



## Meda AB (publ) – Interim report, January-September 2011

- Group net sales reached SEK 9,400 million (8,561). At fixed currency rates, sales increased 19%.
- EBITDA rose to SEK 3,493 million (3,057<sup>1</sup>), corresponding to a 37.2% margin (35.7<sup>1</sup>). At fixed currency rates, EBITDA increased 24%<sup>1</sup>.
- Operating profit amounted to SEK 1,986 million (1,772<sup>1</sup>).
- Profit after tax totaled SEK 1,098 million (1,249). Excluding non-recurring effects, profit after tax totaled SEK 1,098 million (940<sup>2</sup>).
- Earnings per share reached SEK 3.63 (4.13). Excluding non-recurring effects, earnings per share totaled SEK 3.63 (3.11<sup>2</sup>).
- Cash earnings per share rose to SEK 7.13 (6.04).
- Strong profit increase in Q3. EBITDA up by 36% to SEK 1,174 million (866). EBIT increased 51% to SEK 641 million (424), and net profit rose 64% to SEK 345 million (210).
- Forecast for full-year 2011:

*“The Meda Group expects to achieve sales of about SEK 12,700 million and an EBITDA of about SEK 4,700 million for full-year 2011.”*

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<sup>1</sup> Excluding non-recurring revenue of SEK 429 million in Q2 2010.

<sup>2</sup> Excluding non-recurring revenue of SEK 429 million in Q2 2010 and its related tax effect.

## CEO'S COMMENTS

The third quarter is typically the weakest quarter for Meda due to lower activity in the summer months. However, the difference from other quarters is not as great this year. A strong start for our partnership with Valeant for Elidel and other products in North America is a contributing factor.

The negative growth for medicines in the southern European markets continues. But outside these markets Meda is in a very exciting position with growth potential. We are entering new growth markets, launching new drugs, and increasing investments in OTC drugs.

Meda's establishment in new markets continues to improve. So far this year, we have begun establishing commercial companies in markets such as Australia, China, South Africa, as well as additional countries in the Balkans and Middle East. Furthermore, partnerships are expected to contribute strongly with royalty revenues from products like Retigabine.

In the fourth quarter, we will continue preparations for launching new products with great potential, such as Dymista. In the OTC area, SB12 and Nalox will be launched at a fast pace in more than ten new markets. All in all, this means increased investments in marketing that are already being seen in the third quarter. These investments will begin to bear fruit next year, but this quarter we can already note that Meda's Nordic OTC sales to consumers grew 11% (pro forma) compared to the same quarter last year.

Anders Lönner

Group President and CEO

## SALES

For information on sales for major products, see the table on page 17. Definitions concerning geographic regions and product categories are presented on page 19.

### January-September

Net sales for the period rose 10% to SEK 9,400 million (8,561). At fixed currency rates, sales increased 19%.

### **Sales by geographic area**

<i>SEK million</i>	Jan-Sep 2011	Jan-Sep 2010	INDEX	INDEX (FIXED EXCHANGE RATES)
Western Europe	5,974	5,929	101	107
USA	1,930	1,364	141	161
Emerging Markets	1,194	1,108	108	120
Other Sales	302	160	189	201
Total sales	9,400	8,561	110	119

Sales in **Western Europe** for the period were SEK 5,974 million (5,929), representing a 7% increase at fixed exchange rates. Spain and Italy showed negative underlying growth year-on-year as a result of the economic crisis. This was partially offset by the continued positive growth in France, the UK, the Netherlands, and Belgium.

**USA** sales amounted to SEK 1,930 million (1,364), representing a 61% increase at fixed exchange rates. The increase is entirely related to acquisitions. The underlying growth for the period was negative as a result of Astelin's generic competition beginning in H2 2010.

Sales in **Emerging Markets** amounted to SEK 1,194 million (1,108), representing a 20% increase at fixed exchange rates. Growth during the period was driven by markets in Eastern Europe and Turkey.

**Other Sales** amounted to SEK 302 million (160).

#### Sales by product category

SEK million	Jan-Sep 2011	Jan-Sep 2010	INDEX	INDEX (FIXED EXCHANGE RATES)
Branded Generics	1,125	891	126	136
Specialty Products	5,989	6,001	100	109
OTC	1,854	1,378	135	144
Other Sales	432	291	149	157
Total sales	9,400	8,561	110	119

Sales in **Branded Generics** rose to SEK 1,125 million (891), representing a 36% increase at fixed exchange rates.

**Specialty Products** amounted to SEK 5,989 million (6,001), representing a 9% increase at fixed exchange rates. Underlying growth in this category was slightly negative as a result of generic competition for Astelin in the US.

**OTC** sales amounted to SEK 1,854 million (1,378), representing a 44% increase at fixed exchange rates. The increase relates primarily to acquired products but also to positive underlying growth.

**Other Sales** amounted to SEK 432 million (291).

#### July-September

Net sales for Q3 rose 25% to SEK 3,223 million (2,575). At fixed currency rates, sales increased 31%.

#### Sales by geographic area

SEK million	Q3 2011	Q3 2010	INDEX	INDEX (FIXED EXCHANGE RATES)
Western Europe	2,021	1,830	110	113
USA	686	343	200	221
Emerging Markets	379	347	109	119
Other Sales	137	55	249	261
Total sales	3,223	2,575	125	131

Sales in **Western Europe** in Q3 were SEK 2,021 million (1,830), representing a 13% increase at fixed exchange rates.

**USA** sales amounted to SEK 686 million (343), representing a 121% increase at fixed exchange rates. Growth increased further during the quarter as a result of the recent out-licensing agreement for Elidel and Xerese on the

North American market. Related royalty revenue for Q3 amounted to SEK 161 million. Underlying growth was slightly negative year-on-year, which is explained by lower sales for Astelin and Soma.

Sales in **Emerging Markets** amounted to SEK 379 million (347), representing a 19% increase at fixed exchange rates. Growth in Turkey recovered compared with last quarter, while it decreased in Russia.

**Other Sales** amounted to SEK 137 million (55). Service revenues related to marketing and transfer of Elidel and Xerese to Valeant in North America amounted to SEK 90 million.

#### Sales by product category

SEK million	Q3 2011	Q3 2010	INDEX	INDEX (FIXED EXCHANGE RATES)
Branded Generics	364	277	131	139
Specialty Products	2,028	1,755	116	122
OTC	651	451	144	149
Other Sales	180	92	195	202
Total sales	3,223	2,575	125	131

Sales in **Branded Generics** rose to SEK 364 million (277), representing a 39% increase at fixed exchange rates. Molaxole in Western Europe and the generic variants of azelastine and carisoprodol in the US accounted for the largest growth.

**Specialty Products** amounted to SEK 2,028 million (1,755), representing a 22% increase at fixed exchange rates. Underlying growth was somewhat negative for the period, being held back by lower sales of Astelin, Soma, and other products in the US and of Marcoumar in Western Europe.

**OTC** sales amounted to SEK 651 million (451), representing a 49% increase at fixed exchange rates. Meda's OTC portfolio in the Nordic countries showed great improvement. Market sales increased 11% pro forma compared with the same quarter last year.

**Other Sales** totaled SEK 180 million (92) and included service revenues of SEK 90 million related to marketing and transfer of Elidel and Xerese to Valeant in North America.

## PROFIT

### Operating profit

Operating profit for January-September decreased to SEK 1,986 million (2,201). At fixed exchange rates and excluding non-recurring revenue, operating profit increased to SEK 2,222 million (1,772<sup>2</sup>).

EBITDA for the same period increased to SEK 3,493 million (3,486), yielding a 37.2% margin (40.7). EBITDA, excluding currency effects and non-recurring effects, was SEK 3,796 million (3,057<sup>5</sup>), yielding a 37.3% margin (35.7).

Operating expenses for January-September amounted to SEK 4,002 million (3,730). Excluding currency effects and depreciation and amortization, the increase arose from acquired operations.

<sup>2</sup> Excluding non-recurring revenue of SEK 429 million in Q2 2010.

Operating profit for July-September reached SEK 641 million (424), corresponding to a 51% increase. At fixed exchange rates, the increase was 61%.

EBITDA for the same period increased to SEK 1,174 million (866), yielding a 36.4% margin (33.6). EBITDA, excluding currency effects, was SEK 1,232 million (866), yielding a 36.5% margin (33.6).

Selling expenses for Q3 amounted to SEK 617 million (513), which is a 4% increase compared with last quarter. This is related to increased investments in OTC and allergy products in the US. Medicine and business development expenses for Q3 amounted to SEK 633 million (539). Administrative expenses for Q3 decreased to SEK 151 million (153).

The following table shows a condensed income statement in which 2011's income statement items are translated to 2010's exchange rates.

<b>FIXED EXCHANGE RATES</b>						
	<b>January-September</b>			<b>July-September</b>		
	<b>2011</b>	<b>2010</b>	<b>Index</b>	<b>2011</b>	<b>2010</b>	<b>Index</b>
<b>Net sales</b>	<b>10,173</b>	<b>8,561</b>	<b>119</b>	<b>3,377</b>	<b>2,575</b>	<b>131</b>
<b>Gross profit</b>	<b>6,494</b>	<b>5,502</b>	<b>118</b>	<b>2,143</b>	<b>1,629</b>	<b>132</b>
<i>Gross margin, %</i>	<i>64%</i>	<i>64%</i>		<i>63%</i>	<i>63%</i>	
Operating expenses	-4,272	-3,730		-1,462	-1,205	
<b>EBIT</b>	<b>2,222</b>	<b>1,772<sup>3</sup></b>	<b>125</b>	<b>681</b>	<b>424</b>	<b>161</b>
<i>EBIT margin, %</i>	<i>22%</i>	<i>21%<sup>2</sup></i>		<i>20%</i>	<i>16%</i>	
Depreciation and amortization	-1,574	-1,285		-551	-442	
<b>EBITDA</b>	<b>3,796</b>	<b>3,057<sup>2</sup></b>	<b>124</b>	<b>1,232</b>	<b>866</b>	<b>142</b>
<i>EBITDA margin, %</i>	<i>37%</i>	<i>36%<sup>2</sup></i>		<i>36%</i>	<i>34%</i>	
Net financial items	-478	-418		-186	-133	
<b>EBT</b>	<b>1,744</b>	<b>1,354<sup>2</sup></b>	<b>129</b>	<b>495</b>	<b>291</b>	<b>170</b>
Tax	-493	-414 <sup>4</sup>		-126	-82	
<i>Tax, %</i>	<i>28%</i>	<i>31%<sup>3</sup></i>		<i>25%</i>	<i>28%</i>	
<b>Net profit</b>	<b>1,251</b>	<b>940<sup>5</sup></b>	<b>133</b>	<b>369</b>	<b>209</b>	<b>177</b>

### Financial items

The Group's net financial items for January-September were SEK -455 million (-418). The average interest rate at September 30, 2011, was 3.7% (4.2).

<sup>3</sup> Excluding non-recurring revenue of SEK 429 million in Q2 2010.

<sup>4</sup> Excluding tax on non-recurring revenue.

<sup>5</sup> Excluding non-recurring revenue of SEK 429 million in Q2 2010 and its related tax effect.

Profit after net financial items for the same period totaled SEK 1,531 million (1,783). Excluding non-recurring effects, profit after net financial items was SEK 1,531 million (1,354).

Group net financial items for Q3 were SEK -178 million (-133). Net financial items for last quarter amounted to SEK -154 million. The difference between the second and third quarters is attributable to increased interest expenses resulting from recent acquisitions.

Profit after net financial items for Q3 totaled SEK 463 million (291).

### **Net profit and earnings per share**

Net profit for January-September totaled SEK 1,098 million (1,249). Excluding non-recurring effects, net profit totaled SEK 1,098 million (940<sup>6</sup>).

Group tax expense for the same period amounted to SEK 433 million (534), equivalent to a tax rate of 28.3% (29.9).

Earnings per share for January-September were SEK 3.63 (4.13). Excluding non-recurring effects, earnings per share totaled SEK 3.63 (3.11<sup>6</sup>).

Net profit for July-September rose to SEK 345 million (210).

Group tax expense for the same period amounted to SEK 118 million (81), equivalent to a tax rate of 25.5% (27.8).

Earnings per share for July-September reached SEK 1.14 (0.69).

### **CASH FLOW**

Cash flow from operating activities, before changes in working capital, for January-September increased to SEK 2,389 million (2,031). Cash flow from changes in working capital for the same period was SEK -175 million (-156). Inventory build-up for new products contributed to a negative cash flow from inventories of SEK -211 million. Receivables had a negative effect on cash flow of SEK -384 million as a result of higher sales and longer credit periods on average in some markets in Southern and Eastern Europe. Debts had a positive effect on cash flow of SEK 420 million. The effect is attributable to a general increase in trade payables, an increase in deferred income from the June agreement with Valeant, and longer payment terms on average. Accordingly, cash flow from operating activities amounted to SEK 2,214 million (1,875) year-to-date.

Cash flow from investing activities amounted to SEK -4,867 million (-141) for January-September. Two OTC products were acquired early this year for the US market. Antula, Elidel, and all rights to Xerese in North America were acquired in Q2. In Q3, European licensing rights were acquired for Nalox, an OTC product.

Cash flow from financing activities was SEK 2,750 million (-1,460) for January-September.

Cash earnings per share for January-September were SEK 7.13 (6.04).

Cash flow from operating activities before changes in working capital for Q3 amounted to SEK 843 million (368).

Working capital increased by SEK 203 million in Q3 as a result of a higher wholesale inventory level and higher receivables. The increase in receivables is attributable to royalty revenue for Q3 related to the Valeant agreement, for which payment was received in early October. Accordingly, cash flow from operating activities amounted to SEK 640 million (365) in Q3.

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<sup>6</sup> Excluding non-recurring revenue of SEK 429 million in Q2 2010 and its related tax effect.

Cash flow from investing activities amounted to SEK -92 million (163) and cash flow from financing activities was SEK -467 million (-428) in Q3.

Cash earnings per share reached SEK 2.03 (1.11) in Q3.

## **FINANCING**

On 30 September, equity stood at SEK 14,705 million, compared to SEK 13,925 million at the year's start, which corresponds to SEK 48.7 (46.1) per share. The equity/assets ratio was 37.8% compared to 41.5% at the start of the year.

The Group's net debt stood at SEK 17,322 million on September 30, compared to SEK 13,524 million at the year's start.

## **PARENT COMPANY**

Net sales for January-September reached SEK 3,268 million (2,656), of which intra-Group sales represented SEK 2,137 million (2,118).

Profit before appropriations and tax reached SEK 2,319 million (1,355).

Net financial items amounted to SEK 1,738 million (741).

Cash and cash equivalents amounted to SEK 0 compared to SEK 0 at year-end 2010.

Investments in intellectual property rights during January-September were SEK 245 million (513), and investments in property, plant, and equipment totaled SEK 0 (0).

Non-current financial assets stood at SEK 24,297 million, compared to SEK 19,433 million at year-end 2010.

## **AGREEMENTS AND KEY EVENTS**

- **SUBLINOX APPROVED IN CANADA**

Health Canada, the Canadian regulatory authority, has approved Sublinox for the treatment of sleep disorders. Sublinox is a new patented sublingual drug with the well-established active substance zolpidem. Sublinox will be commercialized by Meda Valeant Pharma Canada Inc., the joint venture company formed by Meda and Valeant in Canada. The launch is planned for Q4 2011.

- **MEDA IN-LICENSES NALOX IN EUROPE**

Meda has in-licensed exclusive rights to Nalox (treatment of nail fungus/nail psoriasis) from Moberg Derma AB. Meda has quickly established Nalox as the market leader in the Nordic countries. The new agreement includes several large European countries such as Germany, France, the UK, Spain, Austria, Holland, and Belgium.

## **EVENTS AFTER THE REPORTING DATE**

- **NEW DRUG APPLICATION FOR DYMISTA SUBMITTED IN EUROPE**

A new drug application for Dymista, which is a new formulation of azelastine hydrochloride and fluticasone propionate, has been submitted in Europe. The application is based on a decentralized process, and Germany is the reference country. Dymista is a nasal spray for treating moderate to severe allergic rhinitis and

rhinoconjunctivitis. Efficacy and safety were documented in several studies with more than 4,000 patients, including a long-term study of more than 600 patients.

- **NOMINATION COMMITTEE APPOINTED**

A nomination committee was appointed as per the policies adopted at the 2011 annual general meeting. Members of the nomination committee are:

Karl-Magnus Sjölin, committee chair, Stena Sessan Rederi AB  
Bert Åke Eriksson, Meda's board chairman, Stena Sessan Rederi AB  
Evert Carlsson, Swedbank Robur Funds  
Bengt Belfrage, Nordea's Funds  
Marcus Lüttgen, Alecta Pension Insurance

## **FORECAST**

The forecast for full-year 2011 is:

"The Meda Group expects to achieve sales of about SEK 12,700 million and an EBITDA of about SEK 4,700 million for full-year 2011."

## **RISKS AND UNCERTAINTIES**

The Meda Group's business is exposed to financial risks. Meda's 2010 annual report describes the company's management of these risks on pp. 86-88. 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, results of clinical trials, key individuals and recruitment, product liability, patents, and trademarks. The 2010 annual report describes these types of risks (pp. 132-134).

## **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. The Group uses the same accounting policies as applied in the 2010 annual report. Further information about Group reporting and valuation principles is detailed in Note 1 on pp. 82-85 of the 2010 annual report.

### **Parent company**

The parent company applies RFR 2 Accounting for Legal Entities.



## 2011 YEAR-END REPORT

The 2011 year-end report will be presented on February 17, 2012.

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 2, 2011

Bert-Åke Eriksson  
*Board chairman*

Peter Claesson  
*Board member*

Marianne Hamilton  
*Board member*

Tuve Johannesson  
*Board member*

Maria Carell  
*Board member*

Peter von Ehrenheim  
*Board member*

Anders Lönner  
*CEO*

Anders Waldenström  
*Board member*

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

## FORWARD-LOOKING STATEMENTS

*This report is not an offer to sell or a solicitation to buy shares in Meda. This report also contains certain forward-looking statements with respect to certain future events and Meda's potential financial performance. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and may sometimes include words such as "may", "will", "seek", "anticipate", "expect", "estimate", "intend", "plan", "forecast", "believe", or other words of similar meaning. These forward-looking statements reflect the current expectations on future events of the management at the time such statements are made, but are made subject to a number of risks and uncertainties. In the event such risks or uncertainties materialize, Meda's results could be materially affected. The risks and uncertainties include, but are not limited to, risks associated with the inherent uncertainty of pharmaceutical research and product development, manufacturing and commercialization, the impact of competitive products, patents, legal challenges, government regulation and approval, Meda's ability to secure new products for commercialization and/or development, and other risks and uncertainties detailed from time to time in Meda AB's interim or annual reports, prospectuses, or press releases. Listeners and readers are cautioned that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Meda does not intend or undertake to update any such forward-looking statements.*

## Consolidated condensed income statement

SEK million	January-September			July-September			January-December
	2011	2010	Change	2011	2010	Change	2010
Net sales	9,400	8,561	10%	3,223	2,575	25%	11,571
Cost of sales	-3,412	-3,059		-1,181	-946		-4,156
<b>Gross profit</b>	<b>5,988</b>	<b>5,502</b>	<b>9%</b>	<b>2,042</b>	<b>1,629</b>	<b>25%</b>	<b>7,415</b>
Other income		429					429
Selling expenses	-1,727	-1,678		-617	-513		-2,436
Medicine and business development expenses <sup>1</sup>	-1,814	-1,596		-633	-539		-2,222
Administrative expenses	-461	-456		-151	-153		-657
<b>Operating profit (EBIT)</b>	<b>1,986</b>	<b>2,201</b>		<b>641</b>	<b>424</b>		<b>2,529</b>
Net financial items	-455	-418		-178	-133		-552
<b>Profit for the period after net financial items (EBT)</b>	<b>1,531</b>	<b>1,783</b>		<b>463</b>	<b>291</b>		<b>1,977</b>
Tax	-433	-534		-118	-81		-549
<b>Net profit</b>	<b>1,098</b>	<b>1,249</b>		<b>345</b>	<b>210</b>		<b>1,428</b>
<b>Profit/loss attributable to:</b>							
Parent company shareholders	1,103	1,260		347	215		1,444
Non-controlling interests	-5	-11		-2	-5		-16
<b>Net profit</b>	<b>1,098</b>	<b>1,249</b>		<b>345</b>	<b>210</b>		<b>1,428</b>
<sup>1</sup> Of which amortization of product rights	-1,413	-1,202		-499	-415		-1,660
<b>EBITDA</b>	<b>3,493</b>	<b>3,486</b>		<b>1,174</b>	<b>866</b>		<b>4,306</b>
Amortization, product rights	-1,413	-1,202		-499	-415		-1,660
Depreciation and amortization, other	-94	-83		-34	-27		-117
<b>Operating profit (EBIT)</b>	<b>1,986</b>	<b>2,201</b>		<b>641</b>	<b>424</b>		<b>2,529</b>
<b>EBITDA (excluding non-recurring effects)</b>	<b>3,493</b>	<b>3,057</b>	<b>14%</b>	<b>1,174</b>	<b>866</b>	<b>35%</b>	<b>4,074</b>
<b>Key ratios related to earnings</b>							
Operating margin, %	21.1%	25.7%		19.9%	16.5%		21.9%
Profit margin, %	16.3%	20.8%		14.4%	11.3%		17.1%
EBITDA, %	37.2%	40.7%		36.4%	33.6%		37.2%
EBITDA (excluding non-recurring effects)	37.2%	35.7%		36.4%	33.6%		35.2%
Return on capital employed, rolling 12 months, %	8.1%	10.8%					9.3%
Return on equity, rolling 12 months, %	9.0%	11.7%					10.4%

## Group statement of comprehensive income

SEK million	January-September		July-September		January-December
	2011	2010	2011	2010	2010
<b>Net profit</b>	<b>1,098</b>	<b>1,249</b>	<b>345</b>	<b>210</b>	<b>1,428</b>
Translation difference	541	-1,326	411	-1,116	-1,628
Net investment hedge, after tax	-262	483	-144	373	671
Cash flow hedges, after tax	-11	61	-27	19	92
<b>Other comprehensive income for the period, net of tax</b>	<b>268</b>	<b>-782</b>	<b>240</b>	<b>-724</b>	<b>-865</b>
<b>Total comprehensive income</b>	<b>1,366</b>	<b>467</b>	<b>585</b>	<b>-514</b>	<b>563</b>
<b>Profit/loss attributable to:</b>					
Parent company shareholders	1,371	478	588	-509	579
Non-controlling interests	-5	-11	-3	-5	-16
<b>Total comprehensive income</b>	<b>1,366</b>	<b>467</b>	<b>585</b>	<b>-514</b>	<b>563</b>

## Share data

	January-September		July-September		January-December
	2011	2010	2011	2010	2010
<b>Earnings per share</b>					
Basic earnings per share, SEK	3.63	4.13	1.14	0.69	4.72
Diluted earnings per share, SEK	3.63	4.13	1.14	0.69	4.72
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

## Consolidated condensed balance sheet

SEK million	September 30 2011	September 30 2010	December 31 2010
<b>ASSETS</b>			
Non-current assets			
- Property, plant, and equipment	799	745	788
- Intangible <sup>1</sup>	32,483	25,249	28,214
- Other non-current assets	739	501	624
<b>Non-current assets</b>	<b>34,021</b>	<b>26,495</b>	<b>29,626</b>
Current assets			
- Inventories	1,825	1,504	1,520
- Current receivables	2,858	1,976	2,305
- Cash and cash equivalents	207	342	111
<b>Current assets</b>	<b>4,890</b>	<b>3,822</b>	<b>3,936</b>
<b>Total assets</b>	<b>38,911</b>	<b>30,317</b>	<b>33,562</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>14,705</b>	<b>13,829</b>	<b>13,925</b>
Non-current liabilities			
- Borrowings	14,312	6,302	7,632
- Pension obligations	810	783	790
- Deferred tax liabilities	2,738	2,156	2,607
- Other liabilities, non-interest-bearing	302	308	316
<b>Non-current liabilities</b>	<b>18,162</b>	<b>9,549</b>	<b>11,345</b>
Current liabilities			
- Borrowings	2,424	4,366	5,226
- Short-term, non-interest-bearing	3,620	2,573	3,066
<b>Current liabilities</b>	<b>6,044</b>	<b>6,939</b>	<b>8,292</b>
<b>Total equity and liabilities</b>	<b>38,911</b>	<b>30,317</b>	<b>33,562</b>
<sup>1</sup> Of which goodwill	<b>14,629</b>	<b>12,154</b>	<b>13,235</b>
<b>Key ratios affecting balance sheet</b>			
Net debt	17 322	11 096	13 524
Net debt/equity ratio, times	1.2	0.8	1.0
Equity/assets ratio, %	37.8	45.6	41.5
Equity per share, SEK (at end of period)	48.7	45.8	46.1

## Group condensed cash flow statement

SEK million	January-September		July-September		January-December
	2011	2010	2011	2010	2010
<b>Cash flow from operating activities</b>					
Profit after financial items	1,531	1,783	463	291	1,977
Adjustments for items not included in cash flow	1,505	884	531	356	1,367
Net change in pensions	-2	-19	0	-15	0
Net change in other provisions	-134	-130	-38	-43	70
Income taxes paid	-511	-487	-113	-221	-680
<b>Cash flow from operating activities before change in working capital</b>	<b>2,389</b>	<b>2,031</b>	<b>843</b>	<b>368</b>	<b>2,734</b>
<b>Cash flow from change in working capital</b>					
Inventories	-211	-4	-96	-23	-15
Receivables	-384	195	-147	219	17
Liabilities	420	-347	40	-199	-200
<b>Cash flow from operating activities</b>	<b>2,214</b>	<b>1,875</b>	<b>640</b>	<b>365</b>	<b>2,536</b>
<b>Cash flow from investing activities</b>	<b>-4,867</b>	<b>-141</b>	<b>-92</b>	<b>163</b>	<b>-2,852</b>
<b>Cash flow from financing activities</b>	<b>2,750</b>	<b>-1,460</b>	<b>-467</b>	<b>-428</b>	<b>365</b>
<b>Cash flow for the period</b>	<b>97</b>	<b>274</b>	<b>81</b>	<b>100</b>	<b>49</b>
Cash and cash equivalents at period's start	111	76	124	246	76
Exchange-rate difference for cash and cash equivalents	-1	-8	2	-4	-14
<b>Cash and cash equivalents at period's end</b>	<b>207</b>	<b>342</b>	<b>207</b>	<b>342</b>	<b>111</b>
<b>Key ratios related to cash flow</b>					
Free cash flow, SEK million	2,155	1,825	615	336	2,465
Cash earnings per share, SEK	7.13	6.04	2.03	1.11	8.15

## Consolidated statement of changes in equity

SEK million	September	September	December
	30	30	31
	2011	2010	2010
<b>Opening balance, equity</b>	<b>13,925</b>	<b>13,664</b>	<b>13,664</b>
Dividend	-604	-302	-302
Change in minority share, net	13	-11	-16
Total comprehensive income	1,371	478	579
<b>Closing balance, equity</b>	<b>14,705</b>	<b>13,829</b>	<b>13,925</b>

## Information on geographic markets

SEK million	January-September		July-September		January-December
	2011	2010	2011	2010	2010
<b>External net sales</b>					
Northern Europe	1,339	1,177	462	381	1,595
Central and eastern Europe	2,739	2,718	913	846	3,624
Western Europe	2,639	2,707	878	826	3,527
USA	1,898	1,361	669	341	2,014
Export markets	483	438	164	126	592
Undistributed	301	160	136	55	219
	<b>9,400</b>	<b>8,561</b>	<b>3,223</b>	<b>2,575</b>	<b>11,571</b>
<b>EBITDA</b>					
Northern Europe	387	455	95	148	603
Central and eastern Europe	1,117	1,130	371	352	1,473
Western Europe	1,082	1,176	350	351	1,513
USA	1,061	544	364	94	684
Export markets	167	153	46	33	192
Undistributed	-321	28	-52	-112	-159
	<b>3,493</b>	<b>3,486</b>	<b>1,174</b>	<b>866</b>	<b>4,306</b>

## Acquisition of Antula

Meda announced its acquisition of Antula, a Nordic OTC company, on February 21, 2011. The acquisition gives Meda clear opportunities for growth, partly through Meda's and Antula's existing products, and partly through Antula's pipeline of new products. Through the integration with Meda, several of the products will have potential to become internationally strong brands.

The purchase consideration was SEK 1,800 million on a debt-free basis. Direct costs attributable to the acquisition total about SEK 0.5 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:

	SEK million
Acquisition value	1,617
Fair value of acquired net assets	-513
<b>Goodwill</b>	<b>1,104</b>

Goodwill is attributable to additional future product and market opportunities related to the strategic platform for OTC products that was acquired.

The acquisition included these assets and liabilities:

SEK million	Fair value
Product rights	911
Other non-current assets	8
Inventories	46
Trade receivables	91
Other receivables	17
Cash and cash equivalents	12
Deferred tax liabilities	-224
Trade payables	-74
Other liabilities	-145
Borrowings	-129
Acquired net assets	513
Goodwill	1,104
<b>Total purchase price</b>	<b>1,617</b>
Cash and cash equivalents in acquired entities	-12
<b>Change in Group cash and cash equivalents at acquisition</b>	<b>1,605</b>

### Condensed income statement for the parent company

SEK million	January-September	
	2011	2010
Net sales	3,268	2,656
Cost of sales	-1,776	-1,210
<b>Gross profit</b>	<b>1,492</b>	<b>1,446</b>
Other operating income	47	113
Selling expenses	-162	-279
Medicine and business development expenses	-704	-562
Administrative expenses	-92	-104
<b>Operating profit (EBIT)</b>	<b>581</b>	<b>614</b>
Net financial items	1,738	741
<b>Profit for the period after net financial items (EBT)</b>	<b>2,319</b>	<b>1,355</b>
Appropriations and tax	-525	-387
<b>Net profit</b>	<b>1,794</b>	<b>968</b>

### Condensed balance sheet for the parent company

SEK million	September	
	30 2011	December 31 2010
<b>ASSETS</b>		
Non-current assets		
- Intangible	8,025	8,379
- Property, plant, and equipment	1	1
- Financial	24,297	19,433
<b>Total non-current assets</b>	<b>32,323</b>	<b>27,813</b>
Current assets		
- Inventories	400	292
- Current receivables	1,390	1,180
- Cash and bank balances	0	0
<b>Total current assets</b>	<b>1,790</b>	<b>1,472</b>
<b>Total assets</b>	<b>34,113</b>	<b>29,285</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	3,477	3,477
Non-restricted equity	9,339	8,160
<b>Total equity</b>	<b>12,816</b>	<b>11,637</b>
Untaxed reserves	2,561	2,026
Provisions	54	101
Non-current liabilities	14,978	7,615
Current liabilities	3,704	7,906
<b>Total equity and liabilities</b>	<b>34,113</b>	<b>29,285</b>



## SALES

Sales for major products

<i>SEK million</i>	January-September				July-September			
	2011	2010	INDEX	INDEX (LC)	2011	2010	INDEX	INDEX (LC)
BETADINE	583	614	95	102	196	191	103	105
TAMBOCOR	570	604	94	101	186	189	98	101
ASTEPRO	304	321	95	108	96	96	100	111
ALDARA	303	321	94	101	102	102	100	103
MINITRAN	262	343	76	82	79	99	80	81
FELBATOL	246	135	182	209	80	44	182	208
ASTELIN	234	612	38	42	30	76	39	47
SOMA	218	274	80	91	64	92	70	78
ZAMADOL	189	240	79	85	59	74	80	84
MESTINON	182	189	96	104	61	60	102	106
RANTUDIL	177	205	86	99	54	50	108	128
THIOCTACID	176	131	134	152	51	63	81	88
FORMATRIS	164	161	102	109	54	51	106	108
MARCOUMAR	154	162	95	101	51	60	85	87
NOVOPULMON	137	138	99	106	40	41	97	98
SOLCO	130	142	92	98	52	45	116	118
MUSE	120	35	343	377	45	12	375	394
ETOFENAMATE	108	111	97	112	28	27	104	125
CALCIUM	108	109	99	102	37	36	103	104
SARGENOR	100	92	109	117	27	26	104	109

\*Index in local currency (fixed exchange rates)

## **DEFINITIONS**

### **Capital employed**

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

### **Cash earnings per share**

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

### **Earnings per share**

Net profit/loss per share.

### **EBITDA**

Earnings before interest, taxes, depreciation, and amortization.

### **EBITDA margin**

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

### **Equity/assets ratio**

Equity as a percentage of the balance sheet total.

### **Free cash flow**

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

### **Gross margin**

Gross profit/loss as a percentage of net sales. Gross profit/loss equals net sales less cost of sales.

### **Net debt**

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

### **Net debt/equity ratio**

Net debt divided by equity.

### **Operating margin**

Operating profit/loss as a percentage of net sales.

### **Profit margin**

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

### **Return on capital employed**

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

### **Return on equity**

Net profit/loss as a percentage of average equity.

## DEFINITIONS RELATED TO SALES COMMENTS

### Sales by geographic area

**Western Europe** – Western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia, and Hungary

**USA** – includes Canada

**Emerging markets** – Eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, and Hungary, along with Turkey, the Middle East, Mexico, and other non-European markets

**Other Sales** – Revenue from contract manufacturing, services, and other income

### Sales by product category

**Branded Generics** – Non-patented prescription pharmaceuticals with brand names

**Specialty Products** - Original prescription pharmaceuticals and specialty products

**OTC** – Over-the-counter products

**Other Sales** – Revenue from med-tech products and income not related to products