



Exhibit 1066
IPR2017-00807
ARGENTUM

MEDDA

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Key therapy areas and product areas¹⁾

	Prescription drugs		Non-prescription drugs	
	Rx		Cx	OTC
Respiratory	Aerospan Azep/ Astepro Dymista	EpiPen Novolizer Pafinur	Fortilase Ialumar	
Dermatology	Acnatac Aldara Elidel Zyclara		Betadine Babygella Dermasol AKN	EndWarts Naloc
Pain and Inflammation	Rantudil Rheumon Zamadol		Dona/Viartril GO-ON Reparil	
Other key products	Tambocor Thioctacid Uralyt Zyma		Agiolax ArmoLIPID Legalon Saugella	CB12

¹⁾ The chart shows examples of Meda's products within selected areas.

Definitions

Rx

Rx products are pre-
scription based pharma-
ceuticals prescribed by
doctors and therapists
for patients.

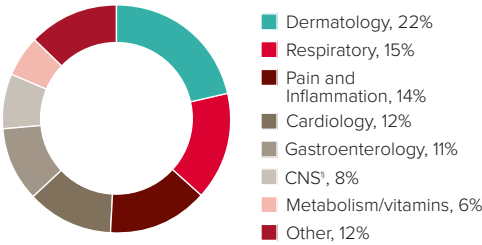
Cx

Cx are clinically-proven
consumer healthcare
products recommended
by doctors and pharma-
cists to consumers.

OTC

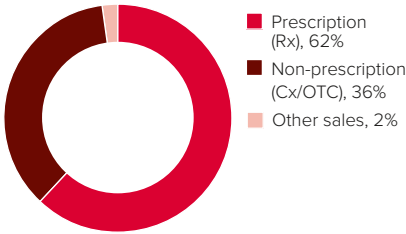
OTC products are over-
the-counter products sold
directly to consumers via
pharmacies and retail
chains.

SALES BY THERAPY AREA 2015



* Central Nervous System

SALES BY PRODUCT AREA 2015



Mission

We strive to be a fast-growing, innovative company that is open to different kinds of commercial models and that will be market-leading in certain therapy areas with prescription and non-prescription products. We are dedicated to providing products that serve society by increasing the well-being and quality of life of individuals. As a company, our aim is to attract the best talent and reward our employees for outstanding performance. Maintaining our excellent reputation is vital to us.

Countries where Meda has its own sales organizations



Vision

Our vision is to become a world-leading specialty pharma company with a focus on sustainable and profitable growth to provide value for our patients, shareholders and other stakeholders.

19,648

Group sales reached SEK 19,648 million

6,482

EBITDA excluding nonrecurring items amounted to SEK 6,482 million

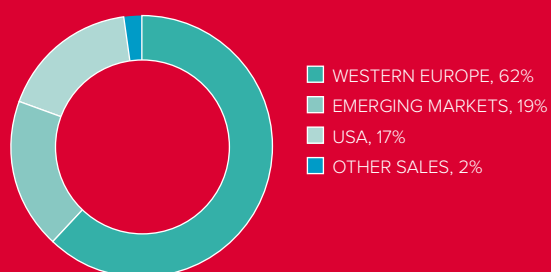
150

Our pharmaceuticals are sold in more than 150 countries

60

Our sales organizations are present in over 60 countries

REVENUES BY GEOGRAPHY 2015



Important events in 2015

Completing the integration of the Italian acquisition Rottapharm.

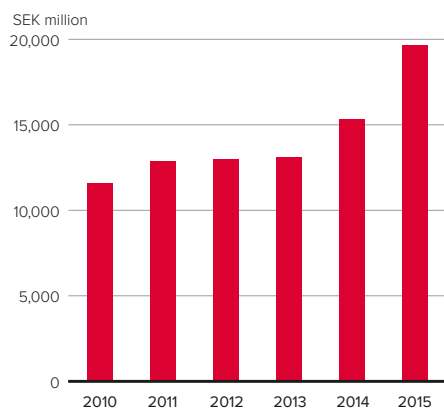
Dymista approved for treatment of seasonal allergic rhinitis in children aged 6 to 11.

Divestment of Euromed manufacturing unit, a former Rottapharm company located in Spain.

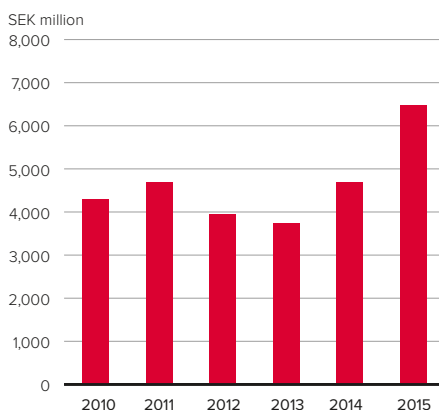
The year in figures

- Group sales amounted to SEK 19,648 million (15,352)
- Organic growth of $-1^1\%$ (2)
- Free cash flow excluding non-recurring items of SEK 4,172 million (3,000)
- Free cash flow per share excluding non-recurring items of SEK 11.41 (9.28)
- Increased focus on the Respiratory therapy area and the OTC portfolio
- Profit after tax excluding non-recurring items amounted to SEK 1,531 million (1,181)
- Earnings per share excluding non-recurring items was SEK 4.14 (3.64)
- EBITDA excluding non recurring items amounted to SEK 6,482 million (4,700), equivalent to a margin of 33.0% (30.6)
- Proposed dividend per share SEK 2.50 (2.50)

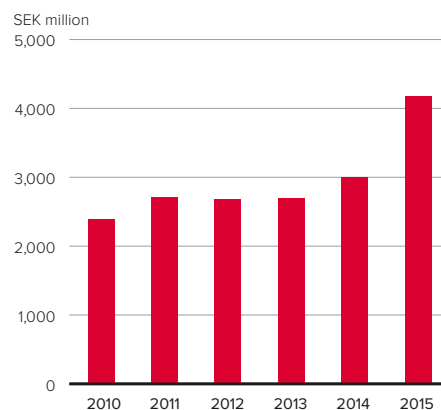
NET SALES



EBITDA²⁾



FREE CASH FLOW²⁾



¹⁾ Organic growth pro forma

²⁾ Excluding non-recurring items

The Mylan offer

On 10 February, 2016, Mylan announced a public offer to acquire the shares in Meda. The consideration consists of a combination of cash and Mylan shares.

Mylan N.V. is a leading global pharmaceutical company whose shares are traded on the NASDAQ Global Select Market and the Tel Aviv Stock Exchange.

The Board of Meda has made an evaluation of Mylan's offer and recommends Meda's shareholders to accept it. The two largest shareholders, Stena Sessan AB and Fidim S.r.l., have undertaken to accept the offer.

Mylan will publish an offer document that will be made available to all shareholders. The offer document is expected to be published on or around 19 May 2016.

Mylan has made the offer conditional upon the offer being accepted to such an extent that Mylan becomes the owner of shares in Meda representing more than 90% of the total number of shares of Meda.

If the offer is accepted to such an extent that Mylan becomes the owner of shares in Meda

representing more than 90% of the total number of shares of Meda, Meda will subsequently be de-listed from the Stockholm Stock Exchange.

If shareholders representing less than 90% of the shares accept the offer, Mylan may choose to withdraw from the offer or to accept shares tendered in the offer in which case Meda may continue to be listed.

The evaluation of the Board of Meda

The Board believes that there are a number of strategic benefits to Meda from combining its operations with Mylan, including:

- Significantly strengthens and diversifies commercial presence:
 - Diversifies Meda's global portfolio mix by strengthening branded platform and creates USD 1 billion business in attractive OTC market
 - Establishes critical mass across all commercial channels in Europe; creates a leading US specialty business; and provides exciting platform for growth in new Emerging Markets

- Enhances critical mass in key therapeutic areas:
 - Complementary therapeutic presence in all regions will create a leader in allergy and respiratory and a scale player in dermatology, pain and inflammation
 - Provides opportunity to sell combined portfolio in new markets
- Financially compelling transaction:
 - Enhances size and scale with combined 2015 sales of approximately USD 11.8 billion and combined 2015 adjusted EBITDA of approximately USD 3.8 billion
 - Substantial synergy opportunity, with approximately USD 350 million of pre-tax annual operational synergies expected to be achieved by year four after consummation of the offer

THE TIME TABLE AND THE STEPS OF THE OFFER PROCESS

1.

Estimated date for publication of the offer document: 19 May 2016

2.

Estimated acceptance period: 20 May 2016 to 29 July 2016

3.

Estimated settlement date: 5 August 2016

This means that the transaction might be finalized during the third quarter of 2016.

READ MORE

You may read more about the offer in "Statement by the Board of Directors of Meda in relation to the public offer by Mylan", published on www.meda.se on February 10, 2016 and the Mylan's offer announcement available at: medatransaction.mylan.com.

Keeping our focus

“Meda’s strong performance in 2015 reconfirmed that our strategy is successful. We have built a cohesive portfolio of products that improve the quality of life for many people.”

Meda’s performance in 2015 reconfirmed that we were on the right track with our strategy to focus on growth products, optimized base business and acquisitions. Sales rose to SEK 19.6 billion driven by a strong performance in our growth business which was up 6%.

I am proud of what Meda and its employees have achieved in 2015. We have successfully integrated Rottapharm, our largest ever acquisition, ahead of plan and achieved more than the planned synergies for the year while at the same time continuing to drive our day-to-day business forward in our respective markets. We have now achieved a leading position in the European specialty pharma market with good profitability and strong cash flow generation.

Apart from synergies and increased revenues, the acquisition has strengthened us in several areas. We now have a wider product range and a more balanced portfolio with the addition, in particular, of a strong range of Cx-products and increased presence in Emerging Markets. Our own distribution network now spans over 60 countries, which is quite unique for a company of our size. In short, we are now one of the leading European specialty pharma companies. This forms an excellent foundation for our continued growth.

We have also taken measures to address issues in our Italian business. The challenges we are facing in Italy include a Cx business with potential to improve; unfavorable pricing conditions, and over the years high inventories built up at the wholesale level. We have now reorganized the sales force and improved the situation with wholesale stocks. As a result, we significantly reduced receivables and improved

cash flow. I truly believe we are now on the right track with our business in Italy. In addition, we have made progress with our efforts to improve our manufacturing and supply organization with the divestment of Euromed in Spain end of 2015.

We believe it is important to be a responsible part in the global pharmaceutical market. Meda’s intention is to keep the sustainability efforts relevant and close to the business. Our approach is about making constant improvements. Meda shall be a reliable and trustworthy partner within the value chain. 2015 meant renewed takeoff in a new organization and new resources. Some highlights from the year are the renewed ISO 14001 group certificate, we are well underway on the Rottapharm integration into Meda’s sustainability program and we elevated our efforts within business ethics and anti-corruption, such as a dedicated anti-corruption policy to complement Meda’s Business Conduct Guidelines.

Meda is a Global Compact signatory since 2012 and we hereby express our continued support to the initiative and its principles.

The pharma industry is still very fragmented. The trend toward specialization in the industry will continue for at least another decade. Meda focuses on market and patient-adapted product development, sales, and marketing, and do not conduct any high-risk, early-stage pharmaceutical development. Meda’s historical combination of acquisitions and product development close to the market has built a cohesive portfolio of improved, affordable, high quality products that improve the quality of life for many people.

Meda is a very attractive company in this industry; we have an extensive and interesting product portfolio and a fantastic organization in key markets such as Western Europe, Emerging Markets and the US. We are a highly interesting company for other companies that need to strengthen their own presence in these key areas.

In February 2016, Mylan announced that it has made an offer to acquire the shares in Meda. I find the proposed transaction with Mylan very compelling from a strategic standpoint and I believe Mylan’s and Meda’s businesses are highly complementary. The Board of Meda has made an evaluation of the offer and recommends Meda’s shareholders to accept the offer. The two largest shareholders have undertaken to accept the offer. If the offer is accepted, Meda will be de-listed from the Stockholm Stock Exchange.

Until this process is finished and the ownership is settled, we are still Meda and the business needs to be run as usual going forward. We have obligations to our customers, patients and other stakeholders to uphold our good service, quality and reputation – and with the track record from our recent years, I know we can do just that – keep our focus and deliver on promises and continue to develop Meda as a leading specialty pharma company.



Dr. Jörg-Thomas Dierks
Chief Executive Officer



Proven successful strategy

Based on a broad product portfolio and a strong cash flow, Meda's business concept is to identify, secure access to, integrate and commercialize pharmaceutical products in the key therapy areas, and products for self-treatment and preventive healthcare (Cx/OTC).

Focus on sales and marketing

FINANCIAL TARGETS

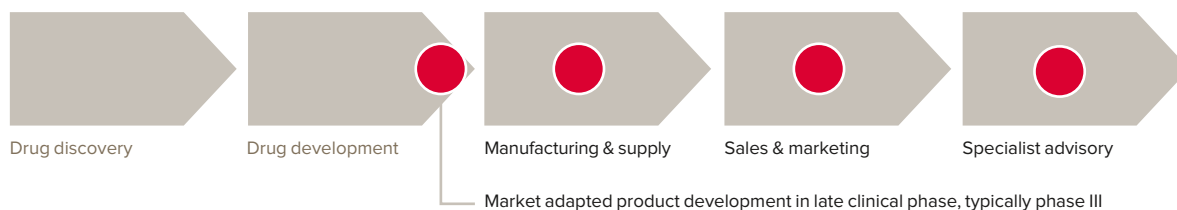
- Organic growth, 1–2% over a business cycle
- EBITDA margin above 30% moving toward 35% over time
- EBITDA cash conversion at 60–70%

To achieve the financial goals, Meda has applied the following strategies: Focus on sales and marketing, Market and patient-adapted product development, Growth through acquisitions and A focused portfolio.

The company's main focus is sales and marketing. One of Meda's assets is the ability to commercialize products through its global organization. Key activities are primarily sales and marketing, development of existing products, manufacturing and supply.

MEDA'S POSITION IN THE PHARMACEUTICAL VALUE CHAIN

Meda holds a special position in the value chain. The company does not conduct any high-risk, in-house, early-stage pharmaceutical development. New products have been secured through acquisitions. Instead, Meda is focused on market and patient-adapted product development in key therapy areas, and sales and marketing.



Meda's position in the pharmaceutical value chain

Market and patient-adapted product development

Meda's development work can best be described as market and patient-adapted product development in late clinical phases with the objective of, for example, prolonging a product's life cycle or securing approval for a product so that it can be launched in new markets.

Meda improves the properties of existing products through:

- More efficient and new formulations (EndWarts and Astepro)
- New product combinations (Dymista)
- Internationalization of products (Novolizer)

Meda does not conduct any in-house, early-stage pharmaceutical development. New products mainly come to the company through the acquisition of companies, product rights and through partnerships with other pharmaceutical companies.

Growth is continually supported by investments in product and market development. The combination of new launches and increased investments in new markets has supported growth in 2015.

Growth through acquisitions

Acquisitions have historically been the main driver of the company's expansion. Between 2000 and 2015 Meda made more than 30 major acquisitions of companies and product rights. Several strategic acquisitions have added important products to Meda's portfolio, and Meda has gained a solid understanding of the acquisition process (see page 8). Meda's largest acquisition to date was completed in 2014 when Italian specialty pharma company Rottapharm was acquired.

A focused portfolio

Meda focuses on three therapy areas; Respiratory, Dermatology, and Pain and Inflammation. This focus is the foundation for clear synergies in sales and marketing. The portfolio includes prescription drugs as well as consumer healthcare (Cx) and OTC products. Cx is a highly attractive area with benefits such as non-reimbursement, free pricing, good margins and limited generic competition. Around 60% of Meda's product sales are in Rx and around 40% are in Cx/OTC.

Acquisitions support our strategic direction

Acquisition process and criteria

Growth by acquisitions has been an important element of Meda's strategy. Over the last 15 years Meda has acquired more than 30 companies and product rights around the world. This has led to strong sales growth and created significant shareholder value.

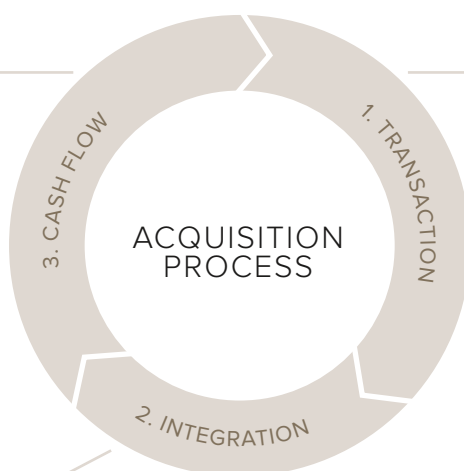
Three key reasons

There are three key reasons why acquisitions have been an attractive source of growth for Meda:

- Results clearly suggest that bigger is better in the pharma industry. On average, the EBITDA margin in large pharma companies tends to be significantly higher compared to small pharma companies
- The pharma industry is still very fragmented, meaning that the number of potential acquisitions will remain high and that the business model is sustainable
- Acquisitions have been the key source of new business and core competence in Meda, building a foundation for organic growth

3. Cash flow

To make the next acquisition possible, Meda maintains a strong focus on the generation of cash flow throughout the integration process.



1. Transaction

A decision is made based on a combination of strategic and financial objectives. Before closing the deal, Meda prepares a detailed execution plan for how to integrate the new asset. This means that integration can start immediately on closing. The fulfilment rate of these plans is normally close to 100% after 6–9 months.

2. Integration

Integrating acquisitions is a key competence at Meda. When a deal is announced it normally creates uncertainty within the acquired organization. This problem is minimized by quick, clear and respectful communication of objectives and action plans. It is stressed that what awaits is integration into Meda's organization, values and culture, rather than a merger of two cultures.

The process is facilitated by the vast experience and continuity in Meda's acquisitions team, which makes it possible to quickly exploit the full synergy potential. The fact that a vast majority of Meda employees entered the company by way of acquisition, minimizes the risk of divisions between "old" and "new" parts of the company. Integration also includes the amalgamation of product portfolios.

Acquisitions and sales development

2005

The acquisition of Viatris was of great importance for several reasons. It transformed Meda into a pan-European specialty pharma company, strengthened the product portfolio and generated significant synergies.

2006–2007

The acquisition of the 3M European pharmaceutical business strengthened Meda's European product portfolio. The MedPointe acquisition established Meda in the US and provided access to an allergy franchise with the market-leading products Astelin and Astepro, as well as the development project Dymista which was in clinical development at that time.

2008–2009

Meda acquired the European business of Valeant thereby establishing Meda in Eastern Europe. Meda expanded its rights to Dymista to Europe and other major markets.

2011

Meda acquired the global product rights to Elidel from Novartis. Elidel is one of Meda's most important dermatology products in the area of atopic dermatitis.

Antula, a Nordic company focusing on OTC was acquired at the beginning of 2011. CB12 was one of the brands in the Antula product portfolio alongside other well-known brands such as Zyx and Naloc.

2013

Meda acquired Acton including the patented product Aerospan, expanding Meda's product portfolio in the key Respiratory therapy area. The EB24 acquisition was an important addition to Meda's OTC portfolio and a complement to CB12.

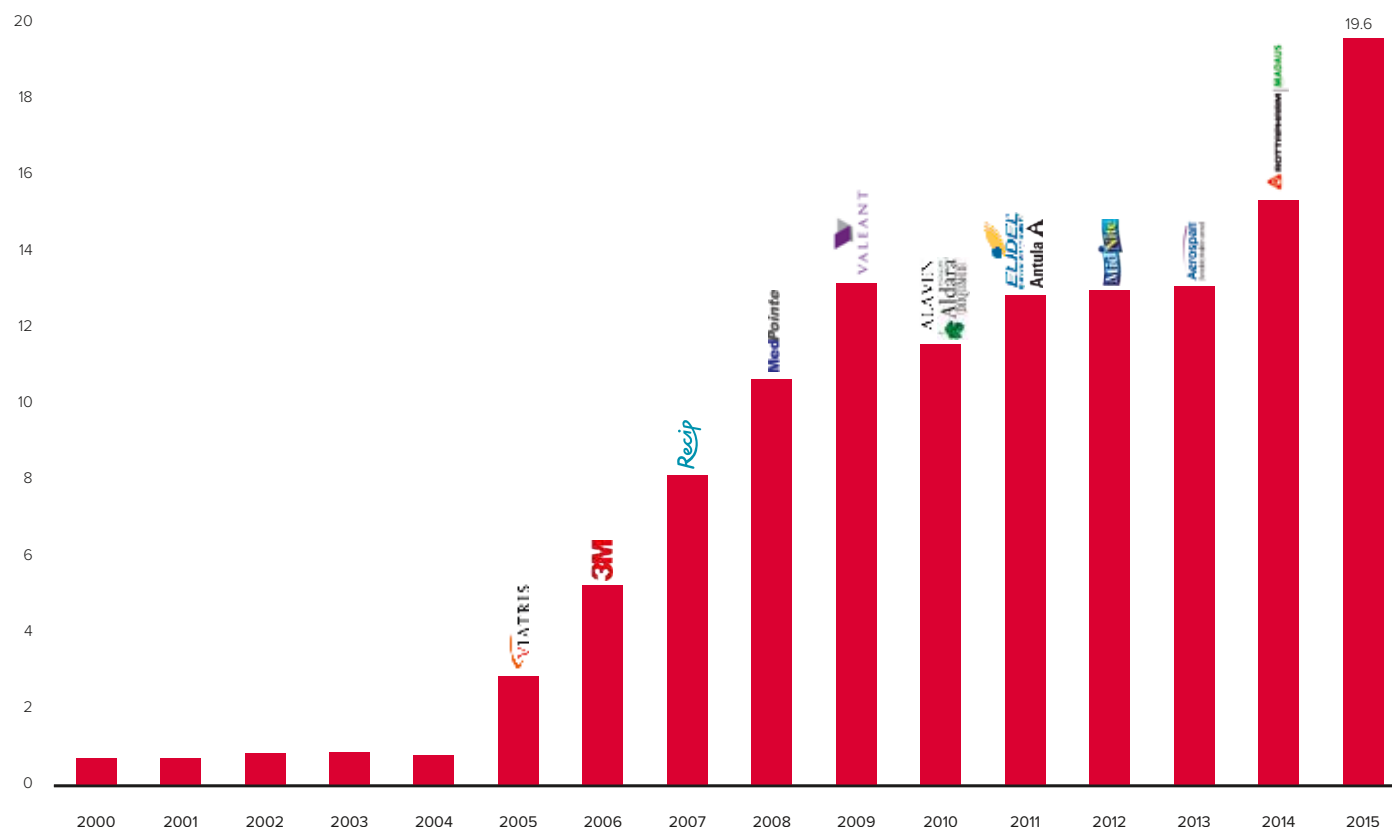
2014

Meda acquired Rottapharm, its largest acquisition to date, adding a portfolio of strong Cx-brands as well as the new key therapy area Pain and Inflammation.

ACQUISITIONS AND SALES DEVELOPMENT

Acquisitions have been an important source of growth for Meda. The graph below shows how some transformational acquisitions have affected Meda's sales.

Sales, SEK billion



Investment Story

Meda is a leading international specialty pharma company with a focus on growth products, optimized base business and acquisitions.

The product portfolio has focus on selected geographical and therapy areas. The company has a clear position in the value chain, an efficient organization and strong cash flow generation.

Supporting growth drivers

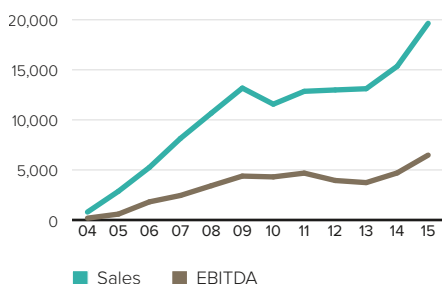
Growth drivers exist on several levels, such as demographics (increasing and ageing population), economics (higher disposable income) and the changing structure of the pharmaceutical market (expiring patents). Read more about what drives demand on the global pharmaceutical market on page 12.

Acquisitions drive growth in two ways

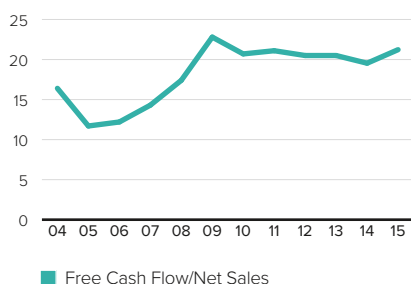
Acquisitions have been the primary source of growth. Meda has been built on several transformational acquisitions. The addition of new products is also key to Meda's growth over time. Acquisitions drive growth in two ways. Firstly by adding acquired revenue. Secondly by creating new organic growth opportunities which are realized through market and patient-adapted product development and expanded geographical footprint.

The successful integration of Rottapharm during 2015 opened possibilities for further organic growth based on an expanded position (Pain and Inflammation) and sustained potential (Respiratory and Dermatology) in key therapy areas, clinically-proven Cx- and OTC products – together with the increased presence in Emerging Markets.

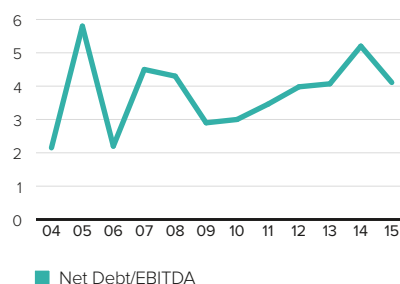
SALES AND EBITDA¹⁾ (SEK million)



FREE CASH FLOW¹⁾/NET SALES (%)



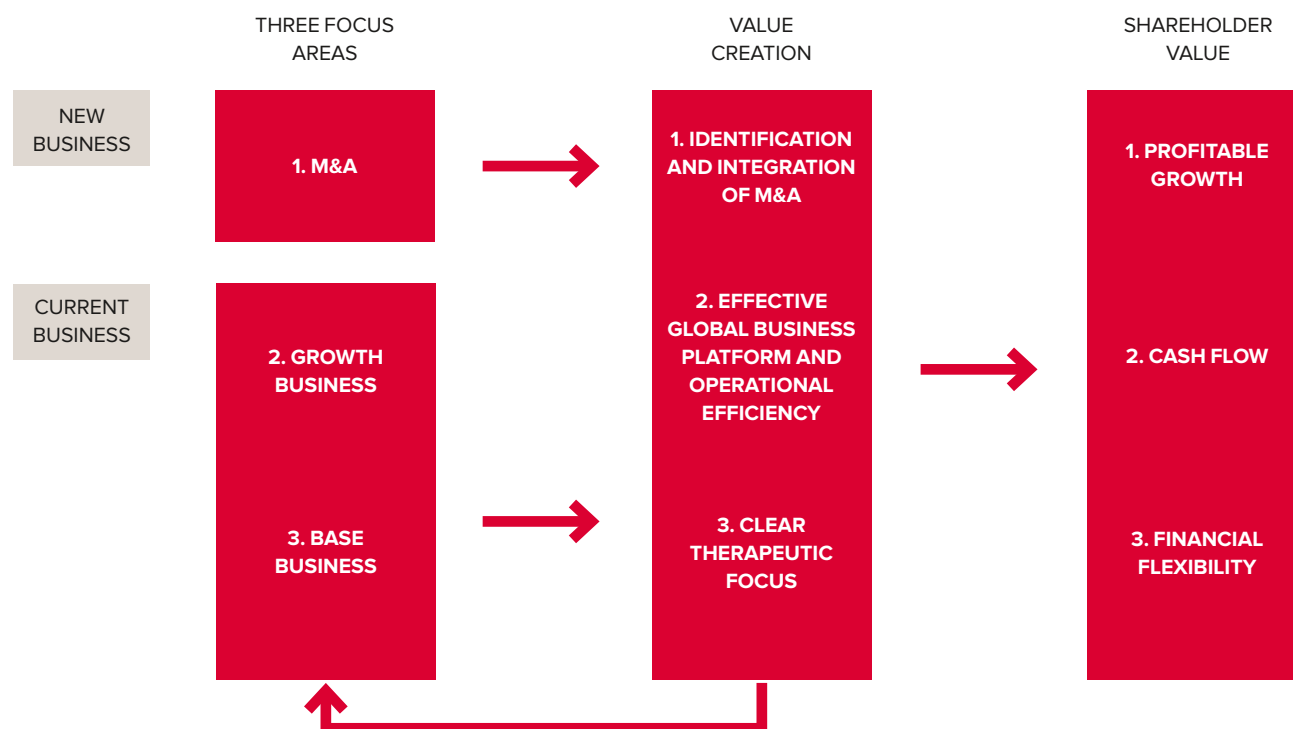
NET DEBT/EBITDA¹⁾



¹⁾Excluding non-recurring items.

VALUE CREATION

Meda has a solid foundation and a business model supported by several growth drivers. The combination of acquisitions and continuously strong cash flow has been the key factors in Meda's value creation.



The daily business has three focus areas: growth business, optimized base business and acquisitions.

1. Meda has strived to grow sales and create shareholder value through acquisitions. These should support the strategic direction, strengthen key therapy areas, increase focus on promising products or attractive geographical areas, and offer significant synergies.
2. Around 30% of the portfolio consists of products and geographical areas with good growth potential. Growth is continually supported by investments in product and market development.
3. The remaining 70% of the portfolio consists of products with limited growth potential, but strong and stable cashflow generation that enables further acquisitions.

There have been three dimensions to Meda's value-creation efforts:

1. Identification and integration of selected acquisitions, where Meda has secured synergy gains in different parts of the value chain, and has ensured that acquired products can be profitably commercialized.
2. An effective, global business platform and operational efficiency, where Meda develops and commercializes products in attractive markets supported by efficient manufacturing and supply, sales and marketing processes.
3. Clear therapeutic focus, where Meda has a specialist role in building a uniform product portfolio in selected therapy areas and is developing the Cx and OTC portfolio.

Shareholder value is crucial for Meda. It is the result of the company's value creation activities and its financial results:

1. Meda has a broad product portfolio and a strong cash flow. The cash flow has allowed Meda to finance necessary investments in future growth, such as the company's own product and marketing investments, as well as acquisitions.
2. The investments, combined with ongoing efficiency improvements, enable Meda to maintain sustainable growth in both profits and cash flow.
3. Meda has a high cash conversion rate, which means that a large percentage of the company's profits are converted into free cash flow. This has allowed the company to invest in the business and pay dividends to shareholders over time.

Market

Continued good long-term growth

The global pharmaceutical market is expected to show continued good growth in 2016–2020.

34%

The global pharmaceutical market is expected to grow around 34% by 2020.

According to IMS Consulting Group the global pharmaceutical market is expected to grow by a compound annual growth rate of 4–7% in 2016–2020, compared to 6.2% in 2011–2015. The major European markets are expected to grow at 1–4% in 2016–2020, compared to 2.9% in 2011–2015. In pharmerging countries growth will remain strong at 7–10%, driven primarily by wider access to health-care. The US remains however the largest market, and good growth is expected in the coming years, and will increase its share of the total market to 41% in 2020.

Branded drugs¹⁾ are expected to continue to grow and will account for more than half of the spending on medicine in 2020, driven by specialty pharma and increased

accessibility for patients. Growth is, however, offset by expiring patents and increased use of generics. Specialty medicines, driven by new treatment options, will account for 28% of total global spending in 2020, up from 26% in 2015. Specialty medicines will continue to have a significantly higher share of the market in developed countries, where it will account for 36% of spending in 2020, compared to only 12% in pharmerging markets.

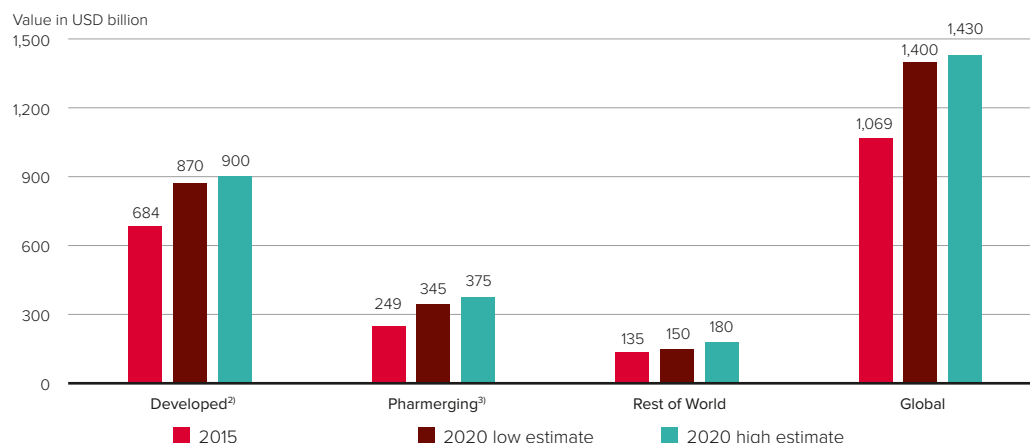
The OTC share of the global pharmaceutical market will remain stable at 13% in 2016–2020. The percentage of OTC sales is significantly higher in growth markets than in Europe, North America and Japan.

Developed markets will continue to use more original branded

and specialty medicines per capita, while pharmerging markets will use more generics and OTC medicines.

GLOBAL PHARMACEUTICAL MARKET, 2015 AND 2020

In 2015 drugs were sold for a total of USD 1,069 billion globally, according to IMS Consulting Group.



¹⁾ Branded drugs – pharmaceuticals with strong brand and patents.

²⁾ Developed markets are defined as Canada, France, Germany, Italy, Japan, South Korea, Spain, UK and US.

³⁾ Pharmerging countries are defined as Algeria, Argentina, Brazil, China, Colombia, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Poland, Romania, Russia, Saudi Arabia, South Africa, Thailand, Turkey, Ukraine, Venezuela and Vietnam.

Growth drivers

Global pharmaceutical demand is mainly driven by demographic trends, economic development, and new drugs and therapies.

Demographic trends

A fundamental driver of drug demand is the global population increase. An aging population, primarily in Europe, North America and Japan is driving demand for pharmaceutical products for age-related and chronic diseases. The combination of increased medication use per patient and a growing number of new patients is driving pharmaceutical market volumes in the number of prescriptions and dosages dispensed.

Economic development

More and more people get access to modern healthcare and medications as incomes, healthcare budgets and insurance coverage increase in emerging markets. For example, China is expected to provide basic medical insurance to

nearly the entire 1.4 billion population by 2020. In some developed markets, growth is held back by the increased use of generics as well as efforts to control healthcare spending. Growth is, however, expected to increase as economies recover and advances are made in important therapy areas. Greater interest in preventive care and quality of life is driving demand for OTC products. The OTC market also benefits from consumers moving from Rx to Cx products to treat their disease conditions. Changes in eating habits are also impacting the demand for products such as those to treat diabetes.

Development of new drugs

An increasing amount of diagnoses, especially in lifestyle dis-

PHARMACEUTICAL SPENDING IN SOME IMPORTANT MARKETS

	Share of global market 2015, %	Value in USD billion 2015	Expected growth per year 2016–2020, %
North America	40	430	5–8
Western Europe ¹⁾	13	144	4–7
Growth markets	23	249	7–10

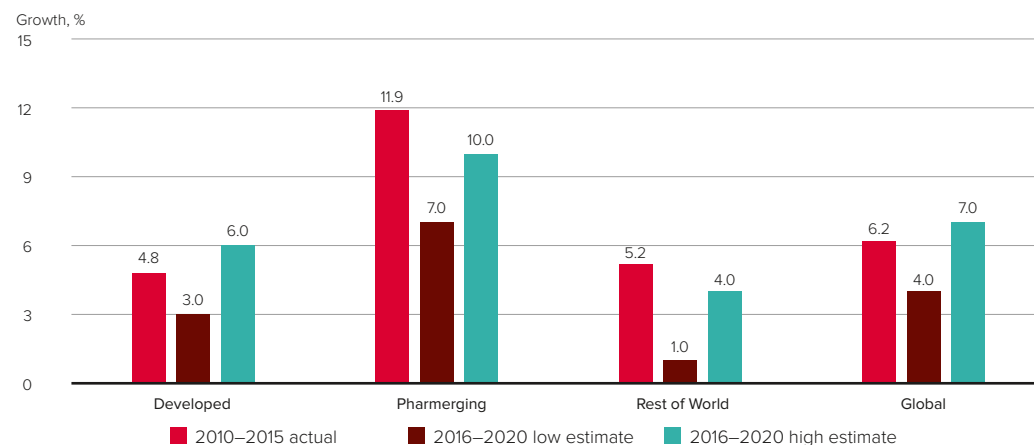
¹⁾ EU5 (Germany, France, Italy, UK and Spain) VA
Source: IMS Consulting Group

eases, can be treated with drugs. Specialty pharmaceuticals targeting specific diseases are expected to become more important going forward, and this will support overall market growth. New, advanced drugs can treat increasingly severe diseases in very small patient groups and these products will grow in importance in the devel-

oped world. There is still an unmet medical need in most therapeutic areas and therefore new drugs with added benefits will retain their strong market potential. At the same time, more generics are being prescribed and this continues to offset growth in developed countries.

GLOBAL PHARMACEUTICAL MARKET, GROWTH RATES 2010–2020

Growth is expected to remain strong. The global market is expected to grow by a compound annual growth rate of 4–7% in 2016–2020.



Source: IMS Consulting Group

Rapid change, challenges and opportunities

The global pharmaceutical industry is changing at a rapid pace and companies are facing major challenges. This trend brings important opportunities for specialized companies such as Meda to compete in well-defined areas.

More expensive research but not more drugs

The major pharmaceutical companies have increasingly seen the patents for their blockbuster drugs expire. The cost of research for new pharmaceuticals has increased considerably, and there are fewer blockbusters in the pipeline. Instead, pharmaceutical companies are investing in more diversified research portfolios containing advanced products aimed at specific therapeutic areas. Existing patented products that do not fit into the new strategy may be divested, for example to specialty pharma companies.

Consolidation activity has increased

The increasing cost of R&D, in combination with fewer new blockbusters that provide an added benefit over established therapies that have become generic, is driving consolidation. The pharmaceutical industry is being restructured in

the search for economies of scale. Many companies have also launched extensive rationalization programs to reduce costs in research, production and sales & marketing.

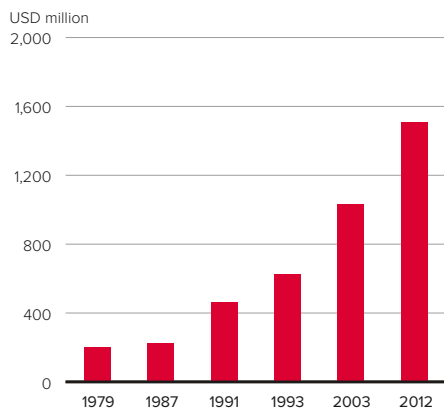
A recent driver for consolidation is tax inversion used by US pharmaceutical companies through an acquisition abroad and a subsequent change of the company's domicile. Companies of all sizes and lines of business, including specialty pharma companies, have been acquisition targets.

The value chain is breaking up

Paradoxically, market consolidation drives fragmentation in the value chain. As competition increases, it is becoming increasingly difficult to retain the highest level of expertise and scale in all segments, and companies are being forced to specialize in one or a few links in the chain. There are no signs that this trend is diminishing. Conversely, the trend toward drugs for increas-

ingly specific diagnoses – and by extension, solutions rather than products – is also driving companies to further specialize.

ESTIMATED FULL COST OF BRINGING
A NEW CHEMICAL OR BIOLOGICAL
ENTITY (NME) TO MARKET



Source: EFPIA



Meda has a strength in tight cost control and development of working capital

“Most of Meda’s growth through acquisitions has been debt financed. A strong cash flow generation to repay debt has therefore been a prerequisite to the grow via acquisitions.”

PÄR-OLA WIRENLIND, GROUP TREASURER & HEAD OF GROUP CONTROLLING

Strong market presence

60

Our sales organizations are present in over 60 countries.

Global reach

Presence in more than 60 countries

Meda's sales are generated by the company's own sales organization and by third-party distributors and licensees. The company has 2,690 employees working in sales and marketing in over 60 countries, and the organization is characterized by its efficient structure and a high level of education among employees.

Meda's market presence is the strongest in Western Europe, where the company has 1,815 employees in sales and marketing. In recent years significant resources have been invested in the sales and marketing organization in Emerging Markets. In 2015, Emerging Markets accounted for 19% of Meda's total sales, compared to 17% in 2014 and 15% in 2013.

In countries where Meda has no sales organization of its own, the International Trade Business (ITB) department is responsible for the products marketed and distributed by Meda's partners. ITB operates in some 80 countries and generates significant sales for Meda. ITB uses a systematic partner process to introduce and market Meda's products in new markets (read more below).

Expansion strategy

Growth through efficient sales and marketing

Meda's expansion has been based on acquisitions and organic growth. In 2015, sales and marketing efforts continued to focus on key growth areas, now including Pain and Inflammation, both within existing markets and through internationalization. The Cx know-how was leveraged to other countries through the international roll-out of leading Cx brands, such as Armolipid. Future opportunities for growth were also accelerated through the launch of new campaigns, e.g. for CB12 and the EndWarts PEN.

Further to driving organic growth, sales and marketing have been also crucial processes in the integration of acquisitions, as success depends on the acquired company and/or products being quickly integrated and commercialized according to the Meda model.

The Meda model reflects several of the company's fundamental business values:

- Non-bureaucratic, efficient and business driven
- Highly efficient marketing activities and personal sales
- Always take full advantage of the top talent and expertise in the acquired operations

The integration of Rottapharm was successfully completed in 2015 leading to, among other things, a significant addition of Cx products and a stronger presence in Southeast Asia.

INTERNATIONAL TRADE BUSINESS

Operations in some 80 countries

In the countries where Meda has no sales organization of its own, the International Trade Business (ITB) unit is responsible for the products marketed and distributed by Meda's partners. ITB operates in some 80 countries and generates significant sales and profits for Meda.

The ITB partner process is a systematic method to introduce and market Meda's products in new markets. This is an important strategic

function within Meda as it has established the Meda portfolio via a third party so that Meda can take the next step and establish its own new sales organizations in these markets based on established sales and profit. This allows Meda to expand its presence in the most profitable way.

Approach adapted to market and product areas

Significant difference between marketing Rx and OTC

Quality and knowledge are the cornerstones of Meda's sales and marketing operations. Activities are to a large extent adapted to local conditions and differentiated between markets and products. There is a significant difference between marketing Rx and OTC products, while marketing of clinically proven Cx products shares features with both areas.

Rx products are marketed mainly through medical representatives, combined with training programs and seminars. Endorsement by experts, medical societies and recommendations in guidelines are key for Rx products in the early launch phase. Pre-marketing activities, such as scientific congresses, studies etc are also an important success factor.

OTC products are primarily marketed directly to consumers through a variety of media channels. The emphasis is on developing and positioning the brands in a retail environment.

Cx products are marketed by a combination of promotion to physicians by medical representatives, endorsement by experts and medical societies as well as pharmacists and media channels. Endorsement is an important driver, and is complemented by brand development in public channels.

It is increasingly common for individual patients to search for more information on Rx, Cx and OTC products. Patients are gradually increasing their level of knowledge and their participation in treatment decisions. The internet is a very important source of information for all types of products. Patient organizations are another channel where relevant information can be communicated.

All markets are supported by Meda's marketing centers. The centers provide support for a group of products in a specific therapy area and define the strategy for new launches and product development. Working closely with Meda's other corporate departments – such as market

access, clinical research, drug regulatory affairs – prior to launch is key.

The marketing centers are responsible for medical marketing which involves establishing and maintaining relationships with worldwide key opinion leaders and international organizations in the therapy areas. The marketing centers also drive life cycle management in close cooperation with other departments.

Other key tasks include providing advanced business support to the local sales organizations by assisting with expertise, ideas and experience from both Meda's own therapy areas and the company as a whole. This involves handling the flow of information for all of Meda's products.

Acquisitions have been core element of Meda's strategy and the marketing centers provide in-depth knowledge on the market environment as well as competition profiles for acquisition targets.

Digital marketing increasingly important

The internet is an increasingly important source of information for all types of pharmaceutical products. Both professionals and consumers appreciate easily accessible digital information, and it is important for Meda to meet this demand.

Meda has therefore strengthened its expertise in digital marketing and turned the digital channels into strong complementary marketing tools.

The strategies for digital marketing differ between the two main target groups, consumers and professionals, and are continually adapted to local conditions and regulations. A corporate digital marketing department supports activities in the different markets with strategical and technical know-how.

When targeting consumers, pharma companies are allowed to market brands in the Cx and OTC categories, but not Rx brands. Within Cx and OTC, Meda has therefore established a large number of product sites containing brand marketing. The digital marketing strategy for Rx

products is to provide education and information about therapy areas, with the aim to raise awareness of the benefits and availability of treatment.

A streamlined organization with proven efficiency helps the local marketing departments to roll out a new site at a low cost. In average Meda launched one new site a week 2015, and the traffic for existing sites is continuously growing as the content is constantly improved.

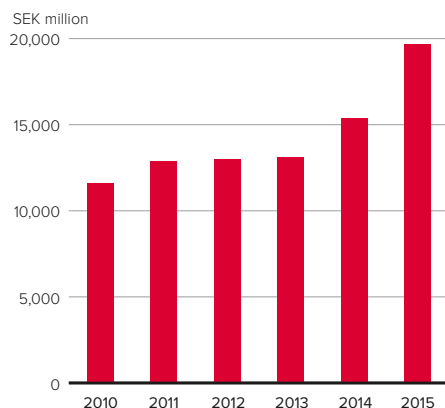
One example from 2015 is that new added content for the EndWarts websites improved search-engine visibility and led to a significant traffic increase. Traffic increased by almost 1,200% in Germany and by more than 250% in Sweden.

Meda aims to establish a position as a leading educator of professionals within relevant therapy areas. Physicians, pharmacists and other professionals are provided information about Meda's Rx products on different platforms behind log-in and by e-mail marketing. As

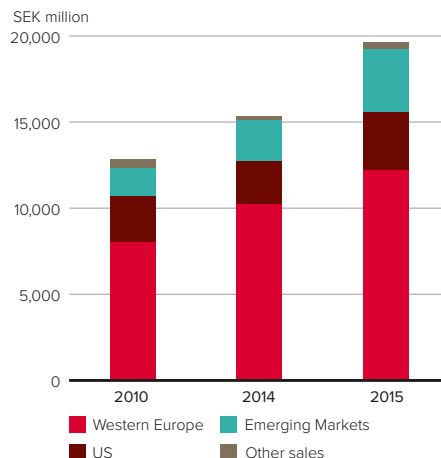
an example in 2015, Meda launched a successful education campaign aimed at pharmacists in Finland. At year-end more than 1,500 on-line trainings had been completed.

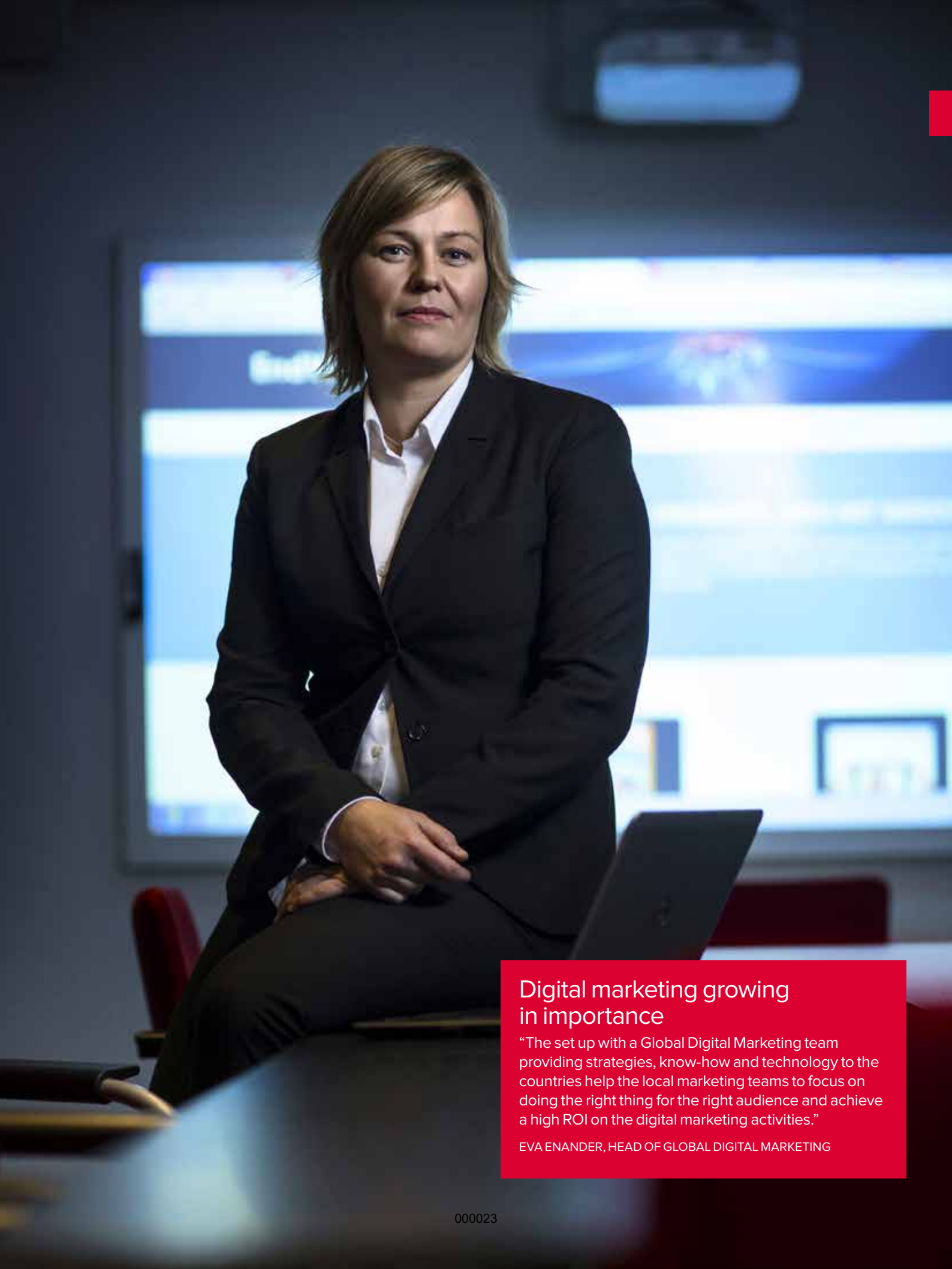
Digital marketing is facilitated by multiple channels such as social media platforms, e-mail marketing, online PR and traditional websites. To specify which ones to use for each target group and leveraging on best practice examples from Meda's various markets, is part of the ongoing work for the growing digital marketing team in the company.

SALES TREND



SALES BY GEOGRAPHY





Digital marketing growing in importance

"The set up with a Global Digital Marketing team providing strategies, know-how and technology to the countries help the local marketing teams to focus on doing the right thing for the right audience and achieve a high ROI on the digital marketing activities."

EVA ENANDER, HEAD OF GLOBAL DIGITAL MARKETING

Focus on selected therapy areas

Meda's product portfolio is well diversified and spans several therapeutic and product areas. Rx drugs account for around 60% of net sales, while non-prescription drugs – consisting of Cx and OTC products – account for around 40%. Even though Meda is involved in several therapy areas, it has three key areas: Respiratory, Dermatology, and Pain and Inflammation.

Key therapy areas

Meda is active in several therapy areas but has a strategic focus on Respiratory, Dermatology, and Pain and Inflammation. In these areas, Meda has been active for many years building solid experience and strong networks within the scientific community. Several of Meda's most important products are found in the key therapy areas, such as Dymista and Elidel. All three areas address diseases that are increasing and are causing major costs for society. There is a large unmet medical need and Meda sees opportunities to add value for the patient through its clear therapeutic focus.

Prescription drugs

Meda's products are meeting a growing need among patients and healthcare providers. The need is driven by different factors, such as the growing incidence of respiratory illnesses in the form of allergies and asthma, particularly in Western Europe and North America, but also in growth markets. The dermatology area includes diseases such as skin cancer, acne and dermatitis, all of which are common conditions where incidence is growing. This is partly

due to environmental factors such as sun exposure. The Pain and Inflammation therapy area is experiencing growth in several different indications with rising costs for the society as a result.

In more mature markets, particularly in North America and Europe, Respiratory is the third largest therapy area in the pharmaceutical market and Dermatology is the tenth largest. In growth markets, Dermatology is the seventh largest and Respiratory the tenth largest therapy area. Pain and Inflammation is an area affecting more and more people, reflecting the increase in life expectancy. The most common indications are back pain, neck pain and knee osteoarthritis.

Non-prescription drugs

Non-prescription drugs have increased in importance for Meda following the acquisition of Rottapharm. The non-prescription product category consists of Cx and OTC products, which are categorized based on how they are marketed. Sales of the 10 largest non-prescription drugs in 2015 amounted to around SEK 3,722 million, representing some 19% of Meda's net sales.

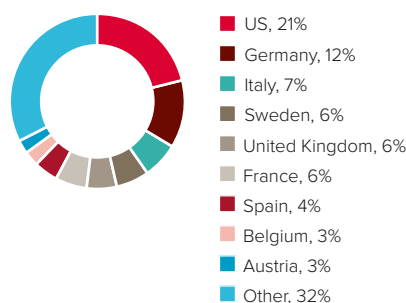
Cx products

Cx includes clinically effective and scientifically proven non-prescription drugs. Cx is an attractive area which combines the best of Rx and OTC, such as non-reimbursement, free pricing, good margins and limited generic competition.

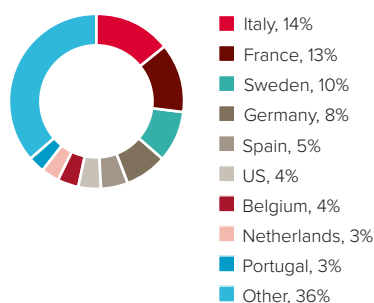
OTC products

In recent years, Meda has built an extensive portfolio of OTC products, and now offers an increasing range of OTC products in its markets. OTC products are key complements to prescribed drugs because they are easily accessible, save patients' time and reduce cost pressures on the healthcare system.

SALES PRESCRIPTION PER COUNTRY 2015



SALES NON-PRESCRIPTION PER COUNTRY 2015

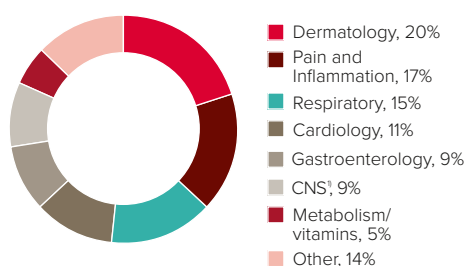


Therapy areas and product areas¹⁾

	Prescription drugs		Non-prescription drugs	
	Rx		Cx	OTC
Respiratory	Aerospan Azep/ Astepro Dymista	EpiPen Novolizer Pafinur	Fortilase Ialumar	
Dermatology	Acnatac Aldara Elidel Zyclara		Betadine Babygella Dermasol AKN	EndWarts Naloc
Pain and Inflammation	Rantudil Rheumon Zamadol		Dona/Viartril GO-ON Reparil	
Other key products	Tambocor Thioctacid Uralyt Zyma		Agiolax ArmoLIPID Legalon Saugella	CB12

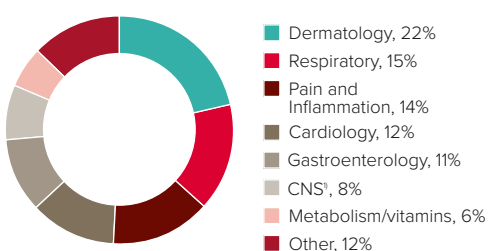
¹⁾ The chart shows examples of Meda's products within selected areas.

SALES BY THERAPY AREA 2011



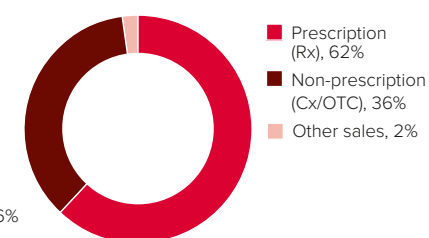
¹⁾ Central Nervous System

SALES BY THERAPY AREA 2015



¹⁾ Central Nervous System

SALES BY PRODUCT AREA 2015





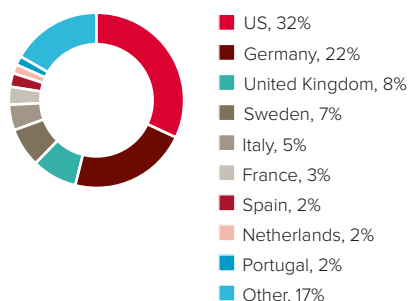


15%

of sales

	Rx	Cx	OTC
Respiratory			
Dermatology			
Pain and Inflammation			
Other key products			

RESPIRATORY,
SALES PER COUNTRY 2015



Respiratory

Allergies and asthma are among the most common chronic conditions globally, ranging from manageable to life-threatening. Allergies in particular are on the rise: in 2015 close to 50% of the world population was affected by some form of allergy, while severe allergic reactions (anaphylaxis) have increased several-fold in the past decade.

Allergic rhinitis is one form of allergy and is considered a global epidemic, affecting some 500 million people worldwide, of which around 180 million are in Western Europe, US and Japan. The disease is associated with high socioeconomic costs.

Asthma is a chronic condition affecting the respiratory tract and lungs. It narrows the airways to the lungs due to inflammation in the air passages, resulting from both generic and environmental influences. It is the most common chronic disease among children and an estimated 300 million individuals worldwide are affected.

The cornerstone in asthma therapy is effectively treating the underlying chronic inflammation with inhaled corticosteroids while minimizing systemic exposure. Optimal drug delivery to the lungs is therefore of paramount importance and can be facilitated by spacers. US asthma guidelines recommend using a spacer for inhaled corticosteroid therapy.

RESPIRATORY PRODUCTS

DYMISTA

Allergic rhinitis has become more difficult to treat in recent years. More than two thirds of the patients have moderate to severe allergic rhinitis. They are more likely than in the past to be sensitive to multiple allergens, and around 20% of them show greater resistance to therapy.

There is an unmet medical need for more effective therapy, in particular since studies have shown that many patients continue to suffer even during and after their treatment with existing therapies.

Dymista is a novel nasal spray that contains the active ingredients azelastine and flutica-

sone. The formulation contributes to the product profile. Dymista's efficacy and safety were documented in several studies involving more than 4,600 patients. The drug is faster and more effective than the first line therapy (azelastine hydrochloride and fluticasone propionate) for patients with moderately severe to severe seasonal allergic rhinitis. It can thus provide more moderate to severe allergic rhinitis patients with substantial or complete symptom relief.

Dymista was launched in the second half of 2012 in the US and was launched in Europe in 2013 and quickly captured a significant share of several important markets. Dymista is now being rolled out in Emerging Markets.

AEROSPAN

In 2013 Meda acquired Aerospan which allows Meda to market the only inhaled corticosteroid (ICS) treatment containing an integrated spacer. This feature ensures consistent and targeted delivery to the lungs for the treatment of asthma. External inhalation spacers are commonly used in clinical practice and are recommended for use with metered dose inhalers in the US and in international treatment guidelines.

Aerospan is an inhaled corticosteroid which is indicated for the maintenance treatment of asthma in patients six years of age and older, and for asthma patients requiring oral corticosteroid therapy, where adding Aerospan inhalation aerosol may reduce or eliminate the need for oral corticosteroids.

Aerospan was launched in the US in the beginning of the second quarter 2014. This will allow the company to continue to grow in the respiratory field, addressing upper and lower airway conditions with its spectrum of products.

EPIPEN

Anaphylaxis (anaphylactic shock) occurs when the body's immune system overreacts to a substance, such as a food item. It is an unpredictable condition that can be life threatening.

EpiPen is an adrenaline auto-injector used for the acute treatment of anaphylactic shock or severe allergic reactions to allergens, e.g. insect bites or foods. Meda has received a label extension for EpiPen and the product is now also intended for immediate administration in patients who are determined to be at increased risk of anaphylaxis (including patients with a history of anaphylactic reactions). People at risk of anaphylactic shock should always carry an adrenaline injector. The at-risk indication is further endorsed by the new guidelines of the European Academy of Allergy and Clinical Immunology (EAACI).

AZELASTINE

Azelastine is a nasal spray for the treatment of allergic and non-allergic rhinitis. It contains the active ingredient azelastine which is an antihistamine. In China it is marketed under the brand Azep, and is a fast growing brand in allergic rhinitis. In Europe, Azep is marketed under the brands Allergodil and Rhinolast. In the US market the Azelastine trademark Astelin has largely been replaced by the life cycle product Astepro.

ASTEPRO

Astepro is a nasal spray used for the treatment of allergic and non-allergic rhinitis. It contains the active ingredient azelastine, which is an antihistamine. Astepro is an improved formulation of Azelastine (Azep, Astelin, Allergodil and Rhinolast) which is better tolerated and more effective. Once-daily Astepro is the first nasal antihistamine approved as a single dose for patients with seasonal allergies. The registration process is ongoing in other important markets.

NOVOLIZER

Novolizer is an innovative dry powder inhaler used to administer the active substances salbutamol (albuterol), formoterol and budesonide for the treatment of asthma and chronic obstructive pulmonary disease.

PAFINUR

Pafinur is an antihistamine used to treat various forms of allergies including allergic rhinitis. Sales of Pafinur are primarily generated in Italy where the molecule, rupatadine, is patented.

OTHER RESPIRATORY PRODUCTS

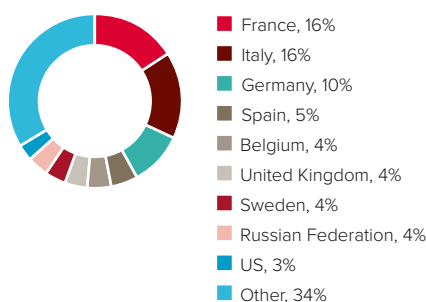
Allergospasmin
Fortilase (Cx)
Ialumar (Cx)
Optivar

22%

of sales

	Rx	Cx	OTC
Respiratory			
Dermatology			
Pain and Inflammation			
Other key products			

DERMATOLOGY,
SALES PER COUNTRY 2015



Dermatology

The skin is the body's largest organ and has many vital functions, such as protection from microbes and the elements. Skin diseases are common in all age groups and in all parts of the world. Some of the most common skin diseases are eczema, psoriasis, acne and skin cancer.

DERMATOLOGY PRODUCTS

ELIDEL

Atopic dermatitis (or atopic eczema) is a chronic, recurring inflammatory skin disease for which the incidence is rising. It is estimated that more than 20% of all children and 2–10% of the world adult population suffer from atopic dermatitis. Elidel is a patented drug for the treatment of atopic dermatitis based on the ingredient pimecrolimus. It is the first class of topical preparations for the treatment of atopic dermatitis which does not contain a corticosteroid and therefore has fewer side-effects. Elidel has been documented in studies involving more than 60,000 patients. Elidel is currently available for sale in 90 markets globally through Meda's own marketing organization and via partners. In North America, Canada and Mexico, Elidel is out-licensed to Valeant. Elidel is recommended in the European guidelines as the first line treatment of atopic dermatitis in sensitive skin areas (e.g. the face). In 2012, a study in infants and children (2,400 patients treated for five years) with mild to moderate atopic dermatitis showed that Elidel has the same efficacy as topical steroids without any long-term safety concerns.

ZYCLARA

Actinic keratosis is an early stage to skin cancer that affects large areas of the skin and is a common type of cancer affecting an increasing percentage of the population, particularly in the northern hemisphere and in Australia. Zyclara is currently the only topical drug (used directly on the skin) that can detect and eliminate sub-clinical (invisible) and clinical (visible) lesions of actinic keratosis on large areas of the skin. The active ingredient in Zyclara is imiquimod (cream) 3.75%, a formulation that allows Zyclara to be used on a significantly larger treatment area than other preparations. Zyclara was approved in Europe in 2012 and the launch was initiated in 2013.

ALDARA

Aldara contains imiquimod 5%, an immuno-modulating agent for the treatment of different forms of non-melanoma skin cancer such as small areas of actinic keratosis and superficial basal cell carcinoma (the most frequent skin tumor that rarely metastasizes), and external genital warts in men and women, an infection caused by the human papilloma virus (HPV) some subtypes of which are associated with cervical cancer.

ACNATAC

Acne is a chronic inflammatory disease that affects more than 80% of adolescents. Acnatac, indicated for the treatment of acne when inflammatory and non-inflammatory lesions are present, is in the launch phase. Clindamycin (antibacterial) and tretinoin (topical retinoid) in combination are more effective for the treatment of inflammatory and non-inflammatory acne than each of the ingredients individually, so-called monotherapy. Acnatac has a novel aqueous-based formula that provides a better safety profile than existing retinoid-based compounds and increases adherence. Acnatac has been tested clinically in more than 4,500 patients.

BETADINE (Cx)

Betadine is an iodine-based antiseptic to treat and prevent infections of the skin and mucous membranes. It has a broad spectrum of antimicrobial activity that includes gram-positive and gram-negative bacteria, bacterial spores, fungi, protozoa and viruses. Betadine which has been on the market for more than 50 years, is marketed in seven European countries through Meda's own organization. Under the Betadine brand there are six product lines addressing antiseptic needs in retail and hospital markets.

OTHER DERMATOLOGY PRODUCTS

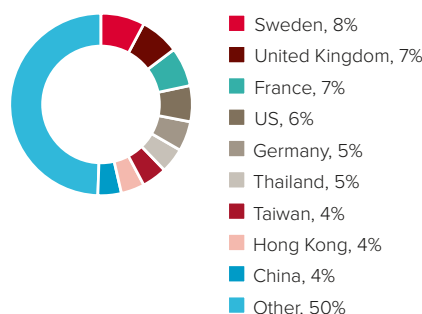
Dermatix
Efudix (5-Fluoruracil)
EndWarts (OTC)
Kamillosan
Naloc (OTC)
Solcoseryl



14%

of sales

	Rx	Cx	OTC
Respiratory			
Dermatology			
Pain and Inflammation			
Other key products			

PAIN AND INFLAMMATION,
SALES PER COUNTRY 2015

Pain and Inflammation

Inflammation is a process by which the body's white blood cells and the substances they produce protect us from infection with foreign organisms, such as bacteria and viruses. In some diseases, like arthritis, the body's defense system – the immune system – may trigger an inflammatory response. In these diseases, i.e. autoimmune diseases, the body's normally protective immune system causes damage to its own tissues. The body responds as if normal tissues are infected or somehow abnormal.

Osteoarthritis is a quite frequent condition in which one or more joints are affected by a degenerative process which, over time, leads to a progressive loss of the normal function. Pain – due to the concurrent onset of inflammation – is the main symptom associated with this condition. Osteoarthritis involves the breakdown of cartilage. Normal cartilage protects a joint and allows it to move smoothly. Cartilage also absorbs shock when pressure is placed on the joint, such as while walking. Without the normal amount of cartilage, the bones rub together. This causes swelling (inflammation) and stiffness.

Pain may not be a primary issue but can be a life-disrupting symptom of an inflammatory disease, since many organs do not have many pain-sensitive nerves. Treatment of organ inflammation is directed at the cause of inflammation whenever possible, while relieving the most disrupting symptoms for the patient.

PAIN AND INFLAMMATION PRODUCTS

DONA/VIARTIL (Cx)

Dona (Glucosamine sulfate) is an osteoarthritis treatment drug that acts through the modulation of cytokines, mediators of the biological genesis of the arthritis process, resulting, among other things, in the stimulation of the cartilage metabolism, joint protection, as well as reducing pain over time and supporting joint mobility. The brand name family of Dona includes Viartil, Arthril, DONArot, Artrofort, Xicil and Osaflexan.

Two long-term clinical studies have shown that Dona is able to delay the progression of knee osteoarthritis and a 6-month study performed according to the EMA rules, assessed its role as a symptomatic slow-acting drug for osteoarthritis (SYSADOA). It has been

suggested as a first line treatment and basic therapy for the management of knee osteoarthritis by the European Society for Clinical and Economic Aspects of Osteoporosis and Osteoarthritis (ESCEO).

REPARIL (Cx)

Reparil is used for the treatment of traumatic injuries, edema and venous diseases. Reparil is clinically proven to relieve pain rapidly due to its anti-inflammatory effect. The natural extract inside contributes to reduce edema, a condition often present during trauma and in venous diseases. The Reparil product family includes various brands such as Reparil Gel, Feparil and Venoparil for topical treatment and also an oral form (Reparil dragees).

GO-ON (Cx)

GO-ON is a product based on hyaluronic acid injected intra-articularly, used for the treatment of osteoarthritis of the knee and other joints such as shoulder, hand and hip. It is classed as a medical device. The hyaluronic acid is derived from a biosynthetic source and the highly standardized purification process guarantees absence of immunogenic reactions and avian virus contamination. GO-ON does not contain any animal protein or exogenous DNA.

RHEUMON

Rheumon (Etofenamate) is a non-steroidal anti-inflammatory drug (NSAID) for topical or intra-muscular administration. NSAIDs relieve pain and reduce the inflammation and fever produced by the body's immune system. Etofenamate has been successfully used for a number of years to treat patients with acute or chronic rheumatic diseases.

OTHER PAIN AND INFLAMMATION PRODUCTS

Axorid
Diffiam
Lederspan
Rantudil
Relifex
Soma
Tilcotil
Zamadol



	Rx	Cx	OTC
Respiratory			
Dermatology			
Pain and Inflammation			
Other key products			

Meda's 10 biggest non-prescription products (Cx and OTC)

DONA
BETADINE
SAUGELLA
ARMOLIPID
CB12
REPARIL
TREGO
GO-ON
DESUNIN
AGIOLAX

Non-prescription

Cx PRODUCTS

Meda's portfolio of consumer healthcare (Cx) products, which can be prescribed or recommended by physicians and pharmacists, are backed by clinical data, which strengthens their credibility and reputation with healthcare professionals.

Meda considers Cx products to be less susceptible to the pricing pressures that affect Rx products as a result of reference pricing, financial pressure on national health systems and the increased competitiveness of generics.

KEY Cx PRODUCTS

DONA/VIARTIL

Dona (glucosamine sulfate) is an osteoarthritis treatment drug that acts through the modulation of cytokines, mediators of the biological genesis of the arthritis process, resulting, among other things, in the stimulation of cartilage metabolism, joint protection and a reduction in pain over time, as well as support for joint mobility. The brand name family of Dona includes Viartil, Arthril, DONArot, Artofort, Xicil and Osaflexan.

Two long-term clinical studies have shown that Dona is able to delay the progression of knee osteoarthritis and a 6-months study performed according to the EMA rules assessed its role as a symptomatic slow-acting drug for osteoarthritis (SYSADOA). It has been suggested as a first line treatment and basic therapy for the management of knee osteoarthritis by the European Society for Clinical and Economic Aspects of Osteoporosis and Osteoarthritis (ESCEO).

SAUGELLA

Saugella is a full-range line for daily intimate hygiene. The Saugella range of products target all ages and different hygiene requirements. The Saugella product family includes liquid cleansers, cleansing wipes, gels, creams, and sanitary towels. The Saugella products contain natural extracts with specific properties protecting and respecting the vaginal ecosystem, thereby helping prevent diseases. They are promoted to doctors in obstetrics and gynecology (OB/GYN).

LEGALON (Rx/Cx)

Legalon is used for the treatment of diseases in the liver, especially liver steatosis, for the supportive therapy of chronic inflammatory liver diseases and liver cirrhosis. Legalon is a natural

medicine based on milk thistle containing silymarin with its major active ingredient silibinin, which makes up 55% of the mixture. The particular selection of plants and the method of extraction make it unique. The family of Legalon products includes Legalon E, Legasil, Legalon Protect, Legalon Forte, Legalon 70 and Legalon 140. The substance Legalon is classified as a drug.

ARMOLIPID

ArmoLIPID is a line of natural products classified as nutraceuticals and used for dyslipidemia. ArmoLIPID and ArmoLIPID Plus are clinically tested and used when cholesterol and triglyceride levels are high. The formulation ArmoLIPID Prev can also be used when the dyslipidemia is associated with high blood pressure. All these products are well documented and recommended by doctors.

REPARIL

Reparil is used for the treatment of traumatic injuries, edema and venous diseases. Reparil is clinically proven to rapidly relieve pain due to its anti-inflammatory effect. The natural extract inside contributes to reduce edema, a condition often present during trauma and in venous diseases. The family of Reparil products includes various brands such as Reparil Gel, Feparil and Venoparil for topical treatment and also an oral form (Reparil dragees).

GO-ON

GO-ON is a product based on hyaluronic acid injected intra-articularly, used for the treatment of osteoarthritis of the knee and other joints such as shoulder, hand and hip. It is classed as a medical device. The hyaluronic acid is derived from a biosynthetic source and the highly standardized purification process guarantees absence of immunogenic reactions and avian virus contamination. GO-ON does not contain any animal protein or exogenous DNA.



	Rx	Cx	OTC
Respiratory			
Dermatology			
Pain and Inflammation			
Other key products			

Non-prescription

OVER-THE-COUNTER PRODUCTS

The market for over-the-counter (OTC) products is growing faster than the Rx market and currently accounts for around 13% of the global pharmaceutical market. Unlike Rx drugs, pricing is unrestricted and the products can be marketed directly to consumers.

The percentage of OTC products is generally higher in growth markets than in mature markets, often due to the fact that consumers in those markets have less access to advanced healthcare and reimbursement systems. In these circumstances, OTC products may replace Rx drugs. In more developed markets, demand for OTC products is driven by a growing interest in self-healing, wellness and improved quality of life.

OTC products are commonly sold via retail channels such as pharmacies, drugstores or supermarkets directly to consumers. This makes it comparable to regular retail business with broad advertising and trade channel promotions. In the OTC segment the value is in brand names and consumers are very loyal to well-known brands to solve their health problems. Recommendation and reputation are very important in this market and therefore it takes time and promotional effort to build strong brand names.

KEY OTC PRODUCTS

CB12

CB12 is an oral care product for everybody, every day. The unique composition is neutralizing the formation of sulfur compounds, thereby providing first class breath for 12 hours.

A common misconception is that bad breath comes from the stomach. In some 9 out of 10 cases it originates in the oral cavity when bacteria in the mouth start breaking down food particles, which forms malodorous sulfur gases creating an unpleasant breath. CB12 contains a

patented combination of zinc acetate and chlorhexidine diacetate and the effect of CB12 is well documented in clinical studies and lasts for 12 hours as the product has the ability to adhere to the oral mucosa. The brand portfolio includes mouth rinse, chewing gum and toothpaste. The CB12 product range is available in 18 countries and is a growth driver for Meda in the non-prescription area.

ENDWARTS

A wart is a small growth on the skin caused by the human papilloma virus, HPV. Warts are contagious and can easily be transferred to other people and other parts of the body. As many as 10% of the total population are suffering from warts and among children, as many as 1 in 3 are affected.

EndWarts is a powerful wart treatment, which effectively dries out warts on hands, feet, elbows and knees. It contains formic acid and the unique solution penetrates the wart deep down to the roots and helps the body to effectively dry out and reject the wart. EndWarts is easy to use and the treatment only takes a few seconds once a week until the wart is gone. The solution is absorbed directly into the wart and leaves no scars.

EndWarts is now also available in a convenient pen device for a safe and precise application. Further life cycle projects are ongoing to strengthen the brand and the position in the market.

NALOC

Naloc treats nails affected by fungal infection or psoriasis and improves the appearance of discolored and deformed nails. Through a physical antifungal effect Naloc kills the fungi that typically causes nail infection.



Late stage, market and patient-focused product development

Meda is primarily active in late-stage clinical development. This department has **449** employees who work on development, clinical trials and drug registration.

449

employees work with development, clinical trials and drug registration.

The value-generating work performed in Meda's development department is focused on tailored clinical development programs and the compilation of scientific arguments defending, exploring and highlighting product features.

As a specialty pharma company, Meda refrains from high-risk, capital-intensive early research. Instead the company's resources are concentrated on development 'close to market' in the late clinical or registration phases. The focus is often on well-known active ingredients and improving the characteristics of existing products, for example through:

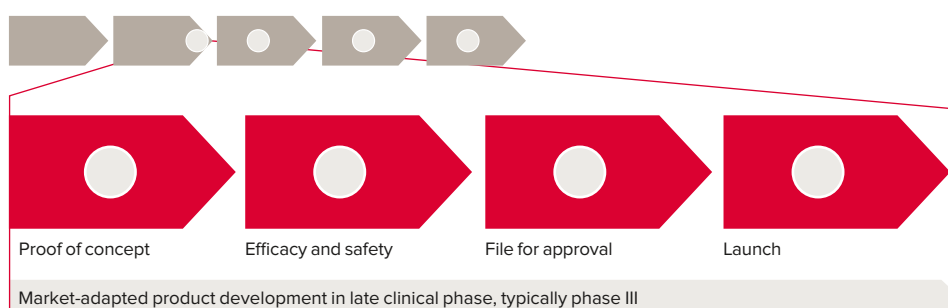
- New improved formulations, such as a pen in addition to the cotton swab for the medical device product EndWarts, which contains formic acid for the treatment of warts

- Development of combination products, such as Dymista (azelastine and fluticasone propionate) for allergic rhinitis
- Internationalization and regulatory approval of approved drugs, such as Novolizer, Acnatac, Zyclara and Dymista, in new countries/regions

In 2015 Meda invested SEK 207 million (235) in product maintenance and development, excluding costs for registration, side-effect management and quality assurance.

MEDA'S ACTIVITIES IN THE DRUG DEVELOPMENT PHASE

In the product development phase, Meda focuses on market-adapted product development through the generation of new formulations and combinations of existing products, as well as preparing products for launch in new countries and regions.



Products in late-stage development or launch phase

RESPIRATORY

DYMISTA

Dymista is a novel intranasal formulation of the antihistamine azelastine and the corticoid fluticasone propionate for the treatment of patients with allergic rhinitis. Dymista is the first and only product of its kind available worldwide. Several clinical studies, involving more than 4,600 patients, have supported its efficacy and safety, including a long-term safety study of more than 600 patients. Dymista provides faster and more complete symptom relief than the current first line therapy.

Dymista was launched in the US in 2012, in most European countries in 2013/2014, in Australia in 2014 and also in Canada, Brazil, Mexico and The Netherlands in 2015. The registration process is on-going in other markets such as Ukraine, Belarus, South Africa, China, New Zealand and Thailand. Applications for Malaysia, Philippines, Singapore and Vietnam have been prepared. In addition, the local study required in Russia has been successfully conducted and full dossier submitted for registration.

SOCIOECONOMIC BENEFIT

A scientific real life study was conducted in the health claims database of an US private health insurance company. It compared the cost for allergic rhinitis patients under therapy with Dymista with those using a free combination of an intranasal corticosteroid and an intranasal antihistamine. The results revealed cost benefits for Dymista when considering total cost, costs related to allergic rhinitis and in a sub-population of asthmatic patients in asthma related costs.

FULFILMENT OF POST APPROVAL REQUIREMENT

Meda completed and promptly submitted a 3-month safety and a 2-week efficacy study in pediatric population. FDA approved the use of Dymista for treatment of symptoms of seasonal allergic rhinitis in children 6 years and older. An application to extend the current lower age limit of 12 years has also been submitted in Europe.

NOVOLIZER BRANDS

The Novolizer is an innovative dry powder inhaler used to administer the active substances salbutamol (albuterol), formoterol and budesonide for the treatment of asthma and chronic obstructive pulmonary disease. New national marketing authorizations have been granted in Finland, Latvia Slovenia, Ukraine, Bulgaria and Greece.

EPIPEN

Labels have been broadened for the epinephrine auto-injectors EpiPen and EpiPen junior. The products are now also intended for immediate administration in patients who are determined to be at increased risk of anaphylaxis (including patients with a history of anaphylactic reactions). The label change has so far been approved in 2015 in several European countries, including Germany, Sweden, Austria, Belgium, Norway, Spain, Finland, Netherlands, Luxembourg, Poland, Slovakia, Czech Republic, Island, Hungary and Denmark. Further submissions are pending for Russia and Ukraine.

DERMATOLOGY

ACNATAC

Acnatac gel is a dermal application containing the retinoid tretinoin and the antibiotic clindamycin for multi-factorial treatment of acne vulgaris. After having obtained registrations across Europe, applications have now also been submitted in Australia and South Africa.

ALDARA

Two long-term head-to-head clinical trials versus diclofenac have been successfully completed. These studies were imposed by EMA as post approval commitment. Results of the meta-analysis demonstrate significantly higher initial clearance rate and consistently lower recurrence rate in the imiquimod group. After three years, imiquimod was shown to be superior in incidence of and time to histological progression to squamous cell carcinoma making imiquimod the more sustainable treatment of actinic keratoses.

OTC PRODUCTS

ENDWARTS PEN

The medical device EndWarts is a unique wart treatment which effectively dries out warts on hands, feet, elbows and knees. Meda has developed a new applicator in the form of a pen to make the use of EndWarts more convenient for consumers. The product was successfully launched in 2015. A clinical study to underline the clinical performance vs. a placebo pen and confirm safety, tolerability and usability has been started.

NEW DENTAL HEALTH PRODUCT LINE

EB24 is an OTC product line for the once-daily treatment of dental erosion. This new product protects the teeth from erosion caused by exposure to acidic food and drinks or gastric acids. There is currently no effective treatment for this condition which is sometimes referred to as the "new caries". Dental erosion may impact all ages and is estimated to affect 15–50% of the population.

EB24 contains hydrofluoric acid highly diluted in water. In studies, the product has been shown to form an acid-resistant calcium fluoride layer on the enamel surface protecting the teeth from further erosion.

Three strengths have been developed to protect from mild, moderate and severe forms of dental erosion. Manufacturing has been established in Confienza, Italy. Thanks to the new center for medical device excellence in nearby Monza, a Class IIa certification by a Notified Body has been achieved. This corresponds to an approval for drugs and allows pan-European marketing. The opportunity can be exploited by Meda itself or via partners/out-licensing.

STRENGTHENING OF EXISTING PRODUCTS

Meda is conducting non-interventional observational trials to strengthen the profiles of its global growth products such as Acnatac and Dymista. This is backed by selected support of investigator initiated studies with registered Meda products such as Aldara, Zyclara, Acnatac and Dymista.

Cx the consumer products

The Rottapharm acquisition included a proprietary development structure for nutraceuticals with promising development projects. Meda's consumer Cx products such as Saugella, Babygella, CB12 (OTC), Armolipid, Biomineral and Biothymus are geared to general consumer well-being and sustainable health and are designed to treat specific conditions.

Projects are low risk, involve limited cost and can be rapidly marketed without reimbursement or pricing issues.

Scientific evidence gained from well-planned clinical studies supports their targeted effectiveness and ensures that claims are credible. The active ingredients are of calibrated dose. Meda's sales force conveys the scientific information to the doctors and pharmacists. Proven health claims validated in clinical studies differentiate Meda's cosmetics and nutraceuticals. All such projects are low risk, involve limited cost and can be rapidly marketed without reimbursement or pricing issues.

Strategy

The common development strategy for all consumer products is oriented towards health rather than hedonistic values and is based on the concept of low impact to the customer by having formulas which are intrinsically "hypo-allergenic".

Allergic syndromes are in fact remarkably frequent and continue to increase. This is probably related to qualitative and quantitative modifications of numerous environmental factors. Therefore, Meda strives to develop formulations which use the fewest possible number of ingredients to reduce the overall consumer exposure to chemicals.

Intimate hygiene and cosmetics for babies (Saugella and Babygella)

Orthodermic¹⁾ cleansing of the skin is achieved by prebiotics²⁾ and by bio-adhesive polymers. Prebiotics maintain a natural and healthy skin microbiota³⁾ whereas bio-adhesive polymers are used to prolong the exposure contact time of the active substances.

Metabolic syndrome (Armolipid)

Metabolic syndrome is a central topic. Meda is working to keep a competitive edge with constant innovation of products and formulations with an international foothold and to increment the product range to cover various aspects of the metabolic syndrome such as prediabetes, obesity, high blood pressure and high cholesterol.

Oral Care (CB12 – OTC)

Special focus is on the CB12 product family. Improved formulations, new packaging and haptics will underlie good efficacy, meet oral care consumer needs and strengthen self-confidence.

¹⁾ Cosmetics which are intended to keep the skin in normal physiological condition, respecting the natural balance.

²⁾ Substances like Galactooligosaccharides, Fructooligosaccharides, Xylitol that induce activity of beneficial microorganisms (bacteria and fungi).

³⁾ The ecological community of commensal, symbiotic and pathogenic microorganisms that literally share our body space.

The speedy product life cycles has allowed Meda to benefit quickly from the Cx portfolio

“Speed is fundamental in all parts of the product life cycle for Cx products: from the concept phase, passing through development and manufacturing, to marketing and sales. Integration with Meda has allowed an incredible acceleration of opportunities for robust internationalization of the Cx portfolio. The integration process has enabled us to quickly tune in to a new mind-set.”

ANDREA ZANARDI, HEAD OF CORPORATE SCIENTIFIC CONSUMER HEALTHCARE



Proprietary production and external manufacturing

Meda combines proprietary production with contract manufacturing of products and pharmaceuticals. In 2015 Meda's proprietary production accounted for around 40% of the company's volume.

Meda has continuous focus on improving efficiency in purchasing, manufacturing and distribution. This includes finding the right balance between proprietary and external manufacturing.

Meda's proprietary production takes place at six units.

Dublin (Ireland)

Around 160 employees

Production of glucosamine sulphate (API), oral solid dosage and drops, for example the products Dona, Zyma and Plantaben. Recently awarded the Responsible Care Award (2013) from European Chemical Industrial Council (CEPIC).

Troisdorf (Germany)

Around 240 employees

Multipurpose production of oral solid dosage, liquids, gels and granules, for example Legalon, Reparil and Agiolax. At a site in Goa extruded granules of Agiolax/Agicur are produced to be packed later in Troisdorf.

Cologne (Germany)

Around 260 employees

Production of various preparation forms, for example Novolizer.

Decatur (Illinois, US)

Around 90 employees

Production of various preparation forms, for example Soma, Astepro and Geritol.

Confienza (Italy)

Around 80 employees

Production of cosmetics (liquid soaps and semisolids) and food supplements in tablets, for example Saugella, Armolipid and Estromineral.


Mérignac (France)

Around 260 employees

Production of creams, liquids and solutions, for example Betadine and Elidel.

In December 2015

Meda announced the divestment of its Euromed manufacturing unit, a former Rottapharm company, located in Spain.

A man with dark hair, wearing a light-colored striped button-down shirt and dark trousers, is sitting on a dark wooden desk. He is looking towards the camera with a slight smile. His hands are clasped in his lap. In the background, a large window offers a view of a modern city skyline with several tall skyscrapers. A white office phone is visible on the desk to the left of the man.

Meda's culture an important part of the continued success

"The implementation of Meda's vision, mission and values was a very valuable experience that elevated our conceptual skills. In addition, the Meda business process helped to develop the strategic thinking and management skills. Meda's product portfolio fits very well with the needs in Southeast Asia where people have improved purchasing power and are seeking to enhance their quality of life."

JIRASAK PHISITSAK, COUNTRY MANAGER, THAILAND



Experience and continuity in acquisitions team

“The Corporate Patent & Trademark department is responsible for managing and securing the worldwide patent and trademark portfolio of the entire Meda company, and handling the transaction of IP rights. The key is to be focused on the enforcement, maintenance, enhancement and defense of the IP portfolio as well as on providing support to all Meda affiliates regarding any IP matters.”

GABRIELE ENDLER AND MANUELA KOCH, PATENTS & TRADEMARKS

Sustainability report

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About Meda's sustainability report 2015

Meda's Annual Report 2015 includes the company's complete sustainability report 2015, pages 41–63. The sustainability report 2015 constitutes Meda's Communication on Progress Report to the UN Global Compact. Meda has applied the Global Reporting Initiative (GRI) guidelines since 2010. The 2015 sustainability report is Meda's first report in accordance with GRI 4 core. The report has been subjected to third party assurance. A complete GRI content table is presented on pages 60–62 and the auditor's assurance statement is presented on page 63.

Meda's 2015 sustainability report covers all of Meda's operations. For the first time, all sustainability data cover the previous Rottapharm units, no material limitations have been made. In late 2015 Meda divested its Euromed manufacturing unit Spain. This unit is not included in the sustainability report 2015. Also, the manufacturing unit in Goa, India that supplies Meda Troisdorf is not covered by the sustainability report 2015 as it is out of Meda's operational control.

The intention is that the Annual Report, including the sustainability report 2015, will meet the information requirements and provide a complete picture of Meda's social, economic and environmental impact and performance.

Lina Andersson, Head of Global Sustainability at Meda is the main contact for the sustainability report.
Contact: lina.andersson@meda.se.

Meda's sustainability report 2015 is also presented on the company website, meda.se/csr.

Focus, objectives and performance

2015 was characterized by the continued integration of Rottapharm and the realization of synergies. Meda's intention for the sustainability efforts is to stay close to the business and support the overall objectives. Hence, the efforts in 2015 were focused on efficient operations. At the same time, new and increased resources were put into the company's sustainability agenda and important activities were undertaken. A strong foundation has been created to drive further progress in 2016.

	Sustainability governance	Operational and environmental efficiency
OBJECTIVES 2015	<ul style="list-style-type: none"> Evaluate Meda's sustainability efforts and risk readiness Further develop internal policies and processes in line with the UN Global Compact in accordance with the action plan Further develop internal control and the Business Conduct Guidelines with respect to communication and employee training 	<ul style="list-style-type: none"> Continue to reduce Meda's environmental impact. The key measurement is CO₂ emissions per employee Re-certify relevant units to ISO 14001 Begin inclusion of Rottapharm in Meda's ISO 14001 Group certification
PERFORMANCE	<ul style="list-style-type: none"> An overall assessment was performed An anti-corruption policy was issued to complement the Business Conduct Guidelines A Business Partner and Business Ethics Guideline was issued Internal communication on sustainability in general and anti-corruption in particular was enhanced A corruption risk mapping is in progress 	<ul style="list-style-type: none"> Multiple improvements were made at the manufacturing units. Meda's CO₂ emissions per employee were reduced compared to 2014 Meda's units that are included in Meda's ISO 14001 Group certification were all recertified in 2015 The inclusion of Rottapharm is progressing according to plan
OBJECTIVES 2016	<ul style="list-style-type: none"> Further develop procedures to align with the UN Global Compact and international guidelines Implement Meda's Anti-Corruption Policy Enhance internal communication and training on business conduct 	<ul style="list-style-type: none"> Continue to reduce Meda's environmental impact. The key measurement is CO₂ emissions per employee Continue the inclusion of former Rottapharm units in Meda's ISO 14001 Group certification Certify at least one former Rottapharm unit according to Meda's ISO 14001 Group certification

Responsible integration of new business	Sustainable supply chain
<ul style="list-style-type: none"> • Include Rottapharm in Meda's sustainability framework • Perform a sustainability risk analysis of Rottapharm 	<ul style="list-style-type: none"> • Engage with suppliers based on the self-assessment initiated in 2014 • Roll out Meda's Supplier Code of Conduct across Rottapharm's supplier base • Include relevant suppliers from Rottapharm's supplier base in Meda's supplier follow-up system
<ul style="list-style-type: none"> • The inclusion of Rottapharm units proceeded according to plan • Communication of Meda's Business Conduct Guidelines and other prioritized steering documents and internal procedures • Training of the above for country managers and other selected managers • No dedicated sustainability risk assessment of Rottapharm has been performed 	<ul style="list-style-type: none"> • The engagement process will with supplies continue in 2016 • The roll out of Meda's Supplier Code of Conduct across Rottapharm's supplier base was initiated according to plan • The inclusion of relevant suppliers from Rottapharm's supplier base in Meda's supplier follow-up system is progressing according to plan
<ul style="list-style-type: none"> • Further refine procedures for managing relevant sustainability aspects in the integration of new business • Advance procedures for managing relevant sustainability aspects in relation to business partners 	<ul style="list-style-type: none"> • Engage with suppliers included in Meda's follow-up system • Perform company-wide supplier mapping • Perform supplier risk assessment • Develop standard operating procedures for sustainable supply chain management

Meda in a broader context

Significant progress has been made on improving living conditions and health globally in recent years. 2015 was the year that the Millennium Development Goals were concluded, which highlighted the substantial progress made on access to healthcare services and medicine since 2000. The new Sustainable Development Goals were also launched in 2015. However, inadequate access to healthcare and medicines is still a major issue in many parts of the world, and the pharmaceutical industry has an important role to play in overcoming these challenges.

Global public healthcare

A report issued by the World Health Organization and the World Bank in 2015 shows that at least 400 million people do not have access to one or more essential health service and 6% of people in low- and middle-income countries are tipped into or pushed further into extreme poverty because of their personal spending on health. A new Sustainable Development Goal on health aims to ensure healthy lives and promote well-being for all at all ages, by mobilizing the relevant forces around the world and in all sectors to identify how they can contribute to this objective.

The cost of medicine has been a prioritized issue within the public sector and pharmaceutical industry for some time, partially because medication is predominantly financed by public funds. Despite significant efforts to develop effective drugs at prices that make them available to all, and innovative access-oriented business models, there are still people who are denied the right to treatment due to cost.

Antimicrobial resistance threatens the effective prevention and treatment of an ever-increasing range of infections caused by bacteria, parasites, viruses and fungi, as stated by the World Health Organization. Meda in Sweden supports the government initiatives to reduce antibiotic resistance as one of the key priorities in the area of public health. By offering a wide range of products, reviewing the portfolio of products for optimization and close cooperation with the scientific community as well as the government, Meda contributes to the goal of improving an optimal use of antibiotics in Sweden.

The pharmaceutical industry has an important role to play in promoting public healthcare globally.

Population growth and greater life expectancy, in combination with changes in lifestyles

and eating habits, are driving demands for new forms of healthcare and treatment. The industry is also being revolutionized by the growing middle classes in emerging markets, digitalization, enhanced mobile access to information and new service providers, which brings new opportunities to healthcare patients and consumers.

Creating stakeholder value

Meda is a specialty pharma company with the ambition to provide high quality products that meet patient needs. Our ability to create value is dependent on the relevance of our product portfolio and our success in distributing products where they are needed.

Meda's broad product portfolio includes several therapeutic areas, which are well suited to emerging markets. The company works systematically to expand in emerging markets and is proud to make products and services available that promote health and well-being.

Markets and stakeholders

Meda's manufacturing and sales takes place throughout the world, including in regions that pose various risks. Besides its manufacturing base in Western Europe and North America, Meda is present in all continents. The company must consequently manage the relevant issues in specific regions.

Meda's value chain affects several stakeholder groups. The following stakeholders have been identified as particularly relevant as they either are the purpose for Meda's business, they regulate the business, enable it by

financing or, are part of the development and distribution of Meda's products:

- Patients and consumers
- Healthcare providers
- Suppliers
- Employees
- Public authorities and agencies
- Owners/investors
- Distributors
- Wholesalers/retailers

Meda's ability to meet stakeholder expectations is key for the company. Meda's dialogue with stakeholders is both informal and formal, and input is mostly collected during normal business processes. In 2015, Meda met with representatives from the responsible investment and research community as well as participated in round table discussions with investors and industry peers on sustainability. Also, Meda responded to a number of investor surveys regarding its sustainability performance. Anti-corruption, climate change and supply chain management have been highlighted in the dialogue. The combined input continues to drive and develop Meda's approach to sustainability.

GENERATED AND DISTRIBUTED FINANCIAL VALUE

SEK million	2015	2014
Revenue ¹⁾	19,685	15,415
Operating expenses	-10,267	-8,515
Salaries and employee benefits	-2,898	-2,137
Payments to providers of funds	-1,217	-639
Dividend	-914	-756
Payments to governments	-803	-551
Societal investments	0	0
Remaining economic value²⁾	3,586	2,817

¹⁾ Net sales, financial income (excluding exchange gains) and recognized gains for the sale of non-current assets.

²⁾ Excluding non-recurring items of SEK 720 million (992), see Note 11 for the Group.

Strengthening the value chain

Meda's value chain

Meda's value chain comprises four basic stages: product portfolio and market development, manufacturing and distribution, sales and marketing, and customers and end-users. The relevance, quality, price and availability of the products Meda provides are key attributes to Meda's business and must be considered at every stage.

Vision and objectives

Meda's vision is to become a world-leading specialty pharma company with a focus on sustainable and profitable growth, in order to provide value for our patients, shareholders and other stakeholders.

Meda aims to lead the market in certain areas of prescription and non-prescription products. The company is dedicated to providing products that serve society by promoting the well-being and quality of life of individuals. In order to achieve this, Meda shall be innovative, fast growing and open to different commercial models.

Integrating sustainability

Assessing Meda's impact across the entire value chain helps the company to identify risks and opportunities, and pinpoint what is most important in order to achieve sustainable and profitable growth.

Product portfolio and market development

The basis of Meda's value chain is a supply of safe and high quality products that promote life quality for patients and consumers. Market insight and the ability to identify needs and preferences are essential. By building capacity within product portfolio and market development, as well as identifying potential acquisitions, Meda has maintained a relevant portfolio and expanded its market access and presence.

Meda has managed its product and market development by successfully integrating acquired companies, by wisely selecting its partners and by hiring skilled and development-oriented employees. It is increasingly important to properly manage various sustainability related risks, particularly as regulations continuously change and new markets become interesting for Meda.

Manufacturing and distribution

Well-functioning sourcing, manufacturing and distribution processes are key to providing high-quality products. This includes maintaining and improving operational efficiency and cost control, as well as securing supply chain integrity and quality assurance. Recalling products is costly in all aspects.

Meda's supply of goods relies on own manufacturing as well as contract manufacturing. Suppliers of input materials and finished goods are significant to Meda's operations. Meda's capability to assess various relevant parameters within sourcing and contract manufacturing is key. The purpose is to ensure high standards of health and safety, labor conditions and environmental work within its own manufacturing and its suppliers. These aspects become even more material as they are increasingly scrutinized by Meda's customers and other key stakeholders. Finally, Meda manages manufacturing and distribution by complying with Good Manufacturing Practice (GMP). GMP also applies to Meda's suppliers.

Sales and marketing

Meda's understanding of customers and market drivers are vital for sales and marketing. Customer understanding ensures the right positioning for each product across markets to provide market access.

Preferences vary across Meda's markets but the overall trend is clear; the sustainability performance of the company and its products is gaining relevance to customers, particularly for big brands and public sector customers. Meda's sustainability performance and capabilities will have to further evolve for the company to continue to be relevant and profitable. This is particularly true in highly competitive environments where the cost of goods and product pricing remain key competitive features. It is essential that Meda provide conditions and resources that enable employees and others representing the company to act correctly.

Customers and end-users

Meda's customers are a variety of health professionals, wholesalers and individual end-users. Meda and its brands must be trusted by customers, be relevant to their needs and preferences, and must be available when they are needed. Access to accurate information and minimal risk of negative side effects are fundamental for end-users. Meda works systematically to secure quality and safety, to maintain effective supply and to understand its customers. Meda's relationship with end-users include being available for questions about the products and providing information in case of side effects.

Meda creates value by supplying high quality products that meet users' needs, at affordable prices. By running its business responsibly, Meda creates value on multiple levels – for individual health, for society by contributing to public health, for our owners by being profitable, and for the environment by mitigating negative impacts.

Material aspects along the value chain

To identify the most significant aspects throughout the value chain is key to mitigate risks and manage opportunities, and is essential to become a world leader in the specialty pharma industry. Meda intends to keep sustainability efforts close to its core business, and to make constant improvements.

Meda has ongoing dialogue with stakeholders about prioritizing sustainability aspects, and stakeholder input is regarded by the company when defining its sustainability focus areas.

Updated materiality analysis

In 2015, Meda performed its second materiality assessment. A workshop was conducted, with representatives from the following company functions: Group management, Accounting and Reporting, Human Resources, Quality Assurance, Sales and Marketing, Strategic Purchase

and Sustainability. The group used the value chain to map sustainability aspects significant to Meda's value chain. The participants also graded various sustainability aspects, according to their importance to Meda's business.

In parallel to the workshop, country managers from Meda's six largest and most strategically important markets also ranked sustainability aspects as part of a survey. They were requested to rate a list of aspects in the areas of: product quality, operational & environmental efficiency, supply chain and purchasing, employee management, ethics & compliance and economic performance.

Confirmation of earlier assessments

The results of the 2015 materiality assessment were similar to the assessment from 2013. However, a slightly greater emphasis on sustainabil-

ity management in the supply chain, employee development, and business ethics and anti-corruption was highlighted. This is thought to be due to greater general interest in sustainability, more clearly articulated customer expectations and stricter regulations, along with the 2014 acquisition of Rottapharm and Meda's continued expansion in emerging markets.

Based on the initial analysis, the most material sustainability aspects to Meda's vision of sustainable and profitable growth have been identified. Product quality and consumer and patient safety are the most important aspects as they are directly linked to the relevance and legitimacy of the company. Meda's ability to manage them are key to all the company's stakeholders, directly or indirectly.

Aspect material to Meda's business	Corresponding GRI aspect	Aspect boundary
Business integrity and accountability	Anti-corruption Compliance	Within and outside of Meda
Consumer and patient safety	Customer health and safety	Within and outside of Meda
Contribution to public health and wellbeing	Customer health and safety Supplier environmental assessment	Within and outside of Meda
Employee (talent) attraction and retention	Employment Diversity and equal opportunity	Within Meda
Employee development	Training and education	Within Meda
Employee health and safety	Occupational health and safety	Within Meda
Market access and customer retention	Economic performance Market presence	Within and outside of Meda
Operational and environmental efficiency	Energy Water Emissions Compliance Effluents and waste	Within and outside of Meda
Product quality	Customer health and safety	Within and outside of Meda
Risk management in the acquisition process	Anti-corruption Compliance	Within and outside of Meda
Sales and marketing practices	Marketing communications	Within and outside of Meda
Supply chain management	Supplier assessment for labor practices Supplier environmental assessment	Within and outside of Meda
Synergies in mergers and acquisitions	Employment Economic performance	Within and outside of Meda

The table displays aspects identified as material to Meda, the corresponding aspect according to GRI's guidelines, as well as the aspect boundaries; whether the aspects are material within and/or outside of Meda. Most of these aspects confirm Meda's current prioritized areas. The materiality analysis was initiated in late 2015 and the connected stakeholder dialogue will continue into 2016. The results will be used to refine Meda's approach to sustainability.

Product portfolio and market development

Meda's growth strategy has involved a combination of organic growth and acquisitions, although acquisitions have been the main driver of Meda's expansion to date.

Acquisition has been an important means for Meda to develop its product portfolio and to better meet the needs of patients and consumers – to develop the company's market. This has involved either the acquisition of a single product, a product range, a branch or an entire company.

Relevant product portfolio

The supply of safe and high quality products that promote life quality for patients and consumers is the foundation of Meda's business. The relevance of the products and the portfolio will determine the company's business success. Meda is not an R&D focused company. It does not invest significant means in early-stage product development nor does it conduct early-stage clinical research. Meda has rather devel-

oped its portfolio through market adapted product development, and through acquisitions. Each product manager at Meda works to maintain and enhance the competitiveness of the company's portfolio for the different markets, partially by modifying the product or the combination of products to more precisely meet patient and consumer need.

Acquisitions as a growth driver

From 2000 to 2014 Meda made more than 30 major acquisitions of companies and product rights, which have helped to develop a relevant product portfolio. In 2014, Meda secured the acquisition of Rottapharm, its most significant to date. Read more about acquisitions on pages 6–10.

Responsible integration

One of Meda's focus areas has been the responsible integration of newly acquired businesses. Extensive investigation precedes an acquisition, and certain sustainability factors are part of the investigation process. The acquisition and integration process includes implementing company-wide guidelines such as Meda's Business Conduct Guidelines, the Internal Control Procedures and the Delegation of Authority. The acquired company is expected to implement the guidelines and Meda monitors the harmonization and implementation process through communication and internal controls. Relevant persons and functions within the new affiliates have received dedicated training in the above guidelines.



Dona is one example of the international rollout and commercialization of leading brands from the Rottapharm acquisition.

Manufacturing and Distribution

Meda both manages its own manufacturing operations and contracts external manufacturing partners. Operational and environmental efficiency is one of Meda's focus areas and the combination of own manufacturing and contract manufacturing allows flexibility and access to specialist processes, whilst providing adequate cost control.

Consistent standards

Meda's own manufacturing units are located in France, Germany, Ireland, Italy, and the US. External partners manufacture more than half the products that Meda supplies to the market. The same standards and requirements on quality, safety and delivery reliability along with other significant parameters apply to both Meda's own manufacturing units and contract manufacturers.

For each pharmaceutical product that Meda brings to market, a permit is required from the national medical agency. Permits cover the quality of the finished product, quality of the input materials, and tractability throughout the value chain, among other parameters. In addition, non-pharmaceutical products are covered by various quality and safety requirements that must be fulfilled before the product is brought to market.

Strict requirements

Meda enforces strict standards internally and for suppliers, which are based on the Good Manufacturing Practice (GMP). Meda's standards and procedures aim to ensure that all pharmaceutical products that Meda brings to market fulfill the GMP. The GMP is the industry standard covering areas such as quality, safety and ethics.

Meda's Business Conduct Guidelines cover ethics, working environment, labor and employment terms, environmental impact, animal welfare and management systems. The relevant supplier requirements are detailed in Meda's Supplier Code of Conduct. Meda holds a group certificate according to ISO 14001, and in 2015 the work to integrate the former manufacturing units of Rottapharm into the certification began.

Sustainable supply chain

Sustainable supply chain is one of Meda's focus areas. In 2015, Meda intensified its work with

sustainable procurement as an enlarged organization following its recent acquisitions. Meda is a decentralized company and sustainability considerations are made locally as part of key business processes. This is also the case within procurement and therefore, Meda has established a sustainable procurement network over the past two years. The network includes key employees from purchasing, quality, supply chain management and sustainability. In 2015 an action plan was set to promote integration and performance. The key components are:

- Setting up the network and organization
- Supplier mapping
- Supplier risk assessment
- Development and integration of standard operating procedures on sustainable supply chain management

Monitoring compliance

Meda monitors supplier performance with self-assessments, analysis and site audits. Meda performs regular supplier audits to verify compliance with the GMP requirements. Sustainability management is reviewed to varying degree during quality audits. As the extent and quality of integration of sustainability varies between markets, Meda plans to evaluate the possibility of creating a common approach. No dedicated sustainability audits were performed in 2015.

Meda has an established system to communicate its Supplier Code of Conduct and follow up on supplier's sustainability management.

In 2015, suppliers that were formally part of Rottapharm were integrated into Meda's supply chain management system, together with logistics suppliers. As of 2015, the system covers direct Meda suppliers with a purchasing volume exceeding SEK 5 million. The supplier groups are:

- Active pharmaceutical ingredient suppliers
- Contract Manufacturers

- Excipients suppliers
- Packaging materials suppliers
- Logistics suppliers

By the end of 2015, the system covered 108 suppliers in 22 countries, including suppliers in multiple European countries, China, India and the US.

The supplier monitoring process consists of a standardized survey based on Meda's Supplier Code of Conduct, the UN Global Compact principles and other relevant internationally recognized standards. Each supplier will receive a rating based on the survey, which forms the basis for a more detailed analysis on whether further follow up and a targeted audit is required.

The majority of Meda's suppliers operate in Europe and North America. However, the acquisition of Rottapharm and the general trend in the industry to concentrate raw material suppliers to Asia brings increased exposure to suppliers in countries where sustainability risks are deemed to be high. Meda has a good overall understanding of the risks, operations and performance of these suppliers.

In 2015, Meda began further enhancing its understanding of the company's supply chain and potential supply chain risks. This work also aims to identify and to promote synergies in the purchasing processes.

Distribution

Meda's products are primarily distributed by local service providers. Meda has contracts with wholesalers, or independent distributors in markets where the company lacks own representation.

Meda is working to better understand the distributors' ability to comply with its Business Conduct Guidelines. The distribution of Meda's products will be included in the supply chain improvement activities described above.

The sustainable procurement network consists of people from the quality, purchasing, supply chain and sustainability functions.

From left to right: Lina Andersson, Head of Global Sustainability; Danilo Vertemara, Materials Manager at Meda's production plant in Dublin; Sabine Jean-Dubourg, Supply and Sustainable Purchasing Manager at Meda's production plant in Mérignac and Matthias Engler, Strategic Purchasing. Founding member, Lawrence Levey, Director Supply Chain, Meda in the US, is missing in the picture.



Employees

As Meda grows and utilizes the benefits of being a global company, it strives to retain the characteristic of being a lean and fast moving company. At Meda, this means a decentralized and effective organization with short decision paths.

The Meda Way

Meda's vision, mission and company values are the foundation for a common approach throughout the company. They provide a platform and allow employees, departments and countries to find common ground. It is the responsibility of each country organization to work with the values and make them relevant in their local context. Also, Meda's corporate values have been important in the integration of Rottapharm.

In 2015, one year after implementing the values, Meda followed up how employees perceive the values; if they find them relevant in their day-to-day business, how they live the values and if they are aware of role models in their organization. Workshops were held with selected groups of employees. The follow-up will continue in 2016.

Integrating acquired companies

Acquisition has been a fundamental part of Meda's growth strategy, and identifying inherent synergies with Meda's business has been key to successful acquisitions. From a human resources perspective, 2015 was dominated by the integration of Rottapharm. Meda drew on its extensive experience of integrating acquisi-

tions. The process typically involves clear communication, transparent processes, training and consistent implementation. Guiding local decision makers in implementing Meda's way of operating into their local context, and being present to demonstrate leadership and engagement, are also important components of successful integration.

Meda's workforce

At the end of 2015, Meda had 4,156 (4,675) employees and 461 (527) contractors, primarily in sales and marketing. Out of Meda's total workforce, 151 (159) were employed on a temporary basis.

As the company grows and realizes synergies, Meda strives to achieve a balance between bringing in new competence and taking advantage of existing experience. Recent acquisitions and integration efforts have resulted in an above average employee turnover. In 2015, 1,160 (764) employees left Meda either by resignation, retirement, dismissal or outplacement. Meda's employee turnover was 28% (16). Employees who are affected by organizational changes are offered support in compliance with local legislation and practices.

All employees in France, Italy and Sweden are covered by collective bargaining agreements. The share in Germany is about 64%¹.

Professional development

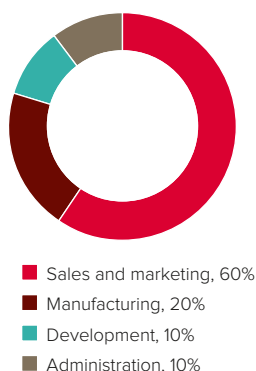
The skills, good judgment and drive of Meda's employees highly influences the company. Meda aims to be an attractive and supportive workplace that offers opportunities and stimulating assignments. Professional development is based on individual employee needs and Meda has a structured professional development process in place, with a particular focus on product training.

Employee development capabilities vary across Meda's entities as it is a local responsibility. During 2015, Meda revised its bonus system to ensure that company incentives drive the desired efforts and support business objectives.

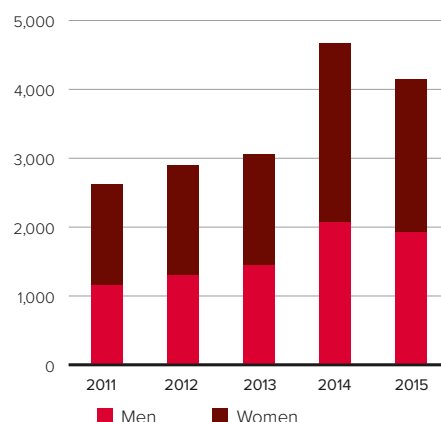
Diversity and equal rights

At the end of 2015, 54% (56) of Meda's employees were female and women held 37% (39) of management positions. Meda strives to increase the proportion of female managers by clearly defining skill requirements for each position and by monitoring progress.

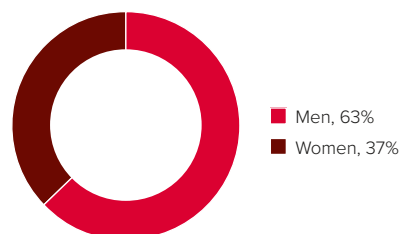
EMPLOYEES PER FUNCTION, 2015



WORKFORCE



EMPLOYEES AND DIVERSITY



¹ All Meda's employees have the right to collective bargaining agreements and to join a union. Meda does not collect data for all entities within the group, only for the above reported countries.

Meda is committed to safeguarding employee rights and opportunities. Meda's Business Conduct Guidelines state that all employees and applicants are to be treated equally.

Discrimination based on gender, gender identity or gender expression, ethnicity, religion or other belief systems, disability, sexual orientation, age or any other personal characteristic is strictly prohibited within Meda. No case of discrimination was reported in 2015.

Health and safety at Meda

Meda shall provide safe, healthy and pleasant workplaces for its employees. Meda has dedicated employee and workplace handbooks according to local common practice to promote compliance with relevant occupational health and safety legislation.

All employees are entitled to form or join labor unions, and Meda works actively with unions on health and safety issues.

Factory and laboratory employees are particularly exposed to health and safety risks and these units have specific health and safety procedures. Travelling sales representatives are exposed to traffic risks and Meda organizes safety and eco driving training in Germany and Sweden, to raise awareness and promote safer driving. Good planning among sales teams that consider logistics when making appointments with customers is key in promoting safety as well as reducing fuel consumption. Incidents and accidents are followed up and steps are taken to prevent similar incidents from reoccurring.

In 2015, a total of 63 (44) work-related injuries were reported. The incidents mainly involved mild trip, slip or fall injuries as well as traffic incidents. Meda is dedicated to minimizing risks and strives to eliminate work-related accidents.

Sick leave was 2.6% (3.1) in 2015, and absence for 60 days or more was 0.6% (1.0). Health monitoring and measures are managed at the local level.

Going into 2016

In 2016, Meda's human resources management will focus on succession planning and efforts to ensure that Meda has the right employee competencies to meet current and future demands.

EMPLOYEES BY REGION AND GENDER

	2015		2014	
	Women	Men	Women	Men
Europe ¹⁾	1,714	1,393	2,091	1,651
US	243	234	262	229
Asia	197	190	187	142
Other countries	81	104	70	43
Total	2,235	1,921	2,610	2,065

¹⁾ Including Turkey and Russia

EMPLOYEES AND DIVERSITY

	2015		2014	
	Women	Men	Women	Men
Sales and marketing	1,320	1,139	1,550	1,146
Production and warehousing	374	467	393	531
Medical and development	304	122	351	159
Administration	237	193	316	229
Total	2,235	1,921	2,610	2,065

NEW HIRES

	<30 years		30–50 years		>50 years	
	Women	Men	Women	Men	Women	Men
Europe ¹⁾	54	41	156	98	18	19
US	11	10	26	23	5	10
Asia	30	47	14	98	1	9
Other countries	4	3	14	23	–	1
Total	99	101	210	242	24	39

¹⁾ Including Turkey and Russia

SICK LEAVE (%)

	2015	2014	2013	2012
Women	3.1	3.7	4.0	3.6
Men	2.2	2.4	2.2	2.4
Total	2.6	3.1	3.2	3.1
<30 years	2.1	2.0	2.4	2.7
30–50 years	2.4	3.1	3.0	2.9
>50 years	3.5	3.8	3.9	3.9
Continuous sick leave >60 days	0.6	1.0	1.0	0.9

INDEFINITE CONTRACT EMPLOYEES, BY EMPLOYMENT TYPE

Full-time		Part-time	
Women	Men	Women	Men
2,003	1,901	232	20

WORK RELATED INJURIES AND DISEASES

	Injury rate ¹⁾		Lost day rate ²⁾		Sick leave (%)	
	Women	Men	Women	Men	Women	Men
Europe ³⁾	20	36	8 ⁴⁾	16	3.5	2.7
US	0	4	–	2	3.0	1.6
Asia	0	0	–	–	0.5	0.3
Other countries	0	0	–	0	1.4	0.3

¹⁾ Including contractors

²⁾ Including contractors, excluding occupational disease

³⁾ Including Turkey and Russia

⁴⁾ Of which 4 relates to contractors

Environment

Operational and environmental efficiency is one of Meda's focus areas. The aim is to reduce Meda's environmental impact and the company works to continuously improve its performance. The company's environmental management system has been ISO 14001 certified since 2009 and the certificate was renewed in 2015. Priority areas include energy consumption, material consumption, hazardous waste and water management.

Meda's environmental impact primarily derives from:

- Energy consumption, emissions and waste during production
- Energy consumption at offices and other premises
- Emissions from goods transportation and travel

Environmental Policy

Meda's Environmental Policy states that the company is to:

- Comply with all applicable environmental laws and regulations
- Consider commercial opportunities and risks from an environmental perspective
- Reduce energy consumption
- Consider environmental impacts when purchasing goods and services
- Ensure the safe and responsible management of chemicals
- Limit water consumption and waste generation
- Operate in accordance with ISO 14001
- Raise environmental awareness among managers and other employees

Manufacturing

Meda's efforts to reduce environmental impact primarily concern the company's manufacturing units in Germany, France, Ireland, Italy and the US, which formulate and package pharmaceuticals and other products. All units have the relevant environmental permits required by local law and EU regulations. All units are monitored and no significant deviations or cases of non-compliance were noted in 2015. Meda's ISO 14001:2004 group certificate¹⁾ was renewed in 2015, which involved comprehensive external audit on management, objectives and performance on all units. During the year, the process

of including former Rottapharm units into the company ISO 14001 certificate also began.

Addressing environmental impact in the supply chain is also considered important to Meda's overall environmental performance.

Objectives and management

Meda's manufacturing units have local objectives for energy, carbon emissions, waste, and in some instances wastewater. These objectives are closely monitored and regularly revised. Performance is reported to Meda Group on a quarterly basis, within the framework of the environmental management system. All relevant units perform internal audits at least once year and annual third party environmental audits are conducted for all relevant units.

Examples of Meda's efforts to reduce its environmental impact include the implementation of energy management systems, further monitoring of energy consumption and emissions, eliminated use of oil, increased waste recycling and product development.

All the relevant units have taken appropriate action to comply with the EU Energy Efficiency Directive. The unit in Cologne was certified according to ISO 50001 in 2015.

Waste and wastewater

As Meda's manufacturing units are only engaged in formulating and packaging pharmaceuticals, the amount of waste generated is relatively small and solvent emissions to air are negligible. Waste mainly consists of process water, primarily from equipment cleaning. The volume of hazardous waste generated is rather low and only small amounts of pharmaceutical residue are generated. All waste is handled in accordance with the relevant laws and established routines. In addition, all treatment plant

WATER¹⁾

	2015
Withdrawal, m³	
Surface water	28,000
Ground water	30,576
Rainwater	0
Waste water	47,472
Municipal water	124,332
Total	230,380
Recycled and reused	
Recycled/reused, total	23,009
Recycled/reused, share of withdrawal	10%
Discharge	
Own water management facility	13,404
Municipality waste water treatment plant	113,097
Recipient	1,845
Total	128,346
Quality of water, kg	
Chemical oxygen demand load	80,242
Total suspend solids	2,895
Other ²⁾	37,970
Quality of water, m³	
Total suspend solids	370

¹⁾ Meda manufacturing and development units.

²⁾ Including sulphates, oil, fats and grease.

¹⁾ Covers manufacturing units in Cologne, development in Radebeul and corp. office in Bad Homburg, Germany, manufacturing in Merignac, France and Decatur, US, and corp. office and sales in Solna, Sweden.

facilities have environmental permits to release process wastewater together with regular wastewater, and discharges are within the compliance of their permits. No spills occurred in 2015.

Pharmaceutical residue

Pharmaceutical residue in the environment is an essential industry issue. The risk of environmental impact from pharmaceutical residue from individual Meda products depends on the specific substances, their inherent properties, and the quantities in which they are manufactured and used. In addition, the risk depends on the manufacturing stage and the processes employed.

The company's environmental management system enforces proper procedures to monitor and manage pharmaceutical residue in the environment from Meda's own manufacturing. Meda's units comply with the relevant regulatory requirements concerning the documentation of pharmaceutical residue in aquatic environments that arise from pharmaceutical use.

Energy and emissions objectives

Reducing energy consumption and greenhouse gas emissions is Meda's top environmental priority. The objective is to reduce CO₂ emissions per employee every year compared with the previous year. This objective was intended to create trickle down effects throughout the business. With an emissions figure of 8.6¹⁾ (9.1²⁾) metric tons emissions per employee in 2015, Meda met its objective of a reduction compared to 2014, by 5%.

In 2015, Meda's total direct and indirect CO₂ emissions amounted to 35,698 (28,972) metric tons, which equates to 1,817 (2,097) metric tons

per net sales of SEK thousand. Direct emissions result from heating and the use of company cars. Indirect emissions are derived primarily from electricity consumption.

Reducing emissions

The most important short-term measure for reducing CO₂ emissions is energy consumption in Meda's plants and office buildings. Meda has implemented steps to reduce electricity consumption. The company will also continue its efforts to improve goods transportation efficiency by promoting better coordination. Another activity involves promoting alternatives to business travel, such as tele and video conferencing.

Product and process development is also part of reducing emissions. In 2015, Meda's manufacturing unit in Mérignac was selected for a government sponsored project in France. The project was about applying new technology to quantify environmental and emission savings when modifying a product.

In the longer term, Meda will look into how it can further develop products and processes, as well as work with prioritized suppliers to reduce CO₂ emissions.

Meda offsets the climate impact of its Swedish operations by investing in certified Clean Development Mechanism projects.

Carbon disclosure

Meda participates in the Carbon Disclosure Project (CDP). In the CDP Nordic Report 2015, Meda was included in the Climate Disclosure Leadership Index for the second year in a row. Meda's 2015 CDP reporting was awarded a score of 99 B/100 A (95 B). For more information on CDP, go to cdp.net.

WASTE¹⁾

	2015
Hazardous waste, tons	
Reused	0
Recycled	68.8
Recovery, incl. energy rec.	83.6
Incineration (mass burn)	55.1
Landfill	0.2
On-site storage	46.9
Other	3.9
Total	258.5
Non-hazardous waste, tons	
Reused	121.4
Recycled	1,337.2
Composting	4.2
Recovery, incl. energy rec.	447.4
Incineration (mass burn)	165.9
Landfill	167.5
On-site storage	31.2
Other	100.0
Total	2,374.7

¹⁾ Meda manufacturing and development units.

CARBON EMISSIONS, TONS

	2015	2014	2013
Scope 1:			
Gas and oil ¹⁾	8,136	5,569	6,245
Company cars	9,243	7,781	7,619
Scope 2:			
Electricity	10,503	8,243	9,226
Scope 3:			
Business trips	3,346	3,463 ²⁾	3,258
Commuting	4,470	3,915	2,900
Supply chain	NA	NA	5,300
Total	35,698	28,972	34,548³⁾
Per employee	8.6	9.1	11.3 ⁴⁾

Scope 1: Direct emissions from CO₂ sources owned or controlled by the reporting organization.

Scope 2: Indirect emissions caused by the organization's consumption of energy.

Scope 3: Other indirect emissions that occur as a result of the organization's activities.

Meda does not report on emissions in the supply chain since 2013 due to lack of reliable data.

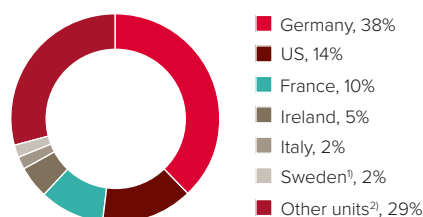
¹⁾ Cover Meda's manufacturing units. No oil in 2015.

²⁾ Data for business trips and no. of employees 2014 has been corrected.

³⁾ Excluding supply chain: 29,248.

⁴⁾ Excluding Supply chain: 9.3.

CARBON EMISSIONS PER REGION



¹⁾ No production in Sweden.

²⁾ These emission values are based on actual data from all Meda's production and development units and other operations in Germany, France, Ireland, Italy, Sweden and the US. CO₂ emissions for the entire company were extrapolated from this data.

ENERGY USE

	2015	2014
Natural gas, m ³	3,684,651	2,877,302
Natural gas, GJ	143,738	112,244
Electricity, MWh	32,388	24,472
Electricity, GJ	116,598	88,099



Open communication with new colleagues

“Interaction with our new colleagues has been characterized by open communication and a collaborative approach. We are very pleased to become the first site from Rottapharm to be included in Meda’s 14001 Group certification. ISO 14001 represents a great opportunity to bring all our systems and programs together within a certified scheme that will help us to improve even further.”

PAT GARRAHY, PLANT MANAGER IRELAND

Patient and consumer safety

Meda's mission is to provide effective and safe products that improve people's lives. Consequently, the health and safety of patients and consumers is always Meda's top priority.

Access to healthcare and medicine is what the pharmaceutical industry is all about. The provision of relevant products and services determines which companies will thrive in the long term. Meda's business is to help improve access to healthcare and medicine. For Meda, this equates being effective and successful in its business. This is the company's greatest long term contribution to society.

Meda enforces strict standards to ensure the safety and quality of all products that Meda brings to market. The Good Manufacturing Practice (GMP) standards are applicable to all pharmaceutical products and the requirements are the same regardless of location of manufacturing. Also the non-pharmaceutical products are covered by safety and quality guidelines. Learn more on page 48.

Clinical trials

Meda focuses on product development in the late clinical or registration phases. By these phases, the products have already been tested on humans several times. In the event of products requiring clinical trials, Meda enlists the help of specialized research companies. Meda is committed to conducting clinical trials in an ethical manner.

Meda's policies and procedures concerning clinical trials ensure compliance with best practice guidelines such as the EU 2001/20EC, ICH Good Clinical Practice (GCP), Good Manufacturing Practice (GMP) and the Declaration of Helsinki.

13 (9) clinical trials for drugs, medical devices, food supplements and cosmetics were performed in 2015. The trials for drugs were performed to expand registrations, fulfill post-approval commitment as per regulations and to substantiate market claims. The trials for cosmetics, food supplements and medical devices were performed to check and validate the safety and efficacy profile of the products.

Animal studies

Meda is committed to minimizing the use of animal studies. The pharmaceutical industry has made considerable progress on alternatives to animal studies when developing drugs. However, animal studies are sometimes mandatory. Meda only conducts animal studies when it is required by regulation and is fully justified.

As Meda's product development is essentially focused on late-phase studies, the need for animal studies is very limited. When animal studies are required, an Animal Care and Use Committee must approve the case and procedures. Meda complies with the relevant guidelines and regulations relating to animal studies, such as those established in Good Laboratory Practice guidelines according to ISO 17025 and the OECD Principles of Good Laboratory Practice.

In 2015, 15 (1) animal studies were performed, as demanded by authorities and regulating bodies. They concerned drugs, medical devices and cosmetics. The increased number of animal studies is due to the expansion and launch of new products to new markets.

Pharmaceutical registration

Registering pharmaceutical products with the authorities is required before a new or modified product can be launched. All of Meda's marketing companies have local registration experts who manage the registration of new and existing products. They also monitor and ensure that products are developed in accordance with relevant legislation, public authority requirements and guidelines. To guarantee that a product is used correctly and for the right purpose, Meda also works in cooperation with local registration and pharmaceutical authorities on producing prescription information and user directions.

Pharmacovigilance

The use of any pharmaceutical poses the risk of side effects, in various forms and degrees. The simultaneous use of multiple medicines or the consumption of foods or beverages can alter a drug's effect. Meda has its own pharmacovigilance departments across the world working to ensure that medicines are used safely.

Meda's pharmacovigilance departments apply periodic reporting and risk management plans, among other routines, to ensure drug safety. The objective is to investigate, detect and prevent any adverse effects from the use of Meda's pharmaceuticals. Changes to the basic information about a drug are made when necessary, or restrictions may be placed on the use of a product. All potential side effects are reported to the relevant regulatory authority in each country.

In 2015, there were no significant pharmacovigilance incidents.

Complaints and product recalls

Meda has an established system for handling medical and technical complaints. All complaints are investigated and corrective measures taken where necessary. Meda registers all complaints, which allows the company to monitor trends and track recurrent complaints. By working in accordance with procedures and guidelines such as the GCP, GMP and quality assurance, Meda aims to supply products that fulfill all legislative requirements and that can be used safely. During the year, Meda did not recall any products to safeguard patient or customer safety.

Key guidelines that Meda complies with:
Good Manufacturing Practice (GMP)
Good Clinical Practice (GCP)
Good Distribution Practice (GDP)
Good Pharmacovigilance Practice (GPvP)

Sustainability governance

Meda's governance and conduct program is designed to help the company operate with integrity and fulfill overall business objectives. Effective governance is part of efficient operations. At Meda, this work is characterized by constant improvements.

Ethical conduct

In 2015 several major corporate scandals emphasized the need of strong governance. They proved that the cost of poor conduct is high. At the same time, legislation as well as industry and corporate guidelines are evolving, placing demands on companies to be proactive and transparent.

Meda is working to meet these requirements and expectations. Meda's Business Conduct Guidelines combined with the Swedish Corporate Governance Code are the principal guidelines for all Meda's operations.

Meda has a zero tolerance on bribery and corruption. Consequently, all Meda employees and representatives must act in accordance with the law, Meda's Business Conduct Guidelines and recently issued Anti-Corruption Policy.

During 2015, several initiatives to enhance Meda's readiness were launched. These include:

- Meda's Anti-Corruption Policy
- Meda's Business Partners and Business Ethics Guidelines
- An ongoing corruption risk assessment
- Intensified internal communication

Corporate governance

As a publicly listed company Meda is obliged to act in accordance with the Swedish Corporate Governance Code. Meda has several governing documents, including the Business Conduct Guidelines and Internal Control Standards, which all affiliates within Meda must abide by.

Meda's Business Conduct Guidelines

The Meda Business Conduct Guidelines supplement legislation and state Meda's expectations on business conduct. Meda's country managers have the overall responsibility of ensuring that each of their employees understands the Guidelines, although it is the individ-

ual responsibility of each Meda employee to consider them in their daily activities. The guidelines are available on Meda's global intranet and corporate website.

The guidelines include business ethics and the company's relationships with employees, customers, suppliers, public authorities, competitors and other stakeholders. The guidelines prohibit partnerships or agreements with competitors on price, terms or similar aspects. Furthermore, donations or any advantages to political parties or candidates are prohibited.

Guiding principles

- **Accurate information:** All information provided by Meda must be correct and issued in a clear and easy to understand manner
- **Regulated market:** Meda operates in a strictly regulated market. All products and services are subject to regulation and standards for content, manufacturing, use and side effects. Information may also be required on how to dispose of some products
- **Regulated communication:** Meda complies with national regulations on how to communicate information to patients and other stakeholders
- **Good marketing practices:** Meda complies with the relevant local guidelines for good marketing practices
- **Corruption and conflicts of interest:** Meda's Business Conduct Guidelines and Anti-Corruption Policy provide details of Meda's zero tolerance for bribery and corruption, and rules on how employees should handle situations where conflicts of interest arise

Anti-Corruption Policy

In late 2015, Meda's Business Conduct Guidelines were complemented by an Anti-Corruption Policy. The Policy has a more complete statement on bribery and corruption and offers more detailed guidance. Meda initiated a cor-

ruption risk assessment, which will guide the development of companywide procedures.

Monitoring compliance

Monitoring compliance with the Business Conduct Guidelines and Internal Control Standards are conducted through self-assessments, and internal and external audits. Meda frequently conducts internal audits in countries perceived as having an elevated risk of fraud and corruption. These audits focus on sales, supplier relationships and incentives. Meda uses both internal and external auditors for internal audits. Meda also conducts business continuity risk assessments that focus on product supply and external suppliers.

In 2015, no significant non-conformities were identified. Furthermore, no cases of corruption were reported during the year. Finally, no sanctions or significant fines were imposed on Meda for non-compliance with applicable laws and regulations.

Meda's corporate governance and internal control processes are continuously being refined to manage important topical issues as the business grows. In 2015, the key issues involved integrating all the former Rottapharm units into the control framework and train the relevant personnel. In addition, all country managers, financial managers and additional key functions were trained in Meda's Business Conduct Guidelines with an emphasis on business ethics, together with internal control standards and the delegation of authority.

Whistleblowing

Meda's whistleblowing procedure has been in place since 2012. It enables internal and external stakeholders to anonymously report deviations from Meda's regulations.

In total, six cases have been reported by use of the whistleblowing procedure and one more case was reported outside of the whistleblow-

ing procedure. Five of the six cases were reported in 2015. One of this year's cases concerned conflict of interest and was found to be a violation. Corrective actions were taken. The remaining cases were deemed not to be violations of Meda's Business Conduct Guidelines. Also the non-violations provided opportunities to improve certain routines.

The UN Global Compact

Meda has been a signatory of the UN Global Compact (UNGC) since 2012 and is committed to its ten principles on human rights, labor rights, the environment and anti-corruption. Meda supports all internationally recognized principles on human rights as well as the ILO Core Conventions.

The UNGC's ten principles are being incorporated into Meda's governance and business

conduct, for instance by aligning the company's sustainability goals with the UNGC's principles.

During 2015, Meda made progress within several areas, for instance supply chain management and anti-corruption. The improvement efforts will continue in 2016, along with focus on training and internal communication. Meda will also evaluate how the company can contribute to the Sustainable Development Goals.

Risk management in expansion

Some of Meda's new markets are deemed to be associated with relatively high risk of corruption, human rights violations and environmental degradation. The company's own operations in high-risk countries are limited to sales and marketing. Meda continues to improve internal governance and control in recently acquired operations, including sustainability governance.



Market adapted strategies

“Vital strengths of Meda are the ability to develop country-specific, objective driven and pragmatic business strategies and their implementation. But as the health care environment is very dynamic and increasingly often full of surprises, you must keep the organization and the processes as flexible as possible. This of course starts with the culture and the mindset of the individuals.”

DAN FURRER, COUNTRY MANAGER GERMANY



Community engagement

For Meda, community engagement is a duty and a privilege. Beyond improving health and well-being through the core business and effective operations, Meda's affiliates engage in societal matters, sponsor research and donate to charitable organizations across the world. The support varies as local needs and priorities differ. Meda's support contributes to proactive care as well as emergency relief.

AmeriCares

Since 2003, Meda has partnered with AmeriCares, an emergency response and global health organization committed to saving lives and building healthier futures for people in crisis in the United States and around the world.

Since its founding in 1982, AmeriCares has delivered more than USD 12.5 billion in humanitarian aid to 164 countries. The organization's emergency response experts have responded to the Southeast Asia tsunami, Hurricane Katrina, the Haiti earthquake and the West Africa Ebola outbreak, among other emergencies. In 2015 products donated by Meda were distributed in 37 countries.

MAP International

Meda has donated products to MAP International since 2001. MAP is a voluntary aid organization founded in 1954 that works to support some of the world's poorest people in over 115 countries.

The organization supplies clinics and hospitals in vulnerable areas with FDA approved drugs and medical equipment. MAP International also works to prevent and mitigate outbreaks of disease and to promote the construction of local healthcare facilities.

MAP International has played an important role in providing access to healthcare and drugs for millions of victims of disasters, such as typhoon Haiyan in the Philippines, the earthquake in Haiti, Ebola victims in West Africa and devastating hurricanes in the Caribbean.

In 2015 Meda's products reached people in need in 38 countries.

Direct Relief

Meda regularly donates pharmaceutical products to Direct Relief. Since 1948 Direct Relief has been helping to improve the quality of life of people in extremely difficult situations. The organization provides high-demand medicines,

OTC drugs, medical supplies and equipment, personal care products and nutritional supplements. In addition, the organization makes targeted capital donations and provides health worker education. In 2015 Meda's products reached 14 countries via Direct Relief.

Project HOPE

In 2015 Meda also donated pharmaceutical products to Project HOPE (Health Opportunities for People Everywhere). Project HOPE, was founded in 1958 and is dedicated to providing long-lasting solutions to health problems and improving the quality of life of the world's most vulnerable people, especially women and children. Project HOPE works in about 120 countries to build the skills of health care providers, strengthen management capacity, and support sustainable systems to improve access to quality health services.

In addition to the above-mentioned initiatives, several local initiatives have been implemented. For more information on local initiatives and other important donations supporting Meda's local operations, please visit meda.se and Meda's country websites.



GRI content table

About Meda's sustainability report 2015

Meda reports its sustainability performance annually. The sustainability report refers to the fiscal year 2015. The most previous report was issued in April 2015. Meda applies GRI's guidelines for sustainability reporting, version 4. The information provided in the report meets the GRI

requirements for reporting option Core. The information in this report has been reviewed by a third party (PwC) that confirms this statement. Meda's sustainability report covers the entire company unless indicated otherwise. The report provides a complete picture of Meda's social, economic and environmental impact and results.

Below is Meda's GRI content table. The table includes the mandatory profile information and at least one performance indicator per material aspect. All information referred to in the GRI content table is covered by the third party assurance.

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G4-DMA	50–51, 67	
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G4-LA6: Injuries and occupational diseases	51	Not reported absenteeism as regulatory differences across the markets makes it difficult to get a relevant number.

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G4-DMA	50, 67	
G4-LA11: Performance review	Not reported	Not reported % employees that received performance review. All employees shall have an annual performance review but companywide follow system is not yet in place. Meda is looking into to possible follow up systems. It will allow disclosure of % in future reporting.

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G4-DMA	50–51, 56–57, 67	
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SPECIFIC STANDARD DISCLOSURES

DMA and indicators

	Page	Omissions incl. reason and explanation
SOCIETY		
Anti-corruption		
G4-DMA	56–57, 67	
G4-SO3: Corruption risk assessment and risks	56–57	A company wide risk mapping was initiated in 2015 and continued in 2016. Future report will present results and related measures.
G4-SO4: Anti-corruption training	56–57	Meda doesn't report on % of governance bodies and employees trained, nor % business partners covered by communication. Communication on Meda's anti-corruption policy and related policies was company wide. Dedicated trainings in business ethics were initiated in 2015 for selected employee groups, about 70 employees. More comprehensive efforts continued in 2016. More detailed reporting will be possible in the future.
G4-SO5: Incidents of corruption	56	
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G4-PR2: Non-compliance concerning the health and safety impacts of products and services	56	
Product and service labeling		
G4-DMA	55–57, 67	
		Information request is not fully in line with industry standards; Regulation governs information to be provided in association with pharmaceutical products. In the context of health and safety, the regulated information is the most significant information that Meda shall provide. The industry is looking into what additional information (i.e. environmental) that can be relevant and possible to provide for certain products.
G4-PR3: Product and service information required	55	
G4-PR4: Non-compliance concerning product and service information and labeling	56	
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G4-DMA	56–57, 67	
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Independent Auditor's Limited Assurance Report on the Sustainability Report

To Meda AB (publ)

Introduction

We have been engaged by the Group Executive Management of Meda AB (publ) to undertake a limited assurance engagement of Meda's Sustainability Report for the year 2015.

Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and Group Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 41 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable

assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the criteria defined by the Board of Directors and the Group Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Executive Management.

Stockholm, 22nd March 2016
PricewaterhouseCoopers AB

Mikael Eriksson
Authorised Public Accountant

Fredrik Ljungdahl
Expert Member of FAR

Management report

Financial reports

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Operations

The board of directors and CEO for Meda AB, corporate ID 556427-2812, hereby submit the following annual report and consolidated financial statements for the 2015 financial year.

Operations

Meda is a leading international specialty pharma company with a broad product portfolio and its own sales organizations in over 60 countries. Including those markets where sales are managed by distributors, Meda's products are sold in more than 150 different countries.

Business concept

Based on a broad product portfolio and a strong cash flow, Meda's business concept is to identify, secure access to, integrate and commercialize pharmaceutical products in the key therapy areas, and products for self-treatment and preventive healthcare (Cx/OTC).

Sales and marketing

The company's main focus is sales and marketing. One of Meda's assets is the ability to commercialize products through its global organization. Key activities are primarily sales and marketing, development of existing products, manufacturing and supply.

Growth

Meda's growth strategy involves a combination of organic growth and acquisitions, although acquisitions have been the main driver of Meda's expansion to date. Meda has been built on several transformational acquisitions. The addition of new products will also remain key to Meda's growth over time. Acquisitions have driven growth in two ways. Firstly by adding acquired revenue. Secondly by creating new organic growth opportunities which are realized through market and patient adapted product development and expanded geographical footprint. The successful integration of Rottapharm during 2015 opened possibilities for further organic growth based on an expanded position (Pain and Inflammation) and sustained potential (Respiratory and Dermatology) in key therapy areas, clinically proven Cx- and OTC products together with the increased presence in Emerging Markets.

Therapy areas

Meda's product portfolio is well diversified and spans several therapeutic areas and product areas. In 2015, prescription drugs (Rx) accounted for 62% of net sales, while non-prescription drugs accounted for 36%, consisting of both Cx and OTC products. Even though Meda is involved in several therapy areas, it has three key areas: Respiratory, Dermatology, and Pain and Inflammation.

Prescription drugs

Meda's products are meeting a growing need among patients and healthcare providers. The need is driven by different factors, such as the growing incidence of respiratory illnesses in the form of allergies and asthma, particularly in Western Europe and North America, but also in growth markets. The dermatology area includes diseases such as skin cancer, acne and dermatitis, all of which are common conditions where incidence is growing. This is partly due to environmental factors such as sun exposure. The Pain and Inflammation therapy area is experiencing growth in several different indications with rising

costs for the society as a result. In more mature markets, particularly in North America and Europe, Respiratory is the third largest therapy area in the pharmaceutical market and Dermatology is the tenth largest. In growth markets, Dermatology is the seventh largest and Respiratory the tenth largest therapy area. Pain and Inflammation is an area affecting more and more people, reflecting the increase in life expectancy. The most common indications are back pain, neck pain and knee osteoarthritis.

Non-prescription drugs

The non-prescription product category consists of Cx and OTC products, which are categorized based on how they are marketed.

Cx includes clinically effective and scientifically proven non-prescription drugs. Cx is an attractive area which combines the best of Rx and OTC, such as non-reimbursement, free pricing, good margins and limited generic competition.

In recent years, Meda has built an extensive portfolio of OTC products, and now offers an increasing range of OTC products in its markets. OTC products are key complements to prescribed drugs because they are easily accessible, save patients' time and reduce cost pressures on the healthcare system.

Sales

Net sales for 2015 amounted to SEK 19,648 million (15,352), which corresponds to an increase of 28%. At constant exchange rates, sales increased by 21%. The Rottapharm acquisition contributed sales of SEK 4,937 million. Pro forma organic growth amounted to -1%. Strong sales in Emerging Markets and in the US region were more than offset by lower sales in Western Europe, mainly attributable to Italy. Excluding Italy, pro forma organic growth was 2%. For the top 20 products pro forma organic growth was 4%.

Sales by geographic area (SEK million)

	2015	2014	Index	Index ¹⁾	Index ²⁾
Western Europe	12,213	10,205	120	116	95
US	3,354	2,542	132	110	111
Emerging Markets	3,660	2,370	154	148	107
Other Sales	421	235	179	175	98
Total sales	19,648	15,352	128	121	99

¹⁾ Constant exchange rates ²⁾ Pro forma organic growth

Sales for **Western Europe** were SEK 12,213 million (10,205), representing a 20% increase and a 16% increase at constant exchange rates. Sales of products from Rottapharm amounted to SEK 3,013 million. Sales were negatively impacted above all by poor sales development in Italy, as well as in France, due to generic competition for Tambocor. Sales development was positive in the Nordic markets, Germany, Austria and Portugal.

US sales amounted to SEK 3,354 million (2,542), corresponding to an increase of 32% and 10% at constant exchange rates. Sales were held back by the impact of generic competition on Astepro and sales of launch quantities in Q1 2014 for Aerospan. These negative effects were more than compensated for by higher sales of Felbatol in particular, as well as Astelin and some other products. Dymista sales of SEK 706 million were 3% higher than last year in local currency.

Sales in **Emerging Markets** amounted to SEK 3,660 million (2,370), representing a 54% increase. At constant exchange rates, the increase was 48% and pro forma organic growth was 7%. Sales of products from Rottapharm amounted to SEK 1,612 million. Sales were especially strong in Greater China, the Middle East, and Malaysia. Sales in the CIS region were hampered by the economic situation while Australia and Turkey also showed lower sales.

Other Sales amounted to SEK 421 million (235).

Sales by product category (SEK million)

	2015	2014	Index	Index ¹⁾	Index ²⁾
Rx	12,160	10,536	115	108	100
Cx/OTC	7,067	4,581	154	147	97
Other Sales	421	235	179	175	98
Total sales	19,648	15,352	128	121	99

¹⁾ Constant exchange rates ²⁾ Pro forma organic growth

Sales of prescription drugs (**Rx**) amounted to SEK 12,160 million (10,536), representing an 8% increase at constant exchange rates. Pro forma organic growth was flat. The impact on sales growth from generic competitors to Astepro in the US and Tambocor in France was -2%. Several products in Meda's prioritized therapeutic areas showed good growth, including Dymista at +19% and Elidel at +40%.

Cx/OTC sales amounted to SEK 7,067 million (4,581), representing a 47% increase at constant exchange rates. The Rottapharm acquisition contributed sales of SEK 3,474 million. Pro forma organic growth amounted to -3%, mainly due to negative sales development in Italy. Pro forma organic growth, excluding Italy, was +4%. Dona grew by 12% and Armolipid by 15%. Betadine sales were slightly below last year, while CB12 sales declined by 17%.

Other Sales amounted to SEK 421 million (235).

Profit

Operating profit

Operating profit was SEK 2,719 million (1,487) and EBITDA was SEK 6,003 million (3,990), yielding a 30.6% margin (26.0). Excluding non-recurring items, operating profit amounted to SEK 3,198 million (2,197) and EBITDA to SEK 6,482 million (4,700). This corresponds to a growth rate of 38%, or 30% at constant exchange rates, and to an EBITDA margin of 33.0% (30.6).

Operating expenses amounted to SEK 9,426 million (7,824) and included restructuring costs of SEK 299 million and a provision of SEK 210 million related to the ongoing US product liability cases involving the product Reglan. Accordingly, operating expenses excluding non-recurring items were SEK 8,917 million (7,102).

Selling expenses, including restructuring costs of SEK 227 million, were SEK 4,359 million (3,718). Selling expenses excluding non-recurring costs increased by 15% compared with the previous year at constant exchange rates.

Medicine and business development expenses, including restructuring costs of SEK 25 million and the provision of SEK 210 million mentioned above, were SEK 4,086 million (3,223).

Administrative expenses, including restructuring costs of SEK 47 million, totaled SEK 981 million (883).

Net financial items, tax and earnings per share

Net financial items amounted to SEK -1,415 million (-905) and include non-recurring expenses of SEK 219 million related to the redemption of the bond loan in late April 2015 which was absorbed in conjunction with the acquisition of Rottapharm. Excluding non-recurring expenses, net financial items totaled SEK -1,196 million (-665).

Profit/loss after net financial items totaled SEK 1,304 million (582). Reported tax amounted to SEK -112 million (-180). Tax was SEK 359 million lower as a result of non-recurring items and the utilization of a non-capitalized loss carry-forward in the German operations. Excluding non-recurring

items, the tax expense was SEK 471 million (351), equivalent to a tax rate of 23.5% (22.9).

Net profit totaled SEK 1,192 million (402).

Earnings per share reached SEK 3.22 (1.23). Excluding non-recurring items, earnings per share totaled SEK 4.14 (3.64). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 3,717 million (3,254).

Working capital had an impact of SEK -393 million (-212) on cash flow. Cash flow from inventories totaled SEK -198 million, mainly relating to bridging stocks of raw material for Elidel, following to the transfer to in-house manufacturing and lower sales in Q4 compared with Q4 2014. Receivables had a negative effect of SEK 96 million on cash flow. Liabilities had a negative effect of SEK 99 million on cash flow due to fluctuations in payments of trade payables offset by a reduction of accrued expenses in the US market and the payment of acquisition-related transaction costs. Accordingly, cash flow from operating activities amounted to SEK 3,324 million (3,042).

Free cash flow was SEK 3,095 million (2,901). Restructuring costs of SEK 632 million, acquisition-related transaction costs of SEK 113 million, costs related to the early redemption of the bond loan in Rottapharm of SEK 289 million, a tax payment of SEK 22 million linked to internal restructuring of subsidiaries and settlement costs of SEK 21 million related to Reglan were paid during the period. Accordingly, free cash flow excluding non-recurring items totaled SEK 4,172 million (3,000), corresponding to a 39% increase.

Cash earnings per share totaled SEK 8.47 (8.97). Excluding non-recurring items, cash earnings per share rose by 23% to SEK 11.41 (9.28). The comparative amounts have been recalculated to take account of the bonus issue element in the 2014 new share issue.

Cash flow from investing activities amounted to SEK 262 million (-8,906) and includes a cash effect of SEK 701 million related to the divestment of the Euromed manufacturing unit in Spain.

Cash flow from financing activities amounted to SEK -4,272 million (7,914). The dividend of SEK 914 million was paid in the second quarter.

Financing

On December 31, equity stood at SEK 20,956 million compared with SEK 20,680 million at the start of the year, which corresponds to SEK 57.3 (56.6) per share. The equity/assets ratio was 34.4% compared with 31.8% at the start of the year.

Net debt totaled SEK 25,505 million on December 31, compared with SEK 28,244 million at the start of the year. At December 31, 2015, the average cost of the debt portfolio, including pension liabilities, was 3.1%.

Proposed allocation of profit

The following profits are at the disposal of the 2016 annual general meeting:

Parent company, SEK

The following profits are at the disposal of the AGM:

Share premium reserve	10,616,236,965
Fair value reserve	-384,106,030
Retained earnings	1,936,874,627
Profit for the year	454,469,429
Total profit available for allocation	12,623,474,991
The board proposes the following allocation of available profits:	
Dividend to the shareholders (SEK 2.50 per share)	913,668,428
Carried forward	11,709,806,563
Total	12,623,474,991

One of Meda's most important business goals is to generate long-term value growth for the shareholders. This value growth may be in the form of a higher share price and dividend payments. In preparing its dividend proposal Meda's board evaluates a number of factors including:

- Sustained profit trends
- Expansion opportunities and access to capital
- Operating risk
- Effect of dividends on cash and cash equivalents
- Equity/assets ratio targets

After an overall assessment of these factors, the board proposes a dividend for 2015 of SEK 2.50 (2.50) per share, making a total dividend of SEK 914 million (914). Based on equity as of December 31, 2015, this dividend represents a reduction in the Group's equity/assets ratio from 34.4% to 32.9%.

Based on the board's proposed allocation of profits and the disclosures above, as well as other matters of which the board is aware, and after a comprehensive assessment of the company's and the Group's financial position, the board has determined that the proposed dividend is justified taking into account the requirements that the risks, nature and scope of the business place on the size of the company's and the Group's equity, and the company's and the Group's consolidation requirements, liquidity and financial position in general.

Key events during the financial year

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).

Reglan settlement

In conjunction with the purchase of Alaven Pharmaceuticals in 2010, Meda Pharmaceuticals Inc. assumed responsibility for ongoing US product liability cases involving the product Reglan (metoclopramide). Presently, there are slightly less than 3,300 cases in which the company is named as one of multiple defendants, with most of the cases in Philadelphia, San Francisco and New Brunswick. In general, the cases involve plaintiffs that took Reglan for long periods of time to control gastric stasis and gastroesophageal reflux and developed the side effect tardive dyskinesia, which is characterized by repetitive, involuntary muscle movements, generally of the face and extremities. Even though the Reglan labeling since 1986 has warned against the side effect if the product was taken for more than 12 weeks, the plaintiffs allege that the warning was not prominent enough. While Meda believes it has meritorious defenses to these claims, in order to avoid the expense and distraction of litigation, Meda has entered into a confidential settlement agreement which establishes a framework to resolve all of the claims. Meda has recognized a provision of USD 25 million in the third quarter 2015 whereof USD 2.5 million was paid in the fourth quarter. The settlement is subject to sufficient participation by the plaintiffs as determined in Meda's sole discretion.

Divestment of Euromed manufacturing unit

On December 1, Meda signed an agreement with The Riverside Company to divest Euromed S.A., a business-to-business manufacturer of herbal extracts and natural active substances located in Spain. The transaction was closed December 29 and total consideration was EUR 82 million in upfront cash for the shares of Euromed. The unit generates sales of around EUR 40 million and an EBITDA margin of around 20% on an annual basis.

Significant agreements

Meda is party to the following agreements whose terms will change in an event of change of control:

- Bank facilities of SEK 25,000 million with nine Swedish and foreign banks which matures 2018-2020
- Bilateral loan of SEK 2,000 million which matures in October 2017
- Bond loans of SEK 1,750 million which matures 2016, 2018 and 2019
- Agreement with Fidim S.r.l. regarding unconditional deferred payment of EUR 275 million which matures in January 2017.

Group operations in drug development

The value-generating work performed in Meda's development department is focused on tailored clinical development programs and the compilation of scientific arguments defending, exploring and highlighting product features. As a specialty pharma company, Meda refrains from high-risk, capital-intensive early research. Instead the company's resources are concentrated on development 'close to market' in the late clinical or registration phases. The focus is often on well-known active ingredients and improving the characteristics of existing products, for example through:

- New improved formulations, such as a pen in addition to the cotton swab for the medical device product EndWarts, which contains formic acid for the treatment of warts.
- Development of combination products, such as Dymista (azelastine and fluticasone propionate) for allergic rhinitis.
- Internationalization and regulatory approval of approved drugs, such as Novolizer, Acnatac, Zyclara and Dymista, in new countries/regions.

In 2015 Meda invested SEK 207 million (235) in drug maintenance and development, excluding costs for registration, side effect management and quality assurance.

Responsible business practice

Meda's value chain comprises of four basic stages: product portfolio and market development, manufacturing and distribution, sales and marketing, and customers and end-users. Each of these stages comprises multiple highly relevant aspects from a responsible business practice perspective. They are addressed within Meda's sustainability focus areas; Sustainability governance, Operational and Environmental Efficiency, Responsible integration of New Business and Sustainable Supply chain.

Sustainability objectives are defined and monitored regularly. Overall governance takes place at Group level with direct feedback to the CEO, while local units are responsible for organization and implementation. Meda's sustainability focus and performance in 2015 are presented in detail in Meda's Sustainability Report on pages 41–63. Meda applies the G4 Reporting guidelines, level core. The Sustainability report is subject to third party assurance.

UN Global Compact

Meda has been a signatory of the UN Global Compact (UNGC) since 2012 and is committed to its ten principles on human rights, labor rights, the environment and anti-corruption. Meda supports all internationally recognized principles on human rights and the ILO Core Conventions, and works to reduce the environmental impact from its operations and to fight corruption. The company aims to continually develop and refine its efforts in these areas. The UNGC's ten principles are being incorporated into Meda's governance and business conduct.

Environment

Meda's environmental impact primarily derives from:

- Energy consumption, emissions and waste from production.
- Energy consumption at offices and other premises.
- Emissions from goods transportation and travel.

Operational and environmental efficiency is one of Meda's focus areas. The aim is to reduce Meda's environmental impact and the company works to

continuously improve its performance. The company's environmental management system has been ISO 14001 certified since 2009 and the certificate was renewed in 2015. Priority areas include energy consumption, material consumption, hazardous waste and water management.

Manufacturing and environmental permits

Meda's efforts to reduce its environmental impact primarily concern the company's manufacturing units in Germany, France, Ireland, Italy and the US, which formulate and package pharmaceuticals and other products. All units have the relevant environmental permits required by local law and EU regulations. All units are monitored and no deviations were noted in 2015. Meda's ISO 14001:2004 group certificate was renewed in 2015, which involved subjecting all units to a comprehensive external audit on management, objectives and performance. During the year, Meda also began the process of including the former Rottapharm units into the company ISO 14001 certificate.

Meda's manufacturing units have local objectives for energy, carbon emissions, waste, and in some instances wastewater. These objectives are closely monitored and regularly revised. Performance is reported to Group on a quarterly basis, within the framework of the environmental management system (EMS). All relevant units perform internal audits at least once per year and annual third party environmental audits are conducted for all relevant units. All the relevant units have taken appropriate action to comply with the EU Energy Efficiency Directive. The unit in Cologne was certified according to ISO 50001 in 2015.

As Meda's manufacturing units are only engaged in formulating and packaging pharmaceuticals, the amount of waste generated is relatively small and solvent emissions to air are negligible. Waste mainly consists of process water, primarily from equipment cleaning. The volume of hazardous waste generated is low and only small amounts of pharmaceutical residue are generated. All waste is handled in accordance with the relevant laws and established routines. In addition, all treatment plant facilities have environmental permits to release process wastewater together with regular wastewater, and discharges are well within the compliance of their permits. No spills occurred in 2015.

Pharmaceutical residue in the environment is an essential industry issue. The risk of environmental impact from pharmaceutical residue from individual Meda products depends on the specific substances, their inherent properties, and the quantities in which they are manufactured and used. In addition, the risk depends on the manufacturing stage and the processes employed. The company's EMS enforces proper procedures to monitor and manage pharmaceutical residue in the environment from Meda's own manufacturing. Meda's units comply with the relevant regulatory requirements concerning the documentation of pharmaceutical residue in aquatic environments that arise from pharmaceutical use.

Energy and carbon disclosure

Reducing energy consumption and greenhouse gas emissions is Meda's top environmental priority. Meda's key KPI is CO₂ emission per employee. In 2015, Meda's CO₂ emission per employee was 8.6 ton (9.1). Meda reports its efforts and CO₂ emissions to Carbon Disclosure Project. The participation supports the company's continuing environmental and climate efforts and also provides feedback on performance, transparency and measure implemented.

Restoration obligations

In the 1980s, long before Meda acquired its production facility in Cologne, groundwater contaminants of polycyclic aromatic hydrocarbons (PAH) and heterocyclic compounds (HET) were discovered. An action plan was produced at that time in cooperation with the relevant authorities. The plan involved removing contaminated soil, and in 1997 a pump and remediation system was taken into operation. It was stopped in agreement with regulatory authority in 2004 and substituted by the concept of Monitored Natural Attenuation (MNA). The pump and remediation system was kept as back up until 2012. The groundwater is monitored twice a year and the monitoring

will continue until the end of 2017, at least. The levels of PAH and HET are under control and the ongoing microbial degradation of the contaminants is successful.

Employees

The number of employees as of December 31, 2015, was 4,617 (5,202) and includes 461 (527) contractors. Information on the average number of employees and staff costs can be found in the Group's Notes 7 and 8. The majority of the employees, 2,690 (2,996), work in sales and marketing.

Professional development, equality and diversity

The skills and good judgment of Meda's employees determine the road of the company. Meda strives to be an attractive and supportive workplace, with a work environment characterized by stimulating assignments and individual mandate and accountability. Professional development is based on employees' individual needs. There is a structured professional development process, with particular focus on product training.

Of Meda's employees, 54% (56) are women. 37% (39) of the management positions is held by women. Meda strives to increase the percentage of female managers through clearly defined skills requirements for each position, and by following up on the development.

Meda's Business Conduct Guidelines state that all employees and applicants are to be treated equally. Discrimination based on, for example, gender, gender identity or gender expression, ethnicity, religion or other belief systems, disability, sexual orientation or age is strictly prohibited within Meda. No cases of discrimination were reported in 2015.

Sick leave

In 2015, sick leave was 2.6% (3.1) and absence 60 days or more was 0.6% (1.0). The rate is higher among women. Health monitoring and measures are managed at the local level.

Guidelines for remuneration to senior executives

The board proposes that the AGM 2016 approves the following remuneration guidelines for senior executives. The guidelines reflects Meda's need to be able to recruit and motivate qualified employees via compensation that is competitive in various countries. The Group's executive management team consists of the chief executive officer (CEO) and such senior executives representing management functions reporting directly to the CEO.

The guidelines for remuneration and other employment terms for the company's Group executives are based on existing agreements and mean:

- (i) that Meda shall strive to offer its executives market-based remuneration/compensation,
- (ii) that the criteria shall be based on the significance of responsibilities, competence requirements, experience and performance, and
- (iii) that the remuneration will consist of:
 - fixed base salary
 - short-term variable pay
 - long-term variable pay
 - pension benefits and
 - other benefits and severance terms and conditions.

Distribution between base salary and variable pay shall be proportionate to the executive's responsibility and authority levels.

Short-term variable pay is entirely performance-based, partly on group profit and partly on individual qualitative parameters. The variable pay, in the case of the CEO, must not exceed 80 percent of the fixed base salary and, in the case of other senior executives, must not exceed 50 percent of the fixed base salary.

Long-term variable pay may include one or several share-related incentive programs.

Pension benefits shall reflect customary market terms. Pension basing salary consists of base salary and variable salary. Other benefits will be mainly a company car. Further benefits may be customary benefits in con-

nection with an executive moving for work abroad. Such benefits may include temporary accommodation, tuition fees, moving costs, tax filing assistance and similar benefits.

Base salary during the period of notice for termination and severance pay shall together not exceed an amount equivalent to two years' fixed and variable remuneration. Upon closing of a change of control of Meda, the terms of the CEO will be modified, see the Group's Note 8 for further details.

The remuneration committee shall prepare matters concerning remuneration to Group executives for resolution by the board. If there are justifiable reasons, the board may deviate from the above remuneration principles for executives.

For information on current remuneration packages for senior executives and the guidelines adopted at the 2015 AGM, see the Group's Note 8.

Deviations from previously adopted remuneration principles for the Group management

Meda has, in 2015, deviated from the guidelines approved by the AGM 2015 regarding variable remuneration to the CEO and senior executives, see the Group's Note 8 for further information. The board has decided to deviate from the guidelines due to the exceptional work performed in conjunction with the integration of Rottapharm during the year.

In 2015 Meda deviated from the guidelines approved by the AGM 2015 regarding addendum to the CEO and senior executives employment agreement concerning remuneration in the event of a change of control and remuneration at termination. The board's opinion is that the deviations promotes the opportunity to keep the CEO and senior executives within the Company.

Events after the reporting date

Mylan N.V., a company incorporated in the Netherlands, and whose ordinary shares are traded on the NASDAQ Global Select Market and the Tel Aviv Stock Exchange, announced on February 10, 2016 a recommended public offer to the shareholders of Meda AB to transfer all of their shares in Meda AB to Mylan N.V. for a consideration consisting of a combination of cash and shares of common stock in Mylan N.V. Please refer to Mylan N.V.'s separate offer announcement for more information about the offer, and to a separate press release issued by Meda AB regarding the Board's recommendation of the offer.

Parent company

The parent company's net sales reached SEK 6,422 million (6,011), of which intra-Group sales represented SEK 4,390 million (4,052). Operating profit totaled SEK 950 million (809) and net financial items amounted to SEK 214 million (261).

Investments in intellectual property rights for the period were SEK 17 million (6), and investments in property, plant, and equipment totaled SEK 46 million (0).

Financial assets on December 31, 2015, totaled SEK 40,224 million, compared to SEK 38,425 million at the end of the previous year. Cash and cash equivalents amounted to SEK 968 million (611).

Future outlook

In 2016, Meda will continue its journey. Focus will be on further exploiting growth products, Emerging Markets franchises and other opportunities to counter challenges faced by the base business.

Risks

Meda's operations may be affected by many different events. Below is a description of the main risks that are considered of material importance for Meda because they could have a significant impact on the company's financial position, results and/or reputation. The risks are not listed in any particular order of priority. Other risks that are unknown to Meda or that are not considered material at this time could have a similar impact on the company.

Commercial risks and operational risks

Emerging Markets

Meda's focus on continuing to develop business in Emerging Markets is an important factor for future growth. It is associated with various challenges, such as:

- Greater fluctuation in economic conditions
- Competition from companies that are already established in the market
- The ability to correctly identify and utilize relevant sales and marketing opportunities
- Potentially weaker protection for intellectual property rights than is the case in mature markets
- Inadequate protection against crimes such as imitation, corruption and fraud
- Unintentional violation of local and international laws
- Inability to recruit personnel with the appropriate skills and experience
- Actions of national governments or registration authorities that limit access to the market and/or the introduction of price controls resulting in negative consequences.

Product launches

Launching new drugs takes time and involves considerable investment in, for example, marketing and stocking of products before launch, and other types of costs. The success of new products is particularly important for Meda because it is meant to compensate for the loss of sales of products with expired patents and products with declining sales as a result of factors such as competition from generic products. There is a risk that new product launches will not succeed for a variety of reasons. Examples could be an inability to demonstrate a differentiated profile for the product compared with existing treatments, the effect of price controls introduced by governments and healthcare authorities, and the undermining of intellectual property rights.

Success when establishing existing products in new markets is of particular importance for Meda because they help to drive growth. There is a risk that the launch of existing products in new markets will not succeed for various reasons. An example of this might be an inability to correctly identify and utilize relevant sales and marketing opportunities for the product, an inability to create a differentiated profile for the product and the undermining of intellectual property rights.

Competitors and pricing

The pharmaceutical industry is highly competitive and price pressure has been and can be expected to remain significant within Meda's business areas. This is the case in particular when patents expire. There is therefore a risk that Meda will not be able to maintain its current margins on products. There is also a risk that the company's product candidates or products developed by its partners will not be preferred over existing or newly developed products. Products in development by other pharmaceutical compa-

nies may increase competition and lower sales of Meda's products. Some of Meda's products are purchased by or entitle the end customer to remuneration from paying third parties, such as private insurance companies and the public sector. Changes among such bodies in terms of their scope, efforts, guidelines and ability to influence pricing of and demand for pharmaceuticals may result in negative commercial and financial effects for Meda.

Economic trends

The pharmaceutical industry is affected to some extent by the general economic trends and Meda does not consider itself any different from other companies in the industry. An economic downturn could result in reduced demand, primarily for OTC drugs, which could have a negative impact on the company's operations, earnings and financial position. This risk is limited partly by the fact that Meda operates in many markets, and partly because the majority of the company's products are vital for the end user, irrespective of the prevailing economic climate.

Seasonal variations

Some of Meda's sales are dependent on external seasonal variations that the company cannot influence. For example, a short pollen season or a season with low pollen counts may lead to reduced sales of the company's products in the key asthma/allergy therapy area, resulting in a negative effect on the company's sales. However, this risk is limited by the fact that Meda operates in many geographic markets and has numerous products in its prioritized therapy areas. Thus only a small portion of Meda's overall sales rely on individual factors such as pollen seasons and similar external factors, and the correlation between these factors has historically been low.

Parallel imports

It cannot be ruled out that the difference in the price of pharmaceuticals in markets where Meda operates will lead to an increase in parallel imports, with Meda's products being purchased more cheaply in certain markets and then competing with Meda's sales in other markets. Parallel trade may increase and this could result in negative commercial and financial effects for Meda.

Risk for production disruptions

Around 40 percent of Meda's production takes place internally and around 60 percent is handled by external contract manufacturing suppliers. Production consists of a chain of processes, and stoppages or disruptions at any stage could impact the company's ability to manufacture sufficient products to meet the demand. Such stoppages could therefore have a negative impact on Meda's operations, financial position and earnings. Production is planned to minimize the risk of production stoppages and so that individual stoppages will not determine Meda's ability to fulfill its commitments to customers. Also, Meda has production disruption insurance to protect the company in certain cases against immediate economic losses in connection with production disruptions or stoppages.

Ability to recruit and retain key employees

Meda is highly dependent on a number of key individuals. The possible loss of one or more such individuals could have negative financial and commercial implications for Meda. The ability to recruit and retain qualified employees is of utmost importance in order to secure the appropriate level of expertise within the company. Meda is confident in the company's ability

to attract and retain qualified employees. There is, however, stiff competition for experienced employees among pharmaceutical companies and there is a risk of losing qualified employees.

Partnership agreements

Meda collaborates actively with other pharmaceutical companies in marketing and development. There is no guarantee that the companies with which Meda will enter into or has already entered into partnership and/or license agreements will meet their obligations under such agreements. Their failure to do so could have a negative impact on the company's sales and earnings. Nor is there any guarantee that Meda will be able to enter into partnership and/or license agreements on terms that are acceptable to Meda in the future.

Uncertainty with respect to future clinical trials

Prior to the sale of new products, the company or its partners must demonstrate the potential product's safety and efficacy for humans in each specified indication. There is no guarantee that the clinical trials will be able to demonstrate sufficient safety and efficacy to receive the requisite approval from authorities, or that they will lead to products that can be sold on the market.

Acquisition-related risk

Opportunities for acquisitions and financing

An important aspect of Meda's growth strategy is based on acquisitions. The company's business model is contingent upon acquisitions because Meda's focus is on sales and marketing of drugs and not on developing new drugs. Acquisitions constitute an important source of new products and support for Meda's strategic focus. The aim is for acquisitions to strengthen the companies prioritized areas, broaden the geographical scope and generate strong cash flows. Meda has many years of experience of creating value and has built up core expertise in identifying, executing and integrating acquisitions. There is, however, no guarantee that Meda will be able to continue to find suitable acquisition prospects and/or secure the necessary financing for future acquisitions on acceptable terms. Any shortage of acquisition prospects and/or failure to secure acceptable financial terms may lead to reduced or declining growth for Meda.

Integration

Acquisitions generally involve integration-related risk. Apart from company-specific risks, the acquired company's relationships with key individuals, customers and suppliers may be negatively affected. There is also a risk of integration processes taking longer or being more costly than estimated. Similarly, the anticipated synergies may only be partially realized or not materialize at all. The integration of acquisitions may involve organizational changes which, in the short term, could delay the implementation of plans and achievement of objectives. Pharmaceutical companies are knowledge companies, and accordingly, integration normally involves risk relating to the ability to retain talent and to create a common culture.

Governance

Through successful acquisitions Meda has accumulated experience in and knowledge about the governance issues that may be associated with strong growth. With continued expansion comes the risk that Meda's exist-

ing control, governance, accounting and information systems may prove to be inadequate for the planned growth, and additional investment may be necessary. Meda's potential inability to govern and control this growth effectively could have negative commercial and financial consequences for the company.

Risks associated with liability, legislation and compliance

Product liability and insurance

The parts of Meda's operations that involve product development, clinical trials, production, marketing and sales of the company's products are associated with product liability risk. Although Meda has comprehensive product liability insurance protection, there is no guarantee that Meda will be able to avoid claims for damages in the event of damages resulting from the use of the company's products. This could negatively affect the company's operations and profitability.

Protection of intellectual property rights

Meda invests significant sums of money in product development and acquires intellectual property developed by other companies on an ongoing basis. In order to guarantee a return on these investments, the company actively asserts these rights and closely monitors the activities of its competitors. If necessary, Meda will defend its intellectual property rights through legal processes. There is always a risk that competitors will, intentionally or unintentionally, infringe on Meda's rights. Should this occur, there is a risk that the company will be unable to fully assert its rights in a court case, which would have a negative impact on the company's operations and profitability.

There is no guarantee that Meda's rights will not constitute an infringement of the rights of a competitor or that Meda's rights will not be contested or disputed by competitors. Nor can it be ruled out that Meda will be drawn into court proceedings by competitors for alleged infringement of the competitor's rights. If this happens there is a risk that the company may be liable to pay significant damages and that this would have a negative impact on the company's ability to operate.

Furthermore, Meda is dependent on know-how and it cannot be ruled out that competitors may develop similar know-how, or that Meda will be unable to protect its know-how effectively.

Actions by public authorities

Like other companies in the pharmaceutical industry, Meda is dependent on and subject to the actions of public authorities. Such actions may include changes in regulations on pricing and discounting of drugs or a change in the conditions for prescribing a certain drug. If Meda's products or operations become subject to further or changed actions or restrictions from regulatory authorities, this could have negative commercial and financial implications for Meda.

Corporate governance standards

Meda operates in compliance with corporate governance laws and rules and has also joined several initiatives for responsible business practices and environmental management. The company has increased its focus on anti-corruption, an area in which the laws have been changed in many countries. To ensure that the company operates in accordance with the standards that apply, the Group's management system includes a business

ethics code, Meda Business Conduct Guidelines, a sustainability policy and other policies and guidelines for the company's operations. Meda has also undertaken to apply the UN's guiding principles for companies and human rights in its operations. Meda is constantly striving to improve and take the necessary steps to follow up and scrutinize internal compliance with policies and guidelines, as well as compliance by the company's suppliers with the code of conduct for suppliers. Meda cannot guarantee that no violations will occur. Any possible violations may have significant negative effects on the company and Meda's brand.

Tax

Meda is subject to taxation in a large number of countries. Moreover, Meda is from time to time subject to tax investigation by tax authorities in different jurisdictions. The company's interpretation of these tax regulations may be incorrect or legislations may be amended, potentially with retroactive effect. By decision from Swedish and foreign tax authorities, Meda's previous or current tax position may change, which may negatively impact Meda's operations, earnings and financial position.

Economic and financial risks

Goodwill and product rights

Meda reports substantial value for goodwill and product rights. Goodwill is the only intangible asset that is reported based on indefinite useful life. Prod-

uct rights are mainly written off on a linear basis and their economic life is indicated in the Group's Note 1. Impairment testing is done on a continuous basis. Significant reduction in value may arise in the future for a variety of reasons, such as unfavorable market conditions that either affect the company specifically, the entire pharmaceutical industry or more generally. This may result in negative effects on the company's results and financial position.

Currency and interest rate risks

A significant portion of Meda's drug purchasing and sales occurs in foreign currencies. Consequently, exchange rate fluctuations will affect the Group's future sales and operating profit. Through its financial policy, the company aims to identify and reduce financial risks, and thereby avoid major short-term fluctuations in earnings and cash flow. Decisions regarding currency hedging are therefore made on an ongoing basis. However, there is no guarantee that Meda's currency hedges (if a decision about such is made) will provide complete protection against exchange rate fluctuations that have a negative impact on Meda's sales and operating profit. Meda's financing consists partly of interest-bearing liabilities, and accordingly, the Group's net earnings are affected by changes in general interest rates. The interest rate risk is addressed by spreading Meda's borrowing across different rate maturities. Information on other financial risks can be found in the Group's Note 2.

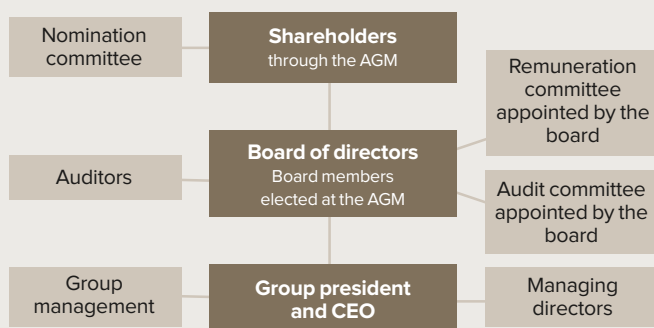
Corporate governance report

Corporate governance

Meda is a Swedish public limited company listed on Nasdaq Stockholm. Meda applies the Swedish Corporate Governance Code and hereby submits the corporate governance report for 2015. Meda deviates from the code, point 9.8, remuneration at termination. For remuneration to the CEO and Executive Vice Presidents (EVPs), see Group's Note 8. The board's opinion is that the deviation promotes the opportunity to recruit and keep qualified key persons and strengthen Meda's attractiveness as an employer from an international perspective.

The current version of the Corporate Governance Code is available on the Swedish Corporate Governance Board's website, www.bolagsstyrning.se.

Corporate governance structure



Shareholders

Meda's share has been listed on the Stockholm Stock Exchange since 1995 and on Nasdaq Stockholm since 2006. The largest shareholder is Stena Sessan Rederi AB with 75,652,948 shares, equivalent to 20.7% of the capital and votes. For additional information of the share and owners, see pages 132–133 and Meda's website www.meda.se.

Shares and votes

The parent company's shares consist of 365,467,371 Class A shares. Each Class A share represents one vote.

Authorizations – approved by the 2015 annual general meeting (AGM)

According to a decision at the 2015 AGM, the parent company is authorized to issue a maximum of 36,546,737 Class A and/or Class B shares for use as payment in connection with acquisitions of other companies, shares in companies, product rights or other assets the board considers of value for the company.

The parent company is also authorized by a decision at the 2015 AGM to, on one or more occasions, decide on the purchase and sale of Class A treasury shares according to the following: Shares may only be purchased at Nasdaq Stockholm at a price that is within the current share price interval. Shares may be purchased so that the company holds no more than 10 percent of the total shares and votes in the company. Treasury shares may be transferred at Nasdaq Stockholm at a price within the current share price interval. The transfer of the full number of treasury shares the company is holding at any given time is permitted. The purpose of this authorization is to be able to adjust the company's capital structure and thereby help increase shareholder value.

The above authorizations are valid until the end of the 2016 AGM.

General meetings

Meda's shareholders exercise their right to vote at annual and extraordinary general meetings (AGMs and EGMs). In accordance with the Swedish Companies Act, resolutions are passed at general meetings by popular majority.

Information from Meda's most recent AGM and EGMs can be found in the corporate governance section of the company's website. There is also information on the shareholders' right to have matters addressed at meetings and the date by which Meda must receive shareholder requests to ensure the matter is included in the notice to attend the meeting.

Annual general meeting

The AGM is held in Solna. The meeting date and venue is announced on Meda's website no later than in connection with the publication of the third quarter interim report. Shareholders who are unable to attend in person may be represented by an authorized proxy. Only shareholders who are listed in the share register are entitled to vote.

At the AGM the shareholders have an opportunity to ask questions about the Group's operations. Meda endeavors to ensure that members of the board and executive management are always present to respond to shareholder questions. The auditor also attends the AGM.

2015 AGM

The AGM took place on Wednesday, May 6, 2015 in Solna. The minutes from the 2015 AGM are available on Meda's website. The meeting was attended by 351 shareholders, either in person or by proxy. Meda's board of directors, management, nominating committee and the company's auditor were present at the AGM. The following main resolutions were passed:

- A dividend of SEK 2.50 per share for 2014
- Martin Svalstedt was re-elected as the Chairman of the Board
- Luca Rovati, Peter Claesson, Peter von Ehrenheim, Lars Westerberg, Guido Oelkers and Karen Sörensen were re-elected as board members
- Kimberly Lein-Mathisen and Lillie Li Valeur were elected as new board members
- Adoption of remuneration for the board and auditor
- Adoption of principles for remuneration for executive management
- Authorization for the board to decide on issuing shares and convertibles
- Authorization for the board to decide on the acquisition and transfer of treasury shares
- Creation of a long-term, performance-based incentive program
- Adoption of principles for appointing the nomination committee.

2016 AGM

Meda's 2016 AGM will take place on Thursday April 14 at the company's offices. Shareholders wishing to have a matter addressed by the AGM must submit a request in writing to the board well in advance of the AGM. More information is available on Meda's website.

Articles of Incorporation

Meda's Articles of Incorporation do not contain any limitations in terms of the number of votes each shareholder may exercise at general meetings or any specific provisions on the appointment and dismissal of board members and on amendments to the Articles of Incorporation.

Nomination committee

The 2015 AGM resolved that the nomination committee will consist of one member appointed by each of the four largest shareholders as well as the chairman of Meda's board. The nomination committee prepares and submits proposals to the AGM for:

- Election of a chairman for the meeting
- Election of the chairman of the board and other board members
- Fees for the board and their distribution between the chairman and other members and any remuneration for committee work
- Election of and fees for auditors and deputy auditors (where applicable)
- Principles for appointing the nomination committee

As announced in a press release on October 13, 2015, the current nomination committee consists of:

NOMINATION COMMITTEE

Bert-Åke Eriksson (nomination committee chairman)	Stena Sessan Rederi AB
Martin Svalstedt (chairman Meda's board)	
Sigieri Diaz Pallavicini	Fidim S.r.l
Evert Carlsson	Swedbank Robur Fonder
Elisabeth Jamal Bergström	Handelsbanken Fonder

Nomination committee's work in preparation for 2016 AGM

The nomination committee has held three meetings and had contact by email and phone. The work has been conducted in a good and friendly spirit of broad consensus. The chairman of the board has provided the nomination committee with information on the work of the board. The chairman of the board has also accounted for the performed board evaluation. The committee has discussed the board's composition, addressing the existing and possible future requirements with respect to new experience and expertise. It is the committee's opinion that the board has executed its tasks in an efficient and professional manner. The nomination committee's suggests no changes to the board's composition. The nomination committee has during the years specifically strived to reach a more equal gender distribution in the board. Meda's board consists of 33 percent women. The committee has concluded that a majority of the proposed board members are independent in relation to the company, its management and the company's major shareholders. For further information about the nomination committee's work, please refer to Meda's website.

Board of directors

The board of directors has ultimate responsibility for Meda's organization and the administration of the company's operations. The board appoints a CEO who is responsible for day-to-day operations based on guidelines and instructions prepared by the board. The CEO informs the board regularly about events of significance for Meda, including information on the company's progress and the Group's earnings, financial position and liquidity.

Composition of the board

According to Meda's Articles of Incorporation, the board is to consist of at least three and no more than ten members, with no more than six deputies. Meda's board consists of nine members including the chairman of the board elected by the AGM. Information about remuneration for board members as resolved at the 2015 AGM is available in the Group's Note 8 in the annual report. The independence status of each board member is indicated in the table on pages 78–79.

The board's rules of procedure and written instructions

Annually, at the statutory board meeting the board adopts the rules of procedure, instructions for the division of responsibilities between the board and CEO and instructions for financial reporting.

Structure of the board's work

As outlined in the board's rules of procedure, four regular meetings and one statutory meeting are held each year. The board may convene additional meetings when circumstances require this.

The regular meetings address established reporting and decision items. The CEO provides ongoing information about the company's progress. The board makes decisions on general matters such as strategic, structural, and organizational issues as well as large investments. The chairman is also actively involved in these issues in between board meetings. The company's auditor attends at least one board meeting.

Work of the board in 2015

In 2015, 11 board meetings were held. The attendance of the board members at the board meetings is indicated in the table on pages 78–79. In addition to the usual reporting and decision items, the board has dealt with the integration of Rottapharm, several acquisition- and divestment projects and questions related to a possible bid on Meda from Mylan N.V.

Board work evaluation

The chairman of the board is responsible for evaluating the boards work. This includes gaining an understanding of the issues that the board thinks warrant greater focus, as well as determining areas where additional competence is needed within the board and whether the board composition is appropriate. The evaluation also serves as guidance for the work of the nomination committee. During 2015 the board has evaluated its work through a so called self-assessment which is based on several parameters. The result from this evaluation is that the board is performing well and that the board is well composed with good competence.

Board committees

The board has appointed an audit committee and a remuneration committee. The committee members are selected from the board members for a one-year term in accordance with the principles stipulated in the Swedish Companies Act and the Swedish Corporate Governance Code.

Audit committee

The audit committee consists of three members, as indicated in the tables that follow. The audit committee has the following main responsibilities:

- Preparations for the board's work on assuring the quality of financial reporting
- Addressing issues concerning internal control of financial reporting and regulatory compliance
- Monitoring and evaluating the work of external auditors
- Monitoring accounting developments in areas that may affect Meda.

The committee held three regular meetings in 2015 with a particular emphasis on interim reports, audit reports, internal control, integration of Rottapharm and valuation of intangible assets. The attendance of the board members is indicated in the tables on pages 78–79.

Remuneration committee

The remuneration committee consists of three members, as indicated by the tables that follow. The remuneration committee has the following main responsibilities:

- Preparing for board decisions on remuneration principles, remuneration amounts and other terms of employment for company management
- Preparing remuneration guideline proposals for senior executives to be proposed by the board at the AGM
- Monitoring and evaluating programs that are ongoing or were concluded during the year regarding variable remuneration for company management
- Monitoring and evaluating the application of the remuneration guidelines for senior executives which are to be resolved on by law by the AGM, and existing remuneration structures and levels within the company.

In 2015, the committee held six regular meetings focusing on remuneration policies within the Group, which included preparations and proposals for the long-term, performance-based incentive program approved by the 2015 AGM. The attendance of the board members is indicated in the tables on pages 78–79.

Executive management team

The Group's executive management team consists of eight Executive Vice Presidents and the CEO. Two persons have been added to the extended executive management team. See table on pages 82–83 for more information on the individuals in the executive management team. The executive management team holds meetings on an ongoing basis at which the main topics discussed are the Group's financial progress, projects in process and other strategic issues. During the year the focus has been on the integration of Rottapharm.

For principles, remuneration and other fees for the Executive Vice Presidents, see Group's Note 8.

Internal audit

Meda has chosen not to establish a separate audit function (internal audit). Internal audit work is carried out according to a specific plan by the Group's central finance function in cooperation with the external auditors. With regard to the outcome of this year's internal audit and development of Meda's internal control in general, the board has determined that, for the time being, a special review function is not justified.

Auditor

Meda's auditor is the certified public accounting firm PricewaterhouseCoopers AB, with authorized public accountant Mikael Eriksson as chief auditor and authorized public accountant Mikael Winkvist as co-auditor. PwC was appointed at the 2015 AGM for the period until the end of the next AGM.

Internal control of financial reporting

The board's internal control responsibility is governed by the Swedish Companies Act and the Swedish Corporate Governance Code. The overall purpose of Meda's internal control is to protect the company's assets and reputation and thus the shareholders' investments.

The board's work with internal control includes internal control of financial reporting and internal control from an operational perspective. Risk management is an integrated part of the board's work with internal control of which objective is to ensure that the company is managed appropriately and efficiently.

The board continuously monitors that the internal governance and control is managed appropriately and efficiently with support of external auditors and internal functions. The audit committee is responsible for monitoring of the financial reporting. External auditors and internal functions performs audits annually of the internal control in several entities of the Group, according to, by management, established plan. This is reported to the audit committee and the board.

Meda is also continuously overviewing and analyzing its governance procedures and internal control to provide the board with a foundation for determining appropriate levels of internal governance and control. The procedure is based on the COSO frameworks 17 principals linked to the five components, control environment, risk assessment, control activities, information and communication, and monitoring.

This oversight results in an annual action plan for the development of internal control. In 2015 this involved:

- Updating and implementing of Medas Business Conduct Guidelines and Whistleblower Policy
- Establishment and start of implementation of Medas Anti-Corruption Policy
- Updating and implementing governing documents such as Meda's Group Accounting and Reporting Manual and Delegation of Authority
- Integration of Rottapharm
- Continued upgrading of the IT environment
- Following up compliance with internal regulations and guidelines

An action plan has been prepared for internal control work in 2016.

Control environment

Meda is organized in such way as to be able to react quickly to market changes. Operational decisions are therefore taken at the company level. Decisions on strategy, focus, acquisitions, and general financial issues are taken by Meda's board and the executive management team. Internal control of financial reporting within Meda is designed to address these conditions.

The company's internal control environment is the basis for internal control of financial reporting. The internal control environment consists of the organizational structure, work procedures and routines, decision paths, authority and responsibility, and attitudes and values specified and communicated in governing documents. Examples of these governing documents are Meda's Business Conduct Guidelines, Delegation of Authority, and Internal Control Standards. Read more in the CSR-report on pages 41–63.

Risk assessment

Risk assessment of financial reporting is based on the income statements and balance sheets to assess aspects such as materiality, complexity and fraud risks. This risk assessment is done at the Group and company levels and results in a risk-level classification for various processes. For a more detailed description of Meda's risks, see The Group's Note 2 on financial risks and the section on risk factors on pages 94–96.

Identified risks are mitigated through a clear division of responsibility and work, and by having internal guidelines for accounting and reporting.

Control activities

Appropriate control activities are developed at the Group and company levels to manage material risks relating to financial reporting identified during risk assessment. These control activities include both general and more specific controls designed to prevent, detect and correct errors and deviations. Meda performs and documents the following controls:

- Manual controls and application controls to ensure that key risks in financial reporting procedures are controlled. Examples of important manual and application controls are verification of journal vouchers, reconciliation, access rights and allocation of responsibilities.
- General IT controls that secure the IT environment for key applications. Examples of important general IT controls are backup routines, access rights and user management.
- Company-wide controls that secure and improve the control environment with Meda. Examples of key company-wide controls are Group-specific guidelines, accounting rules, signatory authority instructions and financial monitoring.

Information and communication

Meda's information and communication channels are intended to help ensure that the company's financial reporting is complete, accurate and timely. This is achieved by making all current guidelines and instructions for internal procedures available to all relevant employees. Regular updates and notifications of amendments to accounting rules/guidelines, reporting requirements and disclosure requirements are provided as needed.

Monitoring

Meda's work with internal controls helps to increase awareness about the importance of sound internal control and guarantee its continual improvement.

Throughout the year, Meda performs ongoing analysis of the control environment, risk assessment and control activities. This analysis forms the basis for the action plan for the following year. The purpose of this process is to identify and monitor areas where internal control could be improved.

The board is provided with monthly financial reports. The content of the reports is increased ahead of interim reporting. The board reviews and approves all interim and annual reports for publication.

Board members



1 Peter Claesson
Board member

2 Kimberly Lein-Mathisen
Board member

3 Guido Oelkers
Board member

4 Luca Rovati
Deputy chairman



5 Lillie Li Valeur
Board member

6 Peter von Ehrenheim
Board member

7 Martin Svalstedt
Board Chairman

8 Karen Sørensen
Board member

9 Lars Westerberg
Board member

	Name	Member since	Education	Shares in Meda	Other board appointments	Current role
1	Martin Svalstedt Chairman (1963)	2014	BSc Business and Economics	40,016	Chairman of the board of Gunnebo AB, Ballingslöv International AB, Envac AB, Stena Renewable AB. Board member of Stena Adactum AB and Stena Sessan Rederi AB.	CEO of Stena Adactum AB and Stena Sessan AB
2	Luca Rovati (1961)	2014	Business Economics	33,016,286 ²⁾	Chairman of the Board of GWM REIL S.p.A. and Fidim Servizi S.r.l. Deputy Chairman of Greentech Energy Systems AS and Armònia Holding S.r.l. Board member of Nuove Partecipazioni S.p.A., RRL Immobiliare S.p.A. and Fenice S.r.l.	See other board appointments
3	Peter Claesson (1965)	2009	BSc Business and Economics	5,500	Board member of Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB, Sveriges Ångfartygs Assurans Förening, Handelsbanken Regionbank Västra Sverige and Wisent Oil PLC.	CFO of Stena AB
4	Peter von Ehrenheim (1955)	2011	MSc Engineering KTH	16,500	Chairman of the board of Biolin Scientific AB, Denator AB and Robustus Wear Components AB. Board member of Biotage AB, Boule Diagnostics AB, VBN components AB and Kontigo Care AB	Entrepreneur in manufacturing industry and life sciences consultant
5	Kimberly Lein-Mathisen¹⁾ (1972)	2015	BSc Engineering, University of Illinois and MBA Harvard Business School	0	Board member of NHST Meda Group.	CEO of Orkla Home & Personal Care.
6	Lillie Li Valeur¹⁾ (1970)	2015	MBA and BSc in Medicine.	0	Board member of AAK AB.	Vice President of Arla Southeast Asia
7	Guido Oelkers (1965)	2014	PhD in Strategic Management and Master in Economics	0	None.	CEO of BSN Group
8	Karen Sørensen (1962)	2013	MSc Engineering and MBA	0	Board member of several Philips companies and Technical University of Denmark – SCION.	CEO of Philips Nordic and head of Philips Healthcare in the Nordics
9	Lars Westerberg (1948)	2012	BSc in business administration and a MSc in electrical engineering	242,000 ³⁾	Board member of Volvo AB, Sandvik AB, SSAB and Stena AB.	See other board appointments

¹⁾ Took up position at 2015 AGM. ²⁾ Checked by associated company – Fidim S.r.l. ³⁾ Including related party. ⁴⁾ Resigned at 2015 AGM.

Independent of Meda/company management	Independent of major shareholders	Professional experience	Board meetings in 2015/ Attendance	Audit committee/ No. of meetings in 2015/ Attendance	Remuneration committee/ No. of meetings in 2015/ Attendance
Yes	No	Various positions at Capio e.g. CFO, VP Finance Stora Merchant and Controller ABB.	11/11	Yes 3/3	Yes, chairman 6/6
Yes	Yes	CEO of Rottapharm/Madaus and Contract Professor of Business Finance at Catholic University – Milan.	10/11	No	Yes ¹⁾ 4/4
Yes	No	Various positions within the Trelleborg Group (1992–2007), most recently Senior Vice President Group Treasury. Götabanken (1989–1992).	11/11	Yes 2/3	No
Yes	Yes	CEO of GE Healthcare Life Sciences and a number of positions within Amersham and Pharmacia Biotech.	11/11	No	Yes ¹⁾ 4/4
Yes	Yes	Global Diabetes Alliance Leader, Eli Lilly, USA 2011-2013, General Manager Eli Lilly Germany 2007-2010, Country Manager, Eli Lilly Norway 2005-2007 and Sales and Marketing Manager, Eli Lilly UK 2001-2004. Manufacturing Manager, Procter & Gamble, USA 1994-1999.	9/9	No	No
Yes	Yes	13 years management experience in Arla Foods amba with various positions: VP for SEA, VP for China, Global marketing director for milk powder, and 4 years pharmaceutical and OTC business experience in Novartis and Lundbeck, and 2 years managerial consulting experience in Bain & Co.	9/9	No	No
Yes	Yes	CEO of Gambro AB. CEO of Invida Holding Pte Ltd. Executive Vice President Commercial Operations and member of the Executive Committee Nycomed Intl. GmbH.	11/11	No	No
Yes	Yes	Vice President responsible for Western Europe at Sanofi-Aventis and previously employed within several global pharmaceutical, biotech and med tech companies.	10/11	No	No
Yes	No	President & CEO and member of the board of Autoliv Inc (1999–2007). President and CEO of Gränges AB (1994–1999). President and CEO of Esab AB (1991–1994).	11/11	Yes, chairman ¹⁾ 2/2	No ⁴⁾ 2/2

Executive management team



1 Rainer Weiß

2 Mårten Österlund

3 Hans-Jürgen Tritschler

4 Ton van't Hullenaar

5 Jörg-Thomas Dierks



6 Paula Treutiger

7 Joachim Maus

8 Magnus Kjellberg

9 Henrik Stenqvist

10 Enzo Lacchini

11 Esfandiar Faghfour

	Name	Title	Education	Previous experience/ professional background	Employed since	Shares in Meda
1	Jörg-Thomas Dierks (1960)	CEO.	Physician	Senior vice president for Commercial Operations and COO of Viatrix and before that, Novo Nordisk and Asta-Medica.	2005	195,000
2	Esfandiar Faghfour (1962)	Executive Vice President, Region East.	Pharmacist	Medical Representative, Product Manager, Head of Business Unit.	2005	3,500
3	Ton van 't Hullenaar (1955)	Executive Vice President, Region West.	Business school	Healthcare Manager 3M Germany, European Manager 3M Pharmaceuticals.	2007	3,850
4	Magnus Kjellberg (1973)	Vice President, Corporate Strategy and M&A.	BSc in Business and Economics	Morgan Stanley.	2011	0
5	Enzo Lacchini (1953)	Executive Vice President, Supply Chain.	Chemistry and Pharmaceutical Technology	More than 30 years production experience.	2014	0
6	Joachim Maus (1967)	Executive Vice President, Scientific Affairs.	Physician	Head of Human Pharmacology and Head of Clinical Research at ASTA Medica/ VIATRIS; Specialist in internal medicine.	2005	3,000

	Name	Title	Education	Previous experience/ professional background	Employed since	Shares in Meda
7	Henrik Stenqvist (1967)	CFO, Executive Vice President, Finance & Procurement.	BSc in Business and Economics	CFO of subsidiaries in AstraZeneca.	2003	192,605
8	Paula Treutiger (1967)	Vice President, Corporate Communications and Sustainability.	BSc in Business and Economics	Alfred Berg and Gambro.	2011	0
9	Hans-Jürgen Tritschler (1962)	Executive Vice President, Global Marketing.	PhD Biochemistry	Medical Affairs, Marketing, Business development, Emerging Markets.	2005	1,000
10	Rainer Weiß (1962)	Executive Vice President, HR & IT.	Master of Business and Administration	Head Human Resources Marketing & Sales, Head Human Resources Commercial Operations.	2005	5,725
11	Mårten Österlund (1957)	Executive Vice President, Business Development/ Legal & IP.	PhD in molecular biology	Has researched at the Pasteur Institute in Paris. Experience from development companies, including an executive position at Karo Bio.	2005	108,000

Consolidated income statement

SEK million	Note	2015	2014
Net sales	4,5	19,648	15,352
Cost of sales	6	-7,525	-6,083
Gross profit		12,123	9,269
Other income		22	42
Selling expenses		-4,359	-3,718
Medicine and business development expenses		-4,086	-3,223
Administrative expenses		-981	-883
Operating profit	4,6–11	2,719	1,487
Finance income	12,13	37	8
Finance costs	12,13	-1,452	-913
Profit after financial items		1,304	582
Tax	14	-112	-180
Net income		1,192	402
Earnings attributable to:			
Parent company shareholders		1,176	399
Non-controlling interests		16	3
		1,192	402
Earnings per share¹⁾	15		
basic, SEK		3.22	1.23
diluted, SEK		3.22	1.23
Average number of shares¹⁾			
basic (thousands)		365,467	323,397
diluted (thousands)		365,467	323,397
Actual number of shares at year-end			
basic (thousands)		365,467	365,467
diluted (thousands)		365,467	365,467
Dividend per share (SEK)		2.50	2.50

¹⁾ For 2014, recalculation has been done to consider the bonus issue element in the rights issue 2014.

Consolidated statement of earnings and other comprehensive income

SEK million	Note	2015	2014
Net income		1,192	402
Items that will not be reclassified to the income statement			
Revaluation of defined benefit pension plans and similar plans, net after tax	25	55	-292
		55	-292
Items that may be reclassified to the income statement			
Translation difference	25	-376	2,118
Translation differences reversed to income statement	25	-3	-11
Net investment hedge, net after tax	25	308	-1,014
Cash flow hedges, net after tax	25	-1	9
Available-for-sale financial assets, net after tax	25	-9	6
		-81	1,108
Other comprehensive income for the period, net after tax		-26	816
Total comprehensive income		1,166	1,218
Earnings attributable to:			
Parent company shareholders		1,176	1,215
Non-controlling interests		16	3
		1,192	1,218

Consolidated balance sheet

SEK million	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS			
Non-current assets			
Tangible assets	16	1,504	1,692
Intangible assets	17	47,478	50,798
Derivatives	23	–	25
Deferred tax assets	18	1,812	1,640
Available-for-sale financial assets	19	23	45
Other non-current receivables	22	262	305
Total non-current assets		51,079	54,505
Current assets			
Inventories	21	2,876	2,988
Trade receivables	22	4,295	4,151
Other receivables		320	480
Tax assets		225	203
Prepayments and accrued income		290	266
Derivatives	23	149	208
Cash and cash equivalents	24	1,612	2,311
Total current assets		9,767	10,607
TOTAL ASSETS		60,846	65,112

SEK million	Note	Dec. 31, 2015	Dec. 31, 2014
EQUITY			
Share capital	25	365	365
Other capital contributions	25	13,788	13,788
Other reserves	25	375	401
Retained earnings including profit for the year		6,431	6,142
		20,959	20,696
Non controlling interests		-3	-16
Total equity		20,956	20,680
LIABILITIES			
Non-current liabilities			
Borrowings	26	22,507	26,817
Derivatives	23	19	22
Deferred tax liabilities	18	4,708	5,278
Pension obligations	27	2,273	2,430
Other non-current liabilities	28	2,474	2,464
Other provisions	29	337	375
Total non-current liabilities		32,318	37,386
Current liabilities			
Trade payables		1,696	1,542
Current tax liabilities		515	483
Other liabilities		240	495
Accruals and deferred income		1,553	1,731
Derivatives	23	205	284
Borrowings	26	2,355	1,391
Other provisions	29	1,008	1,120
Total current liabilities		7,572	7,046
Total liabilities		39,890	44,432
TOTAL EQUITY AND LIABILITIES		60,846	65,112

Consolidated cash flow statement

SEK million	Note	2015	2014
Cash flow from operating activities			
Profit after financial items		1,304	582
Adjustments for items not included in cash flow	31	3,373	2,668
Net change in pensions		-45	-46
Net change in provisions		-112	601
Income taxes paid		-803	-551
Cash flow from operating activities before changes in working capital		3,717	3,254
Cash flow from changes in working capital			
Inventories		-198	182
Receivables		-96	-536
Liabilities		-99	142
Cash flow from operating activities		3,324	3,042
Cash flow from investing activities			
Acquisition of tangible assets		-220	-116
Acquisition of intangible assets		-79	-74
Acquisition of operation	20	-149	-8,744
Divestment of operation	20	695	-25
Acquisition of financial assets available for sale		0	-2
Divestment of financial assets available for sale		12	-
Decrease in financial receivables		3	0
Sale of non-current assets		0	55
Cash flow from investing activities		262	-8,906
Cash flow from financing activities			
Loans raised		2,107	21,433
Loan repayments		-5,464	-14,770
New share issue		-	2,014
Decrease in financial liabilities		-1	-7
Dividend to parent company shareholders		-914	-756
Cash flow from financing activities		-4,272	7,914
Cash flow for the period		-686	2,050
Cash and cash equivalents at start of the year		2,311	178
Exchange-rate difference in cash and cash equivalents		-13	83
Cash and cash equivalents at year-end	24	1,612	2,311
Interest received and paid			
Interest received		29	5
Interest paid		-1,071	-736
Total		-1,042	-731

Consolidated statement of changes in equity

SEK million	Attributable to parent company shareholders				Total	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Other reserves	Retained earnings including profit for the year			
Opening balance, equity, Jan 1, 2014	302	8,865	-415	6,491	15,243	-32	15,211
Other comprehensive income	-	-	816	-	816	0	816
Profit/loss for period	-	-	-	399	399	3	402
Total comprehensive income	-	-	816	399	1,215	3	1,218
Non-cash issue	30	2,946	-	-	2,976	-	2,976
Non-cash issue costs	-	-5	-	-	-5	-	-5
Tax on non-cash issue costs	-	1	-	-	1	-	1
New share issue	33	1,994	-	-	2,027	-	2,027
New share issue costs	-	-17	-	-	-17	-	-17
Tax on new share issue costs	-	4	-	-	4	-	4
Divestment of operation	-	-	-	-	-	31	31
Acquisition of holdings with non-controlling interests	-	-	-	-	-	-18	-18
Share-based payments, settled using equity instruments	-	-	-	8	8	-	8
Dividend	-	-	-	-756	-756	-	-756
Closing balance, equity, Dec 31, 2014	365	13,788	401	6,142	20,696	-16	20,680
Opening balance, equity, Jan 1, 2015	365	13,788	401	6,142	20,696	-16	20,680
Other comprehensive income	-	-	-26	-	-26	0	-26
Profit/loss for period	-	-	-	1,176	1,176	16	1,192
Total comprehensive income	-	-	-26	1,176	1,150	16	1,166
Divestment of operation	-	-	-	-	-	-3	-3
Share-based payments, settled using equity instruments	-	-	-	27	27	-	27
Dividend	-	-	-	-914	-914	-	-914
Closing balance, equity, Dec 31, 2015	365	13,788	375	6,431	20,959	-3	20,956

Note 25 contains additional information on share capital, other capital contributions, and other reserves.

Notes Group

Note 1

Accounting policies

General information

Meda is a leading international specialty pharma company with a broad product portfolio and its own sales organization in more than 60 countries. Including the markets where distributors handle sales, Meda's products are sold in more than 150 countries. Meda AB is the Group's parent company and its headquarters are located in Solna, outside of Stockholm, Sweden. Meda is listed on Nasdaq Stockholm.

Basis for preparation of reports

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the EU, the Swedish Annual Accountant Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. The consolidated accounts were prepared using the cost method, apart from for remeasurement of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

Preparing financial statements to conform to IFRS requires the use of some critical accounting estimates. It also requires management to make certain assessments in applying the company's accounting policies. Note 3 discloses the areas that require a more thorough assessment, are complex or in which assumptions and estimates are of significant importance to the consolidated financial statements.

New standards and interpretations

New and amended standards applied by the Group

The standards, amendments or interpretations that were applied by the Group for the first time for the financial year beginning on January 1, 2015 have no significant impact on the Group's financial statements.

New standards and interpretations not yet applied by the Group

The following new standards and interpretations have been published.

- IFRS 9 Financial Instruments (not adopted by the EU) addresses classification, measurement and recognition of financial liabilities and assets. The full version of IFRS 9 was issued in July 2014 and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 contains a blended approach to measurement but simplifies it in some respects. There will be three measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of an instrument depends on the company's business model and the nature of the instrument. Investments in equity instruments are to be recognized at fair value through profit or loss. There is, however, an option at initial recognition to recognize the instrument at fair value through other comprehensive income. In such a case no reclassification is made to profit or loss upon divestment of the instrument. IFRS 9 has also introduced a new model to calculate credit loss provisions based on expected credit losses. For financial liabilities the classification and measurement are not changed other than in cases where a liability is recognized at fair value through profit or loss based on the fair value option. In these cases, changes in value attributable to changes in the entity's own credit risk are to be recognized in other comprehensive income. IFRS 9 lowers the criteria

for the application of hedge accounting by replacing the 80–125 criteria with a requirement for an economic relationship between the hedging instrument and the hedged item, and for the hedging quota to be the same as that used in risk management. The hedge documentation requirement is also changed to some extent in comparison with IAS 39. The standard will be applied for the financial year starting on January 1, 2018. Early adoption is permitted. The Group has not yet assessed the impact of IFRS 9.

- IFRS 15 Revenue from Contracts with Customers (not adopted by the EU) regulates how revenue is to be recognized. The principles upon which IFRS 15 is based give the users of financial statements more useful information on the entity's revenue. Under this increased disclosure requirement, information must be provided on the revenue's nature, timing and uncertainty in connection with revenue recognition, as well as cash flows arising from customers with contracts. According to IFRS 15 revenue should be recognized when the customer assumes control of the sold goods or service and is able to use or benefit from the goods or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as the related SIC and IFRS Interpretations Committee's interpretation. IFRS 15 goes into effect on January 1, 2018. Early adoption is permitted. The Group has not yet assessed the impact of IFRS 15.
- IFRS 16 Leases (not adopted by the EU). In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The Group has not yet assessed the impact of IFRS 16.

No other IFRSs or IFRS Interpretations Committee interpretations that have not yet gone into effect are expected to have any significant impact on the Group.

Changes in external reporting

As of January 1, 2015, Meda reports all medical device 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 change has not resulted in any change in the reporting by geographic area for the full year 2014. Other Sales by product category for 2014 have been adjusted from SEK 492 million to SEK 235 million, with SEK 28 million allocated to Rx and SEK 229 million allocated to Cx/OTC.

Consolidated accounts

Subsidiaries

Subsidiaries are all of the companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or has the right to a variable yield from its holding in the company and has the ability to affect the yield through its influence over the company. Subsidiaries are consolidated from the date on which the controlling influence is transferred to the Group. They are deconsolidated from the date the con-

trolling influence ceases. The Group uses the acquisition method to recognize its business combinations. The purchase consideration for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities incurred to the previous owners of the acquired entity and the shares issued by the Group. The purchase consideration includes the fair value of all assets or liabilities arising from an agreement on an additional purchase consideration. Identifiable acquired assets as well as liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess is recognized as goodwill and consists of the difference between the purchase consideration and the fair value of the Group's share of the identifiable net assets acquired. Acquisition-related costs are expensed in the income statement in the period when they arise. Intra-Group transactions, balance sheet items, and unrealized gains on transactions between Group companies are fully eliminated.

Segment reporting

Operating segments are reported in a way that is consistent with the internal reporting which is submitted to the highest executive decision-maker. The highest executive decision-maker is the person/persons responsible for allocating resources and assessing the operating segments' results. For Meda this has been identified as Group management. Division into geographic markets reflects the Group's internal organization and reporting system. The markets are Western Europe, US and Emerging Markets.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are valued using the currency of the economic environment in which the entity mainly operates (the functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the parent company's functional and presentation currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the transaction date. Translation differences arising upon payment of such transactions and when translating monetary assets and liabilities at the exchange rate on the reporting date are recognized in net financial expense through profit or loss. Exceptions are when transactions are hedges that meet the criteria for hedge accounting of cash flows or of net investments, where gains/losses are recognized in other comprehensive income.

Translation of foreign subsidiaries

Assets and liabilities in foreign operations, including goodwill and other surplus and deficit values, are translated into Swedish kronor at the exchange rate on the reporting date. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that approximates the exchange rates on each transaction date. Translation differences arising in the translation of foreign operations are recognized in other comprehensive income.

Net investments in foreign operations

Translation differences arising in the translation of a foreign net investment and associated effects of the hedging of net investments are recognized as a separate component of other comprehensive income. When divesting foreign operations, the cumulative translation differences attributable to the divested operations, less any currency hedging, are reclassified from other comprehensive income to profit or loss for the year as part of the capital gain/loss.

Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less depreciation. The cost of acquisition includes expenditures that can be related directly to the acquisition of the asset. Land is not depreciated. Deprecia-

tion on other assets in order to allocate their costs of acquisition down to their estimated residual values, is calculated using the straight-line method according to plan over their estimated useful lives, as follows:

- Buildings 14–50 years
- Machinery and plant 3–14 years
- Equipment and installations 3–14 years

The assets' residual values and useful lives are reviewed on each reporting date and are adjusted if required. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. Gains and losses on disposals are determined by comparing sales proceeds with carrying amounts and are recognized through profit or loss.

Intangible assets

Goodwill

Goodwill arises in connection with the acquisition of subsidiaries and represents the amount by which the purchase consideration exceeds the fair value of the Group's share of the acquired company's identifiable net assets. Goodwill is tested for impairment annually or as needed and is carried at cost less accumulated impairment losses. Gains or losses on divestment of an entity include the remaining carrying amount of goodwill relating to the divested entity. Goodwill is allocated to cash-generating units in impairment testing.

Product rights

Product rights have a limited useful life and are carried at cost less accumulated amortization and, where appropriate, impairment losses. Amortization is used to distribute the cost of product rights over their estimated useful life, usually 10–25 years. The amortization pattern for product rights is adapted to the amount of expected earnings. The value of product rights is tested regularly to identify whether impairment exists. See also Note 3 and 17.

Software

Acquired computer software licenses are capitalized based on the costs incurred when the specific software was acquired and brought into use. These costs are amortized over the estimated useful life of the assets, usually 3–7 years.

Research and development

Research expenditure is expensed immediately. Development project expenditure (for product development) is capitalized in the Group as an intangible asset to the extent this expenditure is very likely to generate future economic benefits. Acquisition costs of such intangible assets are amortized over the estimated useful life of the assets. Other development expenditure is expensed as it occurs. Expenditure must meet stringent requirements to be recognized as an asset. With stringent requirements, Meda believes that it is not very likely that a product (drug) will generate future economic benefits before being approved by the relevant registration authority. Meda has no development projects that meet these high requirements, so no development expenditure was recognized as an asset.

Impairment

Assets that have an indefinite useful life, i.e. goodwill, are not subject to amortization but are tested annually for any impairment. Assets subject to amortization are assessed for impairment of value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Cont. Note 1

Cash-generating units

In business combinations goodwill is allocated to the Group's cash-generating units. A cash-generating unit represents the lowest level in the Group at which the goodwill in question is monitored by internal control. Meda has four separate cash-generating units to which goodwill is allocated, see Note 17.

Financial assets

Financial assets are recognized when the Group is party to the instrument's contractual terms. Purchases and sales of financial instruments are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument expires or is transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into the following categories: loan and trade receivables, financial assets measured at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the instruments are used. The instruments are classified at initial recognition.

Financial instruments are initially recognized at fair value plus transaction costs. This applies to all financial assets with the exception of those measured at fair value through profit or loss, which are initially recognized at fair value but the related transaction costs are recognized through profit or loss.

Loan receivables and trade receivables

Loan receivables and trade receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted on an active market. They are included in current assets, except for items with maturities more than 12 months from the reporting date, which are classified as non-current assets. Loan and trade receivables are recognized at amortized cost using the effective interest method less any provision for a decrease in value.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets that are held for trading. A financial asset is classified in this category if it is primarily acquired for the purpose of selling in the short term. Derivatives are classified as if they are held for trading unless they are identified as hedging instruments. Assets in this category are classified as current assets if they are expected to be sold within 12 months, otherwise they are classified as non-current assets. Assets in this category are recognized after the date of acquisition at fair value. Changes in fair value are recognized in net financial income/expense through profit or loss in the period they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified to any of the other categories. They are included in non-current assets unless Group management intends to divest the asset within 12 months of the end of the reporting period. Assets in this category are recognized after the date of acquisition at fair value. Changes in fair value for monetary and non-monetary securities in this category are recognized in other comprehensive income in the provision for available-for-sale financial assets. Exchange differences on monetary securities are recognized in net financial income/expense through profit or loss, while translation differences on non-monetary securities are recognized in other comprehensive income in the provision for available-for-sale financial assets. When securities in this category are sold, accumulated adjustments of fair value previously recognized in other comprehensive income are transferred to profit or loss.

Impairment of financial assets

The Group performs an assessment on each reporting date of whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of available-for-sale financial assets, impairment is indicated if there is evidence of a material or lasting decline in the fair value of the asset below its cost. If this can be proved, the accumulated loss, calculated as the difference between the cost of acquisition and the current fair value, less any previous impairment losses recognized through profit or loss, is moved from other comprehensive income and recognized through profit or loss. A provision for any decrease in the value of trade receivables is made when there is objective evidence that the Group will not be able to recover all past due amounts as per the receivable's original terms. The reserved amount is recognized through profit or loss.

Financial liabilities

Financial liabilities are recognized when the Group is party to the instrument's contractual terms. Financial liabilities are removed from the balance sheet when the liability is eliminated through completion, annulment or termination of the agreement. The Group classifies its financial liabilities in the categories financial liabilities measured at fair value through profit or loss, i.e. derivatives, and other financial liabilities.

Borrowings

Borrowings are initially recognized at fair value, net after transaction costs. Borrowings are subsequently recognized at amortized cost. Any difference between the proceeds received, net of transaction costs, and the repayment amount is recognized through profit or loss over the loan period using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the reporting date.

Trade payables

Trade payables are initially recognized at fair value and thereafter at amortized cost using the effective interest method.

Derivatives and hedging

Derivatives are recognized on the balance sheet on the contract day and measured at fair value, both initially and in subsequent remeasurements. The method of recognizing the gain or loss from remeasurement depends on whether the derivative is designated as a hedging instrument and whether it also fulfills the hedge accounting criteria of IAS 39. Meda holds both derivatives that do and do not qualify for hedge accounting. Fair value disclosure for various derivatives used for hedging purposes can be found in Notes 2 and 23. Changes in the hedge reserve in equity are specified in Note 25. Derivatives are classified as a non-current asset or non-current liabilities if the time to maturity exceeds 12 months. If the time to maturity is less than 12 months, the derivative is classified as a current asset or current liability.

Cash flow hedges

The effective part of changes in fair value of the Group's interest rate derivatives that are identified as cash flow hedges and meet the criteria for hedge accounting according to IAS 39 is recognized in other comprehensive income. The gain or loss attributable to the ineffective part is recognized immediately through profit or loss as financial income or expense. Certain transactions are hedged through currency forward contracts. The Group does not meet the criteria for hedge accounting for currency forward contracts according to IAS 39. Changes in fair value are recognized as financial income or expense through profit or loss. Accumulated amounts in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, e.g. when the forecast interest payment which is hedged takes place.

Hedging of net investments

Hedging of net investments in foreign operations is recognized in the same way as cash flow hedges. The effective part of changes in fair value of the Group's hedging instruments is recognized in other comprehensive income.

The gain or loss attributable to the ineffective part is recognized through profit or loss. Accumulated gains and losses in equity are recognized through profit or loss when foreign operations are disposed of in whole or in part.

Fair value hedges

Certain loans are hedged through currency forward contracts. The Group does not meet the criteria for hedge accounting for currency forward contracts according to IAS 39. Changes in fair value are recognized as financial income or expense through profit or loss.

Inventories

Inventories are carried at the lower of cost (weighted average price) and the net realizable value. Acquisition costs relate to raw materials, direct labor, freight, other direct costs and related indirect production costs. The net realizable value is the estimated selling price in operating activities less applicable variable selling expenses.

Cash and cash equivalents

Cash and cash equivalents includes cash and bank balances and other current investments with maturities of less than three months. Utilized bank overdrafts are recognized in the balance sheet as borrowings among current liabilities.

Equity

Transaction costs directly attributable to the issue of new shares or warrants are recognized, net after tax, in equity as deductions from the issue proceeds.

Taxes

Income taxes comprise current and deferred tax. Income taxes are recognized through profit or loss except when the underlying transaction is recognized directly in equity, in which case the related tax effect is recognized in equity or other comprehensive income. Current tax is tax that will be paid or received for the current year, applying the tax rates enacted or substantially enacted as of the reporting date. This includes adjustment of current tax attributable to prior periods. Deferred tax is recognized in full using the balance sheet liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is determined using the tax rates and tax rules enacted or substantially enacted by the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets relating to deductible temporary differences and loss carry-forwards are only recognized where it is probable that they will be used and will result in lower future tax payments.

Employee benefits

The Group has various post-employment benefit plans including defined-benefit and defined contribution pension plans and post-employment healthcare benefits.

Pension obligations

A defined-contribution plan is a pension plan under which fixed contributions are paid to a separate legal entity. The Group's obligations are limited to the contributions it has undertaken to pay. The obligations with respect to the contributions for defined-contribution plans are recognized as staff costs in profit or loss for the year as they are earned through the employee's service during the period. Prepaid contributions are recognized as an asset to the extent cash payment or a reduction of future payments will accrue to the Group.

A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or salary. The liability recognized on the balance sheet for defined-benefit pension plans is the present value of the defined-benefit obligation on the reporting date less the fair value of plan assets. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by dis-

counting the estimated future cash flows using interest rates on first-class corporate bonds, mortgage bonds or government bonds that are issued in the currency in which the benefits will be paid and that have terms to maturity comparable to the terms of the related pension liability. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise. Costs for prior periods of service are recognized immediately through profit or loss.

Health care benefits

The Group offers health care benefit plans. The accounting method and assumptions resemble those used for defined-benefit pension plans. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise. The value of these obligations is calculated annually by independent actuaries.

Share-based payment

IFRS 2 distinguishes between payments settled with cash and payments settled with equity instruments. For the Group's share based compensations that is settled with equity instruments the cost is determined by the Company's fulfillment of performance criteria for each program. The cost is recognized in the income statement over the vesting period of 3 years with equity as offsetting entry. The number of shares to be allotted for each program is based on above fulfillment of the performance criteria divided by the volume weighted average share price of Meda's class A-shares. Social security costs is recognized through profit or loss and is from allotment based on Meda's class A-shares fair value at each balance date.

Cash-settled warrants give rise to a commitment to the employees which is measured at fair value and recognized as an expense with a corresponding increase in liabilities. Fair value is initially measured on the date of allotment and distributed over the vesting period including social security costs. The fair value of the cash-settled warrants is calculated according to the Black & Scholes model taking into account the terms and conditions for the allotted instruments. The liability is remeasured on each reporting date and when it is settled. All changes in fair value on liabilities are recognized through profit or loss for the year as a staff cost including social security costs.

See Note 8 for information on outstanding incentive programs as of December 31, 2015.

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or informal obligation resulting from past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

A restructuring provision is recognized when the Group has established a detailed and formal restructuring plan and restructuring has either started or been publically announced. No provisions are made for future operating losses.

The provisions are valued at the present value of the amount expected to be required to settle the obligation. The discount interest rate reflects a current market estimate of the time value of money and the risks associated with the provision. The increase in the provision dependent on the passing of time is recognized as interest expense.

Income statement classified according to function

Meda's income statement is classified according to function and consist of the following cost functions:

Cost of sales

Costs directly attributable to purchase and manufacture of products sold during the period.

Selling expenses

Costs directly attributable to sales such as marketing expenses.

Cont. Note 1

Medicine and business development expenses

Costs related to development, registration, pharmacovigilance, quality and business related development of recent and future product portfolio. This include amortizations on product rights.

Administrative expenses

Costs for administration not attributable to above functions.

Revenue recognition

Revenue consists of the fair value of goods and services sold excluding value-added tax and discounts, and after eliminating sales within the Group. Revenue is recognized as:

Goods sold and contract manufacturing

Goods sold and contract manufacturing are recognized as revenue when a Group company has delivered products to a customer, the customer has accepted the products, and payment of the related receivable is reasonably assured. Revenue is adjusted for the value of expected returns which is based upon the historical rate of returns.

Royalty income

Income from royalties is accrued as prescribed in the relevant agreement.

Services sold and other income

Services sold are recognized as revenue in the accounting period in which the services are rendered.

Interest income

Interest income is recognized as revenue on a time-proportion basis using the effective interest method.

Leases

Leases in which the risks and rewards associated with ownership are essentially transferred to the Group are classified as finance leases. When the leased asset is initially recognized, it is measured at the fair value or present value, whichever is lowest, of the minimum lease payments. The asset is thereafter recognized according to the accounting principles that apply for the asset. The depreciation period may not, however, exceed the lease term.

All other leases are operating leases and, accordingly, the leased asset is not recognized in the balance sheet. Costs associated with operating leases are recognized through profit or loss on a straight-line basis over the lease term. Discounts received are recognized as a portion of the total lease cost over the lease term.

Dividends

Dividends to the parent company's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

Earnings per share

Calculation of earnings per share is based on consolidated profit for the year attributable to parent company shareholders, divided by the weighted average number of outstanding ordinary shares during the year. When calculating diluted earnings per share, the average number of outstanding ordinary shares is adjusted where appropriate to take into account the effects of diluting potential ordinary shares. There were no potential diluted ordinary shares in 2015. The dilutive effect of potential ordinary shares is only recognized if a conversion to ordinary shares would lead to a reduction in diluted earnings per share. Further information is provided in Note 15.

Other information

The financial statements are reported in SEK million unless otherwise stated. Some tables may not add up because figures were rounded off.

Note 2

Financial risks

The Group is exposed to various financial risks through its operations. Meda's management of these risks is centralized to the Group's internal bank and is regulated in the Group's financial policy. The objective is to identify, quantify, and keep risks of adverse impact on the Group's income statements, balance sheets, and cash flows at suitable levels.

Currency risk

Transaction exposure

Transaction exposure is the risk of impact on the Group's net income and cash flow due to change in the value of commercial flows in foreign currencies in conjunction with exchange rate fluctuations. Meda has sales through its own sales organizations in more than 60 countries. Sales to other countries occur as exports in both the customers' local currency and other currencies such as EUR and USD. Purchases are mainly made in EUR, SEK, and USD. So in all, the Group is continually exposed to transaction risk; this exposure is however limited to a few units and the exposure that rises in trade receivables and trade payables denominated in foreign currency is continuously hedged. On December 31, 2015, currency derivatives that hedged transaction exposure had a net fair value of SEK 36 million (13). Hedge accounting is not applicable to these transactions, which means that changes to the fair value is carried to the income statement.

Translation exposure – balance sheet

Most of the Group's operations are conducted in subsidiaries outside of Sweden in functional currencies other than SEK. Translation exposure arises in the Group for net investments in foreign operations. Meda's translation exposure is for the most part in EUR, but also USD. The Group hedges risk partially by taking external loans and contracting for currency swaps in the respective currency. Hedge accounting in accordance with IAS 39 is applied for these hedging transactions. Translation differences recognized in other comprehensive income in 2015 that relate to net investments in foreign operations amounted to SEK –376 million (2,118), and translation differences from hedging instruments for net investments amounted to SEK 308 million (–1,014) after tax.

Translation exposure – income statement

Group sales are generated principally in currencies other than SEK. Changes in exchange rates therefore have a significant effect on the consolidated income statement since consolidation in the foreign subsidiaries' income statements is in SEK. This exposure is not hedged, because the subsidiaries mainly work in local currencies; exchange rate fluctuations thus have no significant impact on competition or margins.

The next table shows the annual theoretical translation effect on Meda's net sales and earnings before tax. Calculated effects are based on recognized figures for 2015 excluding non-recurring items. The average EUR/SEK exchange rate for 2015 was 9.35346 and 8.43026 for USD/SEK.

Parameter	Change, %	Effect on net sales, SEK m	Effect on profit after tax, SEK m
On December 31, 2015			
EUR/SEK	+/- 1	+/- 98	+/- 31
USD/SEK	+/- 1	+/- 36	+/- 4
Other currencies/SEK	+/- 1	+/- 49	+/- 1
On December 31, 2014			
EUR/SEK	+/- 1	+/- 84	+/- 15
USD/SEK	+/- 1	+/- 24	+/- 1
Other currencies/SEK	+/- 1	+/- 31	+/- 1

Undiscounted financial liabilities

On December 31, 2015 SEK million	<1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years from the reporting date
Borrowings	2,891	3,130	7,540	9,769	3,746	–
Unconditional deferred payment	–	2,458	–	–	–	–
Derivatives	40	8	–	–	–	–
Trade payables	1,696	–	–	–	–	–
Other liabilities	80	–	–	–	–	–
Accrued expenses	907	–	–	–	–	–

On December 31, 2014 SEK million	<1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years from the reporting date
Borrowings	1,967	1,949	2,610	7,275	12,620	6,195
Unconditional deferred payment	–	–	2,583	–	–	–
Derivatives	21	4	–	–	–	–
Trade payables	1,542	–	–	–	–	–
Other liabilities	257	–	–	–	–	–
Accrued expenses	981	–	–	–	–	–

The Group's financial derivatives, which will be settled gross, comprised various currency forward contracts on the reporting date (see also Note 23). On the reporting date, the contractually agreed undiscounted cash flows from these instruments, maturing within 12 months, stood at SEK –23,835 million and SEK 23,895 million respectively (SEK –23,907 million and SEK 23,792 million respectively).

Interest rate risk

Interest risk refers to the risk that changes in general interest rates may have an adverse effect on the Group's net profit/loss. The time taken for interest rate fluctuations to affect net profit/loss depends on the fixed interest period for the loan. As per Group policy, the loan portfolio's fixed interest period, on average, should be between 3 and 15 months. On average, this period was 5.5 months on December 31, 2015.

Meda uses interest rate swaps to extend/shorten the period of fixed interest on underlying loans. As per Group policy, the duration of an interest rate swap may not exceed five years. Hedge accounting is applied to these transactions, and fair value is charged to other comprehensive income. In 2015, interest rate swaps had an impact on other comprehensive income of SEK –1 million (9) from cash flow hedging after tax. The fair value included in the consolidated balance sheet for interest rate swaps as of December 31, 2015 was a net amount of SEK –23 million (–22).

On December 31, 2015, Group borrowings of SEK 24,862 million were mainly distributed as: EUR 1,614 million (SEK 14,834 million), USD 610 million (SEK 5,149 million), and SEK 4,879 million. The average interest rate including credit margins on December 31, 2015 was 2.5% (3.6). Interest expense for 2016 for this loan portfolio at unchanged interest rates would thus amount to approximately SEK 600 million. If interest rates change instantaneously +/- 1 percentage point, Meda's profit after tax would change by +/- SEK 168 million (135) on an annual basis, taking into account the loan amounts and fixed interest rates that existed on December 31, 2015. Further information can be found in Note 26.

Refinancing risk

Refinancing risk is the risk that the refinancing of a maturing loan is not feasible, and the risk that refinancing must be done during unfavorable market conditions at unfavorable interest rates. Meda seeks to limit refinancing risk by spreading the maturity structure of the loan portfolio over time and spreading financing over several counterparties. On December 31, 2015, Meda had SEK 28 billion (33) in available credit facilities. The basis of the Group's debt financing is syndicated bank loans of SEK 25 billion with nine Swedish and foreign banks. This financing is augmented with borrowing via a Swedish MTN program with an upper limit of SEK 7 billion, a Swedish commercial paper program with an upper limit of SEK 4 billion, and a bilateral bank loan of SEK 2 billion.

Confirmed credit facilities were as follows on December 31, 2015:

- Bond loan of SEK 400 million, maturing in April 2016
- Bilateral bank loan of SEK 2,000 million, maturing in October 2017
- Bond loan of SEK 600 million, maturing in April 2018
- Bond loan of SEK 750 million, maturing in April 2019
- Credit facility with nine banks amounting to SEK 25,000 million, maturing 2016–2020.
 - Term loan of SEK 6,063 million, maturing in December 2018
 - Revolving loan of SEK 12,500 million, maturing in December 2019.
 - Term loan of SEK 6,151 million maturing in December 2020 (amortization of SEK 2,578 million)

The syndicated credit facilities are available provided that Meda meets certain financial key ratios concerning net debt in relation to EBITDA and interest coverage ratio. Meda has met its financial key ratios for 2015.

Liquidity risk

The Group's current liquidity is covered by a retained liquidity reserve (cash and bank balances, current investments, and the unused portion of confirmed credit facilities) that in the long term is to amount to at least 5% of the Group's annual sales. On December 31, 2015, the liquidity reserve stood at SEK 6,839 million, corresponding to 35% of sales for 2015. The table above shows the contractually agreed undiscounted cash flows from the Group's financial liabilities and net settled derivatives that constitute financial liabilities classified by the time that, on the closing date, remained until the contractually agreed maturity date. For derivatives with a variable interest rate, the variable rate that applied to each derivative on December 31, 2015 was used for the entire period to maturity.

Credit risk

The Group's financial transactions lead to credit risks in relation to financial counterparties. According to Meda's financial policy, financial transactions may only be conducted with the Group's financing banks, or banks with a high official rating corresponding to Standard & Poor's long-term A–rating or better. Investments in cash and cash equivalents can only be made in government securities or with banks that have a high official rating.

Credit risk exists in the Group's cash and cash equivalents, derivatives, and cash balances with banks and financial institutions and in relation to

distributors and wholesalers, including outstanding receivables and committed transactions.

Meda's sales are mainly to large, established distributors and wholesalers with robust financial strength in each country. Since sales occur in several countries and to many different customers, the Group has good risk distribution. Meda follows up granted credits continually.

Group assets that entail credit risk are reported in Notes 22, 23 and 24.

Capital risk

The Group's capital structure goal is to secure the company's ability to continue its operations with the aim of generating return to shareholders and benefit for other stakeholders. The goal is also to keep the costs of capital down, through an optimal capital structure and by that strengthen Meda's ability to meet its financial key ratios. Capital in the Meda Group is judged on the basis of the Group's equity/assets ratio. The Group's long-term goal is an equity/assets ratio of 30%. New shares may be issued to maintain the capital structure in conjunction with major acquisitions.

SEK million	2015	2014
Equity	20,956	20,680
Total assets	60,846	65,112
Equity/assets ratio, %	34.4	31.8

Note 3

Important estimates and assessments for accounting purposes

Preparation of the financial statements in accordance with IFRS requires management to make assessments, estimates and assumptions which affect the reported assets and liabilities and other information disclosed in the closing accounts as well as the income and expenses reported during the period. Estimates, assessments and assumptions are evaluated continually and are based on past experience and other factors, including expectations of future events that are deemed reasonable under prevailing conditions. The actual outcome may differ from these assessments, estimates and assumptions. Below is a description of the most important accounting policies applied based on assessments and the most important sources of uncertainty in estimates what may have an impact on the Group's reported results and position in future financial years.

Assessments in the application of accounting policies

Acquisitions

When making acquisitions, the Group, based on IFRS 3 Business Combinations, makes assessments as to whether the transaction is a business combination or an acquisition of assets. When a transaction is regarded as a business combination, all identifiable assets and liabilities in the acquired company are identified and valued at fair value. When the fair value cannot be reliably measured, the value is included in goodwill. When a transaction is regarded as an acquisition of assets, the individually identifiable assets and assumed liabilities are identified and recognized. The cost of acquisition is allocated to the individual assets and liabilities based on their relative fair values on the acquisition date. An acquisition of assets does not give rise to goodwill.

Legal proceedings

Meda is involved in legal proceedings typical for the business from time to time. Meda recognizes a liability when an obligation exists and the recognition criteria for provision according to IFRS are met. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisors when necessary. To the extent that Group management's assessment of the factors considered are not reflected in subsequent

developments, the financial statements could be affected. As of December 31, 2015, provisions for legal disputes amounted to SEK 254 (73) million, see Note 29. See Note 30 for a description of legal proceedings that Meda is part of and for which the recognition criteria for provisions according to IFRS are not met.

Important sources of uncertainty in estimates

Impairment testing of goodwill

The Group conducts regular impairment testing of goodwill, as per the principle described in Note 1. Recoverable amounts for cash-generating units were established through measurement of their value in use. Certain estimates must be made in order to arrive at these measurements as explained in Note 17.

Product rights

The value of product rights is measured based on certain assumptions. These assumptions relate to forecasts of future sales revenue, contribution margins and expenses for each product. Assumptions are also made on discount rates, product life and royalty rates. The Group's maximum period of amortization of product rights is 25 years. A need to re-assess the valuation of product rights cannot be ruled out and this may have a major impact on the Group's financial situation and earnings. The Group conducts regular goodwill impairment tests, as described in Note 1. On December 31, 2015 the value of product rights totaled SEK 21,869 million.

Pensions and similar obligations

Provisions and costs for post-employment benefits, mainly pensions and health care benefits, are based on the assumptions made when the amounts are calculated. Special assumptions and actuarial measurements are made based on estimates of discount rates, health care cost trends, inflation, salary increase trends, staff turnover, mortality and other factors. Each change in these assumptions will impact the carrying amounts of the obligations. The discount rate for each country is established on the basis of the market rate of first-class corporate bonds and takes into account the estimated time to maturity of each obligation. In countries where there is no functioning market for such bonds, the market rate for government bonds or mortgage bonds is used.

In Sweden, the Group has used Swedish mortgage bonds to establish the Swedish discount rate. The Swedish mortgage bond market is considered to be first-class (AAA or AA) and liquid, therefore meeting the requirements stipulated in IAS 19. In Germany, the US and the UK, the Group uses first-class corporate bonds to establish the discount rate.

Inflation assumptions are based on analyzing external market indicators. Assumptions on salary increase trends reflect expected payroll expense trends. Staff turnover reflects the average long-term staff turnover within Meda. Mortality is primarily based on official mortality statistics. The Group reviews actuarial assumptions annually and adjusts them where this is deemed appropriate. As of December 31, 2015, provisions for pensions amounted to SEK 2,273 million and assets were recognized in the amount of SEK 18 million. Provisions for health care benefits amounted to SEK 94 million. For further information on expenses and assumptions for post-employment benefits, see Note 27 and 29.

Taxes

In the preparation of the financial statements, Meda estimates the income taxes in each of the taxing jurisdictions in which the Group operate as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carry-forwards and temporary differences are recognized in those cases when future taxable income is estimated to be utilized in the various tax jurisdictions. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2015, Meda recognized deferred tax assets of SEK 1,812 (1,640) million and deferred tax liabilities of SEK 4,708 (5,278) million. For further information on deferred taxes, see Note 18.

Note 4 Segment information

Group management assesses operations from a geographic perspective. Earnings per geographic area are assessed on the basis of EBITDA (earnings before interest, taxes, depreciation, and amortization). On December 31, 2014, the Group was organized in three geographic areas: Western Europe, the US, and Emerging Markets.

2015 SEK million	Western Europe	US	Emerging Markets	Other Sales	Total
Segment's sales	13,612	3,421	3,739	421	21,193
Sales between segments	-1,399	-67	-79	-	-1,545
External net sales	12,213	3,354	3,660	421	19,648
EBITDA	4,247	1,432	1,281	-957	6,003
Depreciation and amortization					-3,284
Finance income					37
Finance costs					-1,452
Profit after financial items	4,247	1,432	1,281	-957	1,304

2014 SEK million	Western Europe	US	Emerging Markets	Other Sales	Total
Segment's sales	11,214	2,636	2,370	235	16,455
Sales between segments	-1,009	-94	-	-	-1,103
External net sales	10,205	2,542	2,370	235	15,352
EBITDA	3,327	972	663	-972	3,990
Depreciation and amortization					-2,503
Finance income					8
Finance costs					-913
Profit after financial items	3,327	972	663	-972	582

The company is based in Sweden. Geographic breakdown of total non-current assets, other than financial instruments and deferred tax assets is shown in below table

SEK million	Net sales		Non-current assets	
	2015	2014	2015	2014
Western Europe ¹⁾	12,213	10,205	28,821	31,599
US ²⁾	3,354	2,542	10,066	10,302
Emerging Markets	3,660	2,370	10,010	10,533
Other Sales	421	235	169	167
Summa	19,648	15,352	49,066	52,601
¹⁾ whereof in Sweden			8,818	9,667
²⁾ whereof in the US			10,066	10,302

A breakdown of goodwill is found in Note 17.

Revenues from external customers in Germany amount to SEK 2,053 million (1,507), France SEK 1,594 million (1,415), Sweden SEK 1,427 million (1,409) and Italy SEK 1,809 million (1,407). Total revenues from external customers in other countries amount to SEK 12,765 million (9,614).

A breakdown of net sales by income type is found in Note 5.

Geographic areas

Western Europe includes western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia and Hungary. The US comprises the US and Canada, and Emerging Markets includes eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, Hungary, Turkey, the Middle East, Mexico and other non-European markets. Other Sales concern revenues from contract manufacturing, parts of royalty and other income.

Note 5 Net sales disclosed by type

SEK million	2015	2014
Goods sold	19,037	14,796
Royalties	435	361
Revenue from contract manufacturing	133	145
Other	43	50
Total	19,648	15,352

Note 6 Expenses by type

SEK million	2015	2014
Changes in stock of finished goods and work in progress	264	172
Raw materials and consumables	2,315	1,900
Goods for resale	3,063	2,376
Staff costs	3,154	2,494
Depreciation and amortization	3,285	2,503
Other expenses	4,870	4,462
Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses	16,951	13,907

Note 7**Personnel, number of employees**

	2015				2014			
	Average no. of employees		No. of employees		Average no. of employees		No. of employees	
	Women	Men	On December 31 ¹⁾²⁾	On December 31 ³⁾⁴⁾	Women	Men	On December 31 ¹⁾⁵⁾	On December 31 ³⁾⁶⁾
Germany	411	482	888	955	399	354	1,031	1,096
US	251	243	475	475	290	256	497	498
France	304	198	438	443	258	174	524	534
Italy	229	165	378	378	119	67	382	382
China	118	105	195	195	56	59	167	167
Ireland	59	124	178	178	22	35	171	172
Russia	122	41	161	162	123	43	199	200
Spain	79	55	127	127	81	63	327	332
Sweden	72	40	104	106	74	36	107	114
Turkey	16	85	102	102	23	124	134	134
Thailand	66	21	89	89	18	4	94	94
UK	42	37	77	77	45	31	79	79
Portugal	40	33	73	73	33	29	140	140
Belgium	39	25	63	67	30	26	66	69
Mexico	31	32	63	63	26	32	58	56
United Arab Emirates	16	41	57	57	14	33	47	47
Egypt	2	47	49	49	—	—	—	—
Netherlands	28	15	43	48	28	15	44	48
Austria	22	20	41	44	21	22	65	67
Balkans	24	18	40	40	29	14	43	43
Ukraine	27	11	37	37	32	18	48	48
Poland	19	24	36	36	22	20	38	38
India	4	28	31	31	1	3	22	22
Brazil	8	10	30	30	7	3	10	10
Denmark	27	3	28	28	24	4	28	29
Finland	16	9	25	25	15	9	23	23
South Africa	16	8	25	25	18	6	23	23
Norway	14	9	24	24	14	8	24	24
Switzerland	17	7	22	24	16	7	22	25
CIS	15	6	21	22	18	8	25	25
Greece	6	15	21	21	5	15	19	19
Baltics	18	2	20	21	18	1	18	18
Australia	14	5	18	18	15	5	22	24
Czech Republic	11	6	17	17	10	5	15	15
Slovakia	11	6	17	17	9	7	16	16
Hong Kong	1	3	15	15	0	1	1	1
Hungary	11	4	15	15	12	4	25	25
Belarus	10	4	15	15	8	4	13	13
Luxembourg	5	—	5	5	3	1	5	5
Canada	1	—	2	2	1	0	1	1
Total	2,222	1,987	4,065	4,156	1,937	1,545	4,572	4,675
Total	4,209				3,482			

¹⁾ Number of employees, December 31, where number of hours worked are considered in relation to fulltime work.

²⁾ In addition there are contracted personnel of 453 in the following countries: Germany 37, US 22, Turkey 21, France 26, Sweden 23, CIS 2, Ireland 4, Finland 1, Italy 42, Mexico 2, Poland 1, Russia 1, South Africa 1, Portugal 5, Philippines 48, Malaysia 56, India 112, Saudi Arabia 42, Australia 1 and Thailand 6.

³⁾ Number of employees, December 31, where number of hours worked are not considered in relation to fulltime work.

⁴⁾ In addition there are contracted personnel of 461 in the following countries: Germany 41, US 22, Turkey 21, France 26, Sweden 26, CIS 2, Ireland 4, Finland 2, Italy 42, Mexico 2, Poland 1, Russia 1, South Africa 1, Portugal 5, Philippines 48, Malaysia 56, India 112, Australia 1, Saudi Arabia 42 and Thailand 6.

⁵⁾ In addition there are contracted personnel of 511 in the following countries: Germany 52, US 25, Turkey 21, France 6, Sweden 16, Norway 1, CIS 7, Belgium 3, United Arab Emirates 3, Ireland 16, Finland 1, Italy 86, Mexico 2, Poland 40, Netherlands 1, Russia 1, South Africa 1, Hungary 1, Spain 2, Portugal 3, China 14, Philippines 49, Malaysia 55, India 104 and Australia 1.

⁶⁾ In addition there are contracted personnel of 527 in the following countries: Germany 56, US 25, Turkey 21, France 7, Sweden 24, Norway 1, CIS 7, Belgium 3, United Arab Emirates 3, Ireland 16, Finland 2, Italy 86, Mexico 2, Poland 40, Netherlands 1, Russia 1, South Africa 1, Hungary 1, Spain 2, Portugal 3, China 14, Philippines 49, Malaysia 55, India 104, Australia 1, Czech Republic 1 and Slovakia 1.

Gender distribution in Meda management

	2015		2014	
	Women	Men	Women	Men
Boards ¹⁾	12	179	10	176
CEO and other senior executives ²⁾	10	42	8	36
Total	22	221	18	212

¹⁾ Boards of the Group's operating companies.

²⁾ Group management and regional and country/national management.

Note 8 Salaries, other remuneration, and social security costs

Remuneration to the board of directors and senior executives

Board of directors

The chairman and directors of the board fees are paid as resolved by the annual general meeting (AGM). The CEO does not receive a director's fee. Pursuant to these decisions, directors' fees for the period until the next AGM SEK 4,750,000, of which SEK 900,000 is for the chairman's fee and SEK 650,000 is for the vice chairman's fee. The remaining amount is divided so that each non-executive director receives SEK 400,000. In addition to these amounts, according to the 2015 AGM decision, a fee totaling SEK 400,000 is paid for serving on the board's audit committee or remuneration committee. The table on pages 78–79 shows remuneration to the Board of Directors for 2015.

Senior executives

Since the 2015 AGM, the following guidelines for remuneration to senior executives, as determined by the AGM, have been applied with exception for the deviations accounted for on page 69.

The board's proposal for guidelines for remuneration to senior executives is to reflect Meda's need to recruit and motivate qualified employees through a compensation package that is competitive in the various countries. Executive management comprises the CEO and the senior executives who represent the executive functions that report directly to the CEO.

The principles for remuneration and other employment terms are based on previously made contracts between Meda and its senior executives. These principles entail the following:

- (i) Meda shall seek to offer its senior executives market based remuneration;
- (ii) Remuneration criteria shall be based on the significance of their responsibilities, skills requirements, experience, and performance; and
- (iii) Remuneration is to consist of the following components:
 - Fixed basic salary.
 - Short-term variable pay.
 - Long-term variable pay.
 - Pension benefits.
 - Other benefits and severance terms

Distribution between basic salary and variable pay must be in proportion to the executive's levels of responsibility and authority. Short-term variable pay is performance based partly on Group profit and partly on individual qualitative parameters. The variable pay ceiling is 80% of fixed basic salary for the CEO and 50% of fixed basic salary for other senior executives. Long-term variable pay consists of share related incentive programs. Pension benefits shall reflect current common market terms. Pension based salary is made up of basic salary and variable salary. Other benefits primarily consist of leasing cars. Other benefits may also include commonly accepted benefits in conjunction with employment or the move abroad of the senior executive. Such benefits may include temporary housing, education fees, moving expenses, tax filing assistance and similar benefits.

Fixed salary during the period of notice for termination and severance pay shall together not exceed an amount equivalent to two years of fixed salary.

The proposed principles for remuneration to senior executives that the board intends to put before the 2016 AGM for resolution is provided in the management report on page 68.

Remuneration to CEO

The CEO's remuneration consisted of basic salary of SEK 12.5 million and variable pay of SEK 17 million, which includes remuneration related to the Group's long-term performance based incentive programs in the amount of SEK 2.0 million. Other benefits amounted to SEK 0.4 million. Pension costs amounted to SEK 7.4 million. The CEO elected during the year to convert pension benefits of SEK 3.0 million to salary. The CEO has a premium based pension plan equal to 35% of fixed salary and variable pay. The pension commitment to the CEO is secured through the purchase of endowment insurance pledged to the benefit of the CEO. In his previous role as COO, the CEO is covered by a defined benefit pension plan for which the pension commitment at the end of the year amounted to SEK 45 million. No further provisions is done to the defined benefit plan since the end of 2013.

If the CEO resigns or his employment contract is terminated, a mutual period of notice of 12 months applies. If the company terminates the

Total salaries, social security costs and pensions

SEK million	2015			2014		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	2,521	690	177	2,020	525	146
Pension costs						
– Defined-contribution plans			80			74
– Defined-benefit plans			93			69
– Defined-benefit post-employment health care plans			4			3
Total			177			146

Salaries and other remuneration

SEK million	2015				2014			
	Salary/board fee	Of which variable pay	Pension costs	Average no. of people	Salary/board fee	Of which variable pay	Pension costs	Average no. of people
Board, CEO and other executives ¹⁾	153	60	17	61	116	29	10	57
Other employees	2,368	274	160	4,157	1,904	222	136	3,433
Total	2,521	334	177	4,218	2,020	251	146	3,490

¹⁾ Board of the parent company, Group management, and regional and country/national management.

cont. Note 8

employment contract, fixed and variable remuneration is payable during the period of notice as well as severance pay equal one time the annual base salary and one time the annual full bonus. Upon closing of a change of control defined as shareholding by one owner of more than 50% (i) each party must observe a notice period of 24 months which will be reduced pro rata, per each month, during 12 months after closing, until the mutual notice period is yet again 12 months and (ii) the CEO will receive a payment of two times the annual base salary and two times the annual full bonus. Upon termination, initiated by either party within 3 months from a change of control the CEO will receive an additional payment equal to two times the annual full bonus payable three months after closing of the change of control. All such payments will be made together with additional pension contribution of 35%. The CEO's total severance payment should not exceed two times the annual base salary and four times the annual full bonus payment and respective pension.

The CEO's employment terms are determined by the board of directors.

Executive vice presidents (EVP)

At year end, Meda's executive management consisted of eight EVPs, in addition to the CEO. Salary and other remuneration are shown on the next table. All EVPs are covered by the company's long-term performance based incentive programs.

EVPs employed in Sweden are covered by a premium based supplementary pension plan. The plan entitles the individuals concerned to a supplement to the pension benefits based on the ITP plan. The premium paid is based upon the individual's pensionable salary (defined as fixed monthly salary including annual leave supplement). The premium is calculated at 30 percent of pensionable salary in excess of 30 income base amounts. The pension commitment for these individuals is secured through the purchase of endowment insurance pledged to the benefit of the employee.

Four EVPs who are not Swedish citizens are covered by a defined benefit pension plan. The pension commitment for these individuals amounted to SEK 51 million at the end of the year. Other EVPs who are not Swedish citizens are covered by defined-contribution pension plans to which provisions are made to a maximum of 18% of fixed salary.

Basic salary during the period of notice for termination and severance pay shall together not exceed an amount equivalent to two years' fixed and variable remuneration.

Against the background of a possible change of control the EVPs participate in a retention program for 2016 which entitles them to receive an additional payment of 18 month base salary in case of completion or of 6 month base salary in case of no completion of a change of control in the year 2016.

Long term variable pay

Long term performance based incentive programs (LTI-programs)

As of December 31, 2015, Meda has two outstanding LTI-programs approved by the AGM in 2014 and 2015. The programs covers senior executives and other key employees of the Group. The participants are divided into four groups: the CEO, EVPs, and additional two groups which consist of country managers, and other senior executives. The participants are given the opportunity to earn allotments of Class A shares in Meda at no cost. The board of directors believes it is advantageous to Meda when key individuals in the Group have a long-term interest in ensuring the good value performance of the company's stock. The program is also intended to increase the Group's attractiveness as an employer in the global market and promote the ability to recruit and retain key individuals.

Each program will run for three years and shares may be transferred in 2017 and 2018 provided that the individual is employed by the Group for an indefinite term at the transfer date. Exemptions from the requirement may be permitted in individual cases, such as the participant's death, disability, retirement, or sale of the unit by which the participant is employed. In order to set the participants' interest on par with those of shareholders, the partic-

ipants shall be paid compensation equivalent to the dividends paid during the three year vesting period up to the date of transfer. Compensation will be paid only for dividends whose distribution was decided after the allotment date.

As of December 31, 2015 the programs cover, LTI 2014, 83 persons and, LTI 2015, 98 persons. The allotment of shares according to the programs is determined based on the participant's position according to the four groups mentioned and the outcome of three performance criteria's regarding 1) net sales, 2) EBITDA margin, and 3) cash flow. Each performance criteria has been divided into three levels for a total of nine equally weighted levels corresponding to 11.1% per level. The performance criteria's have been adjusted for non-recurring items. The outcome for each program is presented in the following table.

Performance criteria	LTI 2015 – level	LTI 2014 – level
Net sales	2	2
EBITDA-margin	3	2
Cash flow	3	1
Outcome performance criteria (%)	88.8%	55.5%

The number of shares to be allotted to the participants of the LTI 2014 as of December 31, 2015 is presented in the following table. The number of shares to be allotted to the participants of the LTI 2015 will be based on the market value of the share and determined when the annual report has been adopted by the board of directors and signed by the auditor.

	LTI 2014
Value of shares at allotment (million SEK) ¹⁾	48
Number of shares at allotment ²⁾	350,665
Additional shares due to dividend compensation	6,844
Number of forfeited shares during the period	-19,388
Total allotted shares as of December 31, 2015	338,121

¹⁾ The value of allotted shares at allotment have been calculated as the volume weighted average share price of Meda's class A-shares at Nasdaq Stockholm during ten trading days for the period 2015-03-13 – 2015-03-26.

The program fully compensate for dividends.

²⁾ The number of shares is based on a price per share of SEK 136.98.

Cost

The total cost of the programs, which is allocated across its duration, is SEK 129 million excluding social security contributions. In 2015, the programs resulted in a cost recognized in the income statement of SEK 28 million excluding social security contributions, which amounted to SEK 2 million. The total reserve for social security contributions in the balance sheet amounts to SEK 4 million.

Deliver of shares

The AGM has passed a resolution allowing the company to meet its obligations to deliver shares under the programs by entering into an equity swap agreement or other comparable agreement with a third party.

Incentive program in the US

The long-term incentive program that was introduced in 2008, for employees in the US, and adjusted in 2011, expired in December 31, 2015. The incentive program closed at the end of 2011 and included synthetic options. The premium for the options is USD 0, and the redemption price per option is 100% of the average price paid for the Meda share in January 2011. The total cost for 2015 recognized in the income statement is SEK 0 million (7).

Preparation and decision process

Issues concerning remuneration to Group management are dealt with by the remuneration committee in preparation for decisions by the board of directors.

Remuneration and benefits to board and senior executives

2015 SEK million	Fixed basic salary/ board fee	Variable pay	Performance share programme	Pension	Other benefits	Total
CEO, Jörg-Thomas Dierks ¹⁾	12.5	15.0	2.0	7.4	0.4	37.3
Board chairman, Martin Svalstedt ²⁾	1.0	–	–	–	–	1.0
Vice chairman, Luca Rovati ²⁾	0.5	–	–	–	–	0.5
Board member, Peter Claesson ²⁾	0.4	–	–	–	–	0.4
Board member, Marianne Hamilton ²⁾³⁾⁴⁾	0.1	–	–	–	–	0.1
Board member, Tuve Johannesson ²⁾³⁾	0.2	–	–	–	–	0.2
Board member, Kimberly Lein-Mathisen ⁵⁾	0.3	–	–	–	–	0.3
Board member, Guido Oelkers ²⁾	0.4	–	–	–	–	0.4
Board member, Karen Sörensen ⁴⁾	0.4	–	–	–	–	0.4
Board member, Lillie Li Valeur ⁵⁾	0.3	–	–	–	–	0.3
Board member, Peter von Ehrenheim ²⁾⁴⁾	0.4	–	–	–	–	0.4
Board member, Lars Westerberg ²⁾⁴⁾	0.5	–	–	–	–	0.5
Other senior executives (8 persons)	18.2	13.4	7.1	4.2	0.9	43.8
Total	35.2	28.4	9.1	11.6	1.3	85.6

2014 SEK million	Fixed basic salary/ board fee	Variable pay	Performance share programme	Pension	Other benefits	Total
CEO, Jörg-Thomas Dierks ¹⁾	10.0	7.0	0.6	6.1	0.4	24.1
Board chairman, Martin Svalstedt ²⁾⁶⁾	0.6	–	–	–	–	0.6
Board chairman, Bert-Åke Eriksson ⁷⁾	0.3	–	–	–	–	0.3
Vice chairman, Luca Rovati ⁸⁾	0.2	–	–	–	–	0.2
Board member, Peter Claesson ²⁾	0.4	–	–	–	–	0.4
Board member, Marianne Hamilton ²⁾⁴⁾	0.4	–	–	–	–	0.4
Board member, Tuve Johannesson ²⁾	0.5	–	–	–	–	0.5
Board member, Guido Oelkers ⁶⁾	0.3	–	–	–	–	0.3
Board member, Karen Sörensen ⁴⁾	0.4	–	–	–	–	0.4
Board member, Peter von Ehrenheim ⁴⁾	0.4	–	–	–	–	0.4
Board member, Lars Westerberg ²⁾⁴⁾	0.4	–	–	–	–	0.4
Other senior executives (8 persons)	14.9	7.0	1.9	3.8	0.9	28.5
Total	28.8	14.0	2.5	9.9	1.3	56.5

¹⁾ CEO has during the year, in accordance with the employment contract, decided to convert pension of SEK 3 million to salary.

²⁾ Including received compensation for work in the Board committee.

³⁾ Relates to the period January 2015 – May 2015.

⁴⁾ In addition to this an amount of SEK 0.3 million (0.4) corresponding social cost for the part of the invoiced fee.

⁵⁾ Relates to the period May 2015 – December 2015.

⁶⁾ Relates to the period May 2014 – December 2014.

⁷⁾ Relates to the period January 2014 – May 2014.

⁸⁾ Relates to the period November 6 2014 – December 2014.

Note 9 Fees and remuneration to auditors

The table shows the financial year's expensed auditing fees and expensed fees for other assignments that the Group's auditors performed.

SEK million	2015	2014
Audit assignment		
PwC ¹⁾	14	13
Other ²⁾	–	3
Tax consulting		
PwC	2	1
Other ²⁾	–	0
Other services		
PwC	7	12 ³⁾
Other ²⁾	–	0
Total	23	29

¹⁾ Auditing fees refers to fees for the statutory audit, i.e., such work that was necessary to issue the auditor's report and audit advice given in connection with the audit assignment. Fees for auditing services other than regular auditing assignments amount to SEK 1 million (3).

²⁾ Auditing fees, tax consulting and other service to other auditors for 2014 refers to statutory audit and consulting fees for acquired Rottapharm entities.

³⁾ Fees, invoiced centrally to the parent company, Meda AB, for work performed by PwC firms globally.

Note 10 Operating leases

SEK million	2015	2014
Leasing expensed during the financial year	249	238
The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:		
Payable within 1 year	215	209
Payable within 1–5 years	467	387
Payable after 5 years	58	13
Total	740	609

The largest proportion of the lease payments is for rent of premises and cars for sales representatives. The Group's largest lease contracts are in Germany, Italy, US, France, UK and Sweden. An operating lease covering office rent in Bad Homburg, Germany expires in 2019. Lease contracts for office premises in Monza, Italy and factory premises in Confienza, Italy expires in 2020. In the US, the lease for offices runs through 2021. In 2015 Meda signed a new office lease in France which run from July 1, 2016 to July 1, 2022. In the UK, Meda has leases for offices running until 2018. A new office lease in Sweden was signed during the year and it expires in June 2020.

The Group's leasing contract for company cars usually runs for 3–4 years.

Note 11 Non-recurring items and restructuring costs

Below are the consolidated income including and excluding non-recurring items and restructuring costs. See also Note 29.

SEK million	Excluding restructuring costs and other non-recurring items	Restructuring costs and other non-recurring items	Including restructuring costs and other non-recurring items
Net sales	19,648	–	19,648
Cost of sales	–7,533	8 ¹⁾	–7,525
Gross profit	12,115	8	12,123
Other income	–	22 ²⁾	22
Operating expenses	–8,917	–509 ¹⁾	–9,426
Operating result	3,198	–479	2,719
Net financial items	–1,196	–219 ³⁾	–1,415
Profit/loss for the period after net financial items	2,002	–698	1,304
Tax	–471	359 ⁴⁾	–112
Net profit/loss	1,531	–339	1,192

¹⁾ Refers to restructuring costs of SEK 291 million, of which SEK -8 million is allocated to cost of sales and SEK 299 million to operating expenses, and a provision of SEK 210 million relating to the ongoing US product liability cases involving the product Reglan.

²⁾ Refers to the divestment of the Euromed manufacturing unit in Spain.

³⁾ Refers to non-recurring expenses of SEK 219 million related to redemption of the bond loan in late April 2015 which was absorbed in conjunction with the acquisition of Rottapharm.

⁴⁾ Refers to non-recurring items of SEK 200 million relating to the utilization of a non-capitalized loss carry-forward in the German operations, SEK 80 million related to the ongoing US product liability cases.

SEK 27 million relating to tax on non-recurring items in net financial items, SEK 82 million related to tax on restructuring costs, SEK -8 million relating to additional tax for previous financial years, SEK -27 million relating to internal restructuring of operations due to the acquisition of Rottapharm and SEK 5 million related to the divestment of the Euromed manufacturing unit in Spain.

Note 12 Exchange gains/losses, net

SEK million	2015	2014
Finance income/costs (see Note 13)	–16	–34
Total	–16	–34

Note 13 Finance income and finance costs

SEK million	2015	2014
Finance income		
Interest	37	8
Total finance income	37	8
Finance costs		
Interest	–1,067	–591
Exchange losses (see Note 12)	–16	–34
Costs of raising loans	–115 ¹⁾	–192
Interest - pensions	–57	–50
Other finance costs	–197 ¹⁾	–46 ²⁾
Total finance costs	–1,452	–913

¹⁾ Including non-recurring expenses of SEK 219 million related to redemption of the bond loan absorbed in conjunction with the acquisition of Rottapharm, which was repaid in late April 2015.

²⁾ Including transactional tax for the acquisition of the shares in Rottapharm of SEK 36 million.

Note 14 Tax

SEK million	2015	2014
Current tax expense		
Current tax for the year	–1,039	–462
Current tax attributable to prior years	236	–8
Total	–803	–470
Deferred tax expense		
Deferred tax (see Note 18)	691	290
Total	–112	–180

Tax expense constituted 8.6% (30.9) of profit before tax. The difference between the recognized tax expense and the consolidated profit before tax calculated using the Swedish tax rate of 22.0% (22.0) is illustrated in the table below. The tax expense was positively impacted by SEK 359 million due to non-recurring items and the use of a non-capitalized loss carry forward in Germany. The Group's tax expense was SEK 471 million (351), corresponding to a tax rate of 23.5% (22.9).

SEK million	2015	2014
Reconciliation of effective tax		
Profit before tax	1,304	582
Tax as per applicable tax rate for parent company, %	22.0	22.0
Effect of other tax rates for foreign subsidiaries, %	–3.7	–6.6
Internal restructuring of subsidiaries, %	–0.3	3.6
Other non-deductible expenses, %	5.5	3.6
Effect of changed tax rates, %	0.7	1.9
Tax attributable to prior years, %	–15.6	6.4
Recognized effective tax, %	8.6	30.9

Note 15 Earnings per share

Basic earnings per share

	2015	2014
Profit attributable to parent company shareholders, SEK million	1,176	399
Average no. of shares (thousands)	365,467	323,397
No. of shares in calculation of basic earnings per share (thousands)	365,467	323,397
Basic earnings per share (SEK)	3.22	1.23

Diluted earnings per share

	2015	2014
Profit attributable to parent company shareholders, SEK million	1,176	399
Average no. of shares (thousands)	365,467	323,397
No. of shares in calculation of diluted earnings per share (thousands)	365,467	323,397
Diluted earnings per share (SEK)	3.22	1.23

Basic and diluted earnings per share

Calculation of earnings per share was based on net profit for the year after tax attributable to parent company shareholders in relation to a weighted average number of outstanding shares totaling 365,467,371 (323,396,680). For 2014 the number of shares have been adjusted to consider the bonus issue element in the 2014 new share issue. There are no potential diluted ordinary shares.

Note 16 Tangible assets

SEK million	2015					2014				
	Buildings and land	Machinery/plant	Equipment and installations	Construction in progress	Total	Buildings and land	Machinery/plant	Equipment and installations	Construction in progress	Total
Opening cost of acquisition	994	1,367	722	113	3,196	691	826	561	92	2,170
Investments	8	80	48	84	220	11	42	22	41	116
Sales/disposals	-16	-26	-69	-	-111	-45	-34	-54	-	-133
Acquired operation	-	-	-	-	-	262	382	115	73	832
Divested operation	-40	-320	-19	-1	-380	-	-	-	-	-
Reclassification	31	91	-38	-129	-45	11	69	20	-100	0
Translation difference	-8	-8	6	-1	-11	64	82	58	7	211
Closing cost of acquisition	969	1,184	650	66	2,869	994	1,367	722	113	3,196
Opening depreciation	-363	-649	-492	-	-1,504	-319	-564	-439	-	-1,322
Year's depreciation	-31	-116	-64	-	-211	-23	-63	-47	-	-133
Sales/disposals	15	24	65	-	104	7	26	41	-	74
Divested operation	21	204	16	-	241	-	-	-	-	-
Reclassification	-3	4	13	-	14	-	-	-	-	-
Translation difference	-1	1	-9	-	-9	-28	-48	-47	-	-123
Closing depreciation	-362	-532	-471	-	-1,365	-363	-649	-492	-	-1,504
Carrying amount at year-end	607	652	179	66	1,504	631	718	230	113	1,692
Depreciation per function:										
Cost of sales	-18	-105	-16	-	-139	-10	-53	-15	-	-78
Selling expenses	-	-	-7	-	-7	-	-	-6	-	-6
Medicine and business development expenses	-1	-	-3	-	-4	-1	-1	-6	-	-8
Administrative expenses	-12	-11	-38	-	-61	-12	-9	-20	-	-41
Total	-31	-116	-64	-	-211	-23	-63	-47	-	-133

Cont. Note 16

Finance leases

The Group's property, plant, and equipment includes objects held via finance leases as follows:

SEK million	2015	2014
Opening cost of acquisition	33	50
Acquired operation	–	33
Divested operation	–32	–
Reclassification	–	–50
Translation difference	0	0
Closing cost of acquisition	1	33
Opening depreciation	–1	–25
Year's depreciation	–4	–3
Divested operation	4	–
Reclassification	–	27
Translation difference	0	0
Closing depreciation	–1	–1
Carrying amount at year-end	0	32

Future minimum lease payments have these due dates:

SEK million	Nominal values		Present values	
	2015	2014	2015	2014
0–1 year	0	5	0	5
1–5 years	–	17	–	17
Total	0	22	0	22

Note 17 Intangible assets

SEK million	2015				2014			
	Goodwill	Product rights	Other assets ¹⁾	Total	Goodwill	Product rights	Other assets ¹⁾	Total
Opening cost of acquisition	25,352	40,083	232	65,667	13,971	27,352	171	41,494
Investments	47	59	20	126	–	12	26	38
Sales/disposals	–	–6	–14	–20	–	–	–1	–1
Acquired operation	–	–	–	–	9,758	11,077	20	20,855
Divested operation	–	–511	–7	–518	–	–96	–	–96
Reclassification	–	–1	46	45	–	–	–	–
Translation difference	125	98	–9	214	1,623	1,738	16	3,377
Closing cost of acquisition	25,524	39,722	268	65,514	25,352	40,083	232	65,667
Scheduled opening amortization	–	–14,715	–154	–14,869	–	–11,710	–118	–11,828
Scheduled amortization for the year	–	–3,040	–33	–3,073	–	–2,348	–22	–2,370
Sales/disposals	–	5	7	12	–	–	1	1
Divested operation	–	42	4	46	–	26	–	26
Reclassification	–	–	–14	–14	–	–	–	–
Translation difference	–	–145	7	–138	–	–683	–15	–698
Scheduled closing amortization	–	–17,853	–183	–18,036	–	–14,715	–154	–14,869
Carrying amount at year-end	25,524	21,869	85	47,478	25,352	25,368	78	50,798
Scheduled amortization per function:								
Cost of sales	–	–	–8	–8	–	–	–1	–1
Selling expenses	–	–	–4	–4	–	–	–4	–4
Medicine and business development expenses	–	–3,040	–5	–3,045	–	–2,348	–5	–2,353
Administrative expenses	–	–	–16	–16	–	–	–12	–12
Total	–	–3,040	–33	–3,073	–	–2,348	–22	–2,370

¹⁾ Other intangible assets mainly refers to software

Specification of major product rights, SEK million	2015	Rate of amortization, years	Remaining amortization, years
Dona	2,727	15	13.8
Elidel	1,654	15	10.2
3M-products	1,472	15	6.0
Saugella	950	15	13.8
Valeant products	848	15	7.7
Alaven products	818	15	9.7
Recip products	787	15	6.9
Antula products	738	25	20.3
Treo	629	25	20.8
Jazz	537	15	11.9
Other	10,709	10–25	8.1
Total	21,869		

Impairment testing of goodwill

The next table shows the carrying amount for goodwill distributed per cash generated unit (CGU). Goodwill was tested for impairment regarding the US (acquisitions of MedPointe and Alaven), the Nordics (acquisitions of Recip and Antula), Western Europe excluding Nordics (acquisitions of Viatris, 3M, Valeant and Rottapharm) and Emerging Markets (acquisitions of Rottapharm).

SEK million	2015	2014
US	5,997	5,497
Nordics	2,108	2,113
Western Europe excluding Nordics	12,653	12,888
Emerging Markets	4,766	4,854
Total	25,524	25,352

The recoverable amounts of the CGUs are based on value in use. These calculations stem from estimated cash flows based on management-approved financial budgets and cover a four-year period. Management established the financial budgets based on previous results, experience and expectations of market trend.

The budgets includes the parameter growth rate, which includes assumptions about product launches of existing products on new markets, price development, sales volumes, competing products estimated development, the parameter gross margin, which includes assumptions about sales- and cost of goods development and the parameter discount rate.

Cash flow beyond the four-year period has been assumed to have annual growth of 2%. This anticipated growth rate is a moderate assumption in relation to estimated long-term growth rate for the total market. According to IMS (IMS Health Market Prognosis, September 2015), the global pharmaceutical market is expected to increase by an average of 4–7% during the 2016–2020 period.

Average budgeted gross margin, growth rate beyond the four year-period and discount rate before tax used in the calculation of value in use are shown in the table below:

2015, Parameter, %	US	Nordics	Western-Europe excluding Nordics	Emerging Markets
Average budgeted gross margin	75	58	62	62
Growth rate beyond the four-year period	2	2	2	2
Discount rate, before tax	13	11	12	12

Assumptions used in the previous year

Average budgeted gross margin	77	58	61	61
Growth rate beyond the four-year period	2	2	2	2
Discount rate, before tax	13	11	12	12

Meda judges that the discount rate used is conservative because the weighted average cost of capital is lower than the discount rate. The recoverable amount for the tested entities exceeds their carrying amount, so no impairment loss was recognized.

Meda performed sensitivity analyses on the parameters growth rate, gross margin and discount rate and states that there are good margins in the calculations for the Nordic region, Western Europe and Emerging Markets. For US the recoverable amount exceeds its carrying amount with SEK 740 million at December 31, 2015. The recoverable amount would equal its carrying amount if the growth rate beyond the four year-period decreased from 2% to 0.6%. Meda has assessed that reasonable change to the other parameters would not cause the carrying amount to exceed its recoverable amount. In the long term, Meda's ability to generate future deals constitutes a key factor in justifying recognized goodwill.

Note 18 Deferred tax

Amounts referring to deferred tax assets and deferred tax liabilities on the balance sheet include:

SEK million	2015	2014
Deferred tax assets:		
Deferred tax assets to be used after 12 months	892	842
Deferred tax assets to be used within 12 months	920	798
Total	1,812	1,640
Deferred tax liabilities:		
Deferred tax liabilities payable after 12 months	4,198	4,759
Deferred tax liabilities payable within 12 months	510	519
Total	4,708	5,278

Carry-forward of unused tax losses:

At year-end 2015, the Group reported deferred tax assets attributable to carry-forwards of unused tax losses of SEK 137 million, mainly related to Portugal, Spain, Sweden and USA. The tax base of loss carry-forwards not accounted for is SEK 50 million, mainly attributable to Spain and Portugal. The decision not to account for the loss carry-forwards is based on the uncertainty to be able to use them.

Deferred tax assets and tax liabilities on the balance sheet refer to the following:

SEK million	2015			2014		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Intangible non-current assets	109	4,268	-4,159	107	4,829	-4,722
Property, plant, and equipment	3	60	-57	49	85	-36
Stock (inventories)	420	5	415	296	5	291
Accrued expenses	698	72	626	526	23	503
Loss carry-forwards	137	0	137	190	0	190
Pensions	474	8	466	494	7	487
Untaxed reserves	0	333	-333	0	369	-369
Other	15	6	9	20	2	18
Deferred tax assets and tax liabilities	1,856	4,752	-2,896	1,682	5,320	-3,638
Offsetting of assets and liabilities	-44	-44	0	-42	-42	0
Tax assets and tax liabilities, net	1,812	4,708	-2,896	1,640	5,278	-3,638

Change regarding deferred taxes:

SEK million	Intangible non-current assets	Property, plant, and equipment	Stock (inventories)	Accrued expenses	Loss carry-forwards	Pensions	Un-taxed reserves	Other	Total
On January 1, 2014	-1,486	-60	255	192	84	199	-492	15	-1,293
Translation difference	-200	0	6	29	14	6	0	-2	-147
Acquired operation	-3,250	11	36	47	88	146	0	5	-2,919
Recognition in income statement	214	13	-6	-47	4	-12	123	1	290
Tax recognized in other comprehensive income	0	0	0	283	0	149	0	0	432
On December 31, 2014	-4,722	-36	291	503	190	487	-369	18	-3,638
Translation difference	20	-2	-2	16	-33	-6	0	-1	-8
Divested operation	145	11	0	0	0	0	0	0	156
Recognition in income statement	398	-30	126	192	-20	-4	36	-8	691
Tax recognized in other comprehensive income	0	0	0	-86	0	-11	0	0	-97
On December 31, 2015	-4,159	-57	415	626	137	466	-333	9	-2,896

Note 19 Available-for-sale financial assets

SEK million	2015	2014
Carrying amount at start of the year	45	5
Acquired operation	–	31
Reclassification at acquisition of asset	–	–1
Purchase	0	2
Disposal	–12	–
Revaluation transferred to other comprehensive income	–10	7
Translation difference	0	1
Carrying amount at year-end	23	45

The financial assets are not due for payment or in need of impairment. Available-for-sale financial assets include the following:

SEK million	2015	2014
Funds – US	16	26
Listed interest bearing securities – Austria	6	18
Other	1	1
Total	23	45

Available-for-sale financial assets are expressed in the following currencies:

SEK million	2015	2014
USD	16	26
EUR	7	19
Total	23	45

Note 20 Business combinations and divestments

Acquisition of Rottapharm

Additional SEK 149 million of the purchase price was paid on January 2, 2015.

Divestments

Euromed: In December 2015, Meda divested the Euromed manufacturing unit in Spain. The purchase price was approximately EUR 82 million. The divestment resulted in a gain of SEK 22 million which has been recognized as other income.

Joint venture Hungary: In January 2015, Meda divested the joint venture in Hungary which was included in the Rottapharm acquisition in 2014. The divestment resulted in a loss of SEK 4 million which has been recognized as medicine and development expenses.

Joint venture – Valeant: In April 2014, Meda reached an agreement with Valeant to terminate the joint ventures in Canada, Mexico and Australia. The divestment resulted in a gain of SEK 42 million which has been recognized as other income.

The divested net assets and the impact on the Group's cash flow are presented in the table below.

SEK million	2015	2014
Divested net assets		
Tangible assets	139	–
Intangible assets	472	–
Inventories	252	8
Other assets	138	43
Deferred tax liabilities	–156	–
Other liabilities	–114	–111
Divested net assets	731	–60
Cash received	762	7
Less transaction costs	–16	–
Less cash and cash equivalents in divested entities	–51	–32
Impact on the Group's cash and cash equivalents	695	–25

Note 21 Inventories

SEK million	2015	2014 ¹⁾
Raw materials	740	866
Work in progress	134	191
Finished goods and goods for resale	2,002	1,931
Total	2,876	2,988

1) 2014 figures have been adjusted. Finished goods and goods for resale from SEK 2,621 million to SEK 1,931 million, with SEK 544 million allocated to raw materials and SEK 146 million to work in progress.

The Cost of sales item contains expenditure for inventories recognized as an expense amounting to SEK 5,812 million (5,081). Other income statement items contain expenditure for inventories recognized as an expense of SEK 0 million (0).

Impairment of inventories in the Group totaled SEK 176 million (84) during the year.

Note 22 Trade receivables

SEK million	2015	2014
Trade receivables	4,396	4,227
Provision for bad debts	–101	–76
Total	4,295	4,151

Other non-current receivables includes trade receivables of SEK 156 million (190) which are due during 2017. The fair value of trade receivables corresponds to the carrying amount.

On December 31, 2015, the Group's trade receivables, excluding those that were past due and those impaired, stood at SEK 3,819 million (3,729).

On December 31, 2015 past due but not impaired trade receivables amounted to SEK 574 million (368). Their aging analysis:

SEK million	2015	2014
< 3 months	349	257
3–6 months	109	32
> 6 months	116	79
Total	574	368

On December 31, 2015 the Group recognized trade receivables that were impaired amounting to SEK 189 million (131). The provision for bad debts totaled SEK 101 million (76).

Changes in the provision for bad debts:

SEK million	2015	2014
On January 1	76	22
Additional provision for bad debts	68	91
Receivables written off during the year as non-recoverable	–29	–29
Reversed unused amounts	–8	–5
Translation difference	–6	–3
Carrying amount at year-end	101	76

Note 23 Derivatives, financial assets and financial liabilities**Currency forward contracts**

On December 31, 2015, the Group's open forward foreign exchange contracts had terms of up to three months. This table shows classification by currency.

Assets

Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million
EUR/SEK	8.9578	4,031	103
RUB/SEK	0.124	220	21
Other			25
Total			149

Liabilities

Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million
EUR/SEK	9.1331	7,137	43
EUR/USD	1.07	1,516	27
USD/SEK	8.079	2,852	127
Other			4
Total			201

Fair value of financial assets and liabilities

The following table 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 primarily recognized at level 1 and 2. Level 1 consist of listed interest-bearing securities. Fair value measurement is based on quoted prices on an active market. Level 2 mainly consist of funds 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 2015.

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.

The maximum exposure to credit risk at the end of the reporting period is the fair value of the derivatives that are recognized as assets in the balance sheet.

SEK million	2015		2014	
	Level 1	Level 2	Level 1	Level 2
Assets				
Currency forward contracts	–	149	–	208
Embedded derivatives	–	–	25	–
Available-for-sale financial assets	6	17	18	27
Total	6	166	43	235
Liabilities				
Interest rate swaps ¹⁾	–	23	–	22
Currency forward contracts	–	201	–	284
Total	–	224	–	306

¹⁾ Cash flow hedging.

The following table comprises the fair value of financial- assets and liabilities by valuation category compared with their carrying amounts.

2015 SEK million	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale financial assets	Total	Fair value
Available for sale financial assets	–	–	–	23	23	23
Derivatives	–	131	18	–	149	149
Trade receivables and other receivables	4,582 ¹⁾	–	–	–	4,582	4,582
Cash and cash equivalents	1,612	–	–	–	1,612	1,612
Total	6,194	131	18	23	6,366	6,366

2015 SEK million	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total	Fair value
Borrowings	–	–	24,862	24,862	24,838
Unconditional deferred payment	–	–	2,458	2,458	2,458
Trade payables	–	–	1,696	1,696	1,696
Derivatives	169	55	–	224	224
Other liabilities	–	–	987 ²⁾	987	987
Total	169	55	30,003	30,227	30,203

¹⁾ Consists of the Group's trade receivables, parts of other non-current receivables and parts of other short-term receivables.

²⁾ Consists of the parts of the Group's other short-term liabilities and accrued expenses.

2014 SEK million	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale financial assets	Total	Fair value
Available for sale financial assets	—	—	—	45	45	45
Derivatives	—	211	22	—	233	233
Trade receivables and other receivables	4,665 ¹⁾	—	—	—	4,665	4,665
Cash and cash equivalents	2,311	—	—	—	2,311	2,311
Total	6,976	211	22	45	7,254	7,254

2014 SEK million	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total	Fair value
Borrowings	—	—	28,208	28,208	28,254
Unconditional deferred payment	—	—	2,447	2,447	2,447
Trade payables	—	—	1,542	1,542	1,542
Derivatives	226	80	—	306	306
Other liabilities	—	—	1,238 ²⁾	1,238	1,238
Total	226	80	32,984	33,741	33,787

¹⁾ Consists of the Group's trade receivables, parts of other non-current receivables and parts of other short-term receivables.

²⁾ Consists of the parts of the Group's other short-term liabilities and accrued expenses.

Medas financial instruments attribute to level 1 and 2 and fair value by level is as follows:

SEK million	2015			2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets	6	6,360	6,366	43	7,211	7,254
Financial liabilities	—	30,203	30,203	3,973 ¹⁾	29,814	33,787

¹⁾ See Note 26.

Note 24 Cash and cash equivalents

SEK million	2015	2014
Cash and bank balances	1,612	2,311
Total	1,612	2,311

Note 25 Equity

Share capital and other contributed capital

No. of shares, share capital and premiums increased since 2014 as follows:

SEK million (except for no. of shares)	No. of shares	Share capital	Other contributed capital
2014			
January 1, 2014	302,243,065	302	8,865
Non-cash issue, net after tax	30,000,000	30	2,942
New share issue, net after tax	33,224,306	33	1,981
On December 31, 2014	365,467,371	365	13,788
2015			
On December 31, 2015	365,467,371	365	13,788

Dividend per share

At the AGM on April 14, 2016, a dividend of SEK 2.50 per share for a total of SEK 914 million will be proposed for 2015. Dividends for 2014 amounted to SEK 914 million (SEK 2.50 per share) and for 2013 SEK 756 million (SEK 2.50 per share).

Cont. Note 25

Other reserves, SEK million	Translation difference	Hedging of net investment	Cash flow hedging	Defined benefit pension plans and similar plans	Available-for-sale financial assets	Total
Other reserves January 1, 2014	-810	486	-26	-65	-	-415
Translation difference	2,118	-	-	-	-	2,118
Translation difference transferred to the income statement	-11	-	-	-	-	-11
Earnings from hedging net investment	-	-1,300	-	-	-	-1,300
Tax on earnings from hedging net investment	-	286	-	-	-	286
Earnings from revaluation of derivatives recognized in equity	-	-	11	-	-	11
Tax on earnings from revaluation of derivatives recognized in equity	-	-	-2	-	-	-2
Earnings from defined benefit pension plans and similar plans	-	-	-	-441	-	-441
Tax on earnings from defined benefit pension plans and similar plans	-	-	-	149	-	149
Earnings from available-for-sale financial assets	-	-	-	-	7	7
Tax on earnings from available-for-sale financial assets	-	-	-	-	-1	-1
Other reserves December 31, 2014	1,297	-528	-17	-357	6	401
Other reserves January 1, 2015	1,297	-528	-17	-357	6	401
Translation difference	-376	-	-	-	-	-376
Translation difference transferred to the income statement	-3	-	-	-	-	-3
Earnings from hedging net investment	-	395	-	-	-	395
Tax on earnings from hedging net investment	-	-87	-	-	-	-87
Earnings from revaluation of derivatives recognized in equity	-	-	-1	-	-	-1
Tax on earnings from revaluation of derivatives recognized in equity	-	-	0	-	-	0
Earnings from defined benefit pension plans and similar plans	-	-	-	66	-	66
Tax on earnings from defined benefit pension plans and similar plans	-	-	-	-11	-	-11
Earnings from available-for-sale financial assets	-	-	-	-	-10	-10
Tax on earnings from available-for-sale financial assets	-	-	-	-	1	1
Other reserves December 31, 2015	918	-220	-18	-302	-3	375

¹⁾ Recalculated on the basis of revised IAS 19.

Note 26 Borrowings

SEK million	2015	2014
Long-term borrowing		
Bank loans	21,150	21,190
Bond loans	1,350	5,611
Finance leases (see Note 16)	0	16
Other	7	–
Total	22,507	26,817
Short-term borrowing		
Bank loans	623	574
Bond loans	400	500
Commercial papers	1,331	182
Finance leases (see Note 16)	0	5
Factoring	1	130
Total	2,355	1,391
Total borrowings	24,862	28,208
Fair value	2015	2014
Level 1	–	3,973
Level 2	24,838	24,281
Total	24,838	28,254
Fair value deviates from the carrying amount on the Groups bond loans which are recognized in level 2 for 2015. Fair value measurement is based on observable market data on the OTC market. For 2014 level 1 consist of the bond loan of 400 MEUR which was absorbed in conjunction with the acquisition of Rottapharm and redeemed in late April 2015.		
Maturities for long-term borrowing:	2015	2014
Payable within 1–2 years	2,580	973
Payable within 2–5 years	19,927	21,985
Payable after 5 years	–	3,859
Total	22,507	26,817
Carrying amounts in SEK million, by currency, for the Group's borrowing:	2015	2014
EUR	14,834	18,237
USD	5,149	5,005
SEK	4,879	4,966
Total	24,862	28,208
Unused credits:	2015	2014
Unused unconfirmed credits	700	700
Unused confirmed credits	5,227	5,505

Note 27 Post-employment benefits

SEK million	2015	2014
Present value of funded obligations	1,262	1,248
Fair value of plan assets	–869	–854
Deficit of the funded plans	393	393
Present value of unfunded obligations	1,862	2,021
Net	2,255	2,415
SEK million	2015	2014
Recognized as assets ¹⁾	18	15
Recognized as liabilities	2,273	2,430
Net	2,255	2,415
¹⁾ Plans with a net surplus, i.e. where plan assets exceed the defined benefit obligations is recognized as other non-current receivables		
Changes in fair value of plan assets during the year	2015	2014
At year's start	854	688
Interest income	34	32
Remeasurements		
Return on plan assets, excluding amounts included in interest income	–35	36
Contributions		
Employers	48	58
Payments from plan		
Benefit payments	–57	–44
Settlements	–36	–38
Exchange differences	61	122
At year-end	869	854
Changes in present value of the obligations during the year	2015	2014
At year's start	3,269	1,788
Costs for service in current year	30	17
Interest expense	87	79
Remeasurements		
Gain (-)/loss from change in demographic assumptions	–16	37
Gain (-)/loss from change in financial assumptions	–98	382
Experience gains (-)/losses	–16	–5
Payments from plan		
Benefit payments	–133	–102
Settlements	–36	–38
Acquired operation	–	858
Exchange differences	37	253
At year-end	3,124	3,269

Cont. Note 27

The defined benefit obligation and plan assets are composed by country as follows in the table below:

2015 SEK million	Germany	US	Sweden	UK	Other	Total
Present value of obligation	1,652	1,011	102	193	166	3,124
Fair value of plan assets	–	–613	–	–209	–47	–869
Net	1,652	398	102	–16	119	2,255

2014 SEK million	Germany	US	Sweden	UK	Other	Total
Present value of obligation	1,789	997	104	189	190	3,269
Fair value of plan assets	–	–606	–	–203	–45	–854
Net	1,789	391	104	–14	145	2,415

Germany

In Germany, Meda has unfunded defined-benefit pension plans. These plans are closed to new members and new employees are instead offered a defined-contribution solution. The defined-benefit pension plans are based on the final salary and give employees covered by the plan benefits in the form of a percentage of salary upon retirement. The level of benefits also depends on the employee's period of service. Withdrawals for pensions are made for payouts to the retirees with vested pension. The pension payouts for the German plans are adjusted based on the consumer price index. The plans cover 2,477 people, 549 of whom were active employees as of December 31, 2015.

One of the pension plans in Germany, which was partially financed by the employer and partially by the employees, was discontinued on December 31, 2004 and is secured by Bayer Pensionskasse. Meda is according to German law (Gesetz zur Verbesserung der betrieblichen Altersversorgung) liable to cover any future pension increases. The plan is a defined-benefit plan that encompasses several employers. Meda is recognizing this plan as a defined-contribution plan since the Group has not had access to information that would enable this plan to be recognized as a defined-benefit plan. Meda will not be paying any premiums to Bayer Pensionskasse for 2016. Meda's share of the total number of active participants in the plan as of December 31, 2015 was 0.2% (0.3).

US

The defined benefit pension plan in the US is a tax-qualified plan that is subject to the Employee Retirement Income Security Act of 1974 (ERISA) minimum funding standards. The plan includes 1,821 persons whereof 104 are active employees as of December 31, 2015.

The member's defined benefit is based on their compensation and service with the Company. The plan is closed since 2003-01-31 and there are no benefit accruals after that date. Thus, service and compensation with the Company earned after January 31, 2003 are not taken into account for benefit accrual purposes but such service is taken into account for purposes of determining eligibility for early retirement benefits. A cost of living adjustment is done on the benefit payments for certain members of the plan who were hired before April 1, 1977. No cost of living adjustment is required on the portion of the benefit earned after September 30, 1980.

The defined benefit pension plan in the US reports a deficit of SEK 398 million (391) as of December 2015. Meda is obliged to fund the plan according to the rules of the Pension Protection Act of 2006 in the US and subsequent amendments under HATFA and the Bipartisan Budget Act of 2015, which generally require contributions to the plan on a yearly basis so that the deficit is funded within 7 years. Any gains or losses to the plan assets will also affect the level of future contributions. Contributions in 2016 are estimated to SEK 58 million. The yearly contribution is calculated on a yearly basis by an external actuary.

The trust fund of the defined benefit pension plan in the US is actively monitored by an investment committee and by SEI Investments (SEI). The board of Meda US has appointed an investment committee which consists of Meda Pharmaceuticals Inc. employees. The committee works with SEI to

determine investing decisions and allocation of funds. This work is abided by an investment policy, which is determined by the board of Meda Pharmaceuticals Inc., and the SEI investment management agreement. The investments are determined within an asset-liability matching framework to achieve a long-term investment that is in line with the obligations under the pension plan. The company's overall objective is to improve the funded status of the plan. The investment committee together with SEI actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligation. The company has not changed the processes used to manage its risks from previous years. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Sweden

Meda has both defined benefit and defined contribution plans based on collective agreement between the parties in the Swedish labor market.

The defined benefit plan, known as ITP 2, is valid for employees born in 1978 or earlier. The retirement pension in the ITP 2 plan is a defined benefit obligation handled by Meda and administered and secured by PRI Pensionsgaranti which also provides credit insurance. Obligations for family pension and disability pension for salaried employees is secured through insurance with Alecta. As per UFR 3 (statement issued by the Swedish Financial Reporting Board) this is a multi-employer benefit-based plan. For the 2015 financial year, the Group did not have access to information that would enable this plan to be recognized as a defined benefit plan. These benefits as per ITP 2, secured through Alecta insurance, are therefore recognized as a defined-contribution plan. Premiums for the defined benefit survivor's pension plan is calculated on an individual basis and based, among other things, on salary, previously vested pension and the assumed remaining service period. The expected premiums for 2016 for ITP 2 plans with Alecta amount to SEK 7 million (6). Meda's share of the total contributions to the plan amounts to 0.003% (0.003) and Meda's share of the total number of active participants is 0.018% (0.017). At the end of 2015, Alecta's surplus (in the form of the collective consolidation level) was 153% (143). The defined benefit ITP plan is a pension plan based on final salary and gives employees covered by the plan benefits in the form of a percentage of salary upon retirement. The level of the benefit also depends on the employee's period of service. The plans are unfunded and withdrawals for pensions are made for the payouts to the retirees with vested pension. The pension payouts from the plan are not adjusted based on the consumer price index. The plan covers 332 people, 87 of whom were active employees as of December 31, 2015.

The defined contribution plan, known as ITP 1, for employees born in 1979 or later.

The defined contribution plan ITP 1 or alternative ITP, for employees earning more than 10 income base amount and who have opted out of the defined benefit plan ITP 2, where rules are set by the Company and approved by each employee selected to participate.

UK

The defined benefit pension plan in the UK is a funded plan and has been closed to new members since January 1, 2007 and there are no benefit accruals after that date. New employees are currently offered a retirement solution through a defined contribution plan. The defined benefit pension plan includes 163 persons whereof none are active employees as of December 31, 2015.

The plan is a final salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided also depends on members' length of service. The pension payment in UK is on a yearly basis adjusted with 3% for some of the plan members. For other members of the plan the pension payments are adjusted for inflation.

The defined benefit pension plan in UK reports a surplus of SEK 16 million as of December 2015. Meda makes yearly contributions to the plan to ensure that the plan does not report a deficit. Any changes on the value of the plan assets may affect the yearly contribution to the plan. Contributions in 2016 are estimated to SEK 6 million. The contribution is monitored and calculated by an external actuary on a regular basis.

The funded pension plan in UK is administrated by Legal & General Investment Management Limited (LGIM). The administration is regulated by an investment management agreement. The agreement includes targets related to return on plan assets of which an investment strategy is suggested for Meda Pharmaceuticals Ltd. Investment decisions are handled by trustees, ENTs (Entity Nominated Trustees), which according to British law is designated by Meda Pharmaceuticals Ltd. The investments are determined within an asset-liability matching strategy to achieve a long-term investment that is in line with the obligations under the pension plan. The company's objective is to match assets to the pension obligations by investing in long term fixed interest securities with maturities that match the benefit payment as they fall due. The trustees and LGIM actively monitor how the duration and the expected yield of the investments are matching the

expected cash outflows arising from the pension obligation. The company has not changed the processes used to manage its risks from previous years. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Other

Recognized liabilities for other pension plans as of December 31, 2015 amounted to SEK 120 million (145). Other pension obligations are mainly related to France, Austria and Italy.

The significant actuarial assumptions are presented in the table below:

(weighted average %)	2015	2014
Discount rate	2.6	2.3
Future salary increase	2.2	2.2
Future pension increase	1.6	1.6

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

(weighted average, %)	2015	2014
Retiring at the end of the reporting period (age 65 years)		
Male	19.5	20.1
Female	23.0	23.4
Retiring 25 years after the end of the reporting period (age 40 years)		
Male	19.5	19.7
Female	23.5	23.5

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:¹⁾

SEK million	2015	Discount rate +0.5% -0.5%	Future salary increase +0.5% -0.5%	Future pension increase +0.5% -0.5%	Life expectancy +1 year -1 year
Present value of funded obligations	1,262	1,205 1,323	1,264 1,261	1,273 1,254	1,283 1,242
Fair value of assets	-869	-869 -869	-869 -869	-869 -869	-869 -869
Present value of unfunded obligations	1,862	1,734 2,007	1,877 1,847	1,981 1,753	1,947 1,768
Net	2,255	2,070 2,461	2,272 2,239	2,385 2,138	2,361 2,141

¹⁾ The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit method) has been applied as when calculating the pension liability.

Plan assets in the Group which are mainly attributable to US and UK are comprised as presented in the table below.

	Quoted	2015 Unquoted	Total	%	Quoted	2014 Unquoted	Total	%
Equity instruments								
US	292	51	343	40	305	—	305	36
UK	43	—	43	5	42	—	42	5
Debt instruments								
US	171	17	188	22	180	—	180	21
UK	166	—	166	19	161	—	161	19
Property								
US	—	82	82	9	—	66	66	8
Other								
US	—	—	—	—	7	48	55	6
Other countries	24	23	47	5	23	22	45	5
Total	696	173	869	100	718	136	854	100

Cont. Note 27

Contributions to the Group's defined-benefit pension and health care plans for the 2016 financial year are expected to amount to SEK 145 million. The weighted average maturity for the pension obligations is 13 years.

The maturities for expected undiscounted payouts for post-employment pension are listed below:

Maturity	Undiscounted payouts, SEK million
Within 1 year	145
Between 1–2 years	158
Between 2–5 years	512
More than 5 years	3,912
Total	4,727

Risks

Through its defined post-employment defined-benefit pension and healthcare plans, the Group is exposed to a number of risks. The most significant risks are described below.

Type of risk

Volatility in assets	The largest proportion of the Group's plan assets are in the US and the UK. The plan liabilities are calculated using a discount rate based on corporate bonds. If the plan assets do not achieve returns corresponding to the level of the discount rate, a deficit will arise. The US and UK plan contains of equities. Although, over the long term, the return is expected to exceed the interest on corporate bonds, the equities are associated with volatility and risk in the short term. As the plans approach maturity, Meda intends to reduce the level of investment risk by increasing investments in assets that better match the liability.
Bond yield changes	A big part of the Group's plans are unfunded and located to Germany where the discount rate is based on corporate bonds. A reduction in the interest on corporate bonds results in an increase in plan liabilities. In the US the pension plans are funded and any increase in the liability as a result of a decrease in interest on corporate bonds is to some extent compensated for by an increase in the value of the corporate bond holding.
Inflation	In the countries where the Group has pension obligations that are linked to inflation, higher inflation in those countries would lead to higher pension liabilities. The plan assets in the US and the UK are either not affected by (fixed interest on bonds) or slightly correlated with (equities) inflation, which means that an increase in inflation will increase the deficit in these plans.
Life expectancy assumptions	In most of the pension plans, individuals covered by the plans will receive life-long benefits, and accordingly, higher life expectancy assumptions result in higher pension liabilities.

Note 28 Other non-current liabilities

SEK million	2015	2014
Unconditional deferred payment	2,458	2,447
Other non-current liabilities	16	17
Total	2,474	2,464

The purchase price for Rottapharm includes an unconditional deferred payment of EUR 275 million which carries no interest and matures in January 2017. This is measured at fair value by discounting to present value using an interest rate of 2.6%. Interest cost for the period, since the acquisition, which is recognized under financial expenses amounts to SEK 65 (14) million.

Note 29 Other provisions

SEK million	Returns	Personnel	Restructuring	Legal disputes	Other	Total
On January 1, 2015	513	141	620	73	148	1,495
Additional provisions	488	76	273	213	30	1,080
Utilized during the year	–300	–35	–561	–30	–37	–963
Reversed unused amounts	–141	–12	–72	–2	–73	–300
Translation difference	37	8	–6	–	–6	33
On December 31, 2015	597	178	254	254	62	1,345

SEK million	2015	2014
Non-current provisions	337	375
Current provisions	1,008	1,120
Total	1,345	1,495

Expected outflow date, SEK million	Non-current provisions
In 2–3 years	118
In 4–5 years	62
After 5 years	157
Total	337

Provisions for returns

The provision for returns mainly comprises reserves for products that Meda is obliged to buy back from the customer a short time before or after their expiry date.

Provisions for personnel

SEK 94 million (89) of provisions for personnel relates to health benefits in the US after terminated employment which are unfunded. Accounting method, assumptions and number of evaluation points are similar to those used for defined benefit pension plans. The plans are closed and no actively employed are covered by the plan. The actuarial loss for 2015 amounted to SEK 2 million and interest expenses to SEK 4 million. Benefits paid from the plans amounted to SEK 9 million. Expected fees for 2016 amount to SEK 6 million. Weighted average maturity for the plans amount to 9 years.

The principal actuarial assumptions are the discount rate and long-term increase in the cost of health care which as of 2015-12-31 amounted to 4.25% (3.75) and 4.0% (4.0). A change in the discount rate of +/- 0.25% decrease / increase the liability with SEK +/- 2 million. A change in the long-term increase in the cost of health care by +/- 0.25% increase / decrease the obligation of SEK +/- 1 million.

Other personnel related provisions is mainly related to provisions for terminated contracts in Germany and Italy.

Provisions for legal disputes

SEK 189 million of the provision refers to a provision for an ongoing legal dispute in the US related to the product Reglan, which is expected to be closed during the third quarter 2016. See Note 30 for more information.

Individual assessment of ongoing disputes occurs continually.

Provisions for restructuring

The provision for restructuring amounted to SEK 254 million (620) whereof SEK 249 million is related to Rottapharm. Costs for restructuring during the year relating to the integration of Rottapharm were SEK 291 million (631). SEK -8 million is recognized under cost of sales, SEK 227 million under selling expenses, SEK 25 million under medicine and business development expenses and SEK 47 million under administrative expenses in the income statement. The costs are mainly related to personnel expenses. SEK 196 million of the restructuring provision will be paid in 2016.

Other provisions

Other provisions include, for example, excise duties, sales commissions and provisions for ongoing tax audits.

Note 30 Contingent liabilities

Pledged collateral, SEK million	2015	2014
Commitments		
Guarantees	31	32

- In-licensing of the global rights to Edluar may lead to milestone payments totaling USD 60 million when defined sales targets are reached.
- The acquisition of the European rights to the substance sotiromod may lead to milestone payments of USD 10 million when defined development stages are reached.
- The agreement with Ethypharm for the rights to the ketoprofen–omeprazole combination may lead to milestone payments of EUR 5 million upon registration and when defined sales targets are reached.
- In-licensing of OraDisc A for the European market may lead to milestone payments of EUR 4.8 million.
- The agreement with Cipla to expand the geographic territory for Dymista and the product development partnership may lead to milestone payments of USD 35 million when defined development stages are reached and upon the launch of new products.
- The acquisition of ZpearPoint may lead to milestone payments of NOK 40 million when defined development stages and sales targets are reached for the product EB24.
- The in-licensed rights to Betadine from Mundipharma will expire on December 31, 2017. With this counterparty, Meda has a binding option to acquire an eternal license for the rights to Betadine under certain conditions. The parties have entered into negotiations on future rights to the product.
- The maximum additional purchase consideration for other product rights is around SEK 74 million.
- In conjunction with the acquisition of Carter-Wallace in 2001, Meda Pharmaceuticals Inc. (previously MedPointe Inc.) took over certain environment-related obligations. In 1982, US Environmental Protection Agency (EPA) stated that Carter-Wallace, along with more than 200 other companies, were potentially responsible for waste placed at the Lone Pine Landfill waste disposal facility. In 1989 and 1991, without admitting responsibility, Carter-Wallace and 122 other companies entered into an agreement with the EPA to decontaminate Lone Pine. The process is ongoing. The provision for decontamination costs amounted to USD 2.0 million as of December 31, 2015.
- In conjunction with the purchase of Alaven Pharmaceuticals in 2010, Meda Pharmaceuticals Inc. assumed responsibility for ongoing US product liability cases involving the product Reglan (metoclopramide). Presently, there are slightly less than 3,300 cases in which the company is named as one of multiple defendants, with most of the cases in Philadelphia, San Francisco and New Brunswick. In general, the cases involve plaintiffs that took Reglan for long periods of time to control gastric stasis and gastroesophageal reflux and developed the side effect tardive dyskinesia, which is characterized by repetitive, involuntary muscle movements, generally of the face and extremities. Even though the Reglan labeling since 1986 has warned against the side effect if the product was taken for more than 12 weeks, the plaintiffs allege that the warning was not prominent enough. While Meda believes it has meritorious defenses to these claims, in order to avoid the expense and distraction of litigation, Meda has entered into a confidential settlement agreement which establishes a framework to resolve all of the claims. Meda has recognized a provision of USD 25 million in the third quarter 2015 whereof USD 2.5 million was paid in the fourth quarter 2015. The settlement is subject to sufficient participation by the plaintiffs as determined in Meda's sole discretion.
- From time to time Meda is involved in legal disputes that are common in the pharmaceutical industry. Although it is not possible to issue any guarantees about the outcome of these disputes, on the basis of Group management's present and fundamental judgment, we do not anticipate that they will have any materially negative impact on our financial position. This standpoint may naturally change over time.

Note 31 Cash flow**Adjustments for items not included in cash flow**

SEK million	2015	2014
Operating activities:		
Depreciation of property, plant, and equipment	211	133
Amortization of intangible assets	3,073	2,370
Bank charges ¹	115	186
Other	-26	-21
Total	3,373	2,668

¹ Bank charges taken to income during the year.

Note 32 Transactions with related parties

Fidim S.r.l. owns 33,657,052 shares in Meda AB, corresponding to 9.2% of the total number of shares. Fidim S.r.l. received 30,000,000 MEDA shares as part of the purchase price for Meda's acquisition of Rottapharm. Luca Rovati is a board member of Meda since November 2014 and partner in Fidim S.r.l.

To Meda related parties:

Fidim S.r.l.	Board member Luca Rovati holds shares in Fidim Srl
RRL Immobiliare SpA	Fidim Srl owns RRL Immobiliare SpA. Luca Rovati is a board member of RRL Immobiliare SpA
Rottapharm Biotech S.r.l.	Fidim Srl owns Rottapharm Biotech Srl
Demi-Monde S.r.l.	Demi-Monde Srl is owned by related party to board member Luca Rovati
Day Spa S.r.l.	Day Spa Srl is owned by related party to board member Luca Rovati
Johan & Levi S.r.l.	Johan & Levi Srl is owned by related party to board member Luca Rovati

Transactions with related parties:**Sales of goods and services and other sales, SEK million**

Rottapharm Biotech S.r.l.	4.1	Refers to sales of services
Other related parties	0.2	

Purchases of goods and services, SEK million

RRL Immobiliare SpA	28.1	Refers to rental of office- and factory space
Rottapharm Biotech S.r.l.	6.8	Refers to purchases of research and development services

Balances as per December 31, 2015, SEK million

	Receivable	Liability
Fidim S.r.l.	12.1 ¹⁾	–
RRL Immobiliare SpA	5.4	9.2
Rottapharm Biotech S.r.l.	0.8	0.4
Other related parties	0.1	0.3

¹⁾ Refers to tax related expenses which have been re-charged to Fidim S.r.l.

All transactions between related parties are based on market conditions and negotiations have taken place on an arms' length basis.

Remuneration to senior executives is described in Note 8. No other related party transactions occurred in 2015.

Note 33 Events after the reporting date**Public offer by Mylan**

Mylan N.V., a company incorporated in the Netherlands, and whose ordinary shares are traded on the NASDAQ Global Select Market and the Tel Aviv Stock Exchange, announced on February 10th 2016, a recommended public offer to the shareholders of Meda AB to transfer all of their shares in Meda AB to Mylan N.V. for a consideration consisting of a combination of cash and shares of common stock in Mylan N.V.. Please refer to Mylan N.V.'s separate offer announcement for more information about the offer, and to a separate press release issued by Meda AB regarding the Board's recommendation of the offer.

Income statement parent company

SEK million	Note	2015	2014
Net sales	2,3	6,422	6,011
Cost of sales	4	-3,831	-3,388
Gross profit		2,591	2,623
Selling expenses		-518	-484
Medicine- and business development expenses		-912	-1,173
Administrative expenses		-211	-157
Operating profit	4-8	950	809
Profit from interests in Group companies	9	374	402
Interest income and similar items	10	883	608
Interest cost and similar items	10	-1,043	-749
Profit before appropriations and tax		1,164	1,070
Appropriations	11	-686	-175
Tax	12	-24	-110
Net income		454	785

Statement of comprehensive income

SEK million	2015	2014
Net income	454	785
Items that may be reclassified to the income statement		
Cash flow hedges, net after tax	-1	9
Net investment hedge, net after tax	-62	-304
Other comprehensive income for the period after tax	-63	-295
Total comprehensive income	391	490

Items in the previous table are recognized net of tax. Details are given in the parent company's specification for the equity on the tax attributable to each component in other comprehensive income.

Balance sheet parent company

SEK million	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS	1		
Non-current assets			
Intangible non-current assets			
Product rights and other intangible assets	13	4,459	5,137
Total intangible non-current assets			5,137
Property, plant and equipment			
Equipment	14	45	1
Total property, plant and equipment		45	1
Non-current financial assets			
Interests in Group companies	15	12,210	12,203
Receivables from Group companies		27,912	26,106
Deferred tax asset	12	23	28
Other non-current liabilities		79	89
Total non-current financial assets		40,224	38,426
Total non-current assets		44,728	43,564
Current assets			
Inventories	16	535	493
Current receivables			
Trade receivables	17	357	414
Receivables from Group companies		1,098	1,146
Other receivables		83	27
Derivatives		149	208
Tax assets		–	2
Prepayments and accrued income	18	38	39
Total current receivables		1,725	1,836
Cash and bank balances		968	611
Total current assets		3,228	2,940
TOTAL ASSETS		47,956	46,504

SEK million	Note	Dec. 31, 2015	Dec. 31, 2014
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		365	365
Statutory reserves		3,175	3,175
Total restricted equity		3,540	3,540
Non-restricted equity			
Share premium reserve		10,616	10,616
Fair value reserve		-384	-321
Retained earnings		1,937	2,029
Profit for the year		454	785
Total non-restricted equity		12,623	13,109
Total equity		16,163	16,649
Untaxed reserves	19	1,520	1,679
Provisions			
Provisions for pensions	20	69	67
Other provisions		6	-
Total provisions		75	67
Non current liabilities			
Borrowings	21	22,533	22,962
Liabilities to Group companies		1,521	1,697
Derivatives		19	23
Other liabilities		2	-
Total non-current liabilities		24,075	24,682
Current liabilities			
Borrowings	21	2,303	1,188
Liabilities to Group companies		2,805	1,240
Trade payables		499	435
Derivatives		205	284
Other liabilities		42	147
Accruals and deferred income	22	269	133
Total current liabilities		6,123	3,427
TOTAL EQUITY AND LIABILITIES		47,956	46,504
Pledged assets		-	-
Commitments	23	42	37

Cash flow parent company

SEK million	Note	2015	2014
Cash flow from operating activities			
Profit after financial items		1,164	1,070
Adjustments for items not included in cash flow	24	405	760
Net change in pensions		2	5
Net change in other provisions		-2	-7
Income taxes paid		0	-7
Cash flow from operating activities before changes in working capital		1,569	1,821
Cash flow from changes in working capital			
Inventories		-32	-27
Receivables		-2	-142
Liabilities		97	285
Cash flow from operating activities		1,632	1,937
Cash flow from investing activities			
Acquisition of intangible assets		-17	-6
Acquisition of tangible assets		-46	0
Acquired operation		-7	-28
Divested operation		-	7
Increase of financial receivables		-1,879	-12,162
Decrease of financial receivables		374	435
Cash flow from investing activities		-1,575	-11,754
Cash flow from financing activities			
Loans raised		2,107	21,433
Loan repayments		-1,607	-12,917
Capital contributions		-	2,014
Increase of financial liabilities		1,816	881
Decrease of financial liabilities		-1,102	-249
Dividend		-914	-756
Cash flow from financing activities		300	10,406
Cash flow for the period		357	589
Cash and cash equivalents at periods start		611	22
Cash and cash equivalents at periods end		968	611
Interest received		782	469
Interest paid		-780	-707
Total		2	-238

Equity parent company

SEK million	Restricted equity		Non restricted equity			Total equity
	Share-capital	Statutory reserves	Share premium reserve	Fair value reserve	Retained earnings and profit for the year	
Opening balance, equity, January 1, 2014	302	3,175	5,694	-26	2,783	11,928
Comprehensive income						
Profit for the year	-	-	-	-	785	785
Other comprehensive income						
Cash flow hedging, interest rates derivatives	-	-	-	11	-	11
Tax on cash flow hedging, interest rates derivatives	-	-	-	-2	-	-2
Net investment hedge	-	-	-	-389	-	-389
Tax on net investment hedge	-	-	-	85	-	85
Total other comprehensive income	-	-	-	-295	-	-295
Total comprehensive income	-	-	-	-295	785	490
Non-cash issue	30	-	2,946	-	-	2,976
Non-cash issue costs	-	-	-5	-	-	-5
Tax on non-cash issue costs	-	-	1	-	-	1
New share issue	33	-	1,994	-	-	2,027
New share issue costs	-	-	-17	-	-	-17
Tax on new share issue costs	-	-	4	-	-	4
Share-based payments, settled using equity instruments	-	-	-	-	2	2
Dividend in 2013	-	-	-	-	-756	-756
Closing balance, equity, December 31, 2014	365	3,175	10,616	-321	2,814	16,649
Opening balance, equity, January 1, 2015	365	3,175	10,616	-321	2,814	16,649
Comprehensive income						
Profit for the year	-	-	-	-	454	454
Other comprehensive income						
Cash flow hedging, interest rates derivatives	-	-	-	-1	-	-1
Tax on cash flow hedging, interest rates derivatives	-	-	-	0	-	0
Net investment hedge	-	-	-	-80	-	-80
Tax on net investment hedge	-	-	-	18	-	18
Total other comprehensive income	-	-	-	-63	-	-63
Total comprehensive income				-63	454	391
Share-based payments, settled using equity instruments	-	-	-	-	37	37
Dividend in 2014	-	-	-	-	-914	-914
Closing balance, equity, December 31, 2015	365	3,175	10,616	-384	2,391	16,163

Notes parent company

Note 1 Accounting policies

The parent company prepared its annual report per the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 of the Swedish Financial Reporting Board. RFR 2 means that in the annual report for the legal entity, the parent company must apply all EU-approved IFRS regulations and statements as far as possible within the framework of the Annual Accounts Act, with consideration for the connection between accounting and taxation.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

Interests in subsidiaries

Interests in subsidiaries are carried at cost, less any impairment losses, per the Annual Accounts Act.

Liabilities

Liabilities that comprise hedging instruments for investment in subsidiaries were not revalued at the closing rate, but were valued at the acquisition cost of the investment.

Pensions

Pensions are not recognized per IAS 19. Instead, the parent company complies with Recommendation RedR 4 of FAR, the institute for the accountancy profession in Sweden.

Taxes

Deferred tax attributable to untaxed reserves is not recognized separately in the parent company. Tax on Group contributions is recognized per IAS 12 in the income statement.

Business combinations

Transaction costs attributable to the acquisition are included in the cost of acquisition in the parent company statements compared to Group Statements where these costs are expensed as incurred.

Note 2 Distribution of net sales

SEK million	2015	2014
Western Europe	5,120	4,958
US	36	31
Emerging Markets	998	755
Other Sales	268	267
Total	6,422	6,011
Goods sold	6,237	5,847
Royalty income	144	106
Other income	41	58
Total	6,422	6,011

Note 3 Intra-Group transactions

These data show the year's purchases and sales between Group companies.

SEK million	2015	2014
Goods sold	4,213	3,889
Royalty income	138	106
Other income	47	57
Goods purchased	-193	-155
Total	4,205	3,897

Note 4 Expenses by type

SEK million	2015	2014
Raw materials and consumables	725	565
Goods for resale	2,486	2,232
Staff costs	177	136
Depreciation and amortization	696	971
Other expenses	1,388	1,298
Total cost of sales, selling costs, medicine and business development expenses, and administrative expenses	5,472	5,202

Note 5 Personnel, average number of employees

Average no. of employees

	2015		2014	
	Women	Men	Women	Men
	72	40	63	32
Total	112		95	

Gender distribution in the board

	2015		2014	
	Women	Men	Women	Men
The board of directors	3	6	2	7
Total	3	6	2	7

Note 6 Salaries, other remuneration, and social security costs**Total salaries, social security costs and pensions**

SEK million	2015			2014		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	123	60	20	89	50	23
Pension costs						
– Defined-contribution plans			12			18
– Defined-benefit plans			8			5
Total			20			23

Remuneration and other benefits to board and senior executives

For remuneration to the board and executives refer to Note 8, Group.

Note 7 Fees and remuneration to auditors

The next table shows the financial year's expensed auditing fees and expensed fees for other assignments performed by the parent company's auditors.

SEK million	2015	2014
PwC		
Audit assignment ¹⁾	2	5
Tax consulting	0	0
Other services	1	12 ²⁾
Total	3	17

¹⁾ Auditing fees refers to fees for the statutory audit, i.e., such work that was necessary to issue the auditor's report and audit advice given in connection with the audit assignment.

Fees for auditing services other than regular auditing assignments amount to SEK 0 million (3).

²⁾ The work has been carried out by various PwC firms around the world but has been invoiced centrally.

Note 8 Operating leases

SEK million	2015	2014
Leasing expensed during the financial year	11	11

The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:

SEK million	2015	2014
Payable within 1 year	10	11
Payable within 1–5 years	30	5
Total	40	16

No part of future minimum lease payments regarding non-cancellable leases is due for payment later than five years. Leasing costs includes primarily office premises and cars. The lease agreement for office premises, which was prolonged in 2015, expires in June 2020.

Note 9 Earnings from interests in Group companies

SEK million	2015	2014
Dividends from Group companies	374	435
Group contributions received	–	–15
Impairment of shares in Group companies	–	–18
Total	374	402

Note 10 Financial items

SEK million	2015	2014
Interest income and similar items		
Interest	883	608
Total	883	608

SEK million	2015	2014
Interest expenses and similar items		
Interest	–961	–560
Costs of raising loans	–55	–186
Exchange losses	–26	–1
Other	–1	–2
Total	–1,043	–749

Note 11 Appropriations

SEK million	2015	2014
Group contributions paid	844	735
Excess depreciation/amortization	–158	–560
Total	686	175

Note 12 Tax

SEK million	2015	2014
Current tax expense (-)/tax income (+)		
Current tax for the year	-1	-7
Current tax attributable to prior years	0	0
Total	-1	-7
Deferred tax expense (-)/tax income (+)		
Deferred tax	-23	-103
Total	-24	-110

Tax items recognized directly in equity and other comprehensive income

SEK million	Dec 31, 2015	Dec 31, 2014
Share issue, current tax	-	5
Derivatives	18	83
Total	18	88

Temporary differences resulted in these deferred tax assets/liabilities:

SEK million	Other receivables	Derivatives	Borrowings	Total
On January 1, 2014	10	15	23	48
Recognized in equity	-	-2	85	83
Recognized in income statement	-4	1	-100	-103
On December 31, 2014	6	14	8	28
Recognized in equity	-	0	18	18
Recognized in income statement	0	-	-23	-23
On December 31, 2015	6	14	3	23

The next table shows the difference between recognized tax expense and the relevant tax rate.

SEK million	2015	2014
Reconciliation of effective tax		
Profit before tax	479	895
Tax as per applicable tax rate for parent company 22% (22)	-105	-197
Other non-deductible expenses	-1	-9
Non-taxable income (dividends from subsidiaries)	82	96
Tax attributable to prior years	0	0
Recognized effective tax	-24	-110

Note 13 Product rights and other intangible assets

SEK million	2015			2014		
	Product rights	Other assets	Total	Product rights	Other assets	Total
Opening cost of acquisition	11,562	35	11,597	11,658	29	11,687
Investments	13	4	17	-	6	6
Sales/disposals	-	-	-	-96	-	-96
Closing cost of acquisition	11,575	39	11,614	11,562	35	11,597
Scheduled opening amortization	-6,448	-12	-6,460	-5,508	-7	-5,515
Scheduled amortization for the year	-690	-5	-695	-966	-5	-971
Sales/disposals	-	-	-	26	-	26
Scheduled closing amortization	-7,138	-17	-7,155	-6,448	-12	-6,460
Carrying amount at year-end	4,437	22	4,459	5,114	23	5,137
Scheduled amortization per function						
Medicine and business development expenses	-690	-5	-695	-966	-5	-971

Not 14 Tangible Assets

SEK million	2015	2014
Opening cost of acquisition	9	9
Investments	46	0
Sales/Disposals	-7	-
Closing cost of acquisition	48	9
Opening depreciation	-8	-8
Year's depreciation	-1	0
Sales/Disposals	6	-
Closing depreciation	-3	-8
Carrying amount at year-end	45	1

Note 15 Interests in Group companies

Subsidiaries	Corporate ID number	Registered office	No. of shares	Share of equity, %	Carrying amount 2015	Carrying amount 2014
Meda Germany Holding GmbH ¹⁾	HRB 9848	Bad Homburg, Germany	4	100	5,041	5,041
Meda Pharmaceuticals Inc.	13-4986583	Somerset, US	1,000	100	3,793	3,793
Meda A/S	46 03 22 17	Alleröd, Denmark	104	100	144	144
Ipex AB ²⁾	556544-1135	Danderyd, Sweden	1,428	100	139	139
Ellem Läkemedel AB	556196-1789	Stockholm, Sweden	1,000	100	4	4
Meda Pharma Hungary Kft.	01-09-870550	Budapest, Hungary	130	100	5	5
Meda AS	920218199	Asker, Norway	2,000	100	2	2
Meda Pharmaceuticals Ltd.	6130651123	Istanbul, Turkey	523,195	42.96 ³⁾	23	23
Meda OY	0111457-9	Åbo, Finland	3,200	100	4	4
Meda Pharmaceuticals SA	58280/01AT/B/05/111	Aten, Greece	60,000	99.9	1	1
Meda Health Sales Ireland Ltd.	403901	Dunboyne, Ireland	510,000	100	43	43
Meda Pharma LLC	1097746271127	Moskva, Russia	1	1 ⁴⁾	0	0
Meda Pharmaceuticals Sp.z o.o.	5272515293	Warszawa, Poland	50	100	0	0
Viartis Pharmaceuticals Ltd.	04303411	Nottingham, UK	1	100	0	0
Meda Pharma S de RL de CV	401800-1	Jardines en la Montaña, Mexico	1	100	0	0
Rottapharm S.p.A.	4472830159	Monza, Italy	36,000,000	18 ⁵⁾	3,011	3,004
Total					12,210	12,203

Medas main business is sales of pharmaceuticals. Meda is also manufacturing pharmaceuticals and have 6 production sites, see page 38. The most important holding company within the Group is IPEX AB.

¹⁾ The most important holdings in Meda Germany Holding GmbH:
 Meda Pharma GmbH & Co KG, Bad Homburg, Germany
 Meda Manufacturing GmbH, Köln, Germany
 Meda Pharma GmbH, Vienna, Austria
 Meda Pharma s.r.o., Prague, Czech Republic
 Meda Pharma spol. s.r.o., Bratislava, Slovakia

²⁾ The most important holdings in Ipex AB:
 Meda Pharma GmbH, Wangen, Switzerland
 Meda Manufacturing SAS, Merignac, France
 Meda Pharma SAS, Paris, France
 Meda Pharmaceuticals Ltd., Bishop's Stortford, UK
 Meda Pharma S.A. / N.V., Brussels, Belgium
 Meda Pharma B.V., Amstelveen, Netherlands
 Meda Pharma SL, Madrid, Spain
 Meda Pharma S.p.A., Milan, Italy
 Meda Pharma Produtos Farmacêuticos, S.A., Lisbon, Portugal
 Meda Pharmaceuticals Middle East & Africa FZ LLC, Dubai, United Arab Emirates
 Meda Pharmaceuticals Switzerland GmbH, Wangen, Switzerland
 Meda Pharma İlaç Sanayi ve Ticaret Limited Sirketi, Istanbul, Turkey³⁾
 Meda OTC AB, Stockholm, Sweden
 Recip AB, Stockholm, Sweden
 Meda Pharma LLC, Moscow, Russia
 Meda Pharma S.a.r.l., Luxembourg, Luxembourg
 Meda Pharma Importação e Exportação de Produtos Farmacêuticos, Sao Paulo, Brazil
 Abbex AB, Stockholm, Sweden
 Meda Pharma GmbH, Austria

³⁾ IPEX AB has a 57.04% share of equity.

⁴⁾ IPEX AB has a 99% share of equity.

⁵⁾ Meda Pharma S.p.A. has a 82% share of equity.

Note 16 Inventories

SEK million	2015	2014
Raw materials	133	148
Work in progress	–	5
Finished goods and goods for resale	402	339
Total	535	493

The charge for expensed inventories is included in the Cost of sales item and amounted to SEK 3,193 million (2,827).

Write-down of inventories in the parent company totaled SEK 0 million (6) during the year.

Note 17 Trade receivables

SEK million	2015	2014
Trade receivables	357	414

On December 31, 2015, past due trade receivables stood at SEK 38 million (82). Their aging analysis is as follows:

SEK million	2015	2014
< 3 months	18	65
3–6 months	3	7
>6 months	17	10
Total	38	82

No impairment was deemed to be applicable to the parent company's trade receivables.

Excluding past due trade receivables, the parent company's trade receivables amounted to SEK 319 million (332). Their aging analysis:

SEK million	2015	2014
<3 months	301	332
3-6 months	18	–
Total	319	332

Note 18 Prepayments and accrued income

SEK million	2015	2014
Prepaid rent	2	2
Prepaid insurance	4	3
Other prepayments	32	34
Total	38	39

Note 19 Untaxed reserves

SEK million	2015	2014
Accumulated excess depreciation/amortization	1,520	1,679
Total	1,520	1,679
Accumulated excess depreciation/ amortization by asset type		
Product rights	1,520	1,679

Note 20 Pension provisions

SEK million	2015	2014
PRI pensions	69	67
Total	69	67

Pension costs for the defined-benefit pension plan were recognized in the amount of SEK 7 million (5) in the operation. Interest expense was SEK 2 million (3).

Note 21 Borrowings

SEK million	2015	2014
Long-term borrowing		
Bank loans	21,183	21,212
Bond loans	1,350	1,750
Total	22,533	22,962

Short-term borrowing

Bank loans	572	511
Bond loans	400	500
Commercial papers	1,331	177
Total	2,303	1,188
Total borrowings	24,836	24,150

Maturities for long-term borrowing:

Payable within 1–2 years	2,573	973
Payable within 2–5 years	19,960	18,130
Payable after 5 years	–	3,859
Total	22,533	22,962

Carrying amounts in SEK million, by currency, for the parent company's borrowing:

EUR	14,790	14,173
USD	5,167	5,011
SEK	4,879	4,966
Total	24,836	24,150

Unused credits:	2015	2014
Unused unconfirmed credits	700	700
Unused confirmed credits	5,227	5,505

Note 22 Accruals and deferred income

SEK million	2015	2014
Accrued interest expense	185	49
Vacation pay liability	13	12
Other accrued employee benefits expense	16	9
Prepaid income	1	1
Other accrued expenses	54	62
Total	269	133

Note 23 Contingent liabilities

Pledged collateral, SEK million	2015	2014
Commitments		
Surety given that benefits subsidiaries	42	36
Guarantees	1	1
Total	43	37

- In-licensing of the global rights to Edluar may lead to milestone payments totaling USD 60 million when defined sales targets are reached.
- The acquisition of the European rights to the substance sotiromod from 3M may lead to additional milestone payments of USD 10 million when defined development stages are reached.
- The agreement with Ethypharm for the rights to the combination of keto-profen and omeprazole may lead to milestone payments of EUR 5 million upon registration and when defined sales levels are reached.
- In-licensing of OraDisc A for the European market may lead to additional milestone payments of EUR 4.8 million.
- The agreement with Cipla to expand the geographic territory for Dymista and the product development partnership may lead to payments of USD 35 million when defined development stages are reached and upon the launch of new products.
- The maximum additional purchase consideration for other product rights is around SEK 18 million.
- From time to time Meda is involved in legal disputes that are common in the pharmaceutical industry. Although it is not possible to issue any guarantees about the outcome of these disputes, on the basis of Group management's present and fundamental judgment, we do not anticipate that they will have any materially negative impact on our financial position. This standpoint may naturally change over time.

Note 24 Cash flow

Adjustments for non-cash items

SEK million	2015	2014
Operating activities:		
Amortization of non-current assets	696	970
Not yet paid dividend from subsidiaries	–374	–435
Bank charges ¹⁾	55	186
Other	28	39
Total	405	760

¹⁾ During the year recognized bank charges

Note 25 Financial risks

See Note 2 of the consolidated accounts for a description of financial risks.

Statement of the board

The annual accounts and consolidated accounts of Meda AB (publ) for 2015 have been approved for publication according to a board decision on March 21, 2016. The board proposes adoption of the annual accounts and consolidated accounts at the annual general meeting on April 14, 2016.

The board and the CEO hereby provide an assurance that the consolidated statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair and true presentation of the Group's position and performance. The annual

statements were prepared using generally accepted accounting principles and provide a fair and true presentation of the parent company's financial position and results.

The management report for the Group and parent company provides a fair and true summary of the performance of the Group's and parent company's operations, their position and financial results, and describes significant risks and uncertainties faced by the parent company and Group companies.

Stockholm, March 21, 2016

The board and CEO of Meda AB (publ)

Martin Svalstedt
Board chairman

Luca Rovati
Deputy Chairman

Peter Claesson
Board member

Peter von Ehrenheim
Board member

Kimberly Lein-Mathisen
Board member

Guido Oelkers
Board member

Karen Sörensen
Board member

Lillie Li Valeur
Board member

Lars Westerberg
Board member

Jörg-Thomas Dierks
Chief Executive Officer

We submitted our audit report on March 22, 2016

PricewaterhouseCoopers AB

Mikael Eriksson
Auditor in charge
Certified Public Accountant

Mikael Winkvist
Certified Public Accountant

Auditor's report

To the annual meeting of the shareholders of Meda AB (publ)
Corporate identity number 556427-2812

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Meda AB for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 64–128.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate

governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Meda AB for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 22, 2016

PricewaterhouseCoopers AB

Mikael Eriksson
Auditor in charge
Authorized Public Accountant

Mikael Winkvist
Authorized Public Accountant

Financial review

SEK million	2015	2014	2013	2012 ¹⁾	2011
SUMMARY OF INCOME STATEMENTS					
Continuing operations					
Net sales	19,648	15,352	13,114	12,991	12,856
Operating expenses	-16,951	-13,907	-11,566	-11,190	-10,212
Other income	22	42	-	-	-
Operating profit¹⁾	2,719	1,487	1,548	1,801	2,644
Net finance costs	-1,415	-905	-545	-565	-604
Profit after financial items	1,304	582	1,003	1,236	2,040
Tax	-112	-180	-198	-61	-432
Net income²⁾	1,192	402	805	1,175	1,608
¹⁾ Operating profit, adjusted for non-recurring items	3,198	2,197	1,548	1,801	2,683
Non-recurring items, revenue	22	42	-	-	-
Non-recurring items, expenses	-501	-752	-	-	-39
²⁾ Net income attributable to:					
Parent company shareholders	1,176	399	807	1,204	1,616
Non-controlling interests	16	2	-2	-29	-8
	1,192	402	805	1,175	1,608
SUMMARY OF BALANCE SHEETS					
Assets					
Non-current assets					
Tangible assets	1,504	1,692	848	795	811
Intangible assets	47,478	50,798	29,666	30,419	32,306
Other non-current assets	2,097	2,015	936	946	592
Current assets					
Inventories	2,876	2,988	1,982	1,931	1,780
Current receivables	5,279	5,308	2,683	2,486	3,089
Cash and cash equivalents	1,612	2,311	178	194	140
Total assets	60,846	65,112	36,293	36,771	38,718
Equity and liabilities					
Equity	20,956	20,680	15,211	14,723	14,971
Non-current liabilities					
Interest-bearing	24,780	29,247	8,899	14,479	15,699
Other non-current liabilities	7,537	8,139	2,485	2,842	3,015
Current liabilities					
Interest-bearing	2,355	1,391	6,304	1,752	1,802
Other current liabilities	5,218	5,655	3,394	2,975	3,231
Total equity and liabilities	60,846	65,112	36,293	36,771	38,718
SUMMARY OF CASH FLOW STATEMENTS					
Cash flow from operating activities before changes in working capital	3,717	3,254	2,956	3,051	3,130
Change in working capital	-393	-212	-111	-238	-272
Cash flow from operating activities	3,324	3,042	2,845	2,813	2,858

¹⁾ Recalculated on the basis of revised IAS19.

SEK million	2015	2014	2013	2012 ¹⁾	2011
Cash flow from investing activities	262	-8,906	-1,255	-1,143	-5,669
Cash flow from financing activities	-4,272	7,914	-1,597	-1,608	2,844
Cash flow for the period	-686	2,050	-7	62	33
Cash and cash equivalents at period's start	2,311	178	194	140	111
Exchange-rate difference for cash and cash equivalents	-13	83	-9	-8	-4
Cash and cash equivalents at period's end	1,612	2,311	178	194	140
INVESTMENTS					
– in intangible assets ³⁾	228	8,818	1,043	1,026	5,596
– in tangible assets	220	116	136	126	124
³⁾ Including acquisition of subsidiaries and asset deals.					
KEY RATIOS RELATED TO EARNINGS					
Growth, total, %	28	17	1	1	11
Growth, constant exchange rates, %	21	12	3	3	18
Growth, organic, %	-1 ⁷⁾	2	4	0	0
Gross margin, %	61.7	60.4	61.2	61.2	63.8
Operating margin, %	13.8	9.7	11.8	13.9	20.6
Profit margin, %	6.6	3.8	7.6	9.5	15.9
EBITDA, SEK million	6,003	3,990	3,734	3,945	4,683
EBITDA margin, %	30.6	26.0	28.5	30.4	36.4
EBITDA excluding non-recurring items, SEK million	6,482	4,700	3,734	3,945	4,722
EBITDA margin excluding non-recurring items, %	33.0	30.6	28.5	30.4	36.7
KEY RATIOS RELATED TO CASH FLOW					
Free cash flow, SEK million ⁴⁾	3,095	2,901	2,688	2,672	2,713
Cash earnings per share, SEK ⁵⁾	8.5	9.0	8.6	8.5	8.7
Free cash flow excluding non-recurring items, SEK million ⁴⁾	4,172	3,000	2,688	2,672	2,713
Cash earnings per share excluding non-recurring items, SEK ⁵⁾	11.4	9.3	8.6	8.5	8.7
⁴⁾ Cash flow from operating activities less cash flow from investing activities (excluding acquired product rights and acquired operations).					
⁵⁾ Calculated on average number of diluted shares. Recalculation has been done considering the bonus issue element in the rights issue 2014.					
CAPITAL STRUCTURE AND EARNINGS					
Equity, SEK million	20,956	20,680	15,211	14,723	14,971
Adjusted equity, SEK million	20,042	19,766	14,455	14,043	14,291
Return on capital employed, %	5.4	3.6	5.1	5.7	8.8
Return on equity, %	5.7	2.2	5.4	7.9	11.1
Net debt, SEK million	25,505	28,244	15,025	16,037	17,361
Net debt/equity ratio, times	1.2	1.4	1.0	1.1	1.2
Net debt/adjusted EBITDA	4.11	5.20	4.07	3.98	3.46
Equity/assets ratio, %	34.4	31.8	41.9	40.0	38.7
EBIT interest cover, times	1.9	1.7	2.8	3.0	3.9
Dividend yield, %	2.3	2.2	3.1	3.0	3.1
Equity per share	57.3	56.6	50.3	48.7	49.6
Earnings per share, SEK ⁶⁾	3.22	1.23	2.67	3.98	5.35
Earnings per share excluding non-recurring items, SEK ⁶⁾	4.14	3.64	2.57	3.29	4.84
Adjusted earnings per share, SEK	10.57	9.29	7.67	8.27	9.55
Adjusted free cash flow/capital employed, %	10.3	10.7	10.6	10.3	11.2
Free cash flow/equity, %	20.1	18.2	18.0	17.9	19.0
Net working capital/net sales, %	22	23	16	16	15
Free cash flow/EBITDA, %	52	73	72	68	58
Free cash flow excluding non-recurring items/EBITDA excluding non-recurring items, %	64	64	72	68	57
Dividend per share, SEK	2.50 ⁸⁾	2.50	2.50	2.25	2.25
⁶⁾ Amounts for previous periods have been recalculated to consider the bonus issue element in the rights issue 2014.					
⁷⁾ Pro forma organic growth.					
⁸⁾ Proposed dividend.					
EMPLOYEES					
Average no. of employees	4,209	3,482	3,066	2,869	2,591

¹⁾ Recalculated on the basis of revised IAS 19.

The Meda share

LISTING AND TRADING VOLUME

Meda's share has been quoted on the Stockholm Stock Exchange since 1995 and under the Large Cap segment of Nasdaq Stockholm since 2006. One trading unit contains one share.

On December 31, 2015, market capitalization was SEK 39,141 million. The total trading volume¹⁾ of Meda shares in 2015 exceeded SEK 648.9 million shares to a value of almost SEK 69.5 billion. This equates to an average daily trading volume of 2.6 million shares, corresponding to SEK 276.9 million per business day.

DIVIDEND

The board resolved to propose a dividend of SEK 2.50 per share (2.50) for 2015, corresponding to 60% (69) of profit excluding one-off items for the year and 30% (28) of cash earnings per share. Meda aims to enhance shareholder value in the long term, and the board's intention is to propose a dividend that reflects Meda's sustainable earnings trend, taking into account expansion possibilities and financial position.

¹⁾ On all trading platforms

SHAREHOLDERS

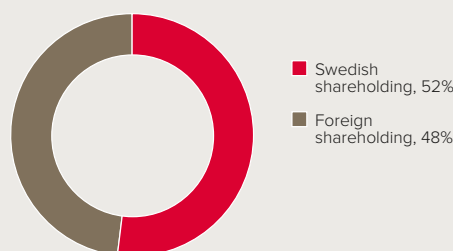
Meda's shareholding structure and apportionment by size are set out below. Based on data provided by Euroclear Sweden AB as of December 30, 2015

MAJOR SHAREHOLDERS AS OF DECEMBER 30, 2015

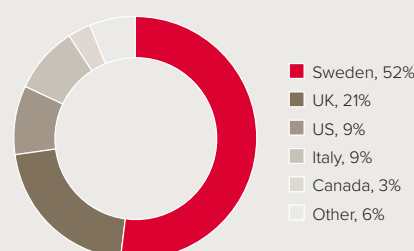
Name	Number of shares	Share capital and voting rights, %
Stena Sessan Rederi AB	75,652,948	20.7
FIDIM SRL	33,016,286	9.0
UBS AG LDN BRANCH A/C CLIENT, IPB	32,049,458	8.8
GOLDMAN SACHS INTERNATIONAL LTD, W8IMY	21,567,401	5.9
Swedbank Robur fonder	15,437,974	4.2
Handelsbanken Fonder	7,335,680	2.0
SSB AND TRUST, BOSTON	6,936,575	1.9
SSB CL Omnibus AC	6,575,924	1.8
CBNY-NORGES BANK	6,264,336	1.7
Nordea Investment Funds	6,244,273	1.7
B&E PARTICIPATION AB	4,900,000	1.3
AMF – Försäkring och Fonder	3,797,664	1.0
Lannebo fonder	3,557,000	1.0
JPM CHASE NA	3,385,178	0.9
FJÄRDE AP-FONDEN	3,010,250	0.8
SEB Investment Management	2,754,353	0.8
Other shareholders	132,982,071	36.5
TOTAL	365,467,371	100.0

Source: Euroclear Sweden AB as of December 30, 2015

SWEDISH AND FOREIGN SHAREHOLDING

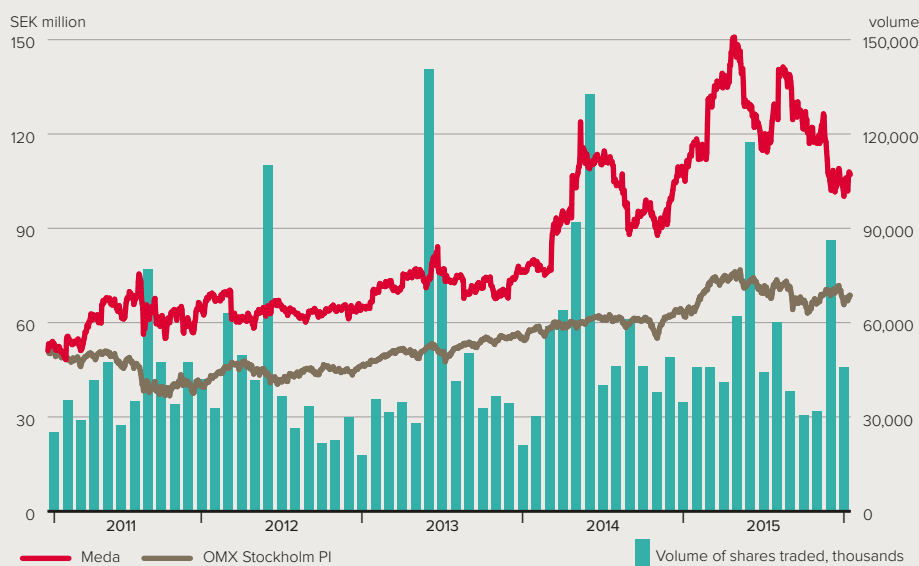


SHAREHOLDINGS BY COUNTRY



SHARE PRICE PERFORMANCE

The highest price paid in 2015 was SEK 150.80 and the lowest was SEK 100.20. Market capitalization on December 31, 2015, was SEK 39,141 million, corresponding to a development of around of -4.8% during the year.



Source: SIX Trust och Fidessa

SHAREHOLDING STRUCTURE AS OF DECEMBER 30, 2015

Share interval	No. of shares	Share capital, %	No. of shareholders	Shareholders, %
1–500	2,441,999	0.67	15,486	59.07
501–1,000	2,805,797	0.77	3,694	14.09
1,001–5,000	11,373,327	3.11	5,266	20.09
5,001–20,000	11,600,173	3.17	1,180	4.50
20,001–100,000	15,560,387	4.26	359	1.37
100,001–	321,685,688	88.02	230	0.88
Total	365,467,371	100.00	26,215	100.00

SHARE CAPITAL HISTORY

		Change in no. of shares	Change in share capital, SEK	Total no. of shares	Total share capital, SEK	Share's nominal quota value, SEK
1994	–	–	–	200,000	2,000,000	10
1995	Conversion	168,406	1,684,060	368,406	3,684,060	10
1995	New share issue ¹⁾	2,000,000	20,000,000	2,368,406	23,684,060	10
1996	Conversion	46,719	467,190	2,415,125	24,151,250	10
1997	Conversion	2,173	21,730	2,417,298	24,172,980	10
1999	Non-cash issue	2,515,963	25,159,630	4,933,261	49,332,610	10
2001	New share issue ²⁾	1,644,420	16,444,200	6,577,681	65,776,810	10
2003	New share issue ³⁾	1,644,420	16,444,200	8,222,101	82,221,010	10
2003	Directed non-cash issue ⁴⁾	482,759	4,827,590	8,704,860	87,048,600	10
2003	Redemption of warrants	3,180	31,800	8,708,040	87,080,400	10
2004	Redemption of warrants	78,400	784,000	8,786,440 ⁵⁾	87,864,400	10
2005	Redemption of warrants	100,700	1,007,000	8,887,140	88,871,400	10
2005	New share issue ⁶⁾	3,554,856	35,548,560	12,441,996	124,419,960	10
2005	Redemption of warrants	95,527	955,270	12,537,523	125,375,230	10
2005	Stock split 5:1	50,150,092	0	62,687,615	125,375,230	2
2005	New share issue ⁷⁾	41,791,743	83,583,486	104,479,358	208,958,716	2
2006	Redemption of warrants	15,000	30,000	104,494,358	208,988,716	2
2007	New share issue ⁸⁾	11,610,484	23,220,968	116,104,842	232,209,684	2
2007	Redemption of warrants	13,720	27,440	116,118,562	232,237,124	2
2007	Stock split 2:1	116,118,562	116,118,562	232,237,124	232,237,124	1
2007	Redemption of warrants	54,127	54,127	232,291,251	232,291,251	1
2007	Redemption of warrants	72,863	72,863	232,364,114	232,364,114	1
2007	Directed non-cash issue ⁹⁾	17,362,775	17,362,775	249,726,889	249,726,889	1
2007	Directed non-cash issue ⁹⁾	137,228	137,228	249,864,114	249,864,114	1
2007	Redemption of warrants	20,818	20,818	249,884,932	249,884,932	1
2007	Redemption of warrants	1,069,426	1,069,426	250,954,358	250,954,358	1
2007	Redemption of warrants	24,993	24,993	250,979,351	250,979,351	1
2007	Directed non-cash issue ¹⁰⁾	5,700,000	5,700,000	256,679,351	256,679,351	1
2008	Redemption of warrants	2,386,134	2,386,134	259,065,485	259,065,485	1
2008	New share issue ¹¹⁾	43,177,580	43,177,580	302,243,065	302,243,065	1
2009	–	–	–	302,243,065	302,243,065	1
2010	–	–	–	302,243,065	302,243,065	1
2011	–	–	–	302,243,065	302,243,065	1
2012	–	–	–	302,243,065	302,243,065	1
2013	–	–	–	302,243,065	302,243,065	1
2014	Directed non-cash issue ¹²⁾	30,000,000	30,000,000	332,243,065	332,243,065	1
2014	New share issue ¹³⁾	33,224,306	33,224,306	365,467,371	365,467,371	1
2015	–	–	–	365,467,371	365,467,371	1

¹⁾ Price: SEK 20²⁾ Price: SEK 44.³⁾ Price: SEK 76.⁴⁾ Directed share issue in Pharmalink AB.⁵⁾ The number of registered shares on December 31, 2004 was 8,786,440. In addition, 41,340 shares were subscribed for but not registered.⁶⁾ Price: SEK 160.⁷⁾ Price: SEK 70.⁸⁾ Price: SEK 160.⁹⁾ Directed share issue in connection with the MedPointe Inc. acquisition.¹⁰⁾ Directed share issue in connection with the Recip acquisition.¹¹⁾ Price: SEK 35.¹²⁾ Directed share issue to Fidim S.r.l. in connection with the Rottapharm acquisition.¹³⁾ Price: SEK 61.

Definitions

Adjusted earnings per share

Earnings per share adjusted for non-recurring items and amortizations on product rights and related tax.

Adjusted equity

Recognized equity less proposed dividend.

Adjusted free cash flow/capital employed

Free cash flow rolling 12 months excluding non-recurring items and paid interest in relation to average capital employed.

Average no. of employees

Total of the number of hours worked divided by the number of compensable hours in a fiscal year.

Cash earnings per share

Free cash flow for the period in relation to weighted average number of shares for the period. Where applicable, the comparative periods have been recalculated to consider the bonus issue element.

Capital employed

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

Dividend per share

Dividend per share, to be issued in the next fiscal year.

Dividend yield

Dividend per share divided by the share's closing price on the last business day of the year.

Earnings per share

Earnings attributable to parent company shareholders per share.

EBIT interest cover

Earnings after net finance costs plus financial costs divided by financial costs.

EBITDA

Earnings before interest, taxes, depreciation, and amortization.

EBITDA-margin

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

Equity/assets ratio

Equity as a percentage of the balance sheet total.

Free cash flow

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

Free cash flow/equity

Free cash flow rolling 12 months excluding non-recurring items in relation to average equity.

Gross margin

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

Growth, constant exchange rates

Sales development in relation to the same period the 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.

Growth, total

Sales development in relation to the same period previous year.

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/adjusted EBITDA

Net debt divided by EBITDA rolling 12 months pro forma excluding restructuring and transaction costs due to acquisitions.

Net debt/equity ratio

Net debt divided by equity.

Net working capital/net sales

Current assets less current liabilities in relation to net sales rolling 12 months pro forma.

Operating margin

Operating profit/loss as a percentage of net sales.

Organic growth pro forma

Sales development in relation to the same period the previous year including acquisitions of products and business adjusted for currency effects.

Profit margin

Profit after net finance costs as a percentage of net sales.

Return on capital employed

Operating profit/loss relative to average capital employed.

Return on equity

Net profit/loss as a percentage of average equity.

Sales by geographic area

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

US – includes Canada.

Emerging Markets – Eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, 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 – Non-prescription drugs.

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

Glossary and trademark rights

Actinic keratosis

A skin condition characterized by reddish-brown, flakey patches on sun-damaged skin that can be a premalignant condition, leading to squamous cell carcinoma.

Basal cell carcinoma

Type of skin cancer caused by sun exposure.

Blockbuster

Drug that sells for at least USD 1 billion per year.

COPD

Chronic obstructive pulmonary disease.

Corticosteroid

A class of steroids that are produced in the adrenal cortex and synthetic drugs with corticosteroid-like effect.

Covenants

Requirements for the company's key figures, made by a money-lending bank.

Cx

Clinically-proven consumer healthcare products.

Dermatology

The study of the skin and its diseases.

Generic

A chemical equivalent to a brand-name drug whose patent has expired.

IFRS

International Financial Reporting Standards.

Inflammation

Inflammation is a process by which the body's white blood cells and the substances they produce protect us from infection.

Milestone

Payment upon achieved goals.

Monosubstance

Contains one active ingredient.

OTC products

Over-the-counter non-prescription products.

Outsource

Transfer existing goods and/or services within a company to an outside party.

Pain

Physical pain: a feeling of discomfort caused by disease, injury, or something that hurts the body.

Prevalence

The number of people who have a certain illness/disease at a certain point in time.

Product Life-Cycle Management

Strategies and activities addressed to extend a drug's life cycle, such as introduction of new preparation forms, expansion of indications, etc.

Respiratory

A system of the body used in breathing that in human beings consists of the nose, nasal passages, pharynx, larynx, trachea, bronchial tubes, and lungs.

Rhinitis

Inflammation of the mucus membrane of the nose.

Rx

International designation for prescription drugs.

Topical

Applied to the skin's surface.

Product	Trademark	Sign
Acnatac	Acnatac	®
Aerospan	Aerospan ¹⁾	®
Agiolax	Agiolax	®
Aldara	Aldara	®
Allergodil	Allergodil	®
Allergospasmin	Allergospasmin	®
Armolipid	Armolipid	®
Astelin	Astelin	®
Astepro	Astepro	®
Astepro 0.15%	Astepro	®
Axorid	Axorid	®
Azep	Azep	®
Babygella	Babygella	®
Betadine	Betadine ²⁾	®
CB12	CB12	®
Dermasol	Dermasol	®
Dermatrix	Dermatrix	®
Desunin	Desunin	®
Diffiam	Diffiam	®
Dona	Dona	®
Dymista	Dymista	®
EB24	EB24	®

Product	Trademark	Sign
Efudix	Efudix	®
Elidel	Elidel	®
EndWarts	EndWarts	®
EpiPen	EpiPen ³⁾	®
Estromineral	Estromineral	®
Formatris	Formatris	®
Fortilase	Fortilase	®
Geritol	Geritol	®
GO-ON	GO-ON	®
Ialumar	Ialumar	®
Kamillosan	Kamillosan	®
Lederspan	Lederspan	®
Legalon	Legalon	®
Minitran	Minitran	®
Naloc	Naloc	®
Novolizer	Novolizer ⁴⁾	®
Novopulmon	Novopulmon	®
Optivar	Optivar	®
Pafinur	Pafinur	®
Plantaben	Plantaben	®
Rantudil	Rantudil	®
Relifex	Relifex	®

Product	Trademark	Sign
Reparil	Reparil	®
Rheumon	Rheumon	®
Rhinolast	Rhinolast	®
Saugella	Saugella	®
Solco	Solco	®
Solcoseryl	Solcoseryl	®
Soma	Soma	®
Spasmolyt	Spasmolyt	®
Tambocor	Tambocor	®
Thiotacid	Thiotacid	®
Tilcotil	Tilcotil	®
Treo	Treo	®
Uralyt	Uralyt	®
Urivesc	Urivesc	®
Ventilastin	Ventilastin	®
Viartil		
Zamadol	"Travex Tradonal Tramadol Adamon Tramene"	®
Zyclara	Zyclara	®
Zyma	Zyma	®

¹⁾ Aerospan is a registered trademark of Forest Lab. and used under license.

²⁾ Betadine is a registered trademark of Mundipharma AG and used under license.

³⁾ EpiPen is a registered trademark of Mylan Inc. and used under license.

⁴⁾ Novolizer is a registered trademark of Almirall S.A. and used under license.

Shareholder information

2016 Interim financial reports

Interim report January–March	May 3
Interim report January–June	July 21
Interim report January–September	October 26

Annual general meeting

Location: Medas's facilities, Pipers väg 2A, Solna, Sweden

Time: 5 PM on Thursday, April 14, 2016.

Shareholders who wish to participate in the meeting must:

Be registered in the Euroclear Sweden AB share database by April 8, 2016, and notify the company by April 8, 2016. Shareholders may register by postal mail (Meda AB AGM, Box 7835, SE-103 98, Stockholm, Sweden), by phone (+46 8-402 90 49), or via the website at www.meda.se

Registration

Notice of attendance must be received no later than April 8, 2016. Registrations shall include name, civil registration or corporate ID number, address, phone number, and number of shares held. Shareholders represented by proxy must send a power of attorney for the proxy. If the power of attorney is issued by a legal entity, a notarized copy of the corporate registration certificate must also be included. The power of attorney and registration certificate must not be issued more than one year prior to the AGM.

Share registration

To participate in the AGM, any shareholders whose shares are nominee-registered must temporarily register their shares with Euroclear Sweden AB. The entry must be effected by April 8, 2016. Address changes should be registered with the appropriate.

Addresses

HEADQUARTERS:

Meda AB
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Visitors: Pipers väg 2A
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Media and investor relations:

Phone: +46 8 630 19 00
E-mail: IR@meda.se

Contact information for subsidiaries is available at: www.meda.se

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