



Exhibit 1067  
IPR2017-00807  
ARGENTUM

**MEDA**

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## The company

- 1 2014 in brief
- 2 CEO's report
- 4 Strategy and business model
- 10 Investment story
- 12 Employees
- 14 Market
- 21 Sales and marketing

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## The products

- 24 Product portfolio
  - 28 Respiratory
  - 30 Dermatology
  - 32 Pain and Inflammation
  - 34 Non-prescription products: Cx
  - 36 Non-prescription products: OTC
- 38 Product development
- 40 Manufacturing and supply

---

## Sustainability report

- 44 Follow up of 2014 sustainability objectives
- 45 Meda in context
- 46 Meda's prioritized areas
- 47 Risks and opportunities
- 48 Patient safety
- 49 Manufacturing and distribution
- 50 Acquisitions
- 50 Employees
- 52 Sustainability governance
- 54 Environment
- 56 Community engagement
- 57 Sustainability objectives for 2015 and onwards
- 58 GRI index
- 60 Auditor's limited assurance report on sustainability report

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## Management report and financial reports

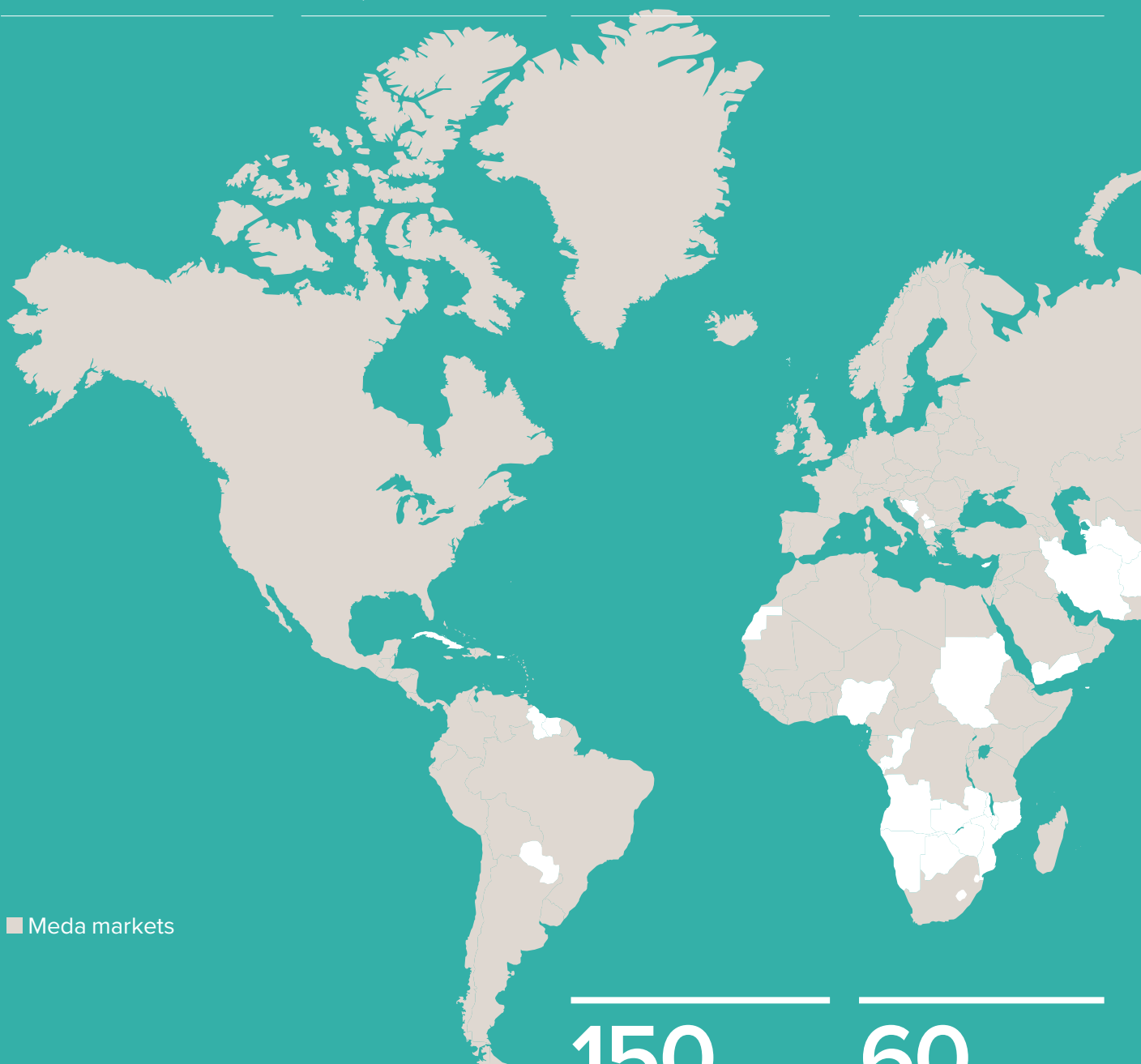
- 62 Operations
- 67 Risk factors
- 69 Corporate governance report
  - 72 Board members
  - 76 Executive team
- 80 Accounts Group
- 86 Notes Group
- 113 Accounts parent company
- 118 Notes parent company
- 124 Statement of the board
- 125 Audit report
- 126 Financial review
- 128 The Meda share
- 130 Definitions
- 131 Glossary and trademark rights
- 132 Shareholder information

Group sales reached  
SEK 15,352 million

EBITDA excluding  
nonrecurring effects  
amounted to  
SEK 4,700 million

At the end of 2014, Meda had 5,202 employees ...

... about 2,996 of whom  
in sales and marketing



■ Meda markets

Our pharmaceuticals  
are sold in more than  
150 countries

Our sales organizations  
are present in over 60  
countries



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## Meda in brief

Meda is a leading international specialty pharma company with a broad product portfolio reaching more than 80% of the global pharmaceutical market. Measured in sales, Meda is the 48th largest pharmaceutical company in the world.

At the end of 2014 Meda had 5,202 (3,326) employees, 2,996 (2,009) of which worked in sales and marketing. Over the past few years Meda's presence in growth markets has grown. The marketing organizations in these markets employ about 1,083 people (720).

Meda AB is the parent company and the head office is in Solna, Sweden.

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## The concept of specialty pharma

There are various definitions of specialty pharma. In Meda's case it means the following:

The company has a specialized role in the value chain:

- A focus on sales and marketing
- No risky in-house drug research in early clinical phases

The company has specialist expertise in defined therapy and product areas:

- Respiratory, Dermatology and Pain and Inflammation
- Non-prescription drugs: OTC and consumer healthcare products (Cx)

The company offers niche products that meet particular medical needs:

- Comprehensive product portfolio in selected therapy areas
- Strong Cx portfolio
- Clear synergies in sales and marketing

## Important events in 2014

Italian specialty pharma company Rottapharm acquired. Largest ever acquisition by Meda

Now three key therapy areas: Respiratory, Dermatology, and Pain and inflammation.

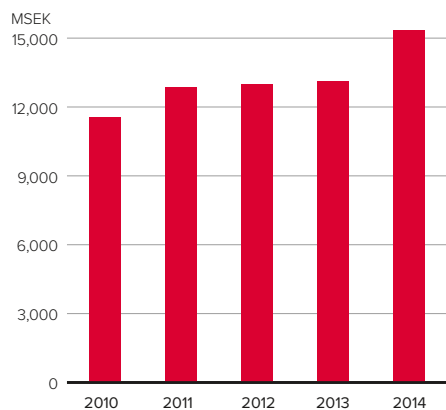
Stable underlying organic growth.

Good growth in several key Emerging Markets. Mexico, Turkey and CIS all growing by double digits.

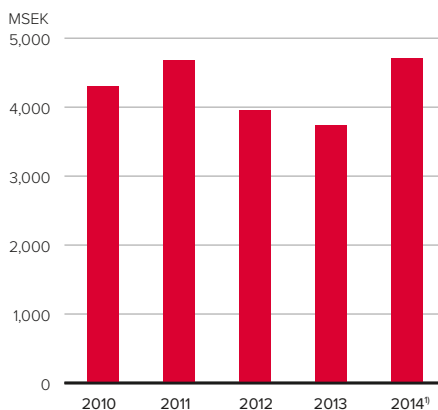
## The year in figures

- Group sales amounted to SEK 15,352 million (13,114)
- Organic growth of 2 (4)%
- Free cash flow excluding non-recurring effects of SEK 3,000 million (2,688)
- Free cash flow per share excluding non-recurring effects of SEK 9.28 (8.57)
- Increased focus on the Respiratory therapy area and the OTC portfolio
- Profit after tax excluding non-recurring effects amounted to SEK 1,181 million (805)
- Earnings per share excluding non-recurring effects was SEK 3.64 (2.57)
- EBITDA excluding non recurring effects amounted to SEK 4,700 million (3,734), equivalent to a margin of 30.6% (28.5)
- Proposed dividend per share SEK 2.50 (2.50)

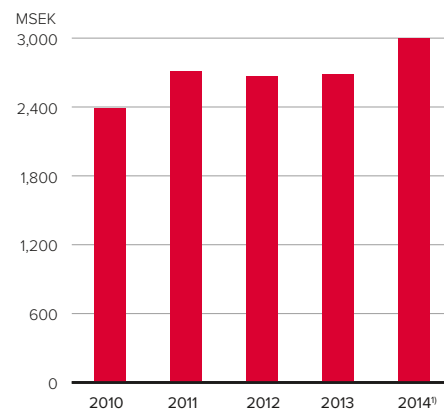
NET SALES



EBITDA



FREE CASH FLOW



<sup>§</sup> Excluding non-recurring effects

# A big step forward

*"Integration of Rottapharm is not just about extracting cost synergies, but creating something new and more efficient by combining the best from each organization."*

## A milestone is passed

2014 was an exciting year for us. In October we completed the acquisition of Rottapharm, our largest acquisition to date and an important milestone. It is a transformational acquisition that propels us into a leading position in European specialty pharma by increasing our scale, reach and profitability potential.

Specifically, the acquisition ensures a portfolio of strong clinically-proven consumer healthcare products, it creates an attractive portfolio of specialty products and it strengthens our presence in Emerging Markets. All in all, this has resulted in a better balance in our portfolio and has created a strong platform for future growth. The situation has improved in our growth segments in particular, where our key therapy areas now represent 50% of sales, consumer healthcare and OTC 40% of sales and Emerging Markets 17% of sales.

## Integration well under way

The integration of Rottapharm is well under way and proceeding according to plan. Annual cost synergies of SEK 900 million are expected to be generated in full by 2016. We have a long history of speedy and successful integration of acquired companies and we are confident that we can meet both internal and external expectations for the Rottapharm integration. It is important to remember that integration is not just about extracting cost synergies, but creating something new and more efficient by combining the best from each organization. This is how to improve and lay the foundation for long-term value creation.

## Platform for future growth

With the acquisition of Rottapharm we have established a strong platform to leverage future investments. This was the right move at the right time. And our journey will continue. We are committed to continuing the development of Meda into a world-leading specialty pharma company. This will be done through a combination of new acquisitions, organic growth initiatives and continuous efficiency measures. Our strong cash flow should enable a relatively rapid deleveraging of our balance sheet and allow for more value-accretive acquisitions and investments as soon as 2016. Meda's disciplined and outstanding acquisition process ensures that we have the right focus and that we are able to extract the necessary value at all times.

## Focused organization and strong performance

I am pleased that within our organization – despite being engaged in the extensive process of integrating Rottapharm – we were able to stay focused in the fourth quarter and deliver sales and profitability improvements exceeding our full-year target. Clearly, our stronger-than-expected, adjusted full-year EBITDA margin of 30.6% reflects our ability to generate dual-track value by driving the current business forward while also executing a successful integration. With a seasoned M&A team that has remained intact for many years and has a deep understanding of how to integrate companies, businesses and products, we are in a good position to bring the Rottapharm integration, which has had a strong start, to successful completion.

## A world-leader in many respects

Our vision is to become a world-leading specialty pharma company. Meda has a resilient, strong and for a European company exceptional business model, and we are proud of our long history of creating tangible value for our stakeholders. Building long-term shareholder value is very important to us, but it is equally important to be a trusted partner in the communities in which we operate, and especially to be a good employer. Only by combining these perspectives can we build a truly great company.

## Values driving our culture

At year-end, Meda had a total of 5,202 employees within various areas of expertise and countries. As we grow, we are focusing on preserving the organizational benefits of a small company while leveraging the operational strengths of a larger one. Meda's culture of fast decision-making, constant learning and client focus is an important asset in this respect.

## Sustained progress in responsible business practices

We express continued support for the UN Global Compact and we have renewed our ongoing commitment to the initiative and its principles. We believe it is important to be a responsible player in the global pharmaceutical market. This is also expressed by being a reliable and trustworthy partner within the value chain.

In 2014 we continued the implementation of our follow-up system to monitor compliance with our Supplier Code of Conduct. We also continued to develop our Internal Control Stan-



dards and Business Conduct Guidelines covering communication and employee training, as well as our internal policies and processes relating to the UN Global Compact.

**Our future is promising**

We have accomplished great things this year and our future is promising. We are well-positioned to continue to develop Meda into a world-leading specialty pharma company. We are proud of our achievements so far and I wish to thank all Meda employees for their valuable contributions. Within Meda, the employees, with their vast knowledge and experience, their high level of commitment, their deep passion and their remarkable professionalism, are our greatest asset.

Together we will continue to make Meda a bigger, better and stronger company.



Dr. Jörg-Thomas Dierks  
Chief Executive Officer



# Clear strategic focus

## Specialized position in the value chain

## Focus on sales and marketing

### DEFINITIONS

Rx products are prescription based pharmaceuticals prescribed by doctors and therapists for patients.

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

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

Meda offers cost-effective and medically well-motivated products. The company's target is to become a world-leading specialty pharma company. The means for achieving this are an active acquisition strategy and organic growth through market adapted product development.

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).

After the acquisition of Rottapharm, around 60% of Meda's product sales are in Rx and around 40% are in Cx/OTC. Meda's three key therapy areas – Respiratory, Dermatology and Pain and Inflammation – account for around 50% of Group sales.

The company's main focus is sales and marketing. One of Meda's strongest assets is the ability to quickly and effectively integrate acquired operations and commercialize new products. 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 are secured through acquisitions. Instead, Meda is focused on market-adapted product development in key therapy areas, and sales and marketing.





## Market-adapted product development

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. Meda does, however, improve the properties of existing drugs in a variety of ways:

- Through more efficient and new formulations (EndWarts and Astepro)
- Through new product combinations (Dymista)
- Through the internationalization of drugs (Novolizer and Aerospan)

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

## Growth strategy based on acquisitions and product improvements

Meda's growth strategy involves a combination of acquisitions and organic growth. Acquisitions have historically been the main driver of the company's expansion and have been supported on an ongoing basis by the company's investments in organic product and market development. The combined results are a significant product portfolio in Respiratory, Dermatology, Pain and Inflammation and Cx/OTC.

Between 2000 and 2014 Meda made more than 30 major acquisitions of companies and product rights.

Meda's largest acquisition to date was completed in 2014 when Italian specialty pharma company Rottapharm was acquired, adding a sizeable portfolio of strong Cx brands and Rx products.

Several strategic acquisitions have added important products to Meda's portfolio, read more on page 6.

## Increased scale, reach and profitability

Since 2012, in addition to focusing on the OTC portfolio and growth markets, Meda has focused on a number of selected therapy areas, particularly Respiratory and Dermatology. Products successfully launched in these therapeutic focus areas in recent years include Dymista and Zyclara. The acquisition of Rottapharm strengthens the foundation for future organic growth through the addition of the Cx portfolio, as well as the therapeutic focus area Pain and Inflammation.

Cx is a highly attractive area with benefits such as non-reimbursement, free pricing, good margins and limited generic competition.

The combination of new launches and increased investments in countries with higher growth strengthened Meda's organic growth in 2014. Dymista, EpiPen and CB12 all had significant impact on organic growth.

# A disciplined acquisition approach

## Acquisition criteria

Acquisitions are an important aspect of Meda’s strategy. Over the years Meda has acquired various companies and lines of businesses around the world. In that process, Meda has gained a solid understanding of the key drivers of success. Two important drivers are continuity in the acquisitions team and solid integration processes throughout the Meda organization. Meda has a disciplined approach to acquisitions

and looks for companies and businesses that can, for example, strengthen the key therapy areas (Elidel), increase focus to products with promising growth prospects (Dymista) or certain geographical areas (Valeant Europe). Acquisitions may also be transformational in nature (Rottapharm), both in size and/or product portfolio.

## Strategically important acquisitions

2005	2006–2007	2008–2009	2011	2013	2014
The acquisition of Viartis 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.	The acquisition of the 3M European business strengthened Meda’s European product portfolio. The Med-Pointe acquisition established Meda in the US and provided access to an allergy franchise with the market-leading products Asteline and Astepro, as well as the development project Dymista which was in clinical development at that time.	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.	Meda acquired the global product rights to Elidel from Novartis. Elidel is one of Meda’s more 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 successful brands in the Antula product portfolio alongside other well-known brands such as Zyx and Naloc.	Meda acquired Acton including the patented product Aerospan, expanding Meda’s product portfolio in the Respiratory key therapy area. The EB24 acquisition was an important addition to Meda’s OTC portfolio and a complement to CB12.	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.

## Rottapharm – a key, transformational acquisition

### Background

In 2014 Meda completed the acquisition of Rottapharm – a leading Italian consumer-focused specialty pharma company. This is Meda's largest acquisition to date and had a total purchase price of SEK 21.2 billion on a cash and debt free basis.

### Overview of Rottapharm

Rottapharm is a leading Cx-focused specialty pharma company engaged in development, manufacturing, global marketing and distribution of branded clinically-proven Cx products and Rx products.

The company has around 2,400 employees, and its products are sold globally in over 90 countries with a sizeable presence in Emerging Markets.

In 2013, Rottapharm generated sales of EUR 536 million, of which 75% was from Cx-products and 25% from Rx-products, with an adjusted EBITDA of EUR 149 million, equivalent to a margin of around 28%.

The company has five manufacturing facilities in Italy (Confienza), Spain (Barcelona), India (Goa), Germany (Troisdorf) and Ireland (Dublin).

About two thirds of the product supply is manufactured internally. Sales are conducted either through Rottapharm's sales organization or through third-party distributors or licensees in countries where the company is less established. The products are primarily sold in pharmacies.

### Product portfolio

Rottapharm's total product portfolio consists of 431 brands diversified across various therapeutic categories. The top six product families in terms of revenue represent five different therapeutic areas. Rottapharm's top products typically hold leading positions in their respective markets.

### Transaction rationale

The acquisition of Rottapharm has a strong transaction rationale based on six strategic areas:

#### 1. Transformational transaction

The acquisition created a leading European specialty pharma company which is better positioned to leverage a number of attracting brands.

#### 2. Increased revenue profile and durability

The addition of a strong portfolio of Cx brands, combining Rx and Cx products, and also adding the new therapeutic area Pain and Inflammation, to strengthen Meda's revenue profile and increase revenue sustainability.

#### 3. Increased presence in Emerging Markets

By adding Rottapharm's sizeable business in Emerging Markets, the combined company will have around 17% of sales in those markets.

#### 4. Substantial synergies expected

Through rationalization in sales, marketing, administration and research and development, Meda expects to realize annual cost synergies of around SEK 900 million.

#### 5. Accretive to EPS and cash EPS

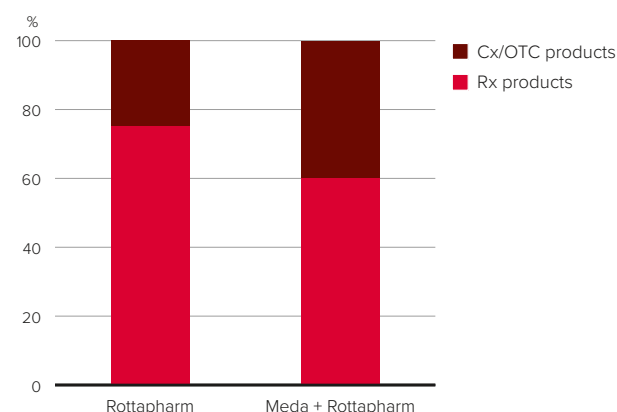
The acquisition is expected to be EPS and cash EPS accretive in excess of 20%, following full integration in 2016.

#### 6. Strong combined cash-flow generation

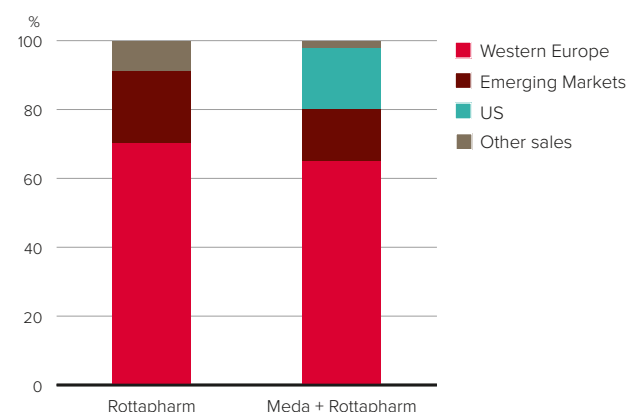
The combination is expected to generate strong cash flows, enabling a rapid deleveraging of the balance sheet to a net debt/ EBITDA ratio equivalent to pre-acquisition levels as early as 2016.

### Revenue split Meda and Rottapharm combined

REVENUES BY PRODUCT SEGMENT 2013



REVENUES BY GEOGRAPHY 2013







## Company values

In 2014 we implemented a project to define our company values involving employees from all parts of the world. The process was completed in May and resulted in seven key values that define our corporate culture:

- #1 Passion for customers
- #2 Respect and trust
- #3 Honesty and transparency
- #4 Focus on priorities
- #5 Fast and effective decision making
- #6 By working together we achieve more
- #7 Getting results through accountability

These values are a reflection of who we are and how we work here at Meda – every day and in every corner of the organization.

# How Meda creates value

**A leading international specialty pharma company**

Meda is a leading international specialty pharma company with a well-defined product portfolio and clear focus on geographical and therapy areas where the growth prospects are good. The company has a clear specialization 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 15.

**Acquisitions drive growth in two ways**

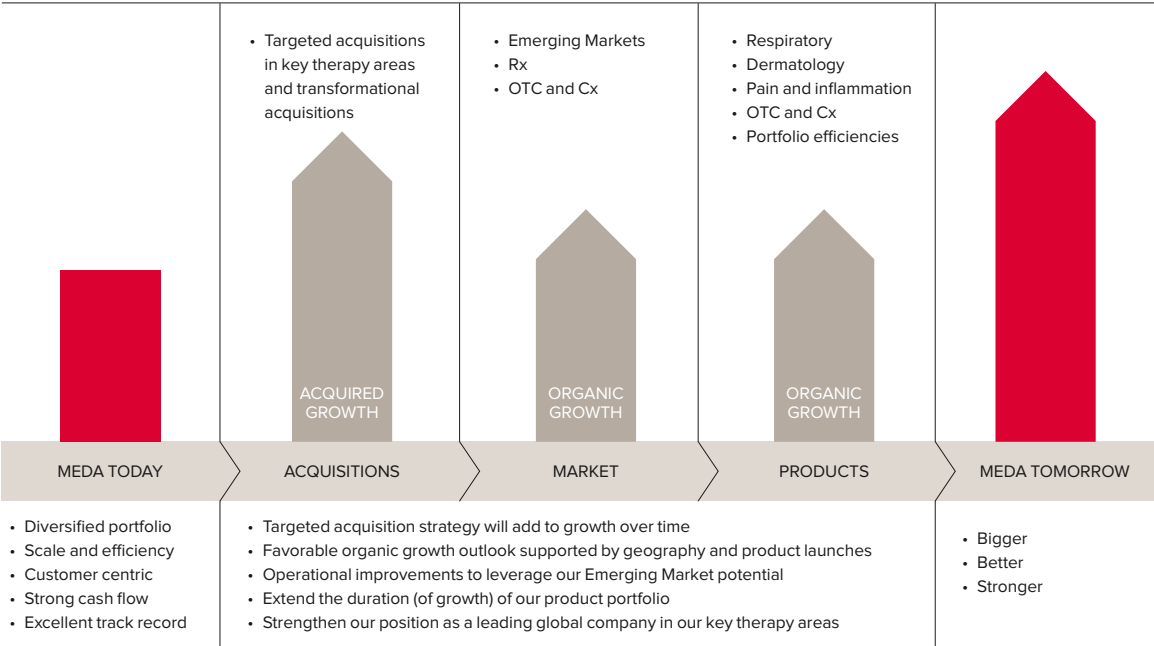
Acquisitions – both transformational and product related – are the primary source of growth.

Meda has been built based on several transformational acquisitions. And in light of the goal of remaining a leading international specialty pharma company, this will continue to be an important pathway for growth. The addition of new products will also remain key to Meda's growth over time. Acquisitions drive growth in two ways. Firstly by adding acquired growth. Secondly by creating new organic growth opportunities which are realized through market-adapted product development and commercialization.

With the acquisition of Rottapharm, organic growth remains a distinct and stable value driver for Meda. This is 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 exposure in Emerging Markets.

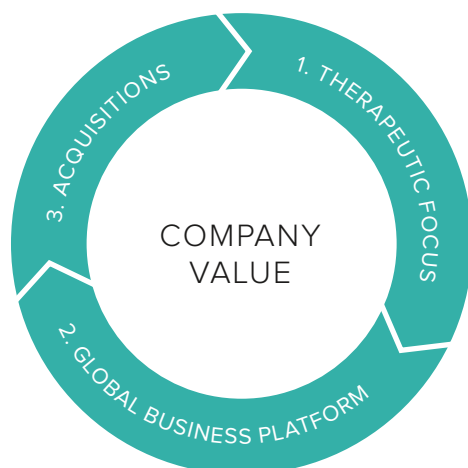
MEDA TODAY AND TOMORROW

Meda has a solid foundation and a business model supported by several growth drivers. Meda also has the power to affect growth and profitability through product launches, acquisitions and operational improvements.





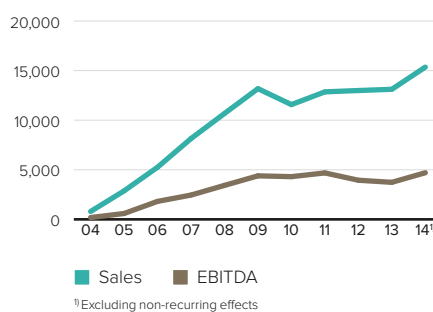
## THREE-DIMENSIONAL VALUE CREATION



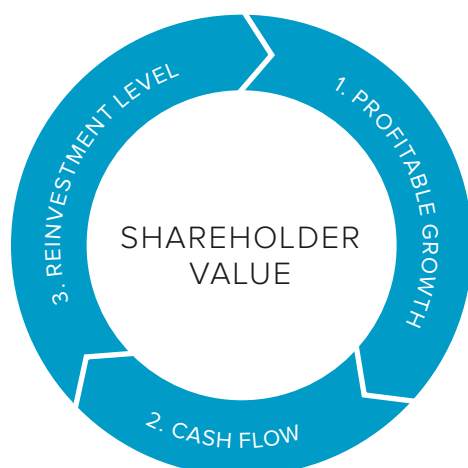
There are three dimensions to Meda's value-creation efforts, with market focus, drive and pace as the common denominators:

1. 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.
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. Identification and integration of selected acquisitions, where Meda identifies and secures synergy gains in different parts of the value chain, and ensures that acquired products can be profitably commercialized.

SALES AND EBITDA (MSEK)



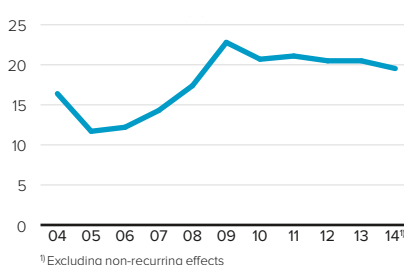
## CASH FLOW ESSENTIAL FOR SHAREHOLDER VALUE



Shareholder value is crucial for Meda. It is a function 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 allows 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 allows the company to invest in the business and pay dividends to shareholders over time.

FREE CASH FLOW/NET SALES (%)



# The Meda Way

## Culture of entrepreneurship

Ever since the start, Meda has focused on creating a culture of entrepreneurship and drive. The goal has always been to attract people with a strong desire to make a difference and take ownership.

We strive towards a working environment that clearly defines not only the rules and processes but also the amount of flexibility employees can use to get things done. We empower people to drive the business and take business risk that is both necessary and appropriate.

Meda is committed to creating a stimulating, challenging and rewarding work environment – one that supports initiatives, fosters commitment and engagement, and goes beyond compensation and benefits.

At Meda we also promote an inclusive and diverse workplace where diversity in ideas, backgrounds, experiences and perspectives are welcomed, respected, and valued.

## Our organization

Meda's employees are primarily divided into four different areas:

- Sales and marketing
- Product development
- Manufacturing and supply
- Administration

Sales and marketing is the largest area with 2,996 employees in over 60 countries. Following Meda's rapid expansion in Emerging Markets, a majority of recruitments have been made in these markets in recent years.

As a result of the large acquisition of Rottapharm, in the fourth quarter 2014, the HR organization and the local teams have focused on integrating the two companies in the affected markets. Integrating The Meda Way creates a stronger, better and more powerful organization; cost savings are just one part of it.

## Leadership commitments

Meda's future success and the wellbeing of the employees rely to a great extent on the capabilities and leadership of the company's managers. Meda expects the following from every leader, regardless of their area of work or level of responsibility:

- Lead by example based on the company's values
- Coach and support others to overcome barriers and solve problems
- Recognize and respect the competence and needs of every employee regardless of position
- Recognize and reward good performance
- Empower and trust people to make decisions and take action
- Create focus and simplify work

Further information on Meda's employees can be found in the sustainability report and includes relevant employee data.

## Interview with Rainer Weiß, EVP HR of Meda



**You have been with Meda since 2005, what have been the major developments within the company during your time?**

The organization has grown fast since I joined – both organically and fuelled by the many acquisitions implemented during this time. We have created efficient processes for the successful integration of acquired companies and products into our business, which now has become part of our modus operandi. We have also focused on establishing a local presence in

Eastern Europe and overseas. We now have a global market organization.

### What were your key priorities in 2014?

Business expansion in Emerging Markets was a key priority, as it continues to be an important priority for Meda. I also headed the process of developing and implementing guiding concepts such as vision, mission and corporate values. In the latter part of the year, my focus was on supporting the integration of the Rottapharm organization into Meda in the affected markets.

### Meda has unique expertise in integrating acquired companies into the organization. What would you say are its strengths?

We have a very experienced team in place and a meticulous focus on priorities. This, coupled with our strong corporate culture which encourages fast decision-making and transparent and honest communication, has proved to be a very successful recipe for successful integration.

### What are the most important post-integration issues from an HR perspective?

It is very important to integrate with speed, to be able to maintain the focus on our business and delivering on commitments. Local and global teamwork is also very important in order to support people and teams in the new business landscape. It is often like a giant jigsaw puzzle where we need to make sure we have the right people in the right place at the right time.

### Besides the newly formalized corporate values, what other key initiatives are in place to support the business going forward?

Now that we have key company concepts in place, continuing the process of harmonizing our global organizational structure for the new larger company is at the top of the HR agenda. Expanding the employee development concepts – such as leadership programs, high potential programs and succession planning – is also key priority.

COMPANY VALUE #1

## Passion for customers

Our customers are the focus of our business. We aim to build an enduring and trustworthy relationship with our customers.



# Good growth in the global pharmaceutical market

## Favorable growth outlook

Branded drugs are driving the increase in global growth between 2013–2018 and OTC products are expected to generate growth of around 13% globally by 2018.

# 30%

The global pharmaceutical market is expected to grow around 30% by 2018.

### Branded drugs drive growth

Branded drugs<sup>1)</sup> are expected to continue to grow, driven by specialty pharma, increased accessibility for patients and following lower impacts from expiring patents in developed markets. Specialty medicines driven, among other things, by new treatment options currently account for around 40% of total global growth. In developed markets branded drugs still account for around two thirds of spending.

The compounded annual growth rate is estimated to be at 4–7% until 2018, for the global pharmaceutical market which is higher than the 5.2% over the past five years. The US remains the

largest market, representing more than one third of the total market, and is expected to grow more than over the past five years as a result of new medicines being launched and a reduced negative impact from generics. The markets in Europe will most likely experience low growth in the years to come. In “pharmerging” countries growth will remain strong at around 10%. This is primarily driven by improved access to medicines and healthcare as well as government funded programs.

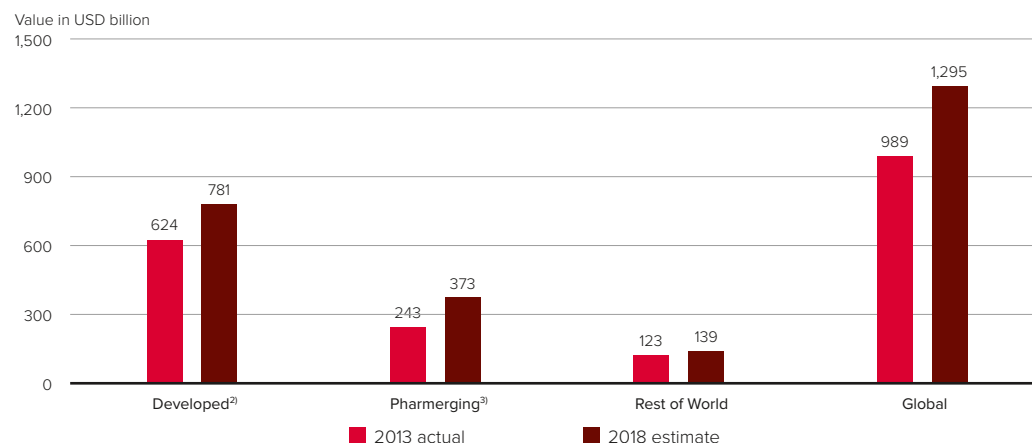
### Good growth for OTC

The OTC drugs market is growing faster than the Rx market. In 2012 the global OTC market was worth

around USD 115 billion, equivalent to 13% of the total pharmaceutical market. Around 13% (USD 42 billion nominally) of world growth up to 2018 is expected to be generated by OTC products. The percentage of OTC sales is significantly higher in growth markets than in Europe, North America and Japan. More than 80% of growth in pharmerging countries will be attributed to non-branded medicines up to 2018.

### GLOBAL PHARMACEUTICAL MARKET, 2013 AND 2018

In 2013 drugs were sold for a total of USD 989 billion globally, according to IMS Consulting Group. In 2014, for the first time, the global pharmaceutical market will be worth more than USD 1,000 billion.



<sup>1)</sup> Branded drugs – pharmaceuticals with strong brand and patents.

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

<sup>3)</sup> 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

Demand on the global drug market is mainly driven by three factors: demographic trends, economic development and development of new drugs and therapies.

### Demographic trends

The earth's population is increasing. An aging population, primarily in Europe, North America and Japan is driving demand for drugs for age-related and chronic diseases. The combination of increased drug use per patient and a growing number of new patients is driving the upswing in pharmaceutical market volumes in the number of prescriptions and the dosages dispensed.

### Economic development

As people's incomes in growth markets rise, and healthcare budgets and insurance coverage increase, the citizens of, for example China and countries in South East Asia, have more and more access to modern healthcare and drugs. Efforts to control healthcare

spending in some developed markets as a result of budgetary problems and the increased use of generics are holding back growth in these markets. Growth is, however, expected to increase as economies recover and advances are made in important therapy areas. Greater interest among people in preventive care and a better quality of life is driving demand for OTC drugs. The OTC market also benefits from customers moving from Rx to Cx products to treat their disease conditions. Changes in eating habits are also impacting the demand for drugs such as those to treat diabetes.

### Development of new drugs

More and more diagnoses, especially in lifestyle diseases, can be treated with drugs. Specialty phar-

### PHARMACEUTICAL SPENDING IN SOME IMPORTANT MARKETS

	Share of global market 2013, %	Value in USD billion 2013	Expected growth per year 2014–2018, %
North America	34	340	5–8
Western Europe <sup>1)</sup>	16	156	0–3
Growth markets	25	243	8–10

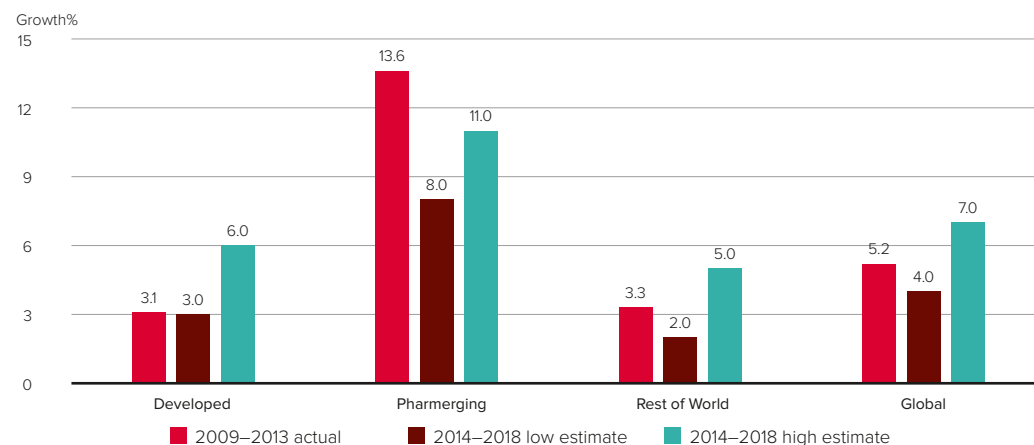
<sup>1)</sup> EU5 (Germany, France, Italy, UK and Spain)  
Source: IMS Consulting Group

maceuticals targeting specific diseases are expected to become more important going forward, which will support overall market growth. New, advanced drugs can treat increasingly severe diseases in very small patient groups and these drugs will grow in importance in the developed world. There is still an unmet medical

need in most of the 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 growth is therefore expected to be slightly lower than over the past five years in the pharmaceutical market in developed countries.

### GLOBAL PHARMACEUTICAL MARKET, GROWTH RATES 2009–2018

Growth is expected to remain positive in the years to come. The market is expected to reach net sales of USD 1,280 billion in 2018, representing an increase of around 29% from 2013.



## Rapid change, challenges and opportunities

The global pharmaceutical industry is changing at a rapid pace and companies are facing major challenges as a result. This trend brings with it 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 (big pharma) have increasingly seen the patents for their blockbuster drugs expire. The cost of research for new drugs has increased considerably. At the same time there are fewer blockbusters in the pipeline.

According to the US Food and Drug Administration (FDA), global R&D spending by the world's top 500 pharmaceutical companies rose from USD 59 billion in 2001 to USD 132 billion in 2011. At the same time, the number of FDA new molecular entity (NME) approvals decreased from 29 per year to 26 per year. The cost of bringing a NME to the market is almost eight times higher today than 30 years ago, according to the European Federation of Pharmaceutical Industries and Associations (EFPIA). 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, for example, be sold to specialty pharma companies.

### Consolidation activity has increased

The increasing cost of R&D, in combination with fewer new blockbusters that need to provide an added benefit over established therapies that have become generic, is driving consolidation in the pharmaceutical industry. The 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. This considerably increased the acquisition activity in the pharmaceutical industry in 2014.

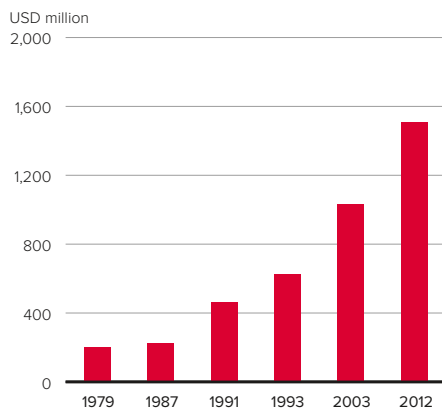
Companies of all sizes and lines of business, including specialty pharma companies, have been acquisition targets.

Meda's strategy is to be an active participant in the consolidation of the global specialty pharma market.

### The value chain is breaking up

Paradoxically, market consolidation drives fragmentation in the value chain. As competition increases, it is becoming more and more 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 increasingly 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





COMPANY VALUE #2

## Respect and trust

We recognize and respect individuality, competence and the needs of every employee regardless of position. Diversity makes us stronger. We ensure transparent and constructive interactions through mutual trust.

# Meet Meda's country representatives

China, the US and Italy are three of Meda's key markets, each representing an important region. We have asked representatives from each key market what we can expect in the year ahead.

## Michael Hu: Country Manager, China



China is the world's second largest pharmaceutical market and here hospitals are the main channel representing some 80% of total pharmaceutical sales. The hospital channel grew by almost 14% in 2013. China has health challenges stemming from an aging population, lifestyle changes and environmental pollution. Growth of morbidity and chronic diseases are therefore expected to accelerate.

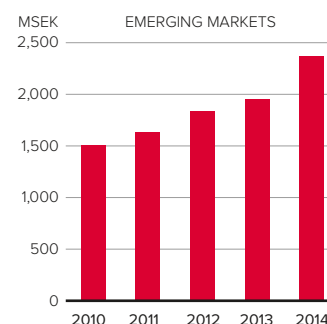
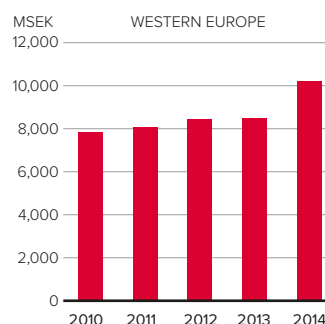
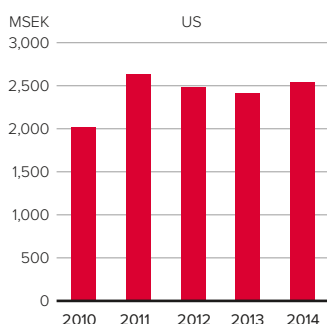
I am expecting good growth in the years ahead for Meda China, based on the expectation of continued double-digit growth for the Chinese pharmaceutical market. If we can manage price pressures well and sustain our market invest-

ment, we can deliver good growth rates.

The introduction of new drugs in China is a long and rather complex process. Our focus is on Respiratory, Dermatology and Pain and Inflammation. We have already a solid footprint in Respiratory with Azep in allergic rhinitis, which has delivered over 50% annual growth in the past two years.

Our priorities for 2015 are to further increase our market share for Azep and build a solid presence in Dermatology. Integration of Rottapharm is also a priority and this will lead to a presence in Pain and Inflammation.

## SALES PER REGION



## Stuart Loesch: Marketing Director, US



The roll-out of the Affordable Care Act has been slow. Additionally, the increased role of government and growing healthcare costs, combined with the economic downturn since 2008 have increased price pressure. However, we continue to work with payers to ensure access of our products to patients.

In the inhaled corticosteroid (ICS) market we launched Aerospan in April this year. We have seen prescription growth picking up during the second half of 2014 and we expect to see continued growth going forward. Growth will

be supported by our strategy of focusing on key customer segments. The ICS class has no generic competitors in the US. Dymista is now the second most prescribed branded product in the class of nasal sprays, behind Nasonex. Overall, our key segments in the US – allergic rhinitis, asthma and OTC – have been growing.

Dymista is our primary growth driver and we expect its current growth trend to continue. While we expect Aerospan to be a bigger contributor to our overall growth over the next several years, we do not expect it to reach the same level as Dymista.

Our key priorities for 2015 are to continue to grow our portfolio by implementing our new strategies for both Dymista and Aerospan and capitalizing on the opportunity created when many competitive products are switched to OTC status.

## Francesco Matrisciano: Country Manager, Italy



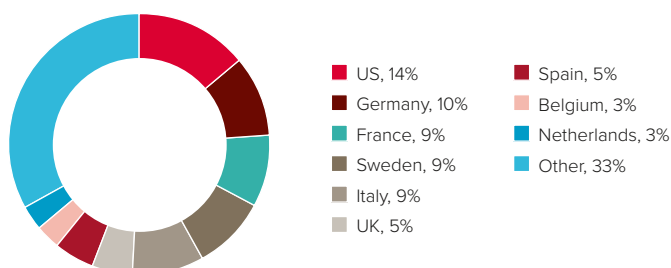
The pharmaceutical market in Italy is affected by the challenging economic situation. In 2014 market volumes increased slightly but price pressure led to an overall market decline of about 2%. The trend towards increased use of generic products to save money is strong. However the Cx and OTC market benefits from price increases, and from customers moving from drugs to food supplements and consumer healthcare products to treat their disease conditions. The economic crisis has put pressure on the distribution chain and we have seen

a reduction in the number of pharmacies and wholesalers.

Going forward, differentiation and better portfolio balance is the key to our future. The acquisition of Rottapharm with its strong Cx portfolio is a sensible push in many ways. In an environment where the prescription market will continue to face spending pressure, Meda can now increase growth based on established Cx brands such as Saugella and Armolipid. It will be possible to offer therapists and patients a wider range of products – from important cardiologic disorder treatments to food supplements – which can complement the treatment efficacy with a profile of very low or no side effects. Being able to offer a wider range of solutions for different needs will bring business stability.

Our key priority for 2015 is to demonstrate the value the new Meda can bring to the medical community and patients, and continue to develop Meda's leading position in specialty pharma in Italy.

## SALES BY COUNTRY 2014





COMPANY VALUE #3

## Honesty and transparency are key

We are honest with our colleagues and customers. This increases our credibility and encourages people to share information, exchange ideas and solicit feedback.



# Growing presence in growth and consumer markets

# 60

Our sales organizations are present in over 60 countries.

## Geographic distribution

### Expansion in Emerging Markets segment

Meda's sales and marketing organization is distinguished by its efficient structure where the employees in general have a high level of education. The company has 2,996 employees working in sales and marketing in over 60 countries. Meda's sales are generated by the company's own sales organization and by third-party distributors and licensees.

For historical reasons, Meda's market presence is the strongest in Western Europe, where the company has 1,582 employees in sales and marketing. However, in recent years Meda has invested significant resources into the Emerging Markets sales and marketing organization, thereby growing its presence in these markets. Including Rottapharm, the Emerging Markets segment now accounts for some 17% of Meda's total sales, compared to 15% in 2013 and 14% in 2012.

## Expansion strategy

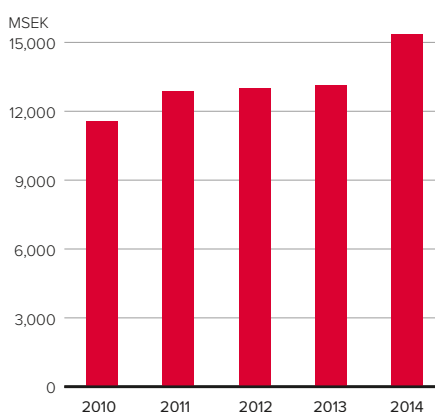
### A constant focus on sales and marketing

Meda's expansion is based on acquisitions and organic growth. Sales and marketing are crucial processes in the integration of an acquisition, because success depends on the acquired company and its products being quickly integrated and commercialized according to the Meda model.

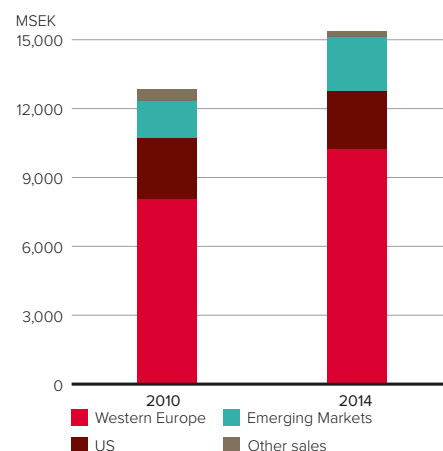
The Meda model reflects several of the company's fundamental business values:

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

SALES TREND



SALES BY GEOGRAPHY



## Sales and marketing adapted to local conditions

### Differentiated approach to markets and product areas

Quality and knowledge are the cornerstones of Meda's marketing operations. Meda also has a strong incentive for adapting to local conditions and differentiates its approach between different markets and products. There is a significant difference between marketing Rx drugs and pure OTC drugs, while marketing of clinically-proven Cx products shares features with both areas.

Rx drugs are marketed mainly through medical representatives combined with offering 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 are also an important success factor.

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

Cx products are marketed by a combination of promotion of these products to physicians by medical representatives, endorsement by experts and medical societies as well as pharmacists and media channels. Endorsement which is an important driver, 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 drugs. 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 drugs. Patient organizations are another channel where relevant information can be communicated.

### Digital marketing increasingly important

In recent years Meda has developed expertise in digital marketing. In retailing Cx and OTC products, digital information is an essential tool in the marketing toolbox. The internet is a growing channel for informing about and promoting

these products to consumers, making it an integral part of our promotional campaigns. This also allows Meda to build stronger international brands.

The internet has also increased in importance in selling and marketing Rx drugs. Through a proprietary system called Meda Connects, physicians, pharmacists and other professionals are able to collect background information on Meda's Rx drugs. Meda Connects is a community platform where professionals can learn more about and exchange experiences with Meda's products.

Turning the digital channel into a strong complementary marketing tool is an important aspect of Meda's strategy, particularly in light of the expanded Cx portfolio.

## 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.

## MARKETING CENTERS

### As support function for international transactions

Meda's Marketing Centers are marketing functions within the company that support all markets. 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.

Meda's 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 on all of Meda's products.

Acquisitions are an important pillar for Meda's growth and the Marketing Centers provide in-depth knowledge on the market environment as well as competition profiles for acquisition targets.



## Benefits of clinically-proven consumer healthcare products (Cx)

### Cx combines the best of Rx and OTC

The acquisition of Rottapharm adds a portfolio of strong Cx brands, which can be either prescribed or recommended by physicians and pharmacists.

Cx products occupy the space between Rx and OTC and combine the best of both worlds:

- Science-based, clinically-effective
- Doctor prescribed or recommended
- Not reimbursed, free pricing
- Used for chronic treatments
- Offer good margins
- Short time to market
- Low R&D costs
- Limited generic competition

Meda (via Rottapharm) has a number of strong Cx products in various therapeutic areas:

- Armolipid – cardiovascular disorder
- Saugella – intimate hygiene
- Go-On – pain and inflammation
- Reparil – pain and inflammation
- Dona – pain and inflammation

### Cx is stable and profitable

Cx products are backed by clinical data which strengthens their credibility and reputation with healthcare professionals, and also justifies charging consumers a premium price. Free pricing means that Cx products are less susceptible to price pressures and national health budget pressures.

Cx products are often prescribed or recommended for chronic diseases, such as Go-On for osteoarthritis treatment, which means sales are likely recurring and more stable than for Rx products.

### Development of Cx products is quicker and more resource efficient

The development of Cx products is quicker and less resource-consuming than Rx products, since it is not subject to the strict protocols necessary for pharmaceutical development. In the development of Cx products Meda uses evidence for existing active ingredients and transposes or combines them into new products

or product extensions. Meda also conducts clinical validation to ensure statistically and clinically significant results of these products.

Meda's Cx development activities are concentrated on innovation in existing product lines to minimize regulatory and development costs and time to market.

### SAUGELLA, AN IMPORTANT LINE OF CX PRODUCTS



# 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 2014 amounted to around SEK 2,013 million, representing some 13% of Meda's net sales.

## Cx products

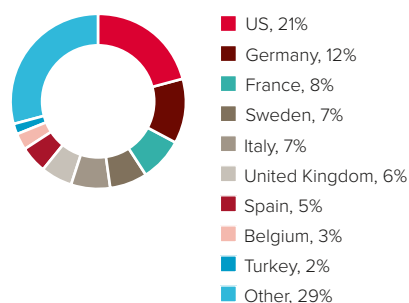
Cx includes clinically effective and scientifically proven non-prescription drugs. Cx is an attractive area which combines the best of Rx and OTC, such as non-reimbursement, free pricing, good margins and limited generic competition.

Cx is creating a new platform for future growth, both organically and through acquisitions.

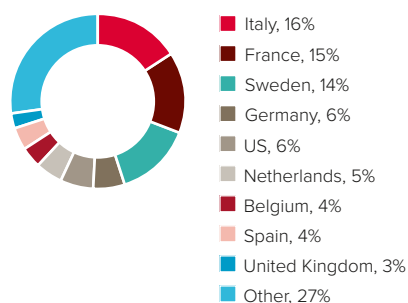
## OTC products

In recent years, Meda has built an extensive portfolio of OTC products. Meda 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. Meda's ambition is to continue to grow its OTC business and gradually increase its market investments.

SALES PRESCRIPTION PER COUNTRY 2014



SALES NON-PRESCRIPTION PER COUNTRY 2014



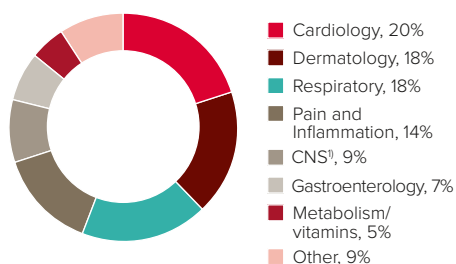
## Therapy areas and product areas

### Meda's 10 biggest products 2014

TAMBOCOR  
BETADINE  
DYMISTA  
ELIDEL  
ALDARA/ZYCLARA  
EPIPEN  
ASTELIN  
CB12  
MINITRAN  
THIOCTACID

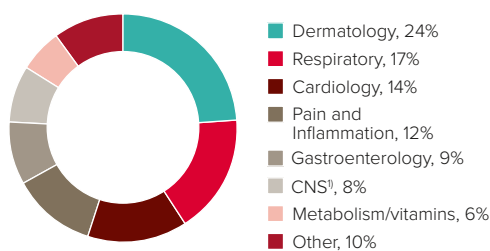
	Prescription drugs	Non-prescription drugs	
	Rx	Cx	OTC
Respiratory	Aerospan Azep/ Astepro Dymista	Fortilase Ialumar	
Dermatology	Acnatac Aldara Elidel Zyclara	Betadine Babygella Dermasol AKN	EndWarts Naloc
Pain and Inflammation	Rantudil Rheumon Zamadol	Dona/Viartril GO-ON Reparil	
Other key products	Tambocor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

SALES BY THERAPY AREA 2010



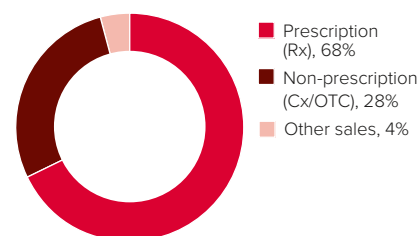
<sup>1</sup> Central Nerv System

SALES BY THERAPY AREA 2014



<sup>1</sup> Central Nerv System

SALES BY PRODUCT AREA 2014





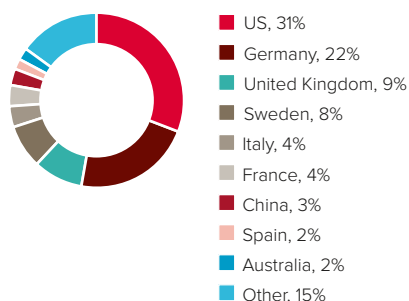


17%

of sales

	Rx	Cx	OTC
Respiratory			
Dermatology			
Pain and Inflammation			
Other key products			

RESPIRATORY,  
SALES PER COUNTRY 2014



## 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: by 2015 close to 50% of the world population is expected to be 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 have recommended 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 and device also contribute to the product profile. It is approved for treatment of seasonal allergic rhinitis in the US market and seasonal and perennial allergic rhinitis in Europe. Dymista has the potential to change the treatment of allergic rhinitis and has quickly gained strong support from important stakeholder groups.

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 second half of 2012 in the US and has become the second most sold brand in its product category. Dymista was launched in Europe in 2013 and quickly captured a significant share of the market in several important markets such as Austria, Germany, Italy, Sweden, Ireland and other countries in the EU. Dymista was launched in Australia in 2014 and was recently approved in Canada. Furthermore, it is in the final stages of the approval process in several new markets, such as Brazil, China, Turkey, Russia, South Africa and in the Middle East. New Meda affiliates from the acquisition of Rottapharm will register Dymista as well.

#### 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.

Clinical trials in adults and children, where the integrated spacer was used, have demonstrated the efficacy of the unique delivery system. Furthermore, side effects associated with ICS, including oral infections and voice alterations, were shown to be similar to those with placebo. Controlled clinical studies have shown that all orally inhaled corticosteroids, as a class, may cause a reduction in growth velocity in pediatric patients. Aerospan was assessed in a 52-week, randomized, placebo-controlled study in children. In this study, the mean growth velocity reduction was very low and similar to placebo.

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. 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 antihis-

tamine. 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 a new, 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

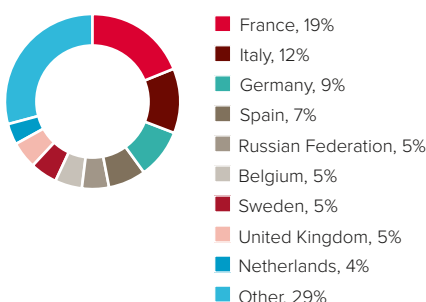
Allergospasmin  
Optivar

# 24%

of sales

	Rx	Cx	OTC
Respiratory			
<b>Dermatology</b>			
Pain and Inflammation			
Other key products			

DERMATOLOGY,  
SALES PER COUNTRY 2014



## 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. The incidence has tripled in the past 30 years. 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 was concluded and the results showed that Elidel has the same efficacy as topical steroids without any long-term safety concerns. The study supports expanding the use of Elidel.

#### 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 subclinical (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 immunomodulating 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

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

Efudix (5-Fluorouracil)

Dermatix

Kamillosan

Solcoseryl

Naloc

EndWarts

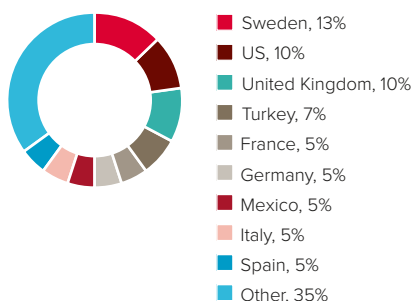


# 12%

of sales

	Rx	Cx	OTC
Respiratory			
Dermatology			
<b>Pain and Inflammation</b>			
Other key products			

PAIN AND INFLAMMATION, SALES PER COUNTRY 2014



## 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 sug-

gested 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 (RX)

Rheumon (Etofenamate) is a non-steroidal anti-inflammatory drug (NSAID) for topical or intramuscular 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)

BETADINE  
DONA  
SAUGELLA  
CB12  
ARMOLIPID  
REPARIL  
TREO  
ZYMA  
AGIOLAX  
DESUNIN

## Non-prescription

### CX PRODUCTS

The clinically-proven consumer healthcare (Cx) product portfolio was added in 2014 through the acquisition of Rottapharm. 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.

Free pricing applies and the products are purchased directly by patients and consumers in pharmacies and are typically not reimbursed by national health systems or health insurance companies.

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 – Blue, Green, Pink, Girl and Man – 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 dis-

eases. 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 silybinin, 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 (food supplement), 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).

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	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 good 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 is an oral care product containing a world patented combination of zinc acetate and chlorhexidine diacetate.
- 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 range is available in 18 countries and is a key growth driver for Meda in the non-prescription area.

#### ENDWARTS

- A wart is a 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. 10% of the total population are suffering from warts and among children, as many as 1 in 3 are affected.
- EndWarts is a unique wart treatment, which effectively dries out warts on hands, feet, elbows and knees. 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 was acquired in 2011 and is now available in a number of markets in Europe.

#### 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.



# Product development close to the market

Meda is primarily active in late-stage clinical development. The development unit following the integration of Rottapharm has 537 employees who work on development, clinical trials and drug registration.

# 537

employees work with development, clinical trials and drug registration.

The value-generating work in Meda's development unit is characterized by tailored clinical development programs and the compilation of scientific arguments defending and exploring 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 the 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:

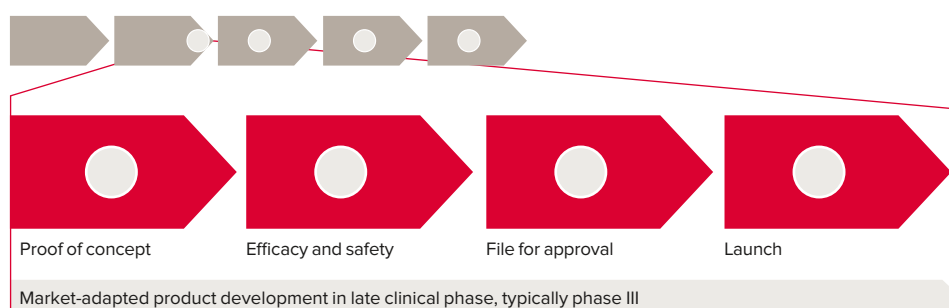
- New improved formulations, such as a pen in addition to cotton swab for the medical device product EndWarts, which contains formic acid for the treatment of warts.

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

In 2014 Meda invested SEK 235 million (249) in drug maintenance and development, excluding costs for registration, side-effect management and quality assurance.

## MEDA'S ACTIVITIES IN THE DRUG DEVELOPMENT PHASE

In the drug development phase, Meda is focused 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

#### AEROSPAN

Aerospan is an inhaled corticosteroid (ICS) product (flunisolide) with an integrated spacer which is indicated for the maintenance treatment of asthma. Clinical trials in adults and children have demonstrated the efficacy of the unique delivery system. Side effects associated with ICS, including oral infections and voice alterations, were shown to be similar to placebo. There was no indication for growth retardation in children.

#### 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 and in most European countries in 2013/2014. The product was launched in Australia in 2014 and has also been approved in Canada. The registration process is still on-going in other markets such as Mexico, South Africa and Brazil. Required local study activities have been initiated in Russia and China.

#### NOVOLIZER BRANDS

In 2014, Meda expanded the markets for the Formoterol Novolizer to Central and Eastern Europe. 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.

#### 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 for anaphylaxis (including patients with a history of anaphylactic reactions). The label change has so far been

approved in France, Italy, UK, Ireland, Portugal, Switzerland, Bulgaria, Romania, Estonia, Latvia, Lithuania, Greece, and Slovenia. Further markets are expected to follow.

### DERMATOLOGY

#### ACNATAC

Acnatac gel, a dermal application containing the retinoid tretinoin and the antibiotic clindamycin for multi-factorial treatment of acne vulgaris has been successfully registered across Europe. The product has been launched in most European countries.

#### ZYCLARA MULTI-DOSE PUMP

Meda is developing a new multi-dose pump device in addition to the mono-dose sachets for both of its imiquimod based products Aldara and Zyclara, in order to make use more convenient for patients. The technology is patent-protected and used for approved products in both Australia and the US.

### OTC PRODUCTS

#### ENDWARTS PEN

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 the consumers. The launch takes place 2015.

#### NEW DENTAL HEALTH PRODUCT LINE

Meda has acquired the global rights to EB24, an OTC product line for once-daily treatment of dental erosion, i.e. when dental hard tissue is gradually eroded by factors other than caries. There is currently no effective treatment for this condition 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 hydrogen fluoride highly diluted in water. In studies, the product has shown that it is able to penetrate enamel surfaces and form calcium fluoride resulting in an anti-erosive effect.

EB24 is an important addition to the OTC portfolio and an excellent complement to CB12 which protects against bad breath. EB24 is expected to be launched in 2016 as a mouth

rinse. Patents have been approved throughout Europe and are valid until 2025. Patents are pending in the US.

### STRENGTHENING OF EXISTING PRODUCTS

Meda is conducting clinical non-interventional and interventional trials to strengthen the profiles of its global growth products such as Aldara, Zyclara, Dymista and CB12 through comparative and innovative studies.

Moreover, following the Rottapharm acquisition, promising Meda products such as Dymista and Novolizer can be registered in South East Asia (Thailand, Vietnam, Malaysia, Philippines and Indonesia).

### NUTRACEUTICAL DEVELOPMENT

The Rottapharm acquisition includes a proprietary development structure for nutraceuticals with promising development projects. All of these projects are low risk, involve limited cost and are fast to market without reimbursement or pricing issues. The most promising ones are:

- Emollients to supplement our Atopic Dermatitis (AD) portfolio,
- Sunblock to enrich our Actinic Keratosis (AK) products and potentially other products.
- Nutraceuticals for the metabolic syndrome. Such nutraceuticals will have a proven health claim validated in clinical studies, differentiating them from "normal" food supplements.

The results of the successful ADHERENCE study with the food supplement Armolipid (Randomized Trial of the Association between Low Dose Statins and Nutraceuticals in High intensity Statin intolerant patients With Very High Risk Coronary Artery disease) were presented at the American Heart Association Congress 2014 in Chicago. In high dose statin intolerant patients with coronary artery disease, a treatment with low dose statin and Armolipid significantly lowered low density lipoprotein cholesterol, total cholesterol and triglycerides as compared to low dose statin alone.

# Proprietary production and external manufacturing

Meda combines proprietary production with contract manufacturing of drugs. In 2014 Meda's proprietary production accounted for around 40% of the Group's volume.

Meda has an increased focus on reducing the cost of goods. It is therefore natural to have an ongoing 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 eight units.

## Dublin (Ireland)

**Around 150 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.

## Cologne (Germany)

**Around 300 employees**

Production of various preparation forms, for example Novolizer.

## Merignac (France)

**Around 200 employees**

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

## Decatur (Illinois, US)

**Around 100 employees**

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

## Barcelona (Spain)

**Around 80 employees**

Production of herbal extracts (APIs) in accordance with the current GMP, for example silymarin, escin, saw palmetto and pygeum extract for inter-company use and business to business.

## Confienza (Italy)

**Around 90 employees**

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

## Goa (India)

**Around 110 employees**

Production extruded granules of Agiolax/Agicor to be packed later in Troisdorf at the site in Goa. The site was acquired by Rottapharm through a deal with Zydus Cadila.





COMPANY VALUE #4 & #5

## Focus on priorities

Our corporate strategy shapes and defines our priorities. A clear focus on priorities is an essential condition for success.

## Fast and effective decision-making

As a vibrant organization we thrive on opportunities and seize them quickly. Decisions are carefully considered, taken fast and executed effectively. We strive for efficient and non-bureaucratic processes.



COMPANY VALUE #6 & #7

## By working together we achieve more

Our employees contribute with their individual strength and personality to our overall result. By fostering a collaborative and mutually supportive environment we multiply our efficiency and output. By working together we increase our creativity and power of execution.

## Getting results through accountability

We set clear and measurable individual goals that align with our vision, mission and strategy. Each employee takes personal responsibility for their actions and performance, and is empowered to take the necessary steps to meet our commitments.



# Sustainability report

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## Content

44	Follow-up of 2014 sustainability objectives
45	Meda in context
46	Meda's prioritized areas
47	Risks and opportunities
48	Patient safety
49	Manufacturing and distribution
50	Acquisitions
50	Employees
52	Governance
54	Environment
56	Community engagement
57	Sustainability objectives for 2015 and onwards
58	GRI content table
60	Auditor's limited assurance report on the sustainability report

### About Meda's sustainability report 2014

Meda's Annual Report 2014 includes the company's complete sustainability report 2014, page 43–60. The sustainability report 2014 constitutes Meda's Communication on Progress Report to the UN Global Compact. Meda has applied the Global Reporting Initiative (GRI) guidelines 3.0 since 2010. The 2014 sustainability report fulfills level C+ and has been subjected to third party assurance. A complete GRI index is presented on page 58–59 and the auditor's assurance statement is presented on page 60.

Meda's 2014 sustainability report does not include Rottapharm except for created and distributed economic value, page 45 and employee data on page 50–51.

Meda's sustainability report 2014 is also presented on the company website, [www.meda.se/csr/](http://www.meda.se/csr/)

The report content is based on Meda's analysis of the business and our value chain from a sustainability perspective – identifying impact, stakeholders, risks and opportunities. Also, stakeholder input has been taken into account when defining the report content. Meda's stakeholders have been identified based on an analysis of the business, the value chain and the mutual impact and relevance. Since 2011 Meda has engaged with investors and public authorities on Meda's sustainability performance and the content of the sustainability report. The stakeholder dialogue has brought understanding of issues that stakeholders' value and what information they need in order for the report to support their decision-making.

The intention is that the Annual Report, including the sustainability report 2014, will meet the information requirements and provide a complete picture of Meda's social, economic and environmental impact and performance.

## 2014 sustainability objectives – follow up

Meda's approach is to always strive for continuous improvement. It is an everyday work that entails little revolution but rather systematic management, follow up and modification for improvement. Since a few years ago, Meda's sustainability efforts have addressed a number of areas of particular focus:

- Operational and environmental efficiency
- Sustainability governance
- Sustainable supply chain

The efforts have been quite even across these areas. However, over the past couple of years and with the growth of operations, sustainability in supply chain management as well as

strengthening sustainability governance have increased in significance and scope.

In 2014 Meda made progress within several areas. Due to the acquisition of Rottapharm, certain processes were halted and as a result, certain objectives have not been met. These objectives will remain in place 2015. The results are as follows:

Completion of the implementation of a web-based system to monitor supplier compliance with the supplier code of conduct, and conduct the first review of the suppliers included in the system.

Further development of internal control and the Business Conduct Guidelines with respect to communication and employee training.

Development of internal policies and processes relating to the UN Global Compact in accordance with the action plan produced in 2013.

Continue to reduce the company's environmental impact. The key measurement is CO<sub>2</sub> emissions per employee.

Implementation of the follow-up system was carried out according to plan. It covers first tier suppliers involving Meda expenditure of EUR 500,000 or more per year. In 2014, 83% of the requested suppliers performed the self-assessment. A review will be initiated in 2015.

This initiative was halted due to the acquisition of Rottapharm. The work will continue in 2015.

Meda's Business Conduct Guidelines are available to the public. Meda's whistleblower policy was published on the website, making this option available to external stakeholders. Actions remain to be taken in respect of the plan.

Meda's CO<sub>2</sub> emissions per employee were the same in 2014 as in 2013. The most significant efforts have so far been made within own manufacturing units.

## Meda in context

### Improved access to medicine

In recent years, significant milestones for improving access to medicine have been achieved. For instance, substantial progress has been made towards several health-related millennium goals. However, there are still significant inequities across and within countries regarding access to and quality of healthcare. An estimated two billion people still do not have access to the health-related products they need, and their basic human right to health is not fulfilled. The pharmaceutical industry has an important role to play in helping to improve public health globally.

The cost of medicine has been a prioritized issue within the public sector and industry for some time in part because medications are largely financed by public funds. Despite intensive efforts to develop effective drugs at prices that make them available to many, and innovative access-oriented business models, there are still people who are denied the right to treatment due to cost, primarily in developing countries.

Population growth and greater life expectancy in combination with changes in lifestyles and eating habits are also challenging the industry and driving demand for new forms of healthcare and treatment.

### Increasing demands for accountability

The industry's and Meda's responsibility extends beyond providing adequate therapies and products, requirements for good business practices and accountability keep increasing. The pharmaceutical industry has been strictly regulated for a long time and today, legislation is supplemented by ethical guidelines and self-regulation. There are, for instance, guidelines for cooperation between the industry and healthcare providers and professional organizations, as well as for good marketing practices.

### Markets and stakeholders

The pharmaceutical industry is truly global and production and sales takes place in regions that pose various risks. Apart from manufacturing in Western Europe and North America, Meda is present in Eastern Europe, South America, Southeast Asia and Africa. This means the company must be aware and capable of handling the specific issues in these regions.

Meda's value chain consists of the development, production, sales & marketing and the use of pharmaceutical products. These phases affect several stakeholder groups. Meda has identified the following stakeholders:

- Patients and consumers
- Healthcare providers

- Suppliers
- Employees
- Public authorities and agencies
- Owners/investors
- Analysts
- Distributors
- Wholesalers/retailers

Meda's ability to interact with stakeholders and meet their needs and expectations are crucial if the company is to remain a relevant player. Meda's dialogue with stakeholders is both informal and formal, and stakeholder input is mostly collected in the ordinary business processes. In 2014, one meeting took place with Meda, representative from our Board of Directors and one of Meda's investors on anti-corruption and internal control. Further, Meda responded to a number of investor surveys regarding our sustainability performance.

Current requirements and expectations have impacted Meda's definition of the company's prioritized sustainability issues.

### MEDA – GENERATED AND DISTRIBUTED FINANCIAL VALUE

MSEK	2014	2013
Revenue <sup>1)</sup>	15,415	13,136
Operating expenses	–8,515	–7,463
Salaries and employee benefits	–2,137	–1,944
Payments to providers of funds	–639	–525
Dividend	–756	–680
Payments to governments	–551	–390
Societal investments	0	0
<b>Remaining economic value</b>	<b>2,817<sup>2)</sup></b>	<b>2,134</b>

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

<sup>2)</sup> Excluding non-recurring effects of SEK 992 million, see Note 11 for the Group.

## Meda's prioritized areas

Meda's vision is to become a world-leading specialty pharma company with a focus on sustainable and profitable growth to provide value for patients, shareholders and other stakeholders. In order to fulfill this vision, the company must be committed to responsible business practices. A materiality analysis in 2013 confirmed previously identified areas. Going forward, Meda will evaluate, further develop and adapt its sustainability efforts and priorities to the new Group which, as of Q4 2014, includes Rottapharm.

Meda's prioritized sustainability areas are:

### Patient safety

Patient safety is Meda's highest priority, and subject to strict regulations imposed by authorities and by Meda. Read more on page 48.

### Manufacturing and distribution

Good supplier relationships, high quality, knowledge of manufacturing conditions and thorough monitoring are essential to ensure product functionality and safety. Good Manufacturing Practice and Meda's Supplier Code of Conduct form the basis for these efforts. Read more on page 49.

### Acquisitions

Meda's growth strategy involves a combination of organic growth and acquisitions. Acquisitions have historically been the main driver of the company's expansion by keeping the product portfolio relevant and ensuring access to new markets. Read more on page 50.

### Employees

The skills and commitment of Meda's employees are key to the company's success. Meda is a decentralized organization that trusts its employees to act with integrity and to make their own decisions. Meda has established processes for employee relations, including routines relating to the working environment and safety. Read more on pages 50–51.

### Governance

Sound business ethics and efficient governance are key to Meda retaining its license to operate and for value creation. Meda's Business Conduct Guidelines and the Swedish Corporate Governance Code outline the company's position and commitment. Read more on pages 52–53.

### Environment

To achieve long-term success Meda must make use of natural resources in a sustainable way and keep reducing the company's environmental impact. Read more on pages 54–55.

### Community engagement

Meda strives to maintain good relationships with the communities in which it operates. This includes providing expertise and products to communities with significant needs. Read more on page 56.



## Risks and opportunities

Meda's operations and sustainability management are based on the conviction that high standards, responsibility and good relationships with the world around us will result in long-term gains. This approach must permeate all strategies, all decisions and all operations.

Meda's sustainability work is intended to improve the company's business opportunities and help Meda achieve its overall goals. Several of Meda's prioritized areas have inherent risks associated with doing business responsibly. An important aspect of the sustainability work is therefore to reduce those risks.

Sustainability and good conduct are issues of relevance for everyone at Meda. The company's management has a particular responsibility; it is the responsibility of every manager to ensure that the company-wide guidelines are implemented and adhered to.

### **Risk awareness enhances business opportunities**

Faults in, or incorrect usage of a product could involve risks for patients or customers and are therefore the main risks faced by Meda. Most sustainability-related risks are believed to be in the manufacture and distribution of Meda's products. This is in part due to the fact that Meda does not have full knowledge or control as these operations are carried out by suppliers, distributors, wholesalers, retailers or healthcare authorities. Some of the considerations are delivery reliability, relationships with suppliers and distributors, business ethics and compliance with Meda's guidelines.

Similar risks exist in Meda's in-house production where production interruptions may affect delivery reliability. In-house production is associated with health and safety risks and environmental impact.

Meda's responsibility in relation to stakeholders such as patients and customers, owners and employees requires the company to manage its risks correctly. The risks vary among different geographies, and as Meda expands, the need to keep well-informed about local circumstances and monitor activities increases.

Examples of risk mitigating efforts include the following:

- Meda has communicated the company's Supplier Code of Conduct to suppliers and implemented a web-based monitoring system.
- Meda works with clear objectives for delivery performance in the company's supply chain.
- Meda has established routines for communication, follow-up and control to ensure correct implementation of the company's Business Conduct Guidelines within the organization. There is a particular focus on new countries and countries with a perceived increased risk of corruption.
- Meda has established management systems and routines for health & safety and the environment. These are employed at the company's own manufacturing units and used to monitor suppliers' performance.
- Meda has processes to assess risk in new markets.

## Patient safety

Meda's mission is to provide effective and safe pharmaceuticals. Consequently, the health and safety of patients is always Meda's top priority.

Access to medicine is a core issue in this industry. Meda is committed to helping improve access to medicine where this is a problem. However, given the profile of Meda's product portfolio, the issue is considered to be of little relevance for Meda. However, this is an area that must be assessed over time.

### Clinical trials

Meda focuses on development in the late clinical or registration phases and not on early research. This means that Meda's products have already been tested multiple times on humans. In cases requiring clinical trials, Meda enlists the help of specialized research companies.

In 2014 nine clinical trials were performed. Five were post approval commitments in the US or EU. Two were to expand registration and two were to defend a marketing claim.

The services are procured according to Meda's internal procedures for clinical trials. The procedures are based on the relevant standards such as the EU 2001/20EC directive and the OECD Good Clinical Practice (GCP) principles, an ethical and scientific quality standard with origins in the World Medical Association's Declaration of Helsinki.

### Animal studies

The pharmaceutical industry has made considerable progress with regard to alternatives to animal studies when developing drugs. Despite this, animal studies are sometimes unavoidable, or even mandatory.

Meda's development is essentially focused on late-phase clinical studies. Consequently, the need for animal studies is extremely limited. In 2014 one animal study – an environmental toxicology study of the full life-cycle of a fish –

was initiated as requested by a supervisory authority for conditional approval. The study will continue into 2015.

Meda complies with 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.

### 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 registration of new and existing products. They also monitor and ensure that products are developed in accordance with the relevant legislation, public authority requirements and guidelines. To guarantee that the product is used correctly and for the right purpose, Meda also works in cooperation with local registration and pharmaceutical authorities on, for example, producing prescription information and user directions.

### Pharmacovigilance

All use of pharmaceuticals entails a risk of side effects in various forms and degrees. 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. Among other routines, they apply periodic reporting and risk management plans, to ensure proper standards. The aim is to detect, investigate and prevent any adverse effects from the use of Meda's pharmaceuticals. When required, changes may be made to basic information about a drug, 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 2014 one formal case of an insufficient description of the pharmacovigilance system was identified. There was no impact on patient safety. Corrective actions have been taken and the deviation has been remediated.

### Complaints

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, allowing the company to track recurrent complaints of the same type and monitor any trends.

## Manufacturing and distribution

Meda engages in both in-house and contract manufacturing. This mix gives access to new technology and flexibility while enabling good cost control to be maintained. Until Q4 2014, Meda's own manufacturing units were in France, Germany and the US. In Q4 2014, Meda acquired Rottapharm, expanding the scope of own manufacturing units to India, Ireland, Italy and Spain, and an additional unit in Germany. The integration is not yet complete and the Rottapharm units and their suppliers are not included in this sustainability report.

The same delivery and reliability standards and other parameters apply to both Meda's own manufacturing units, including the newly acquired ones, and to contract manufacturers delivering products to Meda.

### Strict requirements

Meda enforces strict standards internally and for suppliers. The standards relate to safety, quality, price, function and delivery reliability. Meda's Business Conduct Guidelines cover ethics, working environment and employment terms, environmental impact, animal welfare and management systems. The equivalent requirements for suppliers are set out in the Supplier Code of Conduct, which was updated in 2014 to include human rights considerations. By the end of 2013, more than 95% of Meda's supplier spend in contract manufacturing was made from suppliers that have accepted Meda's Supplier Code of Conduct or has an equivalent. The corresponding data is not available for 2014. However, 83% of the requested suppliers performed the self-assessment of their compliance with Meda's Supplier Code of Conduct.

### Monitoring compliance

Meda performs regular supplier audits to check compliance with the requirements set out in the industry's Good Manufacturing Practice (GMP) quality system. Management of relevant sustainability issues is to be reviewed in connection with quality audits. When required, Meda

conducts specific audits with a focus on ethics and the environment. No such audits were performed in 2014.

Based on a sustainability risk analysis from 2013, Meda has taken action to improve knowledge and monitoring, as well as to improve actual sustainability performance in the supply chain.

In 2013 Meda launched a web-based monitoring system for Supplier Code of Conduct compliance:

- By the end of 2014 the system covered first tier suppliers from whom Meda has a purchasing volume exceeding SEK 5 million. This entailed – just under 100 companies in 20 countries. The system covers suppliers in Europe, India and the US.
- The monitoring process consists of a standardized survey based on Meda's Supplier Code of Conduct, the principles in UN Global Compact and other relevant internationally recognized standards.
- Each supplier receives a rating based on the responses.
- The rating will form the basis for a more detailed risk analysis and for decisions on whether a targeted audit is warranted.

Overall, the analysis indicates that Meda's exposure is quite low. The majority of Meda's suppliers operate in Europe and North America where the implementation of legislation and regulations is well-developed. Meda has a few suppliers in countries where sustainability risks are deemed high. Meda has overall a good understanding of the operations and performance of these suppliers. Meda plans to initiate another risk analysis in 2015, due, in particular, to the acquisition of Rottapharm. Going forward, empowering the purchasing and sales organizations as well as synchronizing Meda's company-wide approach will help improve to Meda's sustainability performance.



### Distribution

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

Meda plans to increase its understanding of the distributors' ability to comply with Meda's Business Conduct Guidelines. Distribution of Meda's products will be included in the risk analysis and strengthening activities described above.

## Acquisitions

Meda's growth strategy involves a combination of organic growth and acquisitions. Thus far, acquisitions have been the main driver of Meda's expansion. From 2000 to 2013 Meda made more than 30 major acquisitions of companies and product rights, which were essential to growing a relevant product portfolio. In 2014 Meda was significantly expanded through the acquisition of Rottapharm. Read more about this acquisition on page 7.

Extensive investigation precedes an acquisition, and sustainability factors are part of the investigation process. Meda's acquisition and integration process includes implementing the company's Business Conduct Guidelines. The acquired company is responsible for implementing the guidelines and Meda for monitoring the harmonization and implementation process through internal controls.

## Employees

### The Meda Way

As Meda grows, the objective is to preserve the strengths of a lean and fast-moving company. This means having a decentralized and efficient organization with short decision paths.

To achieve a common approach across the entire company, Meda developed a new vision, mission and corporate values in 2014. The implementation of Meda's values included asking employees to define what the values mean to them and what they need to do, to live up to the values. In 2015 a follow-up will take place to determine how well the organization as a whole is living up to the values.

### Meda's workforce<sup>1)</sup>

At the end of 2014 Meda had 4,675 employees (3,153), mainly in sales and marketing. Out of Meda's 4,675 employees, 159 (137) were employed on a temporary basis. In addition, Meda had 527 (173) contractors.

As the company grows, Meda strives to achieve a balance between bringing in new expertise and taking advantage of existing experience. The expansion has resulted in an above average employee turnover. In 2014, 764 (484) employees left Meda either by termination, dismissal or outplacement. Meda's

employee turnover was 16% (15). Employees who are affected by organizational changes are offered support where this is relevant, in compliance with local legislation and practices.

### Professional development

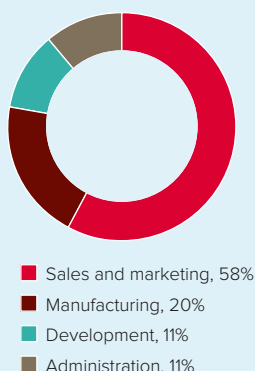
The skills and good judgment of Meda's employees determine the company's path. Meda strives to be an attractive and supportive workplace, offering a work environment characterized by opportunities and challenges as well as stimulating assignments. Professional development is based on employees' individual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

### Diversity and equal rights

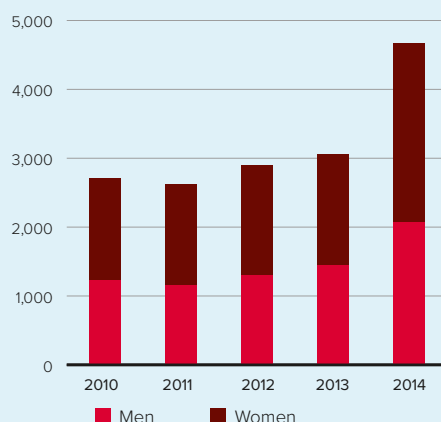
Of Meda's 4,675 employees, 56% (54) are women. Women hold 39% (37) of management positions. Meda strives to increase the percentage of female managers by clearly defining skills requirements for each position and by monitoring progress.

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

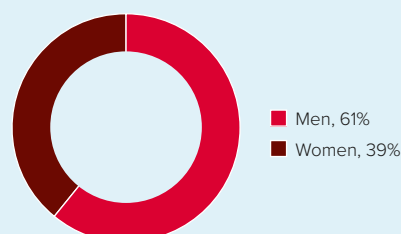
EMPLOYEES PER FUNCTION, 2014



NO. OF EMPLOYEES  
GENDER DISTRIBUTION



GENDER DISTRIBUTION,  
MANAGERS, 2014



## Employees, continued

Discrimination based on gender, gender identity or gender expression, ethnicity, religion or other belief systems, disability, sexual orientation or age etc. is strictly prohibited within Meda. No case of discrimination was reported in 2014.

### Health and safety

Meda is committed to offering a safe, healthy and pleasant workplace. To ensure compliance with relevant occupational health and safety legislation, Meda has dedicated employee and workplace handbooks for countries with large operations, such as Sweden, Germany, France and the US.

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

Factory and laboratory employees are especially exposed to health and safety risks. Therefore, these units have specific health and safety procedures. Incidents and accidents are followed up and steps are taken to prevent recurrences.

In 2014 a total of 44 (40) work-related injuries were reported. They were mainly "mild trip, slip or fall" injuries affecting manufacturing

employees. Meda's vision is to minimize risks and eliminate work-related accidents.

In 2014 sick leave was 3.1% (3.2) and absence for 60 days or more was 1.0% (1.0). Sick leave is relatively evenly split between men and women and various age groups. Health monitoring and measures are managed at the local level.

Going forward, Meda's human resources management will mainly be focusing on the integration of Rottapharm. A new organization will be set and responsibilities will be delegated. The roll out of the vision, the mission and the values must encompass the entire organization if the goals in The Meda Way are to be fulfilled. Group-wide governing documents, such as the Business Conduct Guidelines, will be communicated. As the company grows in new geographies and new cultures, it is increasingly important to establish a common understanding of what the guidelines mean.

### SICK LEAVE (%)

	2014	2013	2012	2011
Women	3.7	4.0	3.6	3.7
Men	2.4	2.2	2.4	2.6
<b>Total</b>	<b>3.1</b>	<b>3.2</b>	<b>3.1</b>	<b>3.3</b>
By age				
50–	3.8	3.9	3.9	3.9
30–49	3.1	3.0	2.9	3.0
0–29	2.0	2.4	2.7	2.9
Continuous sick leave >60 days	1.0	1.0	0.9	0.9

### WORK RELATED INJURIES AND DISEASES

	2014	2013	2012	2011
Work related injuries	44	39	35	27
Injury rate	19	14	29	18
Work related diseases	–	1	2	2
Occupational diseases rate	–	1	7	3

## Governance

### Ethical conduct

Meda must be operated in a highly responsible and ethical manner – this extends beyond compliance with laws and regulations. Meda's ethical guidelines and the Business Conduct Guidelines, combined with the Swedish Corporate Governance Code are the principal guidelines.

The Business Conduct Guidelines cover among other aspects; business ethics and the company's relationships with employees, customers, suppliers, public authorities, competitors and other players.

The guidelines prohibit inappropriate advantages and donations to political parties or candidates. They permit Meda companies to engage in societal issues relevant to Meda's business. Meda's companies work locally with various issues, depending on the priorities in a particular market. Such activities are subject to Meda's internal guidelines. As of January 2014, the guidelines are available on Meda's corporate website.

It is the responsibility of each country manager to ensure that each employee understands Meda's Business Conduct Guidelines.

### Guiding principles

Meda takes responsibility for operating within the framework of competition legislation in its global operations. The company's Business Conduct Guidelines supplement this type of legislation and prohibit partnerships or agreements with competitors on price, terms or similar aspects.

- **Correct information:** All information provided by Meda must be correct and issued in such a way so that the intended recipient can understand it and form an accurate opinion on it.
- **Regulated market:** Meda operates in a strictly regulated market. All products and services are subject to regulation and standards for content, manufacturing, how the product should be used and the effects of use. In some cases information is required about how to dispose of a product.

- **Regulated communication:** Meda always complies with national regulations on how to communicate information to patients and other interest groups.
- **Good marketing practices:** The company complies with the guidelines associated with good marketing practices. These may vary from country to country.
- **Corruption and conflicts of interest:** Meda's Business Conduct Guidelines provide details of Meda's zero tolerance for corruption and rules on how employees should handle situations where conflicts of interest may arise.

### Corporate governance

Effective corporate governance is an essential consideration for Meda. As a listed company quoted on the large cap segment of NASDAQ Stockholm, Meda complies with the Swedish Corporate Governance Code. Meda has drawn up several governing documents, including the Business Conduct Guidelines and Internal Control Standards, which all affiliates within Meda must observe.

### Monitoring compliance

Auditing and monitoring compliance with the Business Conduct Guidelines and Internal Control Standards are done through self-assessment and internal and external audits. Meda frequently conducts internal audits in countries perceived as having an elevated risk of corruption. These audits focus on sales, supplier relationships and incentives. Meda also conducts business continuity planning risk assessments focusing on product supply and external suppliers.

In 2014 Meda's corporate governance and internal control processes were enhanced in a number of ways. For instance, the security of Meda's IT environment was strengthened, focusing on new markets. As part of its 2015 sustainability objectives, Meda will continue to develop its system for monitoring compliance with the Business Conduct Guidelines. In 2014 Meda began mapping wholesalers and distribu-

tors within the scope of enforcing Meda's Business Conduct Guidelines. This project will be extended in 2015 to include the countries where Rottapharm is present.

In 2014 there was one confirmed case of a violation of the Business Conduct Guidelines. It was investigated and remedial actions were taken. Among other actions, new routines for review and documentation of payments have been implemented.

### Whistleblowing

Meda has had an anonymous whistleblowing procedure in place since 2012. The procedure is available to employees as well as external stakeholders to report suspected irregularities.

Only one case has been reported through the whistleblowing channel until 2014 and three cases have been reported through other channels. Meda investigated all cases and found that none required remedial action.

### Fulfilling the UN Global Compact principle

Meda is signatory to the UN Global Compact (UNGC) since 2012 and has undertaken to respect and promote 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, and pledges to develop its efforts in these areas.

The UNGC's ten principles will be incorporated into the way in which Meda is governed and conducts its operations, and Meda's sustainability goals are aligned with the principles. To further align Meda's performance with the UNGC commitment, an action plan has been set out. The key points are:

- **Supplier requirements:** Update Meda's Supplier Code of Conduct to more clearly reflect the company's expectations of suppliers with respect to human rights, particularly the right to organize and collective bargaining. Status: Done.
- **Product supply:** Develop risk assessment of the product supply chain. Status: To do.



## Governance, continued

- Human rights: Develop the Business Conduct Guidelines to further define Meda's support of the ILO Core Conventions and the UN Universal Declaration of Business and Human Rights. Status: To do.
- Knowledge improvement: Improve coordination of Meda's internal HR policies between different countries and develop internal training for employees in CSR risks, e.g. anti-corruption and discrimination. Status: To do.
- Whistleblowing: Introduce a process whereby external stakeholders can report issues. Status: Done.
- Marketing: Document and coordinate the various models for good marketing practices within the company to ensure that the practices in all countries meet the expected standards. Status: Done.

### Risk management in expansion

Meda has experienced considerable growth since 2000. Some of Meda's new markets are deemed to be associated with relatively high risk in terms of corruption, human rights violations and environmental damage. Meda places particular emphasis on following up these aspects in high-risk markets. The company's operations in high-risk countries are almost entirely limited to sales and marketing. No development or manufacturing activities take place. Meda also takes steps to improve internal control in countries where the company has recently established operations.

Following the acquisition of Rottapharm, Meda will oversee its sustainability governance systematics and efforts. Previous assumptions on risks and the scope of mitigating activities may need to be revised. Also, several markets where Meda operates have new and stricter regulation, making it relevant for Meda to develop internal standards and routines as the ambition is to stay ahead of legislative requirements.

To learn more about routines on acquisitions, please see pages 7 and 50.

## Environment

Meda's environmental impact primarily comes from:

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

The aim is to constantly reduce Meda's environmental impact. The company complies with all relevant environmental laws and applies an ISO 14001 certified environmental management system. Energy consumption, material consumption and hazardous waste are areas of priority.

### Meda's environmental policy in brief

Meda's environmental policy states that the company is to:

- Comply with the environmental laws and ordinances in force.
- Consider commercial opportunities and risks from an environmental perspective.
- Reduce energy consumption.
- Consider the environment 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 environmental efforts mainly concern the manufacturing units in Germany, France and the US. These units are only engaged in formulating and packaging pharmaceuticals. These units have the environmental permits required by local law and EU regulations. All units are monitored and no deviations were noted in 2014.

Meda also complies with relevant regulatory requirements with respect to documenting the pharmaceutical residues in aquatic environments that arise from pharmaceutical use. The company also monitors research for new findings. The dominant opinion among experts in the field is that the amounts of pharmaceutical residues that it is possible to measure in the environment cannot be considered harmful to humans, animals or plant life.

### Objectives and monitoring

Meda's units have their own objectives for energy, waste and, where applicable, waste-

water. These objectives are regularly followed up and revised. Example of efforts to cut environmental impact in 2014 are increased monitoring of consumption and emissions, reduced gas consumption, increased waste recycling and substitution of PVC sleeves with less harmful material.

Environmental audits of all relevant units are conducted by a third party. In 2015, Meda's units will be audited to be recertified to ISO 14001.

### Waste and wastewater

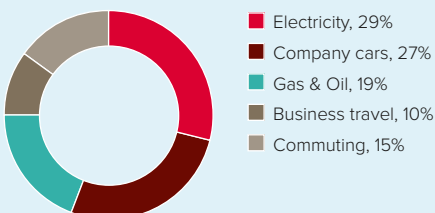
As the manufacturing units are only engaged in formulating and packaging pharmaceuticals, the amount of waste generated is relatively small and solvent emissions to air are minimal. Most waste consists of process water, mainly from equipment cleaning. The volume of hazardous waste generated is low and only small amounts of pharmaceutical residues are generated. All waste is handled in accordance with laws and established routines. Also, all facilities have permits to release process wastewater with regular wastewater for processing in treatment plants. They are in compliance with their permits with good margins.

WATER AND WASTE, MANUFACTURING AND DEVELOPMENT UNITS 2014

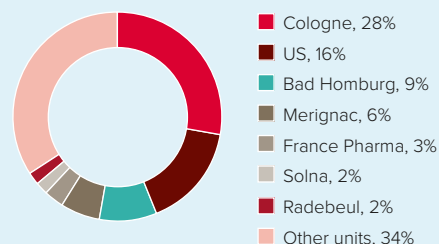
Water	83,810 m <sup>3</sup>
of which process wastewater	49,342 m <sup>3</sup>
Waste	1,153 tons
of which hazardous waste	94 tons

These values will be the basis for efficiency and improvement efforts in the years ahead to reduce water consumption and waste volumes.

GREENHOUSE GAS EMISSIONS BY CATEGORY, MEDA GROUP 2014



GREENHOUSE GAS EMISSIONS, GEOGRAPHIC DISTRIBUTION, MEDA GROUP 2014



## Environment, continued

### Energy and CO<sub>2</sub> emissions

Reducing energy consumption and greenhouse gas emissions is Meda's top environmental priority. Meda did not meet its 2014 goal for reducing CO<sub>2</sub> emissions per employee. The emissions level remained 9.3<sup>1)</sup> metric tons per employee.

- In 2014 Meda's direct and indirect CO<sub>2</sub> emissions were 28,429<sup>2)</sup> (29,248)<sup>1)</sup> metric tons equivalent to 9.3 metric tons per employee and 2,057 (2,230)<sup>1)</sup> metric tons per SEK thousand in net sales.
- Direct emissions originate from heating and the use of company cars.
- Indirect emissions come mainly from electricity consumption.

The most important long-term measures for reducing CO<sub>2</sub> emissions are related to energy consumption at the plants and office buildings. Meda has successfully implemented steps to reduce electricity consumption. Meda is also focusing on improving efficiency in goods

transportation and on better coordination. Another priority is promoting alternatives to business trips by, for example increasing the use of video and telephone conferencing.

Meda has been participating in the Carbon Disclosure Project (CDP) for several years. In the CDP Nordic Report 2014, Meda was included in the Climate Disclosure Leadership Index (CDLI).

- Meda's CDP reporting in 2014 was awarded 95B/100 A (83 C). For more information on CDP, visit CDP's website.

Meda offsets the climate impact of its Swedish operations by investing in certified Clean Development Mechanism (CDM) projects. These projects are run in line with the intentions of the Kyoto Protocol and are monitored by the UN. They also meet comprehensive requirements with respect to measureable reductions in CO<sub>2</sub> emissions and positive social impacts.

### CO<sub>2</sub> EMISSIONS AS REPORTED TO CDP (TON)

	2014	2013	2012
<b>Scope 1:</b>			
Gas and oil <sup>1)</sup>	5,569	6,245	5,926
Company cars	7,781	7,619	7,528
<b>Scope 2:</b>			
Electricity	8,243	9,226	9,522
<b>Scope 3:</b>			
Business trips	2,920	3,258	3,251
Commuting	3,915	2,900	2,655
Supply chain	NA	5,300	5,146
<b>Total</b>	<b>28,429</b>	<b>34,548<sup>2)</sup></b>	<b>34,028</b>
Per employee	9.3 <sup>3)</sup>	11.3	11.7

Scope 1: Direct emissions from CO<sub>2</sub> 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.

In 2014 Meda does not report on emissions in the supply chain due to lack of reliable data.

<sup>1)</sup> Cover Meda's manufacturing units

<sup>2)</sup> Excluding supply chain: 29,248

<sup>3)</sup> The equivalent for 2013, i.e. excl. Supply chain is 9.3.

<sup>1)</sup> Adjustment of 2013 data has been made to reflect that emissions from supply chain are not included for 2014.

Hence, the 2013 figure differ from reported data in 2013.

<sup>2)</sup> These emission values are based on actual data from all of the production and development units and other operations in Sweden, the US, France and Germany. CO<sub>2</sub> emissions for the whole of Meda were then extrapolated from this data.

### ENERGY USE

	2014	2013	2012	2011
Natural gas, m <sup>3</sup>	2,877,302	3,195,364	3,070,505	2,806,026
Company cars, driving distance, km	41,272,548	40,100,853	40,004,940	34,849,042
Electricity, MWh	24,472	24,324	22,406	24,160

	2014	2013	2012	2011
Natural gas, GJ	112,244	124,651	119,780	109,463
Company cars, driving distance, km <sup>1)</sup>	—	—	—	—
Electricity, GJ	88,099	87,566	80,662	86,976

<sup>1)</sup> Reporting on company cars cannot be converted to GJ as Meda does not collect information on fuel type.

## Community engagement

Meda regards making a positive impact on the community as a duty and a privilege. Beyond running the core business and improving health and well-being through effective operations, Meda sponsors research and donates to charitable organizations.

### 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 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 2014 products donated by Meda were distributed in 26 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 2014 Meda's products reached people in need in 48 countries.



Meda has donated more than USD 31 million of product that has been shipped to 63 countries.

### Project Hope

In addition to donations to the organizations above, Meda also donated pharmaceutical products in 2014 to organizations such as Project HOPE, Operation Gratitude, Operation Troop Aid and Operation Ukraine.

Founded in 1958, Project HOPE (Health Opportunities for People Everywhere) is dedicated to providing lasting solutions to health problems with the mission of helping people to help themselves. Together with the SS HOPE, the world's first peacetime hospital ship, Project HOPE now provides medical training and health education, and conducts humanitarian assistance programs in more than 30 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 2014 Meda's products reached nine countries via Direct Relief.

In addition to the above-mentioned initiatives, several local initiatives have been implemented in line with Meda's guidelines. For more information on local initiatives and other important donations supporting Meda's local operations, please visit [www.meda.se](http://www.meda.se) and local geographical sites.

## Sustainability objectives for 2015 and onwards

Meda's sustainability objectives continue to support a set of areas of particular focus: operational and environmental efficiency, responsible integration of new business, sustainability governance and a sustainable supply chain. Going forward, the objectives combine relatively short-term and long-term efforts. They are all aimed at driving Meda's sustainability performance and identifying risks and opportunities inherent in Meda's core business.

### Operational and environmental efficiency

- Continue to reduce Meda's environmental impact. The key measurement is CO<sub>2</sub> emissions per employee.
- Re-certify relevant units to ISO 14001.
- Begin inclusion of Rottapharm in Meda's ISO 14001 Group certification.

### Responsible integration of new business

- Include Rottapharm in Meda's sustainability framework.
- Perform a sustainability risk analysis of Rottapharm.

### Sustainability governance

- 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.

### Sustainable supply chain

- Engage with suppliers based on their 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.



# GRI content table

## About Meda's sustainability report 2014

Meda reports its sustainability performance annually. The sustainability report refers to the fiscal year 2014. Meda applies GRI's guidelines for sustainability reporting, version 3.0. The information provided in the report meets the GRI requirements for application level C+. The

information in this report has been reviewed by a third party (PwC) who confirms this statement. Meda's sustainability report covers the entire Group excluding Rottapharm's units unless indicated otherwise. The report provides a complete picture of Meda's social, economic and environmental impact and results.

Below is Meda's complete GRI table. The table includes the profile information that is mandatory for GRI Level C and performance indicators considered relevant. Visit Meda's website for GRI report application level table.

Standard information/indicator	Reference to annual report including sustainability report 2014	Reporting: Fully/ Partially	Comment
<b>1. STRATEGY AND ANALYSIS</b>			
1.1 CEO's comments	2–3		
1.2 Risks and opportunities	4–5, 10–11, 45, 47, 53, 67–68		
<b>2. ORGANIZATIONAL PROFILE</b>			
2.1 Organization name	130		
2.2 Primary brands, products, and services	4–5, 24–25, 49		
2.3 Organizational structure	18–19, 50, 99 (Note 15)		See parent's Note 15
2.4 Location of headquarters	130		
2.5 Countries where the organization is active	Front cover inside, 18–21		
2.6 Ownership and legal form	69		
2.7 Markets	Front cover inside, 14–16, 18–22		
2.8 Company size	1, 62–66		
2.9 Significant changes during the reporting period	1, 64–65		
2.10 Awards received in the reporting period	55, 65		
<b>3. REPORT PARAMETERS</b>			
<b>Report profile</b>			
3.1 Reporting period	58		
3.2 Most recent reporting date			Meda's 2013 sustainability report was published as part of the 2013 annual report in April 2013.
3.3 Reporting cycle	58		
3.4 Contact person for questions regarding the report	130		Lina Andersson, Head of Global Sustainability. Email: lina.andersson@meda.se
<b>Report scope and boundary</b>			
3.5 Process for defining report content	43, 45–46		
3.6 Boundary of the report	43, 49, 86 (Note 1)		The sustainability report applies the same reporting policies as the annual report, unless stated otherwise. See 3.7.
3.7 Limitations on the scope of the report	54		Environmental performance data for waste and water are limited to Meda's production units. The Sustainability report does not include Rottapharm except for economic value creation (page 45) and employee data (page 50–51). Employee data reported on page 50–51 concerns own employees.
3.8 Accounting policies for the Group	86 (Note 1)		See the Group's Note 1 on reporting principles.
3.10 Explanation for any re-statements from former reports	45, 54–55		
3.11 Significant changes in scope, boundaries, or measurement methods compared with reports from previous years	43, 49–51, 54–55, 58		As of 2014 employee data is reported as head count. Data for 2013 has been re-stated to enable comparability. See page 50–51. CO <sub>2</sub> emissions from supply chain is not reported in 2014 due to lack of reliable data. In cases where a description of the performance in 2014 vs. 2013 is given, the data for 2013 has been adjusted. See page 54–55.
3.12 Table identifying location of all parts of the GRI	58–59		This is Meda's complete GRI index.
3.13 Policy and practice for external assurance	43, 60		
<b>4. GOVERNANCE, COMMITMENTS AND ENGAGEMENTS</b>			
<b>Governance</b>			
4.1 Governance Structure	69, 72–73		

Standard information/indicator	Reference to annual report including sustainability report 2014	Reporting: Fully/ Partially	Comment 2014
4.2 Role of the Chairman of the Board	70		Martin Svalstedt is Chairman and Dr. Jörg-Thomas Dierks is CEO and President of Meda.
4.3 Independent or non-executive board members	74–75		
4.4 Mechanisms to provide proposals or direction to the Board of Directors	52, 69–70		No additional formal processes in place.
4.8 Internally developed statements of mission or basic values, code of conduct, and principles for sustainable/responsible entrepreneurship	12, 44, 49, 52–53, 65		
4.12 External declarations, principles, and initiatives	2–3, 52–53, 65		Meda complies with the requirements and guidelines in the Swedish Code of Corporate Governance, ISO 14001, GRI, and GxP (regulatory frameworks that govern the pharmaceutical industry).
<b>Stakeholder engagement</b>			
4.14 Stakeholder groups	43, 45		
4.15 Identification and selection of stakeholders	43, 45–46		
4.16 Approaches to stakeholder engagement	43–45, 49		
4.17 Key topics and concerns that have been raised in dialogues with stakeholders	45–46		
<b>PERFORMANCE INDICATORS</b>			
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
EC 1 Direct economic value generated and distributed	45	Fully	
EC 3 Coverage of the organization's defined benefit plan obligations	95–96 (Note 8) 105–108 (Note 27)	Fully	See Group's Note 8 and 27.
EC 4 Significant financial assistance received from government		Fully	Meda has not received significant financial assistance from the government 2014.
EC 8 Development and impact of infrastructure investments and services provided primarily for public benefit	56	Partially	
<b>ENVIRONMENTAL INDICATORS</b>			
EN 3 Direct energy consumption by primary energy source	54–55	Fully	
EN 4 Indirect energy consumption by primary energy source	54–55	Fully	
EN 8 Total water withdrawal by source	54	Partially	
EN 16 Total direct and indirect greenhouse gas emissions by weight	54–55	Fully	
EN 18 Initiatives to reduce greenhouse gas emissions and reductions achieved	54–55	Partially	
EN 21 Total water discharge by quality and destination	54	Partially	
EN 22 Total weight of waste by type and disposal method	54	Partially	
EN 26 Initiatives to mitigate environmental impacts of products and services	54–55	Partially	
EN 28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations		Fully	No such incidents in 2014.
<b>SOCIAL INDICATORS</b>			
<b>Labor practices and decent work</b>			
LA 1 Total workforce by employment type and region	50, 65, 94 (Note 7)	Fully	See Group's Note 7.
LA 2 Employee turnover	50	Fully	
LA 7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	51	Partially	No fatalities within Meda's operations in 2014.
LA 13 Composition of governance bodies and breakdown of employees per category according to indicators of diversity	50–51, 72–79, 94 (Note 7)	Fully	Meda does not report broken down by ethnicity/minority group as it is prohibited by Swedish law to record such information. See Group's Note 7.
<b>Human rights</b>			
HR 2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	49	Fully	
HR 4 Total number of incidents of discrimination and actions taken	51	Fully	
<b>Society</b>			
SO 4 Actions taken in response to incidents of corruption	52	Fully	One case of fraud was detected in 2014. It was investigated and corrective actions were taken.
SO 5 Participation in political decision-making processes and lobbying	52	Partially	
SO 6 Total value of all contributions and gifts to political parties		Fully	Meda does not contribute with gifts or services to political processes or institutions as referred to by this indicator.
SO 8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		Fully	No such incidents in 2014.
<b>Product responsibility</b>			
PR 1 Life cycle stages in which health and safety impacts of products and services are assessed	47–49, 52–55	Partially	
PR 3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	48, 52	Fully	Meda operates in a strictly regulated market. All products and services are subject to regulation and requirements with regard to content, production, use, how the product will be used, and the effects of use. In some cases information about how the product will be discarded must also be submitted.
PR 9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		Fully	Meda was not imposed any fine in 2014 as referred to by this indicator. One formal complaint was filed due to insufficient description of the pharmacovigilance system. There was no impact on patient safety and corrective actions were taken.

# Auditor's limited assurance report on sustainability report

## To Meda AB (publ)

### Introduction

We have been engaged by the management of Meda AB (publ) to undertake an examination of Meda's Sustainability Report for the year 2014.

### Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 43, 45-46 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 Quality Control 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.

Our procedures are based on the criteria defined by the Board of Directors and the Group 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 Management.

Stockholm, 27th March 2015  
PricewaterhouseCoopers AB

Mikael Eriksson  
Authorised Public Accountant

Fredrik Ljungdahl  
Expert Member of FAR

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# Management report

# Financial reports

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## Table of Contents

### **Management report**

- 62 Operations
- 67 Risk factors
- 69 Corporate governance report
- 72 Board members
- 76 Executive management team

### **Financial reports**

- 80 Accounts Group
- 86 Notes Group
- 113 Accounts parent company
- 118 Notes parent company
- 124 Statement of the board
- 125 Auditor's report
- 126 Financial review
- 128 The Meda share
- 130 Definitions
- 131 Glossary and trademark rights
- 132 Shareholder information

# 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 2014 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

Meda offers cost-effective and medically well-motivated products. The company's target is to become a world-leading specialty pharma company. The means for achieving this are an active acquisition strategy and organic growth through market adapted product development. 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 prioritized therapeutic areas, and products for self-treatment and preventive healthcare (Cx/OTC).

## Marketing and sales

Meda holds a clearly defined position in the value chain. The company's main focus is sales and marketing. One of Meda's strongest assets is the ability to quickly and effectively integrate acquired operations and commercialize new products. Key activities are primarily sales and marketing, development of existing products, manufacturing and supply.

## Growth

Meda's growth strategy involves a combination of acquisitions and organic growth. Acquisitions have historically been the main driver of the company's expansion and have been supported on an ongoing basis by the company's investments in organic product and market development. The combined results are a significant product portfolio in Respiratory, Dermatology, Pain and Inflammation and Cx/OTC.

Since 2012, in addition to the OTC portfolio and growth markets, Meda has focused on a number of selected therapy areas, particularly Respiratory and Dermatology. Products successfully launched in these therapeutic focus areas in recent years include Dymista and Zyclara. The acquisition of Rottapharm strengthens the foundation for future organic growth through the addition of the Cx portfolio, as well as the therapeutic focus area Pain and Inflammation.

The combination of new launches and increased investments in countries with higher growth supported Meda's organic growth in 2014. Dymista, EpiPen and CB12 all made significant contributions to organic growth.

## Therapy areas

Meda's product portfolio is well diversified and spans several therapeutic areas and product areas. In 2014, prescription drugs (Rx) accounted for 69% of net sales, while non-prescription drugs accounted for 28%, consisting of both Cx and OTC products. Even though Meda is involved in several therapeutic areas, there are three prioritized areas in terms of development, M&A and marketing focus: Respiratory, Dermatology and Pain and Inflammation.

## Prescription drugs

Meda's products are meeting a growing need among patients and health-care providers. The need is driven by different factors such as the growing incidence of respiratory illnesses in 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 which are all common conditions where incidence is growing. This is partly due to environmental factors such as sun exposure. The Pain and Inflammation area experiences growth in several different indications with rising costs for the society. 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 after the acquisition of Rottapharm. The non-prescription product category is separated into Cx products and OTC products, based on how they are marketed.

Cx includes clinically effective and scientifically proven non-prescription drugs. Cx is an attractive area with benefits such as non-reimbursement, free pricing, good margins and limited generic competition. Cx creates a new platform for future growth both organically and through acquisitions.

In recent years, Meda has built an extensive portfolio of OTC products. Meda 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 health care system. Meda's ambition is to continue to grow its OTC business and gradually increase its market investments.

## Sales

Net sales for 2014 amounted to SEK 15,352 million (13,114), which corresponds to an increase of 17%. At fixed exchange rates, sales increased 12%. The Rottapharm acquisition contributed sales of SEK 1,533 million. Organic growth for the full-year amounted to 2%.

## Sales by geographic area (SEK million)

	2014	2013	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Western Europe	10,205	8,507	120	114	102
US	2,542	2,416	105	100	101
Emerging Markets	2,370	1,951	121	122	105
Other Sales	235	240	98	91	81
<b>Total sales</b>	<b>15,352</b>	<b>13,114</b>	<b>117</b>	<b>112</b>	<b>102</b>

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

Sales for **Western Europe** were SEK 10,205 million (8,507), representing a 20% increase, 14% at fixed exchange rates. Sales of products from Rottapharm amounted to SEK 1,119 million. Organic growth amounted to 2%. Growth was primarily fueled by Spain and Sweden, but most other markets also displayed healthy growth. Sales on the German market saw a decline

compared with the previous year, primarily owing to lower sales of Formatriis. Sales in France also dropped due to increased generic competition for Tambocor during the second half of the year.

**US** sales amounted to SEK 2,542 million (2,416), representing a 5% increase. At fixed exchange rates, the trend corresponded to zero growth and organic growth of 1%. Sales of Dymista rose to SEK 556 million (410). Sales of launch quantities of Aerospan totaled SEK 37 million. The basic product portfolio in the US saw an overall drop of 10%. The negative growth is attributable to lower sales of Astepro owing to generic competition. Excluding Astepro, sales increased for the basic product portfolio by 3% compared to last year.

Sales in **Emerging Markets** amounted to SEK 2,370 million (1,951), representing a 21% increase. At fixed exchange rates, the increase was 22%. The Rottapharm acquisition contributed sales of SEK 349 million. Organic growth amounted to 5% and was driven mainly by Russia, Australia, Turkey, and Mexico. Growth was impeded by delivery problems for Elidel, which resulted in lower sales in the Middle East and China compared to the previous year.

**Other Sales** amounted to SEK 235 million (240).

#### Sales by product category (SEK million)

	2014	2013	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Rx	10,508	9,584	110	105	102
Cx/OTC	4,352	3,134	139	133	103
Other Sales	492	396	124	118	92
<b>Total sales</b>	<b>15,352</b>	<b>13,114</b>	<b>117</b>	<b>112</b>	<b>102</b>

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

Sales of prescription drugs (**Rx**) amounted to SEK 10,508 million (9,584), representing an increase of 10%, 5% at fixed exchange rates. The Rottapharm acquisition contributed sales of SEK 394 million. Organic growth amounted to 2%. Dymista made a significant contribution to growth in the period, while the trend for Astepro and Elidel was weak owing to generic competition and delivery problems. Tambocor also saw weak sales due to increased generic competition.

**Cx/OTC** sales amounted to SEK 4,352 million (3,134), representing an increase of 39%, 33% at fixed exchange rates and 3% organic growth. The Rottapharm acquisition contributed sales of SEK 1,027 million, mainly via Dona, Legalon, Saugella, and Armolipid.

**Other Sales** amounted to SEK 492 million (396).

#### Profit

##### Operating profit

Operating profit for 2014 was SEK 1,487 million (1,548) and EBITDA was SEK 3,990 million (3,734), yielding a 26.0 (28.5)% margin. Excluding non-recurring effects, operating profit amounted to SEK 2,197 million and EBITDA to SEK 4,700 million, corresponding to an EBITDA margin of 30.6%. Operating expenses for the period amounted to SEK 7,824 million (6,479). The increase is entirely due to an increase in total costs resulting from the acquisition of Rottapharm, coupled with restructuring costs of SEK 631 million and transaction costs associated with the acquisition of Rottapharm.

Selling expenses for the period amounted to SEK 3,718 million (2,993). Selling expenses, excluding additional total costs from Rottapharm and restructuring costs, were consistent with the previous year at fixed exchange rates. Restructuring costs amounted to SEK 376 million.

Medicine and business development expenses amounted to SEK 3,223 million (2,794) and include transaction costs of SEK 121 million associated with the acquisition of Rottapharm, along with restructuring costs of SEK 59 million.

Administrative expenses for the period totaled SEK 883 million (692). Excluding additional costs from Rottapharm and restructuring costs, administrative expenses decreased at fixed exchange rates as a result of non-recurring expenses in 2013 and lower legal expenses. Restructuring costs amounted to SEK 166 million.

#### Financial items and net profit

Group net finance expense amounted to SEK –905 million (–545) and profit after net financial items amounted to SEK 582 million (1,003). The finance net includes costs of a non-recurring nature totaling SEK 160 million relating to borrowing costs, transaction tax of SEK 36 million on the acquisition of the shares in Rottapharm, recognition of capitalized borrowing costs regarding Meda's former bank facilities of SEK 32 million, and non-recurring financial expenses of SEK 12 million relating to Rottapharm. Excluding the aforementioned non-recurring expenses of SEK 240 million, the Group net finance expense totaled SEK 665 million.

Group tax expense was SEK 180 million (198), equivalent to a tax rate of 30.9% (19.8). Excluding tax on non-recurring effects, the tax rate was 22.9%, see Note 11 and 14. Tax on aforementioned non-recurring effects amounted to SEK 171 million whereof SEK 229 million is linked to restructuring costs and non-recurring financial costs, SEK –21 million is linked to internal restructuring of subsidiaries ahead of the acquisition of Rottapharm and SEK –37 million is related to write-downs of deferred tax and additional tax related to prior years.

Net profit amounted to SEK 402 million (805) and to SEK 1,181 million excluding non-recurring effects. Earnings per share reached SEK 1.23 (2.57). Excluding non-recurring effects, earnings per share totaled SEK 3.64 (2.57). 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 3,254 million (2,956).

Tied-up working capital had a SEK –212 million (–111) impact on cash flow. Cash flow from inventories totaled SEK 182 million, which is primarily due to lower wholesale inventory levels in southern Europe and the US. Receivables had an adverse effect on cash flow of SEK 536 million driven mainly by increased trade receivables, which is mainly due to strong sales in the fourth quarter. Debts had a positive effect on cash flow of SEK 142 million. Accordingly, cash flow from operating activities amounted to SEK 3,042 million (2,845).

Cash flow from investing activities amounted to SEK –8,906 million (–1,255). The fourth quarter saw the completion of the Rottapharm acquisition, which had a SEK –8,744 million impact on investing activities.

Cash flow from financing activities amounted to SEK 7,914 million (–1,597), see below under heading financing. Dividends of SEK 756 million (680) were paid during the second quarter.

Cash earnings per share for the period increased by 5% to SEK 8.97 (8.57). Excluding non-recurring effects cash earnings increased by 8% to SEK 9.28 (8.57). Amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

#### Financing

On December 31, equity stood at SEK 20,680 million, compared to SEK 15,211 million at the year's start, which corresponds to SEK 56.6 (50.3) per share. The equity/assets ratio was 31.8% compared to 41.9% at the start of the year.

Group net debt totaled SEK 28,244 million on December 31, in contrast to SEK 15,025 million at the year's start. The change in the Group's net debt in the fourth quarter is a result of the acquisition of Rottapharm.

The bridging loan that was raised in conjunction with the Rottapharm acquisition was refinanced in its entirety during the fourth quarter, partly through a new share issue of SEK 2,014 million and partly through the raising of new bank loans totaling SEK 27 billion. The new bank facilities have terms of 3–6 years. In addition to the new bank loans, Meda also has bond loans raised previously totaling SEK 2,250 million. On December 31, 2014, the average cost of the debt portfolio, including pension liabilities, was 4.3%.



### Proposed allocation of profit

The following profits are at the disposal of the 2015 annual general meeting:

#### Parent company, SEK

The following profits are at the disposal of the AGM:

Share premium reserve	10,616,377,623
Fair value reserve	–321,397,629
Retained earnings	2,029,474,266
Profit for the year	784,579,973
<b>Total profit available for allocation</b>	<b>13,109,034,233</b>

The board proposes the following allocation of available profits:

Dividend to the shareholders (SEK 2.50 SEK per share)	913,668,428
Carried forward	12,195,365,805
<b>Total</b>	<b>13,109,034,233</b>

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 2014 of SEK 2.50 (2.50) per share, making a total dividend of SEK 914 million (756). Based on equity as of December 31, 2014, this dividend represents a reduction in the Group's equity/assets ratio from 31.8% to 30.4%.

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

#### Meda acquired Rottapharm

On July 31, 2014, Meda announced that an agreement has been entered into to acquire the Italian specialty pharma company Rottapharm S.p.A. The acquisition was completed on October 10, 2014. The acquisition of Rottapharm boosts Meda's earnings profile by contributing a strong brand portfolio within consumer healthcare and increasing the company's presence on Emerging Markets by roughly 50%. The acquisition is expected to lead to annual cost synergies of approximately SEK 900 million.

The purchase price amounted to SEK 17,654 million and consisted of SEK 12,309 million in cash after deduction of net debt in Rottapharm, 30 million Meda shares at a value, at the time of concluding the transaction, corresponding to SEK 2,976 million, and an unconditional deferred payment of EUR 275 million.

Rottapharm S.p.A., headquartered in Monza, Italy, was founded by Professor Luigi Rovati in 1961 and has grown into a leading consumer healthcare focused branded specialty pharma company. The company's products are differentiated through the professional endorsement of doctors and pharmacists within the consumer healthcare segment. The company combines Rx-reimbursed medications with more traditional consumer healthcare products, characterized by high scientific credibility (clinically-proven consumer healthcare products or Cx); these are high-margin, non-reimbursed, by doctors prescribed or recommended products with nearly no

generic competition. Rottapharm has a global footprint with a presence of its products in 90 countries worldwide.

#### Meda and Valeant conclude joint ventures

Meda reached an agreement with Valeant to conclude the companies' joint ventures in Canada, Mexico, and Australia during the second quarter 2014. Meda has established subsidiaries in all three countries. The rights to the products Flupirtine, Onsolis, and Sublinox will revert to Meda, while Valeant will continue to pursue operations in Canada including the products Palafer, Contac, and Manerix. Sublinox will be out-licensed to Valeant in Canada. The agreement gave Meda extended sales rights to the in-licensed products Acnatac and Zyclara, allowing Meda to sell the products in Australia and South Africa. Meda will cease paying royalties to Valeant on sales of Acnatac and Zyclara.

#### Manufacturing unit in Lakewood divested

On September 4, Meda signed an agreement to sell the manufacturing unit in Lakewood, New Jersey, to the contract manufacturer DPT. The plant manufactures the product MUSE for global sales and as part of the agreement, Meda signed a long-term supply agreement with DPT that will lead to improved cost of goods for MUSE. The divestment is in line with Meda's ambition to optimize the Group's manufacturing.

#### New Group management

Meda's CEO Jörg-Thomas Dierks has formed a new Group management team comprising:

- Esfandiar Faghouri, Executive Vice President Region East
- Ton van't Hullenaar, Executive Vice President Region West
- Enzo Lacchini, Executive Vice President Supply Chain
- Joachim Maus, Executive Vice President Scientific Affairs
- Henrik Stenqvist, CFO, Executive Vice President Finance & Procurement
- Hans Tritschler, Executive Vice President Global Marketing
- Rainer Weiss, Executive Vice President, Human Resources & IT
- Mårten Österlund, Executive Vice President Business Development/Legal & Trademarks

The Executive Team is extended by:

- Magnus Kjellberg, Vice President Corporate Strategy and M&A
- Paula Treutiger, Vice President Corporate Communications and Sustainability

#### Change to the number of shares and votes in Meda

During the fourth quarter 2014, Meda increased the number of shares and votes by 63,224,306 Class A shares, with the corresponding number of votes. The increase has partly been carried out by way of issuing 30,000,000 Class A shares for the benefit of Rottapharm's previous owner, Fidim S.r.l., as part of the purchase price in connection with the acquisition of Rottapharm, and partly through a preferential rights issue in December of a total of 33,224,306 Class A shares and the corresponding number of votes. Following the issues, the total number of shares and votes in Meda on December 31, 2014, amounts to 365,467,371 Class A shares, representing the same number of votes.

#### 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 2017
- Obligation loan of SEK 2,250 million which matures 2015, 2016, 2018 and 2019
- Agreement with Fidim S.r.l. regarding unconditional deferred payment of EUR 275 million.

### Group operations in drug development

The value-generating work at Meda's development function is characterized by tailored clinical development programs and the compilation of scientific arguments defending and exploring 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 the 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 pen in addition to cotton swab for 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, Aerospan, Acnatac, Zyclara and Dymista, in new countries/regions.

In 2014 Meda invested SEK 235 million (249) in drug maintenance and development, excluding costs for registration, side-effect management and quality assurance.

### Responsible business practice<sup>1)</sup>

Meda has for a number of years been focusing on areas identified as particularly important with respect to responsible business practices. These areas are: patient safety, manufacturing and distribution, acquisitions, employees, governance, environment and community involvement.

Sustainability objectives are defined and monitored regularly. Overall governance takes place at the Group level with direct feedback to the CEO, while local units are responsible for organization and implementation. The results of Meda's sustainability performance in 2014 are described in Meda's Sustainability Report on pages 42–60.

### Un Global Compact

Meda became UN Global Compact (UNGC) signatory in May 2012. This means that Meda has undertaken to respect and promote UNGC's 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, and pledges to develop its efforts in these areas. The UNGC's ten principles will be part of the way in which Meda is governed and pursues its operations.

### 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.

The goal is to constantly reduce Meda's environmental impact. The company complies with all relevant environmental laws and uses an ISO 14001 certified environmental management system (EMS). Energy consumption, hazardous waste and material consumption are areas of priority.

### Manufacturing and environmental permits

Meda's environmental efforts mainly concern the production units in Germany, France and the US. These units are only engaged in formulating and packaging pharmaceuticals. These have all the environmental permits required under the law in the respective countries and according to EU regulations. All units are actively monitored and no deviations were noted in 2014. The Group's units have their own objectives for energy consumption and waste generation, and, where applicable, for waste water and emission levels. These objectives are regularly followed up and revised. Environ-

mental audits of all relevant units/facilities are conducted by a third party. In 2015, Meda's units will be audited to be recertified in accordance with the ISO 14001. Meda complies with relevant regulatory requirements from governmental authorities with respect to documenting the pharmaceutical residues in aquatic environments that arise from pharmaceutical use. The company also monitors research for new findings. The dominant opinion among experts in the field is that the amounts of pharmaceutical residues that are possible to be measured in the environment cannot be considered harmful to humans, animals or plant life.

### Energy and carbon dioxide emissions

Reducing energy consumption and greenhouse gas emissions is Meda's top environmental priority. Meda reports CO<sub>2</sub> emissions through participation in the Carbon Disclosure Project (CDP). Participation in CDP supports the company's continuing environmental and climate initiatives and also provides the company with feedback on reports and measure implemented. Meda's CDP reporting in 2014 was awarded.

### Restoration obligations

In the 1980s, long before Meda acquired its production facility in Cologne, groundwater contaminants, polycyclic aromatic hydrocarbons (PAH) and chlorinated hydrocarbons (CHC) were discovered there. An action plan was produced at that time in cooperation with the relevant authorities. The plan involved removing contaminated soil, and in the 1990s a water pump was installed which continues to pump up and purify groundwater with activated carbon. Levels of PAH and CHC contamination have gradually declined. Groundwater pumping is expected to continue until at least 2016.

### Employees

The number of employees as of December 31, 2014, was 5,202 (3,326) and includes 527 (173) 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, 2,996 (2,009), 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 opportunities and challenges as well as stimulating assignments. Professional development is based on employees' individual needs. There is a structured professional development process in place, with particular focus on product training.

Of Meda's employees, 56% (54) are women. In management positions, the share is 39% (37) 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 2014.

### Sick leave

In 2014, sick leave was 3.1% (3.2) and absence for 60 days or more was 1.0% (1.0). Sick leave is relatively evenly split between men and women and various age groups. Health monitoring and measures are managed at the local level.

### Guidelines for remuneration to senior executives

The board proposes that the 2015 AGM approves these remuneration guidelines for senior executives. The guidelines reflect Meda's need to be able to recruit and motivate qualified employees with compensation that is competitive in various countries. The Group's executive management team consists of the CEO and senior executives who represent the top functions that report directly to the CEO.

<sup>1)</sup> The description of responsible business practice does not include Rottapharm except for employee data.

Guidelines for remuneration and other employment terms for Meda's senior executives are based on agreements already entered between Meda and its senior executives 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 basic salary
  - Short-term variable pay
  - Long-term variable pay
  - Pension benefits
  - Other benefits and severance terms and conditions.

Distribution between basic salary and variable pay must be in proportion to the executive's responsibility and authority levels.

Short-term variable pay is performance-based – partly on Group profit and partly on individual qualitative parameters. Variable pay may not exceed 80% of the fixed basic salary for the CEO and 50% of the fixed basic salary for other senior executives.

Long-term variable pay consists of one or several 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.

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

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 senior executives.

For information on current remuneration packages for senior executives and the guidelines adopted at the 2014 annual general meeting, see the Group's Note 8.

#### Events after the reporting date

Agreement on sales and commercialization rights to Onsolis in the US In the first quarter of 2015, Meda entered into an agreement with BioDelivery Sciences International (BDSI) to restore commercialization and sales

rights for Onsolis in the US, Canada, and Mexico to BDSI. This is owing to the fact that Meda's focus in the US is primarily on asthma and allergies. Under the agreement, financial terms have been established that enable Meda to share in the proceeds of any new North American partnership.

#### DYMISTA approved in children 6 to 11 years of age with seasonal allergic rhinitis

February 20, 2015 Meda announced the approval by FDA (U.S. Food and Drug Administration) of Dymista, a single formulation azelastine hydrochloride and fluticasone propionate nasal spray for the relief of symptoms of seasonal allergic rhinitis in patients 6-11 years of age who require treatment with both components. Dymista was previously indicated only for adults and children 12 and older. The approved dosing for Dymista in children 6 to 11 is 1 spray/nostril BID (same as the dosing for adolescents and adults with SAR).

#### Parent company

Net sales for 2014 amounted to SEK 6,011 million (5,477), of which intra-Group sales represented SEK 4,052 million (3,659). Operating profit totaled SEK 809 million (402) and net financial items amounted to SEK 261 million (383). During 2014, Meda reached an agreement with Valeant to conclude the companies' joint ventures in Canada, Mexico, and Australia, which generated a negative non-recurring effect in net financial items of SEK 15 million.

Investments in intellectual property rights for the period were SEK 6 million (233), and investments in property, plant, and equipment totaled SEK 0 million (1).

Financial assets on December 31, 2014, totaled SEK 38,425 million, compared to SEK 23,630 million at the end of the previous year. The change is attributable to the acquisition of Rottapharm. Cash and cash equivalents amounted to SEK 611 million (22).

#### Future outlook

With the acquisition of Rottapharm we have established a strong platform to leverage future investments. We are committed to continue developing Meda into a world-leading specialty pharma company. This will be done through a combination of new acquisitions, organic growth initiatives and continuous efficiency measures. Our strong cash flow should enable a relatively rapid deleveraging of our balance sheet and allow for more value-accretive acquisitions and investments. Meda's disciplined and outstanding acquisition process ensures that we have the right focus and that we are able to extract the necessary value.

# Risk factors

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 companies 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, following the acquisition of Rottapharm, around 60 percent is handled externally. 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 existing 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.

### 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. Product 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 Groups Note 2.

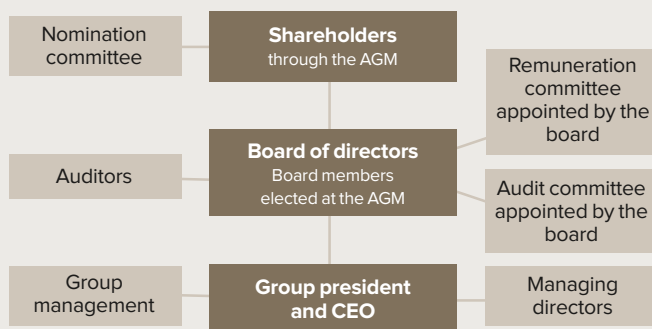
# Corporate governance report

## 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 2014. Monitoring of Meda's governance in 2014 resulted in the absence of any deviations from the Swedish Corporate Governance Code.

The current version of the Corporate Governance Code is available on the Swedish Corporate Governance Board's website, [www.bolagsstyrning.se](http://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 128–129 and Meda's website [www.meda.se](http://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. The number of shares increased during the year by 63,224,306 shares. Of the additional shares, 30 million were used as part of the purchase consideration for the acquisition of Rottapharm which was concluded on October 10, 2014. 33,224,306 shares were added through a rights issue for existing shareholders approved at the extraordinary general meeting (EGM) on November 6, 2014.

## Authorizations – approved by the 2014 annual general meeting (AGM)

According to a decision at the 2014 AGM, the parent company is authorized to issue a maximum of 30,224,306 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. This authorization was largely utilized in connection with the acquisition of Rottapharm as outlined above.

The parent company is also authorized by a decision at the 2014 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 authori-

zation 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 2015 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.

## 2014 AGM

The AGM took place on Tuesday, May 7, 2014 in Solna. The minutes from the 2014 AGM are available on Meda's website. The meeting was attended by 344 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 2013
- Martin Svalstedt was elected as the new Chairman of the Board
- Peter Claesson, Peter von Ehrenheim, Marianne Hamilton, Tuve Johannesson, Lars Westerberg and Karen Sörensen were re-elected as board members
- Guido Oelkers was elected as a new board member
- 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.

## EGM 2014

Meda held an EGM, November 6, 2014. The minutes from the EGM are available on Meda's website. The meeting was attended by 275 shareholders, either in person or by proxy. Meda's board of directors, parts of management, nomination committee and the company's auditor were present at the EGM. The following main resolutions were passed:

- To increase the share capital by issuing new shares of class A shares with preferential right to the shareholders
- To increase the number of board members to nine by electing Luca Rovati as new board member and deputy chairman.



## 2015 AGM

Meda's 2015 AGM will take place on Wednesday, May 6 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 2014 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 nominating 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 15, 2014, 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
Lars Backsell	B&E Participation AB

## Nomination committee's work in preparation for 2015 AGM

The nomination committee has held six meetings and had contact by email and phone. The chairman of the board has provided the nomination committee with information on the work of the board and the company's likely focus for the years ahead. The committee has held meetings with the company's new CEO and all of the board members have been interviewed. The committee has discussed the board's composition, addressing 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 has specifically strived to reach a more equal gender distribution in the board. The nomination committee's suggestion means that the number of women in Meda's board increases from two to three, or from 22% to 33%. 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. Eight of the members were elected by the AGM and one was elected at an EGM on November 6, 2014. Information about remuneration for board members as resolved at the 2014 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 page 74–75.

## 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 2014

In 2014 18 board meetings were held. The attendance of the board members at the board meetings is indicated in the table on page 74–75. In addition to the usual reporting and decision items, the board dealt the following issues in 2014:

- The acquisition of Rottapharm and the financing of it, including a rights issue and refinancing of the company's existing loans
- Ending the company's joint ventures with Valeant in Canada, Mexico and Australia
- An indicative and a revised non-binding indicative proposal from Mylan Inc. on a merger which was rejected
- The sale of the production unit in Lakewood.

## 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 2014 with a particular emphasis on interim reports, audit reports, internal control, acquisitions and valuation of intangible assets. The attendance of the board members is indicated in the tables on pages 74–75.

## 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 2014 the committee held four 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 2014 AGM. The attendance of the board members is indicated in the tables on pages 74–75.

#### 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 78–79 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 acquisition and 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. PwC was appointed at the 2014 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. Internal control of financial reporting forms part of the overall internal control within Meda and is a fundamental component in Meda's corporate governance.

The overall purpose of the Meda's internal control is to protect the company's assets and thus the shareholders' investments. Internal control and risk management are part of the board's and management's governance and monitoring mandate, the objective of which is to ensure that the company is managed appropriately and efficiently. Meda has done its review and analysis of its governance procedures and control in accordance with the COSO framework from 1992. From the financial year of 2015 and onwards, Meda will apply the COSO framework from 2013.

To provide the board with a foundation for determining appropriate levels of internal governance and control, Meda continuously reviews and analyzes its governance procedures and internal control based on the five principles of the COSO framework (internal 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 2014 this involved:

- Updating and implementing governing documents such as Meda's Group Accounting and Reporting Manual and Delegation of Authority
- Continued upgrading of the IT environment
- Following up compliance with internal regulations and guidelines
- Continuing control and monitoring of new entities.

In addition to working on the annual action plan, internal control work in 2014, and mainly in the fourth quarter, was focused on integrating the acquisition of Rottapharm. An action plan has been prepared for internal control work in 2015.

#### 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 42–60.

#### 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 67–68.

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



**3** Peter Claesson  
Board member

**4** Peter von Ehrenheim  
Board member

**2** Luca Rovati  
Deputy chairman

Christer Nordén  
Board secretary

**5** Marianne Hamilton  
Board member





**6** Tuve Johannesson  
Board member

**1** Martin Svalstedt  
Board Chairman

**8** Karen Sörensen  
Board member

**9** Lars Westerberg  
Board member

**7** Guido Oelkers  
Board member

	Name	Member since	Education	Shares in Meda	Other board appointments	Current role
1	<b>Martin Svalstedt<sup>1)</sup></b> Chairman (1963)	2014	BSc Business and Economics	33,016	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	<b>Luca Rovati<sup>2)</sup></b> (1961)	2014	Business Economics	33,016,286 <sup>3)</sup>	Chairman of the Board of GWM REII 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	<b>Peter Claesson</b> (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	<b>Peter von Ehrenheim</b> (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.	Entrepreneur in manufacturing industry and life sciences consultant
5	<b>Marianne Hamilton</b> (1947)	2006	BA. and IFL School	20,857	Board member of Ek & Bok AB.	See other board appointments
6	<b>Tuve Johannesson</b> (1943)	2006	BSc Economics and MBA, Dr. (h.c.)	93,500	None.	Advisor to J.C. Bamford Excavators
7	<b>Guido Oelkers<sup>1)</sup></b> (1965)	2014	PhD in Strategic Management and Master in Economics	0	None.	CEO of BSN Group
8	<b>Karen Sörensen</b> (1962)	2013	MSc Engineering and MBA	0	Member of the boards of several Philips companies and Technical University of Denmark – SCION.	CEO of Philips Nordic and head of Philips Healthcare in the Nordics
9	<b>Lars Westerberg</b> (1948)	2012	BSc Business and Economics and MSc Engineering	224,000	Chairman of the board of Husqvarna AB, board member of Volvo AB, Sandvik AB, SSAB and Stena AB.	See other board appointments

<sup>1)</sup> Took up position at 2014 AGM.

<sup>2)</sup> Took up position at EGM on November 6, 2014.

<sup>3)</sup> Checked by associated company – Fidim S.r.l.

Independent of Meda/company management	Independent of major shareholders	Professional experience	Board meetings in 2014/ Attendance	Audit committee/ No. of meetings in 2014/ Attendance	Remuneration committee/ No. of meetings in 2014/ Attendance
Yes	No	Various positions at Capio e.g. CFO, VP Finance Stora Merchant and Controller ABB.	14/14	Yes 2/2	Yes, chairman 3/3
Yes	Yes	CEO RottapharmIMadaus and Contract Professor of Business Finance at Catholic University – Milan.	3/3	No	No
Yes	No	Various positions within the Trelleborg Group (1992–2007), most recently Senior Vice President Group Treasury. Götabanken (1989–1992).	18/18	Yes 3/3	No
Yes	Yes	CEO GE Healthcare Life Sciences and a number of positions within Amersham and Pharmacia Biotech.	18/18	No	No
Yes	Yes	HR Director Atlas Copco AB.	18/18	No	Yes 4/4
Yes	Yes	Most senior management positions at Tetra Pak (1973–1982), Vice President of Tetra Pak (1983–1987), President of VME (1988–1994), later Volvo Construction Equipment, President of Volvo Car Corporation (2000–2004).	18/18	Yes, chairman 3/3	No
Yes	Yes	CEO Gambro AB. CEO Invida Holding Pte Ltd. Executive Vice President Commercial Operations and member of the Executive Committee Nycomed Intl. GmbH.	14/14	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.	18/16	No	No
Yes	Yes	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).	18/16	No	Yes 4/4



# Executive management team



3 Ton van't Hullenaar

9 Hans-Jürgen Tritschler

1 Jörg-Thomas Dierks

8 Paula Treutiger

7 Henrik Stenqvist



5 Enzo Lacchini

6 Joachim Maus

4 Magnus Kjellberg

10 Rainer Weiß

11 Mårten Österlund

2 Esfandiar Faghfour

	Name	Title	Education	Previous experience/ professional background	Employed since	Shares in Meda
1	<b>Jörg-Thomas Dierks</b> (1960)	CEO.	Physician	Senior vice president for Commercial Operations and COO of Viatris and before that, Novo Nordisk and Asta-Medica.	2005	192,000
2	<b>Esfandiar Faghfour</b> (1962)	Executive Vice President, Region East.	Pharmacist	Medical Representative, Product Manager, Head of Business Unit.	2005	2,000
3	<b>Ton van 't Hullenaar</b> (1955)	Executive Vice President, Region West.	Business school	Healthcare Manager 3M Germany, European Manager 3M Pharmaceuticals.	2007	3,850
4	<b>Magnus Kjellberg</b> (1973)	Vice President, Corporate Strategy and M&A.	BSc in Business and Economics	Morgan Stanley.	2011	0
5	<b>Enzo Lacchini</b> (1953)	Executive Vice President, Supply Chain.	Chemistry and Pharmaceutical Technology	More than 30 years production experience.	2014	0
6	<b>Joachim Maus</b> (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

	<b>Name</b>	<b>Title</b>	<b>Education</b>	<b>Previous experience/ professional background</b>	<b>Employed since</b>	<b>Shares in Meda</b>
<b>7</b>	<b>Henrik Stenqvist</b> (1967)	CFO, Executive Vice President, Finance & Procurement.	BSc in Business and Economics	CFO of subsidiaries in AstraZeneca.	2003	192,605
<b>8</b>	<b>Paula Treutiger</b> (1967)	Vice President, Corporate Communications and Sustainability.	BSc in Business and Economics	Alfred Berg and Gambro.	2011	0
<b>9</b>	<b>Hans-Jürgen Tritschler</b> (1962)	Executive Vice President, Global Marketing.	Ph.D Biochemistry	Medical Affairs, Marketing, Business development, Emerging Markets.	2005	1,000
<b>10</b>	<b>Rainer Weiß</b> (1962)	Executive Vice President, HR & IT.	Master of Business and Administration	Head Human Resources Marketing & Sales, Head Human Resources Commercial Operations.	2005	5,725
<b>11</b>	<b>Mårten Österlund</b> (1957)	Executive Vice President, Business Development/ Legal & IP.	Ph.D 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	2014	2013
Net sales	4,5	15,352	13,114
Cost of sales	6	-6,083	-5,087
<b>Gross profit</b>		<b>9,269</b>	<b>8,027</b>
Other income		42	-
Selling expenses		-3,718	-2,993
Medicine and business development expenses		-3,223	-2,794
Administrative expenses		-883	-692
<b>Operating profit</b>	4,6-11	<b>1,487</b>	<b>1,548</b>
Finance income	12,13	8	22
Finance costs	12,13	-913	-567
<b>Profit after financial items</b>		<b>582</b>	<b>1,003</b>
Tax	14	-180	-198
<b>Net income</b>		<b>402</b>	<b>805</b>
<b>Earnings attributable to:</b>			
Parent company shareholders		399	807
Non-controlling interests		3	-2
		<b>402</b>	<b>805</b>
<b>Earnings per share<sup>1)</sup></b>	15		
basic, SEK		1.23	2.57
diluted, SEK		1.23	2.57
<b>Average number of shares<sup>1)</sup></b>			
basic (thousands)		323,397	313,672
diluted (thousands)		323,397	313,672
<b>Actual number of shares at year-end<sup>1)</sup></b>			
basic (thousands)		365,467	313,672
diluted (thousands)		365,467	313,672
<b>Dividend per share (SEK)</b>		<b>2,50</b>	<b>2,50<sup>2)</sup></b>

<sup>1)</sup> Recalculation has been done considering the bonus issue element in the rights issue 2014.

<sup>2)</sup> Dividend per share 2013 is based on 302,243,065 i.e. shares by December 31st 2013, not recalculated considering the bonus issue element in the rights issue 2014.

## Consolidated statement of earnings and other comprehensive income

SEK million	Note	2014	2013
Net income		402	805
<b>Items that will not be reclassified to the income statement</b>			
Revaluation of defined benefit pension plans and similar plans, net after tax		-292	113
		<b>-292</b>	<b>113</b>
<b>Items that may be reclassified to the income statement</b>			
Translation difference	25	2,118	510
Translation differences reversed to income statement	25	-11	-
Net investment hedge, net after tax	25	-1,014	-277
Cash flow hedges, net after tax	25	9	17
Available-for-sale financial assets, net after tax	25	6	-
		<b>1,108</b>	<b>250</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>816</b>	<b>363</b>
<b>Total comprehensive income</b>		<b>1,218</b>	<b>1,168</b>
<b>Earnings attributable to:</b>			
Parent company shareholders		1,215	1,168
Non-controlling interests		3	0
		<b>1,218</b>	<b>1,168</b>



# Consolidated balance sheet

SEK million	Note	2014-12-31	2013-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	16	1,692	848
Intangible assets	17	50,798	29,666
Derivatives	23	25	–
Deferred tax assets	18	1,640	918
Available-for-sale financial assets	19	45	5
Other non-current receivables	22	305	13
<b>Total non-current assets</b>		<b>54,505</b>	<b>31,450</b>
<b>Current assets</b>			
Inventories	21	2,988	1,982
Trade receivables	22	4,151	2,151
Other receivables		480	196
Tax assets		203	106
Prepayments and accrued income		266	181
Derivatives	23	208	49
Cash and cash equivalents	24	2,311	178
<b>Total current assets</b>		<b>10,607</b>	<b>4,843</b>
<b>TOTAL ASSETS</b>		<b>65,112</b>	<b>36,293</b>

SEK million	Note	2014-12-31	2013-12-31
<b>EQUITY</b>			
Share capital	25	365	302
Other capital contributions	25	13,788	8,865
Other reserves	25	401	-415
Retained earnings including profit for the year		6,142	6,491
		<b>20,696</b>	<b>15,243</b>
Non controlling interests		-16	-32
<b>Total equity</b>		<b>20,680</b>	<b>15,211</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	26	26,817	7,792
Derivatives	23	22	33
Deferred tax liabilities	18	5,278	2,211
Pension obligations	27	2,430	1,107
Other non-current liabilities	28	2,464	32
Other provisions	29	375	209
<b>Total non-current liabilities</b>		<b>37,386</b>	<b>11,384</b>
<b>Current liabilities</b>			
Trade payables		1,542	883
Current tax liabilities		483	464
Other liabilities		495	195
Accruals and deferred income		1,731	1,343
Derivatives	23	284	113
Borrowings	26	1,391	6,304
Other provisions	29	1,120	396
<b>Total current liabilities</b>		<b>7,046</b>	<b>9,698</b>
<b>Total liabilities</b>		<b>44,432</b>	<b>21,082</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,112</b>	<b>36,293</b>

# Consolidated cash flow statement

SEK million	Note	2014	2013
<b>Cash flow from operating activities</b>			
Profit after financial items		582	1,003
Adjustments for items not included in cash flow	31	2,668	2,246
Net change in pensions		-46	-19
Net change in provisions		601	116
Income taxes paid		-551	-390
<b>Cash flow from operating activities before changes in working capital</b>		<b>3,254</b>	<b>2,956</b>
<b>Cash flow from changes in working capital</b>			
Inventories		182	-97
Receivables		-536	-225
Liabilities		142	211
<b>Cash flow from operating activities</b>		<b>3,042</b>	<b>2,845</b>
<b>Cash flow from investing activities</b>			
Acquisition of tangible assets		-116	-136
Acquisition of intangible assets		-74	-1,123
Acquisition of operation	20	-8,744	-
Divestment of operation	20	-25	-
Acquisition of financial assets available for sale		-2	-
Decrease in financial receivables		0	1
Sale of non-current assets		55	3
<b>Cash flow from investing activities</b>		<b>-8,906</b>	<b>-1,255</b>
<b>Cash flow from financing activities</b>			
Loans raised		21,433	997
Loan repayments		-14,770	-1,902
New share issue		2,014	-
Decrease in financial liabilities		-7	-12
Dividend to parent company shareholders		-756	-680
<b>Cash flow from financing activities</b>		<b>7,914</b>	<b>-1,597</b>
<b>Cash flow for the period</b>		<b>2,050</b>	<b>-7</b>
Cash and cash equivalents at start of the year		178	194
Exchange-rate difference in cash and cash equivalents		83	-9
<b>Cash and cash equivalents at year-end</b>	24	<b>2,311</b>	<b>178</b>
<b>Interest received and paid</b>			
Interest received		5	22
Interest paid		-736	-423
<b>Total</b>		<b>-731</b>	<b>-401</b>

# 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, 2013	302	8,865	-776	6,364	14,755	-32	14,723
Total other comprehensive income	-	-	361	-	361	2	363
Profit/loss for period	-	-	-	807	807	-2	805
Total comprehensive income	-	-	361	807	1,168	0	1,168
Dividend	-	-	-	-680	-680	-	-680
Closing balance, equity, Dec 31, 2013	302	8,865	-415	6,491	15,243	-32	15,211
Opening balance, equity, Jan 1, 2014	302	8,865	-415	6,491	15,243	-32	15,211
Total 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

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 accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, as interpreted by the IFRS Interpretations Committee (formerly IFRIC), the Swedish Annual Accounts 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 standards applied by the Group

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities were applied by the Group for the first time for the financial year beginning on January 1, 2014. The standards 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 evaluated the effects of the introduction of the standard.

- 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, 2017. Early adoption is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

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.

### 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 controlling 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. Depreciation 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).

#### 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 finan-



*Cont. Note 1*

cial 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 discounting 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. The fair value of an equity-settled share-based payment is determined on the allotment date and the difference between this value and the payment the employee makes for the warrants is recognized as a cost over the vesting period with equity as the offsetting entry. Social security costs is recognized through profit or loss.

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, 2014.

### 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.

### 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:

#### (a) 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.

#### (b) Royalty income

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

#### (c) Services sold and other income

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

#### (d) 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.

Cont. Note 1

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 2014. 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.

exchange rate losses from hedging instruments for net investments amounted to SEK -1,014 million (-277) 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 2014 excluding one-time effects. The average EUR/SEK exchange rate for 2014 was 9.09852 and 6.84872 for USD/SEK.

Parameter	Change, %	Effect on net sales, SEK million	Effect on profit after tax, SEK million
<b>On December 31, 2014</b>			
EUR/SEK	+/- 1	+/-84	+/-15
USD/SEK	+/- 1	+/-24	+/-1
Other currencies/SEK	+/- 1	+/-31	+/-1
<b>On December 31, 2013</b>			
EUR/SEK	+/- 1	+/-69	+/-11
USD/SEK	+/- 1	+/-23	+/-1
Other currencies/SEK	+/- 1	+/-26	+/-1

## 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, 2014, currency derivatives that hedged transaction exposure had a net fair value of SEK 10 million (11). 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 2014 that relate to net investments in foreign operations amounted to SEK 2,118 million (510), and

### 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 4.1 months on December 31, 2013.

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 2014, interest rate swaps had an impact on other comprehensive income of SEK 9 million (17) from cash flow hedging after tax. The fair value included in the consolidated balance sheet for interest rate swaps as of December 31, 2014 was a net amount of SEK -23 million (-33).

On December 31, 2014, Group borrowings of SEK 28,208 million were mainly distributed as: EUR 1,942 million (SEK 18,237 million), USD 647 million (SEK 5,005 million), and SEK 4,966 million. The average interest rate including credit margins on December 31, 2014 was 3.6% (2.8). Interest expense for 2015 for this loan portfolio at unchanged interest rates would thus amount to SEK 1,000 million. If interest rates change instantaneously +/- 1 percentage, Meda's profit after tax would change by +/- SEK 135 million on an annual basis, taking into account the loan amounts and fixed interest rates that existed on December 31, 2014. 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, 2014, Meda had SEK 33 billion (23) in available credit facilities. The basis of the Group's debt financing is syndicated bank loans of SEK 25 billion with nine

**Undiscounted financial liabilities**

On December 31, 2014 SEK million	< 1 year	1–2 years	2–5 years	> 5 years from the reporting date
Borrowings	1,967	1,949	22,505	6,195
Unconditional deferred payment	–	–	2,583	–
Derivatives	21	4	–	–
Trade payables	1,542	–	–	–
Other liabilities	257	–	–	–
Accrued expenses	981	–	–	–

On December 31, 2013 SEK million	< 1 year	1–2 years	2–5 years	> 5 years from the reporting date
Borrowings	6,652	3,955	4,034	–
Derivatives	19	18	4	–
Trade payables	883	–	–	–
Other liabilities	68	–	–	–
Accrued expenses	751	–	–	–

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 –23,907 million and SEK 23,792 million respectively (SEK –18,494 million and SEK 18,429 million respectively).

Swedish and foreign banks, which in December 2014 replaced bridge financing for the Rottapharm acquisition. 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 2 billion, and a bilateral bank loan of SEK 2 billion.

Confirmed credit facilities were as follows on December 31, 2014:

- Bond loan of SEK 500 million, maturing in June 2015
- Bond loan of SEK 400 million, maturing in April 2016
- Bilateral bank loan of SEK 2,000 million, maturing in 2017
- Bond loan of SEK 600 million, maturing in April 2018
- Bond loan of SEK 750 million, maturing in April 2019
- Bond loan of EUR 400 million, maturing in November 2019
- Credit facility with nine banks amounting to SEK 25,000 million, maturing 2018–2020.
  - 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 6,438 million maturing in December 2020 (amortization of SEK 2,864 million)

The syndicated credit facilities are available provided that Meda meets certain financial key ratios concerning net debt in relation to EBITDA, and net debt in relation to equity and interest coverage ratio.

**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, 2014, the liquidity reserve stood at SEK 8,508 million, corresponding to 55% of sales for 2014. 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, 2014 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 and 23.

**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. 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. A new issue with preferential rights for existing shareholders was executed in December 2014 to strengthen the capital base after the acquisition of Rottapharm. The equity/assets ratio on December 31, 2014 and 2013:

SEK million	2014	2013
Equity	20,680	15,211
Total assets	65,112	36,293
Equity/assets ratio, %	31.8	41.9

## 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, 2014, provisions for legal disputes amounted to SEK 68 (66) 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 (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, 2014 the value of product rights totaled SEK 25,368 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 significant 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, 2014, provisions for pensions amounted to SEK 2,415 million and assets were recognized in the amount of SEK 15 million. Provisions for health care benefits amounted to SEK 89 million. For further information on expenses and assumptions for post-employment benefits, see Note 27 and 29.

#### Taxes

Deferred tax assets are recognized to the extent it is deemed likely that loss carry-forwards will lower future tax payments. The valuation of loss carry-forwards and the Group's ability to utilize loss carry-forwards are based on estimates of future taxable income in the various tax jurisdictions. Regarding the non capitalized carry-forwards of unused tax losses of about SEK 200 million (185) that accompanied the acquired German operation, Meda has judged that it is uncertain whether they will be used. This judgment is based on complicated regulations and not the German subsidiary's expected earning capacity.



**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.

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
<b>External net sales</b>	<b>10,205</b>	<b>2,542</b>	<b>2,370</b>	<b>235</b>	<b>15,352</b>
<b>EBITDA</b>	<b>3,327</b>	<b>972</b>	<b>663</b>	<b>-972</b>	<b>3,990</b>
Depreciation and amortization					-2,503
Finance income					8
Finance costs					-913
<b>Profit after financial items</b>	<b>3,327</b>	<b>972</b>	<b>663</b>	<b>-972</b>	<b>582</b>

2013 SEK million	Western Europe	US	Emerging Markets	Other Sales	Total
Segment's sales	9,347	2,443	1,951	240	13,981
Sales between segments	-840	-27	-	-	-867
<b>External net sales</b>	<b>8,507</b>	<b>2,416</b>	<b>1,951</b>	<b>240</b>	<b>13,114</b>
<b>EBITDA</b>	<b>3,078</b>	<b>872</b>	<b>504</b>	<b>-720</b>	<b>3,734</b>
Depreciation and amortization					-2,186
Finance income					22
Finance costs					-567
<b>Profit after financial items</b>	<b>3,078</b>	<b>872</b>	<b>504</b>	<b>-720</b>	<b>1,003</b>

The company is based in Sweden. Total non-current assets, other than financial instruments and deferred tax assets located in Sweden, amount to SEK 9,667 million (10,925) and the total of such non-current assets located in other countries is SEK 42,934 million (16,928).

Revenues from external customers in Germany amount to SEK 1,507 million (1,374), France SEK 1,415 million (1,282), Sweden SEK 1,409 million (1,310) and Italy SEK 1,407 million (755). Total revenues from external customers in other countries amount to SEK 9,614 million (8,393).

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, and 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	2014	2013
Goods sold	14,796	12,553
Royalties	361	331
Revenue from contract manufacturing	145	173
Other	50	57
<b>Total</b>	<b>15,352</b>	<b>13,114</b>

**Note 6** Expenses by type

SEK million	2014	2013
Changes in stock of finished goods and work in progress	172	82
Raw materials and consumables	1,900	1,457
Goods for resale	2,376	2,205
Staff costs	2,494	1,944
Depreciation and amortization	2,503	2,159
Other expenses	4,462	3,719
<b>Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses</b>	<b>13,907</b>	<b>11,566</b>



**Note 7****Personnel, number of employees**

	2014				2013			
	Average no. of employees		No. of employees	No. of employees	Average no. of employees		No. of employees	No. of employees
	Women	Men	On December 31 <sup>1)2)</sup>	On December 31 <sup>3)4)</sup>	Women	Men	On December 31 <sup>1)5)</sup>	On December 31 <sup>3)6)</sup>
Germany	399	354	1 031	1 096	344	316	668	716
France	258	174	524	534	227	171	395	404
US	290	256	497	498	306	277	579	580
Italy	119	67	382	382	60	34	93	94
Spain	81	63	327	332	58	28	82	82
Russia	123	43	199	200	100	36	137	141
Ireland	22	35	171	172	5	10	15	17
China	56	59	167	167	36	51	87	87
Portugal	33	29	140	140	21	16	37	37
Turkey	23	124	134	134	25	126	157	157
Sweden	74	36	107	114	73	37	105	110
Thailand	18	4	94	94	—	—	—	—
UK	45	31	79	79	38	38	77	78
Belgium	30	26	66	69	29	27	52	55
Austria	21	22	65	67	15	21	34	36
Mexico	26	32	58	56	27	30	57	57
Ukraine	32	18	48	48	31	18	49	50
United Arab Emirates	14	33	47	47	12	32	44	44
Netherlands	28	15	44	48	24	18	42	48
Balkans	29	14	43	43	25	17	43	43
Poland	22	20	38	38	25	19	44	44
Denmark	24	4	28	29	25	5	31	32
CIS	18	8	25	25	18	10	27	27
Hungary	12	4	25	25	11	4	14	14
Norway	14	8	24	24	9	12	22	22
Finland	15	9	23	23	16	14	29	29
South Africa	18	6	23	23	13	6	20	22
India	1	3	22	22	—	—	—	—
Switzerland	16	7	22	25	14	6	20	24
Australia	15	5	22	24	3	2	11	12
Greece	5	15	19	19	9	11	19	19
Baltics	18	1	18	18	19	2	19	19
Slovakia	9	7	16	16	9	7	16	16
Czech Republic	10	5	15	15	9	6	15	15
Belarus	8	4	13	13	9	4	12	12
Brazil	7	3	10	10	4	1	5	5
Luxembourg	3	1	5	5	3	1	4	4
Canada	1	0	1	1	1	0	1	1
<b>Total</b>	<b>1,937</b>	<b>1,545</b>	<b>4,572</b>	<b>4,675</b>	<b>1,653</b>	<b>1,413</b>	<b>3,062</b>	<b>3,153</b>
<b>Total</b>	<b>3,482</b>				<b>3,066</b>			

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

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

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

<sup>4)</sup> In addition there are contracted personnel of 527 in the following countries: Germany 56, US 25, Turkey 21, France 7, Sweden 24, Norway 1, Kazakhstan 7, Belgium 3, United Arab Emirates 3, Ireland 16, Finland 2, Italy 86, Mexico 2, Poland 40, Holland 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, Slovakia 1.

<sup>5)</sup> In addition there are contracted personnel of 164 in the following countries: Germany 53, US 37, Turkey 27, France 13, Sweden 12, Kazakhstan 4, Belgium 3, United Arab Emirates 3, Ireland 2, Brazil 1, Finland 1, Greece 1, Italy 1, Mexico 1, Poland 1, Russia 1, South Africa 1, Ukraine 1, Hungary 1.

<sup>6)</sup> In addition there are contracted personnel of 173 in the following countries: Germany 56, US 37, Turkey 27, France 13, Sweden 15, Kazakhstan 5, Belgium 3, United Arab Emirates 3, Ireland 2, Brazil 1, Finland 1, Greece 1, Italy 1, Mexico 1, Poland 1, Russia 1, South Africa 1, Ukraine 1, Hungary 1, Norway 1, Slovakia 1.

**Gender distribution in Meda management**

	2014		2013	
	Women	Men	Women	Men
Boards <sup>1)</sup>	10	176	10	92
CEO and other senior executives <sup>2)</sup>	8	36	7	30
<b>Total</b>	<b>18</b>	<b>212</b>	<b>17</b>	<b>122</b>

<sup>1)</sup> Boards of the Group's operating companies.

<sup>2)</sup> 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) with an additional fee as decided by the extraordinary general meeting (EGM) held November 6, 2014. The CEO does not receive a director's fee. Pursuant to these decisions, directors' fees for the period until the next annual general meeting are SEK 3,650,000, of which SEK 800,000 is for the chairman's fee and SEK 225,000 is for the vice chairman's fee. The remaining amount is divided so that each non-executive director receives SEK 375,000. In addition to these amounts, according to the 2014 AGM decision, a fee totaling SEK 400,000 is paid for serving on the board's audit committee or remuneration committee. The table on page 96 shows remuneration to the Board of Directors for 2014.

**Senior executives**

Since the 2014 Annual General Meeting, the following guidelines for remuneration to senior executives, as determined by the AGM, have been applied:

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 a share-related incentive program. 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 2015 Annual General Meeting for resolution is provided in the management report on page 65.

**Remuneration to CEO**

The CEO's remuneration consisted of basic salary of SEK 10.0 million and variable pay of SEK 7.6 million, which includes remuneration related to the Group's long-term performance-based incentive program in the amount of SEK 0.6 million. Other benefits amounted to SEK 0.4 million. Pension costs amounted to SEK 6.1 million. The CEO elected during the year to convert pension benefits of SEK 2.5 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 52 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 employment contract, fixed and variable remuneration is payable during the period of notice as well as severance pay equivalent to one year's fixed salary. The CEO's employment terms are determined by the board of directors.

**Total salaries, social security costs and pensions**

SEK million	2014			2013		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	2,020	525	146	1 541	446	129
Pension costs						
– Defined-contribution plans			74			61
– Defined-benefit plans			69			65
– Defined-benefit post-employment health care plans			3			3
<b>Total</b>			<b>146</b>			<b>129</b>

**Salaries and other remuneration**

SEK million	2014				2013			
	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 <sup>1)</sup>	116	29	10	52	113	39	7	44
Other employees	1,904	222	136	3,438	1,428	180	122	3,029
<b>Total</b>	<b>2,020</b>	<b>251</b>	<b>146</b>	<b>3,490</b>	<b>1,541</b>	<b>219</b>	<b>129</b>	<b>3,073</b>

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

cont. Note 8

#### Executive vice presidents (EVP)

At year end, Medas 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 program.

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 53 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.

#### Long term variable pay

##### Long term performance based incentive program

The 2014 Annual General Meeting approved a long-term performance-based incentive program for 2014 that covers senior executives and other key employees of the Group. 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.

As of December 31, 2014, the program covers 91 persons, who are given the opportunity to earn allotments of Class A shares in Meda at no cost. The participants are divided into four groups: the CEO, EVPs, country managers, and other senior executives.

The program will run for three years and shares may be transferred in 2017 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 participants 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.

The allotment of shares according to the 2014 program 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 and organic growth, 2) EBITDA margin, and 3) free 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 effects. The outcome of the performance criteria's amounts to 55.5% and is distributed to level 2 for net sales and organic growth, level 2 for EBITDA margin, and level 1 for free cash flow. The number of shares to be allotted to participants in the program 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. The AGM has passed a resolution allowing the company to meet its obligations to deliver shares under the program by entering into an equity swap agreement or other comparable agreement with a third party.

The total cost of the program, which is allocated across its duration, is SEK 47 million excluding social security contributions. In 2014, the program resulted in a cost recognized in the income statement of SEK 8 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 2 million.

#### Incentive program in the US

In 2008 Meda introduced a long-term incentive program including synthetic options for employees in the US. In 2011 the program was adjusted whereby the maximum total cost including social security contributions for the program was reduced from USD 6 million to USD 3 million. The incentive program closed at the end of 2011 and has not been replaced. All outstanding options were allocated in 2011. 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 redemption period is five years and expires on December 31, 2015. Those wishing to redeem options must still be employed by Meda. The total cost for 2014 recognized in the income statement is SEK 7 million (1).

#### 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

2014 SEK million	Fixed basic salary/ board fee	Variable pay	Performance share programme	Pension	Other benefits	Total
CEO, Jörg-Thomas Dierks <sup>1)</sup>	10,0	7,0	0,6	6,1	0,4	24,1
Board chairman, Martin Svalstedt <sup>2)3)</sup>	0,6	—	—	—	—	0,6
Board chairman, Bert-Åke Eriksson <sup>4)</sup>	0,3	—	—	—	—	0,3
Vice chairman, Luca Rovati <sup>5)</sup>	0,2	—	—	—	—	0,2
Board member, Peter Claesson <sup>3)</sup>	0,4	—	—	—	—	0,4
Board member, Marianne Hamilton <sup>3)6)</sup>	0,4	—	—	—	—	0,4
Board member, Peter von Ehrenheim <sup>6)</sup>	0,4	—	—	—	—	0,4
Board member, Tuve Johannesson <sup>3)</sup>	0,5	—	—	—	—	0,5
Board member, Guido Oelkers <sup>2)</sup>	0,3	—	—	—	—	0,3
Board member, Lars Westerberg <sup>3)6)</sup>	0,4	—	—	—	—	0,4
Board member, Karen Sörensen <sup>6)</sup>	0,4	—	—	—	—	0,4
Other senior executives (8 persons)	14,9	7,0	1,9	3,8	0,9	28,5
<b>Total</b>	<b>28,8</b>	<b>14,0</b>	<b>2,5</b>	<b>9,9</b>	<b>1,3</b>	<b>56,5</b>

2013 MSEK	Fixed basic salary/ board fee	Variable pay	Pension	Other benefits	Total
CEO, Jörg-Thomas Dierks <sup>7)</sup>	1,0	1,1	0,7	0,1	2,9
Former CEO, Anders Lönner <sup>8)9)</sup>	14,3	15,0	11,2	0,3	40,8
Board chairman, Bert-Åke Eriksson <sup>3)</sup>	0,8	–	–	–	0,8
Board member, Peter Claesson <sup>3)</sup>	0,4	–	–	–	0,4
Board member, Marianne Hamilton <sup>3)6)</sup>	0,4	–	–	–	0,4
Board member, Peter von Ehrenheim <sup>6)</sup>	0,3	–	–	–	0,3
Board member, Tuve Johannesson <sup>3)</sup>	0,5	–	–	–	0,5
Board member, Lars Westerberg <sup>3)6)</sup>	0,3	–	–	–	0,3
Board member, Karen Sörensen <sup>6)</sup>	0,2	–	–	–	0,2
Other senior executives (12 persons) <sup>10)11)</sup>	11,0	4,6	3,8	1,0	20,4
<b>Total</b>	<b>29,2</b>	<b>20,7</b>	<b>15,7</b>	<b>1,4</b>	<b>67,0</b>

<sup>7)</sup> CEO has during the year, in accordance with the employment contract, decided to convert pension of SEK 2,5 million to salary.

<sup>2)</sup> Relates to the period May 2014 – December 2014.

<sup>3)</sup> Including received compensation for work in the Board committee.

<sup>4)</sup> Relates to the period January 2014 – May 2014.

<sup>5)</sup> Relates to the period November 6th 2014 – December 2014.

<sup>6)</sup> In addition to this an amount of SEK 0,4 million (0,3) corresponding social cost for the part of the invoiced fee.

<sup>7)</sup> Relates to the period October 2013 – December 2013.

<sup>8)</sup> Relates to the period January 2013 – September 2013.

<sup>9)</sup> Former CEO, Anders Lönner has during the year in accordance with the employment contract, decided to convert pension of SEK 11,2 million to salary.

<sup>10)</sup> Other senior executives includes Jörg-Thomas Dierks for the period January 2013 – September 2013.

<sup>11)</sup> Other senior executives includes management team of 11 people in addition to CEO, whereof 10 person for the period October 2013 – December 2013.

## Note 9

### Fees and remuneration to auditors

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

SEK million	2014	2013
<b>Audit assignment</b>		
PwC <sup>1)</sup>	13	10
Other	3	–
<b>Tax consulting</b>		
PwC	1	1
Other	0	0
<b>Other services</b>		
PwC <sup>2)</sup>	12	–
Other	0	–
<b>Total</b>	<b>29</b>	<b>11</b>

<sup>1)</sup> 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 3 million (0).

<sup>2)</sup> Fees, invoiced centrally to the parent company, Meda AB, for work performed by PwC firms globally.

## Note 10

### Operating leases

SEK million	2014	2013
Leasing expensed during the financial year	238	166
The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:		
Payable within 1 year	209	122
Payable within 1–5 years	387	202
Payable after 5 years	13	7
<b>Total</b>	<b>609</b>	<b>331</b>

The largest proportion of the lease payments is for rent of premises and cars for sales representative's. Rent of premises 2014 includes non-recurring costs of SEK 57 million related to the integration of Rottapharm due to terminated rental agreements.

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 was prolonged in 2014 and expires in 2019. In connection to the acquisition of Rottapharm office premises were taken over in Monza, Italy and factory premises in Confienza, Italy. These lease contracts expires in 2020. In the US, the lease for offices runs through 2021. Meda has leases in place for offices in France expiring 2015–2016. In the UK, Meda has leases for offices running until 2018 while in Sweden the leases for offices expires in December 2015.

The Group's leasing contract for company cars usually runs for 3–4 years.

**Note 11** Non-recurring effects and restructuring costs

Below are the consolidated income including and excluding non-recurring effects and restructuring costs. See also Note 29.

SEK million	Excluding non-recurring effects and restructuring costs	Restructuring costs	Non-recurring effects	Including non-recurring effects and restructuring costs
Net sales	15,352	–	–	15,352
Cost of sales	–6,053	–30 <sup>1)</sup>	–	–6,083
<b>Gross profit</b>	<b>9,299</b>	<b>–30</b>	<b>–</b>	<b>9,269</b>
Other income	–	–	42 <sup>2)</sup>	42
Operating expenses	–7,102	–601 <sup>1)</sup>	–121 <sup>3)</sup>	–7,824
<b>Operating result</b>	<b>2,197</b>	<b>–631</b>	<b>–79</b>	<b>1,487</b>
Net financial items	–665	–240 <sup>4)</sup>	–	–905
<b>Profit/loss for the period after net financial items</b>	<b>1,532</b>	<b>–871</b>	<b>–79</b>	<b>582</b>
Tax	–351	229	–58 <sup>5)</sup>	–180
<b>Net profit/loss</b>	<b>1,181</b>	<b>–642</b>	<b>–137</b>	<b>402</b>

<sup>1)</sup> Refers to restructuring costs of SEK 631 million which are distributed SEK 30 million to Cost of sales and SEK 601 million to Other operating expenses.

<sup>2)</sup> Refers to income in the second quarter linked to the agreement with Valeant to conclude the companies' joint ventures in Canada, Mexico, and Australia.

<sup>3)</sup> Refers to transaction costs related to the acquisition of Rottapharm.

<sup>4)</sup> Refers to costs of a non-recurring nature totaling SEK 160 million relating to borrowing costs concerning the acquisition of Rottapharm, transaction tax of SEK 36 million on the acquisition of the shares in Rottapharm, and recognition of capitalized borrowing costs regarding Meda's former bank facilities of SEK 32 million and non-recurring financial costs of SEK 12 million relating to Rottapharm.

<sup>5)</sup> SEK –21 million relates to restructuring of subsidiaries before the acquisition of Rottapharm and SEK –37 million relates to impairment of deferred tax and additional tax attributable to earlier fiscal years.

**Note 12** Exchange gains/losses, net

SEK million	2014	2013
Finance income/costs (see Note 13)	–34	–42
<b>Total</b>	<b>–34</b>	<b>–42</b>

**Note 13** Finance income and finance costs

SEK million	2014	2013
<b>Finance income</b>		
Interest	8	22
<b>Total finance income</b>	<b>8</b>	<b>22</b>
<b>Finance costs</b>		
Interest	–591	–456
Exchange losses (see Note 12)	–34	–42
Finance leases	–192	–25
Costs of raising loans	–50	–43
Other finance costs <sup>1)</sup>	–46	–1
<b>Total finance costs</b>	<b>–913</b>	<b>–567</b>

<sup>1)</sup> Including transactional tax for the acquisition of the shares in Rottapharm of SEK 36 million.

**Note 14** Tax

SEK million	2014	2013
<b>Current tax expense</b>		
Current tax for the year	–462	–450
Current tax attributable to prior years	–8	26
<b>Total</b>	<b>–470</b>	<b>–424</b>
<b>Deferred tax expense</b>		
Deferred tax (see Note 18)	290	226
<b>Total</b>	<b>–180</b>	<b>–198</b>

Tax expense constituted 30.9% (19.8) of profit before tax. The difference between the recognized tax expense and the consolidated profit before tax calculated using the local tax rate for Sweden 22% (22.0) is illustrated in the table below. The tax rate for the fiscal year was affected by non-recurring effects related to the acquisition of Rottapharm, effects from changed tax rates and additional tax regarding previous fiscal years. The tax rate for the fiscal year after adjustments for these effects are 22,9%.

SEK million	2014	2013
<b>Reconciliation of effective tax</b>		
Profit before tax	582	1,003
Tax as per applicable tax rate for parent company, %	22.0	22.0
Effect of other tax rates for foreign subsidiaries, %	–6.6	–3.7
Internal restructuring of subsidiaries	3.6	–
Other non-deductible expenses, %	3.6	3.6
Effect of changed tax rates, %	1.9	0.0
Tax attributable to prior years, %	6.4	–2.1
<b>Recognized effective tax, %</b>	<b>30.9</b>	<b>19.8</b>



**Note 15** Earnings per share

## Basic earnings per share

	2014	2013
Profit attributable to parent company shareholders, SEK million	399	807
Average no. of shares (thousands)	323,397	313,672
No. of shares in calculation of basic earnings per share (thousands)	323,397	313,672
Basic earnings per share (SEK)	1.23	2.57

## Diluted earnings per share

	2014	2013
Profit attributable to parent company shareholders, SEK million	399	807
Average no. of shares (thousands)	323,397	313,672
No. of shares in calculation of diluted earnings per share (thousands)	323,397	313,672
Diluted earnings per share (SEK)	1.23	2.57

**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 323,396,680 (313,671,718). 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	2014					2013				
	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	691	826	561	92	2,170	663	797	534	55	2,049
Investments	11	42	22	41	116	12	31	25	68	136
Sales/disposals	-45	-34	-54	-	-133	-	-50	-9	-	-59
Acquired operation	262	382	115	73	832	-	-	-	-	-
Reclassification	11	69	20	-100	0	1	28	3	-32	0
Translation difference	64	82	58	7	211	15	20	8	1	44
Closing cost of acquisition	994	1,367	722	113	3,196	691	826	561	92	2,170
Opening depreciation	-319	-564	-439	-	-1,322	-298	-550	-406	-	-1,254
Year's depreciation	-23	-63	-47	-	-133	-16	-48	-36	-	-100
Sales/disposals	7	26	41	-	74	-	50	9	-	59
Reclassification	-	-	-	-	-	-	-1	1	-	0
Translation difference	-28	-48	-47	-	-123	-5	-15	-7	-	-27
Closing depreciation	-363	-649	-492	-	-1,504	-319	-564	-439	-	-1,322
Carrying amount at year-end	631	718	230	113	1,692	372	262	122	92	848
Depreciation per function:										
Cost of sales	-10	-53	-15	-	-78	-8	-37	-10	-	-55
Selling expenses	-	-	-6	-	-6	-	-	-6	-	-6
Medicine and business development expenses	-1	-1	-6	-	-8	-1	-1	-3	-	-5
Administrative expenses	-12	-9	-20	-	-41	-7	-10	-17	-	-34
Total	-23	-63	-47	-	-133	-16	-48	-36	-	-100

**Finance leases**

The Group's property, plant, and equipment includes objects held via finance leases as follows:

SEK million	Cost of acquisition		Accumulated depreciation and amortization	
	2014	2013	2014	2013
Machinery and plant	32	25	-3	-10
Total	32	25	-3	-10

Future minimum lease payments have these due dates:

SEK million	Nominal values		Present values	
	2014	2013	2014	2013
0-1 year	5	2	5	2
1-5 years	17	-	17	-
Total	22	2	22	2

The income statement includes depreciation and finance costs for finance leases as follows:

SEK million	2014	2013
Machinery and plant	3	10
Total	3	10

**Note 17** Intangible assets

SEK million	2014				2013			
	Goodwill	Product rights	Other assets <sup>1)</sup>	Total	Goodwill	Product rights	Other assets <sup>1)</sup>	Total
Opening cost of acquisition	13,971	27,352	171	41,494	13,809	26,167	144	40,120
Investments	–	12	26	38	–	236	25	261
Sales/disposals	–	–	–1	–1	–	–12	–	–12
Acquired operation	9,758	11,077	20	20,855	–	782	–	782
Discontinued operation	–	–96	–	–96	–	–	–	–
Translation difference	1,623	1,738	16	3,377	162	179	2	343
<b>Closing cost of acquisition</b>	<b>25,352</b>	<b>40,083</b>	<b>232</b>	<b>65,667</b>	<b>13,971</b>	<b>27,352</b>	<b>171</b>	<b>41,494</b>
Scheduled opening amortization	–	–11,710	–118	–11,828	–	–9,604	–97	–9,701
Scheduled amortization for the year	–	–2,348	–22	–2,370	–	–2,067	–19	–2,086
Sales/disposals	–	–	1	1	–	12	–	12
Divested operation	–	26	–	26	–	–	–	–
Translation difference	–	–683	–15	–698	–	–51	–2	–53
<b>Scheduled closing amortization</b>	<b>–</b>	<b>–14,715</b>	<b>–154</b>	<b>–14,869</b>	<b>–</b>	<b>–11,710</b>	<b>–118</b>	<b>–11,828</b>
<b>Carrying amount at year-end</b>	<b>25,352</b>	<b>25,368</b>	<b>78</b>	<b>50,798</b>	<b>13,971</b>	<b>15,642</b>	<b>53</b>	<b>29,666</b>
<b>Scheduled amortization per function:</b>								
Cost of sales	–	–	–1	–1	–	–	–3	–3
Selling expenses	–	–	–4	–4	–	–	–3	–3
Medicine and business development expenses	–	–2,348	–5	–2,353	–	–2,067	–4	–2,071
Administrative expenses	–	–	–12	–12	–	–	–9	–9
<b>Total</b>	<b>–</b>	<b>–2,348</b>	<b>–22</b>	<b>–2,370</b>	<b>–</b>	<b>–2,067</b>	<b>–19</b>	<b>–2,086</b>

<sup>1)</sup> Other intangible assets mainly refers to software

Specification of major product rights, SEK million	2014	Rate of amortization, years	Remaining amortization, years
Dona	2,990	15	14.8
Elidel	1,829	15	11.2
3M-products	1,751	15	7.0
Saugella	1,042	15	14.8
Valeant products	963	15	8.7
Alaven products	949	15	10.7
Recip products	932	15	7.9
Aerospan	827	15	14.3
Legalon	780	15	14.8
Antula products	774	25	21.3
Other	12,531	8–25	
<b>Total</b>	<b>25,368</b>		

**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 Viatrix, 3M, Valeant and Rottapharm) and Emerging Markets (acquisitions of Rottapharm).

MSEK	2014	2013
US	5,497	4,564
Nordics	2,113	2,110
Western Europe excluding Nordics	12,888	7,297
Emerging Markets	4,854	–
<b>Total</b>	<b>25,352</b>	<b>13,971</b>

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 include assumptions on product launches, price trends, sales volumes, competing products, and cost trends.

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 2014), the global pharmaceutical market is expected to increase by an average of 2–5% during the 2014–2018 period.

Averaged 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:

2014, Parameter, %	US	Nordics	Europe excluding Nordics	Emerging Markets
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
<b>Assumptions used in the previous year</b>				
Average budgeted gross margin	78	57	60	–
Growth rate beyond the four-year period	2	2	2	–
Discount rate, before tax	13	11	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 following parameters: gross margin, growth rate, discount rate and sales volumes. The sensitivity analyses are based on a change in an assumption while holding all other

assumptions constant. For US the recoverable amount exceeds its carrying amount with SEK 340 million at December 31, 2014. The recoverable amount would equal its carrying amount if the growth rate beyond the four year-period decreased from 2% to 1,7%. 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	2014	2013
<b>Deferred tax assets:</b>		
Deferred tax assets to be used after 12 months	842	362
Deferred tax assets to be used within 12 months	798	556
<b>Total</b>	<b>1,640</b>	<b>918</b>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities payable after 12 months	4,759	1,919
Deferred tax liabilities payable within 12 months	519	292
<b>Total</b>	<b>5,278</b>	<b>2,211</b>

### Carry-forward of unused tax losses:

At year-end 2014, the Group reported deferred tax assets attributable to carry-forwards of unused tax losses of SEK 190 million. The tax base of loss carry-forwards not accounted for is about SEK 200 million, mainly attribut-

able to Germany. The decision to not account for the loss carry-forwards in Germany is based on complicated regulations and not the earning capacity of the German subsidiary.

Deferred tax assets and tax liabilities on the balance sheet refer to the following:

SEK million	2014			2013		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Intangible non-current assets	107	4,829	-4,722	72	1,558	-1,486
Property, plant, and equipment	49	85	-36	4	64	-60
Stock (inventories)	296	5	291	260	5	255
Accrued expenses	526	23	503	317	125	192
Loss carry-forwards	190	0	190	84	0	84
Pensions	494	7	487	204	5	199
Untaxed reserves	0	369	-369	0	492	-492
Other	20	2	18	18	3	15
<b>Deferred tax assets and tax liabilities</b>	<b>1,682</b>	<b>5,320</b>	<b>-3,638</b>	<b>959</b>	<b>2,252</b>	<b>-1,293</b>
Offsetting of assets and liabilities	-42	-42	0	-41	-41	0
<b>Tax assets and tax liabilities, net</b>	<b>1,640</b>	<b>5,278</b>	<b>-3,638</b>	<b>918</b>	<b>2,211</b>	<b>-1,293</b>

Cont. Note 18

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, 2013	-1,634	-67	252	56	12	278	-510	7	-1,606
Translation difference	-7	-1	1	3	0	-8	0	2	-10
Acquired operation	8	0	0	3	77	0	0	2	90
Recognition in income statement	147	8	2	57	-5	-5	18	4	226
Tax recognized in other comprehensive income	0	0	0	73	0	-66	0	0	7
On December 31, 2013	-1,486	-60	255	192	84	199	-492	15	-1,293
Translation difference	-200	0	6	17	14	6	0	-2	-10
Acquired operation	-3,250	11	36	47	88	146	0	5	-2,919
Recognition in income statement	214	14	-6	-47	4	-12	123	1	290
Tax recognized in other comprehensive income	0	0	0	295	0	149	0	0	444
On December 31, 2014	-4,722	-36	291	503	190	487	-369	18	-3,638

**Note 19** Available-for-sale financial assets

SEK million	2014	2013
Carrying amount at start of the year	5	5
Acquired operation	31	-
Reclassification at acquisition of asset	-1	-
Purchase	2	-
Revaluation transferred to other comprehensive income	7	-
Translation difference	1	0
Carrying amount at year-end	45	5

The financial assets are not due for payment or in need of impairment. Available-for-sale financial assets include the following:

SEK million	2014	2013
Funds – US	26	-
Listed interest bearing securities – Austria	18	4
Unlisted shares – Norway	-	1
Other	1	-
Total	45	5

Available-for-sale financial assets are expressed in the following currencies:

	2014	2013
USD	26	-
EUR	19	5
Total	45	5

**Note 20** Business combinations and divestments**Acquisition of Rottapharm**

On July 31, 2014, Meda announced that an agreement has been entered into to acquire the Italian specialty pharma company Rottapharm S.p.A. The acquisition was completed on October 10, 2014. The acquisition of Rottapharm boosts Meda's earnings profile by contributing a strong brand portfolio within consumer healthcare and increasing the company's presence on Emerging Markets by roughly 50%. The acquisition is expected to lead to annual cost synergies of approximately SEK 900 million.

The purchase price amounted to SEK 17,654 million and consisted of SEK 12,309 million in cash after deduction of net debt in Rottapharm, 30 million Meda shares at a value, at the time of concluding the transaction, corresponding to SEK 2,976 million, and an unconditional deferred payment of EUR 275 million, which does not carry interest and matures in January 2017, and has therefore been measured at fair value through discounting at the present value. The fair value at the time of concluding the transaction amounted to SEK 2,369 million. Transaction costs attributable to the acquisition total SEK 157 million of which SEK 36 million corresponds to transaction tax on the acquired shares. SEK 121 million of the transaction costs is recognized under medicine and business development expenses and SEK 36 million is recognized under finance expense in the income statement.

Rottapharm contributed with net sales of SEK 1,533 million and an operating result of SEK 409 million in the fourth quarter. The operating result is adjusted for amortizations of SEK 162 million related to adjustments of product rights to fair value and restructuring costs of SEK 485 million, which is the part of the restructuring costs charged to Rottapharm. If Rottapharm had been consolidated from January 1, 2014, net sales for Meda would amount to SEK 18,705 million and operating result to SEK 2,207 million, excluding non-recurring items of SEK 710 million.

Preliminary data on acquired net assets and goodwill follows. At present Meda is analyzing the final values of acquired net assets and uncertainties in recognized values is mainly related to deferred tax and final valuation of intangible assets. Material changes to recognized values are not expected.

There are no material changes to the value of below acquired net assets since October 10, 2014.

**SEK million**

Purchase price	17,654
Non-controlling interests	-18
Fair value of net assets	-7,878
<b>Goodwill</b>	<b>9,758</b>

Goodwill is mainly attributable to:

- Anticipated annual cost synergies, which are expected to derive from overlapping resources within sales and marketing, administration, and research and development.
- Extended operations on Emerging Markets with increased opportunity to establish Medas products on new geographical markets
- Economies of scale and efficiencies within purchase, manufacturing and distribution.

None of the recognized goodwill is expected to be tax deductible.

<b>SEK million</b>	<b>Fair value</b>
Product rights	11,036
Deferred tax assets	374
Other non-current assets	904
Inventories	969
Other receivables	1,729
Cash and cash equivalents	3,416
Borrowings	-5,491
Deferred tax liabilities	-3,293
Pension obligations	-858
Other non-current liabilities	-147
Other current liabilities	-761
Acquired net assets	7,878
Goodwill	9,758
<b>Purchase value</b>	<b>17,636</b>
Purchase price, cash	-12,309
Of which outstanding purchase consideration, paid January 2, 2015	149
Cash and cash equivalents in acquired entities	3,416
<b>Change in Group cash and cash equivalents at acquisition</b>	<b>-8,744</b>

Fair value of the 30 million Meda shares issued as part of the consideration paid was based on the published average share price for the period 9–10 of October 2014.

The fair value of other receivables is SEK 1,729 million and includes trade receivables with a fair value of SEK 1,281 million. The recognized trade receivables are expected to be recovered in full.

**Divestment of joint ventures**

In April 2014 Meda reached an agreement with Valeant to terminate the companies' joint ventures in Canada, Mexico and Australia. The divestment resulted in a gain of SEK 42 million which is recognized under other income.

<b>SEK million</b>	<b>2014</b>
Cash and cash equivalents	-32
Other receivables	-19
Liabilities	111
Divested net assets	60
Cash received	7
Cash and cash equivalents in divested entities	-32
<b>Change in Group cash and cash equivalents at divestment</b>	<b>-25</b>

**Note 21 Inventories**

<b>SEK million</b>	<b>2014</b>	<b>2013</b>
Raw materials	322	388
Work in progress	45	90
Finished goods and goods for resale	2,621	1,504
<b>Total</b>	<b>2,988</b>	<b>1,982</b>

The Cost of sales item contains expenditure for inventories recognized as an expense amounting to SEK 5,081 million (4,336). 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 84 million (174) during the year.

**Note 22 Trade receivables**

<b>SEK million</b>	<b>2014</b>	<b>2013</b>
Trade receivables	4,227	2,173
Provision for bad debts	-76	-22
<b>Total</b>	<b>4,151</b>	<b>2,151</b>

Other non-current receivables includes trade receivables of SEK 190 million (0) which are due during 2016. The fair value of trade receivables corresponds to the carrying amount.

On December 31, 2014, the Group's trade receivables, excluding those that were past due and those impaired, stood at SEK 3,729 million (1,854).

On December 31, 2014 past due but not impaired trade receivables amounted to SEK 368 million (282). Their aging analysis:

<b>SEK million</b>	<b>2014</b>	<b>2013</b>
< 3 months	257	199
3–6 months	32	28
> 6 months	79	55
<b>Total</b>	<b>368</b>	<b>282</b>

On December 31, 2014 the Group recognized trade receivables that were impaired amounting to SEK 131 million (37). The provision for bad debts totaled SEK 76 million (22).

Changes in the provision for bad debts:

<b>SEK million</b>	<b>2014</b>	<b>2013</b>
On January 1	22	19
Additional provision for bad debts	91	16
Receivables written off during the year as non-recoverable	-29	-12
Reversed unused amounts	-5	-2
Translation difference	-3	1
<b>Carrying amount at year-end</b>	<b>76</b>	<b>22</b>

**Note 23** Derivatives, financial assets and financial liabilities**Currency forward contracts**

On December 31, 2014, 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	9.263	6,237	88
EUR/USD	1.248	2,170	60
EUR/RUB	54.342	144	38
RUB/SEK	0.1796	36	15
Other			7
<b>Total</b>			<b>208</b>

**Liabilities**

Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million
EUR/SEK	9.253	9,994	152
USD/SEK	7.432	2,947	116
Other			16
<b>Total</b>			<b>284</b>

**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 are reported as level 1, and relate to the option to resolve the bond loan of EUR 400 million, which was raised for trading on the Irish Stock Exchange. Fair value measurement is based on quoted prices on an active market.

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

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

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.

	2014		2013	
	Level 1	Level 2	Level 1	Level 2
<b>Assets</b>				
Currency forward contracts	–	208	–	49
Embedded derivatives	25	–	–	–
Available-for-sale financial assets	18	27	4	1
<b>Total</b>	<b>43</b>	<b>235</b>	<b>4</b>	<b>50</b>
<b>Liabilities</b>				
Interest rate swaps <sup>1)</sup>	–	22	–	33
Currency forward contracts	–	284	–	113
<b>Total</b>	<b>–</b>	<b>306</b>	<b>–</b>	<b>146</b>

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

The following table comprises the fair value of financial- assets and liabilities by valuation category compared with their carrying amounts.

2014	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale assets	Total	Fair value
Available for sale financial assets	–	–	–	45	45	45
Derivatives	–	211	22	–	233	233
Trade receivables and other receivables	4,665 <sup>1)</sup>	–	–	–	4,665	4,665
Cash and cash equivalents	2,311	–	–	–	2,311	2,311
<b>Total</b>	<b>6,976</b>	<b>211</b>	<b>22</b>	<b>45</b>	<b>7,254</b>	<b>7,254</b>

	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 <sup>2)</sup>	1,238	1,238
<b>Total</b>	<b>226</b>	<b>80</b>	<b>32,984</b>	<b>33,741</b>	<b>33,787</b>

<sup>1)</sup> Consists of the Group's trade receivables, parts of other non-current receivables and parts of other short-term receivables.

<sup>2)</sup> Consists of the parts of the Group's other short-term liabilities and accrued expenses.



2013	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale assets	Total	Fair value
Available for sale financial assets	–	–	–	5	5	5
Derivatives	–	46	3	–	49	49
Trade receivables and other receivables	2,224 <sup>1)</sup>	–	–	–	2,224	2,224
Cash and cash equivalents	178	–	–	–	178	178
<b>Total</b>	<b>2,402</b>	<b>46</b>	<b>3</b>	<b>5</b>	<b>2,456</b>	<b>2,456</b>

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total	Fair value
Borrowings	–	–	14,096	14,096	14,138
Trade payables	–	–	1,542	1,542	1,542
Derivatives	83	63	–	146	146
Other liabilities	–	–	819 <sup>2)</sup>	819	819
<b>Total</b>	<b>83</b>	<b>63</b>	<b>16,457</b>	<b>16,603</b>	<b>16,645</b>

<sup>1)</sup> Consists of the Group's trade receivables, parts of other non-current receivables and parts of other short-term receivables.

<sup>2)</sup> 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:

MSEK	2014			2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets	43	7,211	7,254	4	2,452	2,456
Financial liabilities	3,973 <sup>1)</sup>	29,814	33,787	–	15,986	15,986

<sup>1)</sup> See Note 26.

## Note 24 Cash and cash equivalents

SEK million	2014	2013
Cash and bank balances	2,311	178
<b>Total</b>	<b>2,311</b>	<b>178</b>

## Note 25 Equity

### Share capital and other contributed capital

No. of shares, share capital and premiums increased since 2013 as follows:

SEK million (except for no. of shares)	No. of shares	Share capital	Other contributed capital
<b>2013</b>			
January 1, 2013	302,243,065	302	8,865
<b>On December 31, 2013</b>	<b>302,243,065</b>	<b>302</b>	<b>8,865</b>

### 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
<b>On December 31, 2014</b>	<b>365,467,371</b>	<b>365</b>	<b>13,788</b>

### Dividend per share

At the AGM on May 6, 2015, a dividend of SEK 2.50 per share for a total of SEK 914 million will be proposed for 2014. Dividends for 2013 amounted to SEK 756 million (SEK 2.50 per share) and for 2012 SEK 680 million (SEK 2.25 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 Jan 1, 2013 <sup>1)</sup>	-1,318	763	-43	-178	-	-776
Translation difference	508	-	-	-	-	508
Earnings from hedging net investment	-	-355	-	-	-	-355
Tax on earnings from hedging net investment	-	78	-	-	-	78
Earnings from revaluation of derivatives recognized in equity	-	-	22	-	-	22
Tax on earnings from revaluation of derivatives recognized in equity	-	-	-5	-	-	-5
Earnings from defined benefit pension plans and similar plans	-	-	-	179	-	179
Tax on earnings from defined benefit pension plans and similar plans	-	-	-	-66	-	-66
<b>Other reserves Dec 31, 2013</b>	<b>-810</b>	<b>486</b>	<b>-26</b>	<b>-65</b>	<b>-</b>	<b>-415</b>
Other reserves Jan 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
<b>Other reserves Dec 31, 2014</b>	<b>1,297</b>	<b>-528</b>	<b>-17</b>	<b>-357</b>	<b>6</b>	<b>401</b>

<sup>1)</sup> Recalculated on the basis of revised IAS 19.

**Note 26** Borrowings

SEK million	2014	2013
<b>Long-term borrowing</b>		
Bank loans	21,190	6,295
Bond loans	5,611	1,497
Finance leases (see Note 16)	16	0
<b>Total</b>	<b>26,817</b>	<b>7,792</b>
<b>Short-term borrowing</b>		
Bank loans	574	1,444
Bond loans	500	4,266
Commercial papers	182	593
Finance leases (see Note 16)	5	2
Factoring	130	–
<b>Total</b>	<b>1,391</b>	<b>6,304</b>
<b>Total borrowings</b>	<b>28,208</b>	<b>14,096</b>
<b>Fair value</b>	<b>2014</b>	<b>2013</b>
Level 1	3,973	–
Level 2	24,281	14,138
<b>Total</b>	<b>28,254</b>	<b>14,138</b>
Fair value deviates from the carrying amount on the Groups bond loans which are recognized in level 1 and 2. Level 1 consists of the bond loan of EUR 400 million which is raised for trading on the Irish Stock Exchange. Fair value measurement is based on quoted prices on an active market. Level 2 is attributable to bond loans for which fair value measurement is based on observable market data on the OTC market.		
<b>Maturities for long-term borrowing:</b>	<b>2014</b>	<b>2013</b>
Payable within 1–2 years	973	3,807
Payable within 2–5 years	21,985	3,985
Payable after 5 years	3,859	–
<b>Total</b>	<b>26,817</b>	<b>7,792</b>
<b>Carrying amounts in SEK million, by currency, for the Group's borrowing:</b>	<b>2014</b>	<b>2013</b>
EUR	18,237	–
USD	5,005	7,287
SEK	4,966	6,809
<b>Total</b>	<b>28,208</b>	<b>14,096</b>
<b>Unused credits:</b>	<b>2014</b>	<b>2013</b>
Unused unconfirmed credits	700	700
Unused confirmed credits	5,505	8,001

**Note 27** Post-employment benefits

SEK million	2014	2013
Present value of funded obligations	1,248	942
Fair value of plan assets	–854	–688
Deficit of the funded plans	393	254
Present value of unfunded obligations	2,021	846
<b>Net</b>	<b>2,415</b>	<b>1,100</b>
<b>SEK million</b>	<b>2014</b>	<b>2013</b>
Recognized as assets <sup>1)</sup>	15	7
Recognized as liabilities	2,430	1,107
<b>Net</b>	<b>2,415</b>	<b>1,100</b>
<sup>1)</sup> Plans with a net surplus, i.e. where plan assets exceed the defined benefit obligations is recognized as other non-current receivables		
<b>Changes in fair value of plan assets during the year</b>	<b>2014</b>	<b>2013</b>
At year's start	688	679
Interest income	32	25
<b>Remeasurements</b>		
Return on plan assets, excluding amounts included in interest income	36	27
<b>Contributions</b>		
Employers	58	45
<b>Payments from plan</b>		
Benefit payments	–44	–43
Settlements	–38	–40
Exchange differences	122	–5
<b>At year-end</b>	<b>854</b>	<b>688</b>
<b>Changes in present value of the obligations during the year</b>	<b>2014</b>	<b>2013</b>
At year's start	1,788	1,963
Costs for service in current year	17	19
Costs for service in prior years	–	1
Interest expense	79	65
<b>Remeasurements</b>		
Gain (-)/loss from change in demographic assumptions	37	2
Gain (-)/loss from change in financial assumptions	382	–159
Experience gains (-)/losses	–5	7
<b>Payments from plan</b>		
Benefit payments	–102	–77
Settlements	–38	–40
Acquired operation	858	–
Exchange differences	253	7
<b>At year-end</b>	<b>3,269</b>	<b>1,788</b>

Cont. Note 27

The defined benefit obligation and plan assets are composed by country as follows in the table below:

2014	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
<b>Net</b>	<b>1,789</b>	<b>391</b>	<b>104</b>	<b>–14</b>	<b>145</b>	<b>2,415</b>

2013	Germany	US	Sweden	UK	Other	Total
Present value of obligation	686	747	81	143	131	1,788
Fair value of plan assets	–	–495	–	–149	–44	688
<b>Net</b>	<b>686</b>	<b>252</b>	<b>81</b>	<b>–6</b>	<b>87</b>	<b>1,100</b>

### 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 2,256 people, 397 of whom were active employees as of December 31, 2014.

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 2015. Meda's share of the total number of active participants in the plan as of December 31, 2014 was 0.3% (0.4).

### 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 1,901 persons whereof 107 are active employees as of December 31, 2014.

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 391 million as of December 2014. Meda is obliged to fund the plan according to the rules of the Pension Protection Act of 2006 in the US, 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 2015 are estimated to SEK 54 million. The yearly contribution is calculated on a yearly basis by an external actuary.

The funded 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 pol-

icy, 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

Salaried employees are covered by the ITP plan which is collective-based and encompasses numerous employers in a variety of industries. Under the ITP plan, newly-employed salaried employees are offered a premium-based solution (ITP 1) negotiated by the Confederation of Swedish Enterprise and the Swedish Federation of Salaried Employees in Industry and Services (PTK). Those already employed retain the older ITP plan (ITP 2). 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 2014 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 2015 for ITP 2 plans with Alecta amount to SEK 6 million (2). Meda's share of the total contributions to the plan amounts to 0.003% (0.002) and Meda's share of the total number of active participants is 0.017% (0.013). At the end of 2014, Alecta's surplus (in the form of the collective consolidation level) was 143% (148).

The defined-benefit ITP plan in Sweden 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 Swedish plans are unfunded and withdrawals for pensions are made for the payouts to the retirees with vested pension. The pension payouts from the Swedish plan are not adjusted based on the consumer price index. The plan covers 323 people, 86 of whom were active employees as of December 31, 2014.

### 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 162 persons whereof none are active employees as of December 31, 2014.

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 14 million as of December 2014. 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 2014 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, 2014 amounted to SEK 145 million. Other pension obligations are mainly related to France, Austria, Italy and Switzerland.

The significant actuarial assumptions are presented in the table below:

(weighted average %)	2014	2013
Discount rate	2.3	3.6
Future salary increase	2.2	2.2
Future pension increase	1.6	1.3

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, %)	2014	2013
<b>Retiring at the end of the reporting period (age 65 years)</b>		
Male	20.1	20.2
Female	23.4	23.3
<b>Retiring 25 years after the end of the reporting period (age 40 years)</b>		
Male	19.7	19.4
Female	23.5	22.7

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:\*

	2013	Discount rate +0.25% -0.25%	Future salary increase +0.25% -0.25%	Future pension increase +0.25% -0.25%	Life expectancy +1 year -1 year
Present value of funded obligations	1,248	1,217 1,280	1,249 1,246	1,254 1,243	1,254 1,201
Fair value of assets	-854	-854 -854	-854 -854	-854 -854	-854 -854
Present value of unfunded obligations	2,021	1,950 2,097	2,030 2,013	2,083 1,962	2,111 1,919
<b>Net</b>	<b>2,415</b>	<b>2,313 2,523</b>	<b>2,425 2,405</b>	<b>2,483 2,351</b>	<b>2,511 2,266</b>

\* 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	2014 Unquoted	Total	%	Quoted	2013 Unquoted	Total	%
<b>Equity instruments</b>								
US	305	—	305	36	219	—	219	32
UK	42	—	42	5	30	—	30	4
<b>Debt instruments</b>								
US	180	—	180	21	133	—	133	19
UK	161	—	161	19	119	—	119	17
<b>Property</b>								
US	—	66	66	8	—	27	27	4
<b>Other</b>								
US	7	48	55	6	23	93	116	17
<b>Other countries</b>								
	23	22	45	5	44	0	44	7
<b>Total</b>	<b>718</b>	<b>136</b>	<b>854</b>	<b>100</b>	<b>567</b>	<b>121</b>	<b>688</b>	<b>100</b>

Cont. Note 27

Contributions to the Group's defined-benefit pension and health care plans for the 2015 financial year are expected to amount to SEK 140 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	140
Between 1–2 years	149
Between 2–5 years	462
More than 5 years	3,803
<b>Total</b>	<b>4,554</b>

## 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

<b>Volatility in assets</b>	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.
<b>Bond yield changes</b>	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.
<b>Inflation</b>	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.
<b>Life expectancy assumptions</b>	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	2014	2013
Unconditional deferred payment	2,447	–
Other non-current liabilities	17	32
<b>Total</b>	<b>2,464</b>	<b>32</b>

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 14 million.

## Note 29 Other provisions

SEK million	Returns	Personnel	Restructuring	Legal disputes	Other	Total
<b>On January 1, 2014</b>	<b>353</b>	<b>119</b>	<b>14</b>	<b>66</b>	<b>53</b>	<b>605</b>
Additional provisions	364	26	601	3	25	1,019
Acquired operations	42	–	–	8	121	171
Utilized during the year	–199	–18	–8	–2	–37	–264
Reversed unused amounts	–117	–4	–	–10	–22	–153
Translation difference	70	18	13	8	8	117
<b>On December 31, 2014</b>	<b>513</b>	<b>141</b>	<b>620</b>	<b>73</b>	<b>148</b>	<b>1,495</b>



SEK million	2014	2013
Non-current provisions	375	209
Current provisions	1,120	396
<b>Total</b>	<b>1,495</b>	<b>605</b>

Expected outflow date	Non-current provisions
In 2–3 years	220
In 4–5 years	64
After 5 years	91
<b>Total</b>	<b>375</b>

### 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 89 million (70) 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 2014 amounted to SEK 9 million and interest expenses to SEK 3 million. Benefits paid from the plans amounted to SEK 7 million. Expected fees for 2015 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 2014-12-31 amounted to 3.75% (4.5) and 4.0% (5.0). A change in the discount rate of +/- 0.25% decrease / increase the liability with SEK -2 / + 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.

SEK 10 million (18) of the provision for personnel refers to earned salary for 51 employees in Germany who opted for early retirement in accordance with the German "Altersteilzeit" model, partly financed by public funding. Use of the recognized provision on December 31, 2014 will occur within 2 years after the reporting date.

### Provisions for legal disputes

Individual assessment of ongoing disputes occurs continually.

### Provisions for restructuring

The provision for restructuring amounted to SEK 620 million (14). Costs for restructuring during the year relating to the integration of Rottapharm were SEK 631 million. SEK 30 million is recognized under cost of sales, SEK 376 million under selling expenses, SEK 59 million under medicine and business development expenses and SEK 166 million under administrative expenses in the income statement. The costs are mainly related to personnel expenses and costs for termination of contracts, primarily for office premises and leasing contracts for cars. SEK 537 million of the restructuring provision will be paid in 2015.

### 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	2014	2013
<b>Commitments</b>		
Guarantees	32	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 Acton Pharmaceuticals may lead to milestone payments of USD 10 million when defined sales targets are reached for the product Aerospan.
- The acquisition of ZpearPoint may lead to milestone payments of SEK 44 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 102 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 2.3 million as of December 31, 2014.
- In conjunction with the purchase of Alaven Pharmaceuticals in 2010, Meda Pharmaceuticals Inc. assumed responsibility for ongoing U.S. product liability cases involving the product Reglan® (metoclopramide). Generally, the cases involve plaintiffs who took Reglan for long periods of time to control gastric stasis and gastroesophageal reflux and developed the side effect of tardive dyskinesia, which is characterized by repetitive, involuntary muscle movements, generally of the face and extremities. While the Reglan labeling since 1986 has warned against the side effect if the product is used for longer than 12 weeks, the plaintiffs allege that the warning was not prominent enough. Nearly all of these cases attempt to hold Alaven, which owned Reglan for part of the relevant period, responsible to patients who took a generic product, allegedly relying upon the labeling of the brand. Meda divested the product rights to Reglan in 2011. Presently, there are more than 3,300 cases in which the company is named as one of multiple defendants, with most of the cases having been filed in Philadelphia, New Brunswick and San Francisco. The cases have been delayed by appeals of fundamental issues regarding the liability of the generic and brand manufacturer defendants. Initial trials may begin by the end of 2015. Meda believes it has meritorious defenses to the cases. As with all litigation, we cannot predict the outcome of the cases with certainty.

Cont. Note 30

- 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.

#### Transactions with related parties:

##### Sales of goods and services and other sales, SEK million

Fidim S.r.l.	8,0	Refers to sales of fixed assets
Rottapharm Biotech S.r.l.	2,8	Refers to sales of services
Other related parties	0,3	

##### Purchases of goods and services, SEK million

RRL Immobiliare SpA	9,3	Refers to rental of office- and factory space
Rottapharm Biotech S.r.l.	4,4	Refers to purchases of research and development services
Other related parties	0,1	

##### Balances as per 31/12 2014, SEK million

	Receivable	Liability
Fidim S.r.l.	0,9	–
RRL Immobiliare SpA	0,1	2,1
Rottapharm Biotech S.r.l.	1,3	5,5
Other related parties	0,2	0,6

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 2014.

#### Note 33 Events after the reporting date

##### Agreement of sales and marketing rights to Onsolis in the United States

Meda has during the first quarter of 2015 reached an agreement with BioDelivery Sciences International (BDSI) which regains the marketing and sales rights for Onsolis in the US, Canada and Mexico to BDSI. This since Meda's focus in the US primarily are located on asthma and allergy. According to the established financial conditions of the agreement the parties share the revenues from all new North American partnership.

##### DYMISTA approved in children 6 to 11 years of age with seasonal allergic rhinitis

February 15, 2015 Meda announced the approval by FDA (U.S. Food and Drug Administration) of Dymista, a single formulation azelastine hydrochloride and fluticasone propionate nasal spray for the relief of symptoms of seasonal allergic rhinitis in patients 6-11 years of age who require treatment with both components. Dymista was previously indicated only for adults and children 12 and older. The approved dosing for Dymista in children 6 to 11 is 1 spray/nostril BID (same as the dosing for adolescents and adults with SAR).

#### Note 31 Cash flow

##### Adjustments for items not included in cash flow

SEK million	2014	2013
<b>Operating activities:</b>		
Depreciation of property, plant, and equipment	133	100
Amortization of intangible assets	2,370	2,086
Other income, divestment of subsidiary	–42	–
Bank charges*	186	25
Other	21	35
<b>Total</b>	<b>2,668</b>	<b>2,246</b>

\* 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

# Income statement parent company

SEK million	Note	2014	2013
Net sales	2,3	6,011	5,477
Cost of sales	4	-3,388	-3,178
<b>Gross profit</b>		<b>2,623</b>	<b>2,299</b>
Selling expenses		-484	-454
Medicine- and business development expenses		-1,173	-1,227
Administrative expenses		-157	-216
<b>Operating profit</b>	4-8	<b>809</b>	<b>402</b>
Profit from interests in Group companies	9	402	331
Interest income and similar items	10	608	573
Interest cost and similar items	10	-749	-521
<b>Profit before appropriations and tax</b>		<b>1,070</b>	<b>785</b>
Appropriations	11	-175	-457
Tax	12	-110	0
<b>Net income</b>		<b>785</b>	<b>328</b>

## Statement of comprehensive income

SEK million	2014	2013
Net income	785	328
<b>Items that may be reclassified to the income statement</b>		
Cash flow hedges, net after tax	8	17
Net investment hedge, net after tax	-303	-
<b>Other comprehensive income for the period after tax</b>	<b>-295</b>	<b>17</b>
<b>Total comprehensive income</b>	<b>490</b>	<b>345</b>

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	31 Dec, 2014	31 Dec, 2013
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
<b>Intangible non-current assets</b>			
Product rights and other intangible assets	13	5,137	6,172
<b>Total intangible non-current assets</b>		<b>5,137</b>	<b>6,172</b>
<b>Property, plant and equipment</b>			
Equipment	14	1	1
<b>Total property, plant and equipment</b>		<b>1</b>	<b>1</b>
<b>Non-current financial assets</b>			
Interests in Group companies	15	12,203	9,244
Receivables from Group companies		26,106	14,338
Deferred tax asset	12	28	48
Other non-current liabilities		89	—
<b>Total non-current financial assets</b>		<b>38,425</b>	<b>23,630</b>
<b>Total non-current assets</b>		<b>43,563</b>	<b>29,803</b>
<b>Current assets</b>			
<b>Inventories</b>	16	<b>493</b>	<b>460</b>
<b>Current receivables</b>			
Trade receivables	17	414	283
Receivables from Group companies		1,146	1,033
Other receivables		27	35
Derivatives		208	47
Tax assets		2	3
Prepayments and accrued income	18	39	21
<b>Total current receivables</b>		<b>1,837</b>	<b>1,422</b>
<b>Cash and bank balances</b>		<b>611</b>	<b>22</b>
<b>Total current assets</b>		<b>2,941</b>	<b>1,904</b>
<b>TOTAL ASSETS</b>		<b>46,504</b>	<b>31,707</b>

SEK million	Note	31 Dec, 2014	31 Dec, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		365	302
Statutory reserves		3,175	3,175
<b>Total restricted equity</b>		<b>3,540</b>	<b>3,477</b>
<b>Non-restricted equity</b>			
Share premium reserve		10,616	5,694
Fair value reserve		-321	-26
Retained earnings		2,029	2,455
Profit for the year		785	328
<b>Total non-restricted equity</b>		<b>13,109</b>	<b>8,451</b>
<b>Total equity</b>		<b>16,649</b>	<b>11,928</b>
<b>Untaxed reserves</b>	19	<b>1,679</b>	<b>2,239</b>
<b>Provisions</b>			
Provisions for pensions	20	67	62
<b>Total provisions</b>		<b>67</b>	<b>62</b>
<b>Non current liabilities</b>			
Borrowings	21	22,962	7,778
Liabilities to Group companies		1,697	1,811
Derivatives		23	137
<b>Total non-current liabilities</b>		<b>24,682</b>	<b>9,726</b>
<b>Current liabilities</b>			
Borrowings	21	1,188	6,302
Liabilities to Group companies		1,240	938
Trade payables		435	250
Derivatives		284	82
Other liabilities		147	5
Accruals and deferred income	22	133	175
<b>Total current liabilities</b>		<b>3,426</b>	<b>7,752</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>46,504</b>	<b>31,707</b>
Pledged assets		—	—
Commitments	23	37	41

# Cash flow parent company

SEK million	Note	2014	2013
<b>Cash flow from operating activities</b>			
Profit after financial items		1,070	785
Adjustments for items not included in cash flow	24	760	712
Net change in pensions		5	1
Net change in other provisions		-7	4
Income taxes paid		-7	-2
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,821</b>	<b>1,500</b>
<b>Cash flow from changes in working capital</b>			
Inventories		-27	-56
Receivables		-142	-153
Liabilities		285	-59
<b>Cash flow from operating activities</b>		<b>1,937</b>	<b>1,232</b>
<b>Cash flow from investing activities</b>			
Acquisition of intangible assets		-6	-233
Acquisition of tangible assets		0	-1
Acquired operation		-28	-
Divested operation		7	-
Increase of financial receivables		-12,162	-
Decrease of financial receivables		435	1 473
<b>Cash flow from investing activities</b>		<b>-11,754</b>	<b>1,239</b>
<b>Cash flow from financing activities</b>			
Loans raised		21,433	997
Loan repayments		-12,917	-1,890
Capital contributions		2,014	-
Increase of financial liabilities		881	-
Decrease of financial liabilities		-249	-876
Dividend		-756	-680
<b>Cash flow from financing activities</b>		<b>10,406</b>	<b>-2,449</b>
<b>Cash flow for the period</b>		<b>589</b>	<b>22</b>
Cash and cash equivalents at periods start		22	0
<b>Cash and cash equivalents at periods end</b>		<b>611</b>	<b>22</b>
Interest received		469	499
Interest paid		-707	-432
<b>Total</b>		<b>-238</b>	<b>67</b>



# 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, Jan 1, 2013	302	3,175	5,694	-43	3,136	12,264
Comprehensive income						
Profit for the year	-	-	-	-	328	328
Other comprehensive income						
Cash flow hedging, interest rates derivatives	-	-	-	21	-	21
Tax on cash flow hedging, interest rates derivatives	-	-	-	-4	-	-4
Total other comprehensive income	-	-	-	17	-	17
Total comprehensive income	-	-	-	17	328	345
Dividend in 2012	-	-	-	-	-680	-680
Closing balance, equity, Dec 31, 2013	302	3,175	5,694	-26	2,783	11,928
Opening balance, equity, Jan 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, Dec 31, 2014	365	3,175	10,616	-321	2,814	16,649

# 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	2014	2013
Western Europe	4,958	4,576
US	31	85
Emerging Markets	755	692
Other Sales	267	124
<b>Total</b>	<b>6,011</b>	<b>5,477</b>
Goods sold	5,847	5,265
Royalty income	106	124
Other income	58	88
<b>Total</b>	<b>6,011</b>	<b>5,477</b>

## Note 3 Intra-Group transactions

These data show the year's purchases and sales between Group companies.

SEK million	2014	2013
Goods sold	3,889	3,447
Royalty income	106	124
Other income	57	88
Goods purchased	-155	-146
<b>Total</b>	<b>3,897</b>	<b>3,513</b>

## Note 4 Expenses by type

SEK million	2014	2013
Raw materials and consumables	565	414
Goods for resale	2,232	2,051
Staff costs	136	156
Depreciation and amortization	971	1,023
Other expenses	1,298	1,431
<b>Total cost of sales, selling costs, medicine and business development expenses, and administrative expenses</b>	<b>5,202</b>	<b>5,075</b>

## Note 5 Personnel, average number of employees

### Average no. of employees

	2014		2013	
	Women	Men	Women	Men
	63	32	58	30
<b>Total</b>	<b>95</b>		<b>88</b>	

### Gender distribution in the board

	2014		2013	
	Women	Men	Women	Men
The board of directors	2	7	2	5
<b>Total</b>	<b>2</b>	<b>7</b>	<b>2</b>	<b>5</b>

**Note 6** Salaries, other remuneration, and social security costs**Total salaries, social security costs and pensions**

SEK million	2014			2013		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
Pension costs	89	50	23	115	43	14
– Defined-contribution plans			18			9
– Defined-benefit plans			5			5
<b>Total</b>			<b>23</b>			<b>14</b>

**Remuneration and other benefits to board and senior executives 2014**

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	2014	2013
Audit assignment		
PwC <sup>1)</sup>	5	2
Other services		
PwC <sup>2)</sup>	12	–
<b>Total</b>	<b>17</b>	<b>2</b>

<sup>1)</sup> 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 3 million (0).

<sup>2)</sup> The work has been carried out by various PwC firms around the world but have been invoiced centrally.

**Note 8** Operating leases

SEK million	2014	2013
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	2014	2013
Payable within 1 year	11	11
Payable within 1–5 years	5	11
<b>Total</b>	<b>16</b>	<b>22</b>

No part of future minimum lease payments regarding non-cancellable leases is due for payment later than five years. Leasing costs primarily includes the cost of office premises and cars.

The lease agreement for office premises expires 2015-12-31.

**Note 9** Earnings from interests in Group companies

SEK million	2014	2013
Dividends from Group companies	435	352
Group contributions received	–15	–
Impairment of shares in Group companies	–18	–21
<b>Total</b>	<b>402</b>	<b>331</b>

**Note 10** Financial items

SEK million	2014	2013
<b>Interest income and similar items</b>		
Interest	608	571
Other finance income	–	2
<b>Total</b>	<b>608</b>	<b>573</b>

SEK million	2014	2013
<b>Interest expenses and similar items</b>		
Interest	–560	–482
Costs of raising loans	–186	–25
Exchange losses	–1	–12
Other	–2	–2
<b>Total</b>	<b>–749</b>	<b>–521</b>

**Note 11** Appropriations

SEK million	2014	2013
Group contributions paid	735	539
Excess depreciation/amortization	–560	–82
<b>Total</b>	<b>175</b>	<b>457</b>

**Note 12** Tax

SEK million	2014	2013
<b>Current tax expense (-)/tax income (+)</b>		
Current tax for the year	-2	-6
Current tax attributable to prior years	0	0
	-2	-6
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax	-108	6
<b>Total</b>	<b>-110</b>	<b>0</b>

**Tax items recognized directly in equity**

	Dec 31, 2014	Dec 31, 2013
Deferred tax		
Derivatives	83	-4
<b>Total</b>	<b>83</b>	<b>-4</b>

The next table shows the difference between recognized tax expense and the relevant tax rate.

SEK million	2014	2013
<b>Reconciliation of effective tax</b>		
Profit before tax	895	328
Tax as per applicable tax rate for parent company 22% (22)	-197	-72
Other non-deductible expenses	-9	-6
Non-taxable income (dividends from subsidiaries)	96	78
Tax attributable to prior years	0	0
<b>Recognized effective tax</b>	<b>-110</b>	<b>0</b>

Temporary differences resulted in these deferred tax assets/liabilities:

SEK million	Other receivables	Derivatives	Derivatives	Borrowings	Total
<b>On January 1, 2013</b>	<b>10</b>	<b>12</b>	<b>-8</b>	<b>32</b>	<b>46</b>
Recognized in equity	-	-4	-	-	-4
Recognized in income statement	0	-	15	-9	6
<b>On December 31, 2013</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>23</b>	<b>48</b>
Recognized in equity	-	-	-2	85	83
Recognized in income statement	-4	1	-	-100	-103
<b>On December 31, 2014</b>	<b>6</b>	<b>9</b>	<b>5</b>	<b>8</b>	<b>28</b>

**Note 13** Product rights and other intangible assets

SEK million	2014			2013		
	Product rights	Other assets	Total	Product rights	Other assets	Total
Opening cost of acquisition	11,658	29	11,687	11,430	24	11,454
Investments	-	6	6	228	5	233
Sales/disposals	-96	-	-96	-	-	-
<b>Closing cost of acquisition</b>	<b>11,562</b>	<b>35</b>	<b>11,597</b>	<b>11,658</b>	<b>29</b>	<b>11,687</b>
Scheduled opening amortization	-5,508	-7	-5,515	-4,490	-3	-4,493
Scheduled amortization for the year	-966	-5	-971	-1,018	-4	-1,022
Sales/disposals	26	-	26	-	-	-
<b>Scheduled closing amortization</b>	<b>-6,448</b>	<b>-12</b>	<b>-6,460</b>	<b>-5,508</b>	<b>-7</b>	<b>-5,515</b>
<b>Carrying amount at year-end</b>	<b>5,114</b>	<b>23</b>	<b>5,137</b>	<b>6,150</b>	<b>22</b>	<b>6,172</b>
<b>Scheduled amortization per function</b>						
Medicine and business development expenses	-966	-5	-971	-1,018	-4	-1,022

**Note 14** Equipment

SEK million	2014	2013
Opening cost of acquisition	9	8
Investments	0	1
Closing cost of acquisition	9	9
Opening depreciation	-8	-7
Year's depreciation	0	-1
Closing depreciation	-8	-8
Carrying amount at year-end	1	1
Depreciation per function:		
Administrative expenses	0	-1

**Note 15** Interests in Group companies

Subsidiaries	Corporate ID number	Registered office	No. of shares	Share of equity, %	Carrying amount 2014	Carrying amount 2013
Meda Germany Holding GmbH <sup>1)</sup>	HRB 9848	Bad Homburg, Germany	4	100	5,041	5,041
Meda US Holding Inc.	22-3801882	Somerset, US	3,000	100	3,793	3,793
Meda A/S	46 03 22 17	Allerød, Denmark	104	100	144	144
Ipex AB <sup>2)</sup>	556544-1135	Danderyd, Sweden	1,428	100	139	139
Ellem Läkemedel AB	556196-1789	Stockholm, Sweden	1,000	100	4	4
Medag AB <sup>3)</sup>	556489-3948	Täby, Sweden	—	—	—	4
Medinet International Ltd. <sup>4)</sup>	0113742-0	Åbo, Finland	—	—	—	21
Meda Pharma Hungary Kft.	01-09-870550	Budapest, Hungary	130	100	5	5
Meda Valeant Inc. <sup>5)</sup>	44 9014-2	Montréal, Canada	—	—	—	22
Meda AS	920218199	Asker, Norway	2,000	100	2	2
Meda Pharmaceuticals Ltd.	6130651123	Istanbul, Turkey	523,195	42.96 <sup>6)</sup>	23	23
Meda OY	0111457-9	Åbo, Finland	3,200	100	4	1
Meda Pharmaceuticals SA	58280/01AT/B/05/111	Aten, Greece	60,000	99.9	1	1
Cytopharma AB <sup>3)</sup>	556538-1018	Täby, Sweden	—	—	—	1
Meda Health Sales Ireland Ltd.	403901	Dunboyne, Ireland	510,000	100	43	43
Meda Pharma LLC	1097746271127	Moskva, Russia	1	1 <sup>7)</sup>	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 <sup>8)</sup>	3,004	—
<b>Total</b>					<b>12,203</b>	<b>9,244</b>

Meda's main business is sales of pharmaceuticals. Meda is also manufacturing pharmaceuticals and have 8 production sites, see page 40. The most important holding company within the Group is IPEX AB.

<sup>1)</sup> 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

<sup>2)</sup> 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 S.A.U., 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, Turkey<sup>3)</sup>  
Meda OTC AB, Stockholm, Sweden  
Recip AB, Stockholm, Sweden  
Meda Pharma LLC, Moscow, Russia

<sup>3)</sup> Merged with Meda AB during 2014.  
<sup>4)</sup> Merged with Meda OY during 2014.  
<sup>5)</sup> Divested during 2014.  
<sup>6)</sup> IPEX AB has a 57.04% share of equity.  
<sup>7)</sup> IPEX AB has a 99% share of equity.  
<sup>8)</sup> Meda Pharma S.p.A. has a 82% share of equity.

**Note 16** Inventories

SEK million	2014	2013
Raw materials	148	95
Work in progress	5	0
Finished goods and goods for resale	339	365
<b>Total</b>	<b>493</b>	<b>460</b>

The charge for expensed inventories is included in the Cost of sales item and amounted to SEK 2,827 million (2,488).

Write-down of inventories in the parent company totaled SEK 6 million (15) during the year.

**Note 17** Trade receivables

SEK million	2014	2013
Trade receivables	414	283

On December 31, 2014, past due trade receivables stood at SEK 82 million (44). Their aging analysis is as follows:

SEK million	2014	2013
< 3 months	65	28
3–6 months	7	4
>6 months	10	12
<b>Total</b>	<b>82</b>	<b>44</b>

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 332 million (239). Their aging analysis:

SEK million	2014	2013
Less than three months	332	239
<b>Total</b>	<b>332</b>	<b>239</b>

**Note 18** Prepayments and accrued income

SEK million	2014	2013
Prepaid rent	2	2
Prepaid insurance	3	3
Other prepayments	34	16
<b>Total</b>	<b>39</b>	<b>21</b>

**Note 19** Untaxed reserves

SEK million	2014	2013
Accumulated excess depreciation/amortization	1,679	2,239
<b>Total</b>	<b>1,679</b>	<b>2,239</b>
<b>Accumulated excess depreciation/amortization by asset type</b>		
Product rights	1,679	2,239

**Note 20** Pension provisions

SEK million	2014	2013
PRI pensions	67	62
<b>Total</b>	<b>67</b>	<b>62</b>

Pension costs for the defined-benefit pension plan were recognized in the amount of SEK 5 million (5) in the operation. Interest expense was SEK 3 million (2).

**Note 21** Borrowings

SEK million	2014	2013
<b>Long-term borrowing</b>		
Bank loans	21,212	6,282
Bond loans	1,750	1,497
<b>Total</b>	<b>22,962</b>	<b>7,778</b>

**Short-term borrowing**

Bank loans	511	1,444
Bond loans	500	4,266
Commercial papers	177	593
<b>Total</b>	<b>1,188</b>	<b>6,302</b>
<b>Total borrowings</b>	<b>24,150</b>	<b>14,081</b>

Maturities for long-term borrowing:

Payable within 1–2 years	973	3,803
Payable within 2–5 years	18,130	3,975
Payable after 5 years	3,859	–
<b>Total</b>	<b>22,962</b>	<b>7,778</b>

Carrying amounts in SEK million, by currency, for the parent company's borrowing:

EUR	14,173	–
USD	5,011	7,275
SEK	4,966	6,806
<b>Total</b>	<b>24,150</b>	<b>14,081</b>

Unused credits:	2014	2013
Unused unconfirmed credits	700	700
Unused confirmed credits	5,505	8,001



**Note 22** Accruals and deferred income

SEK million	2014	2013
Accrued interest expense	49	69
Vacation pay liability	12	10
Other accrued employee benefits expense	9	6
Prepaid income	1	2
Other accrued expenses	62	88
<b>Total</b>	<b>133</b>	<b>175</b>

**Note 23** Contingent liabilities

Pledged collateral, SEK million	2014	2013
<b>Commitments</b>		
Surety given that benefits subsidiaries	36	40
Guarantees	1	1
<b>Total</b>	<b>37</b>	<b>41</b>

- 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 33 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	2014	2013
<b>Operating activities:</b>		
Amortization of intangible non-current assets	970	1 023
Impairment of shares in subsidiaries	18	20
Not yet paid dividend from subsidiaries	-435	-352
Bank charges*	186	25
Other	21	-4
<b>Total</b>	<b>760</b>	<b>712</b>

\*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 2014 have been approved for publication according a board decision on March 26, 2015. The board proposes adoption of the annual accounts and consolidated accounts at the annual general meeting on May 6, 2015.

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 26, 2015

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

Marianne Hamilton  
Board member

Guido Oelkers  
Board member

Tuve Johannesson  
Board member

Karen Sörensen  
Board member

Lars Westerberg  
Board member

Jörg-Thomas Dierks  
Chief Executive Officer

We submitted our audit report on March 27, 2015

PricewaterhouseCoopers AB

Mikael Eriksson  
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 financial year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 62–124.

## 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 judgment, 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 2014 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 2014 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 financial year 2014.

## 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 on March 27, 2015

PricewaterhouseCoopers AB

Mikael Eriksson  
Authorized Public Accountant

# Financial review

SEK million	2014	2013	2012*	2011	2010
<b>SUMMARY OF INCOME STATEMENTS</b>					
<b>Continuing operations</b>					
Net sales	15,352	13,114	12,991	12,856	11,571
Operating expenses	-13,907	-11,566	-11,190	-10,212	-9,471
Other income	42	-	-	-	429
<b>Operating profit<sup>1)</sup></b>	<b>1,487</b>	<b>1,548</b>	<b>1,801</b>	<b>2,644</b>	<b>2,529</b>
Net finance costs	-905	-545	-565	-604	-552
<b>Profit after financial items</b>	<b>582</b>	<b>1,003</b>	<b>1,236</b>	<b>2,040</b>	<b>1,977</b>
Tax	-180	-198	-61	-432	-549
<b>Net income<sup>2)</sup></b>	<b>402</b>	<b>805</b>	<b>1,175</b>	<b>1,608</b>	<b>1,428</b>
<sup>1)</sup> Operating profit, adjusted for non-recurring effects	2,197	1,548	1,801	2,683	2,297
Non-recurring effects, revenue	42	-	-	-	429
Non-recurring effects, expenses	-752	-	-	-39	-197
<sup>2)</sup> Net income attributable to:					
Parent company shareholders	399	807	1,204	1,616	1,444
Non-controlling interests	2	-2	-29	-8	-16
	402	805	1,175	1,608	1,428
<b>SUMMARY OF BALANCE SHEETS</b>					
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible assets	1,692	848	795	811	788
Intangible assets	50,798	29,666	30,419	32,306	28,214
Other non-current assets	2,015	936	946	592	624
<b>Current assets</b>					
Inventories	2,988	1,982	1,931	1,780	1,520
Current receivables	5,308	2,683	2,486	3,089	2,305
Cash and cash equivalents	2,311	178	194	140	111
<b>Total assets</b>	<b>65,112</b>	<b>36,293</b>	<b>36,771</b>	<b>38,718</b>	<b>33,562</b>
<b>Equity and liabilities</b>					
<b>Equity</b>	<b>20,680</b>	<b>15,211</b>	<b>14,723</b>	<b>14,971</b>	<b>13,925</b>
<b>Non-current liabilities</b>					
Interest-bearing	29,247	8,899	14,479	15,699	8,421
Other non-current liabilities	8,139	2,485	2,842	3,015	2,924
<b>Current liabilities</b>					
Interest-bearing	1,391	6,304	1,752	1,802	5,226
Other current liabilities	5,655	3,394	2,975	3,231	3,066
<b>Total equity and liabilities</b>	<b>65,112</b>	<b>36,293</b>	<b>36,771</b>	<b>38,718</b>	<b>33,562</b>
<b>SUMMARY OF CASH FLOW STATEMENTS</b>					
Cash flow from operating activities before changes in working capital	3,254	2,956	3,051	3,130	2,734
Change in working capital	-212	-111	-238	-272	-198
<b>Cash flow from operating activities</b>	<b>3,042</b>	<b>2,845</b>	<b>2,813</b>	<b>2,858</b>	<b>2,536</b>

\* Recalculated on the basis of revised IAS19.

SEK million	2014	2013	2012*	2011	2010
Cash flow from investing activities	-8,906	-1,255	-1,143	-5,669	-2,852
Cash flow from financing activities	7,914	-1,597	-1,608	2,844	365
Cash flow for the period	2,050	-7	62	33	49
Cash and cash equivalents at period's start	178	194	140	111	76
Exchange-rate difference for cash and cash equivalents	83	-9	-8	-4	-14
Cash and cash equivalents at period's end	2,311	178	194	140	111
<b>INVESTMENTS</b>					
– in intangible assets <sup>3)</sup>	8,818	1,043	1,026	5,596	3,141
– in tangible assets	116	136	126	124	127
Free cash flow <sup>4)</sup>	2,901	2,688	2,672	2,713	2,390
Free cash flow per share <sup>5)</sup>	9.0	8.9	8.8	9.1	8.0
<sup>3)</sup> Including acquisition of subsidiaries and asset deals.					
<sup>4)</sup> Cash flow from operating activities less cash flow from investing activities (excluding acquired product rights and acquired operations).					
<sup>5)</sup> Calculated on average number of diluted shares.					
<b>KEY RATIOS RELATED TO EARNINGS</b>					
Gross margin, %	60.4	61.2	61.2	63.8	64.1
Operating margin, %	9.7	11.8	13.9	20.6	21.9
Profit margin, %	3.8	7.6	9.5	15.9	17.1
EBITDA, SEK million	3,990	3,734	3,945	4,683	4,306
EBITDA margin, %	26.0	28.5	30.4	36.4	37.2
EBITDA excluding non-recurring effects, SEK million	4,700	3,734	3,945	4,722	4,074
EBITDA margin excluding non-recurring effects, %	30.6	28.5	30.4	36.7	35.2
<b>CAPITAL STRUCTURE AND EARNINGS</b>					
Equity, SEK million	20,680	15,211	14,723	14,971	13,925
Adjusted equity, SEK million	19,766	14,455	14,043	14,291	13,321
Return on capital employed, %	3.6	5.1	5.7	8.8	9.3
Return on equity, %	2.2	5.4	7.9	11.1	10.4
Net debt, SEK million	28,244	15,025	16,037	17,361	13,524
Net debt/equity ratio, times	1.4	1.0	1.1	1.2	1.0
Equity/assets ratio, %	31.8	41.9	40.0	38.7	41.5
EBIT interest cover, times	1.7	2.8	3.0	3.9	4.4
Dividend yield, %	2.2	3.1	3.0	3.1	3.9
Equity per share	56.6	50.3	48.7	49.6	46.1
Earnings per share	1.23	2.67	3.98	5.35	4.78
Dividend per share	2.50 <sup>6)</sup>	2.50	2.25	2.25	2.00
<b>EMPLOYEES</b>					
Average no. of employees	3,482	3,066	2,869	2,591	2,593

<sup>6)</sup> Proposed dividend.

\* 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 under the Large Cap segment of the Nasdaq Stockholm since 2006. One trading unit contains one share.

On December 31, 2014, market capitalization was SEK 41,115 million. The total trading volume<sup>1)</sup> of Meda shares in 2014 exceeded SEK 699 million shares to a value of almost SEK 73 billion. This equates to an average daily trading volume of 1,1 million shares, corresponding to SEK 108 million per business day.

## DIVIDEND

The board resolved to propose a dividend of SEK 2.50 per share (2.50) for 2014, corresponding to 69% (97) of profit excluding one-off items for the year and 28% (29) 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.

<sup>1)</sup> On all trading platforms

## SHAREHOLDERS

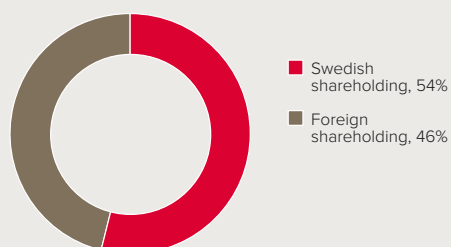
Meda's shareholding structure and apportionment by size are set out below. Based on data provided by Euroclear Sweden AB as of February 27, 2015.

### MAJOR SHAREHOLDERS AS OF FEBRUARY 27, 2015

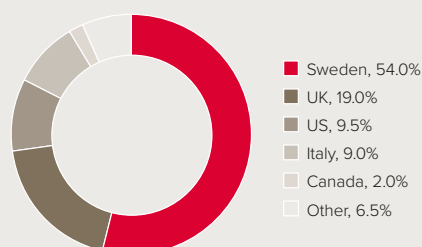
Name	Number of shares	Share capital and voting rights, %
Stena Sessan Rederi AB	75,652,948	20.7
FIDIM SRL	33,016,286	9.0
Pelham Capital	18,470,276	5.1
Swedbank Robur fonder	14,228,300	3.9
GOLDMAN SACHS INTERNATIONAL LTD, W8IMY	7,786,295	2.1
JP Morgan Fonder	7,629,171	2.1
CANADIAN TREATY CLIENTS ACCOUNT	7,438,497	2.0
HANDELSBANKEN FONDER AB RE JPMEL	6,877,761	1.9
SSB CL Omnibus AC	6,860,302	1.9
CBNY-NORGES BANK	5,819,950	1.6
UBS AG LDN BRANCH A/C CLIENT, IPB	5,269,831	1.4
DEUTSCHE BANK AG LDN-PRIME BROKER, AGE FULL TAX	4,190,612	1.1
AMF – Försäkring och Fonder	3,468,976	0.9
Skandia fonder	3,466,372	0.9
B&E PARTICIPATION AB	3,450,000	0.9
FLERIE INVEST AB	3,450,000	0.9
Other shareholders	182,131,901	49.8
<b>TOTAL</b>	<b>365,467,371</b>	<b>100.0</b>

Source: Euroclear Sweden AB as of February 27, 2015

## SWEDISH AND FOREIGN SHAREHOLDING

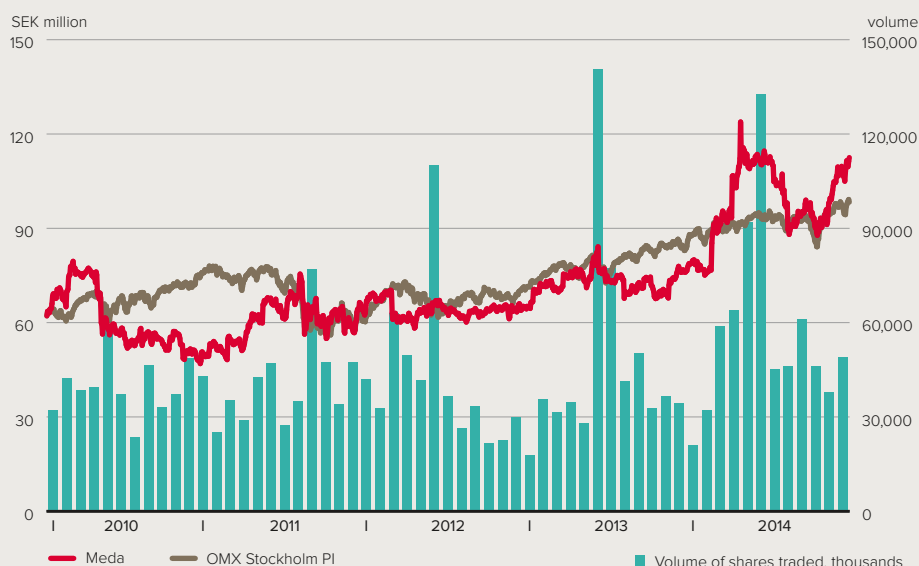


## SHAREHOLDINGS BY COUNTRY



## SHARE PRICE PERFORMANCE

The highest price paid in 2014 was SEK 129.90 and the lowest was SEK 77.45. Market capitalization on December 31, 2014, was SEK 41,115 million, corresponding to an increase of 43% during the year.



Source: SIX Trust och Fidessa



## SHAREHOLDING STRUCTURE AS OF FEBRUARY 27, 2015

Share interval	No. of shares	Share capital, %	No. of shareholders	Shareholders, %
1–500	2,431,975	0.67	15,640	60.23
501–1,000	2,447,392	0.67	3,404	13.11
1,001–5,000	10,619,011	2.91	5,161	19.88
5,001–20,000	11,010,227	3.01	1,154	4.44
20,001–100,000	15,806,553	4.33	365	1.41
100,001–	323,152,213	88.42	243	0.94
<b>Total</b>	<b>365,467,371</b>	<b>100.00</b>	<b>25,967</b>	<b>100.00</b>

## 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 <sup>1)</sup>	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 <sup>2)</sup>	1,644,420	16,444,200	6,577,681	65,776,810	10
2003	New share issue <sup>3)</sup>	1,644,420	16,444,200	8,222,101	82,221,010	10
2003	Directed non-cash issue <sup>4)</sup>	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 <sup>5)</sup>	87,864,400	10
2005	Redemption of warrants	100,700	1,007,000	8,887,140	88,871,400	10
2005	New share issue <sup>6)</sup>	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 <sup>7)</sup>	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 <sup>8)</sup>	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 <sup>9)</sup>	17,362,775	17,362,775	249,726,889	249,726,889	1
2007	Directed non-cash issue <sup>9)</sup>	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 <sup>10)</sup>	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 <sup>11)</sup>	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 <sup>12)</sup>	30,000,000	30,000,000	332,243,065	332,243,065	1
2014	New share issue <sup>13)</sup>	33,224,306	33,224,306	365,467,371	365,467,371	1

<sup>1)</sup> Price: SEK 20<sup>2)</sup> Price: SEK 44.<sup>3)</sup> Price: SEK 76.<sup>4)</sup> Directed share issue in Pharmalink AB.<sup>5)</sup> The number of registered shares on December 31, 2004 was 8,786,440. In addition, 41,340 shares were subscribed for but not registered.<sup>6)</sup> Price: SEK 160.<sup>7)</sup> Price: SEK 70.<sup>8)</sup> Price: SEK 160.<sup>9)</sup> Directed share issue in connection with the MedPointe Inc. acquisition.<sup>10)</sup> Directed share issue in connection with the Recip acquisition.<sup>11)</sup> Price: SEK 35.<sup>12)</sup> Directed share issue to Fidim S.r.l. in connection with the Rottapharm acquisition.<sup>13)</sup> Price: SEK 61.

# Definitions

## Adjusted equity

Recognized equity less proposed dividend.

## Average no. of employees

Total of the number of hours worked divided by the number of compensable hours in a fiscal year.

## 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.

## Gross margin

Gross profit/loss as a percentage of net sales. Gross profit/loss equals net sales less cost of sales.

## Net debt

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

## Net debt/equity ratio

Net debt divided by equity.

## Operating margin

Operating profit/loss as a percentage of net sales.

## 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** – Revenue from med-tech products and income not related to products.

# 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.

## Big Pharma

Major pharmaceutical companies with their own R&D.

## Blockbuster

Drug that sells for at least USD 1 billion per year.

## 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.

## COPD

Chronic obstructive pulmonary disease.

## Corticosteroid

A class of steroids that are produced in the adrenal cortex and synthetic drugs with corticosteroid-like effect.

## Milestone

Payment upon achieved goals.

## Monosubstance

Contains one active ingredient

## Niche buster

Specialist medication that targets a small patient group.

## OTC products

Over-the-counter non-prescription products/drugs.

## Outsourcing

Transfer of existing operations within a company, along with its resources, to an outside party.

## 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 drugs life cycle, such as introduction of new preparation forms, expansion of indications, etc.

## 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 <sup>1)</sup>	®
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 <sup>2)</sup>	®
CB12	CB12	®
Dermasol	Dermasol	®
Dermatrix	Dermatrix	®
Diffiam	Diffiam	®
Dona	Dona	®
Dymista	Dymista	®
EB24	EB24	®

Product	Trademark	Sign
Efudix	Efudix	®
Elidel	Elidel	®
EndWarts	EndWarts	®
EpiPen	EpiPen <sup>3)</sup>	®
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 <sup>4)</sup>	®
Novopulmon	Novopulmon	®
Optivar	Optivar	®
Pafinur	Pafinur	®
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	®
Uralyt	Uralyt	®
Urivesc	Urivesc	®
Ventilastin	Ventilastin	®
Zamadol	"Travex Tradonal Tramadol Adamon Tramene"	®
Zyclara	Zyclara	®
Zyma	Zyma	®

<sup>1)</sup> Aerospan is a registered trademark of Forest Lab. and used under license.

<sup>2)</sup> Betadine is a registered trademark of Mundipharma AG and used under license.

<sup>3)</sup> EpiPen is a registered trademark of Mylan Inc. and used under license.

<sup>4)</sup> Novolizer is a registered trademark of Almirall S.A. and used under license.

# Shareholder information

## 2015 Interim financial reports

Interim report January–March	May 6
Interim report January–June	July 23
Interim report January–September	November 5

## Annual general meeting

Location: Medas's facilities, Pipers väg 2A, Solna, Sweden

Time: 5 PM on Wednesday, May 6, 2015.

## Shareholders who wish to participate in the meeting must:

Be registered in the Euroclear Sweden AB share database by April 29, 2015, and notify the company by April 29, 2015. 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](http://www.meda.se)

## Registration

Notice of attendance must be received no later than April 29, 2015. 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 29, 2015. Address changes should be registered with the appropriate.

## Addresses

### HEADQUARTERS:

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### Media and investor relations:

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Contact information for subsidiaries is available at: [www.meda.se](http://www.meda.se)

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