Meda AB (publ) – 2010 year-end report

- Meda exceeds published full-year forecast for 2010.
- Group sales reach SEK 11,571 million (13,178). Currency effects and generic competition for the Astelin and Optivar products are the most important reasons for decreased sales compared with last year.
- EBITDA amounts to SEK 4,306 million (4,387), corresponding to a 37.2% margin (33.3).
- EBITDA, excluding non-recurring effects[1] and currency effects, is SEK 4,432 million (4,518), thus yielding a 35.3% margin (34.3).
- Operating profit amounts to SEK 2,529 million (2,902).
- Profit after tax totals SEK 1,428 million (1,537).
- Earnings per share reaches SEK 4.72 (5.09).
- Cash earnings per share reaches SEK 8.15 (9.95).
- Board of directors proposes doubling dividend per share to SEK 2.00 (1.00).
- Integration of Alaven is complete.

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[1] Excluding non-recurring revenue of SEK 429 million in Q2 2010 and restructuring costs of SEK 197 million in Q4 2010. Excluding restructuring costs of SEK 131 million in Q4 2009.

Highlights

Integration of Alaven and US restructuring complete

- A new organizational structure is in operation from January 2011. The structure puts increased focus on specialist products using a streamlined organization.
- Synergy effects in 2011 are estimated to exceed USD 50 million.
- Non-recurring restructuring costs had a SEK 182 million impact on Q4 results. No further restructuring costs related to this acquisition and restructuring are expected.

Meda exceeded its full-year forecast for 2010

- In the Q3 2010 interim report, Meda published the following forecast for full-year 2010 (excluding restructuring costs related to the Alaven acquisition):

"The Meda Group expects to achieve sales of about SEK 11,400 million and an EBITDA of about SEK 4,400 million."

- The outcome comparable to the forecast was sales of SEK 11,571 million and EBITDA of SEK 4,488 million (recorded EBITDA of SEK 4,306 million plus restructuring costs related to the acquisition of Alaven of SEK 182 million).

Proposed dividend per share of SEK 2.00 (1.00)

- The board of directors proposes doubling dividend per share to SEK 2.00 (1.00).
- The proposed dividend means close to one-fourth of free cash flow for the year would be distributed to shareholders.
- Yield would double to approx. 4 percent (calculated with current share price).
- It is the board's assessment that the company's strong cash flow allows its growth ambitions to be realized in parallel with the higher dividend.

CEO'S COMMENTS

As I predicted and communicated last year, fiscal 2010 was somewhat of an off-year for company growth. Major shifts between our key currencies, price reductions on certain European markets, and generic competition for Astelin and Optivar in the US contributed to lower sales, SEK 11,571 million (13,178). However, excluding these effects underlying growth in 2010 reached about 2-3 percent.

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To counteract reduced sales, a conscious effort has been made to streamline day-to-day operations. The EBITDA margin (excluding non-recurring effects) has therefore remained high: 35.2 percent (34.3).

In all other ways, however, 2010 has been anything other than an off-year. I would rather characterize the year past as a very eventful year.

Meda's pipeline has been further strengthened, and several products have made great headway during the year such as the azelastine–fluticasone combination product (for treatment of allergic rhinitis), flupirtine (treatment of fibromyalgia), and retigabine/ezogabine (treatment of epilepsy).

Meda's focus on growth markets, such as Russia, Turkey, Poland, and Mexico, has also shown excellent results in 2010 with an average increase in sales of more than 20 percent.

We continue to make a conscious investment in OTC products. From having been a marginal part of operations three years ago, Meda's portfolio of OTC products has expanded to about SEK 2 billion in 2010.

Moving forward

In 2010, expired patents for Astelin and Optivar made a mark on sales figures and earnings. Now as fiscal 2011 is well underway, it is apparent that the situation is completely different. Meda has gathered its energies to continue expanding – but at a much lower future risk. Partly, its growing product portfolio minimizes dependence on one or two larger products, and partly the expanding OTC portfolio lacks any future patent risk. The lower risk level can be illustrated with an example: at the end of 2010, Meda's single largest product was responsible for only seven percent of sales, and its top ten products for about one-third of all sales.

In Meda's ongoing growth, these aspects will be given priority:

- Meda has a strong cash flow, which paves the way for acquisitions and partnerships of companies and products. Already today Meda has sales in more than 120 countries and own marketing organizations in 50 countries, which gives it effective geographic coverage of North America and Europe. This makes us an attractive partner that can act quickly when the right business opportunity presents itself.
- Investments on growth markets continue with the ambition to establish new operations on specific selected markets, mainly in Asia and South America.
- Meda has a pipeline of new products that are close to market. These products will be used to the best of their advantage, while the company's pipeline is widened with new, interesting products.

Anders Lönner

Group President and CEO

SALES

<u>January–December</u>

Net sales for January-December decreased 12% to SEK 11,571 million (13,178). Currency effects regarding like-for-like sales had a negative SEK 969 million impact on sales compared to last year. Price reductions affected sales adversely in certain European markets by about SEK 235 million. Sales of the most important products during the whole of 2010 were:

Betadine (infection treatment) sales decreased to SEK 807 million (898). At fixed exchange rates, sales remained unchanged compared to last year.

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Sales of **Tambocor** (cardiac arrhythmia treatment) amounted to SEK 790 million (921). Calculated at fixed exchange rates, sales declined 5% after mandatory price reductions, mainly in France.

Astelin (allergic and non-allergic rhinitis treatment) sales totaled SEK 705 million (1,369). In the US, sales in local currency were down 51%, reaching USD 80 million (162). Sales dipped due to generic competition in the segment.

Astepro (allergic and non-allergic rhinitis treatment) had US sales of SEK 454 million (416) during the period. Sales in local currency were up 15% to USD 63 million (55) compared to last year.

Minitran (angina prevention) sales reached SEK 442 million (529). At fixed exchange rates, sales were down 7%.

Sales of **Aldara** (actinic keratosis treatment) amounted to SEK 427 million (481). At fixed exchange rates, sales dropped 3%. A continued good volume increase in most markets was not able to make up for lower sales in Spain, mandatory price cuts in certain European markets, and reduced inventories at the wholesale level in Germany in conjunction with switching wholesalers.

Soma (muscle relaxant) sales amounted to SEK 398 million (449). Sales in local currency were down 6%.

Zamadol (moderate to severe pain treatment) sales decreased 21% to SEK 311 million (395). Sales in local currency dipped 14% due to lower volume and prices in several European markets.

Meda's sales of **Mestinon** (treatment of myasthenia gravis, an autoimmune disease) amounted to SEK 247 (270) million. At fixed exchange rates, sales remained at the same level as last year.

Sales of **Formatris** (formoterol Novolizer, treatment of asthma) amounted to SEK 225 million (176). At fixed exchange rates, sales increased 42% driven by strong sales growth in Germany.

See page 14 for sales information in Meda's geographic regions.

October–December

Net sales in October-December amounted to SEK 3,010 million (3,260). Currency effects regarding like-for-like sales had a negative SEK 250 million impact on sales compared to last year. Price cuts in Europe reduced sales in the quarter by roughly SEK 65 million. Sales of the most important products during the period were:

Betadine (infection treatment) sales decreased to SEK 193 million (202). At fixed exchange rates, sales rose 7% during the quarter after a strong recovery in France and Italy.

Sales of **Tambocor** (cardiac arrhythmia treatment) amounted to SEK 186 million (209). At fixed exchange rates, sales were down 1%. The product improved during the period on most European markets, with the exception of Spain.

Astepro (allergic and non-allergic rhinitis treatment) had US sales of SEK 133 million (172) during the period. Sales in local currency were down 21% to USD 19 million (24) due to lower wholesale inventory levels compared with Q4 2009 when the product launched. The product continues to show good growth in the number of prescriptions issued. In December, Astepro's portion of total azelastine prescriptions written amounted to 44%.

Soma (muscle relaxant) sales recovered during the quarter to total SEK 125 million (103). Sales in local currency were up 22%.

Sales of **Aldara** (actinic keratosis treatment) amounted to SEK 106 million (122). At fixed exchange rates, sales decreased 4% compared to the same period last year.

Minitran (angina prevention) sales reached SEK 99 million (141). At fixed exchange rates, sales decreased 21% compared to the same period last year after a weak quarter in Italy and Spain. However, Minitran has maintained its market share in a shrinking segment.

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Astelin (allergic and non-allergic rhinitis treatment) sales totaled SEK 93 million (287). In the US, sales in local currency were down 70%, reaching USD 12 million (40) due to generic competition.

Sales of **Zamadol** (treatment of moderate to severe pain) amounted to SEK 71 million (102). Sales in local currency were down 25%.

Sales of **Formatris** (formoterol Novolizer, treatment of asthma) amounted to SEK 64 million (46). After yet another strong quarter in Germany, sales increased by 56% at a fixed exchange rate.

Sales of **Mestinon** (treatment of myasthenia gravis, an autoimmune disease) were affected by lowered wholesale inventory levels in Germany and dipped to SEK 58 (70) million. However, patient prescriptions increased somewhat in the quarter.

See page 15 for sales information in Meda's geographic regions.

PROFIT

Comparisons with the same period last year are strongly affected by exchange rate changes and non-recurring effects. The table on page 17 shows a condensed income statement, excluding non-recurring effects, in which 2010's income statement items are translated to 2009's exchange rates. Non-recurring effects consist of non-recurring revenue in Q2 2010 of SEK 429 million and restructuring costs of SEK 197 million in Q4 2010 and SEK 131 million in Q4 2009.

Operating profit

Operating profit for January-December reached SEK 2,529 million (2,902), corresponding to a 13% decrease.

EBITDA for the same period was SEK 4,306 million (4,387), yielding a 37.2% margin (33.3). EBITDA, excluding non-recurring effects and currency effects, was SEK 4,074 million (4,518), thus yielding a 35.2% margin (34.3).

Operating profit for October–December reached SEK 328 million (626), corresponding to a 47.6% decrease. Operating expenses for Q4 amounted to SEK 1,585 million, which was on a par with the same period in 2009.

EBITDA for the same period was SEK 820 million (1,031), yielding a 27.2% margin (31.6). EBITDA, excluding non-recurring effects and currency effects, was SEK 1,017 million (1,162), thus yielding a 33.8% margin (35.6).

Financial items

The Group's net financial items for January-December amounted to SEK -552 million (-618). The improvement from last year is due to a lower average debt. The average interest rate at 31 December 2010 was 3.7% (3.9).

Group profit after net financial items increased to SEK 1,977 million (2,284) for the whole of 2010.

The Group's net financial items for October–December were SEK -134 million (–133).

Group profit after net financial items for the same period thereby totaled SEK 194 million (493).

Net income and earnings per share

Net profit for January–December fell 7% to SEK 1,428 million (1,537).

Group tax expense for January-December was SEK 549 million (747), corresponding to a 27.8% tax rate (32.7).

Earnings per share for January-December reached SEK 4.72 (5.09). Earnings per share excluding non-recurring effects and related tax effects totaled SEK 4.10 (5.38).

Net profit for October–December rose to SEK 179 million (332).

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Group tax expense for October-December totaled SEK 15 million (161), corresponding to a 7.7% tax rate (32.7). The low tax rate for the quarter was affected by positive non-recurring effects, mainly due to restructuring costs in the US. The normalized tax rate for the period amounted to slightly less than 30%.

Profit per share for October–December was SEK 0.59 (1.10). Earnings per share excluding non-recurring effects and related tax effects totaled SEK 0.99 (1.39).

CASH FLOW

Cash flow from operating activities, before changes in working capital, for the whole of 2010 totaled SEK 2,734 million (3,087). Implemented restructuring measures had a SEK -118 million (-132) impact on cash flow. Cash flow from change in working capital was SEK -42 million (138) for Q4 and SEK -198 million (37) for January-December. Accordingly, cash flow from operating activities amounted to SEK 2,536 million (3,124).

Cash flow from investing activities amounted to SEK -2,852 million (–518) for the whole of 2010. In January, Meda acquired Ceplene, and in February Meda in-licensed Xerese. In May Meda acquired patent rights to flupirtine and rights to a new formulation of imiquimod. In July, a payment of EUR 45 million was received from sales of certain rights. In September, Meda acquired OTC products for SEK 190 million.

On October 1, Alaven was acquired. This investment impacted cash flow by SEK -1,779 million after deduction for net debt assumed. In November, Meda acquired additional OTC products and global rights to MUSE. In December, the company acquired OTC products in the US market.

Cash flow from financing activities reached SEK 365 million (-2,724) for the whole of 2010. Dividend of SEK 302 million was paid to Meda's shareholders in May.

Cash earnings per share for January-December totaled SEK 8.15 (9.95).

Cash earnings per share for October–December amounted to SEK 2.12 (3.06).

FINANCING

Equity stood at SEK 13,925 million on 31 December compared to SEK 13,664 million at the year's start, corresponding to SEK 46.1 (45.2) per share. The equity/assets ratio was 41.5% compared to 41.4% at the start of the year.

The Group's net debt totaled SEK 13,524 million on December 31, compared to SEK 13,467 million at the year's start.

PARENT COMPANY

Net sales for January–December reached SEK 3,549 million (3,643), of which intra-Group sales represented SEK 2,713 million (2,912).

Profit before appropriations and tax reached SEK 496 million (3,184).

Net financial items were SEK -90 million (2,334), which includes dividend of SEK 2,809 million (2,723) from subsidiaries and write-down on shares in subsidiaries related to internal Group restructuring of SEK 2,646 million.

Cash and cash equivalents amounted to SEK 0 million, compared to SEK 10 million at year-end 2009.

Investments in intellectual property rights amounted to SEK 2,005 million (465) during January–December. Investments in property, plant, and equipment totaled SEK 0 million (0).

Financial non-current assets stood at SEK 19,433 million, compared to SEK 20,432 million at year-end 2009.

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AGREEMENTS AND KEY EVENTS

- **INTEGRATION OF ALAVEN IS COMPLETE**

In early October 2010, Meda completed the acquisition of Alaven and took over its operations. The acquisition will benefit Meda in many respects, in the short and long term. Meda's therapy areas expand to include gastroenterology and women's health, areas in which Meda already operates outside the US. In addition, Alaven contributes an OTC platform that accounts for approximately 25% of total sales. Alaven will further diversify Meda’s revenue base in the US and serve as a platform for commercializing new products.

The restructuring of the US operations in conjunction with the acquisition of Alaven is complete. The aim was to increase focus on specialist products and restructure operations. A new organizational structure is in place and operational since January 2011. Synergy effects in 2011 are judged to be able to exceed USD 50 million. In conjunction with the integration, Meda had non-recurring restructuring costs that impacted Q4 profits by SEK 182 million. No further restructuring costs related to this acquisition are expected.

- **MEDA ACQUIRES OTC PRODUCTS IN THE US**

In December, Meda acquired three well-established OTC consumer products in the US from GlaxoSmithKline LLC (“GSK”). Total annual sales for the products are about SEK 100 million, with strong profit margins. The purchase price was SEK 235 million.

- **MEDA STRENGTHENS ALLERGY PRODUCT PORTFOLIO IN EUROPE WITH EPIPEN® AUTO-INJECTOR**

In December, Meda signed a long-term license agreement with the specialty division of Mylan Inc. (Nasdaq: MYL), Dey Pharma, L.P., for exclusive marketing and distribution rights of EpiPen® (epinephrine) Auto-Injector in Europe. EpiPen is used for emergency treatment of severe allergic reactions (anaphylaxis).

- **MEDA ACQUIRES OTC PRODUCTS**

In November, Meda acquired three well-established OTC products from Norgine. Total annual sales for the products are about SEK 190 million and the majority of sales are generated in Europe. The purchase price totaled SEK 540 million.

- **COMPLETE RESPONSE LETTER FOR EZOGABINE**

Valeant Pharmaceuticals International, Meda’s partner for ezogabine - known as retigabine outside of the US, received a Complete Response letter from the U.S. Food and Drug Administration (FDA) in December for the New Drug Application (NDA) for ezogabine. Ezogabine is an investigational anti-epileptic drug being studied for the adjunctive treatment of adults with partial onset seizures.

A Complete Response letter is issued by the FDA’s Center of Drug Evaluation and Research when the review of a file is completed and questions remain that preclude the approval of the NDA in its current form. Valeant and its global collaboration partner for ezogabine, GlaxoSmithKline, are evaluating the Complete Response letter in which FDA asked non-clinical questions. GSK and Valeant believe that these questions can be answered, and the two companies are working for a timely response to the FDA as soon as possible in 2011.

- **ACQUISITION OF GLOBAL RIGHTS TO MUSE**

Meda has acquired the global rights to MUSE (alprostadil), a well-established product for treating erectile dysfunction. The transaction was completed in November for an upfront payment of USD 22 million.

- **EUROPEAN APPROVAL FOR BREAKYL**

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In October, Breakyl (fentanyl) received approval in Europe via the decentralized procedure with Germany acting as reference member state. Breakyl (also known as Onsolis or BEMA Fentanyl) is indicated for the management of breakthrough pain in opioid tolerant adult cancer patients. National registration processes will now follow in the individual countries. Breakyl has also recently been approved in Canada and the US under the trademark Onsolis.

EVENTS AFTER THE REPORTING DATE

- **MEDA ACQUIRES ADDITIONAL OTC PRODUCTS IN THE US FROM GSK**

In January, Meda acquired two additional, well-established OTC consumer products in the US from GlaxoSmithKline LLC ("GSK"). During December 2010, Meda acquired three other OTC products from GSK.

Total annual sales for the two newly acquired products are about SEK 80 million, with strong profit margins. The purchase price was about SEK 180 million.

- **POSITIVE OPINION FOR RETIGABINE IN EUROPE**

Meda's partner for retigabine, Valeant Pharmaceuticals International, Inc., announced that the European Medicines Agency's Committee for Medicinal Products for Human Use (CMPH) issued a positive opinion in January, recommending marketing authorization for retigabine, named ezogabine in the US, as an adjunctive (add-on) treatment of partial onset seizures, with or without secondary generalization in adults aged 18 years and above with epilepsy.

DIVIDEND

The board proposes a dividend of SEK 2.00 (1.00) per share. Thus, total dividend amounts to SEK 604 million (302), which is an increase of 100%.

THE ANNUAL GENERAL MEETING AND ANNUAL REPORT

The annual general meeting of shareholders will be held at 5 PM on May 4, 2011 in the Meda headquarters at Pipers väg 2A in Solna, Sweden. The Swedish annual report will be published no later than 11 April and will be available on the company's web site www.meda.se.

RISKS AND UNCERTAINTIES

The Meda Group's business is exposed to financial risks. Meda's 2009 annual report describes the company's management of these risks (pp 67-68). Several other factors, which Meda cannot fully control, affect the Group's operations. Factors judged particularly significant to Meda's future growth are: competitors and pricing, actions by authorities, partnerships, market assessments, clinical trials, key individuals and recruitment, product liability, patents, and trademarks. The 2009 annual report describes these types of risks (pp. 116-118).

ACCOUNTING POLICIES

Group

Meda complies with the EU-approved IFRS standards and their interpretations (IFRIC). This interim report was prepared as per International Accounting Standard (IAS) 34 Interim Financial Reporting. These new accounting standards apply as of January 1, 2010:

IFRS 3 (revised) Business Combinations. The change will apply prospectively to acquisitions occurring after the change's effective date. Application will alter how future acquisitions are recognized, e.g., regarding recognition of

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transaction costs, conditional (contingent) considerations, and step acquisitions. The revision will affect recognition of transactions made after January 1, 2010.

IAS 27 Consolidated and Separate Financial Statements. The impact of this amendment includes always recognizing results attributable to minority shareholders, even if the minority interest is negative, and always recognizing transactions with minority shareholders in equity. The amendment of the standard may influence how future transactions are recognized.

In other respects, the Group's accounting policies and calculation methods remain unchanged from the 2009 annual report.

Parent company

The parent company applies RFR 2 Accounting for legal entities.

REPORTS IN 2011

Interim Report, January–March	Wednesday, 4 May 2011
Interim Report, January–June	Wednesday, August 3, 2011
Interim report, January–September	Wednesday, November 2, 2011

The board and CEO affirm that this year-end report (1) provides a true, fair summary of the parent company's and Group's operations, position, and earnings, and (2) describes significant risks and uncertainties faced by the parent and Group companies.

Stockholm, February 14, 2011

Bert-Åke Eriksson
Chairman of the Board

Peter Claesson
Board member

Marianne Hamilton
Board member

Tuve Johannesson
Board member

Carola Lemne
Board member

Anders Lönner
CEO

Anders Waldenström
Board member

For more information, contact

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The company's auditors did not review this year-end report.

Group consolidated income statement

SEKm	January–December			October–December		
	2010	2009	Change	2010	2009	Change
Net sales	11 571	13 178	-12%	3 010	3 260	-8%
Cost of sales	-4 156	-4 462		-1 097	-1 111	
Gross profit/loss	**7 415**	**8 716**	**-15%**	**1 913**	**2 149**	**-11%**
Other income	429	-		-	-	
Selling expenses	-2 436	-2 931		-758	-768	
Medical and business development expenses[1)]	-2 222	-2 175		-626	-568	
Administrative expenses	-657	-708		-201	-187	
Operating profit (EBIT)	**2 529**	**2 902**	**-13%**	**328**	**626**	**-48%**
Net financial items	-552	-618		-134	-133	
Profit for the period after net financial items (EBT)	**1 977**	**2 284**	**-13%**	**194**	**493**	**-61%**
Tax	-549	-747		-15	-161	
Net profit	**1 428**	**1 537**	**-7%**	**179**	**332**	**-46%**
Profit/loss attributable to:						
Parent company shareholders	1 444	1 539		184	334	
Minority interest	-16	-2		-5	-2	
	1 428	**1 537**		**179**	**332**	
[1)] Of which amortization of product rights	-1 660	-1 354		-458	-373	
EBITDA	**4 306**	**4 387**		**820**	**1 031**	
Amortization, product rights	-1 660	-1 354		-458	-373	
Depreciation and amortization, other	-117	-131		-34	-32	
Operating profit (EBIT)	**2 529**	**2 902**		**328**	**626**	
EBITDA (excluding non-recurring effects)	**4 074**	**4 518**	**-10%**	**1 017**	**1 162**	**-12%**

Key ratios related to earnings						
Operating margin, %	21,9%	22,0%		10,9%	19,2%	
Profit margin, %	17,1%	17,3%		6,4%	15,1%	
EBITDA, %	37,2%	33,3%		27,2%	31,6%	
EBITDA (excluding non-recurring effects)	35,2%	34,3%		33,8%	35,6%	
Return on capital employed, rolling 12 months, %	9,3%	10,0%				
Return on equity, rolling 12 months, %	10,4%	11,4%				

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Group statement of comprehensive income

SEKm	January–December		October–December	
	2010	2009	2010	2009
Net profit	**1 428**	**1 537**	**179**	**332**
Translation difference	-1 628	-1 233	-302	137
Net investment hedge, after tax	671	254	188	-14
Cash flow hedges, after tax	92	40	31	19
Other comprehensive income for the period, net of tax	**-865**	**-939**	**-83**	**142**
Total comprehensive income	**563**	**598**	**96**	**474**
Profit/loss attributable to:				
Parent company shareholders	579	600	101	476
Minority interest	-16	-2	-5	-2
	563	**598**	**96**	**474**

Share data

	January–December		October–December	
	2010	2009	2010	2009
Earnings per share				
Basic earnings per share, SEK	4,72	5,09	0,59	1,10
Diluted earnings per share, SEK	4,72	5,09	0,59	1,10
Average number of shares				
basic (thousands)	302 243	302 243	302 243	302 243
diluted (thousands)	302 243	302 243	302 243	302 243
Number of shares on closing day				
basic (thousands)	302 243	302 243	302 243	302 243
diluted (thousands)	302 243	302 243	302 243	302 243

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Group consolidated balance sheet

SEKm	December 31 2010	December 31 2009
ASSETS		
Non-current assets		
- Property, plant, and equipment	788	854
- Intangible[1)]	28 214	27 453
- Other non-current assets	624	883
Non-current assets	**29 626**	**29 190**
Current assets		
- Inventory	1 520	1 666
- Current receivables	2 305	2 091
- Cash and cash equivalents	111	76
Current assets	3 936	3 833
Total assets	**33 562**	**33 023**
EQUITY AND LIABILITIES		
Equity	**13 925**	**13 664**
Non-current liabilities		
- Borrowings	7 632	10 200
- Pension obligations	790	882
- Deferred tax liabilities	2 607	2 349
- Other liabilities, non-interest-bearing	316	415
Non-current liabilities	**11 345**	**13 846**
Current liabilities		
- Borrowings	5 226	2 478
- Short-term, non-interest-bearing	3 066	3 035
Current liabilities	8 292	5 513
Total equity and liabilities	**33 562**	**33 023**
[1)] Of which goodwill	**13 235**	13 260

Key ratios affecting balance sheet

Net debt	13 524	13 467
Net debt/equity ratio, times	1,0	1,0
Equity/assets ratio, %	41,5	41,4
Equity per share, SEK (at end of period)	46,1	45,2

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Group consolidated cash flow statement

SEKm	January–December		October–December	
	2010	2009	2010	2009
Cash flow from operating activities				
Profit after financial items	1 977	2 284	194	493
Adjustments for items not included in cash flow	1 367	1 392	483	404
Net change in pensions	0	-4	19	4
Net change in other provisions	70	-23	200	99
Income taxes paid	-680	-562	-193	-177
Cash flow from operating activities before change in working capital	**2 734**	**3 087**	**703**	**823**
Cash flow from change in working capital				
Inventory	-15	-85	-11	-3
Assets	17	160	-178	24
Liabilities	-200	-38	147	117
Cash flow from operating activities	**2 536**	**3 124**	**661**	**961**
Cash flow from investing activities	-2 852	-518	-2 711	-61
Cash flow from financing activities	365	-2 724	1 825	-891
Cash flow for the period	**49**	**-118**	**-225**	**9**
Cash and cash equivalents at period's start	76	198	342	68
Exchange rate difference for cash and cash equivalents	-14	-4	-6	-1
Cash and cash equivalents at period's end	**111**	**76**	**111**	**76**
Key ratios related to cash flow				
Free cash flow, SEK million	2 465	3 006	640	926
Cash earnings per share, SEK	8,15	9,95	2,12	3,06

Group change in equity

SEKm	December 31	December 31
	2010	2009
Opening balance, equity	**13 664**	**13 290**
Dividend	-302	-227
New share issue, preferential	-	-1
Change in minority share, net	-16	2
Total comprehensive income	579	600
Closing balance, equity	**13 925**	**13 664**

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Information on geographic markets

SEKm	January–December		October–December	
	2010	2009	2010	2009
External net sales				
Northern Europe	1 595	1 666	418	433
Central and eastern Europe	3 624	3 656	906	872
Western Europe	3 527	4 143	820	959
US	2 014	2 749	653	692
Export markets	592	646	154	164
Unallocated sales	219	318	59	140
	11 571	**13 178**	**3 010**	**3 260**
EBITDA				
Northern Europe	603	672	148	159
Central and eastern Europe	1 473	1 346	343	279
Western Europe	1 513	1 796	337	385
US	684	1 249	140	333
Export markets	192	248	39	69
Unallocated sales	-159	-924	-187	-194
	4 306	**4 387**	**820**	**1 031**

SALES TRENDS FOR GEOGRAPHIC REGIONS

Northern Europe

Sales for January-December were down 1% in fixed exchange rates compared to the same period last year. This mainly resulted from lower sales in Denmark and Norway. In the Swedish market, sales were on a par with those of the preceding year, corresponding to the trend in the total market. Sales for the region in Q4 rose 1% in fixed exchange rates.

Central and eastern Europe

Sales for January-December rose 9% in fixed exchange rates compared to the same period last year. A continued strong trend in Germany and in the growth markets of eastern Europe led to an 14% sales increase in fixed exchange rates during the fourth quarter.

Western Europe

Sales for January-December were down 6% in fixed exchange rates compared to the same period last year. At fixed exchange rates, sales decreased 5% during Q4. Regional sales were adversely affected by mandatory price decreases and the poor economic situation in Spain.

US

Sales for January-December were down 22% in fixed exchange rates compared to the same period last year. At fixed exchange rates, sales decreased 2% during Q4. The decline at fixed exchange rates is especially related to lower sales of Astelin and Optivar, which were mostly compensated in Q4 by sales of the new products acquired from Alaven.

Export markets

Exchange rate fluctuations had a negative effect of SEK 47 million on sales for January-December and of SEK 13 million in Q4 compared to the same period last year.

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Acquisition of Alaven

Meda announced its acquisition of Alaven, a US specialty pharma company, on 30 August 2010. The acquisition will benefit Meda in many respects, in the short and long term. Meda's therapy areas expand to include gastroenterology and women's health in the US, areas in which Meda already operates outside the US. In addition, Alaven contributes a strategic OTC platform that accounts for approximately 25% of total sales. The acquisition will also further diversify Meda's revenue base in the US and serve as a platform for commercialization of new products.

This deal took effect on 1 October 2010, and Alaven was consolidated into the Meda Group on this date. The purchase consideration was USD 350 million on a debt-free basis. Direct costs attributable to the acquisition total about SEK 5 million.

Preliminary data on acquired net assets and goodwill follows. Final acquisition values will be established when the final evaluation of assets, working capital, and contingent liabilities is completed.

Preliminary acquisition calculation:

	SEKm
Acquisition value	1 840
Fair value of acquired net assets	-587
Goodwill	**1 253**

Goodwill is attributable to additional future product and market opportunities related to the strategic platform for OTC products that was acquired, and to the increase in Meda's therapy areas due to the acquisition.

The acquisition included these assets and liabilities:

SEKm	Fair value
Property, plant, and equipment	20
Product rights	1 444
Other intangible assets	21
Deferred tax assets	88
Other non-current receivables	1
Inventory	74
Trade receivables	87
Other receivables	4
Tax asset	26
Prepayments and accrued income	10
Cash and cash equivalents	24
Deferred tax liabilities	-453
Other non-current liabilities	-17
Trade payables	-10
Other liabilities	-1
Accruals and deferred income	-177
Borrowings	-554
Acquired net assets	587
Goodwill	1 253
Total purchase consideration	**1 840**
Outstanding purchase consideration	-37
Cash and cash equivalents in acquired entities	-24
Change in Group cash and cash equivalents at acquisition	**1 779**

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Condensed income statement for the parent company

SEKm	January–December	
	2010	2009
Net sales	3 549	3 643
Cost of sales	-1 725	-1 601
Gross profit/loss	**1 824**	**2 041**
Other operating income	122	131
Selling expenses	-364	-240
Medicine and business development expenses	-824	-944
Administrative expenses	-172	-140
Operating profit (EBIT)	**586**	**849**
Net financial items	-90	2 334
Profit for the period after net financial items (EBT)	**496**	**3 184**
Appropriations and tax	-438	-434
Net profit	**58**	**2 750**

Condensed balance sheet for the parent company

SEKm	December 31	December 31
	2010	2009
ASSETS		
Non-current assets		
- Intangible	8 379	7 062
- Property, plant, and equipment	1	1
- Financial	19 433	20 432
Total non-current assets	**27 813**	**27 495**
Current assets		
- Inventory	292	189
- Current receivables	1 180	456
- Cash and bank balances	0	10
Total current assets	**1 472**	**655**
Total assets	**29 285**	**28 150**
EQUITY AND LIABILITIES		
Restricted equity	3 477	3 477
Non-restricted equity	8 160	8 211
Total equity	**11 637**	**11 688**
Untaxed reserves	2 026	1 552
Provisions	101	56
Non-current liabilities	7 615	9 857
Current liabilities	7 906	4 997
Total equity and liabilities	**29 285**	**28 150**

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PROFIT

Compared year-on-year, Q4's income measure was strongly affected by exchange rate changes and non-recurring effects. The following table shows a condensed income statement, excluding non-recurring effects and related tax effects, in which 2010's income statement items are translated to 2009's exchange rates. Non-recurring effects consist of non-recurring revenue of SEK 429 million in Q2 2010 and restructuring costs of SEK 197 million in Q4 2010 and SEK 131 million in Q4 2009.

FIXED EXCHANGE RATES						
	January–December			**October–December**		
	2010	**2009**	***Index***	**2010**	**2009**	***Index***
Net sales	12 540	13 178	*95*	3 260	3 260	*100*
Gross profit/loss	**8 031**	**8 716**	***92***	**2 066**	**2 149**	***96***
Gross margin, %	*64%*	*66%*		*63%*	*66%*	
Operating expenses	-5 442	-5 683		-1 483	-1 392	
EBIT	**2 589**	**3 033**	***85***	**583**	**757**	***77***
EBIT margin, %	*21%*	*23%*		*18%*	*23%*	
Depreciation and amortization	-1 843	-1 485		-522	-405	
EBITDA	**4 432**	**4 518**	***98***	**1 105**	**1 162**	***95***
EBITDA margin, %	*35%*	*34%*		*34%*	*36%*	
Net financial items	-569	-618		-137	-133	
EBT	**2 020**	**2 415**	***84***	**446**	**624**	***71***
Tax	-581	-789		-102	-203	
Tax, %	*29%*	*33%*		*23%*	*33%*	
Net profit	**1439**	**1 626**	***89***	**344**	**421**	***74***

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DEFINITIONS

Return on equity

Net profit/loss as a percentage of average equity.

Return on capital employed

Operating profit/loss as a percentage of average capital employed.

Gross margin

Gross profit/loss as a percentage of net sales. The gross profit/loss equals net sales minus cost of sales.

EBITDA

Earnings before interest, taxes, depreciation, and amortization.

EBITDA margin

Earnings before interest, taxes, depreciation, and amortization as a percentage of net sales.

Free cash flow

Cash flow from operating activities reduced by maintenance investments in property, plant, and equipment.

Cash earnings per share

Free cash flow divided by the average number of shares after dilution.

Net debt

Net of interest-bearing liabilities and interest-bearing provisions minus cash and cash equivalents, including current investments and interest-bearing non-current financial assets.

Net debt/equity ratio

Net debt divided by equity.

Earnings per share

Net profit/loss per share.

Operating margin

Operating profit/loss as a percentage of net sales.

Equity/assets ratio

Equity as a percentage of the balance sheet total.

Capital employed

The balance sheet total less cash and cash equivalents, tax provisions, and non-interest-bearing liabilities.

Profit margin

Profit after net financial items as a percentage of net sales.

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