be used properly. The Chairman shall consult with the CEO regarding strategic matters, participate in important external contacts and represent the company with regard to ownership matters. The Chairman is also responsible for ensuring that the work of the Board is regularly evaluated and that new directors receive adequate training. As can

	Dependent/ Independent	Attendance Board Meetings	Attendance Comp & Ben Committee	Attendance Finance & Audit Committee	Shareholding ¹⁾
Håkan Åström, chairman up to April 26	●	7/20	1/6	2/8	--
Bo Jesper Hansen, vice chairman, chairman from April 27	●	17/20	5/6	n/a	7,115,077
Hans Glemstedt	●	18/20	6/6	6/8	6,000
Adine Grate Axén from April 27	●	13/20	n/a	5/8	--
Lennart Johansson from April 27	●	13/20	n/a	6/8	10,000
Mats-Olof Ljungkvist up to April 26	●	7/20	n/a	2/8	--
Wenche Rolfsen	●	20/20	n/a	n/a	33,400
Peter Sellei up to April 26	●	5/20	n/a	1/8	--
Michael Steinmetz	●	19/20	5/6	n/a	--
Hans Wigzell	●	18/20	n/a	n/a	180,000
Catarina Larsson, union representative	●	20/20	n/a	n/a	600
Bo-Gunnar Rosenbrand, union representative	●	19/20	n/a	n/a	1,050

1) As per December 30th, 2011

- Member to be regarded as independent both to the company and its management
- Member to be regarded as independent both to principal share holders
- Member to be regarded as independent both to the company, its management and to principal share holders
- Appointed by the trade unions

Board of Directors

Bo Jesper Hansen

Chairman

Born 1958. MD with a Ph.D. from Copenhagen University. Board member as of January 2010. Chairman of Sobi's Compensation & Benefit Committee. Board member of Gambro AB, MipSalus, TopoTarget A/S and Zymenex A/S. Has previously held various executive positions in Swedish Orphan International AB since 1993, CEO 1998-2010. Founder of Scandinavian Medical Research, through which he worked as medical advisor for Synthelabo, Yamanouchi and Pfizer.

Shares: 7,115,077

Warrants: 0

Adine Grate Axén

Born 1961. MBA from Stockholm School of Economics. Harvard AMP. Board member since 2010. Member of Sobi's Financial & Audit Committee. Chairman of the Listing Committee of Nasdaq OMX Stockholm. Board member of EDB Business Partners (member and chairman of the Audit committee) and Swedavia, advisor and working board member of 3 Scandinavia. Member of the Commission for the sale of shares in companies with state ownership until this was closed in 2010. 1994 – 2007 various senior management positions within Investor AB and member of the management group 1999 – 2007.

Shares: 0

Warrants: 0

Hans Glemstedt

Born 1962. M.Sc. Business Administration and Economics. Board member since 2009. Member of Sobi's Financial & Audit Committee as well as the Compensation & Benefits Committee. Member of Investor AB's investment organization since 2006. Board member of Aleris AB. Previously Senior Consultant at McKinsey during 9 years. More than 10 years of private equity and venture capital investment experience.

Shares: 6,000

Warrants: 0

Lennart Johansson

Born 1955. MBA from Stockholm School of Economics. Board member since 2010. Chairman of Sobi's Financial & Audit Committee. Member of the management team and head of the Operating Investment group at Investor AB. Board member in Mölnlycke AB and Gambro AB. Previously CEO in b-business partners och Emerging Technologies AB.

Shares: 10,000

Warrants: 0

Wenche Rolfsen

Born 1952. Pharm. Dr. Professor Pharmaceutical Faculty, Uppsala University. Board member since 2004. member of Sobi's Scientific Committee. Board member of Aprea (Chairman), Denator (Chairman), Artimplant, Moberg Derma, Industrifonden, Aker Biomarine AS, Norway and Axis Shield, United Kingdom. Has previously held various senior management positions at former PharmaciaUpjohn, has been CEO at Quintiles AB and Vice President Quintiles Europe, Explorative Clinical Research.

Shares: 33,400

Warrants: 0

Michael Steinmetz

Born 1947. Ph.D. Board member since 2001. Chairman of Sobi's Scientific Committee and member of the Compensation & Benefits Committee. Managing Director Clarus Ventures LLC. Board member of Allozyne (Chairman), Heptares, MacroGenics, Oxford Immunotec, TaiGen, Tetra-Logic and Virdante. Previously GeneralPartner MPM Capitals Funds Bio Ventures I, II and III.

Shares: 0

Warrants: 0

Hans Wigzell

Born 1938. Med Dr. h.c., Ph. D. Professor Immunology. Board member since 2004. Member of Sobi's Scientific Committee Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences. Board Member of the Karolinska Development AB (Chairman), RaySearch AB, Rhenman and Partner Asset Management (Chairman), InterCell AG, HuMabs AG and AVI Biopharma. President of Karolinska Institutet 1995-2003.

Shares: 180,000

Warrants: 0

Catarina Larsson

Union Representative

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

Shares: 600

Warrants: 0

Bo Gunnar Rosenbrand

Union Representative

Born 1963. Laboratory engineer. Deputy board member 2001 – 2005. Board member since 2006. Representative of Federation of Salaried Employees in Industry and Services.

Shares: 1,050

Warrants: 0

be seen in Note 5 of the Annual Report, the Chairman of the Board is employed by the company as executive Chairman. The Chairman's duties are, in addition to those he has according to Swedish Companies' Act and Swedish Code of Corporate Governance respectively, to represent the Company in contacts with partners and other stakeholders in the pharmaceutical field as well as actively participate in negotiations about acquisitions and business agreements. For more information, see Note 5 of the Annual Report 2010.

Composition of the Board of Directors

During financial year 2010, the Board of Directors has consisted of seven directors elected at the Annual General Meeting held on April 27, 2010, as well as two employee representatives, and two deputies, appointed by the trade union organizations. Three members of the Board of Directors, including the employee representatives, are women.

Swedish Orphan Biovitrum is a specialty pharmaceutical company with a focus primarily on marketing, development, and production of medications to treat rare diseases. The portfolio contains about 60 marketed products, as well as a growing number of products in late stage clinical development. For the company it is crucial that the Board of Directors has extensive and deep experience of marketing and research in the pharmaceutical industry, as well as financial qualifications.

At the time of publication of this report, the following directors are independent in relation to the company and its corporate management, as well as in relation to the company's principal shareholders:

Adine Grate Axén
Hans Wigzell
Wenche Rolfsen

A specification of remuneration to the board, resolved upon the Annual General Meeting on April 27, 2010, can be found in note 14 of the 2010 Annual Report.

The work of the Board of Directors during 2010

The Board of Directors held its first meeting on April 27, 2010, and met 20 times during 2010. The Secretary of the Board of Directors has been Swedish Orphan Biovitrum's General Counsel, Fredrik Berg. Other employees at Swedish Orphan Biovitrum participated at Board Meetings to present reports. During the year the Board addressed issues relating to development of the project portfolio, suggestions for potential acquisitions and collaborations, and the future strategy of the company. The Board also took decisions about changes in the company's management. The number of Board Meetings during the year was affected by issues such as the acquisition of Swedish Orphan International and a number of cases involving commercial agreements.

Board remuneration

The Annual General Meeting held April 27, 2010 resolved that for the period of time up until the next Annual General Meeting, a Board remuneration of SEK 1,755,000 shall be paid of which SEK 250,000 shall be paid to each director elected by the Annual General Meeting with the exception of the Chairman of the Board, who will not receive any remuneration for work on the Board. For work on the Audit Committee, a fee of SEK 75,000 will be paid to the Chairman of the committee and SEK 40,000 each to each other committee member. For work on the Scientific Committee a fee will be paid amounting to SEK 50,000 to the Chairman of the committee and SEK 25,000 to each other committee member. No fee will be paid for work on the Compensation and Benefits Committee.

The Compensation and Benefits Committee

Swedish Orphan Biovitrum's Compensation and Benefits Committee has consisted of three directors: Bo Jesper Hansen (Chairman), Hans Glemstedt and Michael Steinmetz. Hans Glemstedt and Michael Steinmetz are independent in relation to the management. The company's Human Resources Director, Maria Berggren, is Secretary of the Committee, but not a member. The Compensation and Benefits Committee's duties are to propose guidelines and principles for the company's remuneration programs. This responsibility includes oversight and proposals for remuneration to senior executives and proposals for long-term incentive programs, pension plans and other issues relating to remuneration to the company's employees. The Compensation and Benefits Committee convened six times during the year with all three members present and once with two members present. At these meetings, the Committee discussed and followed up annual salary revision and bonuses for the CEO and senior executives, and made proposals for guidelines, nominations, and allocation in the long-term incentive program. Proposals for guidelines for remuneration to the CEO and senior management will be presented to the Annual General Meeting in April 2011, for the approval of the shareholders.

A specification of salaries and remuneration to the CEO and senior executives can be found in note 14 of the 2010 Annual Report.

Audit Committee

Swedish Orphan Biovitrum's Audit Committee has consisted of three directors who are independent in relation to the management: Lennart Johansson (Chairman), Adine Grate Axén, and Hans Glemstedt. The company's CFO, Lars Sandström, is Secretary of the Committee, but is not a member. The Committee's main duties are to handle the company's accounting, financial, reporting and audit matters, as well as matters relating to internal control in the company. The responsibilities of the

Committee include an annual discussion of the proposals from the auditors regarding the scope and methods of the audit, examining in advance proposed changes in auditing principles and adjustments of accounting documents that affect the financial reporting, consulting with the management and the auditor regarding conformity to laws and regulations involving financial matters, and annually examining remuneration to the company's auditors. The Committee convened seven times during the year with all three members present and one time with two members present. At these meetings, the Committee primarily discussed the auditors' presentations and the company's Interim Reports. The company's elected auditors also attended four of the meetings during the year. Discussion topics at these meetings included the auditors' planning of the audit, their observations and review of the company and compensation to the auditors. For more information on compensation to the company's auditors, see Note 15 of the 2010 Annual Report.

Scientific Committee

Swedish Orphan Biovitrum's Scientific Committee has consisted of three directors, all of whom are independent in relation to the management: Michael Steinmetz (Chairman), Wenche Rolfsen and Hans Wigzell. The Committee's tasks include advising on scientific matters, evaluating the company's research strategies, and following up and reporting to the Board regarding scientific trends and new areas of research. The Committee's tasks in 2010 have also included advising on acquisitions and licensing in of new research projects. The Committee convened two times during the year with all three members present.

Management Team

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

Swedish Orphan Biovitrum's Management Team has consisted of nine members, but at year-end the Management Team consisted of eight members. The Management Team comprises a broad composition of people with deep and extensive experience

in R&D, as well as the production and sale of pharmaceuticals. In addition, the members of the Management Team have the requisite background in finance and accounting, law, human resources and communications.

On November 25 it was announced that Martin Nicklasson would leave the post of CEO of the company and that Kennet Rooth serve as CEO until a permanent replacement is appointed. Martin Nicklasson left his post on December 31.

Chief Executive Officer (acting)

Kennet Rooth

Born 1955. Studies in chemistry and biology at Stockholm University and leadership training at INSEAD-CEDEP. 2005 – 2010 Country Manager for Sweden and subsequently Director International Marketing & Sales for Swedish Orphan International. 1989 – 2005 various positions at Bristol-Myers Squibb, including Executive Director, Country Manager, Business Unit Manager and product manager.

Shares: 188 118

Warrants: 0

For a more extensive presentation of Swedish Orphan Biovitrum's Management Team, see www.sobi.com/about-us/senior-management as well as page 90 of Swedish Orphan Biovitrum's 2010 Annual Report.

Remuneration to senior management

In order to attract and keep competent employees, Swedish Orphan Biovitrum has established long-term incentive programs. The CEO and senior management, all chief officers and a number of other key persons receive a fixed salary and a variable salary. The variable salary, which shall be in accordance with a system adopted by the Board of Directors, is based on both overall company goals and individual goals. The principles for remuneration to senior management are established by the Compensation and Benefits Committee. The variable salary may amount to a maximum of 30 – 50 percent of an individual's annual salary. For more information please see note 14 of Swedish Orphan Biovitrum's 2010 Annual Report.

System for internal control and risk management with respect to financial reporting for the 2010 financial year

Introduction

The Board is responsible for internal control in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance. Below the Board presents the most important features of the system for internal control and risk management as regards financial reporting. During 2010, efforts to streamline and develop the processes in the accounting department have continued. The internal control environment at Swedish Orphan Biovitrum follows the established framework, Internal Control – Integrated Framework "COSO," which consists of the following five components: Control Environment, Risk

Assessment, Control Activities, Information and Communication, and Follow-up.

The objectives of risk management within the Group are to:

- provide support in the strategic decision-making process for the Board of Directors and management
- improve the operational decision-making process
- increase risk awareness throughout the organization
- improve control over the company's risk exposure

Control Environment

The control environment constitutes the basis of the Swedish Orphan Biovitrum Group and the company's internal controls. The control environment mainly comprises the culture on the basis of which the Board and company management communicate and work.



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

All of the guidelines for Swedish Orphan Biovitrum's activities can be found on the company's intranet. The content includes the following:

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

Risk assessment

Effective risk assessment unites Swedish Orphan Biovitrum's business opportunities and results with the requirements of shareholders and other interested parties for stable, long-term value growth and control. Structured risk assessment or risk management make it possible to identify the important risks that affect the internal controls with regard to financial reporting and to identify where these risks are, i.e., at what level in the company. Risk management is intended in part to minimize the number of risk factors within financial reporting, and in part to ensure that the opportunities available within the company are used in the best possible way. Risk management further aims to manage risks during the development and production of pharmaceuticals, and with regard to biotechnology and patent risks. Risk assessment subsequently results in a number of control goals, which supports the fulfillment of the basic requirements of financial reporting.

Proposed appropriation of profit

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

Share premium reserve	SEK 3,530,512,717
Retained earnings	SEK 32,312,316
Profit/loss for the year	SEK -104,745,903
Total	SEK 3,458,079,130

The Board of Directors and the Chief Executive Officer propose that the funds at their disposal, SEK 3,458,079,130, be carried forward.