Interim report
November 3, 2010

Meda AB (publ) – Interim report, January–September 2010

- Group sales reached SEK 8,561 million (9,918). Currency effects and increased competition for the Astelin and Optivar products are the most important reasons for lower sales compared to last year.

- EBITDA amounted to SEK 3,486 million (3,356), corresponding to a 40.7% margin (33.8).

- EBITDA, excluding a non-recurring effect[1] and currency fluctuations, declined by 1% to SEK 3,327 million (3,356), thus yielding a 35.9% margin (33.8).

- Operating profit amounted to SEK 2,201 million (2,275).

- Profit after tax totaled SEK 1,249 million (1,205).

- Earnings per share reached SEK 4.13 (3.99).

- Cash earnings per share reached SEK 6.04 (6.88).

- **Forecast for full-year 2010**

  "The Meda Group expects to achieve sales of about SEK 11,400 million and an EBITDA (excluding restructuring charges related to the acquisition of Alaven) of about SEK 4,400 million for full-year 2010."

[1] Excluding non-recurring income of SEK 429 million in Q2.

CEO'S COMMENTS

The third quarter is traditionally Meda's seasonally weakest period, and this year is no exception. Currency fluctuations also affected sales for the period negatively by SEK 174 million. The effects of generic competition for Astelin and Optivar are also evident. It is gratifying that we have successfully used cost savings to compensate for negative factors, and maintained profitability even in this situation. Going forward, Meda has a lower risk exposure since the portion of sales vulnerable to generic competition is lower. We are also happy to report success with Astepro, the Astelin follow-up product that now has over 50% of the total azelastine market in the US by value.

As planned, organic sales growth has mainly occurred in new growth markets and for OTC products. These products currently account for about 15% and 20% of Group sales, respectively. Sales in new growth markets show double-digit growth, and are particularly strong in the Turkish and Mexican markets. OTC products are a strategic area for Meda, as the trend of self-care is increasing. Meda now has OTC sales of over SEK 2 billion.

In new products, azelastine in combination with fluticasone for the treatment of allergic rhinitis is the most interesting. The combination product has obtained good results in the ongoing Phase-III studies, which are now concluding. We intend to submit a new drug application in major markets as early as next year. In addition, Potiga (ezogabine, known as Retigabine outside the US) is expected to be approved before the end of 2010. Next year we plan to launch several other new drugs, such as Xerese (treatment of cold sores) in the US and Onsolis (treatment of cancer pain) in Europe.

During the period, we made several interesting product acquisitions and a major corporate acquisition in the US – the specialty pharmaceutical company Alaven. The acquisition of Alaven is a consistent step in Meda's growth strategy and significant cost synergies can be achieved. The integration process has begun.

Cash flow remains strong and we have flexibility to make further interesting acquisitions and enter new partnerships.

Anders Lönner

President and CEO

SALES

<u>January-September</u>

Net sales for January-September were down 14% to SEK 8,561 million (9,918). Currency effects regarding like-for-like sales had a negative SEK 719 million impact on sales compared to last year. Price reductions affected sales adversely in the European markets by about SEK 170 million. Key product sales in H1 were:

Astepro (allergic and non-allergic rhinitis treatment) had US sales of SEK 321 million (244) during the period. Sales in local currency were up 42% to USD 44 million (31) compared to last year.

Astelin (allergic and non-allergic rhinitis treatment) sales totaled SEK 612 million (1,082). In the US, sales in local currency were down 44%, reaching USD 68 million (122). Sales dipped due to generic competition in the segment.

Sales of **Tambocor** (cardiac arrhythmia treatment) amounted to SEK 604 million (712). Calculated at fixed exchange rates, sales declined 6% after mandatory price cuts in several European markets. Tambocor continued to show robust volume growth.

Betadine (infection treatment) sales decreased to SEK 614 million (696). At fixed exchange rates, sales decreased 2% compared to last year.

Minitran (angina prevention) sales reached SEK 343 million (388). At fixed exchange rates, sales were down 2%.

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Sales of **Aldara** (treatment of actinic keratosis) amounted to SEK 321 million (359). At fixed exchange rates, sales dropped 2%. A continued good volume increase in most markets was not able to make up for lower sales in Spain, mandatory price cuts in the European markets, and reduced inventories at the wholesale level in Germany in conjunction with switching wholesalers.

Soma (muscle relaxant) sales amounted to SEK 273 million (346). Sales in local currency were down 16%.

Zamadol (moderate to severe pain treatment) sales decreased 18% to SEK 240 million (293). Sales in local currency dipped 11% 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 189 (199) million. At fixed exchange rates, sales increased 4%.

Formatris (formoterol Novolizer, treatment of asthma) sales reached SEK 161 million (130). At fixed exchange rates, sales increased 37% after a significant increase in sales in Germany.

See page 13 for sales information in Meda's geographic regions.

July-September

Net sales for July-September fell 15% to SEK 2,575 million (3,017). Currency effects regarding like-for-like sales had a negative SEK 174 million impact on sales compared to last year. Price cuts in Europe reduced sales in the quarter by roughly SEK 60 million. Sales of the most important products during the period were:

Astepro (allergic and non-allergic rhinitis treatment) had US sales of SEK 96 million (75) during the period. Sales in local currency were up 30% to USD 13 million (10) compared to last year. Astepro's proportion of total azelastine prescribed was 44% in September.

Astelin (allergic and non-allergic rhinitis treatment) sales totaled SEK 84 million (261). In the US, sales in local currency were down 70%, reaching USD 10 million (33) due to generic competition.

Sales of **Tambocor** (cardiac arrhythmia treatment) amounted to SEK 189 million (228). At fixed exchange rates, sales were down 8%.

Betadine (infection treatment) sales decreased to SEK 191 million (227). At fixed exchange rates, sales decreased 6% during the quarter due to lower volumes in southern Europe.

Minitran (angina prevention) sales reached SEK 99 million (111). At fixed exchange rates, sales decreased 1% compared to the same period last year.

Sales of **Aldara** (actinic keratosis treatment) amounted to SEK 102 million (111). At fixed exchange rates, sales remained unchanged compared to the same period last year.

Soma (muscle relaxant) sales amounted to SEK 91 million (106). Sales in local currency were down 14%. Lowered prescribing and continued lower wholesale inventory levels adversely affected sales.

Zamadol (moderate to severe pain treatment) sales decreased 23% to SEK 74 million (96). Sales in local currency were down 16%.

Meda's sales of **Mestinon** (treatment of myasthenia gravis, an autoimmune disease) amounted to SEK 60 (62) million. At fixed exchange rates, sales increased 6% after a strong quarter in the German market.

Formatris (formoterol Novolizer, treatment of asthma) sales reached SEK 51 million (47). At fixed exchange rates, sales increased by 20% resulting from high growth numbers in Germany and France.

See page 13 for sales information in Meda's geographic regions.

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PROFIT

Compared to the same period in 2009, Q3's income measure was strongly affected by exchange rate changes. The following table illustrates these currency effects and shows a condensed income statement in which 2010's income statement items are translated to 2009's exchange rates.

FIXED EXCHANGE RATES						
	January-September			**July-September**		
	2010	**2009**	***Index***	**2010**	**2009**	***Index***
Net sales	9,280	9,918	*94*	2,749	3,017	*91*
Gross profit	**5,965**	**6,568**	***91***	**1,731**	**1,958**	***88***
Gross margin, %	*64%*	*66%*		*63%*	*65%*	
Operating expenses	-3,959	-4,293		-1,252	-1,324	
EBIT	**2,006**[2]	**2,275**	***88***	**479**	**634**	***76***
EBIT margin, %	*22%*[2]	*23%*		*17%*	*21%*	
Depreciation and amortization	-1,321	-1,081		-450	-373	
EBITDA	**3,327**[2]	**3,356**	***99***	**929**	**1,007**	***92***
EBITDA margin, %	*36%*[2]	*34%*		*34%*	*33%*	
Net financial items	-432	-485		-137	-141	
EBT	**1,574**[2]	**1,790**	***88***	**342**	**493**	***69***
Tax	-479[3]	-586		-91	-156	
Tax, %	*30%*[3]	*33%*		*27%*	*32%*	
Net income	**1,095**[4]	**1,205**	***91***	**251**	**338**	***74***

Operating profit

Operating expenses for Q3 amounted to SEK 1,205 million, which was 6% lower than the previous quarter. This resulted from a generally lower level of activity during the summer months.

Operating profit for January-September reached SEK 2,201 million (2,275), corresponding to a 3% decrease.

EBITDA for the same period was SEK 3,486 million (3,356), yielding a 40.7% margin (33.8). EBITDA, excluding a non-recurring effect[5] and currency effects, was SEK 3,327 million (3,356), thus yielding a 35.9% margin (33.8).

Operating profit for July-September reached SEK 424 million (634), corresponding to a 33.1% decrease.

EBITDA for the same period was SEK 866 million (1,007), yielding a 33.6% margin (33.4). EBITDA, excluding currency effects, was SEK 929 million (1,007), thus yielding a 33.8% margin (33.4).

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[2] Excluding non-recurring revenue of SEK 429 million.
[3] Excluding tax on non-recurring revenue.
[4] Excluding non-recurring revenue of SEK 429 million and its related tax effect.
[5] Excluding non-recurring revenue of SEK 429 million.

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Financial items

The Group's net financial items for January-September were SEK -418 million (-485). The improvement from last year is due to a lower average debt. The average interest rate at September 30, 2010 was 4.2% (3.5).

The Group's profit after net financial items for January-September was in principle unchanged and amounted to SEK 1,783 million (1,790).

The Group's net financial items for July-September were SEK -133 million (-141).

Group profit after net financial items for the same period thereby totaled SEK 291 million (493).

Net income and earnings per share

Net income for January-September rose 4% to SEK 1,249 million (1,205).

Group tax expense for January-September amounted to SEK 534 million (586), equivalent to a tax rate of 29.9% (32.7).

Earnings per share for January-September were SEK 4.13 (3.99).

Net income for July-September fell 38% to SEK 210 million (338).

Group tax expense for July-September amounted to SEK 81 million (156), equivalent to a tax rate of 27.8% (31.6).

Earnings per share for July-September reached SEK 0.69 (1.12).

CASH FLOW

Cash flow from operating activities, before changes in working capital, for January-September amounted to SEK 2,031 million (2,263). Implemented restructuring measures had a SEK -101 million (-107) impact on cash flow. Cash flow from change in working capital was SEK -3 million (-94) for Q3 and SEK -156 million (-100) for January-September. Accordingly, cash flow from operating activities amounted to SEK 1,875 million (2,163).

Cash flow from investing activities was SEK -141 million (-457) for January-September. In January, Meda acquired exclusive rights to Ceplene from EpiCept Corporation, a US development company, and in February Meda in-licensed exclusive rights to Xerese, a pharmaceutical from Medivir AB, a Swedish development company. In May Meda acquired exclusive rights to flupirtine, to treat fibromyalgia, from Adeona Pharmaceuticals and exclusive European rights to a new formulation of imiquimod from Graceway Pharmaceuticals. Meda received EUR 45 million in July from Almirall for the rights to a Novolizer combination project. In September, Meda acquired a portfolio of well-established OTC products from Biophausia for SEK 190 million.

Cash flow from financing activities was SEK -1,460 million (-1,833) for January-September. Dividend of SEK 302 million was paid to Meda's shareholders in May.

Cash earnings per share for H1 were SEK 6.04 (6.88).

Cash earnings per share for Q3 were SEK 1.11 (1.91).

FINANCING

On September 30, equity stood at SEK 13,829 million, compared to SEK 13,664 million at the year's start, which corresponds to SEK 45.8 (45.2) per share. The equity/assets ratio rose to 45.6% from 41.4% at the start of the year.

The Group's net debt stood at SEK 11,096 million on September 30, compared to SEK 13,467 million at the year's start. The SEK 2,371 million reduction in net debt is primarily attributable to the Group's cash flow.

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PARENT COMPANY

Net sales for January-September reached SEK 2,656 million (2,801), of which intra-Group sales represented SEK 2,118 million (2,231).

Profit before appropriations and tax reached SEK 1,355 million (3,232).

Net financial items were SEK 741 million (2,420), which includes dividend of SEK 2,801 million (2,723) from subsidiaries and related write-down on shares in subsidiaries amounting to SEK 1,844 million.

Cash and cash equivalents amounted to SEK 232 million, compared to SEK 10 million at year-end 2009.

Investments in intellectual property rights during January-September were SEK 513 million (457), and investments in property, plant, and equipment totaled SEK 0 million (0).

Non-current financial assets stood at SEK 18,856 million compared to SEK 20,432 million at year-end 2009.

AGREEMENTS AND KEY EVENTS

- **MEDA ACQUIRES ALAVEN, A US SPECIALTY PHARMA COMPANY**

Meda has acquired Alaven, a US specialty pharma company. The acquisition will have several positive effects for Meda. Meda's therapeutic focus will expand to include gastroenterology and women's health in the US, areas in which Meda already operates outside the US. Alaven also has a strategic OTC platform that accounts for about 25% of its sales. Alaven has shown steady sales increases over the years through strategic asset acquisition, organic growth of existing products, and new product development. Sales amount to about SEK 800 million with EBITDA margins comparable to Meda's. Alaven has about 180 employees, of which 150 work with sales and marketing. All manufacturing is outsourced to third parties.

Alaven's diverse product portfolio consists of several well-known brands. Their major product is Proctofoam (rectal inflammation) with annual sales of about USD 25 million. Other significant products are Cortifoam (ulcerative proctitis), Epifoam (primarily indicated for post-episiotomy pain), Levsin (antispasmodic, adjunctive therapy for treating peptic ulcers), Rowasa (distal ulcerative colitis), Trilyte (colonoscopy prep), and Prefera (prenatal vitamins). Alaven also has several interesting product development opportunities, which are expected to launch over the next three years.

The purchase price is USD 350 million on a debt-free basis and is fully financed by Meda's existing credit facilities.

In line with earlier acquisitions, the intention is to swiftly integrate Alaven into Meda. This will involve non-recurring restructuring costs that will affect operating profit in the near term while improving future profitability. Meda's strategy is to increase its focus on specialty products, and the Alaven acquisition will ensure this in the US. These efforts will streamline and focus Meda's commercial operations. Synergies in 2011 are expected to be about USD 50 million in the US operations, and the acquisition is also expected to have a positive effect on Meda's net earnings in 2011. The acquired operation will be fully consolidated into the Meda Group as of Q4.

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

Meda acquired a portfolio of well-established OTC products from BioPhausia, a Swedish company. The products consist of strong brands such as Novalucol, Novalucid, C-vimin, and Resulax. The acquisition price is SEK 190 million.

Meda's ambition is to establish a strong position in the OTC area. Sales of Meda's OTC products have grown steadily in recent years and total more than SEK 2 billion.

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- **EZOGABINE GETS POSITIVE RESPONSE FROM FDA'S ADVISORY COMMITTEE**

The US Food and Drug Administration (FDA) advisory committee voted unanimously that clinical studies provide substantial evidence of the effectiveness of Ezogabine (known as Retigabine outside the US) for adjunctive treatment of adults with partial-onset seizures. After reviewing the safety data, the committee voted unanimously that infection and kidney stones did not require follow-up, while the majority of committee members voted for monitoring of urinary retention.

Retigabine has a documented effect on epilepsy with an action mechanism that differs from current antiepileptic therapies through a new method of affecting potassium channels in the central nervous system.

The FDA does not have to follow the advice of the advisory committee, though it usually does in the approval of new drugs. The FDA extended the Prescription Drug User Fee Act goal date for Ezogabine three months to November 30, 2010. The European Medicines Agency is also reviewing Retigabine.

Valeant Pharmaceuticals International, Meda's partner for Retigabine, has a global partnership agreement with pharmaceutical company GlaxoSmithKline for the commercialization of Retigabine. Meda is entitled to royalties on global sales and certain milestone payments from Valeant for Retigabine.

EVENTS AFTER THE REPORTING DATE

- **MEDA ACQUIRES GLOBAL RIGHTS TO MUSE**

Meda has acquired the global rights to MUSE (alprostadil), a well-established product for treating erectile dysfunction.

Meda has had the distribution rights to MUSE in Europe for many years. Meda will now assume the global rights and all assets relating to the product. The largest market is the US where annual sales are about USD 15 million.

The acquisition price is an upfront payment of USD 22 million and a potential sales milestone payment of USD 1.5 million based on future sales of MUSE. The transaction is subject to standard closing requirements and is expected to close in Q4.

- **EUROPEAN APPROVAL FOR BREAKYL**

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. Breakyl uses a unique patented delivery system designed to ensure rapid and reliable delivery of fentanyl. The product consists of a small dissolvable film which is applied to the buccal (inner lining of cheek) membranes. National registration processes will now follow in the individual countries. Throughout 2011, the major European countries are expected to issue marketing authorizations for Breakyl. Thereafter, prices will be negotiated on a national level. Breakyl has also recently been approved in Canada and the US under the trademark Onsolis.

- **NEW DRUG APPLICATION FOR ONSOLIS SUBMITTED IN AUSTRALIA**

Meda's joint venture with Valeant in Australia has submitted an application for Onsolis to the Therapeutic Goods Administration, the Australian pharmaceutical authority.

FORECAST

This forecast is provided 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 for full-year 2010."

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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 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 transaction costs, conditional (contingent) considerations, and step acquisitions. The revision will not affect previously completed acquisitions but will affect recognition of future transactions.

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.

2010 YEAR-END REPORT

The 2010 year-end report will be presented on February 14, 2011.

The board of directors and CEO hereby confirm that this interim report provides a true and fair view of the parent company's and Group's operations, position and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

Stockholm, November 3, 2010

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*	

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The company's auditors did not review this interim report.

Group consolidated income statement

SEKm	January–September			July–September			January–December
	2010	2009	Change	2010	2009	Change	2009
Net sales	8,561	9,918	-14%	2,575	3,017	-15%	13,178
Cost of sales	-3,059	-3,351		-946	-1,060		-4,462
Gross profit	**5,502**	**6,568**	**-16%**	**1,629**	**1,958**	**-17%**	**8,716**
Other income	429	-		-	-		-
Selling expenses	-1,678	-2,163		-513	-589		-2,931
Medical and business development expenses[1)]	-1,596	-1,608		-539	-568		-2,175
Administrative expenses	-456	-521		-153	-166		-708
Operating profit (EBIT)	**2,201**	**2,275**	**-3%**	**424**	**634**	**-33%**	**2,902**
Net financial items	-418	-485		-133	-141		-618
Profit for the period after net financial items (EBT)	**1,783**	**1,790**	**0%**	**291**	**493**	**-41%**	**2,284**
Tax	-534	-586		-81	-156		-747
Net income	**1,249**	**1,205**	**4%**	**210**	**338**	**-38%**	**1,537**
Profit/loss attributable to:							
Parent company shareholders	1,260	1,205		215	338		1,539
Minority interest	-11	-		-5	-		-2
	1,249	**1,205**		**210**	**338**		**1,537**
[1)] Of which amortization of product rights	-1,202	-982		-415	-341		-1,354
EBITDA	**3,486**	**3,356**		**866**	**1,007**		**4,387**
Amortization, product rights	-1,202	-982		-415	-341		-1,354
Depreciation and amortization, other	-83	-99		-27	-32		-131
Operating profit (EBIT)	**2,201**	**2,275**		**424**	**634**		**2,902**
EBITDA (excluding non-recurring effects)	**3,057**	**3,356**	**-9%**	**866**	**1,007**	**-14%**	**4,518**

Key ratios related to earnings							
Operating margin, %	25.7	22.9		16.5	21.0		22.0
Profit margin, %	20.8	18.0		11.3	16.3		17.3
EBITDA, %	40.7	33.8		33.6	33.4		33.3
EBITDA (excluding non-recurring effects)	35.7	33.8		33.6	33.4		34.3
Return on capital employed, rolling 12 months, %	10.8	10.2					10.0
Return on equity, rolling 12 months, %	11.7	11.5					11.4

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Group statement of comprehensive income

SEKm	January–September		July–September		January–December
	2010	2009	2010	2009	2009
Net income	**1,249**	**1,205**	**210**	**338**	**1,537**
Translation difference	-1,326	-1,370	-1,116	-1,131	-1,233
Net investment hedge, after tax	483	268	373	232	254
Cash flow hedges, after tax	61	21	19	24	40
Other comprehensive income for the period, net of tax	**-782**	**-1,081**	**-724**	**-875**	**-939**
Total comprehensive income	**467**	**124**	**-514**	**-537**	**598**
Profit/loss attributable to:					
Parent company shareholders	478	124	-509	-537	600
Minority interest	-11	-	-5	-	-2
	467	**124**	**-514**	**-537**	**598**

Share data

	January–September		July–September		January–December
	2010	2009	2010	2009	2009
Earnings per share					
Basic earnings per share, SEK	4.13	3.99	0.69	1.12	5.09
Diluted earnings per share, SEK	4.13	3.99	0.69	1.12	5.09
Average number of shares					
basic (thousands)	302,243	302,243	302,243	302,243	302,243
diluted (thousands)	302,243	302,243	302,243	302,243	302,243
Number of shares on closing day					
basic (thousands)	302,243	302,243	302,243	302,243	302,243
diluted (thousands)	302,243	302,243	302,243	302,243	302,243

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Group consolidated balance sheet

SEKm	September 30 2010	September 30 2009	December 31 2009
ASSETS			
Non-current assets			
- Property, plant, and equipment	745	865	854
- Intangible[1)]	25,249	27,652	27,453
- Other non-current assets	501	832	883
Non-current assets	**26,495**	**29,349**	**29,190**
Current assets			
- Inventories	1,504	1,679	1,666
- Current receivables	1,976	2,118	2,091
- Cash and cash equivalents	342	68	76
Current assets	3,822	3,864	3,833
Total assets	**30,317**	**33,213**	**33,023**
EQUITY AND LIABILITIES			
Equity	**13,829**	**13,186**	**13,664**
Non-current liabilities			
- Borrowings	6,302	9,005	10,200
- Pension obligations	783	874	882
- Deferred tax liabilities	2,156	2,425	2,349
- Other liabilities, non-interest-bearing	308	427	415
Non-current liabilities	**9,549**	**12,731**	**13,846**
Current liabilities			
- Borrowings	4,366	4,406	2,478
- Short-term, non-interest-bearing	2,573	2,890	3,035
Current liabilities	6,939	7,296	5,513
Total equity and liabilities	**30,317**	**33,213**	**33,023**
[1)] Of which goodwill	12,154	13,174	13,260

Key ratios affecting balance sheet	September 30 2010	September 30 2009	December 31 2009
Net debt	11,096	14,195	13,467
Net debt/equity ratio, times	0.8	1.1	1.0
Equity/assets ratio, %	45.6	39.7	41.4
Equity per share, SEK (at end of period)	45.8	43.6	45.2

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Group consolidated cash flow statement

SEKm	January–September		July–September		January-December
	2010	2009	2010	2009	2009
Cash flow from operating activities					
Profit after financial items	1,783	1,790	291	493	2,284
Adjustments for items not included in cash flow	884	988	356	375	1,392
Net change in pensions	-19	-8	-15	-8	-4
Net change in other provisions	-130	-122	-43	-12	-23
Income taxes paid	-487	-385	-221	-142	-562
Cash flow from operating activities before change in working capital	**2,031**	**2,263**	**368**	**707**	**3,087**
Cash flow from change in working capital					
Inventories	-4	-82	-23	-62	-85
Receivables	195	137	219	29	160
Liabilities	-347	-155	-199	-61	-38
Cash flow from operating activities	**1,875**	**2,163**	**365**	**613**	**3,124**
Cash flow from investing activities	-141	-457	163	-310	-518
Cash flow from financing activities	-1,460	-1,833	-428	-446	-2,724
Cash flow for the period	**274**	**-127**	**100**	**-144**	**-118**
Cash and cash equivalents at period's start	76	198	246	214	198
Exchange rate difference for cash and cash equivalents	-8	-3	-4	-3	-4
Cash and cash equivalents at period's end	**342**	**68**	**342**	**68**	**76**
Key ratios related to cash flow					
Free cash flow, SEK million	1,825	2,081	336	579	3,006
Cash earnings per share, SEK	6.04	6.88	1.11	1.91	9.95

Group change in equity

SEKm	September 30	September 30	December 31
	2010	2009	2009
Opening balance, equity	**13,664**	**13,290**	**13,290**
Dividend	-302	-227	-227
New share issue, preferential	-	-1	-1
Change in minority share, net	-11	-	2
Total comprehensive income	478	124	600
Closing balance, equity	**13,829**	**13,186**	**13,664**

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Information on geographic markets

SEKm	January–September		July–September		January–December
	2010	2009	2010	2009	2009
External net sales					
Northern Europe	1,177	1,233	381	399	1,666
Central and eastern Europe	2,718	2,784	846	852	3,656
Western Europe	2,707	3,184	826	996	4,143
US	1,361	2,057	341	570	2,749
Export markets	438	482	126	156	646
Unallocated sales	160	178	55	44	318
	8,561	**9,918**	**2,575**	**3,017**	**13,178**
EBITDA					
Northern Europe	455	513	148	166	672
Central and eastern Europe	1,130	1,067	352	308	1,346
Western Europe	1,176	1,411	351	450	1,796
US	544	916	94	291	1,249
Export markets	153	179	33	61	248
Unallocated sales	28	-730	-112	-269	-924
	3,486[1)]	**3,356**	**866**	**1,007**	**4,387**[2)]

1) Including non-recurring effects of SEK 429 million.

2) Including restructuring costs of SEK 131 million.

SALES TRENDS FOR GEOGRAPHIC REGIONS

Northern Europe

Sales for January-September were down 2% 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 Q3 fell 2% in fixed exchange rates.

Central and eastern Europe

Sales for January-September increased 7% 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 8% sales increase in fixed exchange rates during the third quarter.

Western Europe

Sales for January-September were down 6% in fixed exchange rates compared to the same period last year. In Q3, sales in fixed exchange rates fell 8%, which is mainly attributable to mandatory price cuts and lower volumes in the Spanish market.

US

Sales for January-September dropped 29% in fixed exchange rates compared to the same period last year. At fixed exchange rates, sales decreased 41% during Q3. The decline at fixed exchange rates is especially related to lower sales of Astelin and Optivar.

Export markets

Exchange rate fluctuations had a negative effect of SEK 34 million on sales for January-September and of SEK 11 million in Q3 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 positively affect Meda in several respects, in both the short and long term. Meda's therapeutic focus will expand to include gastroenterology and women's health in the US, areas in which Meda already operates outside the US. In addition, Alaven provides a strategic OTC platform that accounts for approximately 25% of its total sales. The acquisition further diversifies Meda's revenue base in the US and serves as a platform for commercializing 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 amount to about SEK 5 million.

Preliminary data on acquired net assets and goodwill follows. The acquisition calculation will be finalized when the valuation of assets, operating capital, and contingent liabilities is complete.

Preliminary acquisition calculation:

	SEKm
Acquisition value	1,851
Fair value of acquired net assets	-589
Goodwill	**1,263**

The goodwill is attributable to additional future product and market opportunities connected to the OTC strategic platform acquired, and to the extension of Meda's therapy areas that result from the acquisition.

The acquisition included these assets and liabilities:

SEKm	**Fair value**
Property, plant, and equipment	20
Product rights	1,444
Deferred tax assets	82
Other non-current receivables	3
Inventories	74
Trade receivables	87
Other receivables	4
Tax asset	26
Prepayments and accrued income	35
Cash and cash equivalents	24
Deferred tax liabilities	-471
Other non-current liabilities	-17
Trade payables	-10
Other liabilities	-3
Accruals and deferred income	-153
Borrowings	-556
Acquired net assets	589
Goodwill	1,263
Total purchase consideration	**1,851**
Cash and cash equivalents in acquired entities	-24
Change in Group cash and cash equivalents at acquisition	**1,827**

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Condensed income statement for the parent company

SEKm	January–September 2010	2009
Net sales	2,656	2,801
Cost of sales	-1,210	-1,176
Gross profit	**1,446**	**1,625**
Other operating income	113	123
Selling expenses	-279	-165
Medical and business development expenses	-562	-653
Administrative expenses	-104	-118
Operating profit (EBIT)	**614**	**812**
Net financial items	741	2,420
Profit for the period after net financial items (EBT)	**1,355**	**3,232**
Appropriations and tax	-387	-510
Net income	**968**	**2,722**

Condensed balance sheet for the parent company

SEKm	September 30 2010	December 31 2009
ASSETS		
Non-current assets		
- Intangible	7,099	7,062
- Property, plant, and equipment	1	1
- Financial	18,856	20,432
Total non-current assets	**25,956**	**27,495**
Current assets		
- Inventories	217	189
- Current receivables	853	456
- Cash and bank balances	232	10
Total current assets	1,302	655
Total assets	**27,258**	**28,150**
EQUITY AND LIABILITIES		
Restricted equity	3,477	3,477
Non-restricted equity	8,938	8,211
Total equity	**12,415**	**11,688**
Untaxed reserves	1,935	1,552
Provisions	96	56
Non-current liabilities	6,304	9,857
Current liabilities	6,508	4,997
Total equity and liabilities	**27,258**	**28,150**

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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 less 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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