

## Year-end report January–December 2013

### January-December 2013

- Group net sales reached SEK 13,114 million (12,991), corresponding to organic growth<sup>1</sup> of 4% compared to last year.
- EBITDA amounted to SEK 3,734 million (3,945), corresponding to a 28.5% margin (30.4).
- Operating profit totaled SEK 1,548 million (1,801).
- Profit after tax amounted to SEK 805 million (1,175<sup>2</sup>).
- Earnings per share reached SEK 2.67 (3.98<sup>2</sup>).
- Cash earnings per share reached SEK 8.89 (8.84).
- Proposed dividend per share: SEK 2.50 (2.25).

### Fourth quarter 2013

- Group net sales reached SEK 3,450 million (3,195). This corresponds to organic growth<sup>1</sup> of 10% compared with the previous year.
- EBITDA was SEK 1,015 million (895), yielding a 29.4% margin (28.0).
- Operating profit amounted to SEK 461 million (352).
- Profit after tax amounted to SEK 258 million (357<sup>2</sup>).
- Earnings per share reached SEK 0.85 (1.21<sup>2</sup>).
- Cash earnings per share reached SEK 2.42 (2.66).

1) *Organic growth: Sales growth adjusted for currency effects, acquisitions, disposed operations and revenues from the cooperation agreement with Valeant.*

2) *Including a positive non-recurring effect of SEK 179 million in Q4 2012 due to a reduction in the Swedish corporate tax rate.*

#### Webcast presentation of the report on 19 February at 10.30 CET

The presentation can be accessed at [www.meda.se/sv/finansuell-information](http://www.meda.se/sv/finansuell-information), where a recorded version will also be available until the next report is presented.

#### For further inquiries, please contact:

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## CEO statement

2013 was an important year for Meda, focused on investments and organic growth. The year had a slow start but organic growth accelerated in the second half of the year to reach 4% for the full year, which is stronger compared with previous years. For the fourth quarter organic growth increased to 10% coupled with an improved EBITDA margin to 29%. It was above all Emerging Markets and our ongoing launch of Dymista that supported the acceleration in growth throughout the year and with a strong finish we slightly exceeded the 2013 guidance.

We have in 2013 shown that our investments in growth areas have started to bear fruit. We continued our efforts in Emerging Markets by adding sales people in selected markets and extending the product offering. For the full year organic growth for these markets reached 14% with the major growth impact coming from new markets like China and Brazil as well as several markets in CIS. We expect the positive trend to continue although there will be fluctuations in growth between different Emerging Markets over time.

Organic growth for the OTC area improved during the fourth quarter and reached 3% for the full year. This growth is above all a result of the launch of our international brands CB12 and Endwards in new markets. Brand building takes time but we are confident that we will see accelerated growth from our international OTC brands through new and more targeted marketing activities.

Sales of Dymista reached SEK 449 million in 2013. This means that the product took the position as Meda's third largest product in terms of sales during this launch phase. In the US Dymista has been well received by the medical profession and patients. Sales in the fourth quarter reached SEK 146 million compared to SEK 100 million in the third quarter. The sales uptake during the off-season period has been somewhat held back by a restricted formulary position with some of the payors. Since then we have been able to improve Dymista's formulary position for 2014 which gives us confidence for the upcoming allergy season.

As already stated we are not satisfied with the level of our cost of goods. We have started to analyze the situation both within our own manufacturing sites as well as with contract manufacturers. This has resulted in several initiatives to reduce manufacturing costs and it is our aim that this will lead to improved gross margins over time.

In addition to Dymista, we are also getting prepared for the launch of Aerospan, a very interesting product with good sales potential. The launch work is running according to plan and the launch is scheduled for the second quarter of this year.

To conclude, we have the strategy and core strengths required to expand our position in our industry. Our position is well defined, our go-to-market capabilities are strong and we have both scale and efficiency to leverage our product portfolio. With greater focus on faster growing areas, both in terms of products and geographies, Meda's growth outlook is favorable.

For 2014 we foresee continued good organic growth in line with 2013 and improved EBITDA margin.

Jörg-Thomas Dierks  
CEO

## Sales

For information on sales trends for major products, see the table on page 20. Definitions of geographic regions and product categories are presented on page 21.

### January-December

Net sales for the period amounted to SEK 13,114 million (12,991). At fixed currency rates, sales increased by 3% while organic sales rose by 4%.

### October-December

Net sales for the period amounted to SEK 3,450 million (3,195). At fixed exchange rates, sales increased by 8% and organic sales growth was 10% compared year-on-year.

## Sales by geographic area

### January-December

Sales in **Western Europe** for the period were SEK 8,507 million (8,452), representing a 2% increase at fixed exchange rates and in terms of organic growth. Looking at the full-year overall, Germany and the Netherlands had a heavy influence on growth in the region, while sales trends in the Nordics were negative compared with the previous year.

**USA** sales totaled SEK 2,416 million (2,481), representing a 1% increase at fixed exchange rates and organic sales growth of 5% for the period. The positive turnaround in the US is essentially the result of sales trends for Dymista, sales of which amounted to SEK 410 million on the US market in 2013. Royalty income from the cooperation agreement with Valeant totaled SEK 276 million (545).

Sales in **Emerging Markets** were SEK 1,951 million (1,834), representing an 11% increase at fixed exchange rates. Organic growth was 14%. Compared year-on-year, growth was primarily driven by China, Brazil, and markets in Eastern Europe. Growth in the Middle East was weaker compared year-on-year.

**Other Sales** totaled SEK 240 million (224).

### October-December

Sales in **Western Europe** were SEK 2,210 million (2,013), an 8% increase both at fixed exchange rates and in terms of organic growth. The majority of the markets in the region showed healthy growth in the fourth quarter. The greatest impact on the positive result come from Germany, which also benefited from a greater number of purchases at wholesale level than expected, coupled with a weak quarter in the same period last year. The recovery in Italy and Spain that began in the third quarter continued.

**USA** sales totaled SEK 625 million (640), representing zero growth at fixed exchange rates. Organic growth for the period was 11% fueled by Dymista, which sales totaled SEK 146 million. Market trends for most other products were in line with the third quarter, but sales were impacted negatively by lower purchases from wholesalers and a higher proportion of sales to the public sector. Royalty income from the cooperation agreement with Valeant totaled SEK 69 million (135).

Sales in **Emerging Markets** amounted to SEK 557 million (481), representing a 19% increase at fixed exchange rates. Organic growth was 24%. In addition to persistently positive trends in China and Brazil, Turkey and the Middle East also experienced a strong quarter following a weaker trend earlier in the year. Sales in Russia declined during the period as a result of lower wholesale inventory levels.

**Other Sales** amounted to SEK 58 million (61).

### Sales by geographic area (SEK million)

|                    | January-December |               |            |                     |                     | October-December |              |            |                     |                     |
|--------------------|------------------|---------------|------------|---------------------|---------------------|------------------|--------------|------------|---------------------|---------------------|
|                    | 2013             | 2012          | Index      | Index <sup>1)</sup> | Index <sup>2)</sup> | 2013             | 2012         | Index      | Index <sup>1)</sup> | Index <sup>2)</sup> |
| Western Europe     | 8,507            | 8,452         | 101        | 102                 | 102                 | 2,210            | 2,013        | 110        | 108                 | 108                 |
| USA                | 2,416            | 2,481         | 97         | 101                 | 105                 | 625              | 640          | 98         | 100                 | 111                 |
| Emerging Markets   | 1,951            | 1,834         | 106        | 111                 | 114                 | 557              | 481          | 116        | 119                 | 124                 |
| Other sales        | 240              | 224           | 107        | 108                 | 96                  | 58               | 61           | 95         | 92                  | 67                  |
| <b>Total sales</b> | <b>13,114</b>    | <b>12,991</b> | <b>101</b> | <b>103</b>          | <b>104</b>          | <b>3,450</b>     | <b>3,195</b> | <b>108</b> | <b>108</b>          | <b>110</b>          |

<sup>1)</sup> Fixed exchange rates <sup>2)</sup> Organic growth

## Sales by product category

### January-December

Sales in **Specialty Products** totaled SEK 8,265 million (8,107), representing a 4% increase at fixed exchange rates. Organic growth for the period was 6%. Sales of Dymista contributed strongly to this organic growth, which also benefited from healthy sales for Elidel, Solco, and Formoterol. The category was affected negatively by lower sales, especially of the products Astepro and Soma.

**OTC** sales totaled SEK 3,133 million (3,023), representing a 5% increase at fixed exchange rates. Organic growth was 3%, driven principally by the launch of CB12 and Endwarts on new markets in Europe.

Sales in **Branded Generics** totaled SEK 1,320 million (1,454), which is an 8% decrease at fixed exchange rates. Organic growth in this category was -7%, primarily attributable to lower sales for most products in the US.

**Other Sales** totaled SEK 396 million (407).

### October-December

Sales in **Specialty Products** amounted to SEK 2,226 million (2,015), representing an 11% increase at fixed exchange rates. Organic growth for the period was 15%. Dymista and persistently strong sales of Elidel contributed to organic growth for the quarter. Sales of EpiPen grew on several markets following supply disruptions for a competing product.

**OTC** sales totaled SEK 777 million (716), representing an 8% increase at fixed exchange rates and organic growth of 7%. Growth was driven by several products and markets. The Nordic OTC portfolio showed some signs of recovery during the quarter, while the international portfolio's performance remained weak.

Sales in **Branded Generics** totaled SEK 349 million (357) corresponding to a 2% decrease at fixed exchange rates and in terms of organic growth, which was in line with the previous quarter.

**Other Sales** totaled SEK 98 million (107).

### Sales by product category (SEK million)

|                    | January-December |               |            |                     |                     | October-December |              |            |                     |                     |
|--------------------|------------------|---------------|------------|---------------------|---------------------|------------------|--------------|------------|---------------------|---------------------|
|                    | 2013             | 2012          | Index      | Index <sup>1)</sup> | Index <sup>2)</sup> | 2013             | 2012         | Index      | Index <sup>1)</sup> | Index <sup>2)</sup> |
| Specialty Products | 8,265            | 8,107         | 102        | 104                 | 106                 | 2,226            | 2,015        | 110        | 111                 | 115                 |
| OTC                | 3,133            | 3,023         | 104        | 105                 | 103                 | 777              | 716          | 109        | 108                 | 107                 |
| Branded Generics   | 1,320            | 1,454         | 91         | 92                  | 93                  | 349              | 357          | 98         | 98                  | 98                  |
| Other sales        | 396              | 407           | 97         | 98                  | 106                 | 98               | 107          | 91         | 90                  | 91                  |
| <b>Total sales</b> | <b>13,114</b>    | <b>12,991</b> | <b>101</b> | <b>103</b>          | <b>104</b>          | <b>3,450</b>     | <b>3,195</b> | <b>108</b> | <b>108</b>          | <b>110</b>          |

<sup>1)</sup> Fixed exchange rates <sup>2)</sup> Organic growth

## Earnings

### Operating profit

#### January-December

Operating profit for the period totaled SEK 1,548 million (1,801).

EBITDA for the same period was SEK 3,734 million (3,945), yielding a 28.5% margin (30.4).

Operating expenses for the period totaled SEK 6,479 million (6,149).

Selling expenses for the period totaled SEK 2,993 million (2,867). The increase is primarily due to marketing efforts for Dymista in the US and Europe as well as international initiatives in the OTC area.

Medicine and business development expenses climbed to SEK 2,794 million (2,609). This was largely attributable to costs for clinical studies associated with Dymista.

#### October-December

Operating profit for the period totaled SEK 461 million (352).

EBITDA for the same period was SEK 1,015 million (895), yielding a 29.4% margin (28.0).

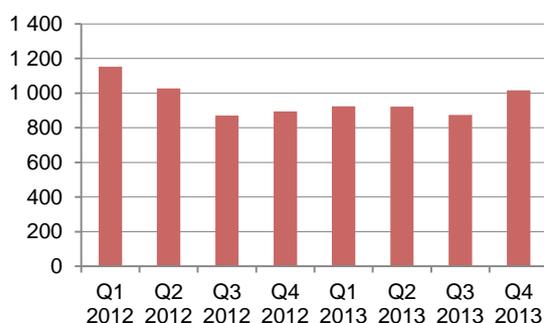
Operating expenses for the period totaled SEK 1,602 million (1,603).

Selling expenses for the period totaled SEK 742 million (773).

Medicine and business development expenses for the period amounted to SEK 725 million (673). The increase was mainly caused by higher costs for clinical studies related to Dymista, combined with costs relating to the acquisition of Aerospan.

Administrative expenses for the period totaled SEK 135 million (157). Costs fell in comparison with the previous quarter, which is the result of positive non-recurring effects and the previous quarter's non-recurring costs.

EBITDA (SEK MILLION)\*



\*Figures for 2012 were restated for IAS 19 (see page 9).

### Financial items and net profit

#### January-December

Net financial items totaled SEK -545 million (-565). The average interest rate at December 31, 2013 was 2.8% (3.0).

Profit after net financial items amounted to SEK 1,003 million (1,236).

Net profit totaled SEK 805 million (1,175).

Consolidated tax expense was SEK 198 million (61), equivalent to a tax rate of 19.8% (5.1). The previous year's tax expense 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 non-recurring effects, tax expense for 2012 amounted to SEK 240 million, equivalent to a tax rate of 19.4%.

Earnings per share totaled SEK 2.67 (3.98). Excluding the above-mentioned non-recurring effect, earnings per share for 2012 amounted to SEK 3.39.

**October-December**

The Group's net financial items totaled SEK -134 million (-140).

Profit after net financial expenses totaled SEK 327 million (212).

Net profit totaled SEK 258 million (357).

Consolidated tax expense for the period amounted to SEK 69 million (-145), equivalent to a tax rate of 21.0%. Excluding the non-recurring effect mentioned above, tax expense totaled SEK 34 million, equivalent to a tax rate of 16.0% for the period October-December 2012.

Earnings per share totaled SEK 0.85 (1.21). Excluding the above-mentioned non-recurring effect, earnings per share amounted to SEK 0.62 for the period October-December 2012..

## Cash flow

**January-December**

Cash flow from operating activities before changes in working capital totaled SEK 2,956 million (3,051).

Tied-up capital had a SEK -111 million (-238) impact on cash flow. Inventories rose by SEK 97 million, primarily as a result of stockpiling of Dymista on the US markets. Receivables had a negative impact on cash flow of SEK 225 million, mainly as a consequence of increased sales towards the end of the fourth quarter compared with the end of the fourth quarter 2012. Liabilities had a positive effect on cash flow of SEK 211 million, mainly driven by an increase in accrued expenses. Accordingly, cash flow from operating activities amounted to SEK 2,845 million (2,813).

Cash flow from investing activities amounted to SEK -1,255 million (-1,143).

Cash flow from financing activities totaled SEK -1,597 million (-1,608).

Cash earnings per share reached SEK 8.89 (8.84) for the period.

**October-December**

Cash flow from operating activities before changes in working capital totaled SEK 814 million (625).

Cash flow from changes in working capital was SEK -18 million (224). Inventories had a positive effect on cash flow of SEK 96 million, while receivables increased by SEK 228 million, which was mainly attributable to increased sales towards the end of the quarter compared with the end of the previous quarter. Liabilities had a positive effect on cash flow of SEK 114 million, mainly driven by fluctuations in payment of trade payables. Accordingly, cash flow from operating activities amounted to SEK 796 million (849) for the period.

Cash flow from investing activities totaled SEK -927 million (-988). The acquisition of Acton Pharmaceuticals Inc in the US was completed at the beginning of Q4.

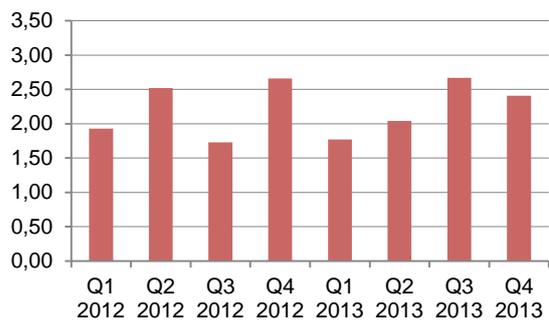
Cash flow from financing activities amounted to SEK 158 million (111).

Cash earnings per share reached SEK 2.42 (2.66) for the period.

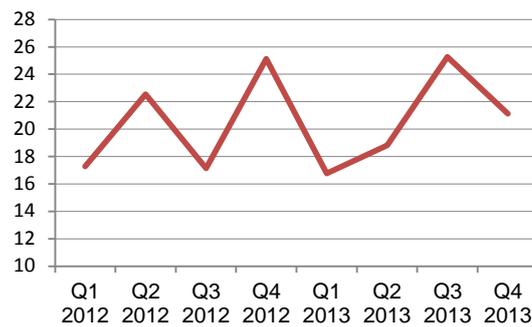
Average free cash flow per quarter for the last eight quarters totaled SEK 670 million. For Q4 2013, free cash flow totaled SEK 730 million (803). Performance of cash earnings per share is shown in the following chart.

Free cash flow/net sales was 21% for the period, which was in line with the average for the last eight quarters.

Cash earnings per share (SEK)



Free cash flow/net sales (%)



## Financing

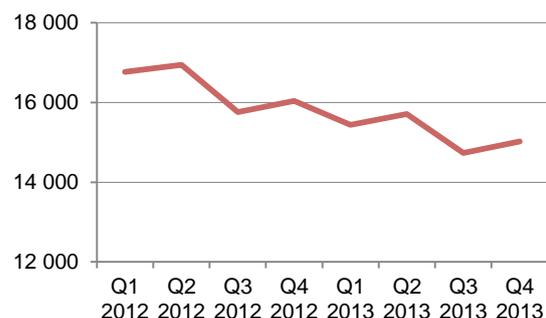
Equity stood at SEK 15,211 million on December 31, compared to SEK 14,723 million at the start of the year, corresponding to SEK 50.3 (48.7) per share. The equity/assets ratio was 41.9% compared to 40.0% at the start of the year.

Net debt totaled SEK 15,025 million on December 31, in contrast to SEK 16,037 million at the year's start.

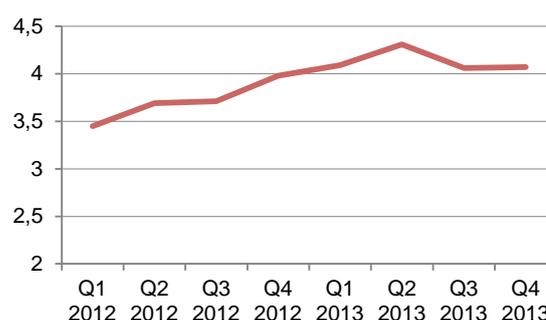
Net debt/adjusted EBITDA for the fourth quarter remained at the same level as in the preceding quarter.

Performance of net debt/adjusted EBITDA over the last eight quarters is illustrated in the following chart.

Net debt (SEK million)\*



Net debt/adjusted EBITDA (times)\*



\* Figures for 2012 were restated for IAS 19 (see page 9).

## Agreements and key events

### New executive leadership team

Meda's CEO Jörg-Thomas Dierks has formed a new management team consisting of:

Maria Carell, Executive Vice President, North America/Australia

Esfandiar Faghfour, Executive Vice President, Europe/Asia/Africa

Dirk Groen, Executive Vice President, Marketing OTC

Erik Haeffler, Executive Vice President, Manufacturing & Sustainability

Ton van't Hullenaar, Executive Vice President, Europe/Latin America

Hans-Jürgen Kromp, Executive Vice President, Legal & Trademarks

Dr. Joachim Maus, acting Executive Vice President, Scientific Affairs

Henrik Stenqvist, Executive Vice President, CFO

Hans-Jürgen Tritschler, Executive Vice President, Marketing Rx

Rainer Weiss, Executive Vice President, Human Resources

Mårten Österlund, Executive Vice President, Business Development

### Meda acquires new OTC product line within dental health

Meda has signed an agreement to acquire ZpearPoint AS including global rights to the company's main product (EB24) – an OTC line for treating dental erosion. The product (EB24) is expected to be launched during the first half of 2015 as a mouth rinse. Patents valid until 2025 have been approved in Europe and are pending in the US. The purchase price will amount to SEK 77 million over time and is dependent on various milestones such as launch and approvals. Meda will also pay a low, single-figure royalty on sales.

### Acquisition of Aerospa

Meda's acquisition of US development company Acton Pharmaceuticals, Inc., including patented product Aerospa, was completed on October 21. The purchase price was USD 135 million. In addition, there is a milestone payment of USD 10 million and sales-based milestones.

## Outcome compared with forecast for full-year 2013

In its interim report for Q3 2013, Meda published the following forecast for full-year 2013:

“The Meda Group expects to achieve sales of about SEK 13 billion and an EBITDA margin of roughly 28 percent for full-year 2013.” The outcome relevant to the forecast was sales of SEK 13,114 million and an EBITDA margin of 28.5%.

## Dividend

The board proposes a dividend of SEK 2.50 (2.25) per share, equivalent to SEK 756 million (680).

## The Annual General Meeting and Annual Report

The annual general meeting of shareholders will be held on Wednesday May 7 at 17.00 CET at Meda's head office at Pipers väg 2A in Solna, Sweden. The Swedish annual report will be published no later than April 16 and will be available on the company's web site [www.meda.se](http://www.meda.se).

## Risks and uncertainties

The Meda Group's business is exposed to financial risks; management of these risks is described in the 2012 Annual Report on pages 78-80. Operational risks that the Meda Group is exposed to and management of these risks is described in the 2012 Annual Report on pages 122-124.

## Accounting policies

The Meda Group 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. Further information about consolidated reporting and valuation principles is detailed in Note 1 on pages 73-77 of the 2012 Annual Report. The parent company applies RFR 2, Accounting for Legal Entities.

The accounting policies applied to the year-end report comply with the accounting policies applied to the preparation of the 2012 Annual Report, except for the following changes.

## IAS19 Employee Benefits

The revised version of IAS 19 Employee Benefits is applied as of 2013. The changes relate to recognition of the Group's defined benefit pension plans and health care benefit plans. Application of the amended version of IAS 19 entails that the Group ceases to apply the corridor approach and instead recognizes all actuarial gains and losses in other comprehensive income when they arise. Costs for prior years of service are recognized immediately. Interest expenses and expected rate of return on plan assets were replaced by net interest calculated using the discount rate, based on the net surplus or net deficit in the defined benefit plan.

The revised standard is applied retroactively, and the 2012 comparison figures reported for the quarter and the full-year were restated. Initial 2012 pension obligations, including employer contributions and other non-current liabilities related to changes in health care benefits, increased by SEK 334 million. The deficit resulting from the transition is recognized against retained earnings as equity, which decreased by SEK 207 million, taking deferred tax into consideration.

In the reported comparative figures for Q4 2012, net pension obligations, including employer contributions, was adjusted from SEK 696 million to SEK 1,284 million. Liabilities related to health care benefits increased by SEK 14 million. Deferred tax assets increased from SEK 715 million to SEK 931 million. For January-December 2012, net profit declined by SEK 6 million and other comprehensive income totaled SEK -536 million compared to SEK -358 million. Earnings per share are shown on page 13.

## IAS1 Presentation of Financial Statements

From 2013, presentation of the report on other comprehensive income has been amended. Other comprehensive income is now divided into items that may be reclassified to the income statement and those that will not.

## IFRS 13 Fair Value Measurement

The new IFRS 13 standard replaces the guidelines on fair value measurement as presented in each IFRS standard. The standard defines fair value and indicates how fair value is to be determined, as well as defining new disclosure requirements. As a result of the new disclosure requirements, an addendum was added to IAS 34 Interim Financial Reporting specifying that from 2013 interim reports shall contain specific disclosures related to financial instruments that are recognized at fair value. Implementation of the standard has not affected how the Group calculates fair value and therefore has no effect on financial position or earnings. The Group's financial instruments that are measured at fair value are specified on page 15.

## IFRS 7 Financial Instruments: Disclosures

Change to IFRS 7 Financial Instruments: Disclosures relates to new disclosure requirements for offsetting financial assets and liabilities.

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

Stockholm, February 19, 2014

|                                     |                                  |                                     |
|-------------------------------------|----------------------------------|-------------------------------------|
| Bert-Åke Eriksson<br>Board chairman | Peter Claesson<br>Board member   | Peter von Ehrenheim<br>Board member |
| Marianne Hamilton<br>Board member   | Tuve Johannesson<br>Board member | Jörg-Thomas Dierks<br>CEO           |
| Lars Westerberg<br>Board member     | Karen Sörensen<br>Board member   |                                     |

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

### Meda AB

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### Upcoming reporting dates

|                                  |                  |
|----------------------------------|------------------|
| Interim report January-March:    | May 7, 2014      |
| Interim report January-June:     | August 13, 2014  |
| Interim report January-September | November 6, 2014 |

**Forward-looking statement**

*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 competing 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 |              |           |
|--|------------------|--------------|-----------|------------------|--------------|-----------|
|  | 2013             | 2012         | Change, % | 2013             | 2012         | Change, % |
| Net sales  | 13,114           | 12,991       | 1%        | 3,450            | 3,195        | 8%        |
| Cost of sales  | -5,087           | -5,041       |           | -1,387           | -1,240       |           |
| <b>Gross profit</b>  | <b>8,027</b>     | <b>7,950</b> |           | <b>2,063</b>     | <b>1,955</b> |           |
| Selling expenses   | -2,993           | -2,867       |           | -742             | -773         |           |
| Medicine and business development expenses <sup>1)</sup>     | -2,794           | -2,609       |           | -725             | -673         |           |
| Administrative expenses                                      | -692             | -673         |           | -135             | -157         |           |
| <b>Operating profit (EBIT)</b>                               | <b>1,548</b>     | <b>1,801</b> |           | <b>461</b>       | <b>352</b>   |           |
| Net financial items  | -545             | -565         |           | -134             | -140         |           |
| <b>Profit for the period after net financial items (EBT)</b> | <b>1,003</b>     | <b>1,236</b> |           | <b>327</b>       | <b>212</b>   |           |
| Tax  | -198             | -61          |           | -69              | 145          |           |
| <b>Net profit</b>  | <b>805</b>       | <b>1,175</b> |           | <b>258</b>       | <b>357</b>   |           |
| <b>Profit/loss attributable to:</b>                          |                  |              |           |                  |              |           |
| Parent company shareholders                                  | 807              | 1,204        |           | 256              | 367          |           |
| Non-controlling interests                                    | -2               | -29          |           | 2                | -10          |           |
| <b>Net profit</b>  | <b>805</b>       | <b>1,175</b> |           | <b>258</b>       | <b>357</b>   |           |
| <sup>1)</sup> Of which amortization of product rights        | -2,067           | -2,024       |           | -522             | -512         |           |
| <b>EBITDA</b>  | <b>3,734</b>     | <b>3,945</b> |           | <b>1,015</b>     | <b>895</b>   |           |
| Amortization, product rights                                 | -2,067           | -2,024       |           | -522             | -512         |           |
| Depreciation and amortization, other                         | -119             | -120         |           | -32              | -31          |           |
| <b>Operating profit (EBIT)</b>                               | <b>1,548</b>     | <b>1,801</b> |           | <b>461</b>       | <b>352</b>   |           |
| <b>Key ratios related to earnings</b>                        |                  |              |           |                  |              |           |
| Operating margin, %  | 11.8             | 13.9         |           | 13.4             | 11.0         |           |
| Profit margin, %   | 7.6              | 9.5          |           | 9.5              | 6.6          |           |
| EBITDA, %  | 28.5             | 30.4         |           | 29.4             | 28.0         |           |
| Return on capital employed, rolling 12 months, %             | 5.1              | 5.7          |           |                  |              |           |
| Return on equity, rolling 12 months, %                       | 5.4              | 7.9          |           |                  |              |           |

## Consolidated statement of earnings and other comprehensive income (SEK million)

|  | January-December |              | October-December |            |
|--|------------------|--------------|------------------|------------|
|  | 2013             | 2012         | 2013             | 2012       |
| <b>Net profit</b>  | <b>805</b>       | <b>1,175</b> | <b>258</b>       | <b>357</b> |
| <b>Items that will not be reclassified to the income statement</b>       |                  |              |                  |            |
| Revaluation of defined benefit pension plans and similar plans after tax | 113              | -178         | 11               | -39        |
|  | <b>113</b>       | <b>-178</b>  | <b>11</b>        | <b>-39</b> |
| <b>Items that may be reclassified to the income statement</b>            |                  |              |                  |            |
| Translation difference   | 510              | -730         | 417              | 231        |
| Net investment hedge, after tax  | -277             | 403          | -213             | -77        |
| Cash flow hedges, after tax  | 17               | -31          | 1                | -7         |
|  | <b>250</b>       | <b>-358</b>  | <b>205</b>       | <b>147</b> |
| <b>Other comprehensive income for the period, net of tax</b>             | <b>363</b>       | <b>-536</b>  | <b>216</b>       | <b>108</b> |
| <b>Total comprehensive income</b>  | <b>1,168</b>     | <b>639</b>   | <b>474</b>       | <b>465</b> |
| <b>Profit/loss attributable to:</b>                                      |                  |              |                  |            |
| Parent company shareholders  | 1,168            | 667          | 471              | 474        |
| Non-controlling interests  | 0                | -28          | 3                | -9         |
| <b>Total comprehensive income</b>  | <b>1,168</b>     | <b>639</b>   | <b>474</b>       | <b>465</b> |

## Share data

|                                 | January-December |       | October-December |       |
|---------------------------------|------------------|-------|------------------|-------|
|                                 | 2013             | 2012  | 2013             | 2012  |
| <b>Earnings per share</b>       |                  |       |                  |       |
| Basic earnings per share, SEK   | 2.67             | 3.98  | 0.85             | 1.21  |
| Diluted earnings per share, SEK | 2.67             | 3.98  | 0.85             | 1.21  |
| Basic earnings per share, SEK   | 2.67             | 3.39* | 0.85             | 0.62* |
| Diluted earnings per share, SEK | 2.67             | 3.39* | 0.85             | 0.62* |

\*Excluding a positive non-recurring effect of SEK 179 million in Q4 2012 due to a reduction in the Swedish corporate tax rate.

### 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 |

## Consolidated balance sheet (SEK million)

|   | December 31<br>2013 | December 31<br>2012 |
|---|---------------------|---------------------|
| <b>ASSETS</b>                             |                     |                     |
| Non-current assets                        |                     |                     |
| - Property, plant, and equipment          | 848                 | 795                 |
| - Intangible <sup>1)</sup>                | 29,666              | 30,419              |
| - Other non-current assets                | 936                 | 946                 |
| <b>Non-current assets</b>                 | <b>31,450</b>       | <b>32,160</b>       |
| Current assets                            |                     |                     |
| - Inventories                             | 1,982               | 1,931               |
| - Current receivables                     | 2,683               | 2,486               |
| - Cash and cash equivalents               | 178                 | 194                 |
| <b>Current assets</b>                     | <b>4,843</b>        | <b>4,611</b>        |
| <b>Total assets</b>                       | <b>36,293</b>       | <b>36,771</b>       |
| <b>EQUITY AND LIABILITIES</b>             |                     |                     |
| <b>Equity</b>                             | <b>15,211</b>       | <b>14,723</b>       |
| Non-current liabilities                   |                     |                     |
| - Borrowings                              | 7,792               | 13,195              |
| - Pension obligations                     | 1,107               | 1,284               |
| - Deferred tax liabilities                | 2,211               | 2,537               |
| - Other long-term liabilities             | 274                 | 305                 |
| <b>Non-current liabilities</b>            | <b>11,384</b>       | <b>17,321</b>       |
| Current liabilities                       |                     |                     |
| - Borrowings                              | 6,304               | 1,752               |
| - Other short-term liabilities            | 3,394               | 2,975               |
| <b>Current liabilities</b>                | <b>9,698</b>        | <b>4,727</b>        |
| <b>Total equity and liabilities</b>       | <b>36,293</b>       | <b>36,771</b>       |
| <sup>1)</sup> Of which goodwill           | 13,971              | 13,809              |
| <b>Key ratios affecting balance sheet</b> |                     |                     |
| Net debt                                  | 15,025              | 16,037              |
| Net debt/equity ratio, times              | 1.0                 | 1.1                 |
| Equity/assets ratio, %                    | 41.9                | 40.0                |
| Equity per share, SEK (at end of period)  | 50.3                | 48.7                |

## Consolidated cash flow statement (SEK million)

|   | January-December |               | October-December |             |
|---|------------------|---------------|------------------|-------------|
|   | 2013             | 2012          | 2013             | 2012        |
| Profit after financial items  | 1,003            | 1,236         | 327              | 212         |
| Adjustments for items not included in cash flow                       | 2,246            | 2,164         | 560              | 530         |
| Net change in pensions  | -19              | -56           | -9               | -26         |
| Net change in other provisions  | 116              | 35            | 33               | 32          |
| Income taxes paid   | -390             | -328          | -97              | -123        |
| Cash flow from operating activities before changes in working capital | 2,956            | 3,051         | 814              | 625         |
| <b>Cash flow from changes in working capital</b>                      |                  |               |                  |             |
| Inventories   | -97              | -277          | 96               | -16         |
| Receivables   | -225             | 35            | -228             | 135         |
| Liabilities   | 211              | 4             | 114              | 105         |
| <b>Cash flow from operating activities</b>                            | <b>2,845</b>     | <b>2,813</b>  | <b>796</b>       | <b>849</b>  |
| <b>Cash flow from investing activities</b>                            | <b>-1,255</b>    | <b>-1,143</b> | <b>-927</b>      | <b>-988</b> |
| <b>Cash flow from financing activities</b>                            | <b>-1,597</b>    | <b>-1,608</b> | <b>158</b>       | <b>111</b>  |
| <b>Cash flow for the period</b>                                       | <b>-7</b>        | <b>62</b>     | <b>27</b>        | <b>-28</b>  |
| Cash and cash equivalents at period's start                           | 194              | 140           | 152              | 221         |
| Exchange-rate difference for cash and cash equivalents                | -9               | -8            | -1               | 1           |
| <b>Cash and cash equivalents at period's end</b>                      | <b>178</b>       | <b>194</b>    | <b>178</b>       | <b>194</b>  |
| <b>Key ratios related to cash flow</b>                                |                  |               |                  |             |
| Free cash flow, SEK million   | 2,688            | 2,672         | 730              | 803         |
| Cash earnings per share, SEK  | 8.89             | 8.84          | 2.42             | 2.66        |

## Consolidated statement of changes in equity (SEK million)

| SEK million  | Attributable to parent company shareholders |                                      |                   |  | Total         | Non-con-<br>trolling<br>interests | Total<br>equity |
|--|---|--------------------------------------|-------------------|--|---------------|-----------------------------------|-----------------|
|  | Share<br>capital                            | Other<br>con-<br>tributed<br>capital | Other<br>reserves | Retained<br>earnings<br>includ-<br>ing profit<br>for the<br>year |               |                                   |                 |
| <b>Opening balance, equity, Jan 1, 2012</b>  | <b>302</b>                                  | <b>8,865</b>                         | <b>-239</b>       | <b>6,047</b>   | <b>14,974</b> | <b>-4</b>                         | <b>14,971</b>   |
| Effect of change in accounting policies for recognition of defined benefit pension plans and similar plans after tax | -   | -                                    | -                 | -207   | -207          | -                                 | -207            |
| <b>Adjusted opening balance, Jan 1, 2012</b>   | <b>302</b>                                  | <b>8,865</b>                         | <b>-239</b>       | <b>5,840</b>   | <b>14,768</b> | <b>-4</b>                         | <b>14,764</b>   |
| Translation difference   | -   | -                                    | -731              | -  | -731          | 1                                 | -730            |
| Net investment hedge, after tax  | -   | -                                    | 403               | -  | 403           | -                                 | 403             |
| Cash flow hedges, after tax  | -   | -                                    | -31               | -  | -31           | -                                 | -31             |
| Defined benefit pension plans and similar plans, after tax   | -   | -                                    | -178              | -  | -178          | -                                 | -178            |
| <b>Total other comprehensive income</b>  | <b>-</b>                                    | <b>-</b>                             | <b>-537</b>       | <b>-</b>   | <b>-537</b>   | <b>1</b>                          | <b>-536</b>     |
| Profit/loss for period   | -   | -                                    | -                 | 1,204  | 1,204         | -29                               | 1,175           |
| <b>Total comprehensive income</b>  | <b>-</b>                                    | <b>-</b>                             | <b>-537</b>       | <b>1,204</b>   | <b>667</b>    | <b>-28</b>                        | <b>639</b>      |
| Dividend   | -   | -                                    | -                 | -680   | -680          | -                                 | -680            |
| <b>Closing balance, equity, Dec 31, 2012</b>   | <b>302</b>                                  | <b>8,865</b>                         | <b>-776</b>       | <b>6,364</b>   | <b>14,755</b> | <b>-32</b>                        | <b>14,723</b>   |
| <b>Opening balance, equity, Jan 1, 2013</b>  | <b>302</b>                                  | <b>8,865</b>                         | <b>-776</b>       | <b>6,364</b>   | <b>14,755</b> | <b>-32</b>                        | <b>14,723</b>   |
| Translation difference   | -   | -                                    | 508               | -  | 508           | 2                                 | 510             |
| Net investment hedge, after tax  | -   | -                                    | -277              | -  | -277          | -                                 | -277            |
| Cash flow hedges, after tax  | -   | -                                    | 17                | -  | 17            | -                                 | 17              |
| Defined benefit pension plans and similar plans, after tax   | -   | -                                    | 113               | -  | 113           | -                                 | 113             |
| <b>Total other comprehensive income</b>  | <b>-</b>                                    | <b>-</b>                             | <b>361</b>        | <b>-</b>   | <b>361</b>    | <b>2</b>                          | <b>363</b>      |
| Profit/loss for period   | -   | -                                    | -                 | 807  | 807           | -2                                | 805             |
| <b>Total comprehensive income</b>  | <b>-</b>                                    | <b>-</b>                             | <b>361</b>        | <b>807</b>   | <b>1,168</b>  | <b>0</b>                          | <b>1,168</b>    |
| Dividend   | -   | -                                    | -                 | -680   | -680          | -                                 | -680            |
| <b>Closing balance, equity, Dec 31, 2013</b>   | <b>302</b>                                  | <b>8,865</b>                         | <b>-415</b>       | <b>6,491</b>   | <b>15,243</b> | <b>-32</b>                        | <b>15,211</b>   |

## Fair value – financial assets and liabilities

The following table comprises the Group's financial assets and liabilities that are measured at fair value.

Derivatives are recognized at level 2 and used for the purpose of hedging. Fair value measurement for interest rate swaps is calculated by discounting with observable market data. Measurement of fair value for currency forward contracts is based on published forward prices.

Available-for-sale financial assets are primarily recognized at level 1 and consist of funds invested in interest-bearing securities. Fair value measurement is based on market prices on an active market.

Group derivatives are covered by right of set-off between assets and liabilities with the same counterparty. Offsetting of assets and liabilities has not been applied. Derivatives recognized as assets and liabilities are presented in the following table.

No transfers have been made between level 1 and level 2 during the period.

|                                     | January-December |            | January-December |           |
|-------------------------------------|------------------|------------|------------------|-----------|
|                                     | 2013             |            | 2012             |           |
|                                     | Level 1          | Level 2    | Level 1          | Level 2   |
| <b>Assets</b>                       |                  |            |                  |           |
| Interest rate swaps <sup>1)</sup>   | -                | -          | -                | 0         |
| Currency forward contracts          | -                | 49         | -                | 60        |
| Available-for-sale financial assets | 4                | 1          | 4                | 1         |
| <b>Total</b>                        | <b>4</b>         | <b>50</b>  | <b>4</b>         | <b>61</b> |
| <b>Liabilities</b>                  |                  |            |                  |           |
| Interest rate swaps <sup>1)</sup>   | -                | 33         | -                | 56        |
| Currency forward contracts          | -                | 113        | -                | 22        |
| <b>Total</b>                        | <b>-</b>         | <b>146</b> | <b>-</b>         | <b>78</b> |

<sup>1)</sup> Cash flow hedging

## Parent company

The parent company's net sales for January-December reached SEK 5,477 million (5,733), of which intra-Group sales represented SEK 3,659 million (3,711). Operating profit totaled SEK 402 million (423), and net financial items totaled SEK 383 million (970).

Investments in intellectual property rights for the period were SEK 233 million (301), and investments in property, plant, and equipment totaled SEK 1 million (1).

Financial assets at December 31, 2013, totaled SEK 23,630 million, compared to SEK 24,778 million at the end of last year. Cash and cash equivalents were SEK 22 million (0).

## Income statement for the parent company (SEK million)

|  | January-December |              |
|--|------------------|--------------|
|  | 2013             | 2012         |
| Net sales  | 5,477            | 5,733        |
| Cost of sales  | -3,178           | -3,507       |
| <b>Gross profit</b>  | <b>2,299</b>     | <b>2,226</b> |
| Other operating income                                       | -                | 47           |
| Selling expenses   | -454             | -500         |
| Medicine and business development expenses                   | -1,227           | -1,145       |
| Administrative expenses                                      | -216             | -205         |
| <b>Operating profit (EBIT)</b>                               | <b>402</b>       | <b>423</b>   |
| Net financial items  | 383              | 970          |
| <b>Profit for the period after net financial items (EBT)</b> | <b>785</b>       | <b>1,393</b> |
| Appropriations and tax                                       | -457             | -936         |
| <b>Net profit</b>  | <b>328</b>       | <b>457</b>   |

## Balance sheet for the parent company (SEK million)

|                                     | December 31   | December 31   |
|-------------------------------------|---------------|---------------|
|                                     | 2013          | 2012          |
| <b>ASSETS</b>                       |               |               |
| Non-current assets                  |               |               |
| - Intangible                        | 6,172         | 6,961         |
| - Property, plant, and equipment    | 1             | 1             |
| - Financial                         | 23,630        | 24,778        |
| <b>Total non-current assets</b>     | <b>29,803</b> | <b>31,740</b> |
| Current assets                      |               |               |
| - Inventories                       | 460           | 405           |
| - Current receivables               | 1,422         | 1,287         |
| - Cash and bank balances            | 22            | 0             |
| <b>Total current assets</b>         | <b>1,904</b>  | <b>1,692</b>  |
| <b>Total assets</b>                 | <b>31,707</b> | <b>33,432</b> |
| <b>EQUITY AND LIABILITIES</b>       |               |               |
| Restricted equity                   | 3,477         | 3,477         |
| Non-restricted equity               | 8,451         | 8,787         |
| <b>Total equity</b>                 | <b>11,928</b> | <b>12,264</b> |
| Untaxed reserves                    | 2,239         | 2,320         |
| Provisions                          | 62            | 61            |
| Non-current liabilities             | 9,726         | 15,735        |
| Current liabilities                 | 7,752         | 3,052         |
| <b>Total equity and liabilities</b> | <b>31,707</b> | <b>33,432</b> |

## Sales (SEK million)

Sales trends for the 20 best-selling products during the period.

|                      | January-December |      |       |                     | October-December |      |       |                     |
|----------------------|------------------|------|-------|---------------------|------------------|------|-------|---------------------|
|                      | 2013             | 2012 | Index | Index <sup>1)</sup> | 2013             | 2012 | Index | Index <sup>1)</sup> |
| Tambocor             | 776              | 753  | 103   | 104                 | 209              | 189  | 110   | 108                 |
| Betadine             | 753              | 754  | 100   | 101                 | 190              | 175  | 109   | 106                 |
| Dymista              | 449              | 64   | 705   | 732                 | 163              | 33   | 493   | 506                 |
| Elidel <sup>2)</sup> | 415              | 364  | 114   | 117                 | 127              | 96   | 132   | 134                 |
| Aldara/Zyclara       | 424              | 403  | 105   | 107                 | 119              | 110  | 107   | 106                 |
| EpiPen               | 386              | 373  | 103   | 106                 | 110              | 72   | 152   | 153                 |
| Astepro              | 288              | 446  | 65    | 67                  | 42               | 108  | 39    | 40                  |
| SB12/CB12            | 276              | 230  | 120   | 122                 | 55               | 70   | 79    | 78                  |
| Minitran             | 267              | 285  | 94    | 94                  | 68               | 62   | 109   | 106                 |
| Solco                | 265              | 217  | 122   | 124                 | 67               | 51   | 131   | 129                 |
| Formatris            | 238              | 209  | 114   | 115                 | 56               | 44   | 127   | 123                 |
| Thioctacid           | 238              | 214  | 111   | 116                 | 62               | 74   | 83    | 86                  |
| Rantudil             | 235              | 241  | 97    | 102                 | 83               | 68   | 122   | 129                 |
| Astelin              | 233              | 229  | 102   | 104                 | 44               | 41   | 106   | 106                 |
| Mestinon             | 229              | 250  | 92    | 94                  | 58               | 63   | 93    | 92                  |
| Treo                 | 214              | 234  | 92    | 92                  | 54               | 60   | 91    | 90                  |
| Zamadol              | 204              | 232  | 88    | 90                  | 49               | 53   | 92    | 90                  |
| Novopulmon           | 184              | 170  | 109   | 110                 | 48               | 43   | 114   | 113                 |
| Muse                 | 177              | 197  | 90    | 93                  | 41               | 50   | 83    | 84                  |
| Calcium              | 173              | 163  | 106   | 106                 | 49               | 44   | 110   | 109                 |

1) Index at fixed exchange rates

2) Refers to sales outside North America

## Information on geographic markets

|                  | January-December |               | October-December |              |
|------------------|------------------|---------------|------------------|--------------|
|                  | 2013             | 2012          | 2013             | 2012         |
| Western Europe   | 8,507            | 8,452         | 2,210            | 2,013        |
| USA              | 2,416            | 2,481         | 625              | 640          |
| Emerging Markets | 1,951            | 1,834         | 557              | 481          |
| Other sales      | 240              | 224           | 58               | 61           |
| <b>Net sales</b> | <b>13,114</b>    | <b>12,991</b> | <b>3,450</b>     | <b>3,195</b> |

|                  | January-December |              | October-December |            |
|------------------|------------------|--------------|------------------|------------|
|                  | 2013             | 2012         | 2013             | 2012       |
| Western Europe   | 3,078            | 3,078        | 795              | 706        |
| USA              | 872              | 1,161        | 278              | 305        |
| Emerging Markets | 504              | 410          | 143              | 100        |
| Other sales      | -720             | -704         | -201             | -216       |
| <b>EBITDA</b>    | <b>3,734</b>     | <b>3,945</b> | <b>1,015</b>     | <b>895</b> |

## 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

## Other definitions

**Net debt/adjusted EBITDA** – EBITDA rolling 12 months adjusted for acquisitions and disposals, and excluding restructuring costs due to acquisitions

**Organic growth** – is defined as sales growth adjusted for currency effects, acquisitions, disposed operations, and revenues from the cooperation agreement with Valeant.