Aerocrine

INVITATION TO SUBSCRIBE FOR SHARES IN AEROCRINE AB (PUBL)

ABG SUNDAL COLLIER

IMPORTANT INFORMATION

The Prospectus has been prepared by Aerocrine in accordance with the Financial Instruments Trading Act (1991:980) and Commission regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council. This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with Chapter 2 paragraphs 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). The approval and registration does not constitute a guarantee from the Swedish Financial Supervisory Authority that the information in the Prospectus is accurate or complete.

The Rights Issue in accordance with the Prospectus is not directed to shareholders or other investors domiciled in the United States, Canada, Australia, Hong Kong, Singapore, South Africa, Japan or New Zealand, or in any other country where participation in the Rights Issue would require additional prospectuses, registration or other measures other than those pursuant to Swedish law or would conflict with regulations in such country. The Prospectus, the subscription form and other documentation pertaining to the Rights Issue may not be distributed in or into any country where such distribution or the Rights Issue would require measures as stated in the immediately preceding sentence or where it would conflict with regulations in such country. No New Shares, Paid Subscribed Shares, Subscription Rights or other securities issued by Aerocrine have been or will be registered in accordance with the United States Securities Act of 1933, or in accordance with any securities legislation in any state of the United States or any province in Canada. Accordingly, no New Shares, Paid Subscribed Shares, Subscription Rights or other securities issued by Aerocrine may be transferred or offered for sale in the United States or Canada, other than in such exceptional cases that do not require registration. The Rights Issue is directed only at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended); or (iii) persons to whom it can otherwise lawfully be directed at. Subscription for, and acquisition of, securities in conflict with the above may be considered invalid.

When making an investment decision, an investor must rely on his or her own analysis of Aerocrine and the offering in accordance with the Prospectus, including, present conditions and risks. Nor should investors rely on information other than that included in this Prospectus and any possible supplements to this Prospectus. The distribution of the Prospectus does not imply that the information is current and updated as per any date other than the date of the Prospectus or that Aerocrine's operations have remained unchanged since that date. Should material changes occur in relation to the information presented in the Prospectus, these will be published in accordance with the regulations regarding supplements to prospectuses as stipulated by the Financial Instruments Trading Act (1991:980).

The Board of Directors of Aerocrine is responsible for the Prospectus. Details of the Board of Directors can be found in the section "Board of Directors, management and auditors." The Prospectus is governed by Swedish law. Disputes regarding the contents of the Prospectus or appurtenant legal conditions shall be resolved in accordance with Swedish law and exclusively within a Swedish court of law.

This Prospectus has been prepared in both a Swedish and English version. In the event that the versions do not agree, the Swedish version shall take precedence.

In its capacity as financial advisor, ABG Sundal Collier has, for a pre-agreed compensation upon completion of the transaction, assisted the Board of Directors in designing the overarching transaction structure and guarantee consortium as well as in the preparation of the Prospectus.

FORWARD-LOOKING STATEMENTS AND MARKET DATA

The Prospectus contains certain forward-looking statements that reflect Aerocrine's current view and expectations with respect to future events and financial and operational performance. The words "consider", "deem", "expect", "anticipate", "may", "plan", "estimate" and other expressions that entail indications or predictions regarding future developments or trends and that are not based on historical facts represent such forward-looking information. Although Aerocrine believes that these statements are based on reasonable assumptions and expectations, Aerocrine cannot guarantee that such forward-looking statements will actually be realised. Since these forward-looking statements include both known and unknown risks and uncertainties, the actual outcome may differ substantially from what is expressed in forward-looking information.

Other factors that may cause Aerocrine's actual operational results or performance to diverge from the contents of the forward-looking statements include, but are not limited to, those detailed under "Risk factors". Forward-looking statements in the Prospectus apply only at the time of the Prospectus. Aerocrine does not undertake to publish updates or revisions of forward-looking statements as a consequence of new information, future events or similar beyond what is required under applicable legislation.

The Prospectus also contains information on the markets in which Aerocrine operates and on Aerocrine's competitive position in those markets, including data on the scope of the markets and market shares. Aerocrine is not aware of any exhaustive sector or market reports covering or addressing the market for Aerocrine's products. Aerocrine considers the data on market scope and market shares in the Prospectus to be accurate and appropriate estimations of the scope of the markets in which Aerocrine operates and to accurately reflect the Company's competitive position in those markets. However, the data has not been confirmed by any independent party and Aerocrine cannot guarantee that a third party using other methods for the collection, analysis or compilation of market data would arrive at the same results. Certain data is also based on estimations made by Aerocrine. Where information in the Prospectus has been sourced from a third party, that information has been reproduced correctly and, to the knowledge of the Company and to the extent the Company has been able to verify this through comparisons with other information published by such third party, no information has been left out that would render the information incorrect or misleading.

PRESENTATION OF FINANCIAL INFORMATION

Aerocrine's audited consolidated accounts for the financial years 2008, 2009, 2010 and 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Commission of the European Communities for application in the European Union and are included in the Prospectus.

Certain financial data and other figures presented in the Prospectus have been rounded off to make the information easily accessible for the reader. Consequently, it may be the case that the figures in certain tables do not add up precisely to the stated total. All financial figures are expressed in Swedish kronor (SEK) unless otherwise stated. Thousands of SEK are indicated by the addition of "000" and millions of SEK are indicated with "SEK millions". "NOK", "USD", "GBP" and "EUR" denote Norwegian kroner, US dollars, pounds Sterling and Euros.

Besides the Company's audited annual reports and consolidated accounts for the financial years 2008, 2009, 2010 and 2011[1], no information in the Prospectus has been audited by the Company's auditor.

[1] The annual report and consolidated accounts for the financial year 2011 have not yet been affirmed by the AGM of the Company.

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THE RIGHTS ISSUE IN BRIEF

Preferential rights
Anyone who is registered as a shareholder in Aerocrine on the record date 17 April 2012 or a holder of the Company's convertible bonds 2010/2015 have preferential rights to subscribe in the Rights Issue. Each existing share in Aerocrine entitles the holder to one (1) Subscription Right. Four (4) Subscription Rights entitle the holder to subscribe for one (1) New Share.

Subscription price
SEK 9 per New Share

Total issue amount
Approximately SEK 260 million

Record date for entitlement to participate in the Rights Issue
17 April 2012

Subscription period
20 April – 11 May 2012

Trading in Subscription Rights
20 April – 8 May 2012

Subscription and payment supported by Subscription Rights
Subscription supported by Subscription Rights is to take place during the subscription period through cash payment. Note that Subscription Rights not intended to be exercised must be sold by 8 May 2012 in order not to be rendered valueless.

Subscription and payment not supported by Subscription Rights
Registration for subscription without preferential rights is to be made to Remium by 11 May 2012 and, if an allocation is received, payment shall be made according to the instructions in the distributed contract note.

Trading in Paid Subscribed Shares
Trading in Paid Subscribed Shares will take place from 20 April 2012 and until the New Shares Issue has been registered at the Swedish Companies Registration Office.

Other information

Instrument	*Ticker*	*ISIN code*
Share	AERO B	SE0000434292
Subscription right	AERO TR B	SE0004549277
Paid Subscribed Shares	AERO BTA B	SE0004549285

Future financial information

Interim Report January – March	3 May 2012
Interim Report January – June	25 July 2012

Summary

This summary should be viewed as an introduction to the Prospectus. This summary makes no claim to be comprehensive. Any decision to invest in the New Share Issue must be based on an assessment of the entire Prospectus, including the documents included in the Prospectus by reference. The summary shall, in its entirety be read against the background of the more detailed information and the Company's accounts and their appurtenant notes found in other parts of the Prospectus or that have been included in the Prospectus by reference. Investors bringing a claim before a court of law as a result of the information in the Prospectus may be required to pay the costs of translating the Prospectus. A person may be made liable for information included in or omitted in the summary or its translation only if the summary or translation is misleading or erroneous in relation to the other sections of the Prospectus.

THE OFFERING IN BRIEF

With the purpose of capitalising on the improved market conditions in the US market, continuing clinical documentation to broaden the current areas of application and examine new indication areas, of further strengthening documentation for reimbursing parties, strengthening Aerocrine's balance sheet, preparing the market introduction of future products from the partnership with Panasonic and rigorously defending the Company's patents and thus shareholder value, the Board of Directors of Aerocrine resolved on 14 March 2012, pending approval by the Annual General Meeting, to implement a new share issue for approximately SEK 260 million, before issue costs, with preferential rights for the Company's shareholders and holders of the Company's convertible bonds 2010/2015. An Extraordinary General Meeting of the Company resolved on 10 April 2012 to approve the resolution of the Board of Directors.

Based on the favourable trend in the US market regarding remuneration from private insurance companies, the Board of Directors has decided, among other things, to increase market investments in the US. Against this background, Aerocrine's existing working capital is not sufficient to cover its current needs over the next 12 months. By means of the capital injected into the Company through the Rights Issue, and combined with the commercial loans the Company has raised, it is the view of the Board that the Company has sufficient capital for the next 12 months given current strategic priorities, and expected sales trends and levels of activity

The Rights Issue entails that the Company's share capital will increase by SEK 14,441,258 through the issue of 28,882,516 New Shares.[2]

Shareholders and holders of convertible bonds in Aerocrine have preferential rights in subscribing for the New Shares in relation to the number of existing shares that they hold.[3] One (1) Subscription Right is obtained for each existing share held on the record date, 17 April 2012. Four (4) Subscription Rights entitle the holder to subscribe for one (1) New Share. In the event that not all New Shares are subscribed with Preferential Rights, the Board of Directors shall determine the allocation of New Shares without Subscription Rights within the scope of the Rights Issue. The subscription price amounts to SEK 9 per New Share.

Subscription of New Shares shall take place from 20 April 2012 until 11 May 2012 against cash payment.

Shareholders in Novo A/S and Investor Investments Europe Ltd. (a wholly owned subsidiary of Investor Growth Capital AB) have undertaken to fully subscribe their Preferential Rights in the Rights Issue, corresponding to a total of approximately SEK 130 million. In total, unpaid subscription undertakings corresponding to approximately 71 percent of the Rights Issue have been secured from existing investors and institutional investors. The remainder of the Rights Issue is fully underwritten by existing shareholders and external partners.

The amount injected into Aerocrine through the Rights Issue, before issue costs, amounts to approximately SEK 260 million. Subscription undertakings and underwriting agreements have been secured for the full amount of the Rights Issue.

AEROCRINE IN BRIEF

Aerocrine is a clinically based medical technology company that leads the development of instruments for testing for inflammation via exhaled air. The Company was founded in 1997 by researchers at the Karolinska Institute and its headquarters are located in Solna, outside Stockholm, Sweden.

By measuring, identifying and controlling the inflammation rather than just measuring lung function and symptoms, treatment, disease control and, by extension, the care of patients, can be significantly improved. Aerocrine's founders discovered the biologic marker exhaled nitric oxide – an effective method for measuring respiratory inflammation. Since then, the Company has developed products that

[2] Due to the intervening exercising of personnel options, the increase in share capital and the number of New Shares is somewhat greater than was the case when the Board of Directors resolved on 14 March 2012 to implement the Rights Issue. The amount of the issue (approximately SEK 259.9 million) is consequently somewhat greater than when the decision to implement the Rights Issue was made (approximately SEK 259.2 million).

[3] Consequently, holders of the Company's convertible bonds 2010/2015 shall, regardless of whether conversion has been effectuated, be considered to be holders of that number of shares in the Company that the bond holders would have received had conversion been effectuated at the conversion rate applicable at the time at which the decision to implement the Rights Issue was taken.

today help healthcare personnel worldwide provide better treatment of diseases caused by respiratory inflammation, particularly asthma.

NIOX®, which was Aerocrine's first product, was launched in 2001 in the European market and quickly became established as a market leader. Many researchers around the world have conducted clinical studies using NIOX and its successor NIOX® FLEX, which was launched in 2007. Both of these products have been taken out of production but are still used by Aerocrine's customers.

In 2005, Aerocrine launched the NIOX MINO® – a small handheld instrument that makes the testing of exhaled NO accessible to a larger group of people.

MARKET OVERVIEW

There are some 300 million asthmatics in the world,[4] making asthma one of the major global health issues. Asthma has grown more common among both children and adults in recent decades and by 2025, the number of asthma sufferers is expected to be between 400 and 450 million.[5]

In Sweden alone, the number of asthmatics is estimated to have risen from 1-2 percent of the population in the 1950s and 60s to around 10 percent of the population today, that is, approximately 900,000 people.[6]

Despite the treatment of asthma having improved considerably since anti-inflammatory medicines began to be used regularly 20 years ago, 143 people in Sweden died due to asthma in 2008.[7] Globally, the number of deaths attributable to asthma is estimated at approximately 250,000 per year.[8]

The total cost for the treatment of asthma is very high. In the US, the annual cost is calculated at USD 27 billion (of which 15.3 billion represents direct costs and 11.6 billion indirect costs). In Europe, total healthcare costs for asthma are estimated at USD 23 billion, of which 10.2 billion are direct costs and 12.8 billion are indirect costs.[9,10]

AEROCRINE'S MARKET

According to the Company's assessment, Aerocrine is the market leader in the routine testing of FeNO, providing a measure of the degree of inflammation in the respiratory systems of asthma patients. In this market, which forms part of the total market for the diagnosis and monitoring of asthma patients, only a limited number of players are, as yet, active. According to the Company's own assessment, Aerocrine's market share amounts to approximately 85 percent of the processed global market, based on sales income and royalties for Aerocrine and its competitors.

The number of NIOX MINO and NIOX FLEX units sold, which have now been removed from Aerocrine's product range, has increased tenfold since 2004. The installed base, that is, the number of instruments currently in use, amounts to 5,500, of which 5,200 are of the type NIOX MINO. A NIOX MINO has a lifetime of approximately three years or 3,000 tests before it needs to be exchanged.

Aerocrine's business model builds on the continuous use of the instruments. Each instrument requires a sensor charged with a certain number of tests and once these have been used, a new sensor with new tests is needed. The number of patient tests sold has risen markedly and more than a million tests are currently made each year using Aerocrine's instruments. In 2011, Aerocrine sold slightly more than 1.2 million tests.

Aerocrine is represented in 45 markets around the world and maintains proprietary operations in Sweden, the US, Germany and the UK. Other markets are being processed through partners and distributors. The Company is now focusing most intensively on the American market following the inclusion of the FeNO method in the American Thoracic Society's (ATS), clinical guidelines for the treatment of asthma. Other markets of considerable importance and on which the Company is focusing and processing, either under its own auspices of via partners, are Germany, the UK, Sweden, China and Japan.

FINANCIAL DEVELOPMENT IN SUMMARY

Presented below is the Aerocrine Group's financial data in brief.

Summary income statement

SEK million	2011	2010	2009	2008
Net sales	93.5	84.7	98.8	82.4
Gross profit/loss	64.2	57.5	69.0	53.1
Operating profit/loss	-132.8	-85.0	-84.0	-135.6
Net financial items	-5.9	-0.8	-1.0	6.8
Profit/loss before tax	-138.7	-85.8	-85.1	-128.8
Tax	0.0	0.0	0.0	0.0
Profit/loss for the year	-138.7	-85.8	-85.1	-128.8

[4] Global Strategy for Asthma Management and Prevention, Global Initiative for Asthma, Updated 2009.
[5] European Federation of Allergy and Airway Diseases Patients Association, (http://www.efanet.org/asthma/what_is_asthma.html).
[6] Pharmacological treatment of asthma – background documentation, Information from the Swedish Medical Products Agency, Supplement 1:2007.
[7] Causes of death in 2008, National Board of Health and Welfare.
[8] Global Strategy for Asthma Management and Prevention, Global Initiative for Asthma, Updated 2009.
[9] AHRQ, Asthma Care Quality Improvement Resource Guide, Table 1.3, "Estimate of Indirect, Direct and Total Cost Burden of Asthma", Published 2003; updates July 2009.
[10] European Lung Foundation (ELF), Cost of Care for Asthma in Europe, http://www.european-lung-foundation.org, accessed June 2010.

Summary balance sheet

SEK million	2011	2010	2009	2008
Total fixed assets	51.7	58.5	12.3	16.3
Cash and equivalents	150.2	252.9	24.3	93.1
Other operating assets	42.9	39.5	31.4	41.2
Total assets	**244.8**	**351.0**	**68.0**	**150.6**
Shareholders' equity	72.0	201.5	31.6	107.5
Long-term liabilities and provisions	116.5	110.5	7.5	3.0
Short-term liabilities	56.3	38.9	28.8	40.1
Total shareholders' equity and liabilities	**244.8**	**351.0**	**68.0**	**150.6**

Summary cash flow statement

SEK million	2011	2010	2009	2008
Cash flow from operating activities	-96.5	-74.0	-65.7	-102.6
Cash flow from investment activities	-6.4	-56.7	-2.8	-6.2
Cash flow from financing activities	0.0	360.9	0.0	83.0
Cash flow for the year	**-102.8**	**230.3**	**-68.5**	**-25.8**
Cash and equivalents at start of the year	252.9	24.3	93.1	118.1
Exchange rate differences in cash and equivalents	0.2	-1.7	-0.2	0.8
Cash and equivalents at end of the year	**150.2**	**252.9**	**24.3**	**93.1**

Key ratios

	2011	2010	2009	2008
Gross margin, %	69	68	70	64
Operating margin, %	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.
Net cash, SEK million	150.2	252.9	24.3	93.1
Equity/Assets ratio, %	29	57	47	71
Development expenses, SEK million	53.2	56.3	57.3	63.1
Average number of employees	71	54	56	72
Earnings per share before dilution, SEK	-1.36	-1.16	-1.28	-2.80
Earnings per share after dilution, SEK	-1.36	-1.16	-1.28	-2.80
No. of outstanding shares at end of period before dilution	102,346,369	102,247,513	66,502,911	66,491,905
No. of outstanding shares at end of period after dilution	112,450,353	105,338,858	69,488,533	66,491,905

RISK FACTORS IN BRIEF

Aerocrine's business, and thus the ownership of shares in the Company, is associated with various kinds of risks. A number of factors that are entirely or partially beyond Aerocrine's control affect and may, in the future, affect the Company's operations. Risks related to the Company's operations and the sector in which the Company conducts its operations include (in no mutual order of importance) approval by public authorities, market acceptance and commercialisation, patents and other intangible rights and the protection thereof, general economic trends, dependency on key individuals, sub-suppliers and distributors, risks related to launch delays, disputes, product liability, permits and legislation, new methods, competition, currency, credit and liquidity risks, as well as risks associated with future earning capacity, future capital requirements and tax risks.

Finally, the Rights Issue and the New Shares are also associated with certain risks. Among other factors, these risks include the Company's share price, risks associated with divestments and liquidity of the Company's shares and future dividends. Furthermore, there are risks related to influence from owners with substantial influence and risks associated with the subscription undertakings and issue underwriting secured in connection with the Rights Issue.

In addition to these risks, investors must also take into account a general assessment of the external environment and other information in the Prospectus. Other risks may also exist that are unknown to the Company.

MAJOR SHAREHOLDERS

Aerocrine's major shareholders as per 30 March 2012 were Investor Investments Europe Ltd with approximately 27.9 percent of capital and votes, HealthCap with approximately 19.3 percent of capital and votes, Novo A/S with approximately 15.7 percent of capital and votes and Skandia Liv with approximately 8.1 percent of capital and votes.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

The Board of Directors currently consists of Anders Williamson (Chairman), Scott Beardsley, Lars Gustafsson, Staffan Lindstrand, Rolf Classon, Dennis Kane, Yvonne Mårtensson and Thomas Eklund.

Management consists of Scott Myers (President and CEO), Charles Neff (President of subsidiary Aerocrine Inc.), Mats Carlson (Executive Vice President and Vice President Development & Technical Operations), Michael Colérus (CFO), Kathleen Rickard (Chief Medical Officer) and Morten Gunvad (VP Commercial Operations Europe and Asia).

PwC is Aerocrine's auditor.

Risk factors

Aerocrine's operations are subject to a number of risk factors that are entirely or partly beyond the Company's control and that thus affect or may come to affect the Company's operations, financial position and/or earnings and consequently the value of shares. Described below are the risk factors deemed to be of particular importance for the future development of the Company. The account of risk factors presented below does not claim to be comprehensive and is made with no mutual order of importance. Additional risks that are, as yet, unknown to the Company may have a significant impact on its business, financial position and/or earnings. Not all risk factors are described in detail and a complete assessment must include all of the information provided in the Prospectus, while also taking an evaluation of external influences into account.

OPERATIONAL AND SECTOR-RELATED RISKS

Approval by authorities

Aerocrine's operations are dependent on the Company's products and method being approved through clinical trials or decisions by public authorities. It is not possible to guarantee positive outcomes to various trials in advance, nor that every application for product or sales clearance will achieve approval. Demands for additional clinical studies, trials or product modification may be necessary to secure approval. Such supplementary procedures may delay and increase the cost of a new product. In the event that Aerocrine encounters problems securing or retaining the permits or approvals it already holds, this may impact Aerocrine's business, earnings and financial position negatively.

Market acceptance and commercialisation

Key prerequisites for the Company's products achieving wide usage include users being able to receive reimbursement from national insurance systems and the method being included in national clinical guidelines for the treatment and monitoring of asthma patients. Although Aerocrine is working to establish such conditions in several markets, it cannot guarantee that the method or its products will be able to attain or maintain the relevant requirements to qualify for reimbursement from national insurance systems in the various markets in which Aerocrine operates. Nor is it possible to guarantee adequate reimbursement from those national insurance systems or that the systems will pay such reimbursement within a certain timeframe. Nor are there any guarantees that the Company's products and method will gain clinical acceptance and be introduced into national clinical guidelines. If the national insurance systems in certain markets do not provide reimbursement and if clinical acceptance of the method is not achieved, this will have a considerable negative impact on future sales growth and, consequently, on the Company's business, earnings and financial position.

Aerocrine's operations are also based on a large proportion of the Company's future sales being generated outside Sweden. International expansion brings uncertainty and imposes considerable demands on organisation and resources. Costs for establishing proprietary local sales companies are considerable.

Patents, other intellectual property rights and their protection

Aerocrine is dependent on its capacity to file and maintain patents that protect its intellectual property and specific knowledge. Aerocrine files patent applications, and registers brands and trademarks continuously to cover its methods and the products that the Company develops. To date, Aerocrine has defended its patent portfolio successfully. Aerocrine monitors its competitors carefully and works methodically on managing its intellectual property through a global collaboration with leading patent experts and patent offices in the US and Europe. There are, however, no guarantees that current or future patent applications will result in patents being approved.

There is always a risk that Aerocrine's competitors, whether intentionally or not, will infringe on the Company's patents. If deemed necessary, the Company will defend its patents and other intangible rights through legal processes. However, there is a risk that Aerocrine may be unable to fully assert its rights in a court case. This could have a considerable negative impact on the Company's business, earnings and financial position.

Furthermore, the sector in which Aerocrine operates is characterised by rapid technological development. Consequently, there is always a risk that new technologies and products will be developed that circumvent or replace Aerocrine's present and future patents or other intellectual property rights.

It cannot be precluded that Aerocrine may be viewed as infringing on the patents and/or other intellectual property rights of another party. Nor can it be precluded that Aerocrine may be drawn into court processes by competitors for alleged infringement of their patents or other rights. As in disputes in general, infringement disputes can be costly and time consuming, even if the outcome of such a dispute may be in the Company's favour, and may therefore have a considerable negative impact on Aerocrine's business, earnings and financial position.

Economic climate

Aerocrine's future sales are to a certain extent dependent on the general economic climate. In markets where the Company's method is not yet included in the national clinical guidelines, the development of Aerocrine's sales is particularly sensitive to economic fluctuations. An economic downturn in the markets where the Company is active could adversely affect demand for the Company's products, which could negatively impact the Company's business, earnings and financial position.

Dependency on key individuals

Aerocrine is heavily dependent on a number of key individuals. The possible loss of any of these individuals could lead to the development or commercialisation of the Company's products being delayed or diminished. Aerocrine's capacity to retain and recruit qualified employees is important in safeguarding the level of competence within the Company. Aerocrine has signed employment agreements with key indi-

viduals on what it considers to be market terms. Nonetheless, there is no guarantee that the Company will be able to retain these key individuals and the loss of any of them could, in the short term, have a negative impact on Aerocrine's business, earnings and financial position.

Dependency on subcontractors and distributors
Aerocrine is, and will remain, dependent on collaboration with other players for the manufacture of the Company's products. If one or more of Aerocrine's suppliers were to discontinue its cooperation with the Company, or if production disruptions, such as delayed deliveries or issues of quality, were to arise, that could cause problems vis-à-vis Aerocrine's undertakings towards its customers. This could damage Aerocrine's reputation, causing the loss of customers and revenues. Having distribution agreements in place, as Aerocrine does, for the sale of the Company's products also constitutes a risk because such agreements can be revoked. A revoked agreement can lead to an unexpected decline in sales and thus have a negative impact on the Company's business, earnings and financial position.

Delayed launches
Aerocrine works continuously to further develop its products and to introduce products to new markets. A possible delay in development and marketing activities would also cause a delay in launches of the Company's products. The Company often develops new products in partnership with others, meaning that the execution and results of trials, and thus also the risk of delay, are to some extent beyond the Company's control. Consequently, it cannot be precluded that such delays will arise, which could have negative consequences for Aerocrine's business, earnings and financial position.

Disputes
From time to time, Aerocrine is involved in legal processes associated with its operations. This includes disputes concerning infringement on intellectual property rights, the validity of certain patents and commercial disputes. For most of the claims Aerocrine is involved in it isn't possible to make a reasonable estimate of the expected financial effect of the legal processes' final conclusions. Aerocrine implements no provisions in such instances. In cases where a settlement is reached or decisions reported, or when quantifiable fines or punishment has been set and not subject to appeal, or when a loss is likely and the Company has been able to make a reasonable assessment of the loss, the Company will report the loss or make a provision equivalent to the best possible assessment of the expected loss. This position could change over time and it's therefore not possible to make any guarantees that losses that a process or investigation will lead to won't exceed the provisions reported in the accounts.

Disputes and claims can be time consuming, disruptive to business, involve considerable sums or issues of principle, may entail substantial costs and impact the Company's operations, earnings and financial position. For further information on the disputes and issues of responsibility in which Aerocrine is currently involved, please see the section on "Legal matters and supplementary information".

Product liability
Aerocrine's operations involve trials, marketing and sales of medical technology products, which means that Aerocrine risks having to remedy, compensate, recall or buy back products that fail to work as intended. There is a risk that Aerocrine, as the manufacturer, be held responsible if a product were to cause personal injury or damage to property. To counteract this risk, Aerocrine holds product liability insurance that, in the Company's view, provides adequate insurance against current product liability risks. New product liability insurance policies are secured on an ongoing basis and to the extent deemed necessary. Despite this, there is no guarantee that the Company's current or future insurance cover will be sufficient for potential product liability claims that may arise. Consequently, it cannot be precluded that such claims may impact Aerocrine's business, earnings and financial position negatively.

Permits and legislation
Because Aerocrine's research and development, production and marketing are subject to constant review by the authorities there are no guarantees that the Company's current permits will be renewed under the same terms as before. Nor are there any guarantees that such permits will not be revoked or limited. Changes to legislation, insurance systems or permit rules, problems discovered with a product or at a manufacturer can therefore negatively impact Aerocrine's business, earnings and financial position.

New methods
Significant resources are currently being assigned to finding new methods within inflammation diagnostics. Even though research has been conducted in Aerocrine's area of application for several years and considerable clinical documentation in this sphere has been accumulated, it is possible that new methods may eventually appear and compete with the Company's method for measuring exhaled NO. This could adversely affect Aerocrine's operations, earnings and financial position.

Competition
Aerocrine is a market leader in the analysis of exhaled NO. There are other companies active in the same segment, and new enterprises backed by more capital and skills may appear. However, more intense competition may make a positive contribution to increased market acceptance for the exhaled NO method and also help push prices down and thereby lower margins for Aerocrine.

Currency risks – transaction and translation exposure
Currency risk entails the Company's equity and earnings being affected by fluctuations in exchange rates. Currency exposures occur in connection with payment flows in currencies other than the Company's functional currency, SEK, (transaction exposure) and in the translation of the balance sheets and income statements of foreign subsidiaries to SEK (translation exposure). All internal invoicing, and subsidiary invoicing, is in local currencies and all handling of other currency is dealt with by the parent company. The Group's exposure to foreign currency relates primarily to USD, EUR and GBP. Fluctuations in exchange rates could adversely affect Aerocrine's earnings and financial position.

Credit risks
When Aerocrine sells its products to customers, it incurs a risk of payment not being made. Although the Group has

guidelines to ensure that sales are made to customers with a suitable credit history, inadequate payment capacity among customers could result in a negative impact on the Company's operations, earnings and financial position.

Liquidity risks
Liquidity risk refers to the risk that Aerocrine will, due to shortage of funds, be unable to meet its financial commitments or will be less able to conduct its business efficiently. Aerocrine's liquidity is affected by factors including payment terms on credit provided to customers and on credit received from suppliers. It cannot be precluded that, due to events as yet unknown, the Company may experience a shortage of funds that, in turn, could have a negative impact on the Company's business, earnings and financial position.

Risks associated with future earning capacity
Primarily due to the significant development and marketing costs initially required by its products, the Company has reported losses since its inception. Aerocrine's future growth and profitability is dependent on the users of the Company's method receiving reimbursement from national insurance systems and on the method being included in national clinical guidelines for the treatment and management of asthma patients. It cannot be precluded that the Company's method will not be included in national reimbursement systems and national clinical guidelines to a sufficient extent for the Company to be able to achieve future profitability.

Risks associated with future capital needs
Although the Rights Issue strengthens Aerocrine's financial position, it cannot be precluded that the Company will need additional financing in the future – for example, by securing loans or implementing additional issues of new shares or other securities. Access to, and the conditions for, additional financing are affected by several factors including market terms, the general availability of credit, as well as Aerocrine's creditworthiness and credit capacity. Disruptions and uncertainty in the credit and capital markets can further limit access to additional capital. There is no guarantee that the Company will in the future have sufficient income or positive cash flow to maintain its operations.

Tax risk
Aerocrine conducts operations in several countries. To the knowledge of the Board, operations both in Sweden and abroad comply with current tax legislation. However, it cannot be precluded that the Company's interpretation of such tax regulations is incorrect or that the legislation will be changed, possibly retroactively. The Company's previous or current tax situation may therefore change as a consequence of decisions by Swedish or foreign tax authorities and this may have a negative impact on the Company's business, earnings and financial position.

RISKS RELATED TO THE RIGHTS ISSUE

Share price, divestments and limited liquidity
Risks and risk assumption are an unavoidable aspect of share ownership. Since an investment in shares may both increase and decrease in value, it cannot be guaranteed that a holder will recover the capital invested. The share price trend depends on a number of factors, of which some are company-specific while others are linked to the stock market as a whole. It is impossible for an individual company to control all of the factors that may affect its share price and consequently, any investment decision involving shares should be preceded by a careful analysis. Furthermore, investors should always carefully acquaint themselves with the information published by the Company on an ongoing basis.

There is no guarantee regarding the future price trend for Aerocrine's shares. The Company's share price could fall following the Rights Issue due to the increased number of shares in the Company. Limited liquidity in Aerocrine's shares can also cause increased share price fluctuations. The shares limited liquidity can result in difficulties for individual shareholders to sell major blocks of shares. There is no guarantee that shares in Aerocrine can be sold at a price acceptable to the holder at any given time.

Significantly influential owners
Combined, Aerocrine's three largest shareholders, Investor Investments Europe Ltd, HealthCap and Novo A/S held approximately 62.9 percent of the total number of shares and votes in the Company as per 30 March 2012. These three owners could, with the support of their voting rights, exercise significant influence over all issues concerning the Company. This might benefit the Company but could also be to the detriment of other shareholders whose interests differ from those of Investor Investments Europe Ltd, HealthCap and Novo A/S. In the event that any of Aerocrine's major shareholders were to divest a significant proportion of its shareholding or if the market were to believe that such a divestment might take place, Aerocrine's share price could be affected negatively and/or the Company could gain other major shareholders. None of Aerocrine's major shareholders are under any obligation to retain their holdings and there are consequently no guarantees that any of the major shareholders will retain their current holding in Aerocrine following the Rights Issue.

Future dividends
The Company's future capacity to pay dividends and the scope of such dividends depend on the Company's future earnings, financial position, cash flows, needs for working capital and other factors. The terms of possible future credit agreements could also prevent dividends from being paid. Proposals regarding dividends to shareholders will not be made until sustainable profitability in Aerocrine has been attained. Accordingly, it is the view of the Board of Directors that it is unlikely that any dividends will be paid over the next few years. See further under "Dividend policy and other information" in the section "Share capital and ownership".

Subscription undertakings and underwriting agreements
Aerocrine has secured subscription undertakings and underwriting undertakings corresponding to the full amount of the Rights Issue. Full subscription is a prerequisite for the Rights Issue. However, the undertakings towards the Company in connection with the Rights Issue have not been secured through pledges, restricted funds or other similar arrangements and it cannot therefore be guaranteed that the stakeholders mentioned will fulfil their undertakings. See further under "Subscription undertakings and underwriting agreements" in the section "Legal matters and supplementary information".

Invitation to subscribe for shares in Aerocrine

The Board of Directors of Aerocrine resolved on 14 March 2012, pending the approval of the Annual General Meeting, to implement a new share issue with preferential rights for the Company's shareholders and holders of the Company's convertible bonds 2010/2015. An Extraordinary General Meeting of the Company resolved on 10 April 2012 to approve the resolution of the Board of Directors.

Through the Rights Issue, the Company's share capital increases by SEK 14,441,258 from SEK 51,336,462.50 to SEK 65,777,720.50. The number of shares in the Company increases by 28,882,516 from 102,672,925 shares to 131,555,441 shares.[11]

Shareholders in Aerocrine and holders of the Company's convertible bonds 2010/2015 have preferential rights in subscribing for the New Shares in relation to the number of existing shares that they hold.[12] The shareholders and holders of convertible bonds receive one (1) Subscription Right for each existing share held on the record date 17 April 2012. Four (4) Subscription Rights entitle the holder to subscribe for one (1) New Share. The subscription price amounts to SEK 9 per New Share.

Subscription of New Shares shall take place from 20 April 2012 until 11 May 2012 against cash payment.

Shareholders who do not participate in the Rights Issue will have their shareholding diluted, although they have the opportunity to gain complete or partial financial compensation for the dilution effect of the Rights Issue by selling their Subscription Rights. Such sales must be completed by 8 May 2012 at the latest. The dilution effect of the Rights Issue is roughly 22 percent.

Novo A/S and Investor Investments Europe Ltd. (a wholly owned subsidiary of Investor Growth Capital AB) have undertaken to fully subscribe their preferential rights in the Rights Issue, corresponding to a total of approximately SEK 130 million.

In total, unpaid subscription undertakings corresponding to approximately 71 percent of the Rights Issue have been secured from existing owners and institutional investors who will thus become new shareholders in the Company. The subscription undertakings and unpaid subscription commitments detailed above total approximately SEK 183 million. The remainder of the Rights Issue, corresponding to approximately 29 percent (approximately SEK 76 million) is guaranteed by external parties.

The amount injected into Aerocrine through the Rights Issue, before issue costs, amounts to approximately SEK 260 million. Subscription undertakings and underwriting agreements have been secured for the full amount of the Rights Issue.

The total costs attributable to the Rights Issue are expected to be approximately SEK 11.4 million.

In accordance with the terms stated in the Prospectus, shareholders in Aerocrine and holders of the Company's convertible bonds 2010/2015 are hereby invited to subscribe, with preferential rights, for New Shares in the Company.

Solna, 17 April 2012

Board of Directors of Aerocrine AB (publ)

[11] Due to the intervening exercising of personnel options, the increase in share capital and the number of New Shares is somewhat greater than was the case when the Board of Directors resolved on 14 March 2012 to implement the Rights Issue. The amount of the issue (approximately SEK 259.9 million) is consequently somewhat greater than when the decision to implement the share issue was made (approximately SEK 259.2 million).

[12] Consequently, holders of the Company's convertible bonds 2010/2015 shall, regardless of whether conversion has been effectuated, be considered to be holders of that number of shares in the Company that the bond holders would have received had conversion been effectuated at the conversion rate applicable at the time at which the decision to implement the Rights Issue was taken.

Background and motive

Since the Company's inception, Aerocrine has gradually been developed with the purpose of building up a focused and independent medical technology company with international operations. In Germany, the first major market in which Aerocrine established proprietary operations and launched its principal product, NIOX MINO®, the Company has achieved substantial success among its initial target group, lung specialists. At the same time, the Company has had the opportunity to verify its long-term commercialisation strategy.

Since 2003, Aerocrine has been established in the US with a proprietary organisation. Through, among other things, its former product NIOX® and its successor NIOX® FLEX, the Company has built up relations with key customers, clinical decision makers and authorities. In 2008, the Company secured market approval for NIOX MINO in the US. Market approval allowed the Company to increase its focus on the market and to reach out to a wider target group, providing the base needed to succeed commercially. That same year, that is, in 2008, NIOX MINO also gained market approval in China.

The year 2011 brought much good news for Aerocrine's method and products. An event of considerable importance in the US was the ATS' (American Thoracic Society) publication in September 2011 of official guidelines strongly recommending the method developed by Aerocrine for the diagnosis and treatment of asthma. The ATS' new guidelines entail all US physicians and healthcare institutions being recommended to use this method in their work with asthma patients.

The fact that the ATS is recommending inflammation testing on a broad front represents a highly significant step for Aerocrine in the US. The US is the world's largest market and strong clinical guidelines are a key prerequisite, both for increased use of the Company's products, as well as for favourable decisions on cost reimbursement from the health insurance companies. Aerocrine also expects clinical guidelines in many other markets to follow those in the US.

In addition to the inclusion of the Group's method in clinical guidelines, a crucial piece of evidence of the effectiveness of the Company's method and a prerequisite for its widespread use is that the costs for the method are paid for by national insurance systems; which is known as reimbursement. Payment for inflammation measuring from private health insurance companies based on requests from physicians has increased in the US during 2011. At the end of 2011, the number of individuals in the US whose private health insurance programmes reimburse physicians for inflammation tests carried out had risen to 15 percent of the total possible figure. For the publicly financed programmes, Medicare and Medicaid, the corresponding figure was 74 percent. Of the total number of insured individuals in the US, 67 percent are covered through the private health insurance systems.

In 2012 the proportion of privately insured individuals has risen further and now totals 36.2 percent, an increase of 21.0 percentage points. The corresponding figure for Medicaid (public insurance system for low-income individuals) is now 50.7 percent, an increase of 3.2 percentage points.

Aerocrine's vision is for NO measuring to be for people with asthma what blood glucose measuring at home is for diabetics; a personal device to proactively keep their chronic condition under control. In a first step towards achieving this vision Aerocrine and Panasonic Shikoku Electronics signed a long-term deal in November 2009 to develop, manufacture and market new generations of products for measuring airway inflammation using exhaled nitric oxide. The aim is to be able to provide customized, cost-effective devices for both clinical and home use.

In the short term, Aerocrine intends to continue focusing on building up its US operations to further drive clinical sales of NIOX MINO and to continue its work to secure reimbursement in the US market where the Company is the sole supplier of officially approved inflammation testing products. The Company is also examining opportunities for a partnership in the US market to further strengthen its sales channels. In addition to this, the focus will be on sales in prioritised European countries and continued market processing for NIOX MINO in China and Japan in cooperation with the Company's local partners. Over the next few years, the objective is to build a solid financial platform based on growing sales, to then be able to become a financially independent company with positive cash flows.

The Company is now implementing a Rights Issue of New Shares for existing shareholders. In total, Aerocrine will receive an injection of approximately SEK 260 million before deductions for issue costs. The principal purpose of the Rights Issue at hand is to capitalise on the improved market conditions in the US market, to continue strengthening the clinical documentation to broaden the current areas of application, and to examine new indication areas, further strengthen documentation for reimbursing parties, strengthen Aerocrine's balance sheet, prepare the market introduction of future products from the partnership with Panasonic and to rigorously defend the Company's patents and thus shareholder value.

Aerocrine will, in particular, use the capital injection to increase its level of investment in the US and to thus capitalise on the advances described above. Above all, this entails further investments being made in sales resources and to obtain full reimbursement.

The Company also intends to initiate a clinical development programme with the purpose of broadening the areas of application for the Company's products to new indications such as chronic obstructive pulmonary disease (COPD – sometimes known as the smoker's disease) to secure approval for asthma diagnosis in the US, to start work on how inflammation testing of the respiratory system by means of NO can be used in the home, and to conduct studies demonstrating the health-economic advantages of NO testing for reimbursing parties, patients and society.

In the near-term, the Company will also launch the first product developed in partnership with Panasonic and will take preparatory steps towards starting to explore the potential for home use with the purpose of further strengthening the leading position that the Company holds in the area of respiratory inflammation testing.

In addition to this, the Company will continue to invest in markets outside the US to gain inclusion in clinical guidelines and cost reimbursement to thereby drive continued sales growth. Through the capital injection, the Company's balance sheet will be strengthened and the Company will finally be able to capitalise on the investments it has made in building up and defending its patent portfolio and thus shareholder value.

The capital raised in 2010 has primarily been used to launch NIOX MINO® in the US market and to strengthen the US sales organisation. Furthermore, the Company has advanced its development of NIOX MINO, rigorously defended its patents, strengthened the Company's medical expertise and commenced its partnership with Panasonic.

In other regards, the Board of Directors directs the reader's attention to the account in this Prospectus occasioned by the Rights Issue at hand. The Board of Directors wishes to draw the attention of shareholders and other stakeholders to the fact that all forms of investment in shares are associated with risks and would therefore encourage all potential investors to read the section "Risk factors".

The Board of Directors of Aerocrine is responsible for the contents of the Prospectus and provides its assurance that all reasonable cautiousness has been taken in ensuring that the information disclosed in the Prospectus to the best of Aerocrine's Board of Directors' knowledge, that it agrees with actual conditions and that nothing has been omitted that could affect its interpretation. Where information has been gathered from third-party sources, it has been reproduced accurately and none has been omitted that would render that information erroneous or misleading.

Solna, 17 April 2012

Board of Directors of Aerocrine AB (publ)

CEO's comments

When I started as the new CEO in September 2011, Aerocrine was just about to launch the shift in focus that the Board of Directors had announced at the start of the year. Consequently, during 2011, the Company underwent a dramatic transformation from being a company offering a method for researchers and key specialists to being a patient-focused company selling high-value products in multiple markets to a broad group of physicians that is helping asthma sufferers.

In concrete terms, the shift of focus has entailed a more aggressive strategy in terms of sales, marketing and clinical development. Our venture in the US market gained additional impetus from the ATS' (American Thoracic Society) guidelines that were published in September. The guidelines mean that physicians and other healthcare personnel are recommended to use FeNO testing, a method developed by Aerocrine for the treatment and diagnosis of asthma.

As a consequence of the ATS' guidelines, we have strengthened our presence in the US considerably, have built up a proprietary sales force and have invested in building up medical expertise internally. These efforts will continue and we can already see that the venture has generated results. In the US, we are now focusing on convincing the insurance companies to alter their reimbursement policies to include our tests. These efforts are ongoing and the number of people with insurance protection that covers FeNO testing is increasing continuously.

Moving forward, our focus will be on expansion and deriving benefit from our unique market situation. We are in principle alone in offering products in this area – we have both clinical and cost-related data demonstrating the advantages of our product, while the research shows that the method saves lives and helps asthma sufferers lead normal lives.

But being alone also poses numerous challenges – we have to create our own market and make sure that things happen. We will therefore be shifting up a gear and the Company's Board and management have adopted an ambitious growth strategy. To ensure that we have financing to implement the new growth strategy, we have resolved to implement a rights issue.

The new issue will provide us with sufficient capital to benefit from the position we currently hold. We have a very good product that addresses one of the world's most prevalent diseases and one that demands enormous healthcare resources at a time when there is increasing pressure to cut costs – which may seem an impossible equation.

There are currently some 300 million asthma sufferers in the world and that figure is expected to rise to 400-450 million by 2025. Each year, huge sums are spent on asthma care and that will increase if nothing is done regarding the diagnosis and treatment of the disease. Asthma cannot be cured, but if the disease is controlled, the quality of life of this group of people can be enhanced considerably. By maintaining control of the disease, it is also possible to reduce care costs in the short, medium and long term – a priority aspect in all markets worldwide.

Following our growth strategy, we will invest particular efforts in those markets where we perceive extensive potential. At the moment the US is clearly our most important market. We have elaborated a health-economic model that shows reimbursers, that is, the insurance companies, clearly that our cost-efficient test will actually save them money. Since the model builds on data from either the insurance companies themselves or from highly credible published sources, our method is gaining acceptance.

Japan is becoming an increasingly important market despite the fact that we do not have market approval there. Our method is already used by many physicians and when we have gained market approval for our product, we will have a solid platform to build on, since awareness of our product is already relatively high.

In Europe, Germany is our most developed market. We are extremely strong within specialist lung care and fully 80 percent of lung specialists use Aerocrine's FeNO tests in their work. The next step here is to spread knowledge about our product and its use beyond the specialist segment.

We operate in a complex industry, in which many players and sets of regulations interact. However, we are certain that we can learn from our most recent successes in the US as we continue to process markets, both existing and new. Today, we operate in 45 countries.

It is also against that background, with the US in particular and the world in general as our future markets, that I have joined the Company. I have a background in Life Sciences and pharmaceuticals and I have extensive experience of running companies that operate in the international market. I also have experience of selling medical products in the US market.

I am convinced that we will succeed. Since September 2011 alone, we have successfully built a strong company, achieved reimbursement from relevant organisations (both public and private) and increased our sales. Thus we stand well equipped ahead of our imminent expansion.

Solna, 17 April 2012

Scott Myers, President and CEO of Aerocrine

Terms and conditions

TERMS AND CONDITIONS

Preferential Rights and Subscription Rights
Holders of shares in Aerocrine and holders of the Company's convertible bonds 2010/2015 have preferential rights to subscribe for New Shares.[13] On the record date, 17 April 2012, one (1) Subscription Right will be allocated for each existing share in Aerocrine. Four (4) Subscription Rights entitle the holder to subscribe for one (1) New Share. Shares can also be subscribed without preferential rights – see "Subscription and allocation of New Shares not supported by Subscription Rights" below.

Dilution
The Rights Issue entails an increase in the number of shares in the Company by 28,882,516, from 102,672,925 shares to 131,555,441 shares, corresponding to an increase of approximately 28 percent.

For shareholders choosing not to subscribe for New Shares through the Rights Issue, the Rights Issue will result in a dilution effect from the 28,882,516 New Shares, corresponding to approximately 22 percent of the share capital in Aerocrine following the Rights Issue.[14]

Subscription price
The New Shares will be issued at a subscription price of SEK 9 per share. No brokerage fee will be charged.

Record date
The record date for the determination of who is entitled to receive Subscription Rights is 17 April 2012. Shares in Aerocrine will trade without conveying the right to participate in the Rights Issue effective from 13 April 2012. The final day for trading including the right to participate in the Rights Issue is 12 April 2012.

Subscription period
Subscription of New Shares shall take place from 20 April 2012 until 11 May 2012. The Board of Directors of the Company retains the right to extend the subscription period and, if this is done, a press release will be issued to that effect as soon as possible following the end of the subscription period.

Issue account statement to directly registered shareholders
A pre-printed issue-account statement with payment notice attached and a special application form will be distributed to shareholders or representatives for shareholders who, on the record date are registered in the share register kept by Euroclear Sweden on the Company's behalf, with the exception of those resident in certain disqualified jurisdictions (see further information below). Among other matters, the issue account statement states the number of Subscription Rights received and the number of complete New Shares that may be subscribed. Forms for the registration of Subscription Rights in accounts at Euroclear Sweden will not be distributed.

Those who are listed in the special list of holders of pledged shares, and guardians will not receive an issue account statement but will, instead, be notified separately.

Nominee registered shares
Shareholders whose holdings are registered with a nominee bank or other nominee will not receive a pre-printed issue account statement. Instead, subscription of New Shares and payment shall be effected in accordance with instructions from the nominee.

Trading in Subscription Rights
The Subscription Rights will be listed for trading on the NASDAQ OMX Stockholm exchange during the period 20 April 2012 to 8 May 2012. Shareholders should directly contact their bank or nominee with the appropriate permission to conduct purchases and sales of Subscription Rights on their behalf. The ISIN code for the Subscription Rights is SE0004549277.

If a shareholder does not utilise some or all of his/her Subscription Rights by making payment by 11 May 2012 or does not sell his/her Subscription Rights by 8 May 2012, that shareholder's unutilised Subscription Rights will expire without value and the holder will not receive any compensation.

Shareholders resident in certain disqualified jurisdictions
The allotment of Subscription Rights and the issuance of New Shares upon exercise of Subscription Rights to persons who are resident in, or citizens of certain disqualified jurisdictions may be affected by securities legislation in such countries. Consequently, subject to certain exceptions, shareholders whose existing shares are registered directly in a custodial account and whose registered address is in, inter alia, the United States, Canada, Australia, Hong Kong, Singapore, South Africa, Japan or New Zealand will not receive any Subscription Rights or be permitted to purchase New Shares. The Subscription Rights which otherwise would have been registered for such shareholders will be sold and the sales proceeds, less deductions for costs, will be paid to such shareholders. Amounts of less than SEK 100 will not be paid out.

Right to dividends
The New Shares carry rights to dividends for the first time on the first dividend record date occurring after the registration of the New Shares with the Swedish Companies Registration Office (Bolagsverket).

Publication of the outcome of subscription for the Rights Issue
The outcome of subscription for the Rights Issue will be published in a press release from the Company on about 16 May 2012.

Other information
The Company is not entitled to discontinue the Rights Issue.

The New Shares will be listed for trade on the NASDAQ OMX Stockholm exchange on about 4 June 2012.

A subscription for New Shares, whether by exercise of Subscription Rights or not, is irrevocable and the subscriber may not cancel or alter a subscription for New Shares.

Incomplete or incorrectly completed application forms may be left without consideration. If the subscription payment is paid too late, is insufficient or made incorrectly, the subscription application may be left without consideration or subscription may be made for a lower amount. In such case, any subscription payment not used for payment will be refunded.

In the event that a subscriber pays an amount exceeding that required, the Company will arrange for the excess amount to be refunded.

[13] Consequently, holders of the Company's convertible bonds 2010/2015 shall, regardless of whether conversion has been effectuated, be considered to be holders of that number of shares in the Company that the bond holders would have received had conversion been effectuated at the conversion rate applicable at the time at which the decision to implement the Rights Issue was taken.

[14] Dilution in percent for shareholders who do not subscribe for New Shares through the Rights Issue has been calculated here as the number of newly issued shares divided by the total number of shares after the Rights Issue.

SUBSCRIPTION SUPPORTED BY SUBSCRIPTION RIGHTS

Subscription of New Shares supported by Subscription Rights shall be made simultaneously with cash payment during the period 20 April 2012 to 11 May 2012. Following the close of the subscription period, Subscription Rights will become invalid and will, without notification from Euroclear Sweden, be deregistered from the custodial accounts.

To avoid the value of their Subscription Rights being lost, shareholders must either:

- exercise the Subscription Rights received in subscribing for New Shares by 11 May 2012, or
- sell their received but not utilised Subscription Rights by 8 May 2012.

Those entitled to subscribe who are directly registered and resident in Sweden

Subscription of New Shares supported by Subscription Rights is to be made through cash payment, either using the pre-printed bank giro slip or the intended application form with payment being made through one of the following alternatives.

The bank giro slip is to be used if all Subscription Rights, in accordance with the issue account statement from Euroclear Sweden, are to be utilised.

The application form is to be used if Subscription Rights have been purchased or transferred from another custodial account or if a number of Subscription Rights other than that indicated on the pre-printed issue account statement are to be utilised for subscription. Payment for subscription for New Shares should in that case be made at the same time as the application form is sent in to Remium Nordic AB ("Remium"), at the address given below. Payment can be made in the same way as a bank giro payment, for example through an Internet bank, by bank giro or at a bank.

Application forms will be distributed with the issue account statement, but can also be obtained from Aerocrine (website: www.aerocrine.se, telephone: +46 (0)8-629 07 80) or Remium (website: www.remium.com, telephone: +46 (0)8-454 32 00, e-mail: backoffice@remium.com). Payment is to have been made by 11 May 2012.

The application form shall be sent to Remium Nordic AB, marked: Aerocrine, Kungsgatan 12-14, SE-111 35 Stockholm, Sweden, or by fax: +46 (0)8-454 32 01. In the event that the application form is used, it shall be received by Remium no later than 11 May 2012.

Subscription by nominee-registered shareholders

Custodial account holders with nominees who wish to subscribe for New Shares supported by Subscription Rights should apply for subscription in accordance with instructions from their nominees.

Paid Subscribed Shares

Following payment and subscription, Euroclear Sweden will distribute a notification confirming that Paid Subscribed Shares have been registered in the Subscriber's custodial account. The New Shares will be recorded as Paid Subscribed Shares until the Rights Issue has been registered with the Swedish Companies Registration Office. When registration has taken place, the Paid Subscribed Shares will be replaced by shares, and this is expected to occur on about 31 May 2012. No custodial notification will be distributed in connection with this replacement.

Trading in Paid Subscribed Shares

Trading in Paid Subscribed Shares on the NASDAQ OMX Stockholm exchange is expected to take place from 20 April 2012 and until the Rights Issue has been registered at the Swedish Companies Registration Office. Services to support the buying and selling of Paid Subscribed Shares are provided by securities institutions.

The ISIN code for the Paid Subscribed Shares is SE0004549285.

SUBSCRIPTION AND ALLOCATION OF NEW SHARES NOT SUPPORTED BY SUBSCRIPTION RIGHTS

Subscription by directly registered shareholders

Application to subscribe for New Shares without preferential rights shall be made using the application form intended for that purpose. Only one application may be submitted. In the event that several application forms are submitted, only the first application form to be received by Remium will be considered.

Application forms can be obtained from Aerocrine (website: www.aerocrine.se, telephone: +46 (0)8-629 07 80) or Remium (website: www.remium.com, telephone: +46 (0)8-454 32 00, e-mail: backoffice@remium.com).

The application form shall be sent to Remium Nordic AB, marked: Aerocrine, Kungsgatan 12-14, SE-111 35 Stockholm, Sweden, or by fax: +46 (0)8-454 32 01. The application form shall be received by Remium no later than 11 May 2012.

Subscription by nominee-registered shareholders

Custodial account holders who wish to subscribe for New Shares without preferential rights should apply for subscription in accordance with instructions from their nominees.

Allocation

In the event that not all New Shares are subscribed supported by Subscription Rights, the Board of Directors shall determine the allocation of new shares without Subscription Rights within the scope of the Rights Issue. Consequently, the allocation shall be conducted in accordance with the following:

- New shares shall initially be allocated, pro rata in relation to the number of Subscription Rights exercised by each applicant, to those who have also subscribed for New Shares supported by Subscription Rights, regardless of whether or not they were shareholders on the record date.
- Secondly, New Shares shall be allocated to others who have registered their interest in subscribing for New Shares without Subscription Rights, pro rata in relation to their registered interests.

To the extent that New Shares cannot be allocated pro rata, allocation shall be made by lottery. Any New Shares subsequently remaining shall be allocated to those persons who, through agreements with the Company, have undertaken, in advance, to purchase New Shares in the Rights Issue, in relation to the scope of their undertakings.

As confirmation of the allocation of New Shares without Subscription Rights, a contract note will be sent to the Subscriber on about 16 May 2012. No notification will be sent to Subscribers for whom no allocation is made. Subscription for, and allocation of, New Shares shall be paid in cash in accordance with the instructions in the contract note sent to the Subscriber at the latest three days after the contract note was sent to the Subscriber. Once payment has been made, Euroclear Sweden will distribute a custodial confirmation that the Paid Subscribed Shares have been registered in the custodial account. The New Shares will be recorded as Paid Subscribed Shares in the custodial account until the New Shares have been registered with the Swedish Companies Registration Office, which is expected to occur on about 24 May 2012. No custodial notification will be distributed in connection with this replacement.

How to subscribe

SUBSCRIPTION OF NEW SHARES SUPPORTED BY SUBSCRIPTION RIGHTS

1. You will be allocated Subscription Rights

For each share in Aerocrine held on the record date, 17 April 2012, that is, shares you acquired by 12 April 2012 at the latest…

One (1) share in Aerocrine → One (1) Subscription Right

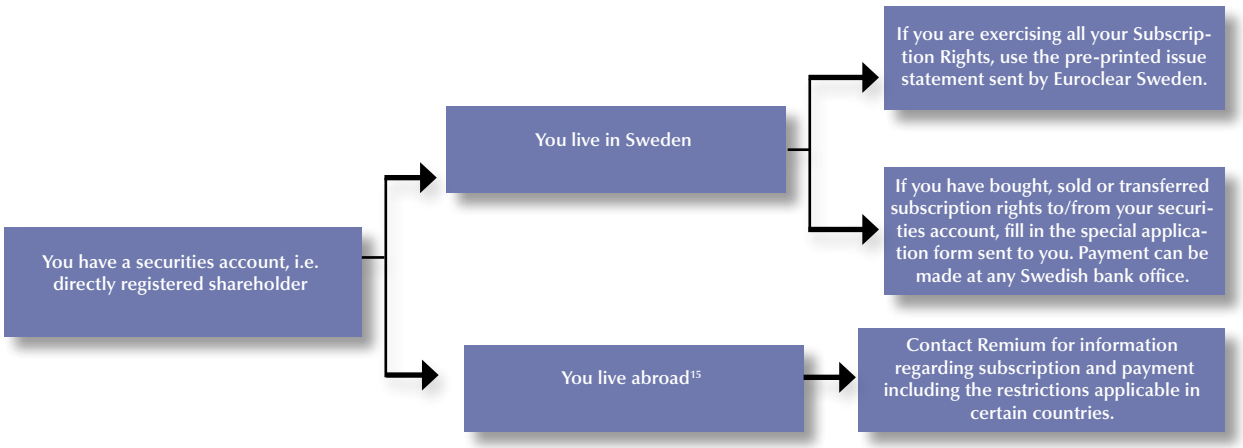
… you will receive one (1) Subscription Right.

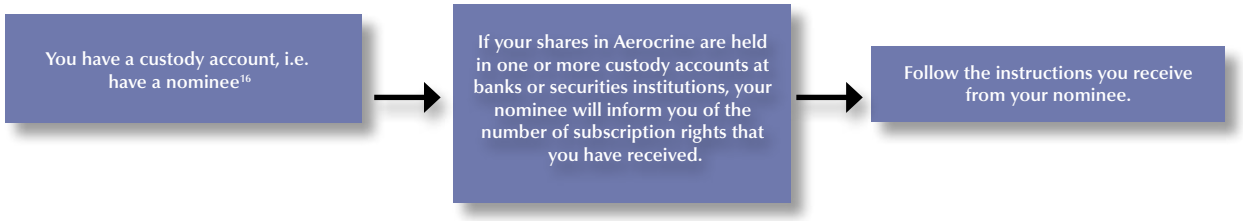
2. How to exercise your Subscription Rights

Four (4) Subscription Rights + SEK 9 = One (1) New Share in Aerocrine

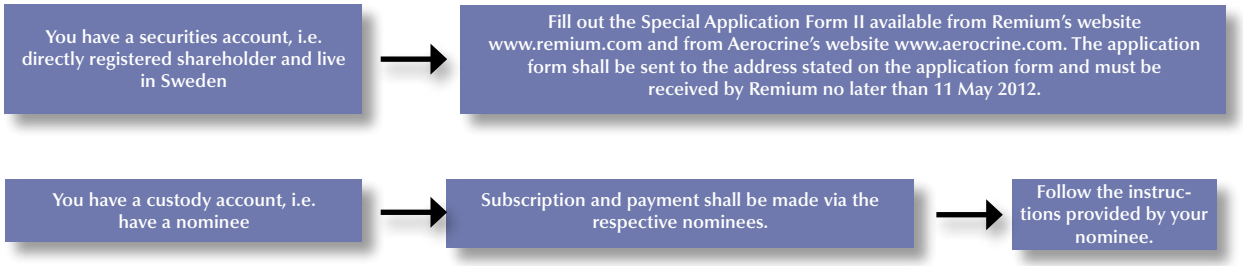
Note that the Subscription Rights must be exercised by 11 May 2012 at the latest or sold by 8 May 2012. Subscription Rights not utilised by that time will expire without value and the holder will not receive any compensation.

3. Are you a directly registered shareholder or are your shares registered with a nominee?





SUBSCRIPTION FOR AND ALLOCATION OF NEW SHARES NOT SUPPORTED BY SUBSCRIPTION RIGHTS[17]



[15] Note the rules that are applicable to shareholders resident outside Sweden as detailed in the section "Terms and conditions" under the heading "Shareholders resident in certain disqualified jurisdictions".
[16] Note that the application period may be shorter for some nominees. Check the instructions issued by each nominee.
[17] Allocation will be conducted as detailed in the section "Terms and conditions" under the heading "Subscription and allocation of New Shares not supported by Subscription Rights".

Market overview

Inflammatory respiratory diseases, such as asthma, are among the world's most prevalent and rapidly growing medical conditions. The principal cause for symptoms is inflammation in the lungs. Aerocrine's product, NIOX MINO®, measures this inflammation by means of exhaled air, providing physicians and their patients alike with rapid information on the medication required – leading to improved asthma treatment and cost savings in healthcare.

MARKET SITUATION

There are some 300 million asthmatics in the world,[18] making asthma one of the major global health issues. Asthma has grown increasingly common among both children and adults in recent decades and by 2025, the number of asthma sufferers is expected to be 400-450 million.[19]

In Sweden alone, the number of asthmatics is estimated to have risen from 1-2 percent of the population in the 1950s and 60s to around 10 percent of the population today, that is, approximately 900,000 people.[20]

Despite the treatment of asthma having improved considerably since anti-inflammatory medicines began to be used regularly 20 years ago, 143 people in Sweden died due to asthma in 2008.[21] Globally, the number of deaths attributable to asthma is estimated at approximately 250,000 per year.[22]

The overall costs for the treatment of asthma are enormous. In the US, the annual cost is calculated at USD 27 billion (of which 15.3 billion represents direct costs and 11.6 billion indirect costs). In Europe, total healthcare costs for asthma are estimated at USD 23 billion, of which 10.2 billion are direct costs and 12.8 billion are indirect costs.[23,24]

AEROCRINE'S MARKET POSITION

Aerocrine is the market leader in the routine testing of nitric oxide (FeNO) in exhaled air, providing a measure of the degree of inflammation in the respiratory systems of asthma patients. In this market, which forms part of the total market for the diagnosis and monitoring of asthma patients, only a limited number of players are, as yet, active.

According to the Company's own assessment, Aerocrine's market share amounts to approximately 85 percent of the processed global market, based on sales income and royalties for Aerocrine and its competitors.

The number of sold NIOX MINO® and NIOX® FLEX units, of which the latter has now been removed from Aerocrine's range, has risen tenfold since 2004. The installed base, that is, the number of instruments currently in use, amounts to 5,500, of which 5,200 are of the type NIOX MINO. A NIOX MINO has a lifetime of approximately three years or 3,000 tests before it needs to be exchanged.

As mentioned previously, Aerocrine's business model is based on ongoing sales of sensors charged with a certain number of tests. The number of patient tests sold has risen markedly and more than a million tests are currently made each year using Aerocrine's instruments. In 2011, Aerocrine sold slightly more than 1.2 million tests.

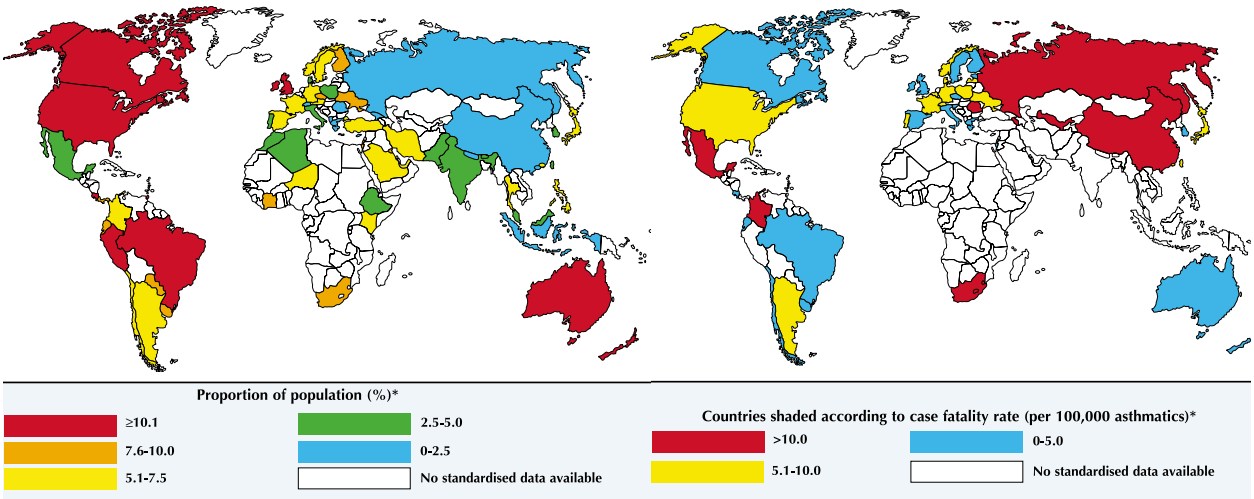
COMPETITORS

Aerocrine enjoys a favourable market position thanks to its patent situation. Aerocrine holds a large number of patents protecting its products and methods and, in recent years, it has successfully pursued several legal cases dealing with infringements of the Company's patents.

In the current situation, Aerocrine has few competitors. These operate mainly in the European market. Medisoft is a company operating in the German and Belgian markets, among others. Aerocrine has brought suit against Medisoft for patent infringement and that case remains ongoing (more

Andel av befolkningen med astma.

Antal dödsfall orsakade av astma (per 100 000 astmatiker).



Källa: Masoli M, Fabian D, Holt S, Beasley R. The Global burden of asthma: Summary, Developed for the Global Initiative for Asthma, 2004.

[18] Global Strategy for Asthma Management and Prevention, Global Initiative for Asthma, Updated 2009.
[19] European Federation of Allergy and Airway Diseases Patients Association, (http://www.efanet.org/asthma/what_is_asthma.html).
[20] Pharmacological treatment of asthma – background documentation, Information from the Swedish Medical Products Agency, Supplement 1:2007.
[21] Causes of death in 2008, National Board of Health and Welfare.
[22] Global Strategy for Asthma Management and Prevention, Global Initiative for Asthma, Updated 2009.
[23] AHRQ, Asthma Care Quality Improvement Resource Guide, Table 1.3, "Estimate of Indirect, Direct and Total Cost Burden of Asthma", Published 2003; updated July 2009.
[24] European Lung Foundation (ELF), Cost of Care for Asthma in Europe, http://www.european-lung-foundation.org, accessed June 2010.

information on this can be found in the section "Legal matters and supplementary information"). Aerocrine has licensed out two of its patents to UK company Bedfont Ltd, granting Bedfont the right to sell its current product NObreath® in Europe in return for royalties paid to Aerocrine.

In the US, the Company is currently alone in offering an FDA-approved instrument for FeNO testing since competitor Apieron Inc. became bankrupt in 2010. In connection with the bankruptcy, Aerocrine acquired all of the assets of Apieron's estate, including its intangible assets

MARKET MECHANISMS

The market in which Aerocrine operates is rigorously regulated and relatively complex, involving numerous interacting mechanisms. In brief, Aerocrine's future success will build on three factors; the fact that the Company's instruments have market approval, that FeNO testing is included in clinical guidelines and that cost reimbursement is provided for FeNO testing. Before these three factors are in place, it will be difficult for Aerocrine to generate sales in earnest.

MARKET APPROVAL

The first step for Aerocrine when planning to enter a new market is to secure approval for the instrument from the relevant authorities. The process differs depending on the market and varies in the amount of time required. Examples of market approval include CE labelling in Europe and approval of the product by the FDA (Food and Drug Administration) in the US. Market approval means that Aerocrine has permission to market and sell the product in the country for which that approval applies.

REIMBURSEMENT AND CLINICAL GUIDELINES

Consequently, market approval means that the product has been quality assured, approved and meets the requirements of the authorities in the markets concerned. However, for routine use to truly gather pace, it is also necessary that the method be included in remuneration systems and recommended in clinical guidelines. Once this has been secured, the method can begin to be used on a broad front, among specialists and in primary healthcare.

Clinical guidelines are systematically developed recommendations intended to facilitate decisions by care providers regarding appropriate treatment measures in specific situations. Clinical guidelines are developed by authorities and specialist associations. In Sweden, FeNO testing is included in the Medical Products Agency's guidelines for asthma care.

In September 2011, the ATS, (American Thoracic Society), adopted new clinical guidelines for the treatment and diagnosis of asthma. The new guidelines recommend FeNO testing, which, by extension amounts to a recommendation of Aerocrine's method.

In addition to clinical guidelines, it is necessary for the method to be included in reimbursement systems, which entails care providers being able to receive reimbursement for tests performed.

In many countries, county councils or the government allocate tax revenues for healthcare. In other countries, it is left to the individual to buy healthcare insurance. In the US, which, in the long term is Aerocrine's most important market, many companies pay health insurance for their employees and their families and for those lacking employment and/or funds, a safety net is provided to a certain extent through the Medicaid and Medicare healthcare programmes.

Aerocrine's tests are already included entirely or partially in cost reimbursement systems in several countries around the world, including Finland, Norway, Denmark, China, the Netherlands, Portugal, Switzerland, Sweden, South Africa, the Czech Republic, the US and Italy.

In Sweden, each county council decides on cost reimbursement. Since the method's inclusion in the Swedish guidelines in mid-2007, an increasing number of county councils have expressed an interest in Aerocrine's products. Since Sweden is the Company's home market, it is positive that patients here gain access to Aerocrine's method.

In Germany, the amount of publicly financed healthcare provided by the government has been cut back. Those wanting something additional must foot the bill for that themselves. Consequently, patients have themselves ended up paying for many different tests and special examinations, including FeNO tests. This is one reason contributing to Aerocrine's relatively large success in the German market.

Product	NIOX MINO®
Launch year (market)	2005 (Europe) 2008 (US)
Markets with CE labelling or authority approval (year)	EU (2004), US (2008), China (2008), Canada (2009), Taiwan (2009), South Korea (2009), Indonesia (2011)
Major markets where applications for market approval are pending	Japan, Brazil and India

Exhaled NO in clinical guidelines and reimbursement for Aerocrine's method

Market	Exhaled NO in clinical guidelines for asthma	Reimbursement for Aerocrine's method
US	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma issued by the ATS.	Medicare, Medicaid and certain private insurance companies in certain regions reimburse physicians for the use of Aerocrine's method.
Sweden	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma.	Certain regions/county councils reimburse physicians for the use of Aerocrine's method.
Germany	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	Reimbursement of physicians for the use of Aerocrine's method. Reimbursement is provided via private health insurance programmes. In addition, a large number of patients pay for the tests themselves.
UK	The use of exhaled NO as a marker of inflammation is described and included in the guidelines for diagnosis.	Reimbursement is provided on a limited scale.
Benelux	Yes, in the Netherlands, the exhaled NO method is included in the clinical guidelines for child asthma care. In Belgium and Luxembourg, the exhaled NO method is not included in the clinical guidelines.	In the Netherlands, the use of Aerocrine's method is reimbursed as part of overall asthma treatment. In Belgium and Luxembourg, the use of Aerocrine's method is not reimbursed.
Spain	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma.	Reimbursement is provided on a limited scale.
Czech Republic	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma.	Physicians are reimbursed for the use of Aerocrine's method.
Switzerland	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma..	Physicians are reimbursed for the use of Aerocrine's method.
Finland	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma.	Physicians are reimbursed for the use of Aerocrine's method.
Denmark	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma.	Physicians are reimbursed for the use of Aerocrine's method for adult patients.
China	Yes, the use of exhaled NO as a marker for inflammation is included in clinical guidelines for asthma.	A code of treatment has been established for the method, although each region must decide on reimbursement for Aerocrine's method before the reimbursement system is fully functioning.
South Korea	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	A reimbursement application has been submitted to the relevant authorities.
Taiwan	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	No, patients pay for the tests themselves.
Italy	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	Certain regions reimburse physicians for use of the method.
France	The use of exhaled NO as a marker for inflammation has been described although it has not yet been included as a recommendation in the clinical guidelines.	A reimbursement application is currently being considered by the relevant authorities.
Norway	The use of exhaled NO as a marker for inflammation has been described although it has not yet been included as a recommendation in the clinical guidelines.	Reimbursement is provided in the treatment of children. Reimbursement in the treatment of adults is being assessed.
Japan	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	No, no reimbursement is paid for Aerocrine's method.
India	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	Patients pay for tests and private insurance companies are assessing Aerocrine's method.
Brazil	No, the use of exhaled NO as a marker for inflammation is not included in clinical guidelines for asthma.	No, an assessment is in progress regarding reimbursement for Aerocrine's method.

HEALTH ECONOMICS

Aerocrine's method and product entail advantages for numerous target groups. It is necessary for companies that sell pharmaceuticals or tests to prove their clinical or health-economic benefits. For a hospital director responsible for a budget that must cover the care of a certain number of patients, it is necessary to find cost-effective treatments that help alleviate the burden on emergency rooms and other healthcare units, that help reduce costs for pharmaceuticals and that help keep patients healthy for longer.

Marketing a product that can clearly provide benefits for patients while improving public economy may appear a simple task. Inflammatory respiratory diseases cost society large sums, since patients often receive inadequate treatment and therefore suffer more than necessary from their diseases. The method of quickly and simply measuring inflammation in the airways can therefore dramatically improve patients' situation while costs for society can be cut considerably since patients can gain better control of their disease, thus reducing healthcare needs.

For Aerocrine's method to achieve a breakthrough, it needs, as mentioned above, to be included in the cost reimbursement systems. This means that physicians and hospitals gain reimbursement for each test performed. Decisions in this regard are made by the authorities responsible or, where healthcare is private, by the insurance companies.

In 2008, the first health-economic study was published demonstrating that the introduction of NIOX MINO® at a clinic results in cost savings per patient and per year. While NIOX MINO tests are associated with certain costs, these are offset by correct doses of the right pharmaceuticals being used, which means that better control of the disease is achieved, which in turn leads to fewer unplanned visits to physicians or to emergency rooms.

In the autumn of 2011, Aerocrine elaborated its own health-economic calculation model for the US market. The model demonstrates clearly both the economic and clinical advantages associated with the use of NIOX MINO. The calculation model, which is based on data from insurance companies and highly credible published sources, enables Aerocrine to show US insurance companies, in a highly effective way, the potential savings in relation to the costs for performing FeNO tests. By means of this health-economic model, the Company has managed to generate increased interest for Aerocrine's method.

The health-economic model has also been adapted to the European market and will be used in future efforts to process both existing and new markets in Europe.

PROPRIETARY CLINICAL UNIT FOR INCREASED KNOWLEDGE

In 2007, a strategic division was made between technological and clinical development, giving the Company its own unit for medical and clinical development headed by Professor Kjell Alving, one of the founders of the Company. Since 2011, clinical development has been headed by Dr. Kathleen Rickard, who has extensive experience of pharmaceutical development from Glaxo, among others.

In collaboration with US health insurance companies and others, the medical-clinical unit focuses on carrying out clinical studies with the purpose of generating health-economic data. Clinical studies demonstrating the benefits of introducing the NO method are of particular importance in obtaining cost reimbursement.

Aerocrine is also working to elaborate algorithms and models showing how physicians can better apply the test results clinically.

The advantage of testing FeNO is clear when drawing a parallel with hypertension (high blood pressure). Individuals with hypertension are treated with different methods and medicines depending on how high their blood pressure is. The treatment is thus guided by a test result and no one would initiate or adjust medicine doses without first measuring blood pressure. All asthma treatment should thus be

guided in the same way – that is, by checking the degree of inflammation before commencing or adjusting the medication. However, this way of thinking is not as self-evident. Support and guidelines for the interpretation of exhaled NO in clinical use are needed and this is what the Company is currently focusing on.

AEROCRINE'S KEY MARKETS

Aerocrine's sales and marketing activities focus on a number of key markets, including the US, Germany, Sweden, the UK, China and Japan. In addition, a number of other markets are being processed elsewhere in Europe, Asia and around the world through various partners and distributors. Aerocrine is processing the markets in the US, Germany, Sweden and the UK within the framework of its own operations, that is, through its own subsidiaries.

Aerocrine reaches other markets around the world via its distribution network, which sells Aerocrine's products. In Asia, Aerocrine is focusing on developing its presence in major markets such as China and Japan, where distributor agreements were signed with local players during 2007.

US

The US is Aerocrine's most important market and is also considered to be the world's largest market. In 2009, there were some 25.1 million diagnosed asthma sufferers in the US.[25] Each year, as many as 4,000 people die as a result of their asthma. Asthma care in the US costs American society USD 27 billion each year.[26] According to the CDC (Center of Disease Control), in the US, approximately 80 million visits are paid to physicians each year related to asthma and respiratory ailments.

In 2011, Aerocrine expanded its drive in the US. The Company now has 38 employees in the US, compared with 20 at the start of 2011, of whom most work with selling and marketing the Company's products and, together with external resources, to convince the insurance companies to introduce cost reimbursement for FeNO testing.

Since September 2011, FeNO testing has been included in the clinical guidelines issued by the ATS. That means that the method is recommended in the treatment and diagnosis of asthma. The publication of the ATS' guidelines represents a very important milestone and a major step towards obtaining cost reimbursement.

An important statistic in assessing progress in the US market requires monitoring the trend in the number of people with insurance cover and whether they have access to Aerocrine's tests. The table below shows the status for this statistic as per 12 April 2012.

In the future, Aerocrine will focus on processing private reimbursing parties, since most Americans' healthcare is paid through that channel. Consequently, the number of people with insurance cover is an important, and in the short term critical value indicator to monitor. Medicaid currently provides reimbursement of approximately USD 21 per test performed.

The US is also an important market for what are referred to as strategic sales. By strategic sales, Aerocrine means sales to pharmaceutical companies and other companies that carry out clinical studies. Thanks to Aerocrine's unique position as the only company offering an FDA-approved instrument for FeNO testing, Aerocrine expects that sales to ongoing and new clinical studies will increase.

The organisation in the US has, and will continue to be strengthened with additional sales resources, within Medical Affairs and clinical development, as well as expertise in the US cost reimbursement and insurance systems. The purpose is to further hasten, with the help of ATS' guidelines, broader acceptance and cost reimbursement from the private insurance companies and to drive clinical sales forward.

Insured individuals in the US as per 12 April 2012

Payor	Covered lives	Payor Segment % of Total	Aerocrine known covered lives	Aerocrine known cov. lives, %
Private Payors	**171,093,604**	**64.4%**	**61,978,556**	**36.2%**
Medicare	45,048,433	17.0%	45,048,433	100.0%
Medicaid	49,450,645	18.6%	25,049,822	50.7%
Total	**265,592,682**	**100.0%**	**132,076,811**	**49.7%**

EU

Within the EU, Aerocrine currently focuses most on Germany, the UK and Sweden. All sales in these markets are carried out via subsidiaries in each market. Extensive strategic sales are also made to pharmaceutical companies and clinical studies.

In Germany, which is Aerocrine's most important market in Europe, Aerocrine has ten employees, whose principal focus is on sales. Despite the tests being paid for by the patients themselves, the Company has achieved considerable success, particularly among lung specialists. Some 700 specialist units, corresponding to a penetration of about 80 percent, perform a large number of tests each year. However, it is the Company's estimation that when clinical guidelines and cost reimbursement are in place, the potential will exist in the German market to increase the number of tests fivefold in the specialist segment alone. This assumption is based on the number of FeNO tests performed being potentially of about the same level as the number of spirometry tests currently performed. In the Company's assessment, the FeNO method will, in the near future, be added to the national guidelines for asthma treatment, which would entail increased use of FeNO testing in specialist care while facilitating contacts with primary care physicians.

Sweden, which is the Company's home market, is also an important market for Aerocrine. About 10 percent of the Swedish population has asthma, that is, some 900,000 people. NIOX MINO® is sold to specialist and primary care units and

[25] Frost & Sullivan 2010.
[26] AHRQ, Asthma Care Quality Improvement Resource Guide, Table 1.3, "Estimate of Indirect, Direct and Total Cost Burden of Asthma", Published 2003; updated July 2009.

the NO method is included in the Swedish Medical Products Agency's guidelines for asthma care. In Sweden, decisions on reimbursement are decentralised and are thus the responsibility of the county councils, the fundamental consideration being good patient care. Aerocrine currently has a penetration level of slightly more than 80 percent, including lung specialists, allergists and paediatric specialists in lung medicine and allergies. Within primary care, there are some 1,800 community health centres, of which about half receive asthma and COPD patients. The number that test FeNO remains small but is increasing steadily.

Of the UK's 61 million inhabitants, 9 percent, corresponding to 5.4 million people suffer from asthma. The disease is spreading fastest among children, with one in 11 being affected. Aerocrine has three employees working on sales to the UK market. In the UK, the focus is increasingly on primary care and it is within primary care that nearly 85 percent of all asthma sufferers are treated. FeNO testing is described in the clinical guidelines for asthma but is not yet included as a recommendation.

Another market worth mentioning is the Benelux region, which offers considerable potential within primary care. The market that has progressed furthest in FeNO testing is the Netherlands, where it is included in the clinical guidelines for asthma treatment and where cost reimbursement is also in place. Also in Spain, one of the larger markets within the EU with 40 million inhabitants and a prevalence of slightly less than 6 percent, FeNO testing is included in the national guidelines.

In addition to the EU and the US, there are a number of important markets where Aerocrine assesses the potential to be good or very good. The current focus is primarily on China and Japan.

In China, NIOX MINO® secured market approval from the Chinese medical products agency, the SFDA, in 2008. FeNO testing is also included in the clinical guidelines for asthma treatment and Aerocrine is working to secure cost reimbursement throughout the country. In the autumn of 2011, Aerocrine took an additional important step towards achieving complete cost reimbursement from the national health insurance system in China. The province of Shanghai, which is a key province in terms of size and in terms of adopting innovations, decided to allow care providers to accept payment from patients for inflammation testing by means of FeNO. The decision means that Aerocrine now has approval in seven out of 32 provinces: Henan, Shandong, Liaoning, Jiangsu, Zhejiang, Heilongjiang and Shanghai. The Company expects that at least as many regions will give their approval during 2012. The CMA (Chinese Medical Association) is currently conducting a study with 6,000 participants that is expected to be completed at the end of 2012, after which Aerocrine expects that it will be possible to submit an application for cost reimbursement.

In Japan, Aerocrine is awaiting market approval for NIOX MINO. Due to the unpredictability of the regulatory process in Japan, the Company cannot currently predict when approval will be secured in Japan. Aerocrine is working alongside local specialists to secure approval. Despite the product not yet having gained market approval, sales in the clinical market have developed well. The Japanese market also monitors the US market carefully and, following FDA approval and the inclusion in the ATS' guidelines, there is extensive interest in the clinical trials that are being carried out. In Japan, slightly less than 7 percent of the population suffers from asthma, corresponding to about 8 million people.

The greatest market potential is in the need to measure asthma patients' inflammation regularly in connection with each visit to the doctor. Our vision is that, in the longer term, patients will be able to do this themselves at home. The potential number of NO tests is far greater for monitoring than for diagnosis. According to the US Center of Disease Control (CDC), 80 million doctor's visits annually involve asthma-related complaints. In theory, each visit could involve inflammation testing using NO. In other words, the market that Aerocrine addresses is enormous. It is for this reason that Aerocrine has entered into a partnership with Panasonic Shikoku Electronics Co. Ltd (PSEC) to develop, manufacture and market a new generation of products. It is expected that these products will be launched within one to two years.

In addition to new products for the healthcare sector, Aerocrine is, together with PSEC, considering products for monitoring in the home. Such products would further enhance the quality of asthma care, since physicians and patients can together better assess the status of the patient's condition. This would also entail considerable improvement in quality of life, since it would simplify preventive care considerably. However, products for healthcare in the home are a less imminent option and Aerocrine currently gives no forecast for their possible launch.

The US, which is currently Aerocrine's most important market, sets the tone for many other countries around the world. Against this background, events such as the ATS' new guidelines for the diagnosis and treatment of asthma are extremely important for the Company and its future. As has been indicated previously, the process is complicated, but Aerocrine expects that additional markets will, in the near future, introduce clinical guidelines in line with those now established in the US.

Description of the operations

Aerocrine is a medical technology company that leads the development of instruments for testing for inflammation via exhaled air. The Company was founded in 1997 by researchers at the Karolinska Institute and its headquarters are located in Solna, outside Stockholm, Sweden. Inflammatory respiratory diseases are among the most widespread and fast growing medical conditions in the world. An example is asthma, the principle cause of which is an inflammation in the airways.

RESEARCH DISCOVERY THAT IMPROVES TREATMENT

Exhaled nitric oxide (FeNO) is a marker of the underlying inflammation in the airways in connection with asthma and it was Aerocrine's founders who discovered that exhaled NO acts as a biologic marker in this regard. Testing FeNO is an effective method for evaluating respiratory inflammation and builds on measuring, identifying and checking the inflammation, rather than simply measuring lung function and symptoms as was previously the case. This allows the treatment and monitoring of the condition, and ultimately patient care, to be improved considerably. Furthermore, society's healthcare costs are reduced if the disease is checked in this way.

Since the discovery was made, the Company has developed simple, effective and fast products that now help healthcare personnel worldwide provide better treatment of diseases caused by respiratory inflammation, particularly asthma. Aerocrine offers user-friendly products for measuring exhaled nitric oxide. These products meet established guidelines, are CE-labelled in accordance with EU directives for medical technology products, approved for routine clinical use by the US medical products agency, the FDA, and its Chinese equivalent, the SFDA. The Company also secured approval for its products in South Korea and Taiwan recently.

ASTHMA IS AN INCREASINGLY WIDESPREAD CONDITION

Asthma is a chronic inflammatory disease of the airways and there are currently more than 300 million asthma sufferers[27] worldwide, of whom many are children. The number of sufferers is expected to rise to 400-450 million by 2025. Furthermore, 250,000 around the world die each year[28] as a consequence of their asthma.

Being able to provide the correct treatment, adapted to the needs of the patient can dramatically enhance the quality of life for many people. The objective of asthma care is for patients to be able to lead normal lives, to exercise and to be active without this being impeded by their condition.

AEROCRINE'S PRODUCTS

Aerocrine currently focuses on a single product, NIOX MINO®, which tests the amount of NO in the air exhaled by the patient. NIOX® FLEX and its predecessor, NIOX, whose principal target group was clinical research operations, have gradually been phased out from Aerocrine's product offering and are no longer sold. Both of these products have, however, been highly successful in disseminating awareness of the Company's method and are considered standard in FeNO testing.

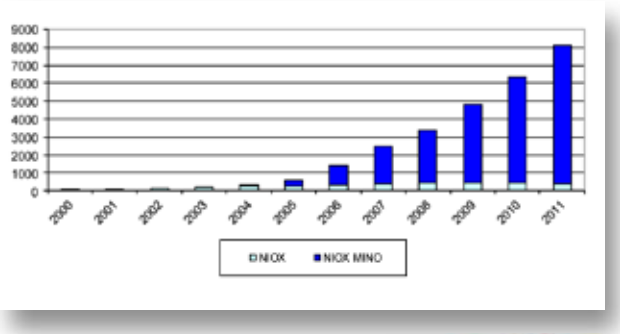
The instruments have helped simplify the monitoring of inflammatory respiratory diseases and are appreciated by physicians, nurses and patients, both because they are simple to use and because they provide qualified responses regarding the disease scenario.

Aerocrine works constantly to develop and improve its products. By always evaluating how the products work, among other things by listening to healthcare personnel, small-scale improvements to both software and hardware can be made on an ongoing basis.

NIOX MINO

NIOX MINO has been on the market since 2005. It is a small handheld instrument that makes testing of exhaled nitric oxide available to more people. The target group for NIOX MINO consists of small clinics, community healthcare centres and specialist clinics. In addition, Aerocrine's products are widely used in clinical studies and research on the respiratory system.

Sales of NIOX and NIOX MINO 2000-2011 (number of instruments)



NIOX MINO is used in connection with diagnosis and for ongoing disease monitoring. When the test is performed, the patient holds the actual apparatus, which is equipped with a mouthpiece. Before the test commences, the patient empties his/her lungs as much as possible. The actual test begins with the patient inhaling through the mouthpiece to obtain a reference value for the amount of ambient nitric oxide in the air and that can thus be eliminated from the value for the air exhaled by the patient. The patient then exhales through the mouthpiece. The patient is aided by a tone that makes it easy to maintain the right level of flow while exhaling. Once the test has been performed, it takes about a minute and a half before the result appears on a small display on the front of the machine.

PRODUCT DEVELOPMENT AND TECHNOLOGY

Aerocrine works actively on product development and technical issues. Aerocrine continuously improves the functionality of its existing products and identifies and develops new products supporting the overall product offering to primary care and the Company's established customer groups.

In the longer term the Company also has the ambition that patients should be able to test FeNO at home. In this way, the number of tests can be increased and the risk of asthma attacks reduced. A small number of tests for home use are

[27] Global Strategy for Asthma Management and Prevention, Global Initiative for Asthma, Updated 2009.
[28] Global Strategy for Asthma Management and Prevention, Global Initiative for Asthma, Updated 2009.

produced and development is in the direction of seeing asthma treatment in a similar way to the treatment of diabetes; a disease where patients now manage most aspects of monitoring and testing by themselves.

With the purpose of developing cost-effective products for a future home-use market, the Company has entered a strategic partnership with Panasonic Shikoku Electronics Company (PSEC). PSEC will finance all technical development of future product generations, while Aerocrine retains global sales rights. Aerocrine is responsible for product registration and clinical documentation. A new generation of products for the healthcare sector is scheduled to be launched in one to two years' time. Through its partnership with PSEC, the Company also considers there to be good opportunities to develop competitive products for a future market for asthma care in the home, although the Company does not provide a forecast launch date for such products.

PATENTS AND PROPRIETARY BRANDS

Aerocrine's broad patent portfolio currently covers 147 patents divided between three business areas and 16 separate patent families. Of 16 patents secured in the US, 11 have also been secured in Europe and five in Japan. Aerocrine's groundbreaking and central expertise regarding FeNO testing of the airways, but also of the intestines and the urinary tract, two areas in which Aerocrine does not currently operate, are protected in the Company's prioritised markets. New patent applications are submitted on an ongoing basis and represent an important part of the Company's development strategy.

Aerocrine defends its patents and its position as market leader and partners with leading patent experts and patent agencies in this regard. Aerocrine is currently involved a patent dispute in Germany and Belgium with the Belgian company Medisoft.

List of the Company's approved key patents

Patent application/ Patent	Subject	Countries	Valid until latest
PCT/SE92/00675 US 5 447 165 EP 606 351	Method for measuring nitric oxide for testing of lung status	US, BE, CH/LI, DE, ES, FR, GB, IE, IT, NL, SE	2012
PCT/SE94/00659 US 5 922 610 EP 724 723	System for determining levels of NO in exhaled air for the diagnosis of inflammation.	US, BE, CH/LI, DE, ES, FR, GB, IE, IT, NL, SE, JP	2014
PCT/SE97/00159 US 6 099 480 EP 883 807	Apparatus for measuring of NO gas	US, BE, CH/LI, DE, ES, FR, GB, IT, JP	2017
PCT/IB97/00525 US 6 010 459 EP 0 892 926	Method and apparatus for measuring of components in exhaled air.	US, DE, FR, GB, IT, SE, AU, CA, CH	2017
PCT/SE98/00567 US 6 038 913 EP 973 444	Function of instrument for determination of NO levels in exhaled air.	US, CH/LI, DE, ES, FI, FR, GB, IT, SE, JP, AU, CA, HK	2018
PCT/SE00/01323 US 6 761 185 EP 1 188 100	Instrument for regulation of gas flow.	US, BE, CH/LI, DE, ES, FI, FR, GB, IE, IT, NL, SE, AU, CN, HK	2020
PCT/SE99/00711 US 6 723 056 EP 1 075 659	Handheld instrument for collection and/or transport of gas samples.	US, CA, AU, DE, GB, IT, ES, FR, SE, BE, IE, NL, CH, JP	2019
PCT/SE2003/001420 US 7 846 739 EP 1 439 781 and 1 661 514	Apparatus and method for gas analysis.	DE, IT, ES, GB, FR, CH, SE, IN	2023
PCT/SE03/01299 US 7 014 692 EP 1 545 305	Design for establishing internal testing of baseline for gas sampling.	US, DE, GB, IT, ES, FR, CH/LI, SE, BE, IE, NL, AU, HK, IN,	2023
PCT/FI02/00389 US 6 733 463 EP 1 389 950	Method and apparatus for measuring NO concentration in exhaled air.	US, CA, AU, DE, GB, IT, ES, FR, SE, BE, IE, NL, CH, JP, FI	2022
Appl. No 11/053 210 US 7 352 465	Method for conditioning of gas samples and for controlling the environment in which the sample is analysed.	US	2025
Appl. No 11/348 925 US 7 278 291	Sensor for detection and measuring of concentrations of gas analytes.	US	2026, US 2025
Appl. No 11/250 958 US 7 611 671	Detectors for reduction of CO interferences.	US, AU	2026
PCT/SE2003/000175 US 7 270 638 EP 1 469 775	Method and apparatus for diagnosis using an oscillating stream of air.	US, BE, DE, ES, FR, GB, IE, NL, IT, SE, AU, JP, CN, HK	2023

For further information, please see "Legal matters and supplementary information".

The Company's proprietary registered brand names and products are Aerocrine, NIOX®, NIOX MINO®, MINO, ONNO, and INARGO. These are registered trademarks in relevant brand categories in a large part of the world.

AEROCRINE'S BUSINESS MODEL

Unlike many medical technology companies, Aerocrine's business model is based on an innovative product containing a disposable unit, in Aerocrine's case, a sensor with a predetermined number of tests, whereby most of the Company's revenues are generated through the continuous use of the product. The customer, that is, a care provider, initially acquires a NIOX MINO® instrument with a lifetime of approximately three years or 3,000 tests, at relatively low cost along with a sensor containing a certain number of tests. When these tests have been used, the customer needs to order new sensors containing a predetermined number of tests. This means that Aerocrine maintains an ongoing business relationship with its customers and generates repeat revenues from them, which represents a key difference compared with the traditional business model whereby instruments are sold with unlimited use and regular service intervals.

Aerocrine's business model also entails advantages in terms of product quality and user-friendliness. The instrument's sensor is exchanged regularly, which is highly important for the accuracy and repeatability of patient tests. Nor is it necessary for care providers to send their instruments in for service and calibration.

The business model also enables flexible pricing and rewards large-scale users while maintaining the gross margin. Today, Aerocrine sells pre-programmed sensors with 50, 100, 300 and 1,000 tests per sensor. The larger the number purchased, the lower the cost per test to the customer.

SALES DEVELOPMENT

Aerocrine sells both instruments and refill tests based on the continuous use of the product. Aerocrine's products are aimed at all types of care providers, both general as well as specialist clinics and hospitals. Aerocrine's products are also used in research and have become a natural element in clinical studies focusing on the airways.

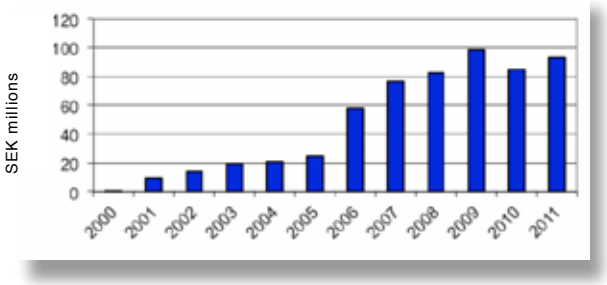
In recent years, Aerocrine's sales have steadily increased, with the exception of 2010. In 2011, a total of more than 1.2 million tests were sold.

Aerocrine's sales can be divided between clinical sales, that is, sales to the healthcare sector, and strategic sales to pharmaceutical companies and others who carry out clinical studies for research purposes.

The clinical sales account for most of Aerocrine's sales. In 2011, sales in the US rose substantially, the reason being the combined effects of an increased market presence through the Company's own sales force and the ATS' (American Thoracic Society) introduction of guidelines for FeNO testing in the treatment, monitoring and diagnosis of asthma. In Europe, sales stagnated, partly due to the crisis in southern Europe and partly due to the lack of clinical guidelines including FeNO testing. There is however cause for confidence in the European market since Aerocrine's competitive situation has improved, partly due to the progress of its patent suit against Medisoft and partly through the acquisition of the FeNO testing assets of German competitor FILT GmbH.

The strategic sales, which in 2011 accounted for approximately 16.5 percent of total sales, rose strongly over the past year due to Aerocrine's NIOX MINO® now being more or less standard in research on inflammation in the airways. Besides generating revenues for Aerocrine, it is also highly important that awareness of the Company's product be increased, and this is particularly evident in certain markets.

Aerocrine's sales 2000-2011



SALES CHANNELS

Depending on the market, Aerocrine makes use of different sales channels. In Sweden, Germany and the UK, the Company has its own sales organisation. In the US, the Company has, on an ongoing basis, built up a proprietary presence – a process that was intensified in connection with the ATS' (American Thoracic Society) inclusion of FeNO testing in its guidelines for the diagnosis and treatment of asthma. The focus of Aerocrine's US sales operations is now to increase the extent to which the Company's instruments are used in healthcare.

In many countries in Europe and around the world, such as China and Japan, the Company has agreements with distributors and agents regarding sales and marketing. The markets in which the Company's products have been launched, or will be, are assessed on the basis of their own merits in terms of market size and maturity. The market is then analysed to determine whether sales should be conducted under the Company's own auspices or via a distributor.

WHY AEROCRINE'S METHOD?

Improved quality of life and disease control

Asthma is caused by chronic inflammation of the airways, which then causes swelling and restricts the flow of air. The inflammation is always there, but the symptoms do not arise until the patient is exposed to factors that lead to increased inflammation, such as spring flowers for a hay fever sufferer or a visit to someone who has pets for someone who is allergic to furred animals.

Asthma cannot be cured but, with the right treatment, it is possible to keep the disease under control. Treatment that is adapted to the needs of the patient can dramatically improve the quality of life for asthma sufferers, enabling them to lead normal, active lives free of symptoms.

Aerocrine's method builds on the body itself telling us when the airways are inflamed. It does it by increasing the

amount of nitric oxide in the air we breathe out. Measuring FeNO is often sufficient when establishing whether a patient is suffering from asthma caused by ongoing inflammation of the airways. Without FeNO testing, it is difficult to determine whether breathing difficulties are due to inflammation of the airways or whether it comes from some other underlying condition that may display the same symptoms, but that requires an entirely different kind of treatment.

If the amount of nitric oxide (NO) in exhaled air is measured, then there is no more need for guesswork. The body tells us that the airways are inflamed by increasing the amount of NO in exhaled air. An increasing number of doctors and clinics now perform FeNO tests when patients come in displaying symptoms, which provides rapid information about the underlying cause of these symptoms.

Advantages for physicians, nurses and other healthcare personnel

A patient with undiagnosed and untreated asthma visits his/her physician with symptoms including coughing, tightness across the chest and difficulty breathing. Since there has previously been no way to objectively identify inflammation of the airways, it has hitherto been difficult for physicians to determine whether these symptoms are caused by inflammation of the airways or of some other disease that causes similar symptoms.

The current treatment method is to use a cortisone spray to reduce possible swelling and inflammation, without really knowing whether such inflammation exists. The patient then has to come back a few weeks later to see whether the treatment has had an effect.

Patients who have not been suffering from asthma have often been given the wrong or unnecessary treatment. If the symptoms are there without ongoing inflammation, then cortisone spray will not help. In such cases it may be due to some other kind of respiratory disease, such as a chronic cough or an infection, which will not improve if treated with asthma medicine.

By measuring the inflammation, however, the physician is able to issue a more secure diagnosis and is better able to follow-up the efficacy of the anti-inflammatory treatment. With Aerocrine's method, physicians gain better insight into, and control over, what is causing the patient's symptoms and what medication the patient needs. The test value also gives the physician an objective measure of the patient's progress beyond the patient's own, more subjective, impression.

The actual inflammation test, that is, a test using NIOX MINO, is performed quickly and easily. Only very small children and patients with severe COPD find it difficult to blow into the instrument. The test is often carried out by a nurse before the patient meets the physician.

Before it was possible to easily measure inflammation, physicians were forced to rely on lung function tests, such as spirometry tests, and various allergy tests by taking blood samples and performing various scratch tests. The spirometry test, which measures lung capacity, has, for a long time, been standard in connection with respiratory complaints, but does not provide an answer as to whether there is any inflammation in the airways or not. It also demands quite a lot of the patient, who must empty his/her lungs repeatedly over a brief period. Based on the results of the spirometry test or various allergy tests, the physician then assessed the disease and its treatment.

In addition to improved treatment and diagnosis, physicians and other healthcare personnel can use Aerocrine's tests to monitor adherence to prescribed medication and to make ongoing assessments enabling them to adjust medication dosages to gain control of the inflammation.

BENEFITS FOR PATIENTS

The effect of FeNO testing is that the right treatment can be introduced more quickly than before, generating considerable gains in terms of quality of life and reduced worry for the patient.

A concrete measure of the usefulness of inflammation testing with NIOX MINO is the clarity and ease with which patients can understand that symptoms are caused by an inflammation that has rendered their airways red and swollen and that they thus require anti-inflammatory medication to alleviate that. The patient also gains an increased understanding of why the physician prescribes certain medications and that it is important to take the medication as prescribed to avoid the risk of an attack.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NIOX

ADVANTAGES FOR COUNTY COUNCILS AND OTHER REIMBURSING PARTIES

This more effective way of caring for the patient can also reduce costs for society as a whole. Through regular FeNO tests, it is possible to manage and control the inflammation. The effect of improved control of the disease is that the patient pays fewer visits to his/her physician while fewer emergency hospital admissions take place, entailing considerable socio-economic advantages.

With FeNO testing, patients on steroid-based medication can also be treated in a more optimal way. For certain patients, doses can be reduced, leading to lower costs for pharmaceuticals. Other patients may require a higher dose to keep their symptoms under control. In the longer term, however, this also saves costs, since improved control helps keep patients healthier. For patients whose disease is under control and who are receiving the correct medication, the risk of asthma attacks is reduced and visits to emergency wards are avoided.

ADVANTAGES FOR PHARMACEUTICAL COMPANIES

Aerocrine's products are currently included in a large number of clinical studies and research projects addressing the respiratory system. This means that pharmaceutical companies and companies that carry out clinical studies are among Aerocrine's most important customers. In the development of new anti-inflammatory pharmaceuticals, being able to demonstrate the actual efficacy against inflammation is crucial and saves costs. The only clinically viable method for this is measuring exhaled nitric oxide (NO).

Aerocrine expects that additional studies will include NIOX MINO® and is examining various opportunities for commercial partnerships with the pharmaceutical industry.

ORGANISATION, EMPLOYEES AND COMPETENCE

On 31 December 2011, Aerocrine had a total of 84 employees. On the same date, the Group consisted of the Swedish Parent Company Aerocrine AB with 33 employees, the subsidiaries Aerocrine Inc. in the US with 38 employees, Aerocrine AG in Germany with 10 employees and Aerocrine Ltd in the UK with 3 employees.

The organization is structured into clearly defined units and departments. The subsidiaries in Germany and the UK focus directly on sales, while Aerocrine Inc. in the US, the largest subsidiary, has departments for marketing, sales, finance, IT, HR, service, warehousing, quality assurance and technical support.

The head office in Solna, north of Stockholm, houses the overarching functions for technical and clinical development, strategic marketing, quality assurance and regulatory issues, global sales coordination including order management, support and procurement, corporate management, finance, IT and HR.

At the end of 2011, Aerocrine implemented a strategic refocusing of its operations as a consequence of the ATS' amended guidelines for the treatment of asthma. The new, more aggressive strategy focuses on increasing global sales and demonstrating the health-economic advantages that using Aerocrine's method entails.

History

1997 Aerocrine AB is founded by two world-leading research teams at the Karolinska Institute.

1998 Louis Ignarro, Robert Furchgott and Ferid Murad are rewarded with the Nobel Prize for their work on NO as a signal molecule. Louis Ignarro is, at the time, a member of Aerocrine's scientific council.

1999 Standardised recommendations for NO testing are published by the American Thoracic Society (ATS) together with the European Respiratory Society (ERS).

Aerocrine's first NO testing device secures CE labelling in accordance with the EU's Medical Devices Directives (MDD) and commences sales.

2000 NIOX® secures CE labelling in accordance with the MDD and is presented for the first time at the ATS Congress in Toronto, Canada in May.

Aerocrine secures its first distributor agreement.

The first three NIOX systems are sold.

2001 Development of the next generation instrument, NIOX MINO®, commences.

Launch of NIOX in Europe through a rapidly established network of distributors.

2002 The subsidiary Aerocrine Inc. is set up in the US.

Continued expansion of the distributor network for NIOX.

The Company secures a major order from one of the NIH's (National Institute of Health) sponsored clinical networks in the US.

2003 NO testing is included in the Netherlands' clinical guidelines for the treatment of asthma in children.

In March, Aerocrine's first clinical study on NIOX is published. This demonstrates very good reproducibility.

In May, the US medical products agency, the FDA, approves NIOX for marketing in the US.

Aerocrine Ltd is established in the UK.

The Company signs a licence agreement with Ionics Business Group in the US which thus gains non-exclusive rights to produce and market its products for analysing exhaled NO under Aerocrine's patents.

2004 NIOX MINO secures CE labelling in accordance with the MDD and is launched on a trial basis in Finland.

The first NIOX MINO units are sold in Germany.

NIOX is approved for marketing in Canada.

A licence agreement is signed with Eco Medics AG in Switzerland on terms similar to those in the earlier licence agreement with Ionics.

2005 The launch of NIOX MINO commences in select markets in Europe.

NIOX MINO is presented for the first time at a major international congress, WAC (World Allergy Congress) in Munich.

In May, the renowned periodical, the New England Journal of Medicine publishes a clinical study that shows that inflammation testing with NIOX can lead to the consumption of pharmaceuticals decreasing by as much as half without detrimentally affecting any aspects of disease control.

Aerocrine GmbH is established in Germany.

2006 Cost reimbursement is secured in Portugal – the first European market in which this is achieved.

In January, the Journal of Allergy and Clinical Immunology publishes a study carried out by the clinical network in the US that had purchased a number of NIOX units in 2002. The study demonstrates the value of using inflammation testing to control asthma and to predict responses to therapy in the treatment of asthma.

In September, the periodical Thorax publishes a guide to the interpretation of results from NO testing. This guide is important for being able to treat and diagnose patients correctly in day-to-day practice based on their NO test results.

2007 Paul de Potocki becomes CEO.

Anders Williamsson is elected as the new Chairman of the Board.

CPT code established for exhaled NO in the US.

Aerocrine is listed on the Small Cap list of the Stockholm Stock Exchange.

2008 Distribution agreement signed with Chest M.I. Inc. in Japan for NIOX MINO.

Lawsuit brought against Medisoft P.A.E. patent infringement.

NIOX MINO secures FDA approval for sales and marketing in the US market.

In the Czech Republic, the healthcare system grants reimbursement for the testing of inflammation of the airways at EUR 13.50 per test.

Breakthrough in primary care in Sweden; Östergötland County Council conducts coordinated order for NIOX MINO®.

China approves NIOX MINO for marketing, includes exhaled NO in the Chinese guidelines for asthma treatment and allocated the method a national code for cost reimbursement.

Norway introduces reimbursement for inflammation testing at NOK 300 per test.

Aerocrine files a lawsuit in the US courts against US company Apieron Inc. for patent infringement. Apieron files a counter suit against Aerocrine.

A new share issue is implemented resulting in a cash injection for Aerocrine of SEK 87.2 million before issue costs.

The Company carries out an extensive restructuring of its operations with the objective of reducing its cost base by slightly more than SEK 50 million annually, with the effect being achieved from 2009.

2009 Canada, Taiwan and South Korea approve NIOX MINO for marketing.

Distribution contracts are signed in Brazil, India, Canada, South Korea and Taiwan.

The largest health insurance company in the US, CareFirst BlueCross BlueShield, adopts a new policy for the mid-Atlantic region of the US stating that the testing of exhaled NO is a medical necessity in the treatment of patients with asthma and has decided to reimburse physicians for NO testing.

Physicians in Switzerland begin to receive reimbursement for regular testing of inflammation in the airways. Specialist physicians who perform tests using NIOX MINO receive EUR 36 per test occasion for adults and EUR 45 per test occasion for children.

Apieron files a counter suit against Aerocrine in Germany regarding patent infringement.

Yvonne Mårtensson was elected as a new member of the Board.

Court ruling in the lawsuit against Medisoft P.A.E. in Germany whereby the court ruled in Aerocrine's favour. Medisoft appeals the ruling.

Long-term partnership initiated with Panasonic Shikoku Electronics for the development, production and marketing of new generations of products for clinical and home use.

2010 A panel of experts in the US issues recommendations for using exhaled NO when diagnosing and treating asthma.

A written ruling is received from the regional court in Mannheim, Germany to the effect that the Company has encroached on the German equivalent of a US patent acquired by Apieron in 2004. As a consequence of Apieron having been liquidated, the ruling has no effect on Aerocrine's operations at this time.

Certain business assets and intangible rights are acquired from Apieron's estate. This means that Apieron's patent process against Aerocrine in the US and Germany is dismissed and thereby concluded.

A patent rights suit is brought against FILT Lung- und Thoraxdiagnostic GmbH regarding patent infringement in Germany.

2011 A strategic partnership is initiated with Meditab, a company operating in allergy-related patient journal systems in the US.

All assets relating to FeNO testing are acquired from German company FILT Lungen & Thoraxdiagnostik GmbH. The legal process against FILT is discontinued and a partnership is initiated regarding technical development.

Dr. Kathleen Rickard is appointed Chief Medical Officer with responsibility for medical and clinical development.

In a court of appeal, the Company wins the lawsuit against Medisoft, which, the court rules, has infringed upon the Company's patents.

Morten Gunvad is appointed VP Commercial Operations Europe and Asia.

The Board of Directors appoints Scott Myers as the new President and CEO.

The American Thoracic Society publishes official guidelines strongly recommending the Company's method for the treatment of asthma. The recommendation plays a key role in decisions on cost reimbursement in the US.

The US Centers for Disease Control use NIOX MINO in a public health study.

2012 The Mississippi, South Carolina and New Hampshire Medicaid health insurance programmes introduce cost reimbursement for inflammation testing using FeNO in the treatment of asthma. Physicians in 32 states and District of Columbia can now offer the Company's tests to asthma patients.

The Company gains market approval in South Korea and Taiwan for the new version of NIOX MINO, a prerequisite for potential cost reimbursement.

Lung specialist Dr. Paul Dorinsky is appointed as the Company's medical officer for North America.

The Chinese province of Shanghai resolves to allow care providers to accept payment from patients for inflammation testing using FeNO. The decision means that Aerocrine now has approval in 7 of 32 Chinese provinces.

The largest health insurance company in the US, UnitedHealthcare, which provides cover for 26 million people, revises its reimbursement policy and begins to provide reimbursement for FeNO tests for asthma patients. This is also done by CareFirst BlueCross BlueShield in Florida, which provides cover for 2.6 million people.

The asthma societies, the American Academy of Allergy, Asthma, and Immunology (AAAAI) and the American College of Allergy, Asthma and Immunology (ACAAI), publishes a position statement in support of the clinical practice guideline on Aerocrine's FeNO test as published by the American Thoracic Society (ATS).

Financial development in summary

The summary data for the financial years 2011, 2010, 2009 and 2008 have been taken from Aerocrine's annual reports and consolidated accounts, which were prepared in accordance with IFRS. The annual reports and consolidated accounts for 2011[29], 2010, 2009 and 2008 have been audited by the Company's auditor with the Audit Reports adhering to the standard formulations and containing no remarks.

The accounts for 2011, 2010, 2009 and 2008 are included in the Prospectus by reference. All of the reports are available from Aerocrine's website www.aerocrine.se.

This section should be read in conjunction with the section "Comments to the financial development".

Summary income statement

SEK million	2011	2010	2009	2008
Net sales	93.5	84.7	98.8	82.4
Cost of goods sold	-29.3	-27.2	-29.8	-29.3
Gross profit/loss	**64.2**	**57.5**	**69.0**	**53.1**
Sales and marketing expenses	-95.7	-67.9	-71.2	-98.8
Administration expenses	-49.4	-18.5	-23.8	-28.5
Development expenses	-53.2	-56.3	-57.3	-63.1
Other operating income/expenses	1.2	0.2	-0.8	1.7
Operating profit/loss	**-132.8**	**-85.0**	**-84.0**	**-135.6**
Operating profit/loss before patent disputes and option programmes	*-110.7*	*-59.9*	*-47.9*	*-114.2*
Net financial items	-5.9	-0.8	-1.0	6.8
Profit/loss before tax	-138.7	-85.8	-85.1	-128.8
Tax	0.0	0.0	0.0	0.0
Profit/loss for the year	-138.7	-85.8	-85.1	-128.8

Summary balance sheet

SEK million	2011	2010	2009	2008
Intangible assets	47.6	52.0	1.6	2.0
Tangible fixed assets	2.7	5.4	9.8	14.3
Financial fixed assets	1.4	1.1	0.9	0.0
Total fixed assets	**51.7**	**58.5**	**12.3**	**16.3**
Inventories	17.6	18.7	13.1	18.9
Current receivables	25.2	20.8	18.4	22.4
Cash and equivalents	150.2	252.9	24.3	93.1
Total current assets	*193.1*	*292.4*	*55.7*	*134.3*
Total assets	**244.8**	**351.0**	**68.0**	**150.6**
Shareholders' equity	72.0	201.5	31.6	107.5
Long-term liabilities and provisions	116.5	110.5	7.5	3.0
Short-term liabilities	56.3	38.9	28.8	40.1
Total shareholders' equity and liabilities	**244.8**	**351.0**	**68.0**	**150.6**

[29] The annual report and consolidated accounts for the financial year 2011 have not yet been affirmed by the AGM of the Company.

Summary cash flow statement

SEK million	2011	2010	2009	2008
Cash flow from operating activities before changes in working capital	-102.0	-74.3	-63.9	-111.0
Changes in working capital	5.5	0.3	-1.9	8.4
Cash flow from operating activities	**-96.5**	**-74.0**	**-65.7**	**-102.6**
Cash flow from investment activities	-6.4	-56.7	-2.8	-6.2
Cash flow after investment activities	**-102.9**	**-130.6**	**-68.5**	**-108.8**
Cash flow from financing activities	0.0	360.9	0.0	83.0
Cash flow for the year	**-102.8**	**230.3**	**-68.5**	**-25.8**
Cash and equivalents at start of the year	252.9	24.3	93.1	118.1
Exchange rate differences in cash and equivalents	0.2	-1.7	-0.2	0.8
Cash and equivalents at end of the year	**150.2**	**252.9**	**24.3**	**93.1**

Key ratios

	2011	2010	2009	2008
Gross margin, %	69	68	70	64
Operating margin, %	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.
Capital employed, SEK million	188.5	312.0	39.7	110.5
Net cash, SEK million	150.2	252.9	24.3	93.1
Equity/assets ratio, %	29	57	47	71
Net indebtedness, times	-2.1	-1.3	-0.8	-0.9
Development expenses, SEK million	53.2	56.3	57.3	63.1
Expenses brought forward for development work, SEK million	0.6	2.2	0.1	1.1
Investments in intangible fixed assets, SEK million	5.4	55.8	0.1	1.1
Investments in tangible fixed assets, SEK million	0.7	0.6	1.8	5.1
Average number of employees	71	54	56	72
Per share				
Earnings per share before dilution, SEK	-1.36	-1.16	-1.28	-2.80
Earnings per share after dilution, SEK	-1.36	-1.16	-1.28	-2.80
Shareholders' equity per share before dilution, SEK	0.70	1.97	0.48	1.62
Shareholders' equity per share after dilution, SEK	0.64	1.91	0.46	1.62
Dividend per share, SEK	-	-	-	-
No. of outstanding shares at end of period before dilution	102,346,369	102,247,513	66,502,911	66,491,905
No. of outstanding shares at end of period after dilution	112,450,353	105,338,858	69,488,533	66,491,905
Average number of outstanding shares before dilution	102,304,088	74,239,085	66,496,436	46,823,389
Average number of outstanding shares after dilution	105,339,023	77,599,882	69,687,827	46,823,389

DEFINITIONS OF KEY RATIOS

Gross margin
Gross profit/loss as a percentage of net sales for the period.

Operating margin
Operating profit/loss as a percentage of net sales for the period.

Return on capital employed
Profit/loss after financial items plus financial expenses divided by average capital employed.

Capital employed
Total assets less current liabilities.

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

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

Earnings per share
Net profit/loss divided by the 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 and after full dilution.

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

Comments to the financial development

COMPARISON BETWEEN 1 JANUARY – 31 DECEMBER 2011 AND 1 JANUARY – 31 DECEMBER 2010

Net sales

Consolidated net sales for the period amounted to SEK 93.5 million (84.7), an increase of 10 percent compared with the preceding financial year. Adjusted to the same currency exchange rates as in 2010, net sales amounted to SEK 100.3 million, an increase of 18 percent. Growth in sales was driven primarily by NIOX MINO® in the US market, where an 86 percent increase in clinical sales was noted in local currency. The reason for this substantial increase is an increased presence in the market via the Company's own sales force. In September 2011, the ATS (American Thoracic Society) issued favourable guidelines indicating how physicians treating asthma patients should use FeNO for diagnosis and follow-up. These guidelines began to have a certain positive impact on sales in the fourth quarter. Sales in the EU have stagnated in the absence of clinical guidelines and acceptance in the reimbursement systems, and as a consequence of the continued financial crisis in southern Europe. The competition situation in the EU has improved due to the Company's successful patent suit against Medisoft and its acquisition of FeNO testing assets from German competitor FILT GmbH. However, this has no immediate impact on the Group's sales. During the period, sales were affected negatively by exchange rate effects (down 7 percent) and by the fact that sales of the Group's former product range, NIOX® FLEX, continue to decline, down 24 percent before currency adjustment, or by SEK 2.7 million. The Company plans to cease providing service and support for NIOX FLEX in 2013. In 2011, the Group received a number of major orders from pharmaceutical companies for clinical studies. These orders are only recognised as income on delivery, which partly took place in the fourth quarter of 2011, while the remainder is scheduled for delivery in the first half of 2012.

The majority of sales, 89 percent (86) are attributable to NIOX MINO and associated sales of tests. Sales of NIOX MINO and associated tests rose by 23 percent in local currency over the year as a whole. Over the period, a total of some 1,238,700 (1,091,800) tests were sold (refill tests and new sales), representing an increase of 13 percent compared with the preceding financial year. Sales of refill tests for NIOX MINO amounted to 1,015,000 (843,000) of the total number of tests, representing an increase of 13 percent.

Over the financial year, sales for the North America/US segment amounted to SEK 28.9 million (22.7), an increase of 27 percent compared with the preceding financial year. Adjusted for currency effects, sales rose by 41 percent. NIOX MINO shows very strong growth in the segment, with sales increasing by 51 percent in local currencies compared with 2010. The increase in sales is primarily attributable to clinical sales and use, which rose by 86 percent in local currency while sales to pharmaceutical companies rose by 14 percent. Sales continued to be affected negatively by the strategic decision to cease active sales of NIOX FLEX, which accordingly fell by 57 percent in local currency. The publication of the ATS' guidelines is a very important milestone and a major step towards obtaining cost reimbursement. Before cost reimbursement is fully established, it will not be possible to fully penetrate the clinical segment. Nonetheless, the clinical portion of sales accounts for the greatest growth, despite the low degree of cover by the private insurance companies. Some of the sales generated in the US have been invoiced to pharmaceutical companies in Europe and are therefore not included in the segment's sales. Sales to new and ongoing clinical studies are expected to continue to represent an important part of sales in the US. Sales in the EU/Rest of the world segment amounted to SEK 64.6 million (62.0), an increase of 4 percent compared with the preceding financial year. Adjusted for currency effect, sales rose by 10 percent. The explanation behind the segment's relatively weak sales trend is outlined above. The EU, and in particular its southern regions, continue to be affected by the financial crisis. The Rest of the world, with Japan leading the field, is beginning to contribute a certain amount of sales. In Japan, efforts are underway to have NIOX MINO approved by the regulators for marketing. Due to the unpredictability of the regulatory process in Japan, the Company cannot, at this stage, predict when approval will be secured in that country. The Company is working together with local experts to secure approval.

Expenses

Consolidated operating expenses over the financial year amounted to SEK 197.0 million (142.5). Operating expenses included a provision of SEK 13.3 million (2.1) for expenses attributable to the Group's employee stock options scheme and SEK 8.8 million (23.0) for expenses associated with patent disputes. Adjusted for these items, operating expenses amounted to SEK 174.9 million (117.4). Ongoing investments in the US market in the form of a proprietary sales force and increased activities to secure cost reimbursement were the Group's focus in its marketing and sales activities in 2011. Sales and marketing expenses amounted to SEK 95.7 million (67.9.). Administration expenses amounted to SEK 49.4 million (18.5). The increase is primarily attributable to increased recruitment expenses for the reinforcement of the management team and the new CEO, expenses for the development of a new incentive programme and expenses attributable to the Group's employee stock options scheme. Development and production expenses for the 2011 financial year fell 5 percent compared with the previous year and amounted to SEK 53.2 million (56.3), corresponding to 27 percent (39) of the Group's total operating expenses. Development expenses declined as a consequence of the resolution of the patent disputes in which the Company was previously involved, particularly the dispute with Apieron Inc. in the US.

Earnings

The consolidated gross margin for the full year 2011 amounted to 69 percent (68). The margin was affected negatively by currency effects (down 0.9 percentage points) and the impairment of short expiration products (down 1.4 percentage points). The consolidated operating loss for the period amounted to SEK 132.8 million (85.0), while the loss after tax amounted to SEK 138.7 million (85.8), a weakening of 62 percent compared with the preceding financial year. The loss for the year was affected by expenses of SEK 8.8 million (23.0) for patent disputes, expenses of SEK 13.3 million (2.1) for the Group's employee stock options programme and the recalculation of accounts receivable, accounts payable and cash

and equivalents due to exchange rate fluctuations, amounting to a positive net of SEK 1.6 (negative 3.7) million. Expenses associated with the appointment of a new CEO affected earnings for the year negatively by SEK 9.6 million (0.0). In addition, earnings were impacted negatively by interest expenses of SEK 9.0 million (2.5) for a convertible debenture. The preceding year's earnings were affected positively by a currency gain of SEK 6.4 million in connection with the raising of a shareholder loan that was converted in to shares in October 2010.

Investments

The total consolidated investments for the financial year were SEK 6.1 million (56.4). Investments in tangible assets amounted to SEK 0.7 million (0.6) and primarily involve investments in production tooling. The year's investments in intangible assets amounted to SEK 5.4 million (55.8). The preceding year's investments mainly involved the acquisition of assets from Apieron Inc.'s bankruptcy estate. Consolidated capitalised expenditure on development over the full year amounted to SEK 0.6 million (2.2).

Cash flow

Consolidated cash flow for the 2011 full year was negative in the amount of SEK 102.8 million (230.3). Cash flow for the year was affected negatively by the acquisition of assets in FILT and a payment of SEK 2.4 million in outstanding interest on the convertible debenture issued. Cash flow from continuing operations weakened, mostly as a consequence of increased investment in the US market regarding sales resources, activities to secure cost reimbursement and the acquisition of assets from FILT GmbH, the recruitment of a new CEO and the reinforcement of the clinical organisation, and amounted to a negative SEK 96.5 million (74.0). Cash flow from investing activities was negative in the amount of SEK 6.4 million (56.7) and mainly involved the acquisition of assets from FILT GmbH. Cash flow from financing activities was SEK 0.0 million (360.9).

Financial position and key ratios

On 31 December 2011, consolidated shareholders' equity was SEK 72.0 million (201.5), corresponding to an equity/asset ratio of 29 percent (57).

On 31 December 2011, consolidated interest-bearing liabilities amounted to SEK 106.1 million (104.4) and involved convertible debentures issued. Consolidated cash and equivalents amounted to SEK 150.2 million (252.9). Shareholders' equity per share was SEK 0.7 (2.0) and, following full dilution by the outstanding employee stock options was SEK 0.6 (1.9). The loss per share before dilution amounted to SEK 1.4 (1.2).

COMPARISON BETWEEN 1 JANUARY – 31 DECEMBER 2010 AND 1 JANUARY – 31 DECEMBER 2009

Net sales

Consolidated net sales for 2010 amounted to SEK 84.7 million (98.8), a decline of 14 percent compared with the preceding financial year. Sales were affected negatively by several factors. Major cost savings have been introduced in healthcare in several key European countries. This has an impact on products and methods not yet considered critical in accordance with current treatment guidelines. Until the critical benefit of testing inflammation has been attested in terms of cost reimbursement and included in national guidelines, the Company's sales growth remains sensitive to priorities in healthcare budgets. Sales for December 2009 were very strong, which had an effect on the start of 2010, particularly due to stock build ups in certain distributor markets in Europe. However, underlying sales in these markets have been stable. The Company has also witnessed emerging price competition from a limited number of small competitors who have offered low prices to major customers in a few countries. Beyond this, exchange rate fluctuations have also had a negative impact on sales compared with 2009. Adjusted for currency effects, sales amounted to SEK 92.4 million, a decline of 7 percent. In addition, sales of the Company's former product range, NIOX® FLEX, continue to decline and were down 31 percent before currency adjustments.

The majority of sales, 85 percent (81) are attributable to NIOX MINO® and associated sales of tests. Sales of NIOX MINO and associated tests fell by 1 percent in local currency over the year as a whole. Over the period, a total of some 1,091,800 tests were sold (1,072,000) (refill tests, new sales and filter sales for NIOX FLEX), an increase of 2 percent compared with the preceding financial year. Sales of refill tests for NIOX MINO amounted to 843,050 (767,650) of the total number of tests, corresponding to an increase of 10 percent.

Over the financial year, sales for the North America/US segment amounted to SEK 22.7 million (22.7), which was unchanged compared with the preceding financial year. Adjusted for currency effects, sales rose by 6 percent. Sales for the year continued to be affected negatively by the strategic decision to cease active sales of NIOX FLEX, which accordingly fell by 45 percent in local currency. Until a reimbursement system is fully established, sales in the segment are primarily driven by sales to pharmaceutical companies and companies that carry out clinical studies. This means that sales may vary from quarter to quarter. However, the clinical portion of sales accounts for most growth. Sales in the EU/Rest of the world segment amounted to SEK 62.0 million (76.2), a decline of 19 percent compared with the preceding financial year. Adjusted for currency effects, sales declined by 12 percent. The explanation behind the weak sales in the segment is described in the first paragraph of this section (Net sales).

Expenses

Consolidated operating expenses over 2010 amounted to SEK 142.5 million (153.0). Operating expenses included a provision of SEK 2.1 million (13.9) for expenses attributable to the Group's employee stock options scheme and SEK 23.0 million (22.3) for expenses attributable to patent disputes. Adjusted for these items, operating expenses amounted to SEK 117.4 million (116.8).

The launch of the new version of NIOX MINO, the establishment of the sales organisation in the US, efforts to secure reimbursement in the US, support for new and existing distributors, as well as participation in selected annual international congresses were the focus of the Group's marketing and sales activities in 2010. Expenses for marketing and sales amounted to SEK 67.9 million (71.2). Development and production expenses for the 2010 financial year fell 2 percent

compared with the previous year and amounted to SEK 56.3 million (57.3), corresponding to 39 percent (37) of the Group's total operating expenses.

Earnings
The consolidated gross margin for the full year 2010 amounted to 68 percent (70). The negative currency effect on net sales contributed towards the decline in the gross margin. In addition, the margin was affected negatively by a degree of price pressure from competitors on certain European markets, the replacement programme of previous versions of NIOX MINO® for the new version launched in 2010 on extremely favourable terms, as well as marketing campaigns in the form of demo equipment, where selected key distributors have obtained products at a very favourable price, with the aim of speeding up the process of market penetration. The consolidated operating loss for 2010 amounted to SEK 85.0 million (84.0) while the loss after tax amounted to SEK 85.8 million (85.1).

Investments
During the year, Aerocrine acquired the commercial assets of the bankrupt US company Apieron Inc, which mainly included patents. The investment amounted to SEK 53.6 million. The Group's total investments for the financial year were SEK 560.4 million (1.8). Consolidated capitalised expenditure on development over 2010 amounted to SEK 2.2 million (0.1).

Cash flow
Consolidated cash flow for the financial year amounted to SEK 230.3 million (negative 68.5). Cash flow from operating activities weakened, primarily due to decreased sales attributable to currency effects and was negative in the amount of SEK 74.0 million (negative 65.7). Cash flow from investment activities was negative in the amount of SEK 56.7 million (negative 2.8), while cash flow from financing activities was positive in the amount of SEK 360.9 million (0.0). In September and October 2010, the Company implemented new share issues that, net after repayment of bank loans, settlement of loans from shareholders and deductions for issue costs, provided the Group with a cash injection of SEK 268 million.

Financial position and key ratios
On 31 December 2010, consolidated shareholders' equity was SEK 201.5 million (31.6), corresponding to an equity/asset ratio of 57 percent (47). On 31 December 2010, consolidated interest-bearing liabilities amounted to SEK 104.4 million (0.0) and involved convertible debentures issued. Consolidated cash and equivalents amounted to SEK 252.9 million (24.3). Shareholders' equity per share was SEK 2.0 (0.5) and, after full dilution with outstanding employee stock options, was SEK 1.9 (0.5). Previously issued warrants (2005) expired on 30 September 2010 with none having been exercised. The loss per share before dilution amounted to SEK 1.2 (1.3).

COMPARISON BETWEEN 1 JANUARY – 31 DECEMBER 2009 AND 1 JANUARY – 31 DECEMBER 2008

Net sales
Consolidated net sales for 2009 amounted to SEK 98.8 million (82.4), an increase of 20 percent compared with the preceding financial year. Sales growth is mainly driven by sales of NIOX MINO and refill tests in existing markets in Europe and the US. Adjusted for currency effects, sales amounted to SEK 89.3 million, an increase of 8 percent..

The majority of sales, 85 percent (66) are attributable to NIOX MINO and associated sales of tests. Sales of NIOX MINO and associated tests rose by 33 percent in local currency over the full year, while sales of NIOX® FLEX and associated products fell by 35 percent. This is in line with the strategic priority carried out by the Company to transfer sales to NIOX MINO, which is a product with significantly greater market potential and better profit margins. Over the year, a total of some 1,072,000 (835,000) tests were sold (refill tests, new sales and filter sales for NIOX FLEX), which represents an increase of 28 percent compared with the preceding financial year. Sales of refill tests for NIOX MINO accounted for 767,650 (578,000) of the total number of tests, corresponding to an increase of 33 percent.

Over the financial year, sales for the North America/US segment amounted to SEK 22.7 million (24.3), a decline of 7 percent. The decline is attributable solely to NIOX FLEX for which sales fell by 48 percent while sales of NIOX MINO rose by 53 percent. The strategic decision to focus solely on sales of NIOX MINO has negatively affected the segment's sales to a greater extent than the Rest of the world, since North America has had a high proportion of its sales deriving from NIOX FLEX. Until full reimbursement has been established, sales in the segment are driven primarily by strategic sales to pharmaceutical companies and companies carrying out clinical trials. Sales in the EU/Rest of the world segment showed strong growth, reaching SEK 76.2 million (58.1) for the year, an increase of 31 percent. It was mainly NIOX MINO that continued to show strong growth in the Group's established European markets, rising 43 percent compared with 2008. The Rest of the world, with China and Japan leading the field, has begun to contribute a certain amount of sales. In Japan, efforts are underway to have NIOX MINO approved by the regulators for marketing. The company's product has been approved by the Chinese SFDA authority and is also included in the national guidelines. Decisions concerning reimbursement are expected from the fourteen Chinese regions over the coming year.

Expenses
Consolidated operating expenses over 2009 amounted to SEK 153.0 million (188.7). Operating expenses included a provision of SEK 13.9 million (16.7) for expenses attributable to the Group's employee stock options scheme and SEK 22.3 million (5.7) for expenses attributable to patent disputes. Adjusted for these items, operating expenses amounted to SEK 116.8 million (166.3). The reduction in consolidated operating expenses was mainly due to the rationalisation scheme carried out at the end of 2008, which had the desired effect on overheads in 2009. The aim was to cut operative expenses by SEK 50 million in 2009.

The Group has focused its sales and marketing activities in 2009 on launching NIOX MINO in the US, supporting new and existing distributors and taking part in annual international congresses. Additionally, the Group has continued its initiatives for receiving reimbursement within the framework of the national insurance systems and for the Company's method to be included in the national guidelines for treating asthma. Sales and marketing expenses amounted to SEK 71.2 million (98.8). Development and production expenses for the 2009 financial year fell 9 percent compared with the previous year and amounted to SEK 57.3 million (63.1), corresponding to 37 percent (33) of the Group's total operating expenses. Expenses fell

despite the dramatically increased expenses for patents. During 2009, the Group continued focusing on taking part in clinical development trials to cement and spread the method and get it included in national clinical guidelines. One of the most important activities in the clinical development business has been to try and get the method reimbursed by national insurance systems. The Group has continued its initiatives in product care to improve operational safety and component quality for NIOX MINO® and NIOX® FLEX and taken the requisite measures to implement these improvement measures. The Group has also vehemently defended its intellectual property rights.

Earnings

The consolidated gross margin for the full year 2009 amounted to 70 percent (64). The change in the Group's product mix and the positive currency effect on net sales helped improve the gross margin. The consolidated operating loss for 2009 amounted to SEK 84.0 million (135.6), while the loss after tax amounted to SEK 85.1 million (128.8), an improvement of 34 percent. The improvement in earnings in 2009 was primarily attributable to the restructuring programme implemented by the Group, a positive change in the product mix with an associated improvement in margins, as well as increased sales. Earnings for 2009 were also affected negatively in the amount of SEK 2.1 million (5.6) by the recalculation of accounts receivable (including receivables from subsidiaries), accounts payable and cash and equivalents due to currency fluctuations. Adjusted for currency effects the Group's earnings would have been 3 percent better.

Investments

The total consolidated investments for 2009 were SEK 1.8 million (6.2). The investments mainly involved new production tools. Consolidated capitalised expenditure on development over 2009 amounted to SEK 0.1 million (1.1).

Cash flow

Consolidated cash flow for 2009 was negative in the amount of SEK 68.5 million (25.8). Cash flow from operating activities improved as a consequence of increased sales and a reduction in the Group's costs, amounting to a negative SEK 65.7 million (negative 102.6). Cash flow from investment activities was negative in the amount of SEK 2.8 million (negative 6.2) and cash flow from financing activities was SEK 0.0 million (positive 83.0). On 1 December 2008, the Company implemented a new share issue that generated a total cash injection of SEK 83.0 million for the Company after deductions for issue costs.

Financial position and key ratios

On 31 December 2009, consolidated shareholders' equity was SEK 31.6 million (107.5), corresponding to an equity/asset ratio of 47 percent (71). On 31 December 2009, consolidated interest-bearing liabilities amounted to SEK 0.0 million (0.0) and consolidated cash and equivalents to SEK 24.3 million (93.1). Shareholders' equity per share was SEK 0.5 (1.6) and, following full dilution by outstanding warrants, SEK 0.5 (1.6). Because the subscription price exceeds the estimated market value no warrants will be converted into shares. The loss per share before dilution amounted to SEK 1.3 (2.8).

Capital structure and other financial information

FINANCING AND CAPITALISATION

On 31 December 2011, Aerocrine's interest-bearing liabilities amounted to SEK 112.5 million and consisted of convertible debentures issued. The convertible loan extends over five years with a fixed annual interest rate of 8 percent. The holder of the convertible loan has the right to convert that loan into shares at a set conversion price of SEK 8.75 per share. Correspondingly, Aerocrine is entitled to request conversion during the term of the convertible loan if for a particular period Aerocrine's share price exceeds SEK 13.10. See further under "Convertible loan" in the section "Share capital and ownership relations".

On 31 December 2011, shareholders' equity in Aerocrine amounted to SEK 72 million.

NET INDEBTEDNESS

Detailed below is Aerocrine's net indebtedness as per 31 December 2011.

SEK million		31 December 2011
(A)	Cash	150.2
(B)	Cash equivalents	0.0
(C)	Current financial investments	0.0
(D)	**Liquidity (A)+(B)+(C)**	**150.2**
(E)	Short-term financial receivables	25.2
(F)	Short-term bank loans	0.0
(G)	Short-term share of long-term liabilities	0.0
(H)	Other short-term financial liabilities	0.0
(I)	**Short-term financial liabilities (F)+(G)+(H)**	**0.0**
(J)	**Short-term financial indebtedness (I)-(E)-(D)**	**-175.5**
(K)	Long-term financial receivables	0.0
(L)	Long-term bank loans	0.0
(M)	Other long-term liabilities	106.1
(N)	Long-term financial liabilities	0.0
(O)	**Long-term financial liabilities (L)+(M)+(N)**	**106.1**
(P)	**Long-term financial indebtedness (O)-(K)**	**106.1**
(Q)	**Financial net indebtedness (J)+(P)**	**-69.4**

SHAREHOLDERS' EQUITY AND LIABILITIES

Detailed below is Aerocrine's capitalisation as per 31 December 2011.

SEK million	31 December 2011
Total short-term interest-bearing liabilities	**0.0**
against guarantee or surety	0.0
against collateral	0.0
without guarantee/surety or collateral	0.0
Total long-term interest-bearing liabilities	**106.1**
against guarantee or surety	0.0
against collateral	0.0
without guarantee/surety or collateral	106.1
Total shareholders' equity	**72.0**
share capital	51.2
other capital contributions	0.0
reserves	1,056.1
profit/loss brought forward. including profit/loss for the year	-1,035.3
minority interest	0.0

STATEMENT OF WORKING CAPITAL AND CAPITAL REQUIREMENTS

Based on the favourable trend in the US market regarding reimbursement from private insurance companies, the Board of Directors resolved, among other things, to increase the level of market investment in the US. Against this background, the Company's existing working capital is not sufficient to cover its current needs over the next 12 months. By means of the capital injected into the Company through the Rights Issue, and combined with the commercial loans the Company has raised, it is the view of the Board that the Company has sufficient capital for the next 12 months given current strategic priorities, and expected sales trends and levels of activity.

In Aerocrine's view, the injection of capital from the Rights Issue, totalling approximately SEK 260 million, before issue costs, will be sufficient to cover the assessed capital needs of the Company to implement the following measures and investments (listed in order of priority):

1. To increase the level of investment in the US and to thus capitalise on the above-described progress achieved there. Above all, this entails further investments being made in sales resources and to obtain full reimbursement,
2. to initiate a clinical development programme with the purpose of broadening the areas of application for the Company's products to new indications such as chronic obstructive pulmonary disease (COPD – sometimes known as the smoker's disease) to secure approval for asthma diagnosis in the US, to start work on how inflammation testing of the respiratory system by means of NO can be used in the home, and to conduct studies demonstrating the health-economic advantages of NO testing for reimbursing parties, patients and society,
3. to launch the first product developed in partnership with Panasonic and to take preparatory steps towards starting to explore the potential for home use with the purpose of further strengthening the leading position that the Company holds in the area of respiratory inflammation testing,
4. to continue to investing in markets outside the US to gain inclusion in clinical guidelines and reimbursement to thereby drive continued sales growth,
5. to strengthen the Company's Balance Sheet and
6. to capitalise on the investments made to build up and defend the Company's patent portfolio.

The capital injected into Aerocrine through the Rights Issue, approximately SEK 260 million before issue costs, is also expected to provide Aerocrine with the opportunity to further accelerate its ventures in the US market and to prepare for a future market launch of products for care in the home.

Taking into account the Company's existing cash and equivalents, which amounted to SEK 150.2 million at the end of 2011, and the Company's ongoing cash flow, the existing working capital is expected, on the condition that the above-mentioned measures and investments are implemented, to last until the end of the third quarter of 2012. In the event that, despite the subscription undertakings and underwriting agreements that have been secured,[30] the Rights Issue were not to be fully subscribed, Aerocrine nonetheless has capacity to cut costs related, among other things, to the market investments in the US, the clinical development programme for new indications and the launch of the first product developed in partnership with Panasonic. This would entail that the Company's existing working capital, prior to the Rights Issue, would cover the needs for the next 12 months.

TAX SITUATION

Within the Group, there was an estimated SEK 1,090.7 million in accumulated tax-loss carryforwards as per 31 December 2011. Aerocrine has not activated these tax-loss carryforwards as assets and consequently, no tax asset has been recognised in the accounts, since it is not deemed likely that the Group will report taxable revenues exceeding its costs within the near future. Of the total, tax-loss carryforwards to the value of SEK 1,041.3 million had no maturity date.

INVESTMENTS

Aerocrine's investments in tangible fixed assets mainly involve purchases of production tools, while investments in intangible assets mainly involve capitalised expenditure for development work and acquisitions of patents. Within the Group, no significant investments are currently planned or in progress.

FINANCE POLICY

The company's current policy is not to protect itself against financial risks relating to loans, transaction and translation exposure. This decision was taken by the Board due to the current level of exposure in the Company and the cost of protection against potential risks. The Board regularly evaluates the Group's risk management and prepares written principles for both overall risk management and for specific segments such as interest rate risks, the use of derivative and non-derivative financial instruments and the investment of surplus liquidity.

The Group issues invoices denominated in EUR, SEK, GBP or USD. The majority of the Company's costs are currently in SEK. The company currently applies no currency hedging.

The Parent Company invests liquid assets in interest-bearing securities with high credit ratings (K1) and with good liquidity or in interest-bearing bank accounts.

TRENDS

Until the Company's method is included in clinical guidelines, the development of Aerocrine's sales is particularly sensitive to economic fluctuations. In 2010, major cost savings were introduced in healthcare in several key European countries, impacting products and methods not yet considered critical in accordance with current treatment guidelines. Until the critical benefit of testing inflammation is attested in terms of cost reimbursement and inclusion in national guidelines for the treatment of asthma, Aerocrine's sales growth remains sensitive to priorities in healthcare budgets. In 2011, the ATS (the American Thoracic Society) published new guidelines for the diagnosis and monitoring of asthma using FeNO for the US market. This represents an important step in achieving

[30] For further information, see the section "Legal matters and supplementary information – Subscription undertakings and underwriting".

recognition for the Company's method and, alongside the investments the Company has made in the US market over a short space of time, this has increased the number of US residents with access to the Company's method via their private insurance cover to more than 35 percent. The company expects the number of people with such cover to increase further over the current year. The company also expects that further guidelines or statements of support will be published by the ATS. However, the Company cannot provide a forecast as to when this might occur.

To the best of the Company's knowledge, no other known trends or uncertainty factors exist beyond those described in the section "Risk factors".

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2011

The Mississippi, South Carolina and New Hampshire Medicaid health insurance programmes announced on 11 January, 10 February and 12 April 2012, respectively, that they would be introducing reimbursement for inflammation testing using exhaled nitric oxide, the technique employed by the Company's products. This means that physicians in 32 states and the District of Columbia are now able to offer the Company's tests in controlling their patients' asthma.

On 12 January 2012, Aerocrine announced that it had secured market approval for its product NIOX MINO® for the South Korean and Taiwanese markets. Market approval represents an important step in the process towards securing reimbursement.

The US' largest private health insurance company UnitedHealthcare (UHC) announced on 9 March 2012 that it had decided to remove its negative policy regarding reimbursement for FeNO testing. Approximately 15 percent of all people in the US with private health insurance are insured via UHC, corresponding to some 26 million people. UHC, which, among others, includes the insurance companies Oxford Health, PacifiCare, MAMSI, Sierra Life and Golden Rule, operates in all 50 states and the District of Columbia. UHC also provides health insurance for several million people within the framework of the public health insurance programmes, that is, Medicare and Medicaid.

BlueCross BlueShield in Florida announced on 16 March 2012 it had decided to remove its negative policy regarding reimbursement for FeNO testing. BlueCross BlueShield in Florida provides insurance coverage to approximately 31 percent of all privately insured in the state or about 2.6 million people.

On 2 April 2012, the Company announced that a nine-member council representing both prestigious asthma societies, the American Academy of Allergy, Asthma, and Immunology (AAAAI) and the American College of Allergy, Asthma and Immunology (ACAAI), have published a position statement in support of the clinical practice guideline on Aerocrine's FeNO test as published by the American Thoracic Society (ATS).

Beyond what has been detailed above, there has been no material change in Aerocrine's financial or market position between 31 December 2011 and the publication of this Prospectus.

OTHER INFORMATION

Aerocrine is currently unaware of any public, financial, tax policy, monetary or other political measures that could directly or indirectly impact the Company.

Board of Directors, management and auditors

BOARD OF DIRECTORS

According to Aerocrine's Articles of Association, the Board of Directors shall consist of at least five and at most 12 members, as well as at most ten deputies. The company's Board of Directors currently consists of eight individuals, including the Chairman. All Board members have been elected for the period extending until the end of the 2012 Annual General Meeting. Listed below are the members of the Board, the position of each member, the year of each member's election, date of birth, education, experience, current assignments and assignments completed within the past five years and holdings in Aerocrine. All holdings of shares and employee stock options were accurate as per 29 February 2012 and include known changes since that time, as well as any shares or options held by the Board member's spouse or under-age children and any holdings via companies in which the Board member has a significant ownership and/or influence.

Anders Williamsson
Chairman of the Board, elected 2007
Born: 1954
Education: M.Sc. in Business and Economics, Lund University.
Experience: Anders Williamsson has more than 30 years of experience from international medical technology and life science operations.
Current assignments: Chairman of the Board of Danske Bank Helsingborg, Dreamwork Scandinavia AB, Fade Hook & Draw AB, Nano Bridging Molecules SA and Tigran Technologies AB, and member of the Board of HIF Service AB.
Assignments completed within the past five years: Chairman of the Boards of Biomain AB, Glycorex Transplantation AB and Jolife AB, and member of the Boards of AMBU AS, Cross Lifestyle Solutions AB, Cross Technology Solutions AB, Foss AB, Foss Analytical AB, HDWG Finans AB, ProstaLund AB and ProstaLund Operations AB.
Holdings: 30,000 shares and rights to acquire a further 196,035 shares.
Independent in relation to the Company and its major shareholders.

Scott Beardsley
Member of the Board, elected 2010
Born: 1967
Education: MBA from UCLA Anderson Graduate School of Management and B.Sc. from Colorado State University.
Experience: Scott Beardsley is a Senior Partner at Novo Growth Equity. Prior to this, he has had extensive experience from investment banking, including as Managing Director at JP Morgan in San Francisco focusing on the biotechnology sector and, before that, an equivalent role at Piper Jaffray.
Current assignments: Senior Partner Novo A/S.
Holdings: None.
Independent in relation to the Company, but not in relation to major shareholders.

Lars Gustafsson
Member of the Board, elected 1997
Born: 1950
Education: Registered physician and Ph.D. in Medicine, Karolinska Institute.
Experience: Lars Gustafsson is one of the founders of Aerocrine. He is a professor at the Department of Physiology and Pharmacology at the Karolinska Institute, where he conducts research into the mechanisms behind the formation of NO in the airways and the mechanisms involved in asthma. He is also a member of the Swedish Asthma and Allergy Association's scientific council.
Current assignments: President and member of the Boards of Attgeno AB and Nitrograf Bioanalys AB. Chairman of the Board of the Ulf von Eulers Lecture Foundation, member of the Board of the Lars Hiertas Memorial Foundation, member of the steering committee of the Centre for Allergy Research at the Karolinska Institute and member of the Swedish Asthma and Allergy Association's scientific council.
Assignments completed within the past five years: None.
Holding: 269,561 shares (held privately and through companies) and options entitling him to subscribe for 180,705 shares.
Independent in relation to the Company and its major shareholders.

Staffan Lindstrand
Member of the Board, elected 1999
Born: 1962
Education: Graduate Engineer, Royal Institute of Technology.
Experience: Since 1997, Staffan Lindstrand has been a partner at HealthCap, with some ten years of experience in investment banking prior to that.
Current assignments: Member of the Boards of Gerner Holdings AB, HealthCap AB with associated companies, Limehold AB, Orexo AB, PulmonX Corporation, Severus SA, Technolas Perfect Vision GmbH and 20/10 Perfect Vision AG.
Assignments completed within the past five years: Member of the Boards of Biotage AB, Cebix AB, Eksse AB (in liquidation), NeuroNova AB, OxThera AB, Rocaer AB (in liquidation) and XCounter AB.
Holdings: None.
Independent in relation to the Company, but not in relation to major shareholders.

Rolf Classon
Member of the Board, elected 2011
Born: 1945
Education: M.A. in Politics, Gothenburg University.
Experience: Rolf Classon has extensive experience of senior positions within the pharmaceutical and medical technology industries, including within Pharmacia, Bayer Diagnostics and as President of Bayer Healthcare. Rolf has also been a divisional manager within Swedish Match.
Current assignments: Chairman of the Boards of Attana AB, Auxilium Pharmaceuticals (NASD), Hill-Rom Corp (NYSE), Lappesands Invest AB, Tecan Group (Zurich Stock Exchange) and member of the Board of Fresenius Medical Care (Frankfurt Stock Exchange and the NYSE).
Assignments completed within the past five years: Chairman of the Board of Prometheus Laboratories and Swedish Orphan AB and member of the Boards of EMD Millipore and Enzon Pharmaceuticals.
Holdings: None.
Independent in relation to the Company and its major shareholders.

Yvonne Mårtensson[31]
Member of the Board, elected 2009
Born: 1953
Education: Graduate Engineer in Industrial Economics.
Experience: Yvonne Mårtensson has more than 25 years of experience in international marketing and sales in rapidly growing companies at various stages of development, as well as more than 20 years of experience in the medical technology sector.
Current assignments: President of CellaVision AB and member of the Boards of Biolin Scientific Holding AB, Lunds Universitets Innovationssystem AB and YCM Consulting AB.
Assignments completed within the past five years: Member of the Boards of Biolin Scientific AB and Innovationsbron Syd AB.
Holdings: None.
Independent in relation to the Company and its major shareholders.

Dennis Kane
Member of the Board, elected 2011
Born: 1953
Education: B.Sc. in biology from Kalamazoo College, Michigan, US.
Experience: Dennis Kane has more than 30 years of experience in sales and marketing of pharmaceuticals and diagnostic aids, including more than 20 years focusing on asthma and allergies. He has been responsible for the US sales and marketing drive within Phadia AB (formerly Pharmacia Diagnostics) and has worked with building up and expanding operations within Upjohn Inc. with regard to disease management and pharmaceutical economics.
Current assignments: Member of the Board of Armune Bioscience Inc.
Holdings: None.
Independent in relation to the Company and its major shareholders.

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Thomas Eklund
Member of the Board, elected 2011
Born: 1967
Education: M.Sc. in Business and Economics, Stockholm School of Economics.
Experience: Since 2002, Thomas Eklund has worked at Investor Growth Capital Europe and is currently responsible for the Stockholm operation. His previous experience includes ten years in Corporate Finance at Handelsbanken focusing on Life Science.
Current assignments: Member of the Board of Biotage AB, Global Health Partner AB, Memira Holding AB, Neoventa Holding AB, Tedcap AB and Vårdapoteket i Norden AB, and deputy Board member in NeuroNova AB, SciBase Holding AB and Tobii Technology AB.
Assignments completed within the past five years: President and member of the Board of Investor Growth Capital AB, Chairman of the Board of Keybroker AB, member of the Board of Affibody Holding AB, Carmel Pharma AB, Cavidi Tech AB (bankrupt), Dipylon Medical AB, Swedish Orphan Biovitrum Holding AB and deputy Board member in Åmic AB.
Holdings: 12,000 shares.
Independent in relation to the Company, but not in relation to major shareholders.

[31] Yvonne Mårtensson has declined re-election at the AGM on 3 May 2012.

MANAGEMENT

Aerocrine's management consists of six people. Listed below are their areas of responsibility, year of recruitment to Aerocrine, date of birth, education, experience, current assignments and assignments completed within the past five years and holdings in Aerocrine. All holdings of shares and employee stock options were accurate as per 29 February 2012 and include known changes since that time, as well as any shares or options held by the Board member's spouse or under-age children and any holdings via companies in which the Board member has a significant ownership and/or influence.

Scott Myers
President and CEO since 2011
Born: 1966
Education: MBA Finance University of Chicago, BA Ecology and Evolutionary Biology Northwestern University, ILL.
Experience: Scott Myers has more than 20 years of experience from the pharmaceuticals industry and as a consultant. This includes broad experience from both the US and Europe within sales and marketing and business development. Before he succeeded to the post of President for Aerocrine he worked at UCB and, prior to that, held several senior positions within Johnson & Johnson, including as the head of McNeil Specialty Products.
Current external assignments: Nominated as member of the Board of Orexo AB.
Assignments completed within the past five years: None.
Holdings: 180,000 shares and options entitling him to subscribe for 3,570,000 shares.

Mats Carlson
Executive Vice President and Vice President Development & Technical Operations since 1998
Born: 1953
Education: Graduate Engineer in Chemical Engineering, Royal Institute of Technology.
Experience: Mats Carlson was previously President of the Pharmacia Chiron Partnership. He has also been active as a consultant for Wenell Management AB, as a project coordinator at Pharmacia and has been a project manager within Siemens-Elema in the development of intensive care products. Mats has also been a member of the Board of the Swedish Industrial Design Foundation and is involved in the postgraduate biotechnology project focusing on industry, being conducted at the Karolinska Institute.
Current external assignments: Member of the Board of NeoDynamics AB and deputy Board member of RegMan AB.
Assignments completed within the past five years: None.
Holdings: 37,606 shares and options entitling him to subscribe for 739,229 shares.

Michael Colérus
CFO since 1999
Born: 1962
Education: M.Sc. in Business and Economics, Uppsala University.
Experience: Michael Colérus has been Business Controller for various business areas within Pharmacia & Upjohn, including urology/gynaecology and metabolic diseases. He most recently held the position of Director of Business Control for Peptide Hormones.
Current external assignments: None.
Assignments completed within the past five years: None.
Holdings: 30,603 shares and options entitling him to subscribe for 633,934 shares.

Morten Gunvad
Vice President Commercial Operations Europe and Asia since 2011
Born: 1967
Education: B.Sc. in international marketing.
Experience: Morten Gunvad brings 17 years of industrial experience from senior positions in sales and marketing, including as Vice President Soft Tissue Implants Europe at Covidien.
Current external assignments: None.
Assignments completed within the past five years: Member of the Board of Covidien Sverige AB.
Holdings: Options entitling him to subscribe for 594,488 shares.

Charles Neff
President of Aerocrine Inc. since 2008
Born: 1962
Education: B.Sc. in Economics, Denison University in Ohio, US.
Experience: Charles Neff has extensive experience from various senior positions in the medical technology and pharmaceuticals industries in the US market. Previous positions include sales and marketing manager for Hemocue Inc/Quest Diagnostics for the US market and Strategic Account Manager within Mallinckrodt Medical Inc.
Current external assignments: None.
Assignments completed within the past five years: None.
Holdings: 121,376 shares and options entitling him to subscribe for 473,112 shares.

Kathleen Rickard
Chief Medical Officer since 2011
Born: 1958
Education: Ph.D. in medicine from Hahnemann University School of Medicine (Drexel University) and internal medicine from Ohio State University.
Experience: Kathlen Rickard is a US physician and a specialist in pulmonary medicine. She brings senior industrial experience from GlaxoSmithKline in the US, where, for 15 years, she was responsible for the clinical development of what is now one of GSK's world-leading asthma medications.
Current external assignments: None.
Assignments completed within the past five years: None.
Holdings: Options entitling her to subscribe for 772,835 shares.

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND MANAGEMENT

All members of the Board of Directors and management can be contacted via the Company's address at Sundbybergsvägen 9, SE-171 73 Solna, Sweden.

None of the above-mentioned members of the Board of Directors or management are closely associated with any other member of the Board of Directors or management. There are no conflicts of interests between the above members of the Board of Directors or management vis-à-vis Aerocrine and their private interests or other obligations. No member of the Board of Directors or management has entered any contract or agreement with Aerocrine regarding benefits after the completion of his/her assignment. No member of the Board of Directors or management has been convicted in a fraud case within the past five years nor, beyond what is explicitly stated above, been involved in any bankruptcy, liquidation or receivership proceedings in the administration, management or controlling body of a company within the past five years. No member of the Board of Directors or management has, within the past five years, been subject to any official charges or sanctions by a supervisory or legislative authority and none has been prohibited by court order from serving as a member of a Board of Directors or management team or from conducting business operations in any other way over the past five years.

AUDITOR

PwC is the auditor of Aerocrine and was re-elected at the AGM in 2008. Hans Jönsson, authorised public Accountant at PwC and member of FAR (the Institute for the Accounting Profession in Sweden) and SRS (the Swedish Association of Auditors), is the main auditor. The offices of PwC are located at Torsgatan 21, SE-113 97 Stockholm, Sweden.


NIOX

Corporate governance

Corporate governance within Aerocrine is based mainly on the Swedish Companies Act, the NASDAQ OMX Stockholm Exchange's regulations for issuers, the Swedish Code of Corporate Governance ("the Code") and Aerocrine's Articles of Association and internal control documents.

GENERAL MEETING OF SHAREHOLDERS

Shareholders' right to make decisions regarding the Company's affairs is exercised at the Annual General Meeting (or, where relevant, an Extraordinary General Meeting), which is Aerocrine's highest decision-making body. Aerocrine's Annual General Meeting is held in Stockholm or Solna, Sweden, in the first half of every year. The date, location and details of how individual shareholders may submit a request to raise a question at the meeting shall be announced in connection with publication of the interim report for the third quarter at the latest. Notification of the Annual General Meeting shall be published at most six weeks and at least four weeks prior to the meeting. The Annual General Meeting takes decisions on a number of key issues, such as the discharge from liability of the Board, election of the Board and auditors, remuneration to the Board and auditors procedures for the appointment of a Nomination Committee and Guidelines for remuneration to management.

To have the right to participate at the Annual General Meeting and vote in line with the number of shares held, a shareholder must be included in the share register on the record date for the meeting and submit an application within the established period. Shareholders who are unable to attend in person can do so via a proxy. Details of how to apply to attend the Annual General Meeting are presented in the notification of the meeting and on the Company's website.

NOMINATION COMMITTEE

At the Annual General Meeting held on 5 April 2011, instructions for the Nomination Committee were adopted as stated below. The Chairman of the Board shall call the first meeting of the Nomination Committee at which the Chairman of the Nomination Committee, who cannot be the Chairman of the Board, shall be appointed.

The Nomination Committee shall prepare and submit motions regarding the:

- election of a Chairman for the Annual General Meeting,
- election of a Chairman of the Board and other members of the Board,
- fees for members of the Board and remuneration for committee work
- fees for auditors.

The Nomination Committee in advance of the 2012 Annual General Meeting consists of Staffan Josephsson (Investor), Chairman, Ulrik Spork (Nova A/S), Björn Odlander (HealthCap), Ulrica Slåne (Third AP Fund) and the Chairman of the Board, Anders Williamsson. The Nomination Committee consists of representatives for the four largest shareholders, and the Chairman of the Board. The composition of the Nomination Committee is based on ownership details according to Euroclear Sweden's register as per 31 August 2011.

BOARD OF DIRECTORS

The Board is appointed by shareholders at the Annual General Meeting and has a mandate to serve from the time of the Annual General Meeting until the end of the next Annual General Meeting. The Board manages the Company on the behalf of shareholders by setting targets and establishing strategy, assessing operational management and safeguarding systems for follow-up and control of established targets. It is also the responsibility of the Board to ensure that correct information is given to interested parties of the Company. Aerocrine's Board has a quorum when more than half of members of the Board are present. According to the Articles of Association, the Board of Aerocrine shall consist of at least five and at most 12 members. Members of the Board shall devote to Aerocrine the time and attention required to meet the assignment.

For additional information on the Members of the Board, see the section "Board of Directors, management and auditors".

Chairman of the Board

The Chairman of the Board is elected by the Annual General Meeting. Among other assignments, the Chairman of the Board shall organize and lead the work of the Board, ensure that the Board continually extends its knowledge of the Company, convey opinions from the owners and provide support to the President and CEO. The Chairman of the Board and the President shall propose an agenda for Board meetings. The Chairman shall check that the decisions of the Board are executed efficiently, make an annual assessment of the Board's work and ensure that the Nomination Committee is informed of the results of the assessment.

Independence of the members of the Board

According to the Code, the majority of the elected members of the Board shall be independent in relation to the Company and the management team. Furthermore, at least two of these members shall be independent in relation to the major shareholders in the company. The composition of the Board meets the requirements of the Code regarding independent members.

Audit Committee

Aerocrine's Audit Committee at present comprises three members who are independent of the Company's management team – Scott Beardsley (Chairman), Thomas Eklund and Anders Williamsson. The company's CFO, Michael Colérus, is the secretary of the committee but is not a member. The Audit Committee is a part of the Company's Board which has the task of preparing information for the Board concerning the procurement of auditors and their fees, monitoring of the work of the auditors and the Company's internal control system, follow-up of current risks, external auditing and the Company's financial information, and other matters that the Board requests the Committee to prepare. Final decisions in these matters are taken by the Board. The purpose of the work of the Audit Committee is to ensure that the accounting of the Company has high quality and ensures that the interests of the Company and its owners are protected as far as possible. The Audit Committee shall verify the Company's accounting principles and ensure that good accounting practices are followed and that the Company implements accounting principles correctly. The Audit Committee shall also ensure that the Company complies with other legal requirements that apply for the Company's accounts. The Audit Committee shall comprise three members, appointed by the Board at its first meeting. The Board shall appoint one of these committee members as Chairman. In 2011, the Audit Committee met on a total of two occasions. The key issues discussed were the reports from the Company's auditors concerning the audit of the Group, new accounting principles and control and follow-up of the business.

Remuneration Committee

The Remuneration Committee's assignment is to manage remuneration matters involving members of management within the Group. The Committee shall comprise at least three members, appointed from among Board members. The Remuneration Committee shall make proposals to the Board regarding the salary and other employment terms for the President and CEO. Furthermore the Remuneration Committee shall establish salary and other employment terms for the management team. Prior to each Annual General Meeting, the Remuneration Committee shall give support to the Board by making proposals for guidelines for remuneration to management in the coming year, in accordance with chapter 8, § 51 of the Companies Act. The guidelines shall regulate salary and other remuneration (including pensions, severance pay, transfer of securities, etc.) to the President and CEO and other members of management within the Company. A final decision on the above matters shall be made by the Board. At present the Remuneration Committee comprises Anders Williamsson (Chairman), Staffan Lindstrand and Rolf Classon. In 2011 the Remuneration Committee held two minuted meetings and had a number of telephone conferences. The matters discussed included guidelines and principles for remuneration for the CEO and other members of management and the general level of salaries within the Company. In addition, the Committee addressed the allocation of option within the employee stock options programme introduced in 2011 and made a proposal in this regard to the Board of Directors.

CEO AND MANAGEMENT

Aerocrine's President and CEO, is responsible for the ongoing management of the business. The work instructions for the CEO, adopted by the Board, establish the division of responsibility between the Board and the CEO. The CEO has appointed a management team that has responsibility for various parts of the business.

AUDITOR

Auditors are appointed by the Annual General Meeting. The assignment for the auditors is to verify, on behalf of shareholders, Aerocrine's annual report and accounting as well as the administration of the Company by the Board of Directors and the CEO. Fees to the auditors are paid in accordance with an established account.

REMUNERATION TO THE BOARD OF DIRECTORS AND MANAGEMENT

Remuneration to the Board of Directors

Remuneration to the Board of Directors for the coming financial year is determined each year by the Annual General Meeting. The tables below detail the remuneration determined by the 2011 Annual General Meeting and the remuneration paid in 2010.

No Board member is entitled to severance pay or other benefits extending beyond the cessation of his/her Board assignment.

Remuneration to management

According to the guidelines for remuneration for the CEO and other members of management set by the 2011 Annual General Meeting, remuneration for Company management shall comprise fixed salary, variable salary, other benefits and pensions. The overall remuneration shall be market-related and competitive and be in relation to position, performance, responsibility and authority.

Variable salary shall comprise a bonus based on pre-established and well-defined goals. Variable benefit shall have a maximum limit and shall never be higher than fixed salary. Neither shall pension be based upon it.

Payment during notification of dismissal and severance pay shall in total not exceed 12 months for members of management. Employment terms shall not include terms relating to severance pay. Pension benefits shall be either defined-contribution or defined-benefit or a combination. In addition to the

Remuneration to the Board of Directors in 2011

(SEK 000s) Name	Function	Board fee	Audit committee	Remunerations committee	Share-related remunerations	Total
Anders Williamsson	Chairman	250.0	12.5	25.0	108.0	395.5
Staffan Lindstrand	Member	75.0	-	12.5	-	87.5
Karl Swartling[32]	Member	0.0	-	-	-	0.0
Lars Gustafsson	Member	75.0	-	-	-	75.0
Yvonne Mårtensson	Member	75.0	-	-	-	75.0
Scott Beardsley	Member	75.0	25.0	-	-	100.0
Rolf Classon	Member	75.0	-	12.5	-	87.5
Thomas Eklund[32]	Member	34.4	5.7	-	-	40.1
Dennis Kane	Member	75.0	-	-	-	75.0
Total		**734.4**	**43.2**	**50.0**	**108.0**	**935.6**

Remuneration to the Board of Directors in 2010

(SEK 000s) Name	Function	Board fee	Audit committee	Remunerations committee	Share-related remunerations	Total
Anders Williamsson	Chairman	250.0	12.5	25.0	409.0	696.5
Lars Gatenbeck	Member	0.0	0.0	0.0	0.0	0.0
Lars Gustafsson	Member	75.0	0.0	0.0	0.0	75.0
Staffan Lindstrand	Member	0.0	0.0	0.0	0.0	0.0
Magnus Lundberg	Member	0.0	0.0	0.0	0.0	0.0
Yvonne Mårtensson	Member	75.0	0.0	0.0	0.0	75.0
Karl Swartling	Member	0.0	0.0	0.0	0.0	0.0
Scott Beardsley	Member	50.0	0.0	0.0	0.0	50.0
Total		**450.0**	**12.5**	**25.0**	**409.0**	**896.5**

Remunerations and benefits for the President and CEO, and other members of management in 2011

(SEK 000s)	Basic salary	Variable salary	Other benefits	Pension cost	Share-related remunerations	Total
President and CEO	1,202	785	240	0	4,330	6,557
Departing President and CEO	4,373	340	0	1,813	345	6,871
Other senior executives 33)	7,762	834	559	1,092	3,466	13,713
Total	**13,337**	**1,959**	**799**	**2,905**	**8,141**	**27,141**

[32] At an Extraordinary General Meeting on 16 November, 2011, Karl Swartling resigned from the Board of Directors and Thomas Eklund was elected as a new member.

[33] Based on the average number of members of management.

aforementioned benefits, share-based or share performance-related incentive schemes may be implemented at any time (see further under "Incentive programmes" below).

Guidelines shall be established for agreements entered into following decisions by the Annual General Meeting, and for changes in existing agreements made after this time.

The Board has the right to deviate from these guidelines, if there is reasonable cause in a specific case.

For the CEO, who began work in that capacity in September 2011, the bonus for 2011 amounted to SEK 785,000 while the bonus for 2011 for the departing CEO amounted to SEK 340,000. For other members of management, the bonus for 2011 corresponded to between 0 and 25 percent of base salary. In 2011, SEK 834,000 was paid in variable remuneration to other members of management.

In 2011, pension costs for the CEO amounted to SEK 0, for the departing CEO to SEK 1,813,000 and for other members of management to SEK 1,092,000. Plans for remuneration after employment has ended shall be classified either as defined-contribution or defined-benefit pension plans. Aerocrine's subsidiary in the US is the only company in the Group that has a pension plan reported as a defined-benefit plan. It covers the former President and CEO only and was initiated in 2006. Remuneration via this pension plan is based on average salary during the employment period. The Group carries the risk associated with this plan that the promised remuneration is paid out. As of December 31, 2011 provisions for guarantee expenses amounted to SEK 1,439,000.

INCENTIVE PROGRAMMES[34]

Incentive Programme 2007

The 2007 Annual General Meeting resolved to establish two long-term incentive programmes, one aimed at existing and future Group employees ("LIP 2007") and one aimed at the Chairman of the Board (jointly labelled "Incentive Programme 2007").

Within the framework of LIP 2007, a total of 2,210,259 employee stock options have been allocated free of charge to approximately 40 individuals within the Group. No additional employee stock options will be allocated in accordance with LIP 2007. As per 31 March 2012, 351,939 allocated options had been exercised. Of the employee stock options, 285,917 have been forfeited by the original recipients, although some of those options were later allocated to other Group employees. The remaining 1,572,402 options correspond to 1,761,405 shares if fully exercised.

Employee stock options allocated in accordance with LIP 2007 are earned over a four-year period at a rate of one quarter per year with the first date arising 12 months after allocation, the second after 24 months, and so forth. An earned employee stock option conveys the right to acquire 1.1202 shares in Aerocrine (after earlier recalculations) at a price of SEK 0.50 per share or, as a minimum, the nominal value of the shares at the time. Earned Employee stock options may only be utilised for acquiring shares during a period of two weeks after the Company publishes an interim report during the period of 2009-2016. A precondition for the utilisation of employee stock options is that the holder (with certain exceptions) remains an employee of the Group at the time of utilisation, or, for founders of the Company, is bound by a so-called founders' agreement.

The incentive programme for the Chairman of the Board entails Anders Williamsson having been allocated, free of charge, 175,000 rights entitling him to acquire a total of 196,035 shares in Aerocrine. The rules regarding vesting, exercise prices, exercise periods, etc. correspond to those applicable for LIP 2007. The rights may only be exercised if Anders Williamsson remains a member of the Company's Board at the time of exercise.

On full exercise of allocated, outstanding and hitherto unexercised employee stock options and rights in accordance with Incentive Programme 2007, the Company's share capital will increase by SEK 880,702.50 through the issue of 1,761,405 new shares. This would entail an injection of SEK 880,702.50 for the Company.

To secure the supply of shares on exercise of employee stock options and rights in accordance with the above, the Company has, in accordance with the resolution by the 2007 Annual General Meeting, issued 2,695,238 warrants to the wholly-owned subsidiary ESOP AB. This subsidiary is entitled to hold and, free of charge, to transfer warrants with the purpose of meeting the Company's undertakings in accordance with Incentive Programme 2007 and to cover the costs thus incurred by the Company. At an Extraordinary General Meeting on 16 November 2011, a resolution was taken to transfer some of these warrants to cover the costs of LIP 2011 (see additional details below).

As a consequence of the Rights Issue, additional recalculation will be applied in accordance with the terms for the employee stock options, the rights and the warrants.

Incentive Programme 2009

The 2009 Annual General Meeting resolved to establish a long-term incentive programme comprising employee stock options ("Incentive Programme 2009").

Within the framework of Incentive Programme 2009, a total of 859,300 employee stock options were allocated free of charge to approximately 40 Group employees. No additional employee stock options will be allocated in accordance with Incentive Programme 2009. As per 31 March 2012, 97,799 allocated options have been exercised. Of the employee stock options, 19,934 have been forfeited by the original recipients, although some of those options were later allocated to other Group employees. The remaining allocated but unexercised 741,567 options correspond to 764,700 shares if fully exercised.

The earning of employee stock options allocated to an individual takes place during a four-year period after allocation, with a third of the allocation being awarded at a time. The first date for earning being when the daily average price of an Aerocrine share on NASDAQ OMX Stockholm ("Average share price") was a minimum of SEK 5.00 for 30 trading days in succession, the second earning date being when the average share price was a minimum of SEK 10.00 for 30 trading days in succession, and the third earning date being when the average share price was a minimum of SEK 15.00 for 30 trading days in succession. An earned employee stock option conveys the right to acquire approximately 1.03 shares in Aerocrine (after earlier recalculations) at a redemption price of SEK 0.50 per share or, as a minimum, the nominal value of the shares at the time. Earned employee stock options may only be exercised effective from six months after the relevant earning period and then for two-week periods following the Company's publication of its interim reports between 2010 and 2019. A precondition for a participant to have the right to utilise Employee stock options is that he or she (with certain exceptions) at the time of utilisation remains an employee of the Aerocrine Group.

On full exercise of allocated, outstanding and hitherto unexercised employee stock options in accordance with Incentive Programme 2009, the Company's share capital will increase

[34] In addition to what is stated in this section, the Board of Directors has proposed that the AGM on 3 May 2012 resolves upon adopting a Board member share programme. For further information, see the notice of the AGM, which was published on 3 April 2012.

by SEK 382,350 through the issue of 764,700 new shares. This would entail an injection of SEK 382,350 for the Company.

To secure the supply of shares on exercise of employee stock options and rights in accordance with the above, the Company has, in accordance with the resolution by the 2009 Annual General Meeting, issued 1,314,200 warrants to the wholly-owned subsidiary Aerocrine ESOP AB. This subsidiary is entitled to hold and, free of charge, to transfer warrants with the purpose of meeting the Company's undertakings in accordance with Incentive Programme 2009 and to cover the costs thus incurred by the Company. At an Extraordinary General Meeting on 16 November 2011, a resolution was taken to transfer some of these warrants to cover the costs of LIP 2011 (see additional details below).

As a consequence of the Rights Issue, additional recalculation will be applied in accordance with the terms for the employee stock options and the warrants.

Incentive Programme 2011

The General Meeting of 16 November 2011 resolved to establish a long-term incentive programme comprising employee stock options ("Incentive Programme 2011").

At most 10,000,000 series I-III employee stock options may be allocated free of charge to approximately 80 existing and future Group employees. Allocation is to be made taking into account the employee's performance, position within the Group and contribution to its business.

Series I employee stock options comprise all participants in the programme and their redemption price is based on the market price at the time of allocation. Series II comprises participants in Sweden and other countries where allocation can be made with reasonable tax effects for the participants and the redemption price is based on the nominal value of the shares. Series III comprises participants who, for tax reasons, cannot be allocated series II employee stock options, primarily employees in the US, and also has a redemption price based on the nominal value of the shares, although the terms of exercise are different.

Within the framework of Incentive Programme 2011, a total of 6,799,373 employee stock options were allocated to approximately six Group employees. As per 31 March 2012, 180,000 allocated options have been exercised. The remaining allocated but unexercised 6,619,373 options correspond to 6,619,373 shares if fully exercised.

Series I employee stock options allocated to a holder are vested over a period of up to five years, with a quarter being earned on 31 December in the years in which allocation took place, and 1/48 of the remaining employee stock options being earned at the close of each month over the ensuing four years. Vesting of series II and III employee stock options allocated to a holder takes place over a period of up to five years, whereby a fifth are earned on 31 December of the year in which allocation took place and the remainder being earned one fifth at a time on 31 December over the ensuing four years. Each series I employee stock option earned entitles the holder to acquire one share in Aerocrine at a redemption price equivalent to 100 percent of the higher of (i) the volume weighted average price paid on the NASDAQ OMX Stockholm exchange over a period of ten trading days prior to allocation ("price paid") or (ii) the price paid on the date of allocation. Each series II and series III employee stock option earned convey the right to acquire one share in Aerocrine at a redemption price equivalent to the nominal price of the shares at the time.

Series I and II employee stock options may only be exercised in connection with the Company's publication of its year-end and interim reports over the period extending up until 1 December 2021. Series III employee stock options may only be exercised on the date on which they are earned in accordance with what has been stated above. A precondition for a participant to have the right to utilise Employee stock options is that he or she (with certain exceptions) at the time of utilisation remains an employee of the Aerocrine Group or is conducting a consulting assignment for the Group.

On full allocation and exercise of outstanding employee stock options in accordance with Incentive Programme 2011, the Company's share capital will increase by SEK 4,910,000 through the issue of 9,820,000 new shares. The injection thus secured for the Company depends on when these options are allocated, since the subscription rate for most of the options is determined at the time of allocation.

To secure the supply of shares on exercise of employee stock options and rights in accordance with the above, the Company has, in accordance with the resolution by the Annual General Meeting of 16 November 2011, issued 8,648,461 warrants to the wholly-owned subsidiary Aerocrine ESOP AB. This subsidiary is entitled to hold and, free of charge, to transfer warrants with the purpose of meeting the Company's undertakings in accordance with Incentive Programme 2011 and to cover the costs thus incurred by the Company (in accordance with the resolution of the Annual General Meeting, some of the warrants issued in accordance with LIP 2007 and Incentive Programme 2009 may also be used for the purposes of Incentive Programme 2011). This means that a total of 10,000,000 warrants have been issued to secure delivery in accordance with LIP 2011.

As a consequence of the Rights Issue, recalculation will be applied in accordance with the terms for the employee stock options and the warrants.

Share capital and ownership structure

SHARE CAPITAL AND CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

At the time at which the Prospectus was issued, Aerocrine's share capital amounted to SEK 51,336,462.50 distributed between 102,672,925 shares. Each share has a nominal value of SEK 0.50. According to the Articles of Association the share capital shall be at least SEK 50,000,000 and at most SEK 200,000,000, distributed among at least 100,000,000 and at most 400,000,000 shares. Aerocrine has only one class of shares and each share entitles the holder to one vote at the General Meeting. At the General Meeting, each individual entitled to vote may vote for their full holding of shares without restriction in the number of votes. All shares may be freely transferred and convey equal rights to the Company's assets, profit, dividends and any surplus on liquidation and to participation in issues with preferential rights for the Company's shareholders. The shares are issued in accordance with Swedish law and are denominated in SEK.

Aerocrine's Articles of Association include a record date provision and its shares are registered with Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, meaning that Euroclear Sweden administrates the Company's share register and maintains accounts of its shares. Share certificates are not issued. The ISIN code for Aerocrine's shares is SE0000434292.

OWNERSHIP STRUCTURE

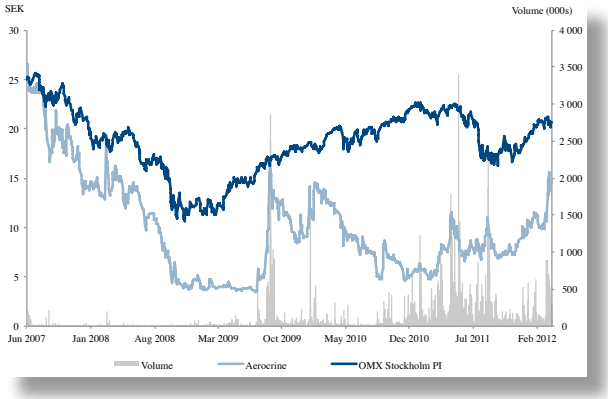
The table below presents the Company's ten largest shareholders as per 30 March 2012.

Name	Number of shares	Vote/capital share, %
Investor Investments Europe Ltd	28,657,416	27.9
HealthCap	19,823,885	19.3
Novo A/S	16,071,428	15.7
Skandia Liv	8,338,718	8.1
Tredje AP-fonden	2,723,597	2.7
Nordnet Pension	2,270,172	2.2
Avanza Pension	2,130,653	2.1
Friends Provident	1,322,010	1.3
Sjätte AP-fonden	1,199,167	1.2
Arvid Svensson	1,000,000	1.0
Other shareholders	19,135,879	18.6
Total	**102,672,925**	**100.0**

Shares included in the offering are not subject to offerings issued as a consequence of compulsory bids, redemption rights or compulsory redemption. The Company's shares have not been subject to any public takeover bids.

SHARE PRICE DEVELOPMENT

Since 15 June 2007, Aerocrine has been listed on the NASDAQ OMX Stockholm exchange. The shares are included in the Small Cap segment. Shown below is the share price development and turnover for Aerocrine's shares over the period from 15 June 2007 until 2 April 2012.



SHAREHOLDERS' AGREEMENT

Aerocrine's Board of Directors is not aware of any shareholders' agreements or other agreements between the Company's shareholders with the purpose of exercising joint control of Aerocrine. Nor is the Board of Directors aware of any agreements or the like that could lead to the control of the Company being changed.

AUTHORISATION

The Annual General Meeting of 5 May 2011 authorised the Board of Directors to, on one or more occasions prior to the 2012 Annual General Meeting, to decide on increasing the Company's share capital by issuing new shares, warrants or convertible bonds to such an extent that they correspond to a dilution of at most 10 percent (calculated on the basis of the number of shares at the time at which the 2011 Annual General Meeting was announced and based on full exercise of

DEVELOPMENT OF THE SHARE CAPITAL

Date	Event	Change in number of shares	Change in number of preference shares	Total number of shares	Quota value per share. SEK	Change in share capital, SEK	Share capital after change, SEK
Jun 2003	New share issue	3,020,262	2,013,508	12,423,918	0,50	2,516,885.00	6,211,959.00
Aug 2003	New share issue	567,045	378,030	13,368,993	0.50	472,537.50	6,684,496.50
Dec 2004	New share issue	4,794,654	3,196,436	21,360,083	0.50	3,995,545.00	10,680,041.50
Jan 2005	New share issue	-	4,000,000	25,360,083	0,50	2,000,000.00	12,680,041.50
May 2005	New share issue	-	999,457	26,359,540	0.50	499,728.50	13,179,770.00
Aug 2005	New share issue	-	4,000,000	30,359,540	0.50	2,000,000.00	15,179,770.00
Aug 2005	New share issue	-	1,304,348	31,663,888	0.50	652,174.00	15,831,944.00
Jun 2006	New share issue	-	4,000,000	35,663,888	0.50	2,000,000.00	17,831,944.00
Jun 2006	New share issue	-	1,304,348	36,968,236	0.50	652,174.00	18,484,118.00
May 2007	New share issue	9,000,000	-	45,968,236	0.50	4,500,000.00	22,984,118.00
Jun 2007	Reclassification	45,968,236	-45,968,236	45,968,236	0.50	0.00	22,984,118.00
Dec 2008	New share issue	20,523,669	-	66,491,905	0.50	10,261,834.50	33,245,952.50
2009	Options subscribed	11,006	-	66,502,911	0.50	5,503.00	33,251,455.50
Sep 2010	New share issue	16,071,428	-	82,574,339	0.50	8,035,714.00	41,287,169.50
Oct 2010	New share issue	18,174,161	-	100,748,500	0.50	9,087,080.50	50,374,250.00
Nov 2010	New share issue	1,265,170	-	102,013,670	0.50	632,585.00	51,006,835.00
2010	Options subscribed	233,843	-	102,247,513	0.50	116,921.50	51,123,756.50
2011	Options subscribed	98,856	-	102,346,369	0.50	49,428.00	51,173,184.50
Mar 2012	Options subscribed	326,556	-	102,672,925	0.50	163,278.00	51,336,462.50
Apr 2012	*The Rights Issue*	28,882,516	-	131,555,441	0.50	14,441,258.00	65,777,720.50

the authorisation). It shall be possible for issues in accordance with the above to take place with or without preferential rights for existing shareholders and with or without stipulations regarding issue in kind, offset or other terms.

At the time of publication of this Prospectus, the Company has not issued any shares, warrants or convertible bonds supported by the authorisation.[35]

CONVERTIBLE BOND

On 15 September 2010, the Board of Directors of Aerocrine decided, the with support of the authorisation granted by the General Meeting, to raise a convertible bond loan for a nominal SEK 112,500,000 from Novo A/S. The loan, for which an annual interest rate of 8 percent is applied, conveys the right to exchange (convert) the bond for shares in the Company at a conversion rate of SEK 8.75. Holders of the convertible bond may request conversion during the period up until and including four weeks prior to 15 September 2015, at which time the loan matures for payment unless converted or repaid before that time. The Company retains the right to request conversion if for a particular period Aerocrine's share price exceeds SEK 13.10. If Aerocrine requests conversion, or on conversion requested by the holder of the convertible bonds in connection with an event of default or a change in controlling ownership, the holder of the bond shall be entitled, in addition to accrued interest, to an amount equivalent to the difference between three years' interest and the accrued interest.

On full conversion, the Company's share capital could increase by at most SEK 6,428,571 through the issue of at most 12,857,142 new shares. The conversion rate may be recalculated if certain events were to take place in the Company. The Rights Issue will, however, not necessitate any recalculation of the conversion rate since the holders of the convertible bonds are entitled to participate in the Rights Issue supported by their convertible bond holdings (for further information, see the section "Invitation to subscribe for shares in Aerocrine").

DILUTION AS A CONSEQUENCE OF INCENTIVE PROGRAMMES

As a consequence of incentive programmes, in accordance with the details below, a total of 12,346,105 shares in Aerocrine may be issued, corresponding to an increase in share capital of SEK 6,173,052.50 and a dilution effect of approximately 10.7 percent of the share capital and votes in the Company before the implementation of the Rights Issue at hand.

Warrant and incentive programmes

Aerocrine currently has three incentive programmes outstanding. For a description of these programmes, see "Incentive programmes" in the section "Corporate governance". The table below provides an account of the dilution effect each incentive programme could cause if all outstanding employee stock options and warrants were to be fully exercised prior to the implementation of the Rights Issue at hand.

DIVIDENDS AND DIVIDEND POLICY

Only once Aerocrine has achieved long-term profitability will the Board of Directors propose that dividends be paid to shareholders. Accordingly, it is the view of the Board of Directors that it is unlikely that any dividends will be paid to Aerocrine's shareholders over the next few years.

Decisions regarding the distribution of profits are made by the General Meeting. Those who are listed in the share register on the predetermined record date and who are included in the reconciliation register are entitled to dividends. While dividends are normally paid as a cash amount per share, payment can take other forms. Cash dividends are paid through Euroclear Sweden. If a shareholder cannot be located through Euroclear Sweden, the amount due to him/her from the Company will remain and will only be limited in duration by regulations regarding limitations. If the period of limitation is exceeded, the dividend amount reverts to the Company. No restrictions on dividends or particular procedures are applied to shareholders not resident in Sweden. However, for shareholders not resident in Sweden from the perspective of taxation law, Swedish coupon tax is normally applied, see further under "Tax matters in Sweden".

Increase in number of shares and share capital, and dilution resulting from full exercise of outstanding options, warrants and rights

Programme	Number of new shares	Increase in share capital (SEK)	Dilution effect, number of shares and votes
Incentive Programme 2007	1,761,405	880,702.50	1.7%
Incentive Programme 2009	764,700	382,350.00	0.7%
Incentive Programme 2011	9,820,000	4,910,000.00	8.7%
Total	**12,346,105**	**6,173,052.50**	**10.7%**

Footnote to the table: Figures in the table indicate dilution, etc. prior to recalculation in connection with the Rights Issue and prior to any conversion of the Company's convertible bonds 2010/2015.

[35] The Board of Directors has proposed that the AGM on 3 May 2012 resolves upon a new authorisation with the same conditions as described above. For further information, see the notice of the AGM, which was published on 3 April 2012.

Articles of Association, etc

§ 1 COMPANY NAME
The name of the Company is Aerocrine AB. It is a public company (publ).

§ 2 LOCATION
The domicile of the Board of Directors shall be in the City of Solna, Sweden.

§ 3 COMPANY OBJECTIVE
The Company shall conduct development, production and sales of medical diagnosis equipment and preparations and other associated operations.

§ 4 SHARE CAPITAL
The share capital in the Company shall be at least SEK 50,000,000 and at most SEK 200,000,000.

§ 5 NUMBER OF SHARES
The number of shares shall be at least 100,000,000 and at most 400,000,000.

§ 6 BOARD OF DIRECTORS
The Board of Directors consists of at least five and at most twelve members and at most ten deputies.

§ 7 AUDITORS
The Company shall have one or two auditors, with or without deputies.

§ 8 NOTICE TO ATTEND
Notice to attend the General Meeting shall be communicated by means of an advertisement in "Post- och Inrikes Tidningar" (official Swedish gazette) and on the Company's website. An additional notice that the notice to attend has been issued shall be published in the Swedish daily newspaper Dagens Nyheter.

§ 9 PARTICIPATION IN GENERAL MEETING
To be able to participate in the General Meeting, shareholders shall submit an application to this effect to the Company by the date indicated in the Notice to Attend the General Meeting. That date may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than on the fifth working day preceding the General Meeting. Shareholders may bring one or two assistants to the General Meeting, although only if he/she registers the number of assistants he/she intends to bring in the manner indicated above.

§ 10 ANNUAL GENERAL MEETING
An Annual General Meeting shall be held once a year, within six months after the end of the financial year. The following items shall be included on the agenda of the Annual General Meeting:

1. Election of a Chairman for the Annual General Meeting
2. Preparation and approval of the voting list
3. Approval of the agenda
4. Appointment of one or two individuals to check the minutes
5. Determination of whether the Meeting has been duly convened
6. Presentation of the Annual Report, the Auditors' report and, where applicable, the Consolidated Accounts and the Auditors' report regarding the Consolidated Accounts
7. Resolutions
   a) on the approval of the Income Statement and Balance Sheet and, where applicable, the Consolidated Income Statement and Consolidated Balance Sheet
   b) on dispositions of the Company's profit or loss in accordance with the approved Balance Sheet
   c) on discharge from liability to the Company for the members of the Board of Directors and the CEO
8. Determination of the number of members of the Board of Directors
9. Determination of fees to Board members
10. Election of the Board of Directors
11. Determination of the number of auditors (if applicable)
12. Determination of auditors' fees (if applicable)
13. Election of auditors (if applicable)
14. Other matters that are the responsibility of the Annual General Meeting according to the Companies Act

§ 11 VENUE FOR THE GENERAL MEETING
The General Meeting shall be held in Stockholm or Solna, Sweden.

§ 12 FINANCIAL YEAR
The financial year extends from 1 January to 31 December.

§ 13 RECORD DATE PROVISION
The Company's shares shall be registered in a reconciliation register in accordance with the Financial Instruments Accounts Act (1998:1479).

These Articles of Association were adopted by the Annual General Meeting held on 5 May 2011.

Other Company information
The name of the Company is Aerocrine AB. The Company was founded on 22 October 1997 and registered with the Swedish Companies Registration Office (at the time, the Patent and Registration Office) on 24 November 1997 and has conducted business under the same name since that time. Aerocrine's corporate identity number is 556549-1056. Aerocrine is a public limited liability company and its legal form of business is regulated by the Companies Act (2005:551). The rights of shareholders associated with the shares can only be changed in accordance with the Companies Act. Aerocrine and its Board of Directors are domiciled in the City of Solna at the address: Box 1024, SE-171 21 Solna, Sweden.

Legal matters and supplementary information

PERMITS AND REGULATIONS

To be marketed and sold, medical technology products must meet requirements imposed by national regulations, including any requirements for approval by authorities. Since 14 June 1998, all medical technology products in Europe must meet the requirements specified in one of the EU's directives for medical technology products (via the manufacturer's CE labelling of the product) to be marketed and sold in the EU/EES. Corresponding requirements exist in the US, Japan, Canada, China and other countries. Aerocrine secured CE labelling for its first product in accordance with the Medical Devices Directives (MDD) for research purposes in June 1998.

Aerocrine also has marketing approval in Australia, New Zealand, South Africa, Singapore, South Korea and Taiwan.

Aerocrine has market approval applications pending for NIOX MINO® in Japan and Brazil.

ENVIRONMENT

The Group conducts no operations requiring permits in accordance with applicable environmental regulations. Aerocrine is subject to the regulations on manufacturer's liability for electrical and electronic products. This means, among other things, that Aerocrine is responsible for labelling its products, ensuring that electrical waste is collected and re-used, recycled or dealt with in another environmentally sound manner. For this reason, Aerocrine is a member of El-kretsen, Swedish industry's service company for the collection and recycling of electrical and electronic products.

Aerocrine works systematically to reduce any environmental impact the Group's operations may cause. Aerocrine's products meet the EU directives on the handling of electrical and electronic waste (WEEE) and the limitation of certain harmful substances in electrical and electronic products (RoHS).

SIGNIFICANT AGREEMENTS

Partnership agreements relating to product development, suppliers and distributors

In connection with the development and launch of NIOX MINO®, Aerocrine has signed various partnership agreements. The most significant of these is with International Technologies Dr Gambert for the development and production of the Company's products, with Sanmina AB for the manufacture of the Company's products and with Airsafety Ltd for the manufacture of a patented bacteriological/viral patient filter for NIOX MINO® and NIOX® FLEX. Aerocrine's agreements with its suppliers are normally signed with a termination period of 12-18 months.

In addition, Aerocrine and Panasonic Shikoku Electronics Company ("PSEC") entered a long-term partnership in November 2009 to develop, manufacture and market new generations of products for measuring airway inflammation using exhaled NO, both for clinical and home use. PSEC is primarily responsible for technical development and future global production, while Aerocrine is primarily responsible for the product portfolio, required regulatory approval, method development and, following launch, global sales and marketing. The partnership agreement, which also regulates Aerocrine's purchases and PSEC's deliveries of the products covered by the agreement, applies until a date seven years from the launch of the products, with the opportunity for an extension if both parties so wish.

With regard to the distribution of Aerocrine's products, the Company has, since its inception in 1997, built up an extensive distribution network. In Europe, Aerocrine is represented by distributors in Belgium, Denmark, Finland, France, the United Arab Emirates, Greece, the Netherlands, India, Italy, Croatia, Norway, Luxembourg, Qatar, Poland, Portugal, Romania, Switzerland, Singapore, Slovakia, Spain, the Czech Republic, Turkey, Hungary and Austria. The Company is also represented in Japan, China, Australia, New Zealand, Taiwan, South Korea and South Africa. In the major European markets, distribution agreements with Aerocrine's distributors involve both NIOX® FLEX and NIOX MINO®. The distribution agreements are subject to constant assessment and can be renewed or cancelled depending on the results achieved by the distributor. In the US, Germany, the UK and Sweden, Aerocrine manages sales of the Company's products under its own auspices. Aerocrine's most significant distribution agreement is with Chest M.I. Inc. for marketing and sales of NIOX MINO® in Japan, with Phadia for the distribution of NIOX MINO® in France, Italy, Spain, South Korea and Taiwan and with Bioson Inc. for sales of NIOX MINO® in the Chinese market.

Agreements with researchers

Aerocrine has entered an agreement with researchers Eddie Weitzberg, Kjell Alving, Jon Lundberg, and Lars Gustafsson. According to this agreement, each of the researchers shall offer Aerocrine to acquire, free of charge, all inventions and other intangible rights, resulting from their own research, regarding endogenous NO as a marker of inflammation and

In the Company's key markets, the following principal CE labels and authority approvals have been secured for Aerocrine's current product portfolio:

Market	NIOX / NIOX® Flex	NIOX MINO®
EU	CE labelled in accordance with MDD since April 2000.	CE labelled in accordance with MDD since October 2004 Reclassification and CE labelling according to EU In Vitro Diagnostic Medical Devices Directive (IVDD) since December 2008.
USA	Approved by the Food and Drug Administration (FDA) since May 2003.	Approved by the FDA since March 2008.
Canada	Approved by the Canadian health department (Health Canada) since April 2004.	Approved by Health Canada since August 2009.
China	Approved by the Chinese State Food and Drug Administration (SFDA) since June 2008.	Approved by the SFDA since June 2008.

competing diagnosis methods. The agreement also entails the researchers having made commitments in terms of confidentiality and non-competition. The researchers are also participants in Aerocrine's long-term incentive programme, LIP 2007 (see "Incentive Programme 2007" in the section "Corporate governance").

Employment agreements

Aerocrine has included confidentiality clauses in all employment agreements, with the effect that all employees are bound by confidentiality agreements even after their employment has ceased. Where so permitted by law, Aerocrine has also included non-competition clauses in employment agreements with all key individuals. In accordance with the employment agreements, the Company also retains the rights to all innovations and intangible rights developed by employees during their period of employment with the Company.

LEGAL PROCESSES AND ARBITRATION

From time to time, Aerocrine is involved in legal processes associated with its continuing operations. This includes disputes concerning infringement on intellectual property rights, certain patent's validity and commercial disputes. Aerocrine works proactively to avoid infringement of the Company's intellectual property rights and it is of strategic importance that the Company's intangible rights are rigorously defended. Aerocrine is currently involved in patent disputes with Medisoft P.A.E. ("Medisoft") in Germany and Belgium. The earlier patent dispute against Apieron Inc. ("Apieron") in the US and Germany has been discontinued due to Apieron's liquidation (see further details below).

Beyond what is stated below, Aerocrine has not been party to any legal or arbitration processes (including hitherto unresolved matters or matters that could, to Aerocrine's awareness, arise in the future) within the past 12 months and that have recently had or could have material effects on the financial position or profitability of the Company or Group.

Medisoft

Germany

In March 2008, Aerocrine brought suit against Medisoft at a court in Düsseldorf, Germany for patent infringement regarding sales and sales offering of Medisoft's Hyp'Air instrument in the German market. Medisoft submitted a counter suit in Munich in an attempt to have Aerocrine's patent declared invalid.

In September 2009 the court in Düsseldorf ruled that Medisoft was guilty of infringement of three of Aerocrine's patents. Medisoft appealed the ruling. The superior court confirmed the earlier ruling that Medisoft's product infringed upon two of Aerocrine's patents. A ruling by the superior court regarding infringement of Aerocrine's third patent is expected in November 2012.

The process being pursued by Medisoft in Germany to have Aerocrine's patents declared invalid is ongoing and a final ruling has yet to be announced. Proceedings of first instance regarding the German portion of EP 1 439 781 will be held in July 2012. A ruling by the court of first instance regarding the German portion of EP 0 724 723 has been announced following court proceedings held on 31 January 2011. Aerocrine's patent was upheld with certain amendments to two of the patent requirements. Furthermore, the Munich court announced in June 2011 that the German part of Aerocrine's EP 0 606 351 B1 cannot be patented in Germany. This ruling is not based on any new information but represents a conflicting view on the patent requirements compared with the European Patent Office (EPO), which approved the patent in 1999 and also upheld the patent following opposition in 2002. EP 0 606 351 B1 is Aerocrine's earliest patent and expires in 2012. Aerocrine has appealed the rulings and in the interim no decisions are final. These rulings do not affect Medisoft's obligation to respect existing rulings in Germany on patent infringement.

Belgium

On 14 October 2011, Aerocrine submitted an application to bring suit (accelerated process based on the circumstances) for patent infringement at a court in Liège regarding the same three patents. Proceedings were held on 13 March 2012.

Apieron

In October 2008, Aerocrine submitted lawsuit applications at courts in the US against the US company Apieron for infringement against three of Aerocrine's patents. On 30 March 2010, however, Apieron applied for liquidation in accordance with US Chapter 7 bankruptcy legislation, following which Aerocrine's legal processes against Apieron were discontinued. In May 2010, Aerocrine acquired some of Apieron's commercial assets and intangible rights, including the relevant patents, through an auction process at the US bankruptcy court. This entailed Apieron's patent processes against Aerocrine in the US and Germany being dismissed and thereby concluded. However, Aerocrine still has outstanding claims against Apieron's bankruptcy estate for patent infringement prior to Apieron's liquidation application.

TRANSACTIONS WITH RELATED PARTIES

Transactions between Group companies are conducted on market terms. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, but any loss is considered as an indication that an impairment may exist.

In 2011 Board member Dennis Kane carried out consultancy services for the Company's US subsidiary, Aerocrine, Inc., supporting the process to secure reimbursement for the Company's products. The total remuneration paid for the work carried out amounted to USD 13,000.

Aerocrine has not provided loans, issued guarantees or entered any surety undertakings for, or for the benefit of, any

Subsidiaries	Country	Share of capital and votes
Aerocrine AG	Germany	100%
Aerocrine ESOP	Sweden	100%
Aerocrine Inc	US	100%
Aerocrine Ltd	UK	100%

Board member, member of management or the Company's auditors. No Board member or member of management has, or has had, over the past three financial years, any participation, whether directly or indirectly, in any business transaction with Aerocrine that is, or was, unusual in nature. See also Note 30 on page 35 (part 2) of Aerocrine's 2011 Annual Report.

For more information on remunerations to the Board of Directors and management, see the section "Corporate governance".

GROUP STRUCTURE

Aerocrine AB (publ) is the Parent Company for the Group. The following table lists the Company's subsidiaries. For further details of the Company's shareholdings and participations in Group companies, see note 22 on page 33 (par 2) of Aerocrine's 2011 Annual Report.

SUBSCRIPTION UNDERTAKINGS AND UNDERWRITING AGREEMENTS

In connection with the Rights Issue, the Company has secured subscription undertakings and underwriting agreements in accordance with what is stated below. Subscription undertakings and underwriting undertakings exist corresponding to the full amount of the Rights Issue. All of these agreements were entered into on the date of the Board's decision to implement the issue, 14 March 2012, although, in the case of ABG Sundal Collier ASA with an addition as per 29 March 2012.[36]

Aerocrine's Board of Directors assesses that the parties listed below have good creditworthiness and will thus be able to meet their individual undertakings. However, the undertakings have not been secured with pledges, blocked funds or any similar arrangements. For further information, see the section "Risk factors – Risks related to the Rights Issue – Subscription undertakings and underwriting agreements".

Subscription undertakings

Novo A/S and Investor Investments Europe Ltd. has, free of charge, undertaken to fully subscribe all of its preferential rights in the Rights Issue (in the case of Novo A/S, this is based in part on its shareholding in the Company and, in part, its holdings of convertible bonds 2010/2015). The subscription undertaking corresponds to an amount of approximately SEK 130 million.

The Third AP Fund (Tredje AP-fonden), the Sixth AP Fund (Sjätte AP-fonden) and HealthCap Holdings KB (and its closely related companies) have, free of charge, undertaken to subscribe for all or parts of their individual preferential rights in the Rights Issue, in the amount of approximately SEK 16.2 million.

Catella Fondförvaltning AB, Carnegie Asset Management and the Third AP Fund (Tredje AP-fonden) have agreed to acquire Subscription Rights and have, free of charge, undertaken to exercise those Subscription Rights to subscribe for New Shares in the Rights Issue for an amount corresponding to approximately SEK 37 million.

Underwriting agreements

SSE Opportunities, the Third AP Fund (Tredje AP-fonden), AB Grenspecialisten, LMK Ventures AB and Fårö Capital AB have undertaken to Aerocrine to subscribe for New Shares in the Rights Issue up to an amount equivalent to SEK 68 million.

ABG Sundal Collier ASA has undertaken to Aerocrine to subscribe for New Shares in the Rights Issue up to an amount equivalent to approximately SEK 8.95 million. ABG Sundal Collier ASA's undertaking towards Aerocrine corresponds to, where SEK 8.2 million is concerned, an undertaking that ABG Sundal Collier ASA has, in turn, arranged with investors.

For the underwriting agreements mentioned, a guarantee commission of 4 percent of the guaranteed amount will be paid. Consequently, approximately SEK 3.0 million will be paid to the underwriting guarantors.

INCLUDED BY REFERENCE

The following documents form part of the Prospectus:

1. Aerocrine's audited Annual Report for 2011, pages 2-47 (part 2).[37]
2. Aerocrine's audited Annual Report for 2010, including the Auditors' report, pages 2-44 (part 2).
3. Aerocrine's audited Annual Report for 2009, including the Auditors' report, pages 22-56.
4. Aerocrine's audited Annual Report for 2008, including the Auditors' report, pages 20-53.

The accounts are available in their entirety on the Company's website, www.aerocrine.se. The pages in Aerocrine's Annual Reports for 2008, 2009, 2010 and 2011 that are not referred to above contain information included elsewhere in the Prospectus or are deemed irrelevant in connection with the Rights Issue.

DOCUMENTS AVAILABLE FOR INSPECTION

During the validity of the Prospectus, copies of the following documents are available for inspection in printed form at the Company's offices at Sundbybergsvägen 9, Solna, Sweden during normal office hours on weekdays.

- Aerocrine's Articles of Association
- Aerocrine's Annual Reports and Auditors' reports for the financial years 2008, 2009, 2010 and 2011[38]

These documents are available on the Company's website, www.aerocrine.se.

[36] Addresses of the parties concerned:
Novo A/S: Tuborg Havnevej 19, DK-2900 Hellerup, Denmark
Investor Investments Europe Ltd.: PO Box 48, Canada Court, Upland Road, St Peter Port, Guernsey GY1 3BQ
Tredje AP-fonden: Vasagatan 7, SE-111 91 Stockholm, Sweden
Sjätte AP-fonden: Östra Hamngatan 18, SE-411 09 Göteborg, Sweden
HealthCap Holdings KB (och närstående bolag): Strandvägen 5 B, SE-114 51 Stockholm, Sweden
Catella Fondförvaltning AB: Birger Jarlsgatan 6, SE-103 90 Stockholm, Sweden
Carnegie Asset Management Fondsmaeglerselskab A/S Danmark Filial i Sverige: Regeringsgatan 56, SE-103 38 Stockholm, Sweden
SSE Opportunities: Templar House, Don Road, St Helier, Jersey, Channel Islands JE12TR
AB Grenspecialisten: Skomakaregatan 6-8, SE-211 34 Malmö, Sweden
LMK Ventures AB: Stortorget 6, SE-222 23 Lund, Sweden
Fårö Capital AB: Norra Villavägen 19, SE-237 34 Bjärred, Sweden
ABG Sundal Collier ASA: Munkedamsveien 45, 0250 Oslo, Norge.

[37] The annual report and consolidated accounts for the financial year 2011 have not yet been affirmed by the AGM of the Company. The Auditors' report for the financial year 2011 is included in the Prospectus, see the section "Auditors' report for the financial year 2011".

[38] The Auditors' report for the financial year 2011 is included in the Prospectus, see the section "Auditors' report for the financial year 2011".

Tax matters in Sweden

Accounted for below are certain Swedish tax consequences made topical by the Rights Issue for natural persons and companies who are liable, without limitations, for taxation in Sweden (unless otherwise stated) and who hold shares or subscription rights in Aerocrine. The summary is based on the currently applicable rules and is intended solely as general information regarding the shares and Subscription Rights during the period in which the shares and Subscription Rights are available for trading on the NASDAQ OMX Stockholm exchange. The account does not address Paid Subscribed Shares but rather Subscription Rights or situations in which securities are held in an investment savings account. Nor does the account address securities held as stock items or by limited partnership companies or trading companies. Nor does the presentation address the special regulations on tax-free capital gains (including the ban on deductions for capital losses) and dividends in the corporate sector that may become applicable to holdings of shares or subscription rights in Aerocrine considered to be subject to commercial conditions.[39] Nor are the special regulations addressed that may become applicable to holdings in companies that are, or that have previously been, close companies or to shares or Subscription Rights that have been acquired with the support of such shares or Subscription Rights. The account does not address foreign companies conducting operations from a fixed operational base in Sweden or foreign companies that have been Swedish companies. For certain categories of tax-liable entities, specific tax rules apply. To a certain extent, the specific circumstances of the tax-liable entity determines how it is treated in terms of taxation. It is therefore recommended that each holder of shares and Subscription Rights consult a tax advisor for information on the tax consequences that may arise in their individual case, including the applicability and effects of foreign rules and taxation agreements.

NATURAL PERSONS

For natural persons, capital income, such as capital gains and dividends, is taxed in the income category "income from capital". The tax rate for the "income from capital" category is 30 percent. For natural persons who are liable without limitation for taxation in Sweden, preliminary tax on dividends is withheld at 30 percent. The preliminary tax is normally withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee. Capital gains and losses on divestment of shares and other ownership rights, such as Subscription Rights and Paid Subscribed Shares, are normally calculated as the difference between the payment received on sale less sales fees, and the cost amount[40] (see, however, further details on the cost amount for Subscription Rights under the heading "Exercise and divestment of Subscription Rights"). The cost amount for all ownership rights of the same category and type are calculated jointly applying the average cost method. It should be noted that Paid Subscribed Shares are, in this connection, not considered to be of the same category and type as existing shares in Aerocrine until the Rights Issue has been registered with the Swedish Companies Registration Office. On the sale of listed shares, the cost amount may, alternatively, be calculated according to the standardized method at 20 percent of the payment received on sales less sales fees. Should a loss be incurred on listed shares and other market-listed ownership rights, this is fully tax deductible against taxable capital gains during the same year on shares and other market-listed ownership rights, apart from participations in investment funds including exclusively Swedish claim rights (known as bond funds). Capital losses on market-listed shares and other market listed ownership rights that cannot be offset in this way are deductible at 70 percent against other income from capital. In the event that deficits are incurred in the "income from capital" category, a tax reduction is permitted against municipal and central government income tax as well as property tax and municipal property charges. A tax reduction is permitted at 30 percent of that portion of the deficit that does not exceed SEK 100,000 and at 21 percent of the remainder. Deficits cannot be carried over to later tax years.

LIMITED LIABILITY COMPANIES

For companies, all income, including taxable capital gains and dividends, is taxed in the income category "income from business operations" at a tax rate of 26.3 percent. Capital gains and losses are calculated in the same way as for natural persons in accordance with what has been detailed above. Deductible capital losses on shares and other ownership rights may only be deducted against taxable gains on shares and other ownership rights. In certain cases, such capital losses may be deducted against taxable capital gains on shares

[39] Market-listed shares are considered subject to commercial conditions if, among other circumstances, the shareholding represents a capital asset of the holder and amounts to at least 10 percent of the voting rights or is dependent upon business operations of the owning company or another closely related company (according to a specific definition). For a capital gain to be tax-free and for a capital loss not to be deductible with regard to market-listed shares, it is also necessary for the shares to be subject to commercial conditions within the owning entity for a continuous period of at least one year prior to the divestment. For dividends from market-listed shares to be tax-free, they must be divested within one year of becoming subject to commercial conditions within the owning entity. It should be noted that specific rules are called into force when the character of shares changes in terms of taxation.

[40] For shareholders in Aerocrine whose preference shares were converted into Series B shares in connection with the listing of Aerocrine's shares on the NASDAQ OMX Stockholm exchange in 2007, please see the information provided on the Swedish National Tax Board's website (www.skatteverket.se).

and other ownership rights in other companies within a group of companies if the those companies qualify for Group contributions. Capital losses on shares and other ownership rights that cannot be utilised within a particular year may be saved (by the Company that incurred the loss) and deducted against taxable capital gains on shares and other ownership rights in later tax years without this being limited in terms of time. Specific tax rules apply to certain special categories of companies, such as investment companies.

EXERCISE AND DIVESTMENT OF SUBSCRIPTION RIGHTS

If Subscription Rights are used to subscribe for New Shares, no taxation is triggered. For those not wishing to exercise their Preferential Rights to participate in the Rights Issue and who divest their Subscription Rights, the capital gain shall be recognised as liable for tax. The same applies to centralised sales of shareholders' Subscription Rights. Subscription Rights based on shareholdings in Aerocrine are considered to have been acquired for SEK 0. The standardised method may not be used to determine the cost amount in this case. The entire payment received on sale, less divestment charges, shall thus be recognised as liable for tax. The cost involved in acquiring the original shares is not affected. For those who buy or similarly acquire Subscription Rights in Aerocrine, the consideration paid represents the cost. The cost amount for the Subscription Rights shall, in this case, be included in the calculation of the cost amount for the acquired shares. The cost amount for Subscription Rights is calculated according to the average cost method. The standardised method may be used for market-listed Subscription Rights acquired in the manner stated here. A Subscription Right that is not utilised or sold but that expires is considered to have been divested for SEK 0.

SHAREHOLDERS AND HOLDERS OF SUBSCRIPTION RIGHTS WHO ARE LIABLE FOR TAX IN SWEDEN TO A LIMITED EXTENT

For shareholders who are liable for tax in Sweden to a limited extent and who receive dividends from a Swedish company, Swedish coupon tax is normally withheld on the dividends.[41] The tax rate is 30 percent but is generally reduced through tax agreements that Sweden has entered with other countries to avoid double taxation. Most of Sweden's tax agreements thus enable a reduction in the tax paid in Sweden to the tax rate stated by the tax agreement directly at the time of payment if the necessary details of the domicile of the entity entitled to the dividends are available. In Sweden, Euroclear Sweden normally applies the withholding of the coupon tax. In the case of nominee registered shares, it is withheld by the nominee. In cases where 30 percent coupon tax is withheld on payment to someone entitled to a lower tax rate, the repayment may be requested from the Swedish National Tax Board before the end of the fifth year after the payment of the dividend. Shareholders and holders of Subscription Rights who are liable for tax in Sweden to a limited extent and who do not conduct business from a fixed operating base in Sweden are not normally taxed in Sweden for capital gains on shares or Subscription Rights. The holder of the shares or Subscription Rights may, however, be liable for tax in the state or territory in which he/she resides. However, in accordance with a special rule, natural persons who are liable for tax in Sweden to a limited extent are subject to Swedish capital gains tax on the divestment of shares and Subscription Rights in Aerocrine, if they, at any point during the year of divestment or ten calendar years preceding the year of divestment were resident in Sweden or remained there on a permanent basis. However, the applicability of this rule is, in several instances, limited by tax agreements that Sweden has entered with other countries to avoid double taxation.

[41] The same applies for payments from a Swedish company in connection with share redemptions and repurchases of the company's own shares through a purchase offer aimed at all shareholders or all holders of a certain category of shares.

Glossary

Aerocrine, the Company or the Group	Aerocrine AB (publ), corporate identity number 556549-1056, or, depending on the context, the Group in which Aerocrine AB (publ) is the Parent Company.
Allergic rhinitis	Hay fever. Symptoms in the form of a runny nose in connection with allergies, e.g. to pollen.
Biomarker	Endogenous substance, such as NO, that can be used as a biomarker for a disease condition.
CE certification	Entails the product meeting the requirements imposed by the Medical Devices Directive (MDD) for it to be safe and appropriate for its purpose – a prerequisite for being able to market and sell medical technology products within the EU.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
Chemiluminescence	Measuring reactions (light/photons) arising in some chemical processes; also in vitro as detection systems in sensitive chemical analysis.
Clinical asthma	Asthma diagnosed by a physician.
CO	Carbon monoxide.
COPD	Chronic obstructive pulmonary disorder. Long-term lung disease with gradually weakening lung function, increased mucous production and/or inflammation of the mucous membranes – also known as smoker's disease. COPD includes both emphysema and chronic bronchitis.
CPT code	(Current Procedural Terminology) the CPT code, which is issued by Medicare (one of the largest health insurance programmes in the US and a trendsetter for others) helps physicians using Aerocrine's instruments to secure reimbursement for this from national and private insurance systems.
Electrochemical cell	A type of sensor technology. When very small quantities of NO pass the sensor, an electrical current is generated by the chemical reactions that occur. The strength of the current provides a measure of the quantity of NO molecules.
Electrochemical sensor	The same as an electrochemical cell.
Euroclear Sweden	Euroclear Sweden AB, formerly VPC AB.
FDA	Food & Drug Administration, US pharmaceuticals administrator.
FeNO	Fractional Exhaled Nitric Oxide. The concentration of exhaled NO expressed in billionths or parts per billion (ppb) is the standardised method to be used in the testing of exhaled NO according to guidelines established by the American Thoracic Society (ATS) and the European Respiratory Society (ERS) in May 2005.
MDD	The European Commission's directive 93/42/EGG on medical technology products in Europe.
NASDAQ OMX Stockholm	NASDAQ OMX Stockholm, the marketplace for the Company's shares.
New Shares	Shares in Aerocrine issued within the Rights Issue.
Nitrogen monoxide (NO)	A gas that forms naturally in the body in very small quantities. NO is a marker of inflammation in the airways. It also manages the signalling between cells, regulates blood pressure by dilating the blood vessels and playing an important role in our immune defence system by inhibiting the growth of microorganisms. NO is also a marker of atmospheric pollution formed through combustion and found in, for example, car exhaust fumes.
NO	Nitrogen monoxide, see above.
Paid Subscribed Shares	Newly subscribed New Shares are recorded as Paid Subscribed Shares until the Rights Issue has been registered with the Swedish Companies Registration Office. Sw: "BTA" (Betalda Tecknade Aktier)
Photons	Light particles.
PPB	Parts per billion, 1/1,000,000,000.
Pro rata	Proportionally.
Regulatory	A function that applies for and maintains market approvals for products in different geographical markets. Among other things, this department works with FDA applications.
Reimbursement	Compensations system, compensation from healthcare administration bodies for NO tests performed.
Reproducible	Provides a reliable reading each time a test is conducted. The reading agrees with previous measures.
SEK 000s	Thousands of Swedish kronor.
SEK million	Million(s) of Swedish kronor.

Spirometry	Measuring breathing function by measuring exhaled air volumes and exhaled airflow rates. Conducted with special gas volume instruments called spirometers.
Subscription Rights	The right to subscribe for shares in the Company that shareholders in Aerocrine receive for each share held on 17 April 2012 according to the Company's share register.
The Prospectus	This Prospectus, which has been prepared as a result of the Rights Issue being implemented.
The Rights Issue	In accordance with the terms of this Prospectus, the new share issue is offered with preferential rights for existing holders of shares and convertible bonds.
The Subscriber	He/she who subscribes in the Rights Issue.

Auditors' report for the financial year 2011

Auditors' report

To the Annual General Meeting in Aerocrine AB (publ), corporate identity number 556549-1056.

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Aerocrine AB (publ) for 2011. The annual accounts and consolidated accounts of the Company are included in the printed version of the Annual report part two, on pages 2–47.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts
The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the report of total comprehensive income and balance sheet for the Group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the Company's profit and the administration of the Board of Directors and the President of Aerocrine AB (publ) for 2011.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditors' responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the President is liable to the Company. We also examined whether any board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
We recommend to the Annual General Meeting that the income statement and balance sheet be adopted, that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm on 4 April 2012

Öhrlings PricewaterhouseCoopers AB

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Aerocrine

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