Aerocrine

**Solna November 27, 2014**

## Interim report January – September 2014

Aerocrine Achieves Record Sales for the 3rd Quarter and First Nine Months; The Board of Directors has resolved to raise further capital to support the Company's continued growth through an upcoming financing in the amount of approximately SEK 443m of which more than 75% has been guaranteed.

**January – September 2014**

- Net sales increased by 15% to SEK 116.0m (100.5)*. Adjusted for exchange rates, net sales increased by 10%.
  - Net sales for clinical use of NIOX products were SEK 92.8m, an increase of 21%.
  - Strategic sales (sales to pharmaceutical companies and CROs for clinical trials) were SEK 19.5m, an increase of 3%.
- Total tests sold (repeat and initial) were 1.8m (1.5) tests, an increase of 22%. Total repeat test volume increased by 26%.
- The Gross Margin for the period was 69% (73%). The reduction vs prior year was driven primarily by a change in channel mix.
- The loss after tax was SEK 167.7m (166.5), corresponding to a loss per share before and after dilution of SEK 1.1 (1.1).
- The operating loss improved to SEK 130.1m (154.1).
- Cash flow from operations was negative in the amount of SEK 154.7m (-169.0).

**July – September 2014**

- Net sales increased by 24% to SEK 38.5m (31.1)*. Adjusted for exchange rates, net sales increased by 16%.
  - Net sales for clinical use of NIOX products were SEK 30.4m (22.6), an increase of 34%.
  - Strategic sales were SEK 6.9m (7.1), a decrease of 2%.
- Total tests sold (repeat and initial) were 0.6m (0.5) tests, an increase of 33%. Total repeat test volume increased by 33%.
- Gross Margin was 68% (74%).
- The loss after tax was SEK 60.2m (56.5), corresponding to a loss per share before and after dilution of SEK 0.4 (0.4).
- The operating loss improved to SEK 41.8m (47.9).
- Cash flow from operations was negative in the amount of SEK 49.5m (-50.8).

**Significant Events July – September 2014**

- On September 29, 2014, the Company announced a collaboration with Microsoft. The collaboration will utilize Microsoft's secure cloud services to transmit device telemetry data from physician and Company sites in Sweden, UK and the US back to Aerocrine for analyses. Aerocrine's goal is to use this information to deploy its field resources for customer service and sales support. Microsoft chose Aerocrine due to its technology leadership, global reach and commitment to progressing human health management.

**Significant Events, After the Period**

- On November 6, 2014, the United States Food and Drug Administration (FDA) granted market clearance for NIOX VERO, the Company's next generation device for measuring Fractional exhaled Nitric Oxide (FeNO) levels in the clinical setting. NIOX VERO will add significant functionalities such as new User Interface, extended capacity and mobility (battery operated) which has been very well received in Europe during the launch 2014.
- On November 8, 2014, A position paper from the French Speaking Respiratory Society was made available in "Revue des Maladies Respiratoires (2014)". The French guidelines for FeNO are an important step towards submitting for reimbursement in France. The guidelines are summarized as "Measuring FeNO is the only noninvasive pulmonary function test allowing (1) detecting, (2) quantifying and (3) monitoring changes in inflammatory processes during the course of various respiratory disorders, including corticosensitive asthma".
- On November 26, 2014, Thomas Eklund resigned from the Board of Directors.
- On November 26, 2014, the Board of Directors resolved to secure financing of approximately SEK 443m, before transaction costs. The financing will be structured as a rights offering, which will be

subject to approval by the shareholders at an EGM to be held on January 7, 2015. Details of the rights offering will be communicated via a press release on November 28, 2014. In excess of 75% of the financing has been guaranteed by inter alia Aerocrine's largest shareholder Novo A/S and the largest Danish public pension fund, Arbejdsmarkedets Tillægspension (ATP).

## Summary of Financial Information

| | Aerocrine Group | | | | | |
|---|---|---|---|---|---|---|
| (SEK m) | Jul 1, 2014 - Sep 30, 2014 | Jul 1, 2013 - Sep 30, 2013 | Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | Rolling 12 Months | Jan 1, 2013 - Dec 31, 2013 |
| Net Sales | 38,5 | 31,1 | 116,0 | 100,5 | 151,7 | 136,2 |
| Strategic Sales | 6,9 | 7,1 | 19,5 | 18,9 | 27,9 | 27,3 |
| Gross Profit/Loss | 26,2 | 22,9 | 79,6 | 73,1 | 104,4 | 97,8 |
| Gross Margin % | 68% | 74% | 69% | 73% | 69% | 72% |
| Operating Loss | -41,8 | -47,9 | -130,1 | -154,1 | -181,8 | -205,7 |
| Net Loss After Tax | -60,2 | -56,5 | -167,7 | -166,5 | -226,9 | -225,6 |
| Cash Flow, Current Operations | -49,5 | -50,8 | -154,7 | -169,0 | -197,8 | -212,1 |
| Total Cash Flow | -50,5 | -62,2 | -157,7 | 132,7 | -200,7 | 89,7 |

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**Note all numbers in ( ) are the corresponding period previous year and in the same unit.*

This is information that Aerocrine AB (publ) is required to publish in accordance with the Swedish Securities Markets Act and/or the Swedish Financial Trading Act. This information was submitted for publication on November 27, 2014, at 8.00 a.m.

## CEO's Comments on Q3 2014

"We have overcome significant obstacles in the first nine months of the year and our understanding of our markets and our customers continues to evolve. Similarly, we have increased our focus on growth as a key imperative and worked to make sure that we do this in a capital efficient manner. We have accomplished both of these through Q3 of this year and for that I am very proud of our organization.

In terms of topline results, Q3 2014 represents the best third quarter in the Company's history. Additionally, with strong consecutive quarters in Q2 and Q3, the YTD results represent the best first three quarters ever. We mentioned in previous reports that our US business would begin showing signs of improvement in the second half of 2014, and Q3 represented our strongest clinical sales performance in the US ever. The total US clinical sales were SEK 11.7m in Q3, an increase of 2% compared to Q3 2013 and 23% compared to Q2 2014.

We attribute the improved performance in the US to the changes we have made to the selling model, including improved targeting data and messaging, the device evaluation program, and offering customers multiple pricing options. The overall reimbursement landscape improved with better coverage in key states such as Illinois and Texas and we expanded our sales force there to take advantage of better reimbursement. We now have 28 sales territories and plan to keep that structure into 2015. Our US team demonstrated increased productivity as well as increased repeat test sales which is a key indicator of the underlying health of our business.

Our Ex-US business continues strong double digit growth with Europe/ROW contributing 15% growth for both Q3 and the first nine months, as compared to the corresponding periods in 2013. Asia Pacific has exhibited exceptional performance with growth of 328% and 152% for Q3 and the first nine months, as compared to the corresponding periods in 2013, with Japan as a key contributor.

We have also focused on using our capital more efficiently. We accomplished this by globalizing certain functions and becoming more efficient in our processes through automation. We have been able to manage headcount down by 13% from this point last year while still supporting a growing business. On a percent of sales basis we continue to leverage our fixed cost base and have driven our operating expenses down by SEK 17m while increasing sales by approximately SEK 16m (Q3 YTD 2014 vs. Q3 YTD 2013) for a resulting decrease of 45 percentage points (226% to 181%). Absent these initiatives our expense base

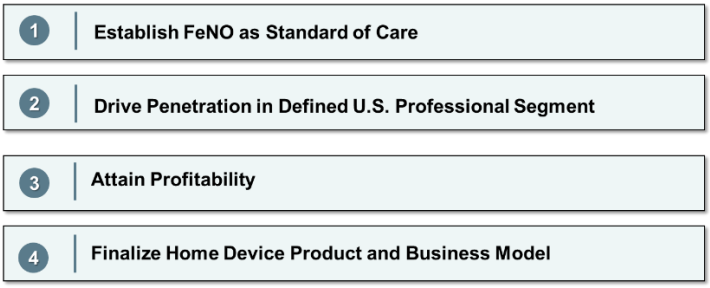
would have been SEK 52m higher. While we need to drive this number lower to attain our overall goal of profitability the results have been three consecutive quarters of reduced operating losses.

With regard to product and service development, we announced an innovative collaboration with Microsoft whereby we were chosen by their global cloud computing and data analytics group to pioneer the use of their secure cloud network to actively monitor several of our devices on different continents. The pilot project is in full swing and we can now monitor devices in near real time. This will improve our ability to monitor device performance as well as also provide valuable information regarding test utilization and upcoming sensor and device expirations. This will add increased efficiency to our selling efforts and deployment of customer support resources. This project will conclude in December with a summit in Brussels where the collaboration results will be showcased by Microsoft.

On the regulatory front, on November 6th the NIOX VERO was approved by the FDA for US commercialization. The NIOX MINO re-registration in China is on track for approval in Q1 of 2015 and additional NIOX VERO submissions are awaiting approval in Japan and China. Expectations for approval are Q2 2015 in Japan and the second half of 2015 in China, but are all subject to the timelines and processes governed by each country.

As we have renewed our short, mid and long term planning for Aerocrine, we took into account the funding that would be needed to grow our topline and enable continued progress toward long-term profitability and value creation for our shareholders. We believe that we have created a strong foundation for our continued growth and strategic direction that we intend to support through the upcoming financing in the amount of approximately SEK 443m, before transaction costs.

We will focus on 4 key areas:




The Company will focus its time and resources to accomplish these key objectives and continue to make Aerocrine the leader in providing FeNO measurement capability to the global medical community. This is an ambitious plan that will take time and resources and we are committed to building Aerocrine and increasing shareholder value" says Aerocrine's President and CEO, Scott Myers.

**For case-studies on how FeNO assists in the daily practice to set correct diagnosis and initiate correct medication please visit: http://www.niox.com/en/**

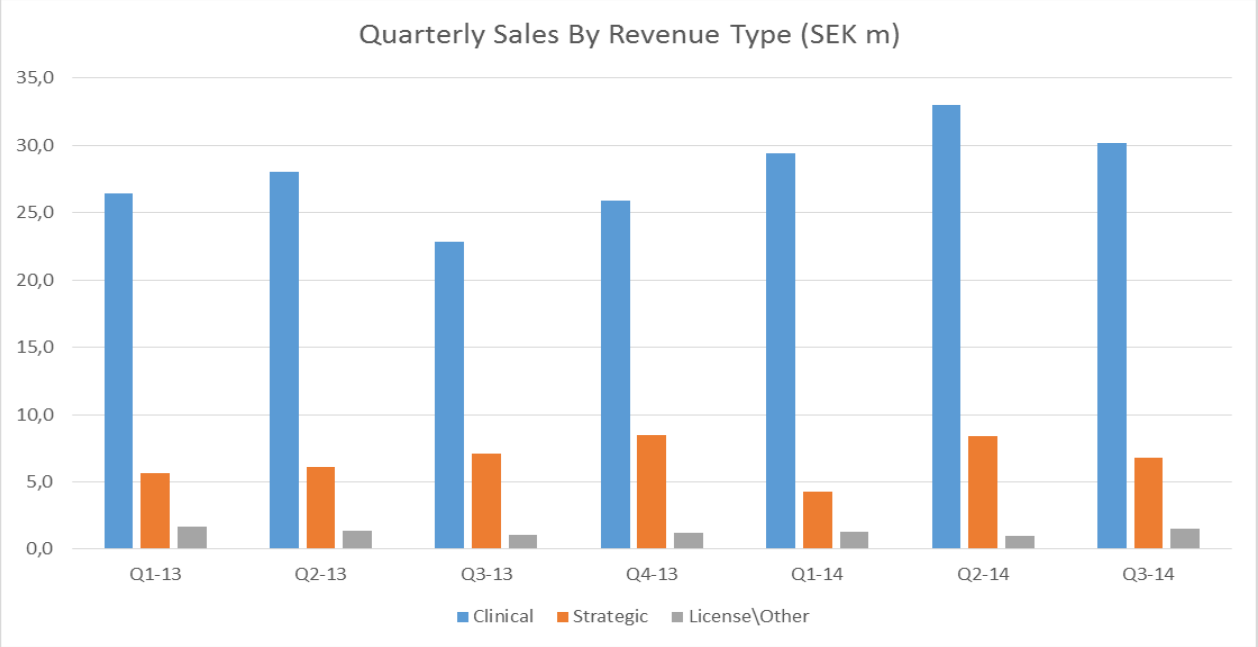
**Overview, January – September 2014**

***Sales***

Net sales for the period January – September 2014 reached SEK 116.0m (100.5), an increase of 15%. Adjusting for the change in currency during the year, the increase was 10%. The net sales for clinical use of NIOX products increased 21% to SEK 92.8m (76.5), driven mainly by strong sales in Japan following the market clearance received in the fourth quarter 2013 and solid performance in the EU.

The implementation of a new sales model in the US slowed growth in the first half of 2014, with clinical sales down by 9% in local currency, but sales rebounded in the last half of Q2 and showed solid growth in Q3. Changes were primarily related to additional focus and improved targeting of potential customers based on level of coverage, size of the clinic and number of patients with asthma symptoms. Additional

changes included new pricing options as well as a subscription plan and consignment plan and the introduction of the evaluation program to further stimulate sales, whereby potential customers are able to use the device for a period of time to further access the benefit of FeNO in their practice.

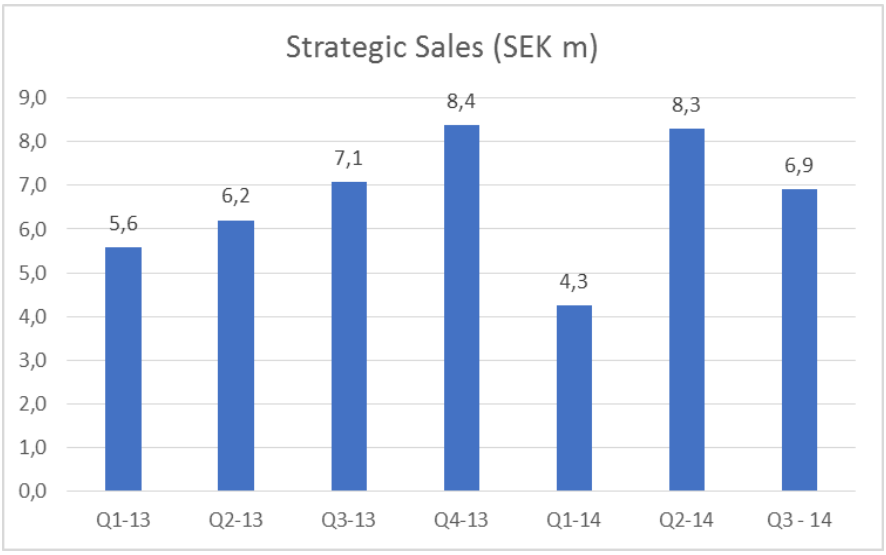



## Sales Summary, Region/Other

| | Aerocrine Group | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (SEK m, except for Tests) | Jul 1, 2014 - Sep 30, 2014 | Jul 1, 2013 - Sep 30, 2013 | % Change | Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | % Change | Rolling 12 Months | Jan 1, 2013 - Dec 31, 2013 | % Change |
| Clinical Sales: | | | | | | | | | |
| US/North America | 11,7 | 11,4 | 2% | 29,4 | 32,2 | -9% | 39,5 | 42,3 | -7% |
| EU/RoW | 13,1 | 10,0 | 32% | 44,3 | 37,1 | 19% | 57,3 | 50,2 | 14% |
| Asia Pacific | 5,6 | 1,2 | 354% | 19,0 | 7,2 | 166% | 21,8 | 10,0 | 119% |
| **Total Clinical Sales** | **30,4** | **22,6** | **34%** | **92,8** | **76,5** | **21%** | **118,6** | **102,4** | **16%** |
| Strategic Sales | 6,9 | 7,1 | -2% | 19,5 | 18,9 | 3% | 27,8 | 27,2 | 2% |
| Other Revenue | 1,2 | 1,4 | -19% | 3,8 | 5,1 | -26% | 5,2 | 6,5 | -21% |
| Total Tests (in 000s) | 609 | 458 | 33% | 1,827 | 1,498 | 22% | 2,344 | 2,015 | 16% |
| Repeat Test (in 000s) | 479 | 361 | 33% | 1,480 | 1,175 | 26% | 1,874 | 1,569 | 19% |

### *Strategic Sales*

Strategic sales for the period, which are included in Region results, increased by 3% compared to the corresponding period in 2013. Strategic sales represented 17% (19%) of total sales during the period. It is important to note that strategic sales fluctuate between quarters as they are impacted by the size and timing of shipment for clinical trials.



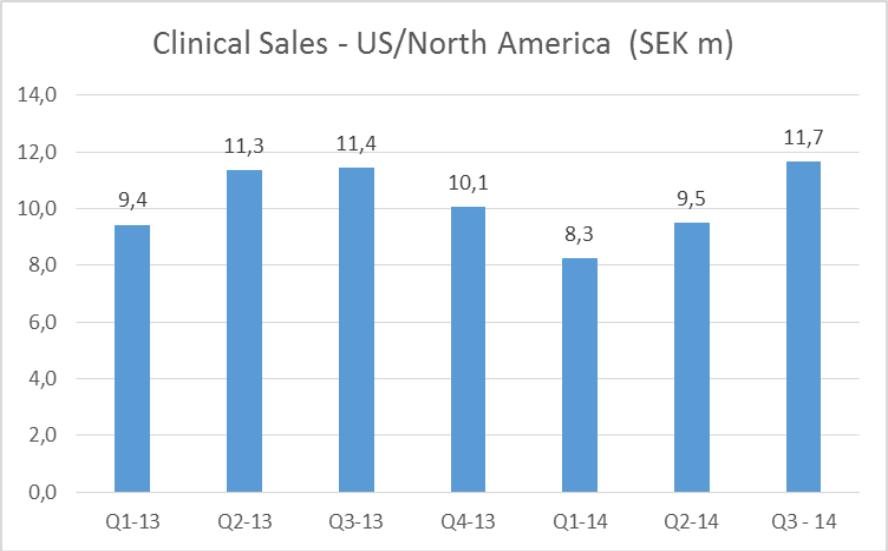

### *Test Volumes*

An important metric for the Company is repeat and initial

test sales volumes. A repeat test is defined as the second and subsequent purchases of test kits. During the period a total of approximately 1.5m (1.2) repeat tests were sold, an increase of approximately 26%. This increase is primarily due to an increase in the number of installed devices and also increased usage by physicians. Total tests sold for the period (repeat tests and initial test), were 1.8m (1.5) tests, an increase of approximately 22% compared with the corresponding period in 2013.

**Segment Results**

***US/North America***

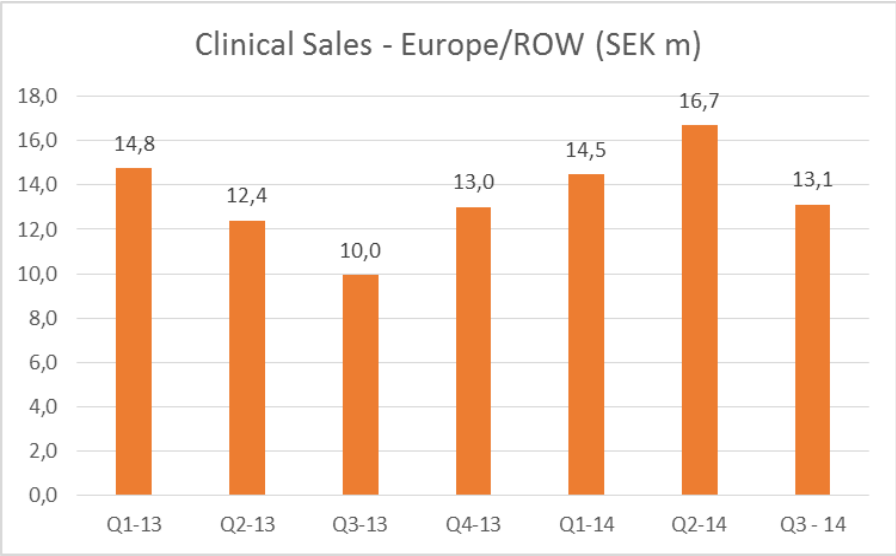



Sales for the period January – September 2014 in the US/North America segment amounted to SEK 40.3m (43.8) a decrease of 8%. When adjusted for currency effects, sales in the segment decreased by 10%. The sales decrease is primarily due to clinical sales showing a decrease of 9% in local currency and by strategic sales decreasing by 10% in local currency. The changes in the clinical sales model vs. 2013 have resulted in a short-term decrease in sales in the first half of the year. The implementation of the new sales model is now finalized and we are seeing positive results in the third quarter.

The number of tests sold for clinical use was essentially flat when compared to the same period in 2013 and amounted to approximately 455k (454k) tests sold. The sales of repeat tests for clinical use grew by 26% and the initial test sales decreased by 33% as a consequence of managing through the implementation of the new sales model. In the first nine months of 2014, 666 devices were placed as part of the US evaluation program, of which approximately 145 were still outstanding as of September 30th.

Sales to new and ongoing clinical studies are expected to continue to represent an important part of revenues in the US. Of the sales in the segment SEK 9.3m (10.1) are attributable to strategic sales.

***Europe/ROW***

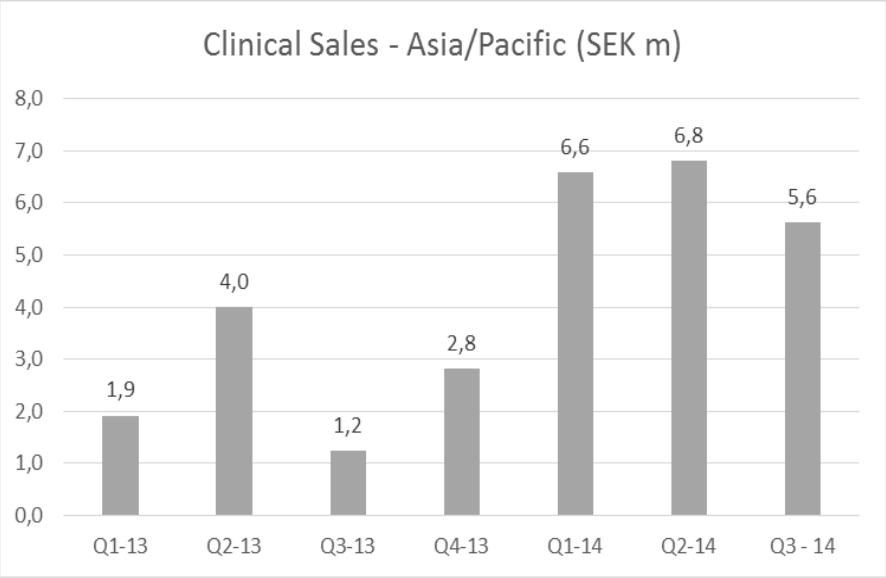



Sales for the segment in the period amounted to SEK 56.3m (49.0), an increase of 15%. When adjusted for currency effects, sales increased by approximately 10%. Clinical sales, excluding strategic sales and license revenues, increased by 19% and reached a record of SEK 44.3m (37.1). Germany and Spain were the main contributors to the clinical sales growth in the segment. During the period the NIOX VERO was introduced in selected markets in the segment. Strategic sales within the segment amounted to SEK 10.2m (8.8).

The sales of repeat tests increased by 8% in the segment compared to the corresponding period 2013 and amounted to 732k (679k) tests sold. The total number of tests sold for clinical use increased by 13% and amounted to 810k (718k).

***Asia/Pacific***

Sales in the segment amounted to SEK 19.5m (7.7), an increase of 152%. When adjusted for currency effects, sales in the segment increased by 139%. The main reason for the increased sales in the segment is the strong growth in the Japanese market, where the latest version of NIOX MINO received market clearance during the fourth quarter of 2013. A backlog of demand as well as the exchange of the previous version of NIOX MINO has been the main drivers behind the growth.




The sales of repeat tests for clinical use grew by 109% in the segment compared to the corresponding period in 2013 and amounted to 298k (143k) tests sold. The total number of sold tests for clinical use grew by 114% and amounted to approximately 396k (185k) tests.

***Profit and Loss***

The gross margin for the period was 69% (73%). The gross margin was mainly impacted by changes in the mix of direct/distributor markets.

The loss after tax for the period January – September 2014 amounted to SEK 167.7m (166.5). The loss per share amounted to SEK 1.1 (1.1). Adjusted for certain non-operating and non-cash items detailed in the table below, underlying on-going operations generated a loss of SEK 129.5m (149.0).

| | Aerocrine Group | | | | | |
|---|---|---|---|---|---|---|
| (SEK m) | Jul 1, 2014 - Sep 30, 2014 | Jul 1, 2013 - Sep 30, 2013 | Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | Rolling 12 Months | Jan 1, 2013 - Dec 31, 2013 |
| Loss After Tax | -60,2 | -56,5 | -167,7 | -166,5 | -226,9 | -225,6 |
| Patent Litigation | 0,0 | -0,1 | -0,1 | -1,2 | -0,3 | -1,4 |
| Stock Option Expense | 0,2 | -2,6 | -1,0 | -3,8 | 0,9 | -1,9 |
| Revaluation A/R, Liabilities, Cash | 8,0 | -9,6 | 15,2 | -2,4 | 19,6 | 2,0 |
| Effective Interest on Loan | -9,4 | -8,7 | -26,8 | -14,6 | -35,6 | -23,4 |
| Loan Revaluation | -17,4 | 9,9 | -25,5 | 4,5 | -28,2 | 1,8 |
| Adjusted Loss | -41,6 | -45,4 | -129,5 | -149,0 | -183,3 | -202,7 |

Adjusted earnings improved mainly due to increased sales and reduced expenses related to sales and marketing outside US and reduced administration and development expenses. Of the sales and marketing expenses SEK -0.2m (1.9) constitutes non-cash expenses related to the Group's personnel stock option program. The decrease in sales and marketing expenses outside the US is mainly attributable to a reduction in headcount as the UK and Swedish markets migrated to distributor model. Development costs have decreased primarily due to the decrease in litigation expenses and planned savings. Of the development expenses SEK -1.8m (+0.4) constitutes non-cash expenses related to the Group's personnel stock option program. The decrease in administration costs are primarily due to one-time expenses related to the financing in 2013. Of the administration expenses SEK +0.2m (2.2) are attributable to the Group's personnel stock option program.

The currency effect on the Group's consolidated sales was positive to the amount of SEK 5.3m, while the

effect on the Group's costs and purchasing was negative to the amount of SEK 5.9m. The total effect of exchange rates was slightly negative on the Group's net operating result compared to the corresponding period of 2013.

On 31 December 2013, the Group's consolidated tax loss was calculated at SEK 1,544.4m (1,315.3), of which SEK 1,488.7m (1,256.9) was attributable to the Parent Company. Of the total tax loss SEK 1,495.8m (1,264.6) is unlimited in terms of the period in which it can be offset against future taxable profits. The tax value of the tax-loss carry-forwards has not been capitalized.

**Overview, July – September 2014**

***Sales***
Net sales for the third quarter 2014 were SEK 38.5m (31.1), an increase of 24%. When adjusted for currency effects, net sales amounted to SEK 36.1m, an increase of 16%. The net sales for clinical use of NIOX products increased in the period by 34% and reached a record, for a third quarter, of SEK 30.4m (22.6) mainly due strong sales in Japan. Clinical sales in the US market increased in the third quarter by 2% primarily due to a stronger volume of repeat tests.

***Test Volumes***
During the period a total of approximately 0.5m (0.4) repeat tests were sold, an increase of 33%. Total tests sold for the period (repeat tests and initial test), reached nearly 0.6m (0.5) tests, an increase of 33% compared with the corresponding period 2013. Total and repeat tests sold as part of strategic sales represented 12% and 14% respectively, of total tests sold in the current year period. This compares to total and repeat tests sold as part of strategic sales of 13% and 14% respectively, of total tests sold in the prior year period.

***Strategic Sales***
Strategic sales, which are included in Region results, were SEK 6.9m (7.1), a decrease of 2%. Strategic sales represented 18% (23) of the total sales during the period. It is important to note that strategic sales fluctuate between quarters as they are impacted by the size and timing of shipment for clinical trials

**Segment Results**
***US/North America***
Sales for the third quarter 2014 in the US/North America segment amounted to SEK 16.0m (15.3) an increase of 5%. When adjusted for currency effects, sales in the segment showed no change. Clinical sales increased by 2% (less than 1% in local currency), driven primarily by increased repeat sales. Strategic sales experienced a slight decrease to SEK 3.4m (3.7).

The total number of tests sold for clinical use increased by 14% compared to the third quarter of 2013 and amounted to approximately 196k (173). Repeat tests sold for clinical use increased by 37% compared to the third quarter of 2013 and amounted to approximately 129K (94).

***Europe/ROW***
Sales in the third quarter amounted to SEK 16.8m (14.6), an increase of 15%. When adjusted for currency effects, sales increased by approximately 8%. The sales increase is mainly attributable to strong sales across EU with Germany and Spain being the main contributors. Strategic sales amounted to SEK 3.5m (3.7). Clinical sales increased by 22%.

The total number of tests sold for clinical use increased by 16% compared to the third quarter of 2013 and amounted to approximately 227k (196). Repeat tests sold for clinical use increased by 3% compared to the third quarter of 2013 and amounted to approximately 200k (195).

***Asia/Pacific***
Sales in the third quarter amounted to SEK 5.7m (1.3), an increase of 328%. When adjusted for currency effects, sales in the segment increased by approximately 300%. The main reason for the increased sales was the market clearance of NIOX MINO in Japan in Q4-2013.

The total number of tests sold for clinical use increased by 255% compared to the third quarter of 2013 and

amounted to approximately 111k (31). Repeat tests sold for clinical use increased by 250% compared to the third quarter of 2013 and amounted to approximately 83k (24).

***Profit and Loss***
The gross margin for the period was 68% (74%). The lower margin is mainly attributable to changes in the mix of direct/distributor markets.

The loss after tax for the period July - September 2014 amounted to SEK 60.2m (56.5) and the operating loss amounted to SEK 41.8m (47.9). The loss per share amounted to SEK 0.4m (0.4). The on-going operations generated a loss of SEK 41.6m (45.4) when adjusted for the non-operating/non-cash items detailed previously. Adjusted earnings improved mainly from increased sales and reduced operating expenses.

**Market Development**
***US/North America***
During 2014, the fifth largest insurance company Health Care Service Corporation decided to implement a positive coverage policy regarding FeNO testing for asthma diagnosis and management effective from April 1, 2014.

Of approximately 284.4m total covered lives in the US, approximately 65% or 184.1m are reimbursable with regards to Aerocrine products, as of September 30, 2014. Of approximately 178.7m private payor covered lives in the US, approximately 55% or 93.3m are reimbursable lives with regards to Aerocrine products as of September 30, 2014.

***Europe/ROW***
In the UK, NICE (National Institute of Health and Care Excellence) are due to publish new Asthma Management & Diagnosis Guidance in mid-2015 which we expect to further support the FeNO Guidance published by NICE in April 2014.

***Asia/Pacific***
The approval of the second generation of the NIOX MINO in Japan is an important step in the continued development of the Japanese market. Currently there is a reimbursement code for exhaled gas in-place of approximately SEK 70 per test, which also covers FeNO. The process of applying for increased reimbursement has been initiated by a number of Japanese specialist societies (Japanese Respiratory Society among others).

**Significant Events, During the Period**
On September 29, 2014, the Company announced a collaboration with Microsoft. The collaboration will utilize Microsoft's secure cloud services to transmit device telemetry data from physician and Company sites in Sweden, UK and US back to Aerocrine for analyses. Aerocrine's goal is to use this information to deploy its field resources for customer service and sales support. Microsoft chose Aerocrine due to its technology leadership, global reach and commitment to progressing human health management.

**Significant Events, After the Period**
On November 6, 2014, the United States Food and Drug Administration (FDA) granted market clearance for NIOX VERO, the Company's next generation device for measuring FeNO levels in the clinical setting. NIOX VERO will add significant functionalities such as new User Interface, extended capacity and mobility (battery operated) which has been very well received in Europe during the launch 2014.

On November 8, 2014, A position paper from the French Speaking Respiratory Society was made available in "Revue des Maladies Respiratoires (2014)". The French guidelines for FeNO are an important step towards submitting for reimbursement in France. The guidelines are summarized as "Measuring FeNO is the only noninvasive pulmonary function test allowing (1) detecting, (2) quantifying and (3) monitoring changes in inflammatory processes during the course of various respiratory disorders, including corticosensitive asthma".

On November 26, 2014, Thomas Eklund resigned from the Board of Directors.

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before transaction costs. The financing will be structured as a rights offering, which will be subject to approval by the shareholders at an EGM to be held on January 7, 2015. Details of the rights offering will be communicated via a press release on November 28, 2014. In excess of 75% of the financing has been guaranteed by inter alia Aerocrine's largest shareholder Novo A/S and the largest Danish public pension fund, Arbejdsmarkedets Tillægspension (ATP).

**Clinical Data**
In August 2014, the *Journal of Allergy and Clinical Immunology* published a study that examined the cost and clinical effectiveness of 3 different strategies to control asthma. Two of the strategies were based on the ACQ (Asthma Control Questionnaire) to guide control of asthma to either partially or more complete control. The third strategy utilized FeNO to drive asthma control. The study examined 611 patients. The results showed that the FeNO driven strategy reduced asthma medication use while sustaining asthma control and quality of life and was the preferred strategy for adult asthmatic patients in primary care. The FeNO driven strategy had the highest probability of cost-effectiveness.

In July 2014, the *Annals of Allergy Asthma and Immunology* published a study that examined whether the use of FeNO in specialist management of asthma could result in more effective and cost-effective treatment decisions. Fifty patients were evaluated by clinical examination, spirometry and symptom assessment using the Asthma Control Test (ACT). Physicians made a decision on the level of airway inflammation present along with treatment before and then after receiving results of the FeNO test. Without FeNO, airway inflammation was incorrectly classified in 50% of the patients. FeNO substantially altered treatment decisions in more than one third of the patients, adding medication in 20% and decreasing medication in 16%. The use of FeNO in addition to standard of care was estimated to save $629 per patient per year.

Also, in July 2014, the results of a clinical trial were published in *the International Journal of COPD*. The study was established to characterize FeNO levels in patients with Chronic Obstructive Pulmonary Disease (COPD). Increases in FeNO were identified in a subset of patients with COPD, particularly in those previously diagnosed with both COPD and asthma. The authors of the study concluded that "since FeNO is useful for identifying patients with airway inflammation who will have a beneficial response to treatment with an inhaled corticosteroid, these data may have important implications for the management of COPD patients".

**Investments and Cash flow**
The Group's cash reserves amounted to SEK 146.3m (334.0) at the end of the period.

Cash flow for the period January - September 2014 was negative in the amount of SEK 157.7m (+132.7) and cash flow from current operations was negative in the amount of SEK 154.7m (-169.0). Cash flow for the third quarter 2014 was negative in the amount of SEK 50.5m (-62.2) and the cash flow from current operations was negative in the amount of SEK 49.5m (-50.8). The total cash flow in the prior year was positively impacted by a new share issue of SEK 91.4m and borrowings under a loan facility of SEK 223.4m in the second quarter in 2013.

The cash flow from current operations has been negatively impacted in the period by interest paid of SEK 22.0m (12.4) associated with borrowings under the 2013 loan facility as well as increased investments in the US and other changes in working capital primarily increased receivables associated with increased sales.

The Group's investments in tangible assets for the period amounted to SEK 1.0m (1.8). Investments in intangible assets for the period amounted to SEK 1.9m (0.7).

**Parent Company**
The Group's principal operations, including development, marketing and sales, are conducted by the Parent Company, Aerocrine AB. The Parent Company assumes the Group's market risk while the subsidiaries, Aerocrine Inc. and Aerocrine AG, are sales companies with the objective of conducting marketing and sales activities in the US and German markets respectively. In addition to its sales activities, Aerocrine Inc. also conducts service operations. In connection with the introduction of the Group's personnel stock options programme, Aerocrine ESOP AB was founded. During 2013 Aerocrine International GmbH, Switzerland, was formed with the purpose of supporting the European market.

The Parent Company's net sales for the year amounted to SEK 119.4m (97.9), of which sales to Group

companies amounted to SEK 58.6m (53.8). The loss after financial items for the period amounted to SEK 160.4m (156.5). The Parent Company's cash and equivalents amounted to SEK 130.6m (324.7) at the end of the period. Investments in machinery and equipment for the period amounted to SEK 1.0m (1.4) and investments in intangible assets amounted to SEK 1.9m (0.7). The earnings of the Parent Company were affected negatively by the Group's internal pricing model, whereby the Parent Company assumes all market risk and consequently makes marketing contributions to the subsidiaries to establish and develop their respective markets.

The internal pricing model with marketing support from the parent means that the equity of the parent company is consumed in approximately the same rate as for the Group. The board continually monitors the equity in relation to the shareholder's equity in regards to the potential need to establish a balance sheet for liquidation purposes. The board has made the assessment that there is additional value related to intellectual property rights which was confirmed by the balance sheet for liquidation purposes as per June 30, 2014. See further information below under Balance Sheet for Liquidation Purposes.

**Ownership Status**
As of September 30 2014, Aerocrine AB had approximately 4,706 shareholders, of whom the four largest represented approximately 61.4% of the votes and capital. On September 30, 2014, the total number of registered shares in the Group was 155,063,162. The largest owners in the Group on September 30, 2014 were Novo A/S (25%), Invifed AB (23%), HealthCap Holding KB (10%) and the Third AP-Fund (3%).

**Employees**
At the end of the period, the total number of employees in the Group amounted to 118 (136), of whom 39 (43) are employed in Sweden.

**Financing**
On a regular basis the Board reviews the Company's current and projected cash position in order to ensure that the Company has the means and resources necessary to carry out the operations and strategies as directed by the Board. The Company's long-term liquidity needs will largely be determined by the success of products already being commercialized, key development and regulatory events that might impact the ability to sell the Company's products or which could impact the reimbursement rates associated with use of the Company's products, and expenses associated with these same efforts.

Based on current forecasts, and absent a strategic collaboration or larger than expected growth in revenue, existing cash is sufficient to finance the current scope of operations until approximately the end of the second quarter 2015; and sufficient cash to meet the conditions of the credit agreement at least the end of December 2014. The Board of Directors, believing that additional value can be created for the Company's shareholders by continuing to fund the Company's operations and growth initiatives, and having reviewed alternatives for raising additional capital, has resolved to secure financing of approximately SEK 443m, before transaction costs. The financing will be structured as a rights offering, which will be subject to approval by the shareholders at an EGM to be held on January 7, 2015. Details of the rights offering will be communicated via a press release on November 28, 2014. In excess of 75% of the financing has been guaranteed by inter alia Aerocrine's largest shareholder Novo A/S and the largest Danish public pension fund, Arbejdsmarkedets Tillægspension (ATP). The objective for the upcoming financing will be to enhance the financial flexibility and facilitate the company's ability to realise its growth plans and reach profitability, and thereby create additional shareholder value. After a successful implementation of the upcoming rights offering, the Board of Directors and management believe that the Company will have sufficient liquidity to attain positive cashflow without additional financing.

There was no conversion of options during the quarter.

**Balance Sheet for Liquidation Purposes**
As the Company's equity as of 30 June 2014 was less than half of the registered share capital, the board decided to draw up a balance sheet for liquidation purposes as of 30 June 2014 for evaluation by its auditor. According to this balance sheet for liquidation purposes, the Company's share capital was intact.

**Transactions with Related Parties**
During the period interest amounting to SEK 6.3m has been paid to Novo A/S. In the balance sheet existing loans from Novo A/S amounts to SEK 70.3m. This relates to the combined equity and loan financing during

2013 in which debt was taken out with a consortium of OrbiMed and Novo A/S.

**Accounting Principles**
This interim report has been prepared in accordance with IAS 34 and the Swedish Financial Accounting Standards Council's guideline RFR 1 and, in relation to the Parent Company, RFR 2.

*New Accounting Principles 2014*
In May 2014, the IFRS issued International Financial Reporting Standard: IFRS 15 *Revenue from Contracts with Customers.* IFRS 15 establishes a comprehensive framework for determining *when* to recognize revenue and *how much* revenue to recognize. The core principle in that framework is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact of the provisions of the new standard on its revenue recognition policies. The standard is effective 1 January 2017.

In other regards, the accounting principles and valuation methods remain unchanged compared with the description provided in the 2013 Annual Report.

**Significant Risks and Uncertainty Factors**
The principal risks and sources of uncertainty for Aerocrine include, albeit not exclusively, financial risks associated with the ability to raise sufficient capital in the upcoming financing to meet planed operational activities and debt covenants and other financial risks, such as the amount of future earnings, ability to secure additional financing – if and when needed and at a reasonable cost, and currency and credit risks. In addition to market risks, there are also risks associated with Aerocrine's operations, such as obtaining the necessary approval from authorities, product development, patents and intellectual property rights, product responsibility and forward looking information, which can affect the Company. Further information on the Company's risk exposure can be found on pages 25-27 of Aerocrine's 2013 Annual Report part 1.

**Publication Dates 2014/2015**

| | |
|---|---|
| Year-end Report 2014 | 20 February 2015 08.00 a.m. |
| 2014 Annual Report | 13 April 2015 |
| First Quarter Interim Report | 12 May 2015 08.00 a.m. |
| AGM 2015 | 12 May 2015 05:00 p.m. |
| Second Quarter Interim Report | 24 July 2015 08.00 a.m. |
| Third Quarter Interim Report | 6 November 2015 08.00 a.m. |

Aerocrine

**Solna November 27, 2014**

Solna, November 27, 2014

The Board of Directors and the President provide their assurance that this interim report provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and its subsidiaries.

Rolf Classon
Chairman of the Board

Lars Gustafsson
Board Member

Staffan Lindstrand
Board Member

Scott Myers
President and CEO

Dennis Kane
Board Member

Michael Shalmi
Board Member

Maria Strömme
Board Member

**Report of Review of Interim Financial Information**

**Introduction** We have reviewed the condensed interim financial information (interim report) of Aerocrine AB as of 30 September 2014 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review** We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion** Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 27 November 2014
Öhrlings PricewaterhouseCoopers
Mikael Winkvist
Authorized Public Accountant

Aerocrine AB (publ) Corporate identity number 556549-1056

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Telephone +46 8 6290780. Fax +46 8 6290781.
E-mail: info@aerocrine.com. Website: www.aerocrine.com or www.niox.com

Aerocrine

**Solna November 27, 2014**

## CONSOLIDATED INCOME STATEMENT

| | Aerocrine Group | | | | |
|---|---|---|---|---|---|
| **(SEK m)** | **Jul 1, 2014 - Sep 30, 2014** | **Jul 1, 2013 - Sep 30, 2013** | **Jan 1, 2014 - Sep 30, 2014** | **Jan 1, 2013 - Sep 30, 2013** | **Jan 1, 2013 - Dec 31, 2013** |
| Net sales | 38,520 | 31,138 | 116,049 | 100,528 | 136,168 |
| Cost of goods sold | -12,355 | -8,226 | -36,434 | -27,462 | -38,338 |
| **Gross Profit/Loss** | **26,165** | **22,912** | **79,615** | **73,066** | **97,830** |
| Sales and marketing expenses | -41,418 | -42,969 | -123,261 | -131,139 | -170,082 |
| Administration expenses | -12,584 | -12,353 | -40,007 | -44,602 | -58,997 |
| Development expenses | -13,849 | -15,825 | -47,503 | -52,095 | -75,127 |
| Other operating income | 624 | 1,081 | 1,959 | 2,786 | 3,652 |
| Other operating expenses | -707 | -790 | -931 | -2,098 | -2,986 |
| **Operation Profit/Loss** | **-41,770** | **-47,944** | **-130,128** | **-154,082** | **-205,710** |
| Financial income | 8,447 | 11,011 | 16,752 | 19,904 | 28,454 |
| Financial expenses | -26,847 | -19,524 | -54,366 | -32,196 | -48,182 |
| **Profit/loss before taxes** | **-60,170** | **-56,457** | **-167,742** | **-166,374** | **-225,438** |
| Income tax | - | - | - | -81 | -160 |
| **Profit/loss for the period** | **-60,170** | **-56,457** | **-167,742** | **-166,455** | **-225,598** |
| **Net profit/loss attributable to:** | | | | | |
| Parent company shareholders | **-60,170** | **-56,457** | **-167,742** | **-166,455** | **-225,598** |
| **Earnings per share based on Net Profit attributable to parent company shareholders** (in SEK per share) | | | | | |
| Profit/loss per share (before and after dilution)* | -0,4 | -0,4 | -1,1 | -1,1 | -1,5 |
| *Profit/loss per share after dilution is not reported, since this would imply improved earnings per share. | | | | | |
| **Other information:** | | | | | |
| Average number of shares outstanding | 155,063,162 | 154,581,405 | 154,896,644 | 150,302,696 | 151,381,295 |
| *Amortisation/depreciation included in operating expenses* | *2,878* | *2,689* | *9,196* | *8,773* | *11,880* |
| *- of which intangible assets* | *2,473* | *2,312* | *7,879* | *7,548* | *10,185* |
| *- of which tangible fixed assets* | *405* | *377* | *1,317* | *1,225* | *1,695* |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Aerocrine Group | | | | |
|---|---|---|---|---|---|
| **(SEK m)** | **Jul 1, 2014 - Sep 30, 2014** | **Jul 1, 2013 - Sep 30, 2013** | **Jan 1, 2014 - Sep 30, 2014** | **Jan 1, 2013 - Sep 30, 2013** | **Jan 1, 2013 - Dec 31, 2013** |
| **Profit/loss for the period** | **-60,170** | **-56,457** | **-167,742** | **-166,455** | **-225,598** |
| **Other comprehensive income for the period:** | | | | | |
| *Items that will not be reclassified to profit or loss:* | - | - | - | - | - |
| *Reassessment of net pension obligation* | - | - | - | - | -71 |
| *Items that have or may be reclassified to profit or loss:* | - | - | - | - | - |
| *Translation differences on foreign operations* | 1,035 | -167 | 1,582 | -411 | 293 |
| **Sum other comprehensive income for the period, net after taxes** | **1,035** | **-167** | **1,582** | **-411** | **222** |
| **Total comprehensive income for the period** | **-59,135** | **-56,624** | **-166,160** | **-166,866** | **-225,376** |
| **Total comprehensive income attributable to:** | | | | | |
| Parent company shareholders | **-59,135** | **-56,624** | **-166,160** | **-166,866** | **-225,376** |

## CONSOLIDATED BALANCE SHEET

| | Aerocrine Group | | |
|---|---|---|---|
| (SEK m) | Sep 30, 2014 | Sep 30, 2013 | Dec 31, 2013 |
| **ASSETS** | | | |
| **Fixed Assets** | | | |
| Intangible assets | 22,844 | 31,047 | 28,830 |
| Tangible fixed assets | 6,251 | 6,339 | 6,226 |
| Financial fixed assets | 2,125 | 1,606 | 1,911 |
| **Total Tangible Assets** | **31,220** | **38,992** | **36,967** |
| **Current assets** | | | |
| Inventories | 25,998 | 21,917 | 19,513 |
| Current receivables and prepaids | 37,276 | 33,171 | 30,968 |
| Cash equivalents | 146,326 | 334,044 | 292,133 |
| **Total current assets** | **209,600** | **389,132** | **342,614** |
| **Total assets** | **240,820** | **428,124** | **379,581** |
| **SHAREHOLDERS' EQUITY** | | | |
| **Capital and reserves attributable to:** | | | |
| **Shareholders' equity attributable to parent company shareholders** | **-58,190** | **162,162** | **104,186** |
| **LIABILITIES** | | | |
| **Long term liabilities and Provisions** | | | |
| Pension commitments | 1,546 | 1,331 | 1,453 |
| Provisions for payroll overheads, staff option schemes | 2,321 | 6,642 | 4,117 |
| Provisions, other | 1,433 | 1,407 | 1,397 |
| Loan | 245,907 | 212,884 | 215,755 |
| **Long-term liabilities** | **245,907** | **212,884** | **215,755** |
| **Long term liabilities and Provisions** | **251,207** | **222,264** | **222,722** |
| **Current liablities** | **47,803** | **43,698** | **52,673** |
| **Total shareholders' equity and liabilities** | **240,820** | **428,124** | **379,581** |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Attributable to Shareholders in the Parent Company | | | | | |
|---|---|---|---|---|---|---|
| (SEK m) | Share Capital | Other Capital Contributions | Cumulative Translation Differences | Revaluation of Net Pension Obligation | Accumulated Loss | Total Shareholders' Equity |
| **Opening balance at January 1 2013** | **72,819** | **1,378,493** | **366** | **-348** | **-1,219,764** | **231,566** |
| **Comprehensive income** | | | | | | |
| Net earnings/Loss for the period | - | - | - | - | -166,455 | -166,455 |
| **Other comprehensive income** | | | | | | |
| Reassessment of net pension obligation | - | - | - | - | - | - |
| Translation differencies foreign operations | - | - | -411 | - | - | -411 |
| *Sum other comprehensive income* | - | - | *-411* | - | - | *-411* |
| **Total comprehensive income** | **-** | **-** | **-411** | **-** | **-166,455** | **-166,866** |
| **Transactions with shareholders** | | | | | | |
| New share issue | 4,472 | 90,563 | - | - | - | 95,035 |
| Issue expenses | - | -3,665 | - | - | - | -3,665 |
| Converible bond | - | - | - | - | - | - |
| *Staff option scheme:* | | | | | | |
| -value of employee services | - | - | - | - | 6,092 | 6,092 |
| **Total transactions with shareholders** | 4,472 | 86,898 | - | - | 6,092 | 97,462 |
| **Closing balance, September 30 2013** | **77,291** | **1,465,391** | **-45** | **-348** | **-1,380,127** | **162,162** |
| | | | | | | |
| **Opening balance at January 1 2014** | **77,314** | **1,465,391** | **659** | **-419** | **-1,438,759** | **104,186** |
| **Comprehensive income** | | | | | | |
| Net earnings/Loss for the period | - | - | - | - | -167,742 | -167,742 |
| **Other comprehensive income** | | | | | | |
| Reassessment of net pension obligation | - | - | - | - | - | - |
| Translation differencies foreign operations | - | - | 1,582 | - | - | 1,582 |
| *Sum other comprehensive income* | - | - | *1,582* | - | - | *1,582* |
| **Total comprehensive income** | **-** | **-** | **1,582** | **-** | **-167,742** | **-166,160** |
| **Transactions with shareholders** | | | | | | |
| New share issue | 218 | - | - | - | - | 218 |
| Issue expenses | - | - | - | - | - | - |
| Convertible bond | - | - | - | - | - | - |
| *Staff option scheme:* | | | | | | |
| -value of employee services | - | - | - | - | 3,566 | 3,566 |
| **Total transactions with shareholders** | 218 | - | - | - | 3,566 | 3,784 |
| **Closing balance, Sep 30 2014** | **77,532** | **1,465,391** | **2,241** | **-419** | **-1,602,935** | **-58,190** |

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## CONSOLIDATED CASHFLOW STATEMENT

| | Aerocrine Group | | |
|---|---|---|---|
| (SEK m) | Jan 1, 2014 Sep 30, 2014 | Jan 1, 2013 Sep 30, 2013 | Jan 1, 2013 Dec 31, 2013 |
| **Cash flow from operating activities before change in working capital** | **-137,937** | **-155,768** | **-212,374** |
| **Total change in working capital** | -16,724 | -13,265 | 295 |
| **Cash flow from operating activities** | **-154,661** | **-169,033** | **-212,079** |
| **Cash flow from investment activities** | **-3,080** | **-2,528** | **-3,605** |
| **Cash flow from financing activities** | **3** | **304,254** | **305,338** |
| **Cash flow for the period** | **-157,738** | **132,693** | **89,654** |
| **Increase/Decrease in cash equivalents** | | | |
| Cash equivalents at start of the year | 292,133 | 199,913 | 199,913 |
| Exchange rate differences in cash equivalents | 11,931 | 1,438 | 2,566 |
| **Cash equivalents at end of the period** | **146,326** | **334,044** | **292,133** |

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| KEY RATIOS | Aerocrine Group Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | Jan 1, 2013 - Dec 31, 2013 |
|---|---|---|---|
| Net sales SEK ths | 116,049 | 100,528 | 136,168 |
| Gross margin % | 69% | 73% | 72% |
| Return on average shareholders' equity % | neg | neg | neg |
| Equity/Asset ratio % | -24% | 38% | 27% |
| Net indebtness, multiple | -1,71 | -0,75 | -0,73 |
| Liquid ratio % | 384% | 891% | 613% |
| Average number of employees | 117 | 136 | 133 |
| Investments, SEK ths | 2,866 | 2,528 | 3,320 |
| Expenses related to development, SEK ths | 47,503 | 52,095 | 75,127 |
| Development expenses in % of total expenses | 22% | 23% | 25% |

| Data per share | Aerocrine Group Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | Jan 1, 2013 - Dec 31, 2013 |
|---|---|---|---|
| Number of shares at closing of period (before dilution) | 155,063,162 | 154,581,405 | 154,628,698 |
| Number of shares at closing of period (after dilution)[1)] | 156,952,372 | 164,266,829 | 158,276,053 |
| Average number of shares (before dilution) | 154,896,644 | 150,302,696 | 151,381,295 |
| Average number of shares (after dilution)[1)] | 157,511,763 | 160,294,756 | 156,041,724 |
| Shareholders' equity per share SEK, before full dilution | -0,38 | 1,05 | 0,67 |
| Shareholders' equity per share SEK, after full dilution | -0,37 | 0,99 | 0,66 |
| Earnings' per share, SEK (before dilution)[1)] | -1,1 | -1,1 | -1,5 |

[1)] Profit/loss per share after dilution is not reported, since this would imply improved earnings per share.

**Definitions**

**Gross margin**
Gross profit as a percentage of net sales for the period

**Return on average shareholders' equity %**
Profit/loss as a percentage of average shareholders' equity

**Average number of shares**
Number of shares adjusted for share issues conducted during the year (before dilution) and option programmes outstanding (after dilution)

**Net indebtness**
Interest-bearing liabilities less current investments and cash and equivalents divided by shareholders' equity

**Equity/Asset ratio**
Shareholders' equity as a percentage of total assets

**Earnings per share**
Net profit/loss divided by average number of shares before and after full dilution

**Shareholders' equity per share**
Shareholders' equity (adjusted for dilution effects) divided by the number of shares at the close of the period before and after full dilution

**Liquid ratio**
Current assets, excluding inventories and work in progress, in relation to current liabilities

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## QUARTERLY FINANCIAL INFORMATION

| | Aerocrine Group | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **(SEK m)** | **Q3-2014** | **Q2-2014** | **Q1-2014** | **Q4-2013** | **Q3-2013** | **Q2-2013** | **Q1-2013** | **Q4-2012** | **Q3-2012** |
| Net sales for the period | 38,520 | 42,501 | 35,028 | 35,640 | 31,138 | 35,651 | 33,739 | 36,180 | 34,838 |
| Gross profit/loss | 26,165 | 28,960 | 24,490 | 24,764 | 22,912 | 25,002 | 25,152 | 26,381 | 25,996 |
| *Gross margin %* | *68%* | *68%* | *70%* | *69%* | *74%* | *70%* | *75%* | *73%* | *75%* |
| Operating expenses for the period | -67,935 | -72,706 | -69,102 | -76,392 | -70,856 | -77,608 | -78,684 | -89,897 | -82,084 |
| Operating profit/loss for the period | -41,770 | -43,746 | -44,612 | -51,628 | -47,944 | -52,606 | -53,532 | -63,516 | -56,088 |
| Profit/loss from financial investments | -18,400 | -10,928 | -8,286 | -7,436 | -8,513 | -3,109 | -670 | 611 | -1,985 |
| **Profit/ loss for the period, before taxes** | **-60,170** | **-54,674** | **-52,898** | **-59,064** | **-56,457** | **-55,715** | **-54,202** | **-62,905** | **-58,073** |
| Taxes | - | - | - | -79 | - | -1 | -80 | - | - |
| **Profit/ Loss after taxes** | **-60,170** | **-54,674** | **-52,898** | **-59,143** | **-56,457** | **-55,716** | **-54,282** | **-62,905** | **-58,073** |

## AEROCRINE GROUP SEGMENT FINANCIAL INFORMATION

| | Jul 1, 2014 - Sep 30, 2014 | | | | Jul 1, 2013 - Sep 30, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **Segment - Net sales** | **US/NA*** | **A/P*** | **EU/ROW** | **Total** | **US/NA*** | **A/P*** | **EU/ROW** | **Total** |
| Net sales from external customers | 16,048 | 5,672 | 16,800 | 38,520 | 15,251 | 1,325 | 14,562 | 31,138 |
| **Total net sales** | **16,048** | **5,672** | **16,800** | **38,520** | **15,251** | **1,325** | **14,562** | **31,138** |

| | Jan 1, 2014 - Sep 30, 2014 | | | | Jan 1, 2013 - Sep 30, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **Segment - Net sales** | **US/NA*** | **A/P*** | **EU/ROW** | **Total** | **US/NA*** | **A/P*** | **EU/ROW** | **Total** |
| Net sales from external customers | 40,255 | 19,467 | 56,327 | 116,049 | 43,814 | 7,727 | 48,987 | 100,528 |
| **Total net sales** | **40,255** | **19,467** | **56,327** | **116,049** | **43,814** | **7,727** | **48,987** | **100,528** |

| | Jul 1, 2014 - Sep 30, 2014 | | | | | Jul 1, 2013 - Sep 30, 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment - Profitability measure** | **US/NA*** | **A/P*** | **EU/ROW** | **Unallocated** | **Total** | **US/NA*** | **A/P*** | **EU/ROW** | **Unallocated** | **Total** |
| **Total EBIT for reportable segment** | **-33,885** | **1,464** | **-9,349** | **-** | **-41,770** | **-31,416** | **-2,625** | **-13,903** | **-** | **-47,944** |
| Financial income | - | - | - | 8,447 | 8,447 | - | - | - | 11,011 | 11,011 |
| Financial expenses | - | - | - | -26,847 | -26,847 | - | - | - | -19,524 | -19,524 |
| **Group - eaqrnings before tax** | **-33,885** | **1,464** | **-9,349** | **-18,400** | **-60,170** | **-31,416** | **-2,625** | **-13,903** | **-8,513** | **-56,457** |
| *Negative impact on earnings;* | | | | | | | | | | |
| *- cost personnel option plan* | *-1,001* | *-* | *175* | *-* | *-826* | *-1,313* | *-* | *-1,267* | *-* | *-2,580* |
| *- depriciation* | *-150* | *-* | *-2,728* | *-* | *-2,878* | *-141* | *-* | *-2,548* | *-* | *-2,689* |

| | Jan 1, 2014 - Sep 30, 2014 | | | | | Jan 1, 2013 - Sep 30, 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment - Profitability measure** | **US/NA*** | **A/P*** | **EU/ROW** | **Unallocated** | **Total** | **US/NA*** | **A/P*** | **EU/ROW** | **Unallocated** | **Total** |
| **Total EBIT for reportable segment** | **-104,281** | **5,919** | **-31,766** | **-** | **-130,128** | **-95,657** | **-3,085** | **-55,340** | **-** | **-154,082** |
| Financial income | - | - | - | 16,752 | 16,752 | - | - | - | 19,904 | 19,904 |
| Financial expenses | - | - | - | -54,366 | -54,366 | - | - | - | -32,196 | -32,196 |
| **Group - eaqrnings before tax** | **-104,281** | **5,919** | **-31,766** | **-37,614** | **-167,742** | **-95,657** | **-3,085** | **-55,340** | **-12,292** | **-166,374** |
| *Negative impact on earnings;* | | | | | | | | | | |
| *- cost personnel option plan* | *-2,614* | *-* | *-952* | *-* | *-3,566* | *-3,307* | *-* | *-501* | *-* | *-3,808* |
| *- depriciation* | *-430* | *-* | *-8,766* | *-* | *-9,196* | *-427* | *-* | *-8,346* | *-* | *-8,773* |

* US/NA = USA and North America, A/P = Asia/Pacific region

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**Solna November 27, 2014**

## PARENT COMPANY INCOME STATEMENT

| (SEK m) | Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | Jan 1, 2013 - Dec 31, 2013 |
|---|---|---|---|
| Net sales | 119,378 | 97,878 | 139,369 |
| Cost of goods sold | -38,339 | -28,656 | -41,702 |
| **Gross Profit/loss** | **81,039** | **69,222** | **97,667** |
| Sales and marketing expenses | -139,863 | -141,452 | -206,223 |
| Administration expenses | -27,438 | -29,854 | -37,722 |
| Development expenses | -37,639 | -43,208 | -63,400 |
| Other operating income | 1,565 | 2,535 | 3,148 |
| Other operating expenses | -917 | -1,993 | -2,140 |
| **Operation Profit/loss** | **-123,253** | **-144,750** | **-208,670** |
| Earnings from shares in Group companies | - | 20,409 | -1,187 |
| Financial income | 17,199 | -32,196 | 29,448 |
| Financial expenses | -54,358 | - | -48,179 |
| **Profit/Loss from financial items** | **-37,159** | **-11,787** | **-19,918** |
| **Loss after financial items** | **-160,412** | **-156,537** | **-228,588** |
| Taxes | - | - | - |
| **Loss for the period** | **-160,412** | **-156,537** | **-228,588** |

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| (SEK m) | Jan 1, 2014 - Sep 30, 2014 | Jan 1, 2013 - Sep 30, 2013 | Jan 1, 2013 - Dec 31, 2013 |
|---|---|---|---|
| **Loss for the period** | **-160,412** | **-156,537** | **-228,588** |
| Other comprehensive income | - | - | - |
| **Total comprehensive income** | **-160,412** | **-156,537** | **-228,588** |

## PARENT COMPANY BALANCE SHEET

| (SEK m) | Sep 30, 2014 | Sep 30, 2013 | Dec 31, 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed Assets** | | | |
| Intangible Assets | 22,844 | 31,047 | 28,830 |
| Tangible Assets | 2,369 | 2,060 | 2,205 |
| Financial Assets | 47,063 | 37,827 | 37,825 |
| **Total fixed assets** | **72,276** | **70,934** | **68,860** |
| **Current assets** | | | |
| Inventory | 19,536 | 16,996 | 13,810 |
| Current receivables and prepaids | 23,798 | 20,418 | 19,256 |
| Cash equivalents | 130,598 | 324,741 | 283,686 |
| **Total current assets** | **173,932** | **362,155** | **316,752** |
| **Total assets** | **246,208** | **433,089** | **385,612** |
| **SHAREHOLDERS' EQUITY** | | | |
| **Shareholders' equity** | **-40,015** | **188,130** | **116,613** |
| **LIABILITIES** | | | |
| **Long term liabilities and provisions** | | | |
| **Provisions** | | | |
| Provisions for guarantees | 2,283 | 600 | 1,800 |
| Provisions for payroll overheads, staff option schemes | 2,321 | 6,642 | 4,117 |
| Loan | 245,907 | 212,884 | 215,755 |
| **Long term liabilities and provision** | **250,511** | **220,126** | **221,672** |
| **Current liabilities** | **35,712** | **24,833** | **47,327** |
| **Total shareholders' equity and liabilities** | **246,208** | **433,089** | **385,612** |
| **Pledged assets** | **408,058** | **594,939** | **547,462** |
| **Contingent liabilities** | **none** | **none** | **none** |