

# Interim Report, January-March 2015

## January-March 2015<sup>1</sup>

- Net sales reached SEK 4,583 million (3,365), corresponding to an increase of 36%, 24% at constant exchange rates compared to the previous year.
- EBITDA, excluding non-recurring items, was SEK 1,403 million (1,010), corresponding to an increase of 39%, 26% at constant exchange rates and yielding a 30.6% margin (30.0).
- Non-recurring effects had a SEK 218 million negative impact on earnings before tax.
- Profit after tax amounted to SEK 226 million (260).
- Earnings per share reached SEK 0.62 (0.83)<sup>2</sup>. Excluding non-recurring effects, earnings per share totaled SEK 0.59 (0.83).
- Cash earnings per share amounted to SEK 0.74 (1.90)<sup>2</sup>. Excluding non-recurring effects cash earnings per share totaled SEK 1.94 (1.90).

1) For information about non-recurring effects, see page 6

2) Recalculation of comparative figures to consider the bonus issue elements in the 2014 new share issue.

**Webcasted presentation of the report on May 6 at 10:30 AM.**

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

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# CEO statement

Q1 2015 marked another quarter of transformational growth. Sales came in at SEK 4,583 million, 36% higher compared to last year (+24% CER). While weaker than previous quarter due to seasonality, sales were ahead of our internal plans. The integration of Rottapharm continues to proceed according to plan and the benefits are flowing through to the bottom line. I am very pleased that our operating expenses are more than SEK 200 million lower in Q1 2015 versus Q1 last year on a pro forma basis at constant exchange rates. This means that we continue to be very confident to achieve our synergy commitment of SEK 900 million of run-rate synergies in 2016 from the deal. In fact, we are relentlessly working to fully exploit the best of Meda and Rottapharm. This again proves that turning Meda into a leader in European specialty pharma through the acquisition of Rottapharm was the right move at the right time. Identifying, executing and integrating acquisitions is a core skill for Meda and Q1 2015 reinforced my conviction that M&A is at the very heart of Meda's strategy going forward.

Sales in the Rx product area (prescription drugs) reached SEK 2,820 million in Q1, corresponding to 14% growth (+3% CER). Some of our prioritized products continue to deliver. In Respiratory, Dymista prescriptions in the US continue to grow at around 30% although wholesalers reduced their inventory levels in the quarter. This was complemented by good growth in Western Europe (40% in constant exchange rates). EpiPen was up 20% (+7% CER). Also, since end of February, Aerospan prescriptions have more than doubled. Furthermore, in Dermatology I am very pleased to note that we are back at normalized supply for Elidel. The product rebounded - increase of 23% (+10% CER) thanks to good performance in Emerging Markets - which in light of the uncertainty of last year proves the strength of this franchise and end-customer loyalty.

The Cx/OTC product area (non-prescription products) reached SEK 1,650 million in sales in Q1, corresponding to a 93% increase (+78 % CER). New product additions from the Rottapharm business performed well. Dona, Meda's largest product, increased by 42% (+21% CER) compared last year driven by strong performance in Emerging Markets. Also, Legalon with an 18% increase (+8% CER) showed good growth. CB12 sales were weaker compared to previous quarters as anticipated as marketing activity was muted ahead of the new product campaign launch in April.

At the end of the day, sales need to flow to the EBITDA and cash flow lines. And I am pleased that they did. EBITDA was taken to a new level, up 39% (+26% CER). Also, despite accumulation of working capital, free cash flow was up 19%. It is noteworthy that both measures were supported by the gross margin expansion of 1%-point to 62%.

We will continue down the path we have set upon – building a bigger, stronger and better Meda. Nothing will distract us from this objective. Our focus for the rest of the year is threefold: to fully exploit the synergy potential from the Rottapharm acquisition, to strengthen our cash flow, and to gear up for further M&A by building pipeline for 2016. We remain committed to the guidance as communicated earlier.

Jörg-Thomas Dierks

Group President and CEO

CER = constant exchange rates

## Sales

For information on sales trends for major products, see the table on page 19. Definitions of geographic regions and product categories are presented on page 22.

### January-March

Net sales for the period amounted to SEK 4,583 million (3,365), which corresponds to an increase of 36%. At constant exchange rates, sales increased 24%. The Rottapharm acquisition contributed sales of SEK 1,124 million. Pro forma organic growth for the quarter amounted to -5% impacted among others by the effects of the impact of generic competition for Astepro in the US and Tambocor in France and launch quantities of Aerospan in Q1 last year. Pro forma organic growth for top 20 products in Q1 was 2%.

## Sales by geographic area

### January-March

Sales for **Western Europe** over the period were SEK 2,865 million (2,205), representing a 30% increase, 22% at constant exchange rates. Sales of products from Rottapharm amounted to SEK 692 million. Sales were weaker than last year in Southern Europe, for example in Spain, mainly as a result of a strong fourth quarter last year, and France where sales were impacted by generic competition for Tambocor. Sales were flat in the region's largest market, Germany, and increased in several other markets such as the Nordic region, UK, Austria and the Netherlands.

**US** sales amounted to SEK 786 million (681), representing a 15% increase. Adjusting for the impact from generic competition on Astepro and launch quantities in Q1 2014 for Aerospan sales were up 9% at constant exchange rates. Sales of Dymista at SEK 148 million were slightly lower than previous year in local currency, as a result of the lower average price for the quarter and the decrease in wholesale inventories. However, prescriptions increased by 30% in Q1. Aerospan prescriptions continue to show a strong trend and have doubled since end of February to date.

Sales in **Emerging Markets** amounted to SEK 819 million (435), representing an 88% increase. At constant exchange rates, the increase was 69%. Sales of products from Rottapharm amounted to SEK 351 million. Sales were driven mainly by strong trends in China and Southeast Asia. Meda's largest product in the quarter, Dona, recorded strong sales for the quarter corresponding to a growth rate of 23% at constant exchange rates in the region. Sales of Elidel in the region made a positive contribution and the product is now once again supplied on most markets following the previously reported manufacturing problems.

**Other Sales** amounted to SEK 113 million (44).

### Sales by geographic area

SEK million	January-March				
	2015	2014	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Western Europe	2,865	2,205	130	122	93
USA	786	681	115	92	93
Emerging Markets	819	435	188	169	104
Other Sales	113	44	257	242	95
<b>Total sales</b>	<b>4,583</b>	<b>3,365</b>	<b>136</b>	<b>124</b>	<b>95</b>

<sup>1)</sup> Constant exchange rates <sup>2)</sup> Pro forma organic growth

## Sales by product category

### January-March

Sales of prescription drugs (**Rx**) amounted to SEK 2,820 million (2,467), representing an increase of 14%, 3% at constant exchange rates. Sales for the quarter were impacted by generic competition for Astepro in the US and Tambocor in France and launch quantities of Aerospan in Q1 in 2014. Several products in Meda's prioritized therapeutic areas showed increases. Growth rates for Dymista, EpiPen and Elidel were in the range of 1% - 10% at constant exchange rates.

**Cx/OTC** sales amounted to SEK 1,650 million (854), representing a 93% increase, 78% at constant exchange rates. The Rottapharm acquisition contributed sales of SEK 823 million. Sales of Dona, Meda's largest product in the quarter, were strong showing a growth rate of 21% at constant exchange rates. CB12 sales were weak as expected, because marketing activities were limited during the quarter in anticipation of the new campaign launched in April.

**Other Sales** amounted to SEK 113 million (44).

#### Sales by product category

SEK million	January-March				
	2015	2014	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Rx	2,820	2,467	114	103	95
Cx/OTC	1,650	854	193	178	95
Other Sales	113	44	257	242	95
<b>Total sales</b>	<b>4,583</b>	<b>3,365</b>	<b>136</b>	<b>124</b>	<b>95</b>

<sup>1)</sup> Constant exchange rates <sup>2)</sup> Pro forma organic growth

## Earnings

### Operating profit

#### January-March

Operating profit for the period was SEK 536 million (462) and EBITDA was SEK 1,346 million (1,010), yielding a 29.4% margin (30.0). Excluding non-recurring effects, operating profit amounted to SEK 593 million and EBITDA to SEK 1,403 million, corresponding to a growth rate of 39%, 26% at constant exchange rates and to an EBITDA margin of 30.6%.

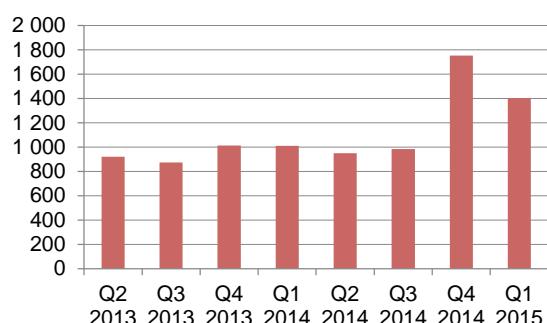
Operating expenses for the period amounted to SEK 2,297 million (1,587) and include restructuring costs of SEK 57 million. Accordingly, operating expenses excluding restructuring costs were SEK 2,240 million, corresponding to a pro forma decrease of more than SEK 200 million at constant exchange rates.

Selling expenses for the period, including restructuring costs of SEK 29 million, were SEK 1,049 million (751). Selling expenses excluding restructuring costs increased by 21% compared with the previous year at constant exchange rates.

Medicine and business development expenses, including restructuring costs of SEK 12 million, were SEK 967 million (688).

Administrative expenses for the period, including restructuring costs of SEK 16 million, totaled SEK 281 million (148).

#### EBITDA (SEK MILLION)\*



\*Excluding non-recurring effects

## Net financial items, tax and earnings per share

### **January-March**

Group net finance expense amounted to SEK -469 million (-135) and includes non-recurring expenses of SEK 161 million related to early redemption of the bond loan absorbed in conjunction with the acquisition of Rottapharm, which was repaid in late April 2015. Excluding non-recurring expenses, net financial items totaled SEK -308 million.

Profit/loss after net financial items totaled SEK 67 million (327).

Tax expense for the quarter was affected positively in the amount of SEK 227 million in relation to tax on non-recurring effects and the utilization of a non-capitalized loss carry-forward in the German operations, for which the Group reports SEK 159 million (-67) in tax income for the period. Excluding non-recurring effects, the Group's tax expense was SEK 68 million (67), equivalent to a tax rate of 23.8% (20.5).

Net profit totaled SEK 226 million (260).

Earnings per share reached SEK 0.62 (0.83). Excluding non-recurring effects, earnings per share totaled SEK 0.59 (0.83). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

## Earnings excluding non-recurring effects

SEK million	January-March		
	2015	Non-recurring effects	2015 excluding non-recurring effects
Net sales	4,583	-	4,583
Cost of sales	-1,750	-	-1,750
<b>Gross profit</b>	<b>2,833</b>	-	<b>2,833</b>
Other operating expenses	-2,297	-57 <sup>1)</sup>	-2,240
<b>Operating profit/loss (EBIT)</b>	<b>536</b>	<b>-57</b>	<b>593</b>
Net financial items	-469	-161 <sup>2)</sup>	-308
<b>Profit/loss for the period after net financial items (EBT)</b>	<b>67</b>	<b>-218</b>	<b>285</b>
Tax	159	227 <sup>3)</sup>	-68
<b>Net profit/loss</b>	<b>226</b>	<b>9</b>	<b>217</b>
EBITDA	1,346	-57 <sup>1)</sup>	1,403
Amortization, product rights	-751	-	-751
Amortization, other	-59	-	-59
<b>Operating profit/loss (EBIT)</b>	<b>536</b>	<b>-57</b>	<b>593</b>

<sup>1)</sup> Refers to restructuring costs of SEK 57 million.

<sup>2)</sup> Refers to non-recurring expenses of SEK 161 million related to early redemption of the bond loan absorbed in conjunction with the acquisition of Rottapharm, which was repaid in late April 2015.

<sup>3)</sup> Tax of SEK 227 million, of which SEK 200 million refers to the utilization of a non-capitalized loss carry-forward in the German operations, SEK 20 million refers to tax on non-recurring effects in net financial items, SEK 15 million refers to tax on restructuring costs and SEK -8 million refers to additional tax for previous financial years.

## Cash flow

### January-March

Cash flow from operating activities before changes in working capital amounted to SEK 749 million (780).

Tied-up working capital had a SEK -418 million (-165) impact on cash flow. Cash flow from inventories totaled SEK -273 million, which is primarily due to higher inventory levels in the European market as a result of stockpiling of Elidel, variations in the timing of raw material purchases by the production units and strong sales in Q4 2014, especially in Southern Europe. Receivables had an adverse effect on cash flow of SEK 132 million driven mainly by an increase in prepaid expenses. Cash flow from trade receivables performed slightly negatively in Q1, which is mainly due to the acquired Rottapharm units, which have made sales with longer credit terms in the past including Q4 2014. Liabilities had a negative effect on cash flow of SEK 13 million. Accordingly, cash flow from operating activities amounted to SEK 331 million (615).

Free cash flow was SEK 269 million (595). Restructuring costs amounting to SEK 333 million and acquisition-related transaction costs in the amount of SEK 107 million were paid during the quarter.

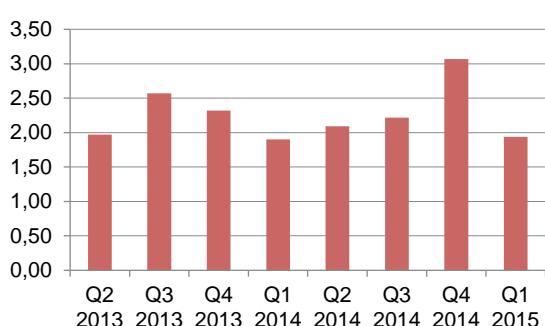
Accordingly, free cash flow excluding non-recurring effects totaled SEK 709 million (595) corresponding to a 19% increase.

Cash earnings per share for the period totaled SEK 0.74 (1.90). Excluding non-recurring effects, cash earnings per share increased by 2% to SEK 1.94 (1.90). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

Cash flow from investing activities amounted to SEK -246 million (-56).

Cash flow from financing activities amounted to SEK -804 million (-466).

Cash earnings per share (SEK)\*



Free cash flow/EBITDA (%)\*



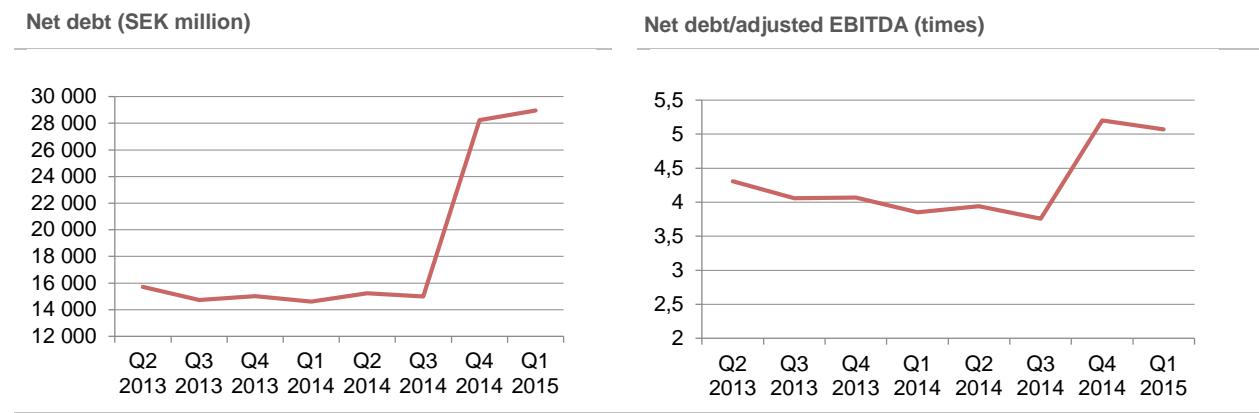
\* Excluding non-recurring effects

## Financing

On March 31, equity stood at SEK 21,059 million compared to SEK 20,680 million at the start of the year, which corresponds to SEK 57.6 (56.6) per share. The equity/assets ratio was 32.5% compared to 31.8% at the start of the year.

Net debt for the Group totaled SEK 28,949 million on March 31, compared to SEK 28,244 million at the start of the year. On March 31, 2015, the average cost of the debt portfolio, including pension liabilities, was 4.3%.

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



## Integration of Rottapharm

The integration of Rottapharm, which was initiated in October 2014, is progressing according to plan in all units. Meda recognized additional restructuring costs in the amount of SEK 57 million in Q1 2015, which puts total restructuring costs since October 2014 at SEK 688 million. The restructuring efforts have already had positive effects on profits. Combined total costs have decreased by more than SEK 200 million on a pro forma basis compared with Q1 of the previous year. The total restructuring costs are estimated at approximately SEK 900 million, which means that additional costs and related savings will have an effect in the rest of 2015. SEK 333 million in restructuring costs has been paid in Q1 2015. Work involving more long-term sales synergies and integration within manufacturing was initiated during the quarter.

## Agreements and key events

### Agreement on sales and commercialization rights for Onsolis in the US

In the first quarter, Meda entered into an agreement with BioDelivery Sciences International (BDSI) to restore commercialization and sales rights for Onsolis in the US, Canada, and Mexico to BDSI. This is owing to the fact that Meda's focus in the US is primarily on asthma and allergies. The agreement stipulates financial terms and conditions under which the parties share revenues from all new North American partnerships.

### Dymista approved for treatment of SAR in children aged 6 to 11

On February 20, Meda announced that the US Food and Drug Administration (FDA) has approved Dymista, a nasal spray that combines azelastine hydrochloride and fluticasone propionate in a composition for treating symptoms of seasonal allergic rhinitis (SAR) in patients aged 6 to 11 in need of both components for treatment. Dymista was previously only indicated for adults and children over the age of 12. The approved dosage for children aged 6 to 11 is one spray per nostril BID (the same dosage as for adolescents and adults with SAR).

## Risks and uncertainties

The Group's business is exposed to financial risks, which are described in Meda's 2014 annual report on pages 90-91. Risks related to Group operations are described in the 2014 annual report on pages 67-68.

## 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 pages 86-90 of the 2014 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 2014 annual report. The new and amended IFRS standards and IFRIC interpretations effective from January 1, 2015 have not had any material effect on the consolidated financial statements.

## Changes in external reporting

As of 2015, Meda reports all medical technology products by geographic area and by product category. These products were previously not allocated in full by geographic area and were recognized as other sales in the reporting by product category. The comparative figures for Q1 2014 have been adjusted, with Other Sales by geographic area amounting to SEK 44 million, as opposed to SEK 47 million previously. The change has been allocated to Western Europe. Other Sales by product category have been adjusted from SEK 93 million to SEK 44 million and allocated with SEK 5 million to RX and with SEK 44 million to Cx/OTC.

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 6, 2015

Martin Svalstedt  
Board chairman

Luca Rovati  
Vice Board chairman

Peter Claesson  
Board member

Peter von Ehrenheim  
Board member

Marianne Hamilton  
Board member

Tuve Johannesson  
Board member

Guido Oelkers  
Board member

Karen Sørensen  
Board member

Lars Westerberg  
Board member

Jörg-Thomas Dierks  
CEO

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

#### **Meda AB**

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#### **Upcoming reporting dates**

Interim report, January-June

July 23, 2015

Interim report, January-September

November 5, 2015

#### **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.

Meda AB discloses the information provided herein pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. This information was submitted for publication on May 6, 2015 at 8:00 AM.

## Consolidated income statement

SEK million	January-March		Full year
	2015	2014	2014
Net sales	4,583	3,365	15,352
Cost of sales	-1,750	-1,316	-6,083
<b>Gross profit</b>	<b>2,833</b>	<b>2,049</b>	<b>9,269</b>
Other income	-	-	42
Selling expenses	-1,049	-751	-3,718
Medicine and business development expenses <sup>1)</sup>	-967	-688	-3,223
Administrative expenses	-281	-148	-883
<b>Operating profit (EBIT)</b>	<b>536</b>	<b>462</b>	<b>1,487</b>
Net financial items	-469	-135	-905
<b>Profit for the period after net financial items (EBT)</b>	<b>67</b>	<b>327</b>	<b>582</b>
Tax	159	-67	-180
<b>Net profit</b>	<b>226</b>	<b>260</b>	<b>402</b>
<b>Profit attributable to:</b>			
Parent company shareholders	226	259	399
Non-controlling interests	0	1	3
<b>Net profit</b>	<b>226</b>	<b>260</b>	<b>402</b>
<sup>1)</sup> Of which amortization of product rights	-751	-519	-2,348
EBITDA	1,346	1,010	3,990
Amortization, product rights	-751	-519	-2,348
Amortization, other	-59	-29	-155
<b>Operating profit (EBIT)</b>	<b>536</b>	<b>462</b>	<b>1,487</b>
EBITDA, excluding non-recurring effects	1,403	1,010	4,700

# Consolidated statement of earnings and comprehensive income

SEK million	January-March		Full year
	2015	2014	2014
<b>Net profit</b>	<b>226</b>	<b>260</b>	<b>402</b>
<b>Items that will not be reclassified to the income statement</b>			
Revaluation of defined-benefit pension plans and similar plans, net of tax	-19	1	-292
	<b>-19</b>	<b>1</b>	<b>-292</b>
<b>Items that may be reclassified to the income statement</b>			
Translation difference	97	218	2,118
Translation differences reversed to income statement	0	-	-11
Hedge of net investment, net of tax	70	-103	-1,014
Cash flow hedges, net of tax	3	1	9
Available-for-sale financial assets, net of tax	-1	-	6
	<b>169</b>	<b>116</b>	<b>1,108</b>
<b>Other comprehensive income, net of tax</b>	<b>150</b>	<b>117</b>	<b>816</b>
<b>Total comprehensive income</b>	<b>376</b>	<b>377</b>	<b>1,218</b>
<b>Profit attributable to:</b>			
Parent company shareholders	376	375	1,215
Non-controlling interests	0	2	3
<b>Total comprehensive income</b>	<b>376</b>	<b>377</b>	<b>1,218</b>

## Share data

	January-March		Full year
	2015	2014	2014
<b>Earnings per share<sup>1)</sup></b>			
Basic earnings per share, SEK	0.62	0.83	1.23
Diluted earnings per share, SEK	0.62	0.83	1.23
Basic earnings per share, SEK <sup>2)</sup>	0.59	0.83	3.64
Diluted earnings per share, SEK <sup>2)</sup>	0.59	0.83	3.64
<b>Average number of shares<sup>1)</sup></b>			
Basic (thousands)	365,467	313,672	323,397
Diluted (thousands)	365,467	313,672	323,397
<b>Number of shares on closing day<sup>1)</sup></b>			
Basic (thousands)	365,467	313,672	365,467
Diluted (thousands)	365,467	313,672	365,467

<sup>1)</sup> Recalculated for 2014 to consider the bonus issue element in the 2014 new share issue.

<sup>2)</sup> Earnings per share excluding non-recurring effects. See page 6 for explanation of non-recurring effects.

## Consolidated balance sheet

SEK million	March 31	March 31	December 31
	2015	2014	2014
<b>ASSETS</b>			
Non-current assets			
- Property, plant, and equipment	1,665	846	1,692
- Intangible <sup>1)</sup>	50,710	29,382	50,798
- Other non-current assets	1,957	969	2,015
<b>Non-current assets</b>	<b>54,332</b>	<b>31,197</b>	<b>54,505</b>
Current assets			
- Inventories	3,276	2,030	2,988
- Current receivables	5,589	3,025	5,308
- Cash and cash equivalents	1,624	274	2,311
<b>Current assets</b>	<b>10,489</b>	<b>5,329</b>	<b>10,607</b>
<b>Total assets</b>	<b>64,821</b>	<b>36,526</b>	<b>65,112</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>21,059</b>	<b>15,588</b>	<b>20,680</b>
Non-current liabilities			
- Borrowings	22,845	5,033	26,817
- Pension obligations	2,411	1,108	2,430
- Deferred tax liabilities	5,137	2,167	5,278
- Other non-current liabilities	2,884	275	2,861
<b>Non-current liabilities</b>	<b>33,277</b>	<b>8,583</b>	<b>37,386</b>
Current liabilities			
- Borrowings	5,370	8,750	1,391
- Other current liabilities	5,115	3,605	5,655
<b>Current liabilities</b>	<b>10,485</b>	<b>12,355</b>	<b>7,046</b>
<b>Total equity and liabilities</b>	<b>64,821</b>	<b>36,526</b>	<b>65,112</b>
<sup>1)</sup> Of which goodwill	25,807	14,089	25,351

## Consolidated cash flow statement

SEK million	January-March		Full year
	2015	2014	2014
Profit after financial items	67	327	582
Adjustments for items not included in cash flow	1,009	561	2,668
Net change in pensions	-17	-3	-46
Net change in other provisions	-243	-28	601
Income taxes paid	-67	-77	-551
<b>Cash flow from operating activities before changes in working capital</b>	<b>749</b>	<b>780</b>	<b>3,254</b>
<b>Cash flow from changes in working capital</b>			
Inventories	-273	-9	182
Receivables	-132	-250	-536
Liabilities	-13	94	142
<b>Cash flow from operating activities</b>	<b>331</b>	<b>615</b>	<b>3,042</b>
<b>Cash flow from investing activities</b>	<b>-246</b>	<b>-56</b>	<b>-8,906</b>
<b>Cash flow from financing activities</b>	<b>-804</b>	<b>-466</b>	<b>7,914</b>
<b>Cash flow for the period</b>	<b>-719</b>	<b>93</b>	<b>2,050</b>
 Cash and cash equivalents at period's start	2,311	178	178
Exchange-rate difference in cash and cash equivalents	32	3	83
<b>Cash and cash equivalents at period's end</b>	<b>1,624</b>	<b>274</b>	<b>2,311</b>
 Free cash flow, SEK million	269	595	2,901
Free cash flow, excluding non-recurring effects, SEK million	709	595	3,000
Cash earnings per share, SEK	0.74	1.90	8.97
Cash earnings per share, excluding non-recurring effects, SEK	1.94	1.90	9.28

## Consolidated statement of changes in equity

SEK million	Share capital	Other capital contributions	Other reserves	Retained earnings including profit for the year	Total	Non-controlling interests	Total equity
<b>Opening balance, equity, Jan 1, 2015</b>	<b>365</b>	<b>13,788</b>	<b>401</b>	<b>6,142</b>	<b>20,696</b>	<b>-16</b>	<b>20,680</b>
Total comprehensive income	-	-	150	226	376	0	376
Divestment of operation	-	-	-	-	-	-3	-3
Share-based payments, settled using equity instruments	-	-	-	6	6	-	6
<b>Closing balance, equity, Mar 31, 2015</b>	<b>365</b>	<b>13,788</b>	<b>551</b>	<b>6,374</b>	<b>21,078</b>	<b>-19</b>	<b>21,059</b>

## Fair value – financial assets and liabilities

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

Interest rate swaps and currency forward contracts 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 reported as level 1 and 2. Level 1 comprises quoted interest-bearing securities and fair value measurement is based on quoted prices on an active market. Level 2 mainly comprises fund holdings where fair value measurement is based on observable market data. Embedded derivatives which were linked to the bond loan repaid in late April 2015 were expensed in Q1.

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.

SEK million	January-March		January-March		Full year	
	2015	2014	2014	2013	2014	2013
<b>Assets</b>						
Currency forward contracts	-	199	-	102	-	208
Embedded derivatives	-	-	-	-	25	-
Available-for-sale financial assets	17	27	3	1	18	27
<b>Total</b>	<b>17</b>	<b>226</b>	<b>3</b>	<b>103</b>	<b>43</b>	<b>235</b>
<b>Liabilities</b>						
Interest rate swaps <sup>1)</sup>	-	19	-	32	-	22
Currency forward contracts	-	102	-	149	-	284
<b>Total</b>	<b>-</b>	<b>121</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>306</b>

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

## Parent company

The parent company's net sales for the quarter reached SEK 1,497 million (1,416), of which intra-Group sales represented SEK 1,019 million (939). Operating profit totaled SEK 131 million (165) and net financial items amounted to SEK -53 million (-9).

Investments in intellectual property rights for the period were SEK 14 million (2), and investments in property, plant, and equipment totaled SEK 24 million (0).

Financial assets on March 31, 2015, totaled SEK 38,572 million, compared to SEK 38,425 million at the end of the previous year. Cash and cash equivalents amounted to SEK 13 million (611).

## Income statement for the parent company

SEK million	January-March	
	2015	2014
Net sales	1,497	1,416
Cost of sales	-928	-864
<b>Gross profit</b>	<b>569</b>	<b>552</b>
 Selling expenses	-101	-87
Medicine and business development expenses	-282	-269
Administrative expenses	-55	-31
<b>Operating profit (EBIT)</b>	<b>131</b>	<b>165</b>
 Net financial items	-53	-9
<b>Profit for the period after net financial items (EBT)</b>	<b>78</b>	<b>156</b>
 Appropriations and tax	117	-145
<b>Net profit</b>	<b>195</b>	<b>11</b>

## Balance sheet for the parent company

SEK million	March 31 December 31	
	2015	2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
- Intangible	4,905	5,137
- Property, plant, and equipment	25	1
- Financial	38,572	38,425
<b>Total non-current assets</b>	<b>43,502</b>	<b>43,563</b>
<b>Current assets</b>		
- Inventories	469	493
- Current receivables	2,049	1,837
- Cash and bank balances	13	611
<b>Total current assets</b>	<b>2,531</b>	<b>2,941</b>
<b>Total assets</b>	<b>46,033</b>	<b>46,504</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	3,540	3,540
Non-restricted equity	13,255	13,109
<b>Total equity</b>	<b>16,795</b>	<b>16,649</b>
Untaxed reserves	1,509	1,679
Provisions	67	67
Non-current liabilities	24,240	24,682
Current liabilities	3,422	3,427
<b>Total equity and liabilities</b>	<b>46,033</b>	<b>46,504</b>

## Sales (SEK million)

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

SEK million	January-March			
	2015	2014 <sup>1)</sup>	Index	Index <sup>2)</sup>
Dona	223	157	142	121
Dymista	193	156	124	101
Betadine	189	197	96	90
Tambocor	141	198	71	67
EpiPen	129	107	120	107
Elidel <sup>3)</sup>	115	93	123	110
Astelin	107	84	128	110
Saugella	98	99	99	93
Aldara/Zyclara	88	99	89	82
Felbatol	87	15	593	460
Thioctacid	69	47	148	144
Calcium	66	59	111	106
CB12	66	84	78	75
Legalon	63	54	118	108
Mestinon	60	59	101	94
Reparil	59	50	118	97
Solco	56	52	108	128
Muse	55	44	127	103
Armolipid	54	55	98	93
Proctofoam	53	30	175	136

<sup>1)</sup> *Pro forma*

<sup>2)</sup> *Index in constant exchange rates*

<sup>3)</sup> *Refers to sales outside North America*

## Segment information

### External net sales

SEK million	January-March	
	2015	2014
Western Europe	2,865	2,205
USA	786	681
Emerging Markets	819	435
Other Sales	113	44
<b>Total external net sales</b>	<b>4,583</b>	<b>3,365</b>

### EBITDA

SEK million	January-March	
	2015	2014
Western Europe	941	784
USA	308	280
Emerging Markets	296	119
Other Sales	-199	-173
<b>Total EBITDA</b>	<b>1,346</b>	<b>1,010</b>

### EBITDA, excluding non-recurring effects

SEK million	January-March	
	2015	2014
Western Europe	961	784
USA	308	280
Emerging Markets	322	119
Other Sales	-188	-173
<b>Total EBITDA</b>	<b>1,403</b>	<b>1,010</b>

# Key ratios

	January - March		Full year
	2015	2014	2014
<b>Related to earnings</b>			
Net sales, SEK million	4,583	3,365	15,352
- Growth, total	36%	5%	17%
- Growth, constant exchange rates	24%	3%	12%
- Growth, organic	-5% *)	3%	2%
Gross margin	61.8%	60.9%	60.2%
EBITDA, SEK million	1,346	1,010	3,990
EBITDA margin	29.4%	30.0%	26.0%
EBITDA excluding non-recurring effects, SEK million	1,403	1,010	4,700
EBITDA margin excluding non-recurring effects	30.6%	30.0%	30.6%
Earnings per share, SEK	0.62	0.83	1.23
Earnings per share excluding non-recurring effects, SEK	0.59	0.83	3.64
Adjusted earnings per share, SEK	2.18	2.21	9.29
<b>Related to balance sheet</b>			
Net debt, SEK million	28,949	14,610	28,244
Net debt/equity ratio, times	1.4	0.9	1.4
Equity per share, SEK (at end of period)	57.6	51.6	56.6
Equity/asset ratio	32.5%	42.7%	31.8%
<b>Related to cash flow</b>			
Free cash flow, SEK million	269	595	2,901
Cash earnings per share, SEK	0.74	1.90	8.97
Free cash flow excluding non-recurring effects, SEK million	709	595	3,000
Cash earnings per share excluding non-recurring effects, SEK	1.94	1.90	9.28
<b>Return/Efficiency</b>			
Adjusted free cash flow/capital employed	10.0%	10.7%	10.7%
Adjusted free cash flow/equity	17.6%	18.3%	18.2%
Net working capital (net)/net sales	25%	17%	23%
Free cash flow/EBITDA	20%	59%	73%
Free cash flow excluding non-recurring effects/EBITDA excluding non-recurring effects	51%	59%	64%
<b>Other</b>			
Net debt/adjusted EBITDA	5.13	3.85	5.20

\*) *Organic growth pro forma*

# 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, Turkey, the Middle East, Mexico, and other non-European markets.

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

## Sales by product category

**Rx** – Prescription drugs and specialty products.

**Cx/OTC** – Over-the-counter products.

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

# Definitions of key ratios

## Related to earnings

**Growth, total** – sales development in relation to the same period previous year.

**Growth, constant exchange rates** – sales development in relation to the same period previous year adjusted for currency effects.

**Growth, organic** – sales development adjusted for currency effects, acquisitions, disposals, discontinued products and revenues from the cooperation agreement with Valeant.

**Organic growth pro forma** – sales development in relation to the same period previous year including acquisitions of products and business adjusted for currency effects.

**Earnings per share** – profit for the period attributable to parent company shareholders in relation to weighted average number of shares for the period. When applicable, the comparative period have been recalculated to consider eventual bonus issue element.

**Adjusted earnings per share** – earnings per share adjusted for non-recurring effects and amortizations on product rights and related tax.

## Related to balance sheet

**Net debt** – net of interest bearing liabilities and interest bearing provisions minus cash and cash equivalents, including current investments and interest-bearing non-current financial assets.

**Net debt/equity ratio** – net debt divided by equity.

**Equity/asset ratio** – equity as a percentage of the balance sheet total.

## Related to cash flow

**Free cash flow** – cash flow from operating activities less cash flow from investing activities (excluding acquired product rights and acquired operations).

**Cash earnings per share** – free cash flow for the period in relation to weighted average number of shares for the period. When applicable, the comparative period have been recalculated to consider eventual bonus issue element.

## Return/Efficiency

**Capital employed** – the balance sheet total less cash and cash equivalents, tax provisions, and non-interest bearing liabilities.

**Adjusted free cash flow/capital employed** – free cash flow rolling 12 months excluding non-recurring effects and paid interest in relation to average capital employed.

**Free cash flow/equity** – free cash flow rolling 12 months excluding non-recurring effects in relation to average equity.

**Net working capital (net)/net sales** – current assets less current liabilities in relation to net sales rolling 12 months pro forma.

#### Other

**Net debt/adjusted EBITDA** – net debt divided by EBITDA rolling 12 months pro forma excluding restructuring and transaction costs due to acquisitions.