



## Meda AB (publ) – Year-end report, January - December 2012

### Full year 2012

- Group net sales reached SEK 12,991 million (12,856). At fixed exchange rates, sales increased 3%.
- EBITDA amounted to SEK 3,935 million (4,683), corresponding to a 30.3% margin (36.4).
- Operating profit amounted to SEK 1,791 million (2,644).
- Profit after tax totaled SEK 1,180 million (1,608). Excluding non-recurring effects, profit after tax totaled SEK 1,001<sup>1</sup> million (1,480<sup>2</sup>).
- Earnings per share reached SEK 4.00 (5.35). Excluding non-recurring effects, earnings per share totaled SEK 3.41<sup>1</sup> (4.93<sup>2</sup>).
- Cash earnings per share reached SEK 8.84 (9.07).
- Proposed dividend per share: SEK 2.25 (2.25).

### Fourth quarter

- Group net sales decreased to SEK 3,195 million (3,456). At fixed exchange rates, sales decreased by 5%.
- EBITDA amounted to SEK 892 million (1,190), corresponding to a 27.9% margin (34.4).
- Operating profit amounted to SEK 349 million (658).
- Profit after tax totaled SEK 357 million (510). Excluding non-recurring effects, profit after tax totaled SEK 178<sup>1</sup> million (382<sup>2</sup>).
- Earnings per share reached SEK 1.21 (1.69). Excluding non-recurring effects, earnings per share totaled SEK 0.62<sup>1</sup> (1.28<sup>2</sup>).
- Cash earnings per share reached SEK 2.66 (1.94).

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<sup>1</sup> Excluding a positive non-recurring effect of SEK 179 million in Q4 2012 due to a reduction in the Swedish corporate tax rate.

<sup>2</sup> Excluding a positive non-recurring effect of SEK 128 million in Q4 2011 that refers to utilization of a non-capitalized loss carry-forward in the German operations.

## CEO STATEMENT

The 2012 fiscal year can be summarized as a year when Meda fully concentrated on continued growth within the boundaries of its business plan. We took carefully planned initiatives in new products and made investments into prioritized growth markets, and combined these with acquisitions of interesting product opportunities. Despite significantly higher investments in marketing in 2012, we have successfully maintained a free cash flow level equivalent to 2011 of SEK 2.7 billion. This represents free cash flow per share of SEK 8.84 (9.07).

The Dymista launch began in the US in the second half of 2012. We have received very positive feedback from prescribers and patients alike. It is still too early to draw any definite conclusions, but I am convinced that we are on the right track and that Dymista presents a unique prospect for the company. Dymista also received approval in Europe and we expect to begin introducing the product to specialists in specific large European markets during Q2 of 2013.

In 2012, we have also significantly expanded Meda's portfolio with additional interesting product launches. A handful of products have received new product approvals in Europe, such as Zyclara, Astepro, Onsolis and Edluar. In addition, we finalized several product acquisitions in the US. Meanwhile, we continue to use the company's global product potential in the OTC area to the best of their advantage, either alone or through partnerships with other pharmaceutical companies. OTC products display healthy growth figures and now comprise about 25 percent of Meda's total revenue. Another positive effect from this strategic direction is the continued decrease of Meda's dependency on subsidized drugs.

Efforts on prioritized growth markets are also continuing, which has led to a significant expansion in Meda's marketing organization. The marketing organizations in Meda's growth markets currently employ about 700 people, an expansion of 300 employees since the beginning of 2012. Meda's combined sales in all of growth markets comprises some 15 percent of the company's total turnover and are displaying robust growth. Russia, the Middle East and Turkey currently make up Meda's largest growth regions.

### The future

The pharmaceutical industry is faced with large challenges but Meda is part of segments that will have growth. In a world that is striving after lower pharmaceutical costs on several levels, production costs will become more important. Meda has a good foundation of internal and external production, but we will gradually search for cost effective solutions in production. Meda's strong cash flow allows us to continue to act to acquire interesting products and invest in prioritized markets.

Anders Lönner

Group President and CEO

## SALES

For information on sales trends for major products, see the table on page 17. Definitions of geographic regions and product categories are presented on page 20.

### January-December

Net sales for the period amounted to SEK 12,991 million (12,856). At fixed exchange rates, sales increased 3% and organic sales growth remained unchanged compared year-on-year.

### Sales by geographic area

(SEK million)	Jan-Dec 2012	Jan-Dec 2011	INDEX	INDEX (FIXED EXCHANGE RATES)	INDEX
Western Europe	8,452	8,052	105	107	103
USA	2,481	2,636	94	92	81
Emerging markets	1,834	1,633	112	115	111
Other sales	224	535	42	43	87
Total sales	12,991	12,856	101	103	100

Sales in **Western Europe** for the period were SEK 8,452 million (8,052), representing a 7% increase at fixed exchange rates. The underlying organic growth for the region amounted to 3%, driven by the launch of new OTC products as well as growth in Belgium, Britain, Germany and the Netherlands. The sales trend in southern Europe was weaker than last year.

**USA** sales amounted to SEK 2,481 million (2,636), representing an 8% decrease at fixed exchange rates and an organic sales decline of -19% for the period. Felbatol, Soma, Prefera and several other older products lost market share due to generic competition. Revenues from the cooperation agreement with Valeant totaled SEK 545 million.

Sales in **Emerging Markets** amounted to SEK 1,834 million (1,633), representing a 15% increase at fixed exchange rates. Organic growth amounted to 11%, primarily driven by good performance in Russia, the Middle East, and Mexico, as well as contributions from China and Brazil, which are new markets.

**Other Sales** amounted to SEK 224 million (535). The decrease compared to last year was mainly due to a cessation of service revenue from the cooperation agreement with Valeant and other non-recurring revenue.

### Sales by product category

(SEK million)	Jan-Dec 2012	Jan-Dec 2011	INDEX	INDEX (FIXED EXCHANGE RATES)	INDEX
Specialty Products	8,107	8,117	100	101	97
OTC	3,023	2,499	121	123	111
Branded Generics	1,454	1,529	95	96	97
Other sales	407	711	57	59	88
Total sales	12,991	12,856	101	103	100

Sales in **Specialty Products** amounted to SEK 8,107 million (8,117), representing a 1% increase at fixed exchange rates. Growth in this category is attributable to acquired products, since organic growth for the period amounted to -3%. Specialty Products was affected negatively by weak performances by primarily Felbatol and Soma in the US and Minitran in western Europe.

**OTC** sales amounted to SEK 3,023 million (2,499), representing a 23% increase at fixed exchange rates. Organic growth was 11% for the period.

Sales in **Branded Generics** totaled SEK 1,454 million (1,529), which is a 4% decrease at fixed exchange rates. Organic growth in this category was -3%.

**Other Sales** amounted to SEK 407 million (711). The decrease compared to last year was mainly due to a cessation of service revenue from the cooperation agreement with Valeant and other non-recurring revenue.

October-December

Net sales in Q4 amounted to SEK 3,195 million (3,456). At fixed exchange rates, sales decreased 5% and organic sales growth remained unchanged compared to the same period last year.

**Sales by geographic area**

(SEK million)	Q4 2012	Q4 2011	INDEX	INDEX (FIXED EXCHANGE RATES)	INDEX
Western Europe	2,013	2,078	97	100	99
USA	640	706	91	92	88
Emerging markets	481	439	110	113	114
Other sales	61	233	26	28	107
Total sales	3,195	3,456	92	95	100

Sales in **Western Europe** in Q4 were SEK 2,013 million (2,078), in line with the same period last year at fixed exchange rates. Organic growth amounted to -1%. Good growth in the UK and the Netherlands barely compensated for a slower quarter in Germany and southern Europe. Sales in Southern Europe declined further during the fourth quarter and were down by 13% compared to the same period last year.

**USA** sales amounted to SEK 640 million (706), representing an 8% decrease at fixed exchange rates. Organic growth in the quarter amounted to -12%. Sales of Dymista in Q4 totaled SEK 33 million. Revenues from the cooperation agreement with Valeant were SEK 135 million.

Sales in **Emerging Markets** amounted to SEK 481 million (439), representing a 13% increase at fixed exchange rates. Organic growth rose to 14% due to healthy growth primarily in Turkey and the Middle East, while Russia showed lower growth figures in Q4.

**Other Sales** amounted to SEK 61 million (233) due to a cessation of service revenue from the cooperation agreement with Valeant.

**Sales by product category**

(SEK million)	Q4 2012	Q4 2011	INDEX	INDEX (FIXED EXCHANGE RATES)	INDEX
Specialty Products	2,015	2,128	95	97	98
OTC	716	645	111	115	108
Branded Generics	357	404	89	91	92
Other sales	107	279	39	41	109
Total sales	3,195	3,456	92	95	100

Sales in **Specialty Products** amounted to SEK 2,015 million (2,128), representing a 3% decrease at fixed exchange rates. Organic growth in the quarter amounted to -2%.

**OTC** sales amounted to SEK 716 million (645), representing a 15% increase at fixed exchange rates. The continuing launch of SB12 and Nalox in several European markets contributed to the 8% organic growth in the OTC portfolio for Q4.

Sales in **Branded Generics** totaled SEK 357 million (404), which is an 9% decrease at fixed exchange rates. Organic growth amounted to -8%. This is mainly due to the weak performance of the generic version of Astelin and of Prefera in the US.

**Other Sales** amounted to SEK 107 million (279) due to a cessation of service revenue from the cooperation agreement with Valeant.

## **PROFIT**

For earnings that exclude currency effects, see the table on page 18.

### **Operating profit**

#### January-December

Operating profit for January-December totaled SEK 1,791 million (2,644).

EBITDA for the same period was SEK 3,935 million (4,683), yielding a 30.3% margin (36.4).

Operating profit for January-December totaled SEK 6,159 million (5,555).

Selling expenses for the period amounted to SEK 2,867 million (2,449). The majority of the increase is due to investments in the OTC area, market investments in Emerging Markets, and costs related to the launch of Dymista in the US.

#### October-December

Operating profit for October-December was SEK 349 million (658).

EBITDA for the same period was SEK 892 million (1,190), yielding a 27.9% margin (34.4).

The gross margin for the period was negatively impacted by lower revenues from the cooperation with Valeant compared with the previous year.

Selling expenses for Q4 amounted to SEK 773 million (722), while medicine and business development expenses amounted to SEK 673 million (654), and administrative expenses for Q4 amounted to SEK 160 million (177).

### **Financial items**

#### January-December

Group net financial items for January-December amounted to SEK -548 million (-604). The average interest rate at 31 December 2012 was 3.0% (3.4).

Profit after net financial items for January-December totaled SEK 1,243 million (2,040).

#### October-December

Group net financial items for Q4 were SEK -136 million (-149).

Profit after net financial items for Q4 totaled SEK 213 million (509).

## Net profit and earnings per share

### January-December

Net profit for January-December totaled SEK 1,180 million (1,608). Excluding non-recurring effects, net profit totalled SEK 1,001<sup>3</sup> million (1,480<sup>4</sup>).

Group tax expense for the same period amounted to SEK 63 million (432), equivalent to a tax rate of 5.1% (21.2). Tax expense for the year was positively affected by SEK 179 million related to the revaluation of deferred tax liabilities due to a reduction in Swedish corporate tax to 22%. Excluding this non-recurring effect, tax expense for the same period amounted to SEK 242 million, equivalent to a tax rate of 19.5%. For 2011, tax expense excluding non-recurring effects amounted to SEK 560 million, equivalent to a tax rate of 27.5%.

Earnings per share for January-December reached SEK 4.00 (5.35). Excluding non-recurring effects, earnings per share totalled SEK 3.41<sup>3</sup> (4.93<sup>4</sup>).

### October-December

Net profit for October-December was SEK 357 million (510). Excluding non-recurring effects, net profit totalled SEK 178<sup>3</sup> million (382<sup>4</sup>).

Group tax income for the same period amounted to SEK 144 million (1). Excluding the non-recurring effect mentioned above, Group tax expense for the same period totalled SEK 35 million (127), equivalent to a tax rate of 16.7% (24.9).

Earnings per share for October-December amounted to SEK 1.21 (1.70). Excluding non-recurring effects, earnings per share totalled SEK 0.62<sup>3</sup> (1.28<sup>4</sup>).

## CASH FLOW

### January-December

Cash flow from operating activities, before changes in working capital, for January-December amounted to SEK 3,051 million (3,130).

Cash flow from change in working capital was SEK -238 million (-272) for January-December. Last year's tied-up capital decreased by SEK 84 million as a result of the cooperation agreement with Valeant, for which Meda received USD 76 million in initial payments in June 2011. Excluding the effect of this cooperation agreement, cash flow from change in working capital was SEK -356 million for January-December 2011.

Inventories rose by SEK 277 million during the period foremost as a result of building new product inventories in conjunction with the launch of OTC products on the European market and the launch of Dymista on the US market. Product acquisitions on the US market also contributed to the increase in inventory value. Receivables and liabilities positively affected cash flow by SEK 39 million.

Cash flow from operating activities for January-December amounted to SEK 2,813 million (2,858).

Cash flow from investing activities for the same period amounted to SEK -1,143 million (-5,669). The acquisition of a product portfolio from Jazz Pharmaceuticals in the US was completed in the beginning of Q4, and MidNite, an OTC product, was acquired in the US in December.

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<sup>3</sup>Excluding a positive non-recurring effect on the year's tax expense of SEK 179 million in Q4 2012 due to a reduction in the Swedish corporate tax rate.

<sup>4</sup>Excluding a positive non-recurring effect on the year's tax expense of SEK 128 million in Q4 2011 that refers to utilization of a non-capitalized loss carry-forward in the German operations.

Cash flow from financing activities for January-December amounted to SEK -1,608 million (2,844).

Cash earnings per share reached SEK 8.84 (9.07) for the same period.

#### October-December

Cash flow from operating activities before change in working capital for Q4 amounted to SEK 625 million (741).

Cash flow from change in working capital totaled SEK 224 million (-97) for Q4. Inventories increased by SEK 16 million during the period. Receivables lowered tied-up capital by SEK 135 million. This is primarily due to shorter payment terms in some European markets and a reduction in prepayments. Liabilities had a positive effect on cash flow of SEK 105 million, mainly driven by fluctuations in payment of trade payables.

Cash flow from operating activities amounted to SEK 849 million (644).

Cash flow from investing activities amounted to SEK -988 million (-802).

Cash flow from financing activities reached SEK 111 million (94) in Q4.

Cash earnings per share reached SEK 2.66 (1.94) for the same period.

### **FINANCING**

Equity stood at SEK 15,113 million at 31 December compared to SEK 14,971 million at the years start, corresponding to SEK 50.0 (49.5) per share. The equity/assets ratio was 41.3% compared to 38.7% at the start of the year.

Net debt totaled SEK 15,449 million on 31 December, in contrast to SEK 17,361 million at the years start.

### **PARENT COMPANY**

Net sales for January-December reached SEK 5,733 million (4,649), of which intra-Group sales represented SEK 3,712 million (2,988).

Profit before appropriations and tax reached SEK 1,393 million (1,978).

Net financial items amounted to SEK 970 million (1,424).

Cash and cash equivalents amounted to SEK 0 compared to SEK 0 at the previous year end.

Investments in intellectual property rights during January-December were SEK 301 million (283), and investments in property, plant, and equipment totaled SEK 1 million (0).

Financial assets at December 31, 2012, totaled SEK 24,778 million, compared to SEK 24,510 million at the end of last year.

### **AGREEMENTS AND KEY EVENTS**

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

In December, Meda signed an agreement to acquire MidNite, an OTC sleep-aid product. MidNite is well established in the US and holds a market-leading position within a growing category. Annualized revenues for MidNite are approximately SEK 100 million. After the MidNite acquisition, Meda's OTC business in the US will have pro forma revenues of close to SEK 400 million.

- **OUTCOME COMPARED WITH FORECAST FOR FULL-YEAR 2012**

In its interim report for Q3 2012, Meda published the following forecast for full-year 2012:

“The Meda Group expects to achieve sales of about SEK 13,000 million and an EBITDA margin of close to 30 percent for full-year 2012.”

The outcomes relevant to the forecast were sales of SEK 12,991 million and an EBITDA margin of 30.3%.

#### **EVENTS AFTER THE REPORTING DATE**

- **DYMISTA APPROVED IN EUROPE**

Dymista received medical approval in Europe through the decentralized registration process. Dymista is approved for the treatment of seasonal and perennial allergic rhinitis. National registration processes, including negotiations regarding pricing and reimbursement, will now follow in the individual countries prior to launch. Launches are anticipated in 2013 in several countries.

- **FDA GIVES A GREEN LIGHT TO A PHASE II STUDY ("PROOF OF CONCEPT") OF FLUPIRTINE**

Meda has received approval from the American Food and Drug Administration (FDA) to begin a clinical phase II study ("Proof of Concept") of flupirtine for the treatment of fibromyalgia. The randomized, double-blind, placebo and active-controlled study of patients with fibromyalgia will be conducted in 25 clinics in the US.

#### **DIVIDEND**

The board proposes a dividend of SEK 2.25 (2.25) per share, equivalent to SEK 680 million (680).

#### **THE ANNUAL GENERAL MEETING AND ANNUAL REPORT**

The annual general meeting of shareholders will be held at 5 PM on May 7 in Meda's head office at Pipers väg 2A in Solna, Sweden. The Swedish annual report will be published no later than 16 April and will be available on Meda's web site [www.meda.se](http://www.meda.se).

#### **RISKS AND UNCERTAINTIES**

The Meda Group's business is exposed to financial risks. Meda's 2011 annual report describes these risks on pp. 84-86. Several other factors, not fully under Meda's 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 2011 annual report describes these types of risks (pp. 130-132).

#### **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 2011 annual report. Further information about Group reporting and valuation principles is detailed in Note 1 on pp. 79-83 of the 2011 annual report.

The revised IAS 19, Employee benefits, will be applied from 1 January 2013. The change eliminates the option to delay actuarial gains and losses using the corridor approach. As a result, Meda's net pension liability recognized in the balance sheet will increase by about SEK 600 million. Equity will decrease by about SEK 400 million.



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The company's auditors did not review this year-end 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 income statement

SEK million	January–December			October–December		
	2012	2011	Change	2012	2011	Change
Net sales	12,991	12,856	1%	3,195	3,456	-8%
Cost of sales	-5,041	-4,657		-1,240	-1,245	
<b>Gross profit</b>	<b>7,950</b>	<b>8,199</b>		<b>1,955</b>	<b>2,211</b>	
Selling expenses	-2,867	-2,449		-773	-722	
Medicine and business development expenses <sup>1)</sup>	-2,609	-2,468		-673	-654	
Administrative expenses	-683	-638		-160	-177	
<b>Operating profit (EBIT)</b>	<b>1,791</b>	<b>2,644</b>		<b>349</b>	<b>658</b>	
Net financial items	-548	-604		-136	-149	
<b>Profit for the period after net financial items (EBT)</b>	<b>1,243</b>	<b>2,040</b>		<b>213</b>	<b>509</b>	
Tax	-63	-432		144	1	
<b>Net profit</b>	<b>1,180</b>	<b>1,608</b>		<b>357</b>	<b>510</b>	
<b>Profit/loss attributable to:</b>						
Parent company shareholders	1,209	1,616		367	513	
Non-controlling interests	-29	-8		-10	-3	
<b>Net profit</b>	<b>1,180</b>	<b>1,608</b>		<b>357</b>	<b>510</b>	
<sup>1)</sup> Of which amortization of product rights.	-2,024	-1,913		-512	-500	
<b>EBITDA</b>	<b>3,935</b>	<b>4,683</b>		<b>892</b>	<b>1,190</b>	
Amortization, product rights	-2,024	-1,913		-512	-500	
Depreciation and amortization, other	-120	-126		-31	-32	
<b>Operating profit (EBIT)</b>	<b>1,791</b>	<b>2,644</b>		<b>349</b>	<b>658</b>	
<b>Key ratios related to earnings</b>						
Operating margin, %	13.8	20.6		10.9	19.0	
Profit margin, %	9.6	15.9		6.7	14.7	
EBITDA, %	30.3	36.4		27.9	34.4	
Return on capital employed, rolling 12 months, %	5.7	8.8				
Return on equity, rolling 12 months, %	7.8	11.1				

## Consolidated statement of comprehensive income

SEK million	January–December		October–December	
	2012	2011	2012	2011
<b>Net profit</b>	<b>1,180</b>	<b>1,608</b>	<b>357</b>	<b>510</b>
Translation difference	-730	4	231	-537
Net investment hedge, after tax	403	31	-77	293
Cash flow hedges, after tax	-31	-11	-7	0
<b>Other comprehensive income for the period, net of tax</b>	<b>-358</b>	<b>24</b>	<b>147</b>	<b>-244</b>
<b>Total comprehensive income</b>	<b>822</b>	<b>1,632</b>	<b>504</b>	<b>266</b>
<b>Profit/loss attributable to:</b>				
Parent company shareholders	850	1,640	513	269
Non-controlling interests	-28	-8	-9	-3
<b>Total comprehensive income</b>	<b>822</b>	<b>1,632</b>	<b>504</b>	<b>266</b>

## Share data

	January–December		October–December	
	2012	2011	2012	2011
<b>Earnings per share</b>				
Basic earnings per share, SEK	4.00	5.35	1.21	1.69
Diluted earnings per share, SEK	4.00	5.35	1.21	1.69
Basic earnings per share, SEK	3.41 <sup>5</sup>	4.93 <sup>6</sup>	0.62 <sup>5</sup>	1.28 <sup>6</sup>
Diluted earnings per share, SEK	3.41 <sup>5</sup>	4.93 <sup>6</sup>	0.62 <sup>5</sup>	1.28 <sup>6</sup>
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

<sup>5</sup> Excluding a positive non-recurring effect of SEK 179 million in Q4 2012 due to a reduction in the Swedish corporate tax rate.

<sup>6</sup> Excluding a positive non-recurring effect of SEK 128 million in Q4 2011 that refers to utilization of a non-capitalized loss carry-forward in the German operations.

## Consolidated balance sheet

SEK million	31 December 2012	31 December 2011
<b>ASSETS</b>		
Non-current assets		
- Property, plant, and equipment	795	811
- Intangibles <sup>1)</sup>	30,419	32,306
- Other non-current assets	730	592
<b>Non-current assets</b>	<b>31,944</b>	<b>33,709</b>
Current assets		
- Inventories	1,931	1,780
- Current receivables	2,486	3,089
- Cash and cash equivalents	194	140
<b>Current assets</b>	<b>4,611</b>	<b>5,009</b>
<b>Total assets</b>	<b>36,555</b>	<b>38,718</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>15,113</b>	<b>14,971</b>
Non-current liabilities		
- Borrowings	13,195	14,913
- Pension obligations	696	786
- Deferred tax liabilities	2,533	2,735
- Other long-term liabilities	291	280
<b>Non-current liabilities</b>	<b>16,715</b>	<b>18,714</b>
Current liabilities		
- Borrowings	1,752	1,802
- Other short-term liabilities	2,975	3,231
<b>Current liabilities</b>	<b>4,727</b>	<b>5,033</b>
<b>Total equity and liabilities</b>	<b>36,555</b>	<b>38,718</b>
<sup>1)</sup> Of which, goodwill	<b>13,809</b>	<b>14,361</b>
<b>Key ratios affecting balance sheet</b>		
Net debt	15,449	17,361
Net debt/equity ratio, times	1.0	1.2
Equity/assets ratio, %	41.3	38.7
Equity per share, SEK (at end of period)	50.0	49.5

## Consolidated cash flow statement

SEK million	January–December		October - December	
	2012	2011	2012	2011
Profit after financial items	1,243	2,040	213	509
Adjustments for items not included in cash flow	2,164	2,028	530	523
Net change in pensions	-63	-3	-27	-1
Net change in other provisions	35	-243	32	-109
Income taxes paid	-328	-692	-123	-181
<b>Cash flow from operating activities before changes in working capital</b>	<b>3,051</b>	<b>3,130</b>	<b>625</b>	<b>741</b>
<b>Cash flow from changes in working capital</b>				
Inventories	-277	-153	-16	58
Receivables	35	-378	135	6
Liabilities	4	259	105	-161
<b>Cash flow from operating activities</b>	<b>2,813</b>	<b>2,858</b>	<b>849</b>	<b>644</b>
<b>Cash flow from investing activities</b>	<b>-1,143</b>	<b>-5,669</b>	<b>-988</b>	<b>-802</b>
<b>Cash flow from financing activities</b>	<b>-1,608</b>	<b>2,844</b>	<b>111</b>	<b>94</b>
<b>Cash flow for the period</b>	<b>62</b>	<b>33</b>	<b>-28</b>	<b>-64</b>
Cash and cash equivalents at period's start	140	111	221	207
Exchange-rate difference for cash and cash equivalents	-8	-4	1	-3
<b>Cash and cash equivalents at period's end</b>	<b>194</b>	<b>140</b>	<b>194</b>	<b>140</b>
<b>Key ratios related to cash flow</b>				
Free cash flow, SEK million	2,670	2,742	803	587
Cash earnings per share, SEK	8.84	9.07	2.66	1.94

## Consolidated statement of changes in equity

SEK million	31 December	31 December
	2012	2011
<b>Opening balance, equity</b>	<b>14,971</b>	<b>13,925</b>
Dividend	-680	-604
Change in minority share, net	-28	10
Profit attributable to: Parent company shareholders	850	1,640
<b>Closing balance, equity</b>	<b>15,113</b>	<b>14,971</b>

## Information on geographic markets

SEK million	January–December		October–December	
	2012	2011	2012	2011
<b>External net sales</b>				
Western Europe	8,452	8,052	2,013	2,078
USA	2,481	2,636	640	706
Emerging markets	1,834	1,633	481	439
Other sales	224	535	61	233
	<b>12,991</b>	<b>12,856</b>	<b>3,195</b>	<b>3,456</b>
<b>EBITDA</b>				
Western Europe	3,088	3,150	708	754
USA	1,141	1,394	300	343
Emerging markets	410	432	100	65
Other sales	-704	-293	-216	28
	<b>3,935</b>	<b>4,683</b>	<b>892</b>	<b>1,190</b>

## Income statement for the parent company

SEK million	January–December	
	2012	2011
Net sales	5,733	4,649
Cost of sales	-3,507	-2,561
<b>Gross profit</b>	<b>2,226</b>	<b>2,088</b>
Other operating income	47	73
Selling expenses	-500	-296
Medicine and business development expenses	-1,145	-1,156
Administrative expenses	-205	-155
<b>Operating profit (EBIT)</b>	<b>423</b>	<b>554</b>
Net financial items	970	1,424
<b>Profit for the period after net financial items (EBT)</b>	<b>1,393</b>	<b>1,978</b>
Appropriations and tax	-936	-481
<b>Net profit</b>	<b>457</b>	<b>1,497</b>

## Balance sheet for the parent company

SEK million	31 December	31 December
	2012	2011
<b>ASSETS</b>		
Non-current assets		
- Intangible	6,961	7,624
- Property, plant, and equipment	1	1
- Financial	24,778	24,510
<b>Total non-current assets</b>	<b>31,740</b>	<b>32,135</b>
Current assets		
- Inventories	405	441
- Current receivables	1,287	1,664
- Cash and bank balances	0	0
<b>Total current assets</b>	<b>1,692</b>	<b>2,105</b>
<b>Total assets</b>	<b>33,432</b>	<b>34,240</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	3,477	3,477
Non-restricted equity	8,787	9,041
<b>Total equity</b>	<b>12,264</b>	<b>12,518</b>
Untaxed reserves	2,320	2,055
Provisions	61	59
Non-current liabilities	15,735	16,501
Current liabilities	3,052	3,107
<b>Total equity and liabilities</b>	<b>33,432</b>	<b>34,240</b>

## SALES

Sales trends for major products

<i>(SEK million)</i>	JANUARY–DECEMBER				OCTOBER–DECEMBER			
	2012	2011	INDEX	INDEX (LC)*	2012	2011	INDEX	INDEX (LC)*
BETADINE	754	759	99	103	175	176	99	105
TAMBOCOR	753	768	98	102	189	198	96	101
ASTEPRO	446	442	101	97	108	138	78	79
ALDARA	403	412	98	100	110	109	101	105
EPIPEN	373	237	158	158	72	51	142	144
ELIDEL**	364	245	148	151	96	102	94	97
MINITRAN	285	363	78	81	62	101	61	65
MESTINON	250	245	102	105	63	63	100	104
RANTUDIL	241	227	106	109	68	50	136	134
TREO	234	20	1,196	1,204	60	20	305	308
ZAMADOL	232	247	94	95	53	58	91	94
SB12***	230	39	583	597	72	19	377	386
ASTELIN	229	266	86	86	41	32	128	130
SOLCO	217	198	109	113	51	68	75	78
THIOCTACID	214	243	88	91	74	67	110	114
FORMATRIS	209	223	94	97	44	59	73	78
MUSE	197	163	121	117	50	43	116	117
SOMA	181	301	60	58	38	83	47	48
MARCOUMAR	178	202	88	91	39	48	83	87
NOVOPULMON	170	181	94	97	43	44	97	101

\*Index at fixed exchange rates

\*\*Refers to sales outside North America

\*\*\*Last year's sales were negatively impacted by lower wholesale inventory levels

## INCOME STATEMENT AT FIXED EXCHANGE RATES

The following table shows a condensed income statement, excluding non-recurring tax effects, in which 2012's income statement items are translated to 2011's exchange rates. Non-recurring tax effects include a positive non-recurring effect of SEK 128 million in Q4 2011 related to the utilization of a non-capitalized loss carry-forward in the German operation, as well as a positive non-recurring effect of SEK 179 million in Q4 2012 regarding reduction in the Swedish corporate tax rate.

FIXED EXCHANGE RATES						
	January-December			October-December		
	2012	2011	Index	2012	2011	Index
<b>Net sales</b>	<b>13,184</b>	<b>12,856</b>	<b>103</b>	<b>3,298</b>	<b>3,456</b>	<b>95</b>
<b>Gross profit</b>	<b>8,056</b>	<b>8,199</b>	<b>98</b>	<b>2,019</b>	<b>2,211</b>	<b>91</b>
<i>Gross margin, %</i>	<i>61%</i>	<i>64%</i>		<i>61%</i>	<i>64%</i>	
Operating expenses	-6,197	-5,555		-1,627	-1,553	
<b>EBIT</b>	<b>1,859</b>	<b>2,644</b>	<b>70</b>	<b>392</b>	<b>658</b>	<b>60</b>
<i>EBIT margin, %</i>	<i>14%</i>	<i>21%</i>		<i>12%</i>	<i>19%</i>	
Depreciation and	-2,143	-2,039		-551	-532	
<b>EBITDA</b>	<b>4,002</b>	<b>4,683</b>	<b>85</b>	<b>943</b>	<b>1,190</b>	<b>79</b>
<i>EBITDA margin, %</i>	<i>30%</i>	<i>36%</i>		<i>29%</i>	<i>34%</i>	
Net financial items	-548	-604		-139	-149	
<b>EBT</b>	<b>1,311</b>	<b>2,040</b>	<b>64</b>	<b>253</b>	<b>509</b>	<b>50</b>
Tax	-256	-560		-44	-127	
<i>Tax, %</i>	<i>19%</i>	<i>27%</i>		<i>17%</i>	<i>25%</i>	
<b>Net profit</b>	<b>1,055</b>	<b>1,480</b>	<b>71</b>	<b>209</b>	<b>382</b>	<b>55</b>

## **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. Gross profit/loss equals net sales less 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 maintenance investments in non-current assets.

### **Cash earnings per share**

Free cash flow divided by the average number of diluted shares.

### **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.

### **Earnings per share**

Earnings attributable to parent company shareholders 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.

## DEFINITIONS RELATED TO SALES COMMENTS

### Sales by geographic area

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

**USA** – Including 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