

Interim Report, January-March 2014

January-March 2014

- The Group's net sales reached SEK 3,365 million (3,199), corresponding to organic growth¹ of 3% compared to the previous year.
- EBITDA was SEK 1,010 million (923), yielding a 30.0% margin (28.9).
- Operating profit totaled SEK 462 million (384).
- Profit after tax amounted to SEK 260 million (208).
- Earnings per share reached SEK 0.86 (0.70).
- Cash earnings per share amounted to SEK 1.97 (1.77).

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

Webcasted presentation of the report on May 7 at 10.30 a.m.

The presentation can be accessed at www.meda.se/financial-information/, where a recorded version will also be available until the next interim report is presented.

For further inquiries, please contact:

Paula Treutiger, Investor Relations, paula.treutiger@meda.se, +46 733-666 599.

CEO statement

Meda has seen a positive start to the year. With an increase in net sales of 5% in the first quarter we are continuing to deliver organic growth of 3% and we are noticing an improvement in the EBITDA margin to 30.0%, despite the strong end to 2013.

Dymista was the growth engine during the first quarter and we are continuing to focus considerable effort on this launch. In addition to increased sales in the US we are now seeing rising market share in Europe, where the allergy season has started early this year. Dymista has now been launched on most of the markets in Europe and is performing well.

In the first quarter, emerging markets displayed organic growth of 2%. We expect the rate of growth on these markets to continue to fluctuate and vary between regions and markets. Several markets, including Turkey and Brazil, performed well during the quarter, while developments in Russia and Ukraine were weaker as a result of unrest in the region.

The OTC business area showed negative growth of -1% in the first quarter. The base business is showing stable numbers. As previously mentioned, we have initiated measures to improve the trend for the more recently launched products within the OTC area. We have come a long way, and we are in a phase where we are building brand awareness and shaping the position. However, it takes time to build brands and to see the impact of the programs that have been implemented.

Organic growth for Western Europe amounted to 2%. The region displayed positive growth apart from Germany, which was negatively impacted by strong sales at the end of 2013. We have mentioned before that we have seen an improvement in the market climate in Southern Europe, and both Spain and Italy have now shown positive growth for several consecutive quarters, albeit from low levels.

With organic growth of 14% in the first quarter, the US is the region that contributed the most to Meda's growth. This was mainly fueled by Dymista and the launch of Aerospan. The response from asthma specialists is positive. During the early launch phase we will focus on specialists and experts within the field of asthma.

The EBITDA margin strengthened for the quarter compared with the full year 2013 and Q4, which is consistent with our objective for the full year. However, I would like to clarify that we will see variations between the quarters.

Meda's ambition is to develop into a world-leading specialty pharma company. I believe that Meda is well-positioned to meet this challenge. Meda has broad geographic coverage of the global market and a well-established product portfolio, which combined with continuing product launches offers us excellent opportunities to grow organically going forward. Intensifying our focus on acquisitions will be even more important if the company is to achieve its goals. Meda has both financial and organizational capacity for growth through major acquisitions as well as a good track-record. I look forward to taking Meda to the next level, together with my colleagues.

We remain committed to previously announced objectives for the full year on continued healthy organic growth at the same level as 2013, and an improved EBITDA margin.

Jörg-Thomas Dierks

CEO

Sales

For information on sales trends for major products, see the table on page 15. Definitions of geographic regions and product categories are presented on page 16.

January-March

Net sales for the period amounted to SEK 3,365 million (3,199), representing a 3% increase at fixed exchange rates.

Sales by geographic area

January-March

Sales in **Western Europe** for the period were SEK 2,202 million (2,086), representing a 2% increase both organic and at fixed exchange rates. While sales in Germany declined following a very strong fourth quarter last year, the majority of countries in the region displayed positive growth.

US sales amounted to SEK 681 million (602), representing a 12% increase at fixed exchange rates and an organic sales increase of 14%. The base business in the US declined by 8% but with sales of Dymista on the US market rising to SEK 127 million (66) and sales of Aerospan to wholesalers in preparation for the launch totaling to SEK 37 million this double digit growth could be achieved.

Sales in **Emerging Markets** amounted to SEK 435 million (448), representing a 2% increase both organic and at fixed exchange rates. The uncertain political and economic situation in Russia and Ukraine caused sales in these markets to decrease for the quarter. Sales in the Middle East and China decreased as well following the strong finish to 2013. Instead organic growth for the period was primarily driven by Brazil, Australia, Turkey, and Poland.

Other Sales amounted to SEK 47 million (63).

	January-March				
	2014	2013	Index	Index ¹⁾	Index ²⁾
Western Europe	2,202	2,086	106	102	102
USA	681	602	113	112	114
Emerging markets	435	448	97	102	102
Other Sales	47	63	74	71	70
Total sales	3,365	3,199	105	103	103

¹⁾ Fixed exchange rates ²⁾ Organic growth

Sales by product category

January-March

Sales of prescription drugs (**RX**) amounted to SEK 2,462 million (2,303), representing a 5% increase both organic and at fixed exchange rates. Sales of Solco were affected negatively by the situation in Russia and Ukraine. The sales trend for Astepro and Aldara weak as well. However, Dymista, Epipen, and Tambocor made significant contributions to growth in the period.

OTC sales amounted to SEK 810 million (797), representing a 1% decrease both organic and at fixed exchange rates. The trend for the international portfolio remained weak during the quarter.

Other Sales amounted to SEK 93 million (99).

	January-March				
	2014	2013	Index	Index ¹⁾	Index ²⁾
RX	2,462	2,303	107	105	105
OTC	810	797	102	99	99
Other Sales	93	99	93	91	90
Total sales	3,365	3,199	105	103	103

¹⁾ Fixed exchange rates ²⁾ Organic growth

Earnings

Operating profit

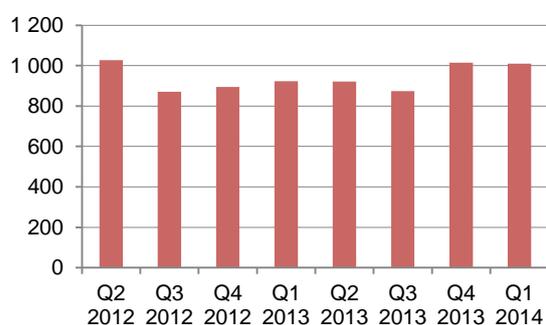
January-March

Operating profit for the period totaled SEK 462 million (384).

EBITDA for the same period was SEK 1,010 million (923), yielding a 30.0% margin (28.9).

Operating expenses for Q1 amounted to SEK 1,587 million (1,626). The decrease is mainly due to reduced administrative expenses. These expenses fell as a result of a combination of positive non-recurring effects and lower legal costs. Selling expenses for the quarter were SEK 751 million (764).

EBITDA (SEK million)*



* Figures for 2012 have been recalculated for IAS 19, see 2013 annual report for further information.

Financial items and net profit

January-March

Net finance expense amounted to SEK -135 million (-129). The average interest rate at March 31, 2014, was 2.7% (2.8).

Profit after net finance costs totaled SEK 327 million (255).

Net profit amounted to SEK 260 million (208).

Group tax expense was SEK 67 million (47), equivalent to a tax rate of 20.5% (18.7).

Earnings per share reached SEK 0.86 (0.70).

Cash flow

January-March

Cash flow from operating activities before changes in working capital amounted to SEK 780 million (790).

Tied-up working capital had a SEK -165 million (-239) impact on cash flow. Receivables had a negative impact on cash flow of SEK 250 million, which is explained by seasonal variations between the first and fourth quarter, and to a certain extent an increase in prepayments. Debts had a positive effect on cash flow of SEK 94 million, which is largely attributable to increased accruals. Accordingly, cash flow from operating activities amounted to SEK 615 million (551).

Cash flow from investing activities amounted to SEK -56 million (-46). The acquisition of the product EB24, which was carried out via the acquisition of the company ZpearPoint AS, was completed during the quarter.

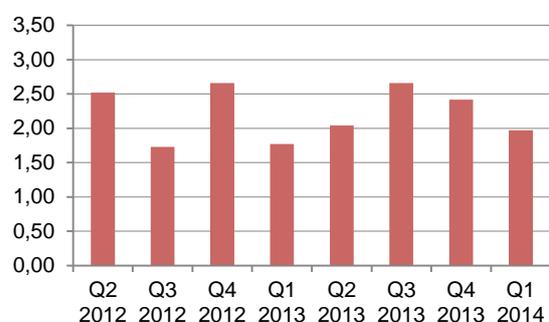
Cash flow from financing activities reached SEK -466 million (-396).

Cash earnings per share for the period rose 11% to SEK 1.97 (1.77).

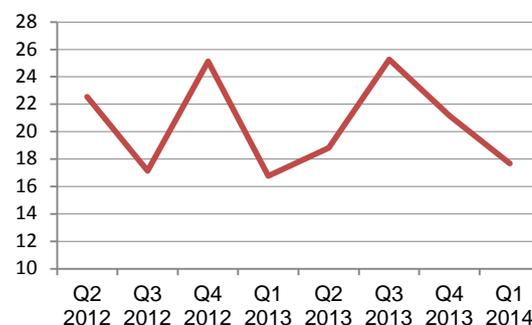
Average free cash flow per quarter during the last eight quarters amounted to SEK 671 million. For Q1 2014, free cash flow amounted to SEK 595 million (536). Performance of cash earnings per share is illustrated in the table below.

Free cash flow/net sales totaled 18% for the period and 21% on average for the last eight quarters.

Cash earnings per share (SEK)



Free cash flow/net sales (%)



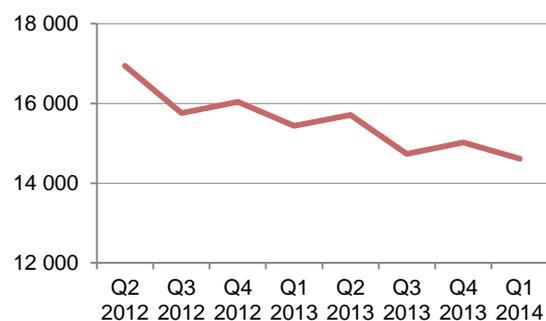
Financing

On March 31, equity stood at SEK 15,588 million compared to SEK 15,211 million at the start of the year, which corresponds to SEK 51.6 (48.7) per share. The equity/assets ratio was 42.7% compared to 41.9% at the start of the year.

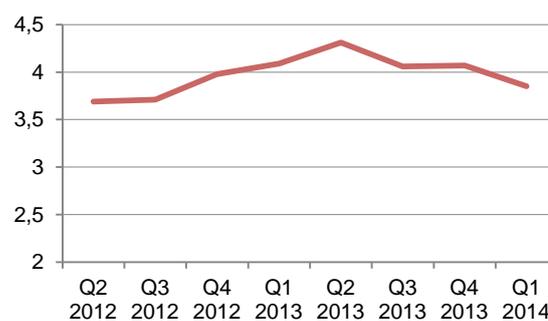
Net debt for the Group totaled SEK 14,610 million on March 31, compared to SEK 15,025 million at the start of the year.

Net debt/adjusted EBITDA has gradually fallen since Q2 2013. This is partly due to increased EBITDA and partly to strong free cash flow compared with the same quarter in previous periods. 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 have been recalculated for IAS 19, see 2013 annual report for more information.

Events after the reporting date

Meda and Valeant conclude joint ventures

Meda has reached an agreement with Valeant to conclude the companies' joint ventures in Canada, Mexico, and Australia during the second quarter 2014. Meda has established subsidiaries in all three countries.

The rights to the products Flupirtine, Onsolis, and Sublinox will revert to Meda, while Valeant will continue to pursue operations in Canada including the products Palafer, Contac, and Manerix. Sublinox will be out-licensed to Valeant in Canada.

The agreement will give Meda extended sales rights to the in-licensed products Acnatac and Zyclara, allowing Meda to sell the products in Australia and South Africa.

Meda will cease paying royalties to Valeant on sales of Acnatac and Zyclara.

Risks and uncertainties

The Group's business is exposed to financial risks, which are described in Meda's 2013 annual report on pp. 78-80. Risks related to Group operations are described in the 2013 annual report on pp. 60-62.

Accounting policies

The Group complies with the EU-approved IFRS standards and their interpretations (IFRIC). This interim report was prepared as per IAS 34 Interim Financial Reporting. Further information about Group reporting and valuation principles is detailed in Note 1 on pp. 74-78 of the 2013 annual report. The parent company applies RFR 2, Accounting for Legal Entities.

The Group uses the same accounting policies in this interim report as applied in the preparation of the 2013 annual report. New or revised IFRS standards that came into force in 2014 did not have any material impact on the Group.

Changes to external reporting – sales by product category

As of January 1, 2014, Meda reports the following two product categories: RX, OTC and Other Sales.

Product categories as of January 1, 2014:

RX – Prescription drugs and specialty products

OTC – Over-the-counter products

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

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

Stockholm, May 7, 2014

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

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

Meda AB

Pipers väg 2A, Box 906, 170 09 Solna, Sweden, Tel: +46 8-630 19 00, Fax: +46 8-630 19 50,
E-mail: info@meda.se, www.meda.se, Corp. ID: 556427-2812

Upcoming reporting dates

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 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-March			Full year
	2014	2013	Change, %	2013
Net sales	3,365	3,199	5%	13,114
Cost of sales	-1,316	-1,189		-5,087
Gross profit	2,049	2,010		8,027
Selling expenses	-751	-764		-2,993
Medicine and business development expenses ¹⁾	-688	-672		-2,794
Administrative expenses	-148	-190		-692
Operating profit (EBIT)	462	384		1,548
Net financial items	-135	-129		-545
Profit for the period after net financial items (EBT)	327	255		1,003
Tax	-67	-47		-198
Net profit	260	208		805

Profit/loss attributable to:

Parent company shareholders	259	211	807
Non-controlling interests	1	-3	-2
Net profit	260	208	805

¹⁾Of which amortization of product rights -519 -510 -2,067

EBITDA	1,010	923	3,734
Amortization, product rights	-519	-510	-2,067
Depreciation and amortization, other	-29	-29	-119
Operating profit (EBIT)	462	384	1,548

Key ratios related to earnings

Operating margin, %	13.7	12.0	11.8
Profit margin, %	9.7	8.0	7.6
EBITDA, %	30.0	28.9	28.5
Return on capital employed, rolling 12 months, %	6.4	5.0	5.1
Return on equity, rolling 12 months, %	6.6	6.9	5.4

Consolidated statement of earnings and comprehensive income (SEK million)

	January-March		Full year
	2014	2013	2013
Net profit	260	208	805
Items that will not be reclassified to the income statement			
Revaluation of defined-benefit pension plans and similar plans after tax	1	8	113
	1	8	113
Items that may be reclassified to the income statement			
Translation difference	218	-460	510
Net investment hedge, after tax	-103	243	-277
Cash flow hedges, after tax	1	7	17
	116	-210	250
Other comprehensive income for the period, net of tax	117	-202	363
Total comprehensive income	377	6	1,168
Profit/loss attributable to:			
Parent company shareholders	375	9	1,168
Non-controlling interests	2	-3	0
Total comprehensive income	377	6	1,168

Share data

	January-March		Full year
	2014	2013	2013
Earnings per share			
Basic earnings per share, SEK	0.86	0.70	2.67
Diluted earnings per share, SEK	0.86	0.70	2.67
Basic earnings per share, SEK	0.86	0.70	2.67
Diluted earnings per share, SEK	0.86	0.70	2.67

Average number of shares

Basic (thousands)	302,243	302,243	302,243
Diluted (thousands)	302,243	302,243	302,243

Number of shares on closing day

Basic (thousands)	302,243	302,243	302,243
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Diluted (thousands)

302,243

302,243

302,243

Consolidated balance sheet (SEK million)

	March 31 2014	March 31 2013	December 31 2013
ASSETS			
Non-current assets			
- Property, plant, and equipment	846	771	848
- Intangible ¹⁾	29,382	29,622	29,666
- Other non-current assets	969	872	936
Non-current assets	31,197	31,265	31,450
Current assets			
- Inventories	2,030	2,006	1,982
- Current receivables	3,025	2,688	2,683
- Cash and cash equivalents	274	297	178
Current assets	5,329	4,991	4,843
Total assets	36,526	36,256	36,293
EQUITY AND LIABILITIES			
Equity	15,588	14,729	15,211
Non-current liabilities			
- Borrowings	5,033	12,151	7,792
- Pension obligations	1,108	1,262	1,107
- Deferred tax liabilities	2,167	2,499	2,211
- Other non-current liabilities	275	290	274
Non-current liabilities	8,583	16,202	11,384
Current liabilities			
- Borrowings	8,750	2,322	6,304
- Other current liabilities	3,605	3,003	3,394
Current liabilities	12,355	5,325	9,698
Total equity and liabilities	36,526	36,256	36,293
¹⁾ Of which, goodwill	14,089	13,641	13,971
Key ratios affecting balance sheet			
Net debt	14,610	15,437	15,025
Net debt/equity ratio, times	0.9	1.0	1.0
Equity/assets ratio, %	42.7	40.6	41.9
Equity per share, SEK (at end of period)	51.6	48.7	50.3

Consolidated cash flow statement (SEK million)

	January-March		Full year
	2014	2013	2013
Profit after financial items	327	255	1,003
Adjustments for items not included in cash flow	561	563	2,246
Net change in pensions	-3	4	-19
Net change in other provisions	-28	30	116
Income taxes paid	-77	-62	-390
Cash flow from operating activities before changes in working capital	780	790	2,956
Cash flow from changes in working capital			
Inventories	-9	-162	-97
Receivables	-250	-144	-225
Liabilities	94	67	211
Cash flow from operating activities	615	551	2,845
Cash flow from investing activities	-56	-46	-1,255
Cash flow from financing activities	-466	-396	-1,597
Cash flow for the period	93	109	-7
Cash and cash equivalents at period's start	178	194	194
Exchange-rate difference for cash and cash equivalents	3	-6	-9
Cash and cash equivalents at period's end	274	297	178
Key ratios related to cash flow			
Free cash flow, SEK million	595	536	2,688
Cash earnings per share, SEK	1.97	1.77	8.89

Consolidated statement of changes in equity (SEK million)

SEK million	Attributable to parent company shareholders						Non-controlling interests	Total equity
	Share capital	Other contributed capital	Other reserves	Retained earnings incl. profit for the year	Total			
Opening balance, equity, Jan 1, 2014	302	8,865	-415	6,491	15,243	-32	15,211	
Translation difference	-	-	217	-	217	1	218	
Net investment hedge, after tax	-	-	-103	-	-103	-	-103	
Cash flow hedges, after tax	-	-	1	-	1	-	1	
Defined-benefit pension plans and similar plans after tax	-	-	1	-	1	-	1	
Total other comprehensive income	-	-	116	-	116	1	117	
Profit for period	-	-	-	259	259	1	260	
Total comprehensive income	-	-	116	259	375	2	377	
Closing balance, equity, Mar 31, 2014	302	8,865	-299	6,750	15,618	-30	15,588	

Fair value – financial assets and liabilities

The table below comprises the consolidated financial assets and liabilities that are measured at fair value.

Derivatives are reported as 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 quoted 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 table below.

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

	January-March		January-March		Full year	
	2014		2013		2013	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Assets						
Interest rate swaps ¹⁾	-	-	-	-	-	-
Currency forward contracts	-	102	-	179	-	49
Available-for-sale financial assets	3	1	4	1	4	1
Total	3	103	4	180	4	50
Liabilities						
Interest rate swaps ¹⁾	-	32	-	46	-	33
Currency forward contracts	-	149	-	29	-	113
Total	-	181	-	75	-	146

¹⁾ Cash flow hedging

Parent company

The parent company's net sales for January-March reached SEK 1,416 million (1,297), of which intra-Group sales represented SEK 939 million (846). Operating profit totaled SEK 165 million (120) and net financial items amounted to SEK -9 million (27).

Investments in intellectual property rights for the period were SEK 2 million (31), and investments in property, plant, and equipment totaled SEK 0 million (0).

Financial assets at March 31, 2014, totaled SEK 23,938 million, compared to SEK 23,630 million at the end of last year. Cash and cash equivalents were SEK 0 million (22).

Income statement for the parent company (SEK million)

	January-March	
	2014	2013
Net sales	1,416	1,297
Cost of sales	-864	-747
Gross profit	552	550
Selling expenses	-87	-56
Medicine and business development expenses	-269	-311
Administrative expenses	-31	-63
Operating profit (EBIT)	165	120
Net financial items	-9	27
Profit for the period after net financial items (EBT)	156	147
Appropriations and tax	-145	-138
Net profit	11	9

Balance sheet for the parent company (SEK million)

	March 31	December 31
	2014	2013
ASSETS		
Non-current assets		
- Intangible	5,941	6,172
- Property, plant, and equipment	1	1
- Financial	23,938	23,630
Total non-current assets	29,880	29,803
Current assets		
- Inventories	444	460
- Current receivables	1,319	1,422
- Cash and bank balances	0	22
Total current assets	1,763	1,904
Total assets	31,643	31,707
EQUITY AND LIABILITIES		
Restricted equity	3,477	3,477
Non-restricted equity	8,463	8,451
Total equity	11,940	11,928
Untaxed reserves	2,378	2,239
Provisions	63	62
Non-current liabilities	7,173	9,726
Current liabilities	10,089	7,752
Total equity and liabilities	31,643	31,707

Sales (SEK million)

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

	January-March			
	2014	2013	Index	Index ¹⁾
Tambocor	198	181	109	105
Betadine	197	184	107	103
Dymista	156	63	247	244
EpiPen	107	67	160	152
Aldara/Zyclara	99	108	92	89
Elidel ²⁾	93	83	112	113
SB12	84	88	95	92
Astelin	84	76	111	109
Minitran	71	67	105	101
Astepro	67	93	72	72
Mestinon	59	56	104	102
Treo	55	54	101	100
Solco	52	67	77	80
Zamadol	51	54	94	90
Calcium	47	42	113	110
Novopulmon	47	48	98	95
Thioctacid	47	59	80	85
Marcoumar	45	37	122	120
Rantudil	45	45	99	107
Muse	44	45	96	95

1) Index in fixed exchange rates

2) Refers to sales outside North America

Information on geographic markets

	January-March		Full year
	2014	2013	2013
Western Europe	2,202	2,086	8,507
USA	681	602	2,416
Emerging markets	435	448	1,951
Other Sales	47	63	240
Net sales	3,365	3,199	13,114

	January-March		Full year
	2014	2013	2013
Western Europe	781	782	3,078
USA	280	186	872
Emerging markets	119	103	504
Other Sales	-170	-148	-720
EBITDA	1,010	923	3,734

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

RX – Prescription drugs 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 – Sales growth adjusted for currency effects, acquisitions, disposed operations and revenues from the cooperation agreement with Valeant.