2010 Annual Report

For the safe and optimal use of human proteins
Octapharma will remain a highly innovative and successful business well into the future.

- Swiss-based, independent, global plasma fractionator
- 28 years focus on human proteins
- Manufacturing facilities in 5 countries
- Sales in more than 80 countries
- Sales of 718 million euros in 2010
- 17% compound annual growth rate since 1995

Company Snapshots
While the first half of the year 2010 was evolving according to plan, the second half developed into an "annus horribilis". Our central drug-safety unit informed me during the third quarter of an increase in reported TEE's (thromboembolic events), which led to an immediate and very thorough analysis of all octagam® batches which had been distributed to the market. Fortunately, our R&D group took immediate action and established a Thrombin Generation Assay (TG assay) test to assess potential coagulation potency in IVIg products, in cooperation with the health authorities in Europe and the USA, which allowed us to decide on a massive product recall to avoid any potential patient-risks with octagam®.

This recall was initiated voluntarily by Octapharma on August 20th, under the full responsibility of Octapharma, and was then followed by a license suspension for octagam® in Europe and a halt of distribution in the US by end of September.

Needless to say, this has had a significant short term financial impact on Octapharma. Our annual sales dropped by 29% compared to their 2009 level, our profitability was reduced by 82% compared to 2009 and, until recently, the outlook for 2011 concerning the re-introduction of octagam® was uncertain.

As I am writing this introduction to our Annual Report, Octapharma's plants are being inspected by European agencies for the final approval of our new and improved method of manufacturing, subsequent to which we plan a swift re-introduction of octagam®.

During the last six months, Octapharma has developed not only a test endorsed by all regulatory agencies to exclude the risk of TEE's by IVIG's – we have also developed, and implemented in our manufacturing process, a method to eliminate all relevant coagulation-factor-related risks with gammaglobulins.

During this period, Octapharma has acted proactively, and at all times with the wellbeing of our patients as our paramount concern, in order to exclude any safety concerns with our product. We also firmly believe that the attention given to the issue of TEE's by all participants in this market, including other manufacturers, will provide an additional safety margin for all patients receiving IVIG-therapy in the future.

During the absence of our most important product octagam®, all other products performed very successfully in all markets and contributed to the overall-group profitability for 2010. Our key investment programs in our plants continued as budgeted during 2010, as did our key R&D activities involving both our recombinant and plasma-derived proteins.

Since August 2010 I have had to “reinvent” my company; during these difficult months, I have experienced an unprecedented team-effort involving the close and effective collaboration of all major departments within the organization in order to solve this crisis. I would like to take this opportunity to express my sincere gratitude to all individuals who have shown an unlimited commitment to finding the right way back to the markets with octagam® within a very short period of time. All departments in Octapharma have been involved in this extremely important project.

We have all learned a lot during this challenging time, and I have no doubt that we will emerge from this situation together as a company, with pride, and be much stronger than we were before. I am confident that Octapharma is extremely well placed to meet the long term challenges of our competitive marketplace, and will remain a highly innovative and successful business well into the future.
**Facts and Figures**

**Founded**

In 1983

**Mission**

“For the safe and optimal use of human proteins”

**Employees**

4,238

**Turnover**

718 million euros

**Headquarters**

Octapharma AG, Lachen, Switzerland

**Production and Supply**

Octapharma Pharmazeutika Produktionsges.mBh, Vienna, Austria

Octapharma SA, Lingolsheim, France

Octapharma AB, Stockholm, Sweden

Octapharma S.A. de C.V., Mexico City, Mexico

Octapharma Produktionsgesellschaft Deutschland mbH, Springe, Germany

Octapharma Plasma Inc., Charlotte, USA

Deutsche Gesellschaft für Humanplasma mbH, Langenfeld, Germany

Octapharma GmbH, Dessau, Germany

**Research and Development**

Octapharma Pharmazeutika Produktionsges.mBh, Vienna, Austria

Frankfurter Innovationszentrum, Frankfurt, Germany

Charité Universitätsmedizin Berlin, Germany

Octapharma Biopharmaceuticals GmbH, Munich, Germany

Octapharma AB, Stockholm, Sweden

**Corporate Medical, Regulatory**

Octapharma Pharmazeutika Produktionsges.mBh, Vienna, Austria

Octapharma GmbH, Langenfeld, Germany

**International Corporate Marketing**

Octapharma AG, Lachen, Switzerland

**Subsidiaries and Representative Offices**

38

**Markets**

Europe, Asia, Russia, Middle East, USA, South America, Canada, Mexico, Africa, Australia, New Zealand

**Brands**

(registered trademarks) albuminativ®, albunorm®, atenativ®, aunativ®, gammanorm®, nanofix®, nanotiv®, octafix®, octagam®, octagam 10%, octanate®, octain®, octaplas®, octaplas®, octaplasLG®, octaplex®, octavi SD Optimum®, pronative®, rhesonativ®, uniplas®, wilate®

**Innovations**

One of the world’s first factor VIII concentrates – AHF concentrate (KABI 1965 – through acquisition)

The first albumin-free genetically engineered factor VIII (development started by KABI in the 1980s – through acquisition)

First company to commercially implement solvent detergent (SD) technology for virus inactivation (1986)

First SD virus-inactivated, standardised plasma for transfusion (1991)

First liquid, ready-to-use intravenous immunoglobulin with a two year shelf-life at room temperature (1994)

First virus-inactivated universally applicable transfusion plasma (2004)

First double virus-inactivated von Willebrand factor concentrate product (2005)

Start of clinical trials using the first recombinant FVIII from a human cell line (2010)
The Management Board of the Octapharma Group

Wolfgang Marguerre
Chairman
Octapharma Group

Paulo Castro
Global Management Committee
International Marketing

Karl Erik Clausen
Chief Financial Officer (retired from office 31 March 2011)

Nicholas Jacobson
Corporate Quality and Compliance Officer

Frederic Marguerre
Shareholders’ Representative
President, Octapharma Plasma Inc USA

Tobias Marguerre
Managing Director
Octapharma Nordic AB

Ulrich Thibaut
Research and Development

Gerold Rempeters
Corporate Production Officer

Flemming Nielsen
President
Octapharma USA, Inc.

Reinhard Rettinghaus
General Manager
Deutsche Gesellschaft für Humanplasma mbH

- 8 -
The growth drivers in 2010 were the niche plasma products, including gammanorm (subcutaneous immunoglobulin [SCIG]), wilate® (factor VIII/von Willebrand factor [FVIII/vWF]), octaplex® (prothrombin complex concentrate [PCC]), octaplas® (solvent/detergent [SD] treated fresh frozen plasma [FFP]) and atenativ® (antithrombin III [ATIII]).

Sales of octaplex® increased 11% as the global market grew owing to both an increasing recognition of the patient benefits of PCC compared with FFP and the high regard of the low thrombogenic profile of octaplex®. With the growing body of global clinical experience, Octapharma is very well positioned for a future US market entry (octaplex® is currently in a Phase III trial in the US). Albumin sales were stable over 2010.

Sales of atenativ®, our ATIII product, grew 14% by increasing market share. Sales of octaplas® (SD treated plasma for infusion) grew by 5% in existing markets.

Future growth of octaplas® is anticipated to be driven by specific market opportunities in North America. Octaplas® has gained advocates within the blood services, scientific, physician and government health policy communities for various reasons including the need to maintain a precautionary approach to managing pathogen risk in a changing environment.

Our confidence in the future of octaplas® as an important pillar of blood safety beyond Europe and Scandinavia was shown by the construction of a second octaplas® production line in Stockholm in 2010. This will increase capacity and enable smoother global production output.

Immunotherapy

Octagam® and octagam®10% sales were hit hard due to an unexpected increase in adverse drug reactions (ADRs) that was identified by the company through routine pharmacovigilance. In order to retain the trust and confidence in its brands in the long-term, Octapharma took decisive, responsible and immediate steps in the interest of patient safety.

The situation was looked upon as an opportunity to showcase Octapharma’s scientific leadership in the field of immunotherapy and therapeutic human proteins. As a result of rapid mobilisation, dedication and excellent work by Octapharma’s technical, production and scientific members, the reason for the problem and corrective measures have been identified. This will enable market re-entry, with the approval of regulatory authorities world-wide. As a result, octagam® and octagam®10% should be back soon with the tolerability our customers have known for years.

Octapharma was and is committed to providing our customers with the best possible intravenous immunoglobulin (IVIg) preparation and

Stefan Haag MD
Head of IBU
Immunotherapy

“Our specialisation in immunotherapy warrants the continuous improvement and development of therapeutic concepts in numerous medical areas. It is this long-term commitment of Octapharma to patients requiring immunoglobulin which makes a difference.”

Niche plasma products growth

Sales 2010

The growth drivers in 2010 were the niche plasma products, including gammanorm (subcutaneous immunoglobulin [SCIG]), wilate® (factor VIII/von Willebrand factor [FVIII/vWF]), octaplex® (prothrombin complex concentrate [PCC]), octaplas® (solvent/detergent [SD] treated fresh frozen plasma [FFP]) and atenativ® (antithrombin III [ATIII]).

Intensive Care & Emergency Medicine

Octaplex® sales increased 11% as the global market grew owing to both an increasing recognition of the patient benefits of PCC compared with FFP and the high regard of the low thrombogenic profile of octaplex®. With the growing body of global clinical experience,
consequently intends to manufacture octagam® according to the latest state of research in plasma fractionation.

The long term experience with the use of octagam® over 17 years and octagam®10% over two years confirms that the product is preferred by many physicians worldwide for its quality and tolerability characteristics. Upon the return of octagam® and octagam®10%, prospective proof of the tolerability will be provided through upcoming pharmacovigilance studies for octagam® and octagam®10%. The excellent contribution and support from both the European and US regulatory bodies in bringing octagam® and octagam®10% back to the market is very much appreciated, and this support continues to be helpful now and in the future.

Sales of our SCIg product (gammanorm) grew by 8% in 2010. This growth was driven by a general trend towards increasing use of SCIg as an alternative to IVIg therapy for patients with primary immune deficiency (PID), an innovative approach that has been well established for decades in Scandinavia. The good result was also due to our increased efforts promoting the benefits of SCIg, and in particular gammanorm, in Europe.

**Haematology**

Sales of octanate® (vWF-stabilised FVIII) were stable compared with 2009, demonstrating continued support for octanate® in immune tolerance induction (ITI) therapy, as new patients starting ITI treatments replaced existing patients completing their treatments. Sales of octanate® are 160% higher compared with 5 years ago, highlighting a general growing trend of ITI patients being treated with octanate®.

Wilate® (vWFFVIII) sales were up 153% owing to market entry in the US and other markets, and increases in existing markets. This stellar performance led to the investment decision which doubled production capacity in 2010.

Octapharma estimates it is now the second largest supplier of FVIII/vWF globally, with a 17% market share across the commercial suppliers. With two different FVIII/vWF products in our portfolio we believe there is room for further market share improvement in the coming years.

Sales of our plasma-derived factor IX (pdFIX) product (octanine® F) hit a record mainly due to successful large tender wins.

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"In responding to the octagam® situation, Octapharma showed to a large and professional extent what is possible in terms of cause findings, options for corrective measures, final solution, proper documentation and the associated teamwork on all levels of the organisation."
Research and Development

Intensive Care & Emergency Medicine

Intensive care and emergency medicine is one of the major components of the health care system. It is a branch of medicine concerned with the provision of life support or organ support systems in patients with acute illnesses or injuries that require immediate medical attention.

In December the FDA approved Octapharma's Investigational New Drug Application for octaplex® as a Fast Track Product for “Reversal of Anticoagulation Therapy in Patients under Vitamin K Antagonist Therapy with the Need for Urgent Surgery or Invasive Procedures.” The FDA had also previously granted orphan drug designation for octaplex® in this indication.

A new fibrinogen product is currently under development at Octapharma, addressing further important areas in intensive care and emergency medicine.

Fibrinogen (factor I) is a soluble plasma glycoprotein that is converted into fibrin and helps stop bleeding by promoting blood clot formation. Fibrinogen is used to treat bleeding episodes in people with congenital fibrinogen deficiency. Although it is a rare disease, the prevalence of congenital fibrinogen deficiency should not be underestimated. It varies from silent forms with almost no symptoms over a long period of time to severe events such as intracerebral bleeding (Lak M et al, Brit J Haematol 1999; 107:204–206).

This new plasma derived product will extend the portfolio of our existing essential products used in intensive care and emergency medicine.

Immunotherapy

Octapharma continues to focus on the commitment to provide our customers with the best possible immunoglobulin products.

Studies important for the future of Octapharma include studies with octagam®10% for approval in the US. We also seek new promising indications in neurology including Alzheimer's disease. We have recently successfully completed a Phase II Alzheimer study which takes us a step closer to a Phase III trial.

Octapharma’s immunotherapy franchise will continue to work on multiple sclerosis (MS) and test the validity of a diagnostic tool to predict responses of relapsing-remitting MS (RR-MS) patients to octagam®. The validity of this proprietary tool may revolutionise the way RR-MS patients are treated with immunoglobulin.

Post-marketing studies are planned to further strengthen the body of evidence of the tolerability of octagam® and octagam®10%.
Octapharma’s commitment and scientific leadership to stay at the forefront of immunoglobulin therapy was also recently demonstrated by the implementation of an additional release assay (thrombin-generation assay [TG assay]) to the production process of our IVIg octagam®. The TG assay may become an industry safety standard in the release of IVIg products in the future.

Haematology

Since its foundation in 1983, Octapharma has developed a specialised expertise with coagulation proteins, and our understanding of haemophilia and other bleeding disorders are leveraged in our haematology business to develop innovative and improved ways to treat haemophilia A, haemophilia B and von Willebrand disease (vWD).

In haemophilia A, the development of FVIII antibody inhibitors during FVIII replacement therapy represents the most significant medical complication today in the life-long treatment of haemophilia patients. As part of our mission to improve patient quality of life and treatment cost effectiveness, Octapharma is driving and supporting major initiatives addressing the treatment of patients with FVIII inhibitors.

Haemophilia A replacement therapy with currently available hamster-cell derived recombinant FVII (rFVII) concentrates generates neutralising FVIII antibody inhibitors in 25–35% of previously untreated patients (PUPs). An increasing body of evidence strongly suggests that human derived FVIII, like plasma-derived vWF containing octanate®, is less immunogenic. In 2009, we published interim data from our ongoing GCP-study with octanate® in PUPs. The data confirmed a significantly lower inhibitor rate for octanate®, with only 5% of subjects (2 in 39 PUPs) developing clinically relevant inhibitors. No inhibitors were observed in PUPs receiving prophylaxis with octanate®. The study is still ongoing to further consolidate these findings with more patients.

Octanate® is also included in ObStI, the largest running international study investigating the success rate of ITI for eradication of FVIII antibodies in patients with inhibitors. Interim data from 15 prospectively observed patients shows a complete ITI success in 80% of the patients.2 Notably, all patients had at least one risk factor for a poor prognostic ITI outcome. The study is ongoing and is recruiting patients with inhibitors worldwide. Octapharma is committed to continuously improving the profile and global availability of octanate®. A new reduced infusion volume version (1000 IU in 5 ml) is being introduced to further increase the convenience for ITI and regular haemophilia A patients. Octanate® is already available in more than 60 countries and new registrations, including in North America, are expected for the year 2011.

Octapharma is the first therapeutic protein manufacturer worldwide to be developing a recombinant FVIII from a human cell-line (Human-cl rhFVIII) instead of the currently used hamster cell-lines. Human-cl rhFVIII is produced in genetically modified human embryonic kidney (HEK) 293F cells. Human-cl rhFVIII is currently the only rFVIII that has a human glycosylation pattern. The human glycosylation pattern is designed to avoid potentially immunogenic epitopes as expressed by hamster cells. The manufacturing of Human-cl rhFVIII is completely free of animal or human derived added materials. The goal is to improve the safety and reduce the risk for FVIII inhibitor development for patients with haemophilia.

A single centre clinical study in PTPs has already been completed in Moscow. The clinical development plan for Human-cl rhFVIII follows the requirements of the European guidelines and the FDA. In 2010, Octapharma initiated multicentre Phase II trials at research centres in

1) Low incidence of FVIII inhibitors in previously untreated patients during prophylaxis, on-demand treatment, and surgical procedures, with octanate®: interim report from an ongoing prospective clinical study. A. Klukowska, V. Komrska, M. Jansen, P. Laguna, Haemophilia (2010), 1–8

2) data on file

Gerold Rempeters
Chief Production Officer
“Due to the turbulence around octagam®, 2010 was a rather difficult year for production. However, based on the excellent team work within Octapharma we managed to solve the technical root cause of the ADR issue and succeeded in implementing a revised production process for octagam® which is currently awaiting regulatory approval.”

Ulrich Thibaut
Board Member R&D
“The Research and Development organisation within Octapharma is securing the future flow of new and innovative products by managing and evolving a highly attractive pipeline of both plasma derived as well as recombinant therapeutic proteins and products. It is the high level of dedication, resilience and motivation emerging from a good team spirit in cross-functional development teams that drives our scientists to the extraordinary performance in searching and finding solutions and thereby improve the value of our company.”

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the US, the UK and Germany. Patient enrolment is well underway and the start of a paediatric multicentre study is planned for 2011. We expect to launch this new innovative Human-cl rhFVIII treatment for haemophilia within the next few years.

Wilate® represents the next generation vWF/FVIII concentrate for the modern treatment of patients with vWD and is about to become the market leader in Germany and other markets worldwide. After receiving the US licensure in December 2009, the FDA granted orphan drug exclusivity due to wilate’s second viral inactivation step not available with other vWD products on the market. Wilate® provides a high purity vWF and FVIII in the physiological 1:1 ratio. The vWF is of high quality and includes large vWF-multimers and an intact vWF triplet structure. Though already licensed for major surgery in Europe, Octapharma has initiated a global Phase III study in vWD type 3 patients to further investigate and demonstrate the efficacy and safety of wilate® in this relatively rare group of patients. Wilate® is already registered in more than 40 countries. For 2011 we can expect the approval of the vWD indication in even more markets, as well as the introduction of the more convenient 500 and 1000 IU vial sizes which were approved by the FDA in late 2010.

Octanine® F has been used for more than 10 years for the safe and effective treatment of patients with haemophilia B. The product has an unsurpassed safety record without any reported case of a FIX inhibitor. We are currently working on the new octanine® F 2000 IU vial strength, which is intended to come with a reduced infusion volume of only 5 ml. This is another example of our continuous commitment to further increase the quality of life of patients with haemophilia B.

With the first development of a human cell-line for the production of commercial therapeutic proteins, Octapharma has opened a new platform for more improved treatments in a variety of haematological areas. Thus, we are using our expertise with this cell line to develop the first human cell-derived granulocyte-colony stimulating factor (G-CSF). Together with a prolonged half-life, this innovative G-CSF is designed to introduce a new level of G-CSF treatment in patients with malignancies and chemotherapy induced neutropenia, as well as newly evolving future G-CSF indications.
Quality Assurance

In the past few years the requirements on quality, and consequently on compliance, have steadily been increased by the pharmaceutical industry in accordance with the requirements of the regulatory authorities.

As Octapharma markets its products worldwide, it is confronted with the requirements of many different regulatory bodies. To better meet the growing challenges for production and to ensure product quality, Octapharma has split the extensive scope of responsibilities of a Chief Operating Officer into two new and separate functions, namely a Chief Production Officer and a Quality & Compliance Officer. Both are members of the Management Board. This reflects the company’s strong commitment to quality.

When manufacturing medicinal products derived from human plasma, quality already starts with the procurement of the source material – in Octapharma’s case at the plasma donor – and ends in a stringent surveillance of the efficacy and safety of the product when used by our patients, i.e. pharmacovigilance.

Therefore, all “quality assuring” areas in plasma and auxiliary material sourcing, in manufacturing, quality control, in sales organisations and in pharmacovigilance as well as regulatory compliance responsibilities have been combined under the function of the Quality & Compliance Officer. This ensures that the quality system is strengthened, supported and continuously improved throughout the entire life cycle of a product, from development to marketing.
Plasma Collection

Octapharma operates 62 plasma collection centres in the US and Europe. Long term supply arrangements with a large network of non-profit suppliers of recovered plasma in both Europe and the US are also important contributors to the company’s success.

Octapharma’s plasma collection organisations focus on developing and operating state-of-the-art plasma centres and developing robust regulatory and quality systems, which supports the field and plasma centre regulatory and quality personnel.

In the US, a major Standard Operating Procedure (SOP) revision to incorporate best practices has been completed and has created a more efficient and comprehensive regulatory system. The 45 plasma centres access the new SOP manual and conduct personnel training through MasterControl, an automated quality software system.

Automation of the quality systems has been a major and ongoing initiative, and will include automated modules for Change Control, Deviation, Lookback, Validation and Audit Management when completed.

The automated FDA-licensed donor management system that serves our US plasma centres has also been updated, laying a foundation for the future by leveraging automation and employing highly qualified and experienced staff to maintain the highest level of quality at our centres. To further enhance donor centre efficiency eQue, a new component of the automated donor management system where the donor electronically enters responses to the medical history questionnaire, has been implemented.

The US fleet of plasma centres will continue to be inspected by the Austrian regulatory agency (AGES). By the end of 2011, 42 of the 45 plasma centres are expected to be EU-certified by AGES, increasing Octapharma’s capacity and flexibility to serve the EU and other markets in addition to the US.

The plasma collection centres and not-for-profit partners continue to collaborate with corporate regulatory and quality assurance teams to build comprehensive regulatory and quality systems that comply with all global quality and regulatory requirements.

— 23 —
Investments for the Future

In 2010, Octapharma invested more than 67 million Euro in its plants in Vienna, Lingolsheim, Stockholm and Springe to improve good manufacturing practice (GMP) standards and to increase the capacity of fractionation, purification and filling.

Vienna renovated the fractionation area and completed construction of the new purification area and a new warehouse for production materials. Lingolsheim purchased land for the plant extension (logistic platform), installed new buffer tanks for fractionation and started adapting the aseptic premises for the future installation of new filling lines and freeze dryers. Stockholm completed construction of a production line for rFVIII, finalised the new octaplas® line and constructed an automated packaging line for liquids. Springe extended the capacity of basic fractionation to achieve an annual throughput of 1.2 million litres of plasma and completed the new warehouse and the new administration building.

Work also proceeded according to plan on the development of the new research and development site, located in the new Technology Park close to the University Hospital in northern Heidelberg, Germany. The 10,000 square meter facility will combine both laboratories and office space for the continued development of recombinant products.

It will enable the transfer of Octapharma Biopharmaceuticals facilities from their current base in Munich to Heidelberg in the first phase of construction as well as future expansion of other R&D projects. The building itself will consist of five floors with research laboratories, a pilot plant, offices and conference areas as well as space for further expansion.
Annual Accounts

The year 2010 has shown the importance for a solid financial basis for the Octapharma Group, a position that the company has established over years of financially responsible management.

The recall of the biggest turnover products, octagam®5% and 10%, in August and September 2010, along with the associated costs for the recall, meant that the financial results for the second half of the year were discouraging.

The total turnover for 2010 finished at 718 million Euro, which is 291 million Euro or 29% below the record year of 2009.

Considering the full impact of the recalls are accounted for in this turnover figure, the full year 2011 remains solid from the top line.

The implication of the drop in turnover is that Earnings Before Interest and Tax (EBIT), while still positive, was reduced to 24 million Euro in 2010 compared with 278 million Euro in the previous year.

The main contributor to this sudden income erosion is the octagam®5% and 10% recall with an impact of net 190 million Euro covering the turnover impact as well as the provision for obsolete inventories.

Management, while acknowledging this difficult development, did not over-react but continued the priorities of continuing the business and preparing for the future both in terms of R&D projects and retaining the required skilled employees. Only the necessary cost reductions and project deferrals were taken, since management took the view that the recall and getting back to the market was a short term setback rather than a medium or even long term issue.

The net income has developed a little better than EBIT owing to income from foreign exchange gains realised during 2010 and the profit from an associated company.
The solid basis of the company is further seen in the balance sheet items. There are almost no intangible assets in the balance sheet. The development of the last years had been established without creating goodwill or other intangible assets to be written off which would have further negatively impacted the result. The plasma centres in the US have been built up with a high cost burden in the income statement of 2008–2010, so that they are correctly valued and no extra depreciation is to be taken now.

The investment in fixed assets has continued with 89 million Euro in 2010 to ensure that the development of the new products such as human-cl rhFVIII can take place. Further the general production capacity is increasing across the production sites.

The drop in turnover resulted in an inventory far above the levels of previous years with a net inventory of 503 million Euro (an increase of 173 million Euro) whereas the accounts receivable only decreased by 50 million Euro to 217 million Euro.

To finance the establishment of plasma centres and the other investments plus the inventory increase, cash funds have been utilised. Therefore the cash at the end of 2010 is reduced considerably to 74 million Euro, which is 197 million Euro below last year.

The company has ensured three years of committed credit lines totalling 225 million Euro with the three house banks so adequate cash is available, thus ensuring Octapharma continues operating in a normal fashion.

The equity ratio increased to 81% (from 79% in the previous year) which is the ultimate sign of a financially conservative and solid company.

The outlook for 2011 mainly depends on the timing of the octagam® return to the markets. It is expected that the turnover will develop in a positive way in 2011 owing to volume increases for all products, whereas the outlook for the net income is even more positive owing to the absence of the abnormal one off costs experienced in 2010.
### Key Figures of the Octapharma Group

#### Profit from operations
- 2010: 24,140
- 2009: 278,320
- 2008: 256,045
- 2007: 237,497
- 2006: 126,850

#### Net profit for the year
- 2010: 45,807
- 2009: 253,533
- 2008: 231,018
- 2007: 206,751
- 2006: 105,694

#### Year-end headcount
- 2010: 4,238
- 2009: 3,977
- 2008: 3,037
- 2007: 1,968
- 2006: 1,826

#### Return on average equity
- 2010: 5%
- 2009: 29%
- 2008: 35%
- 2007: 45%
- 2006: 32%

#### Profit from operations per employee
- 2010: 6
- 2009: 78
- 2008: 92
- 2007: 130
- 2006: 77

#### Current ratio
- 2010: 533%
- 2009: 517%
- 2008: 468%
- 2007: 404%
- 2006: 332%

#### Days of sales in receivables
- 2010: 106
- 2009: 93
- 2008: 101
- 2007: 106
- 2006: 108

#### Days of purchases in inventory
- 2010: 282
- 2009: 173
- 2008: 135
- 2007: 149
- 2006: 189

#### Cash flow from operations
- 2010: -62,003
- 2009: 169,433
- 2008: 208,180
- 2007: 209,822
- 2006: 85,406

#### Expenditures to ensure future prosperity
- 2010: 151,114
- 2009: 175,346
- 2008: 140,549
- 2007: 69,367
- 2006: 43,239

- Research and development: 2010: 40,347
- 2009: 38,502
- 2008: 25,115
- 2007: 23,582
- 2006: 19,544

- Capital expenditures and investments in activities: 2010: 110,767
- 2009: 136,844
- 2008: 115,434
- 2007: 45,785
- 2006: 23,695
Income Statement of the Octapharma Group

The following summary financial statements, which comprise the summary income statement as at December 31, 2010, the summary balance sheet and summary cash flow statement for the year then ended are derived from the financial statements of Octapharma Nordic AB, Stockholm, for the year ended December 31, 2010 aggregating non-material financial statement captions.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>749,476</td>
<td>1,043,068</td>
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<tr>
<td>Sales deductions</td>
<td>-31,676</td>
<td>-34,253</td>
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<tr>
<td>Net sales</td>
<td>717,800</td>
<td>1,008,815</td>
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<td>Cost of sales</td>
<td>-544,156</td>
<td>-594,012</td>
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<tr>
<td>Gross profit</td>
<td>173,644</td>
<td>414,803</td>
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<tr>
<td>Research and development</td>
<td>-40,347</td>
<td>-38,502</td>
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<tr>
<td>Selling and marketing</td>
<td>-65,616</td>
<td>-56,618</td>
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<td>Regulatory affairs / quality audit</td>
<td>-7,620</td>
<td>-7,490</td>
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<tr>
<td>General and administration</td>
<td>-38,839</td>
<td>-31,953</td>
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<tr>
<td>Other income</td>
<td>4,196</td>
<td>8,982</td>
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<tr>
<td>Other expenses</td>
<td>-1,278</td>
<td>-10,902</td>
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<tr>
<td>Total operating expenses</td>
<td>-149,504</td>
<td>-136,483</td>
</tr>
<tr>
<td>Operating income</td>
<td>24,140</td>
<td>278,320</td>
</tr>
<tr>
<td>Non-operating income and expenses</td>
<td>19,962</td>
<td>10,390</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>44,102</td>
<td>288,710</td>
</tr>
<tr>
<td>Income tax</td>
<td>1,705</td>
<td>-35,177</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>45,807</td>
<td>253,533</td>
</tr>
</tbody>
</table>

(All figures in 1,000 EUR)
## Balance Sheet of the Octapharma Group

### Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>74,371</td>
<td>270,709</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>217,104</td>
<td>266,789</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,744</td>
<td>1,457</td>
</tr>
<tr>
<td>Receivables from related parties</td>
<td>0</td>
<td>250</td>
</tr>
<tr>
<td>Inventories</td>
<td>503,378</td>
<td>329,894</td>
</tr>
<tr>
<td>Other current assets</td>
<td>34,113</td>
<td>25,538</td>
</tr>
<tr>
<td>Total current assets</td>
<td>830,710</td>
<td>894,637</td>
</tr>
<tr>
<td>Financial investments</td>
<td>2,608</td>
<td>2,714</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>33,820</td>
<td>20,503</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>4,783</td>
<td>6,192</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>14,665</td>
<td>15,726</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>341,362</td>
<td>291,129</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>0</td>
<td>2,034</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>397,238</td>
<td>338,298</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,227,948</td>
<td>1,232,935</td>
</tr>
</tbody>
</table>

### Liabilities and Equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables and other payables</td>
<td>65,483</td>
<td>77,197</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>477</td>
<td>194</td>
</tr>
<tr>
<td>Income tax payables</td>
<td>11,269</td>
<td>29,732</td>
</tr>
<tr>
<td>Accruals and short-term provisions</td>
<td>78,603</td>
<td>65,884</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>155,832</td>
<td>173,007</td>
</tr>
<tr>
<td>Deferred income</td>
<td>2,769</td>
<td>2,760</td>
</tr>
<tr>
<td>Provisions</td>
<td>45,919</td>
<td>62,113</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>25,866</td>
<td>26,855</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>74,554</td>
<td>91,728</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>230,386</td>
<td>264,735</td>
</tr>
<tr>
<td>Share capital</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>991,878</td>
<td>976,087</td>
</tr>
<tr>
<td>Hedging reserve</td>
<td>5,869</td>
<td>2,635</td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td>-285</td>
<td>-10,622</td>
</tr>
<tr>
<td>Total equity attributable to shareholders</td>
<td>997,562</td>
<td>968,200</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>1,227,948</td>
<td>1,232,935</td>
</tr>
</tbody>
</table>

(All figures in 1,000 EUR)
**Cash Flow Statement of the Octapharma Group**

(All figures in 1,000 EUR)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year</td>
<td>45,807</td>
<td>253,533</td>
</tr>
<tr>
<td>Depreciation on tangible and intangible assets</td>
<td>74,373</td>
<td>58,631</td>
</tr>
<tr>
<td>Change in fair value of non-current assets</td>
<td>-16,473</td>
<td>2,112</td>
</tr>
<tr>
<td>Share of (profit) loss of associates</td>
<td>-720</td>
<td>-1,335</td>
</tr>
<tr>
<td>(Profit) loss on sale of property, plant and equipment</td>
<td>238</td>
<td>-74</td>
</tr>
<tr>
<td>Changes in long-term liabilities and provisions</td>
<td>-16,393</td>
<td>-18,574</td>
</tr>
<tr>
<td>Cash flow before changes in working capital</td>
<td>86,832</td>
<td>294,293</td>
</tr>
<tr>
<td>Increase / decrease of working capital</td>
<td>-148,835</td>
<td>-124,860</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>-62,003</td>
<td>169,433</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>-89,060</td>
<td>-132,237</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>-21,707</td>
<td>-4,445</td>
</tr>
<tr>
<td>Investments in associates, short and long-term financial investments</td>
<td>3,178</td>
<td>1,626</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment and intangible assets</td>
<td>2,214</td>
<td>989</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-105,375</td>
<td>-134,067</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-30,000</td>
<td>-30,000</td>
</tr>
<tr>
<td>Net cash used for financing activities</td>
<td>-30,000</td>
<td>-30,000</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations</td>
<td>1,040</td>
<td>518</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>-196,338</td>
<td>5,884</td>
</tr>
<tr>
<td>Cash and cash equivalents beginning of period</td>
<td>270,709</td>
<td>264,825</td>
</tr>
<tr>
<td>Cash and cash equivalents end of period</td>
<td>74,371</td>
<td>270,709</td>
</tr>
</tbody>
</table>