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## Table of Contents

	Meda in brief
1	2013 in brief
2	CEO's report
4	Market
12	Strategy and business model
16	Sales and marketing
19	Product portfolio
28	Product development
30	Manufacturing and supply
32	Employees
34	Investment story
36	Sustainability report
	<b>Management report</b>
56	Operations
60	Risk factors
63	Corporate governance report
	<b>Financial reports</b>
68	Accounts group
74	Notes group
97	Accounts parent company
102	Notes parent company
108	Statement of the board
109	Audit report
110	Financial review
112	The Meda share
114	Board members
116	Executives information
118	Definitions
119	Glossary
120	Shareholder information

Group sales reached  
SEK 13,114 million

EBITDA amounted to  
SEK 3,734 million

At the end of 2013, Meda had 3,062 employees ...

... about 1,914 of whom  
in sales and marketing



Our pharmaceuticals  
are sold in more than  
120 countries

Our sales organizations  
are present in close to  
60 countries



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## Meda in brief

Meda is a leading international specialty pharma company with a broad product portfolio and its own sales organization in close to 60 countries. Including the markets where distributors handle sales activities, Meda's products are sold in more than 120 countries. This means that Meda reaches 80% of the global pharmaceutical market. Measured in sales, Meda is the 48th largest pharmaceutical company and the 15th largest specialty pharma company in the world.

At the end of 2013 Meda had 3,062 (2,900) employees, 1,914 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 680 people.

Meda AB is the Group's 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 areas:

- Respiratory and Dermatology
- Over-the-counter drugs (OTC)

The company offers niche products that meet particular medical needs:

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

## Important events during 2013

Geographical expansion for the OTC portfolio	Increased therapeutic focus	Launch of new products	Strong, positive contribution from Emerging Markets	Acquisitions of Acton Pharmaceuticals with Aerospan and EB24
Product launches in new markets	Respiratory and Dermatology	Dymista (US and Europe) and Zyclara (Europe)	Good return on marketing investments	Aerospan is the only approved inhaler with a built-in spacer

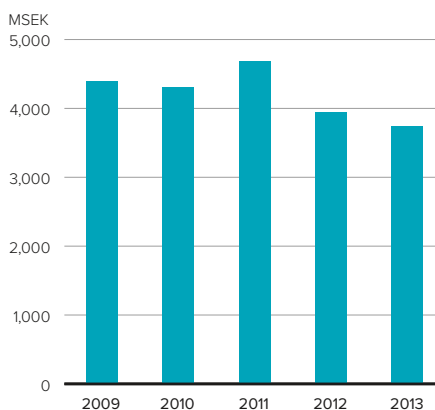
## The year in figures

- Group sales amounted to SEK 13,114 million (12,991)
- Organic growth of 4%
- Free cash flow of SEK 2,688 million (2,672)
- Increased focus on the Respiratory therapy area and the OTC portfolio
- Operating profit of SEK 1,548 million (1,801)
- Profit after tax amounted to SEK 805 million (1,175)
- Earnings per share was SEK 2.67 (3.98)
- EBITDA amounted to SEK 3,734 million (3,945), equivalent to a margin of 28.5% (30.4)
- Proposed dividend per share SEK 2.50 (2.25)

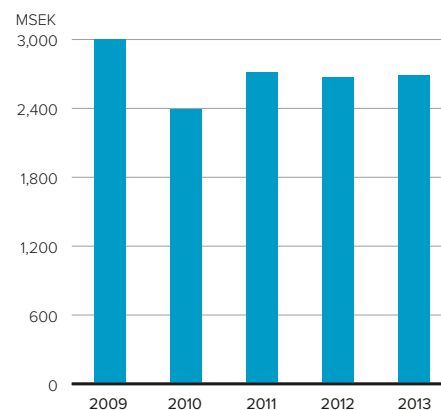
NET SALES



EBITDA



FREE CASH FLOW



# Entering the next phase



First of all, I would like to take the opportunity to thank Anders Lönner for his fantastic work at Meda. It has been a great inspiration working with him and I look forward to continuing to build and position Meda as one of the leading specialty pharma companies.

## **Progress on many fronts**

2013 was an important year for Meda. It was a year of focused investments and revived organic growth. While we continued to invest in our key therapy areas Respiratory and Dermatology, growth markets and the over-the-counter (OTC) portfolio, we saw organic growth increase. Supported by Emerging Markets, our product Dymista and our international strategy for the OTC portfolio, organic growth accelerated in the second half of the year to reach 4% for the full year. This is significantly stronger than in previous periods.

## **Growth driven by product launches...**

In Respiratory, Dymista was well received in the US and it was ranked the 2nd largest brand in the respiratory area by the end of the year. In Dermatology, Elidel's strong growth was supported by solid demand in several markets. Furthermore, the OTC portfolio benefited from the roll-out of selective products into new markets.

## **...and Emerging Markets**

In terms of geography, Emerging Markets performed very well this year. Net sales increased by 6% with China and Commonwealth of Independent States (CIS) as the strongest growth markets. The positive development reflects both our ambitious market investments and our competitive product portfolio.

*“Our organic growth accelerated in the second half of the year to reach 4% for the full year. This is significantly stronger than in previous periods.”*

### **Synergies coming in Respiratory**

In October Meda completed the acquisition of Aerospan – a patented product for the treatment of asthma. The acquisition secures unique spacer technology and supports Meda's strategy of an increased focus on the respiratory area. Aerospan – an important complement to Dymista – is expected to generate marketing synergies with Dymista when it is launched in 2014.

### **A trustworthy Meda**

Meda has a clear commitment to creating value for the various stakeholders. We express our continued support for the UN Global Compact and renew our ongoing commitment to the initiative and its principles. For us, it is equally important to be a responsible member of the global pharmaceutical market, as it is to be a reliable and trustworthy partner to the local community. During the year Meda has introduced a new system for supplier follow-up, and we have further developed our anti-corruption processes.

### **A sustainable Meda**

There has been significant progress in health-care, but the needs are far from being met. Population growth, greater life expectancy and changes in lifestyles are increasing the need for care in different ways. Meda's most important mission is to provide effective and safe pharmaceuticals for patients and customers. Patient safety is therefore our highest priority. High quality in the manufacturing process is essential to ensure patient safety, and we strive to continuously improve our supply chain management practices and expand our market knowledge. Corporate social responsibility

(CSR) risks relating to suppliers and partners are increasingly important to manage, particularly when entering new markets and facing new local regulations and business practices. It is also important to manage such risks when considering acquisitions of companies and products.

### **Our talent base is the foundation for future success**

Meda's future success is entirely dependent on the strength of our talent base. We have always put a high priority on attracting people who wish to make a difference. Today we have excellent breadth, depth and quality of both employees and management. The Meda Way provides leadership inspiration and summarizes the key drivers of our corporate culture. Fast decision making, continuous learning and client focus are imprinted on our DNA. At year-end, Meda had a total of 3,226 employees and contractors. To maintain speed and flexibility even as we grow, Meda increasingly provides corporate management training and specialist training.

### **Cash and cost discipline**

It is also important to highlight our rigorous cash and cost discipline. Our cash flow is strong and we protect it by continuously implementing efficiency measures throughout our business, with the objective of maintaining our financial flexibility. To us, financial flexibility is a strategic asset that enables us to finance both our own growth investments and shareholder value initiatives over time. In 2013, our free cash flow amounted to SEK 2,688 million, representing 20.5% of sales.

### **A strong market position**

To conclude, we have the strategy and core strengths required to expand our position in our industry. Our position is well defined, our go-to-market capabilities are strong and we have both scale and efficiency to leverage our product portfolio globally. With greater focus to faster growing areas, both in terms of products and geographies, Meda's organic growth outlook is positive. By adding targeted acquisitions in our key therapy areas, higher growth rates are achievable. Actions to improve our operational efficiency, especially in the area of supply chain, are also expected to support our profitability and cash flow going forward.

### **Great confidence in our future**

Based on the support from all our competent individuals, and our newly formed team of well-experienced and progressive senior executives, I have great confidence in our future. Together we will grow Meda considerably in the coming years. In light of our many achievements, I would like to thank all employees of Meda for your hard work, contribution and dedication in 2013.



Dr. Jörg-Thomas Dierks  
Chief Executive Officer

# Healthy growth in the global pharmaceutical market

In 2012 drugs were sold for a total of USD 965 billion globally, according to IMS Consulting Group. In 2014, for the first time, the global pharmaceutical market is expected to be worth more than USD 1,000 billion and to reach net sales of USD 1,200 billion in 2017, an increase of around 24% from 2012.

# 24%

The global pharmaceutical market is expected to grow around 24% by 2017.

By Emerging Markets we mean our geographical business segment.

By growth markets we mean markets where growth is above the global average for the pharmaceutical industry.

## Faster growth for OTC

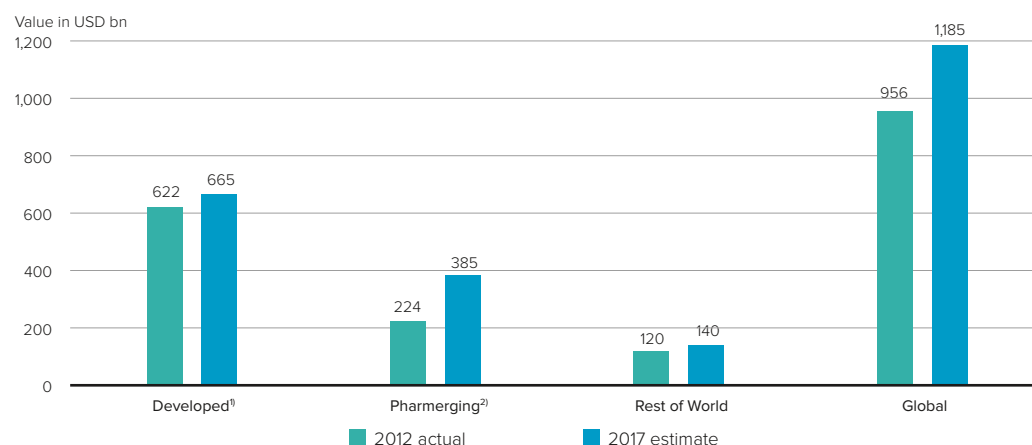
The market for over-the-counter (OTC) drugs is growing faster than the prescription drugs market. In 2012 the global OTC drugs market was worth around USD 115 billion, equivalent to 12% of the total pharmaceutical market. The percentage of OTC sales is significantly higher in growth markets than in Europe, North America and Japan.

## Branded drugs still growing in developed countries

In 2012 the percentage of generics (copies of original, more expensive drugs whose patents have expired) was 27% of the total sales of drugs globally. The percentage is expected to increase to 36% in 2017. The percentage of generics is highest in growth markets where it is estimated that around 63% of drugs prescribed will be

generics in 2017. A key driver of the increased use of generics is the expiring patents for numerous blockbusters over the next few years. However, even though generics have grown significantly, branded drugs are expected to continue to grow, driven by specialty pharma. In developed markets branded drugs still account for more than 67% of spending.

## GLOBAL PHARMACEUTICAL MARKET, 2012 VS 2017



<sup>1)</sup> Developed markets are defined as Canada, France, Germany, Italy, Japan, South Korea, Spain, UK and US.

<sup>2)</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 increase, the citizens of those countries have more and more access to modern healthcare and modern drugs. Strong cost control in many mature markets, particu-

larly in Europe as a result of budgetary problems, and an increase in the use of generics are slowing the growth in these markets.

Growth is, however, expected to increase as economies recover. Greater interest among people in preventive care and a better quality of life is driving demand for OTC drugs. The change of eating habits is as well impacting the demand for drugs such as diabetes etc.

### Development of new drugs

More and more diagnoses, especially in lifestyle diseases, can be treated with drugs. Specialty pharmaceuticals targeting specific diseases are expected to become more important going forward, which will support overall market

### PHARMACEUTICAL SPENDING IN SOME IMPORTANT COUNTRIES

	Share of the total market 2012, %	Equivalent to, USD billion 2012	Expected growth per year 2013–2017, %
North America	34	330	1–4
Western Europe	24	222	0–3
Growth markets	20	193	10–13

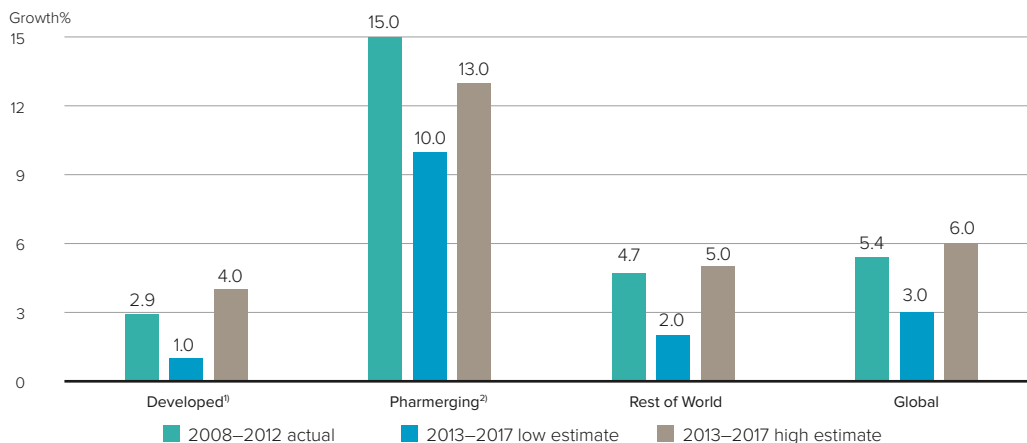
Source: IMS Consulting Group

Development in the pharmaceutical market looks different depending on the region. While the mature markets in Europe and the US are experiencing modest growth, the sales growth in growth markets is taking off with double digits.

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. At the same time, more generics are

being prescribed and growth is therefore expected to be lower than in the past five years in the pharmaceutical market in developed countries.

### GLOBAL PHARMACEUTICAL MARKET, GROWTH RATES 2008–2017



Source: IMS Consulting Group

## Transformation in the pharmaceutical industry

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

### More expensive research but not more drugs

The major pharmaceutical companies – Big Pharma – are increasingly seeing 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 Food and Drug Administration (FDA), the 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. Instead, these 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 can, for example, be sold to specialty pharma companies.

### Concentration and consolidation

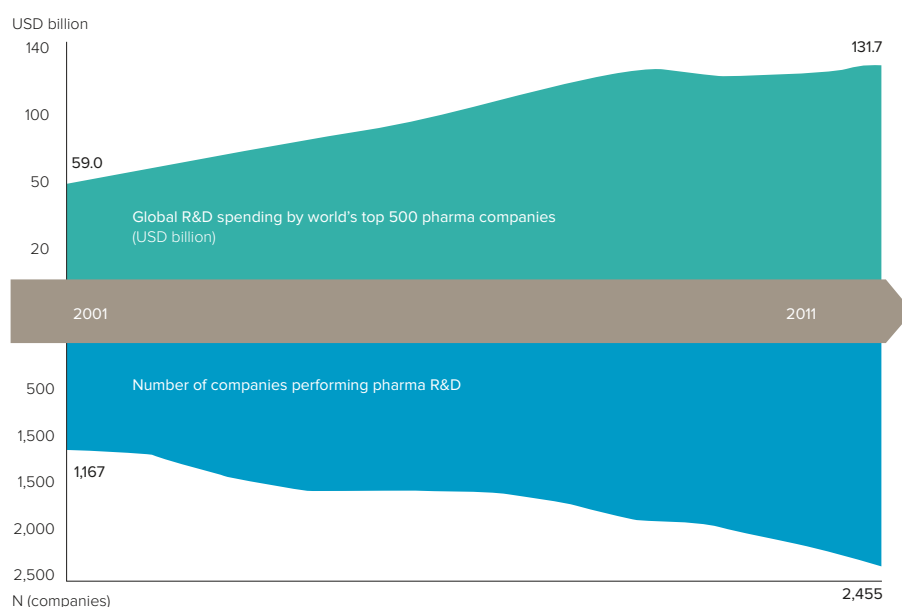
The increasing cost of research & development, in combination with fewer new blockbusters, is driving consolidation in the pharmaceutical industry. The industry is being restructured in the search for economies of scale. Many companies have also launched extensive rationalization programs to reduce costs in research, production and sales & marketing.

### The value chain is breaking up

Paradoxically, this market consolidation is causing the value chain to break up. As competition increases, it is becoming more and more difficult to retain the highest level of expertise 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 with smaller patient groups – and by extension, solutions rather than products – is also driving companies to further specialize.

### R&D ACTIVITY HAS MORE THAN DOUBLED IN THE PAST DECADE, BUT NEW MOLECULE ENTITY APPROVALS HAVE DROPPED

1999–2001  
86 FDA NME  
approvals  
(29 per year)



2009–2011  
77 FDA NME  
approvals  
(26 per year)

Source: ATKearney

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Elidel is currently available for sale in 90 markets globally through Meda's own marketing organization and via partners.



# Q&A with our Executive Vice Presidents

Q

- Can you provide a brief overview of the competitive landscape in your region?
- What are your growth expectations in the years ahead?
- Which are the strongest therapy areas?
- What are Meda's key priorities for 2014 in your region?

A

**Maria Carell:** Executive Vice President, North America/Australia



The number of patients in the US is rising due to an aging population, increased life span and the Affordable Care Act (Obamacare) which will provide coverage for up to 30 million previously uninsured Americans. At the same time, rising government costs and the economic downturn since 2008 have increased price pressure.

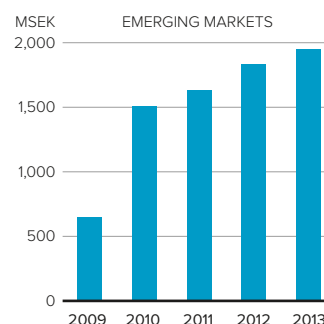
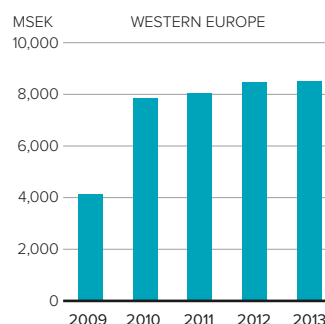
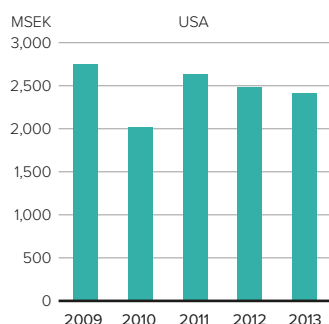
Our key segments in the US – rhinitis and asthma and our OTC product portfolio – have been

growing. According to the Centers for Disease Control and Prevention (CDC) asthma rates have increased and are still increasing, and rhinitis prescriptions are growing steadily. The US market for OTC drugs is on the rise as well, driven to some extent by government measures.

Meda's main priority in the US is to optimize the portfolio and grow the respiratory franchise by capitalizing on the significant syner-

gies of our product offering. This includes continued efforts to increase Dymista's market share and to leverage existing relationships with allergy and asthma experts to effectively launch Aerospan, taking advantage of the increased rhinitis market coverage.

## SALES PER REGION



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

A

The competitive landscape differs from country to country in the countries I am responsible for. In several countries, Meda is the market leader in selected therapy areas and the main objective is to continue to grow and ensure that patients have access to our prod-

ucts. We are facing price pressure for some of our prescription drugs and our challenge is to offset that by growing sales for newly launched and existing products. Growth in the OTC segment is helped by improved brand awareness for in particular CB12.

We expect the continued rollout of Dymista in Respiratory and Zyclara and Acnatac in Dermatology to increase growth. There is also good momentum in the OTC portfolio. These launches continue to be key priorities for 2014.



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

A

In the established markets of the EU, governments and health authorities have been focusing on reducing healthcare costs in recent years. However, we expect these markets to stabilize and show moderate growth over the next few years. Meda is in a strong position, especially in the growing key therapy areas of Dermatology and Respiratory. The OTC sector continues to demonstrate good

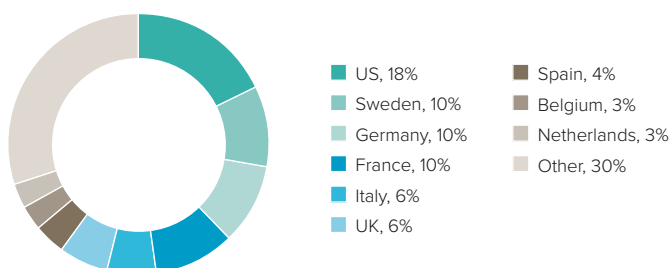
growth in the EU countries and we expect the recently launched products in particular CB12 to benefit from that momentum.


As regards Emerging Markets, we are expecting continued good growth because a majority of countries are launching in the future public health insurance systems as economic growth continues and public demand for healthcare services grows.

Meda's key priorities for 2014 in Emerging Markets are to strengthen the respiratory and dermatology franchises alongside the local products and to ensure sales growth by adding new products to the current offering. In Europe our priority is to continue with the launch and promotion of Dymista, Zyclara, Elidel and Acnatac.



### SALES BY COUNTRY





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Meda would be nothing without its employees. Ever since the start, Meda has focused on creating a culture of entrepreneurship and drive process. The goal has always been to attract people with a strong desire to bring about change.





# Specialized position in the value chain

## Clear business concept

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

Based on a broad product portfolio and a strong cash flow, Meda's business concept is to identify, secure access to, integrate and commercialize pharmaceutical products in the selected therapy areas (primarily Respiratory and Dermatology) and the OTC market segment.

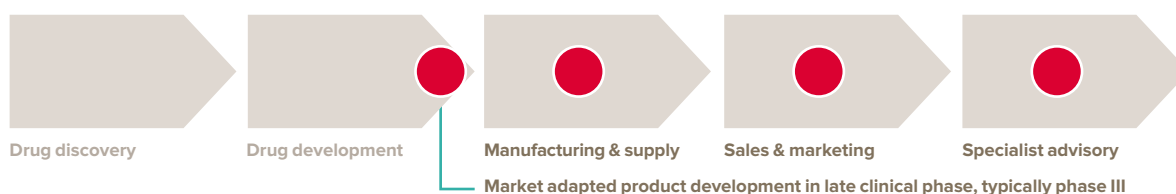
## Focus on sales and marketing

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.

### MEDA'S POSITION IN THE PHARMACEUTICAL VALUE-CHAIN

#### New products secured through acquisitions

#### Meda's position in the pharmaceutical value chain



Meda holds a specialized position in the value chain. The company does not conduct any high-risk, in-house, early-stage pharmaceutical development. Instead, Meda is focused on market adapted product development in key therapeutic areas and sales and marketing. Read more on page 28.



## Products are acquired and further developed

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 (Astepro and Zyclara)
- Through new combinations of products (Dymista and Acnatac)
- Through the internationalization of drugs (Elidel and Dymista)

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

## Two-legged growth strategy

Meda's growth strategy involves a combination of organic growth and acquisitions. 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 and OTC.

From 2000 to 2013 Meda made more than 30 major acquisitions of companies and product rights. Several strategic acquisitions were completed in the period 2005 to 2008, including German pharmaceutical group Viatris, 3M's European pharmaceuticals division, US specialty pharma company MedPointe and Valeant's European pharmaceutical division. In 2010 Meda acquired US specialty pharma company Alaven and in 2011 Nordic OTC company Antula was incorporated.

## Greater focus on organic growth

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. This has involved a greater focus on organic growth. In 2012 and 2013 new products were successfully launched in these therapeutic focus areas, for example Dymista and Zyclara.

Several products of the Nordic OTC portfolio were launched in new markets in 2013. Meda also increased its market investments in a number of growth market countries during the year. The combination of new launches and increased investments in countries with higher growth improved Meda's organic growth in 2013. This is a pattern that is expected to continue in the years ahead.

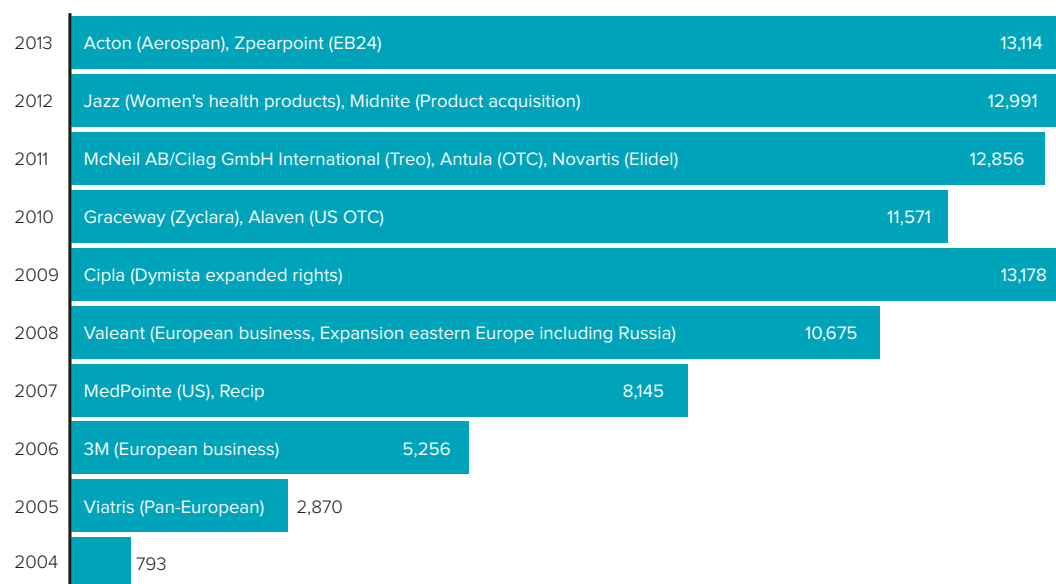


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In 2013 the product portfolio was strengthened in Respiratory through the acquisition of US drug company Acton Pharmaceuticals Inc. This acquisition gave Meda the rights to Aerospan, a patented product with a built-in spacer to treat asthma.

# Important acquisitions

## KEY ACQUISITIONS AND AGREEMENTS 2005–2013, SALES PER YEAR



### 2005

The acquisition of Viatis was of great importance for several reasons. It transformed Meda into a Pan European Specialty Pharma Company, strengthened the product portfolio and had significant synergies.

### 2006–2007

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

### 2008–2009

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

### 2011

Meda acquired the global product rights to Elidel from Novartis. Elidel is one of Meda's more important products within Dermatology. Recently a new study has been presented which has given the use of Elidel further support in the area of atopic dermatitis.

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

### 2013

Meda acquired Acton including the patented product Aerospan thereby expanding Meda's product portfolio in the focus area Respiratory. Through the Zpearpoint acquisition Meda received an important addition to the OTC portfolio and a complement to CB12.

# Growing presence in growth markets

# 60

Our sales organizations are present in close to 60 countries.

## Geographic distribution

### Expansion in Emerging Markets

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 1,914 employees working in sales and marketing in close to 60 countries.

For historical reasons, Meda's market presence is the strongest in Europe and the US, where the company has 843 and 345 employees respectively in sales and marketing. However, Meda's presence in Emerging Markets is growing. In recent years Meda has invested significant resources into the sales and marketing organization in these markets. At the end of 2013 Emerging Markets accounted for 15% of Meda's total sales, compared to 14% in 2012.

## Expansion strategy

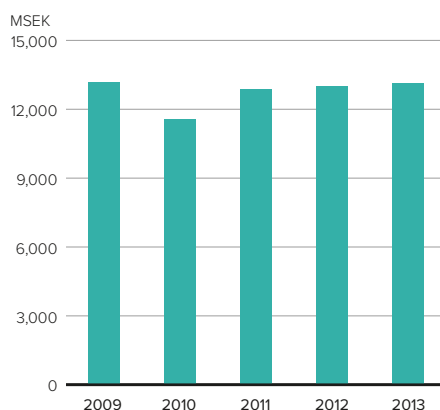
### A constant focus on sales and marketing

Meda's expansion has taken place both organically and through acquisitions. 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.

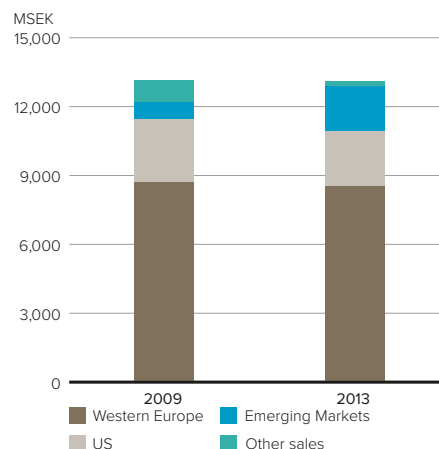
The Meda model reflects several of the company's fundamental values:

- 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



## Marketing

### Differentiated approach to markets

Quality and knowledge are the cornerstones of Meda's marketing operations. Meda also has a strong incentive for adapting to local conditions, which differentiates the approach between different markets and products, because local legislation and the type of approval that a product has must be taken into account. There is a big difference between marketing prescription drugs and OTC drugs.

Prescription drugs are marketed mainly via personal sales combined with training programs and seminars, often in collaboration with clinics. For prescription drugs in the early launch phase, relations with experts and their endorsements are the most important success factors.

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

It is becoming increasingly common for individual patients to search for more information on both prescription and OTC drugs. This raises their level of knowledge and their participation in treatment decisions. The internet is a very important channel for information. Patient organizations are another channel where relevant information can be communicated.

### Digital marketing

In recent years Meda has developed expertise in digital marketing. In the retailing of OTC products, digital knowledge is an essential element in the

marketing toolbox. The internet is a growing channel for information and promotion of OTC products to consumers, making it an integral part of our promotional campaigns, which allows Meda to build stronger international brands.

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

Turning the digital channel into a strong complementary marketing tool is an important part of Meda's strategy.

## INTERNATIONAL TRADE BUSINESS

### Operations in around 70 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 around 70 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. A proven concept is used whereby Meda adapts existing products for local contexts. ITB also has the general task of creating the right conditions so that Meda can take the next step and establish its own new sales organizations in these markets when the time is right.

## MARKETING CENTERS

### Support function for international transactions

Meda's Marketing Centers are marketing functions within the company without any geographical ties. The centers provide support to a group of products in a specific therapy area and define the strategy for new launches and product development. Close interaction 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 Group as a whole. This involves handling the flow of information on all of Meda's products.

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

## Interview with Hans-Jürgen Tritschler: Executive Vice President, Marketing RX



### What are the key issues on the agenda in sales and marketing?

Meda's target is to become one of the leading specialty pharma companies in the world. With Dymista, Aerospan, Elidel, Zyclara, Acnatac and the inlicensed EpiPen, Meda has a strong and competitive product portfolio in Respiratory and Dermatology.

Our efforts to change the landscape in the respiratory area have already been internationally acknowledged. For example, Dymista is considered the "drug of choice" for the treatment of allergic rhinitis by leading experts as well as the editor of the most prestigious allergy journal. In addition, Meda recently achieved a label extension for the adrenaline auto-injector EpiPen.

We are preparing for the launch of Aerospan in 2014. It is an important addition to the respiratory portfolio in the US with good marketing synergies with Dymista. We now need to take full advantage of these synergies.

The launch of two other products will further strengthen the product portfolio in Dermatology. Zyclara is expected to improve the prognosis of patients with actinic keratosis (AK), the most frequent form of skin cancer. It is the only product that can detect and treat subclinical and clinical AK lesions on the entire sun exposed field of the skin, e.g. the face.

Detection and treatment of all lesions (both visible and invisible) is crucial in order to prevent AK from progressing to invasive cancer.

Acnatac is expected to simplify the treatment of acne. The product has been shown to be safe and effective in a huge clinical development program involving more than 4,000 patients.

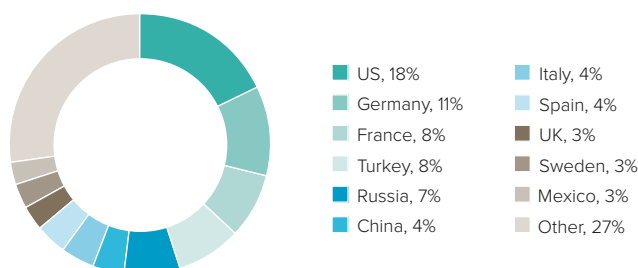
Our key challenge is to make sure that we take full advantage of the product launches and their potential.

### Meda puts more emphasis on organic growth in its strategy. What role does marketing play for the strategy?

I see our marketing department driving Meda forward in this respect. Efficient sales and marketing are instrumental in exploring and exploiting our organic growth opportunities. More specifically, our work is based on three strategic pillars:

- Generating a competitive product portfolio for Meda
- Ensuring that the value of the products is recognized by healthcare providers and patients
- Building a sound marketing platform for Meda in Respiratory and Dermatology to facilitate continued expansion through in-licensing, acquisition and in-house development.

### MARKETING ORGANIZATION, EMPLOYEES PER COUNTRY



# Focus on selected therapy areas

Meda offers its customers solutions in the form of a broad portfolio of products and knowledge in selected therapy areas. Prescription drugs account for around 73% of sales, while OTC drugs account for 24%. The ten largest products account for around one third of the Group's net sales.

## Meda's 10 biggest products

TAMBOCOR  
BETADINE  
DYMISTA  
ELIDEL  
ALDARA/ZYCLARA  
EPIPEN  
ASTEPRO  
CB12  
MINITRAN  
SOLCO

### Prescription drugs – two strong therapy areas

Meda focuses primarily on two therapy areas – Respiratory and Dermatology. The company's products are meeting a growing need among patients and healthcare providers. This need is driven by factors such as the growing incidence of allergies and asthma, particularly in Western Europe and North America, but also in growth markets. Dermatology 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.

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.

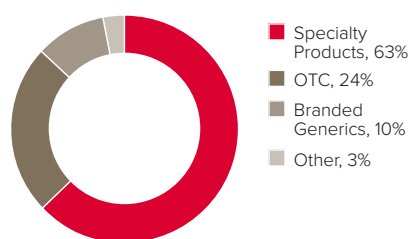
### OTC Products

In recent years, Meda has built an extensive operation in OTC drugs. At the end of 2013, the OTC segment comprised about 24% of total sales.

More and more markets offer an increasingly large range of OTC products. They are key complements to prescribed drugs, because they often save patients time and reduce the cost burden on the health care system. Demand is also being driven by the recent growing interest in preventive health care. This varies widely from market to market and depends on how the health care system is constructed.

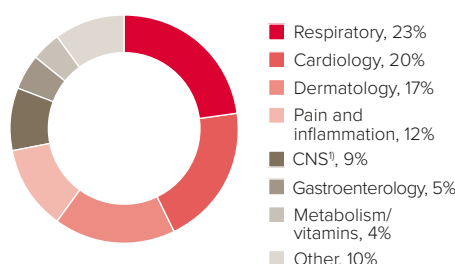
Sales of the ten largest OTC products in 2013 together amounted to around SEK 1,868 million, which represents just over 14% of Meda's total sales. Meda's ambition is to continue to grow in the OTC area and it has gradually increased its market investments.

SALES BY PRODUCT AREA



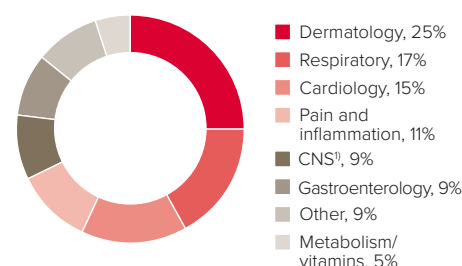
Meda has a broad product portfolio which is present in several therapy areas. Main focus is however on Respiratory and Dermatology.

SALES BY THERAPY AREA 2009



<sup>†</sup> Central Nerv System

SALES BY THERAPY AREA 2013

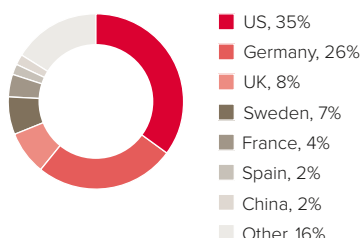


<sup>†</sup> Central Nerv System

# 17%

of sales

## RESPIRATORY, SALES PER COUNTRY



## Allergies and asthma – widespread global diseases

- Allergies 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.
- Allergic rhinitis is associated with high socio-economic costs. If not adequately treated, allergic rhinitis can develop into asthma.
- Asthma is a chronic condition affecting the respiratory tract and lungs. It is the most common chronic disease among children.
- Asthma affects some 300 million individuals worldwide.
- 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.
- Dymista is a novel nasal spray that contains the active ingredients azelastine and fluticasone. 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.
- In the US, Dymista is 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 Germany, Italy, Austria, Ireland and Finland. Dymista has been approved and/or is in the final stages of the approval process in several new markets, such as Australia, Canada, Mexico, China, Turkey, South Africa and the Middle East.

## 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 has the potential to change the treatment of allergic rhinitis and has quickly gained strong support from important stakeholder groups.





Azep is one of the products behind the good growth in China.

#### AEROSPAN

- The cornerstone in asthma therapy is effectively treating the underlying chronic inflammation with inhaled corticosteroids while minimizing their systemic exposure. Optimal drug delivery to the small airways in the lungs is therefore of paramount importance and this can be facilitated by spacers.
- The acquisition of Aerospan will allow 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 as prophylactic therapy 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.
- The US launch of Aerospan is planned for during 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.
- The European Academy of Allergy and Clinical Immunology Organisation (EAACI) recommends in its declaration that people at risk of anaphylactic shock should always carry an adrenaline injector.

#### AZEP

- Azep is a nasal spray for the treatment of allergic and non-allergic rhinitis. It contains the active ingredient azelastine which is an antihistamine.
- Azep is a fast growing brand in allergic rhinitis in China where Meda has recently opened its own affiliate.
- 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 patent protected life cycle product Astepro.

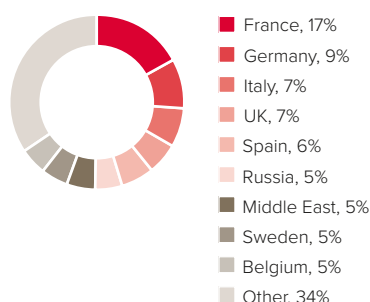
#### ASTEPRO

- 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 launch of once-daily Astepro in the US began in 2009. The registration process is ongoing in other important markets.
- Astepro 0.15% is the leading nasal antihistamine brand in the US.

# 25%

of sales

## DERMATOLOGY, SALES PER COUNTRY



Zyclara was approved in Europe in 2012 and the launch was initiated in 2013.



## 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 eczema. 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 topical preparation 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 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 a common type of cancer affecting an increasing share of the population, particularly in the northern hemisphere.
- 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 is an immunomodulating agent for treatment of actinic keratosis, superficial basal cell carcinomas, and external genital warts.

#### ACNATAC

- Acne is a form of chronic inflammation 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.
- 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.

#### Other dermatology products

- Aldara (Imiquimod 5%)
- Efudix (5-Fluoruracil)
- Dermatix
- Kamillolan
- Solcoseryl
- Naloc
- Endwarts



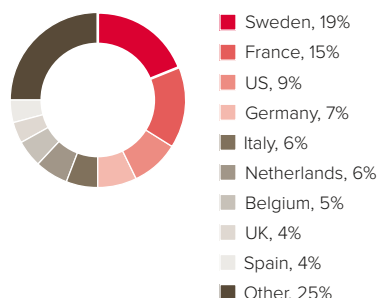
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CB12 is an oral hygiene treatment that neutralizes the substances that cause bad breath.

# 24%

of sales

## OTC, SALES PER COUNTRY



## Over-the-counter drugs

The market for over-the-counter (OTC) drugs is increasingly interesting for Meda. It is growing faster than the prescription drugs market and currently accounts for around 12% of the global pharmaceutical market. Unlike with prescription drugs, pricing is unrestricted and the drugs can be marketed directly to consumers.

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

Today, OTC products account for around 24% of Meda's total sales. The target is to grow this area to one third of Group net sales over time.

### OTC DRUG PRODUCTS

#### CB12

- Bad breath (halitosis) is caused by bacteria found in the mouth cavity between the teeth and on the back part of the tongue. When these bacteria break down food particles, malodorous sulfur gases are formed, causing bad breath.

- CB12 is an oral hygiene treatment that neutralizes the substances that cause halitosis.
- The effect lasts for 12 hours as the product binds to tissue in the mouth.

#### ENDWARTS

- A wart is a growth on the skin caused by the human papillomavirus, HPV. Warts are contagious and can easily be transferred to other people and other parts of the body.
- Endwarts is an effective external solution for the treatment of warts on the hands, feet and body. The solution is absorbed directly into the wart and leaves no scars.
- Endwarts is currently available in a number of markets in Europe.

#### NALOC

- Nail disorders are common and the most common cause is a nail fungal infection. Unsightly and discolored nails may also be caused by psoriasis, dry nails or external damage.
- Naloc is a topical treatment (on the nail) and is used to treat nail fungal infection and nail psoriasis.

## Interview with Dirk Groen: Executive Vice President, Marketing OTC



### What are the main differences between the OTC business and the prescription drugs business?

OTC products are 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 business the value is in brand names. In the healthcare segment consumers are very loyal to well-known brands when they know they solve their health problems. Recommendation and repu-

tation are very important in this market and therefore it takes time and promotional effort to build good brand names.

### Meda's ambition is to grow OTC products to represent one third of Group sales in the future. How are you going to reach that goal?

We are building our OTC franchise with premium products in selected market segments where we are attaining a position of first, second or third through strong and focused promotion. Our unique strength as a pharmaceutical com-

pany is our reputation for good products and our experience in promotion to professionals who will recommend our products to consumers.

### Which are the three most promising products?

Our three international brands CB12, Endwarts and Naloc are our most promising products. We also have quite a selection of local products with very good brand names and solid market positions.







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Meda has experienced considerable growth, primarily through acquisitions. The objective is to preserve the strengths of the small company, i.e. a non-hierarchical and efficient organization and short decision-making paths and combine them with the resources of a large company.

# Product development close to the market

Meda is primarily active in late stage clinical development and the development function has around 240 employees including contract employees who work on development, clinical trials and drug registration.

# 240

Around 240 people at Meda work with development, clinical trials and drug registration.

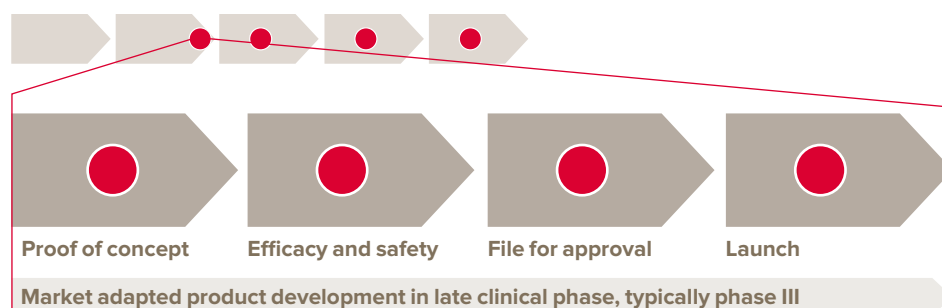
The value-generating work at Meda's development function is characterized by tailored clinical development programs and the compilation of scientific arguments defending and exploring the product features.

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 an existing product, for example through:

- New formulations, such as a higher strength azelastine nasal spray (Astepro) for once-daily use or a lower strength imiquimod cream (Zyclara) for the treatment of larger areas.
- Combination products, such as Acnatac for multi-factorial treatment of acne vulgaris.
- Internationalization and regulatory approval of approved drugs, such as Aerospan and Dymista, in new countries/regions.

In 2013 Meda invested SEK 249 million (143) in drug development, equivalent to 2% (1) of group sales. In recent years, Meda has built a strong product portfolio in its key therapy areas. Meda's most important development projects are presented to the right.

## MEDA'S ACTIVITIES IN THE DRUG DEVELOPMENT PHASE



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



## Products in late development or launch phase

### RESPIRATORY

#### AEROSPAN

Aerospan is an inhaled corticosteroid which is indicated for the maintenance treatment of asthma. Clinical trials in adults and children, including the integrated spacer, 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. Launch is planned for 2014.

#### ASTEPRO

Astepro is a nasal spray for the treatment of seasonal and perennial allergic rhinitis. Astepro contains a higher concentration of the active substance azelastine which is more effective than the conventional strength of Astelin.

Astepro is the first nasal antihistamine approved for once-daily use. The launch in the US began in 2009. The registration process is ongoing in other important markets.

#### DYMISTA

Dymista is a novel nasal formulation of 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 for this indication 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 in the US with intranasal corticoids alone.

Dymista was launched in the US in autumn 2012 and in most European countries in 2013. The registration process is ongoing in other markets.

### NOVOLIZER BRANDS

Meda is working to expand the market of the Novolizer brands by registering them in more countries. 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.

### DERMATOLOGY

#### ZYCLARA

In Europe, Meda has acquired the dermal cream Zyclara, a lower concentrated formulation (3.75%) of the well-established compound imiquimod (Aldara 5%), allowing the treatment of larger areas and more lesions of actinic keratosis (AK) and the simplification of the treatment. It is the first treatment that was shown to be effective also on subclinical (invisible) precursor lesions of clinically manifest AK. Zyclara was approved in Europe in 2012 and is in the launch phase.

#### ACNATAC

The dermal combination product Acnatac for the multi-factorial treatment of acne vulgaris is in its launch phase. The antibiotic clindamycin and the retinoid tretinoin in Acnatac have shown greater efficacy in the treatment of inflammatory and non-inflammatory acne lesions compared with each component alone.

#### ZYCLARA MULTI-DOSE PUMP

Meda is developing a new multi-dose pump device in addition to the mono-dose sachets for both 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 highly effective and well-tolerated external solution for the treatment of common warts on the hands, feet and body. Meda is developing a new applicator in the form of a pen to make the use of Endwarts more convenient for patients.

#### NEW DENTAL HEALTH PRODUCT LINE

Meda has acquired the global rights to EB24, an OTC product line for the once-daily treatment of dental erosion, i.e. where dental hard tissue is gradually eroded by factors other than caries. There is currently no effective treatment for dental erosion. The condition, which is sometimes called the "new caries", impacts 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 on the teeth.

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 the first half of the year as a mouth rinse. Patents valid until 2025 have been approved in Europe and patents are pending in the US.

# Manufacturing and supply

Meda combines proprietary production with contract manufacturing of drugs. In 2013, Meda's proprietary production accounted for almost 30% of the 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 four units.

## Decatur (Illinois, USA)

Around 100 employees  
Production of various preparation forms, for example Soma, Astepro and Geritol



## Lakewood (New Jersey, USA)

Around 70 employees  
Production of MUSE

## Merignac (France)

Around 200 employees  
Production of liquids and solutions, for example Betadine



## Cologne (Germany)

Around 300 employees  
Production of various preparation forms, for example Novolizer



The same delivery and reliability standards and other parameters apply to both Meda's proprietary production units and contract manufacturers delivering products to Meda.



# A culture of entrepreneurship

## The Meda Way

Meda would be nothing without its employees. 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 bring about change. For Meda, a fast pace is of great importance. The key is for individuals and teams to constantly develop and be elevated to higher and higher levels.

The corporate culture is reflected in the Meda Way:

- Dynamic teams that make a difference
- Focus on priorities
- Take decisions fast and execute them quickly
- Cooperation across borders
- Constant improvement
- Passion for the customer

## 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 1,974 employees in close to 60 countries, including contract employees. Following Meda's

rapid expansion in Emerging Markets, a majority of recruitments have been made in these markets in recent years. At the end of 2013 Meda had close to 800 employees, including contract employees in Emerging Markets.

## Key principles

Meda is committed to create a stimulating, challenging and rewarding work environment – one that supports initiatives, fosters commitment and engagement and goes beyond compensation and benefits. We strive towards a working environment that clearly defines not only the necessary 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. An important element of our employee development philosophy is to support employees in gaining experience and developing on the job. We believe employees build greater skills and capabilities by being exposed to new challenges. A key role for Meda is to provide the necessary development tools for employees and prepare them to take on larger responsibilities.

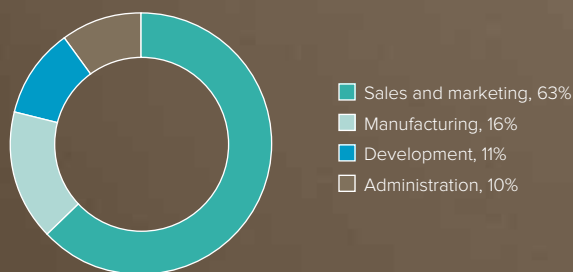
## Leadership commitments

Meda's future success and well-being of its 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 character competences 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 is presented in the sustainability report together with the relevant employees data.

EMPLOYEES PER FUNCTION, 2013\*



\* Excluding contract employees





# Several dimensions add to value

## Solid foundation

Today, Meda is an established, 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 a strong financial position.

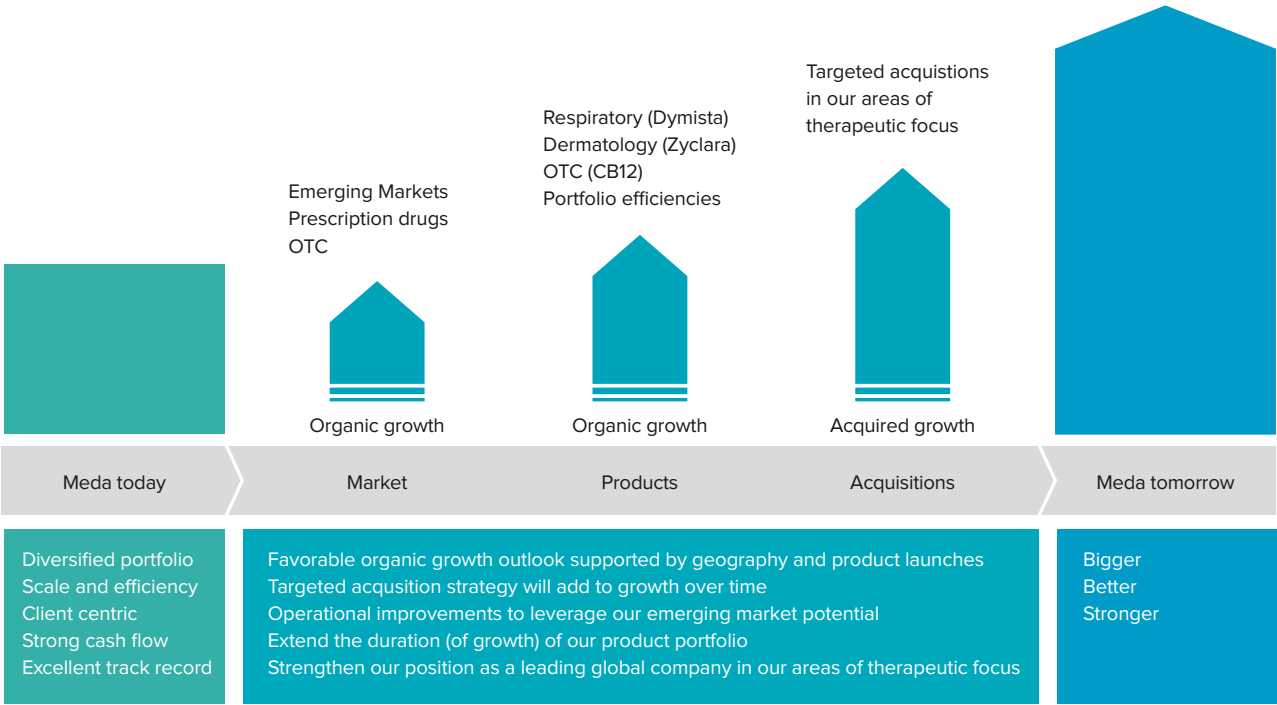
## Supporting growth drivers

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).

## Organic growth opportunities

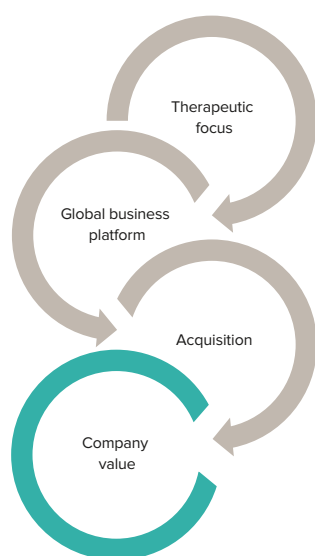
With an increased focus on the selected therapy areas, sustained potential for OTC and significantly increased investments in Emerging Markets, organic growth is a more distinct value driver for Meda. The organic growth is supplemented by acquired growth in, for example, the defined therapy areas.

### 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.

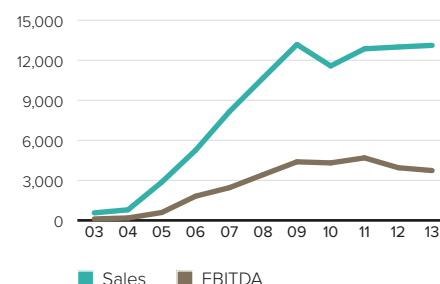
## THREE-DIMENSIONAL VALUE CREATION



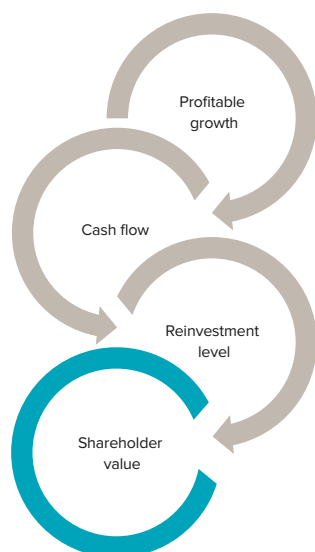
There are three dimensions to Meda's value creation efforts, with market focus, drive and tempo as the common denominators:

- Clear therapeutic focus, where Meda has a specialist role in building a uniform product portfolio in selected therapy areas and is developing the OTC portfolio.
- 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.
- 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



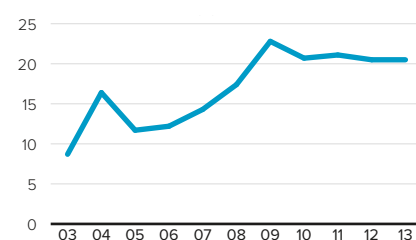
## CASH FLOW ESSENTIAL FOR SHAREHOLDER VALUE



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

- 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 investment as well as acquisitions.
- The investments, combined with ongoing efficiency improvements, enable Meda to maintain sustainable growth in both profits and cash flow.
- 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 puts the company in a position to be able to make investments in the business and to pay dividends to shareholders over time.

## FREE CASH FLOW/NET SALES (%)



# Sustainability report

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## Content

37	The CSR year in brief
38	Follow up of 2013 CSR objectives
39	Meda in context
40	Meda's prioritized areas
41	Risks and opportunities
42	Patient safety
43	Manufacturing and supply
44	Acquisitions
44	Employees
46	Governance
48	Environment
50	Community involvement
51	CSR objectives in 2014 and onwards
52	GRI index
54	Auditor's Limited Assurance Report on Sustainability Report

### About Meda's sustainability report 2013

Meda's annual report 2013 includes the company's complete sustainability report 2013, p. 36–54. The sustainability report 2013 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 2013 sustainability report fulfills level C+ and has been subjected to third party assurance. A complete GRI index is presented on p. 52–53 and the auditor's assurance statement is presented on p. 54. Meda's sustainability report 2013 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 value chain from a sustainability perspective – identifying impact, stakeholders, risks and opportunities. Also, stakeholder input is taken into account when defining the report content. Meda's stakeholders are identified based on an analysis of the business, the value chain and the mutual impact and relevance. The stakeholder dialogue brings understanding of the issues that stakeholders' value and what information they want to receive in order for the report to support their decision making. In 2011–2013 Meda engaged with investors and public authorities on Meda's sustainability performance and the content of the sustainability report. The intention is that the annual report including the sustainability report 2013 meet that needs for information and provides a complete picture of Meda's social, economic and environmental impact and performance.



## The CSR year in brief

The CSR work is conducted on the basis of continuous improvement. Prioritized areas during the year have therefore largely been the same as in the past: supplier assessments, environmental management, implementation of Meda's ethical guidelines (Business Conduct Guidelines) and further reinforcement of Meda's commitment to the UN Global Compact. CSR efforts relating to suppliers have increased in scope and significance. In 2013 Meda's CSR work included:

Initiated implementation of a web-based system to monitor suppliers. The system is based on risk analysis and enables Meda to have better control.

The Business Conduct Guidelines have been developed to more comprehensively cover anti-corruption and bribery legislation, including the UK Bribery Act and Swedish bribery laws. Communication and implementation processes have been enhanced.

An active dialogue with several investors and stakeholders. The interest in Meda's CSR efforts continues to be strong.

Gap analysis conducted of Meda's efforts with respect to the principles on human rights of the UN Global Compact (Meda joined in May 2012). The analysis will form the basis for a number of activities in 2014.

A so called materiality analysis was conducted. This was an internal exercise involving the key functions and identified Meda's most significant sustainability issues based on Meda's value chain and stakeholders. The materiality analysis will be supplemented by input from external stakeholders in 2014. The results will guide Meda's future sustainability work.

## Follow up of 2013 CSR objectives

Meda has had Group-wide objectives for its CSR work in place since 2010. Overall, it can be concluded that Meda’s Group-wide CSR objectives for 2013 were fulfilled. The results with respect to the 2013 objectives were as follows:

Meda will improve its model for monitoring supplier compliance with the Supplier Code of Conduct.	Meda will continue to reduce the company’s environmental impact. The overarching measurement is the amount of CO <sub>2</sub> emissions per employee.	Internal control and the Business Conduct Guidelines will be further developed in the area of compliance monitoring. Anti-corruption routines will be improved.	A Gap analysis will be conducted of Meda’s operations in relation to the UN Global Compact. A plan of action will be drawn up.
Meda purchases more than 95% of contract manufactured products from suppliers who accept Meda’s Supplier Code of Conduct. In 2013 Meda began to implement a web-based system to improve monitoring and control. The system is designed on the basis of risk analysis conducted in 2012.	Meda’s CO <sub>2</sub> emissions were reduced by 3% in 2013, calculated as the amount of emissions per employee. Meda is taking active steps to reduce energy consumption, particularly within production.	A new version of Meda’s Business Conduct Guidelines was implemented in May 2013. Anti-corruption policies and routines have been more clearly defined, as has the significance of Meda’s participation in the UN Global Compact. Communication and implementation processes have been developed.	A Gap analysis focusing on the Global Compact’s principles on human rights and labor rights issues was conducted during the summer and fall. An action plan has been developed based on the outcome.

## Meda in context

### Trends and drivers

There has been significant progress in healthcare, but the needs are far from being met. Although the right to health is one of the basic human rights, for around 250 million people this is not a reality. Population growth and greater life expectancy are increasing the need for care in different ways. Meanwhile, changes in lifestyles and eating habits due either to economic growth or the opposite, have increased the demand for healthcare and treatment. New and improved forms of treatment are needed and the pharmaceutical industry has an important role to play in helping to improve people's health globally.

It is not enough to merely provide effective therapies and products that meet specific needs. Demands for accountability and good business practices are increasing every year. This applies not least to the responsibility to patients and the community.

The pharmaceutical industry has for a long time been regulated by legislation and, in recent years, this has been supplemented by ethical guidelines and self-regulation. There are now, for example, guidelines for the industry's cooperation with healthcare providers and professional organizations and also for good marketing practices.

The costs associated with, and therefore also access to, medicines have been prioritized issues for a number of years now. This is partly due to the fact that medication is largely financed by public funds. Despite intensive efforts to develop effective drugs at prices that make them available to many, there are still people who are denied the right to treatment due to cost, primarily in developing countries.

The pharmaceutical industry has developed to the stage where it has both production and sales in regions that are generally associated with higher ethical and commercial risks. In Meda's case this includes Eastern Europe, South America, and Southeast Asia. Having a presence in these regions requires companies to be aware of, and capable of, handling the conditions there. Companies must act based on sound business principles and have efficient operations that can combat unethical business practices and corruption.

### Close relationships with stakeholders

Meda's value chain consists of the development, production, sales and marketing and use of Meda's products. These different areas, and the way in which the company is governed, affect a great many stakeholders. Based on the value chain, Meda has identified the following stakeholders:

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

Relationships with the various stakeholder groups and Meda's ability to meet their needs and expectations are crucial factors if the company is to remain a relevant player. Dialogue with stakeholders is both informal and formal. Most of the stakeholder input is collected through the ordinary business processes. Similar to last year, Meda has carried out in-depth interviews with selected owner representatives, who articulated a particular interest in Meda's sustainability work.

The preferences of stakeholders have a strong bearing on Meda's operations and development. Prevailing requirements and expectations have impacted Meda's definition of the company's prioritized CSR issues and CSR strategy.

### GENERATED AND DISTRIBUTED FINANCIAL VALUE

MSEK	2013	2012 Restated <sup>2)</sup>
Revenue <sup>1)</sup>	13,136	13,052
Operating expenses	-7,463	-7,250
Salaries and employee benefits	-1,944	-1,796
Payments to providers of funds	-525	-593
Dividend	-680	-680
Payments to governments	-390	-328
Societal investments	0	0
<b>Remaining economic value</b>	<b>2,134</b>	<b>2,405</b>

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

<sup>2)</sup> The figures of 2012 have been converted for IAS 19.

## Meda's prioritized areas

For a number of years now Meda has been focusing on areas identified as particularly important with respect to responsible business practices. In 2013 a materiality analysis was conducted with internal key functions which identified Meda's key issues based on the company's value chain and stakeholders. The results confirmed and honed in on the areas Meda had previously identified. This analysis will form the basis for future strategic determinations and goal setting.

Below is a brief description of the important areas and issues:

### Patient safety

Meda's most important mission is to provide effective and safe pharmaceuticals for patients and customers. Patient safety is therefore Meda's highest priority. The area is subject to strict regulations, imposed by both the authorities and Meda itself. Patient safety is the focus both in the development of new products and in supplying products that have already been launched. Read more on page 42.

### Manufacturing

High quality in the manufacturing process is essential to ensure that the products have the appropriate inherent qualities and fill the right functions. For Meda, good relationships with and knowledge of the actual conditions under which suppliers and business partners operate is crucial in ensuring the expected quality. This involves setting up and monitoring relevant responsible business practice requirements and helping suppliers to develop in this area. Meda's Supplier Code of Conduct forms the basis for these efforts. Read more on page 43.

### Sales and marketing

The part of Meda's organization that employs the most people and is the most significant for profitability is sales and marketing of the company's products. This makes it a critical link in Meda's value chain which includes Meda's direct distribution to customers and wholesalers and sales through external distributors. Read more on page 43.

### 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. Acquisitions have helped to keep the product portfolio relevant and ensure access to new markets. Read more on page 44.

### Employees

The skill and commitment of Meda's employees is key to the company's success. It is their knowledge, relationships and initiatives that generate new products and sales. Meda has established processes for employee relations, including routines relating to the working environment and safety. Read more on pages 44–45.

### Governance

Running the company in a responsible way and adhering to good business ethics throughout the organization are key factors in Meda's ability to create value for stakeholders and to win their trust. Meda's Business Conduct Guidelines outlines the company's position and commitment.

Meda is listed on NASDAQ OMX Nordics Large Cap and applies the Swedish Corporate Governance Code. Good internal control is fun-

damental for effective and value-generating business operations, which in turn is essential to Meda's credibility on the market and to manage opportunities. Read more on pages 46–47.

### Environment

To achieve long-term success Meda must make use of natural resources in a sustainable way and constantly reduce the company's environmental impact. Read more on pages 48–49.

### Community involvement

Meda strives to maintain good relationships with the communities in which the company operates, and contributes its expertise and products to communities with significant needs. Meda prioritizes initiatives that promote people's health and well-being in the long term. Read more on page 50.

## Risks and opportunities

The basis of Meda's operations and CSR strategy is the conviction that high ethical standards, responsibility and good relationships with the world around us bring about long-term gains. This approach must permeate all strategies, all decisions and all operations.

The main purpose of Meda's CSR work is 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, and accordingly, an important aspect of the CSR work is to reduce those risks.

CSR 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 guidelines in place are implemented and adhered to.

### Risk analysis

The materiality analysis that was conducted in the fourth quarter of 2013 supplements Meda's previous risk analysis. Faults in or incorrect usage of a product could involve risks for patients or customers and this is therefore the main risk faced by Meda. Most CSR-related risks are believed to be in the manufacture and distribution of Meda's products. This is 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 health care 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 asso-

ciated with environmental impact and the risk of accidents.

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 between different geographies and as Meda expands, the need for new knowledge and monitoring activities increases.

Examples of steps to reduce risks include the following:

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

## Patient safety

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

Meda is constantly developing the product portfolio to provide drugs and products that meet actual needs. Several of the recent acquisitions have been aimed at complementing the existing offering and creating a more relevant portfolio.

Access to medicine is an extremely relevant issue in this industry. Meda is committed to helping improve access to medicine where this is an issue. However, due to Meda's product portfolio and geographical presence, the issue is of little relevance for Meda at this time. Meda does, however, donate medicine wherever possible (see page 50).

### Clinical trials

Meda does not focus on early research but instead on development in the late clinical or registration phases. This means that Meda's products have already been tested on humans multiple times. In cases requiring clinical trials, Meda engages specialized research companies. The services are procured according to Meda's internal procedures for clinical trials. The procedures are based on the EU 2001/20EC directive and Guidelines for Good Clinical Practice (GCP), an ethical and scientific quality standard with origins in the World Medical Association's Declaration of Helsinki.

### Drug registration

Registering pharmaceutical products with the authorities is required before a new or modified product can be launched in the market. The process is designed to protect patients and guarantee the safe and correct manufacture of the new product.

- All of Meda's marketing companies have local registration experts who deal with the

registration of new and existing products and monitor and develop products 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 is associated with the risk of side effects. Side effects can arise in various forms and degrees. Simultaneous use of other medicines or the consumption of certain foods or beverages can also alter a drug's effect. Pharmaceutical production, testing and manufacturing must be extremely carefully regulated to achieve the highest possible patient safety.

Meda has its own pharmacovigilance departments across the world working to ensure the safe use of medicines.

- 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 the drug, or restrictions may be placed on the use of the product.
- All potential side effects are reported to the relevant regulatory authority in each country.

### 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 supply

Meda has both proprietary and contracted production units. This gives the company access to new technology and flexibility, while achieving good cost control. Meda's proprietary units are in France, Germany and the US, and they account for around 30% of the company's total product supply. Meda is constantly working to improve both efficiency and quality.

The same delivery and reliability standards and other parameters apply to both Meda's proprietary production units and contract manufacturers delivering products to Meda.

### Requirements and monitoring

Meda has strict standards enforced both internally and for external suppliers and other business partners so that the company can fulfill its commitments to customers and other stakeholders.

- These standards relate to safety, quality, price, function and delivery reliability.
- Meda's internal standards relating to ethics, working environment and employment terms, environmental impact, animal welfare and management systems are described in the company's Business Conduct Guidelines.
- Equivalent requirements for suppliers are set out in the Supplier Code of Conduct.
- At the end of 2013 more than 95% of Meda's purchases were from suppliers who have accepted Meda's Supplier Code of Conduct.

Meda performs regular audits of contract manufacturers to check compliance with the requirements associated with the pharmaceutical

industry's Good Manufacturing Practice (GMP) quality system. These audits are also subject to public authorities' standards. Compliance with the Supplier Code of Conduct is monitored in connection with quality audits. When required, Meda conducts specific audits with a focus on ethics and the environment.

### Risks and priorities

In general, Meda has received positive responses when communicating the Supplier Code of Conduct. A CSR risk analysis forms the basis for analysis of supplier self-assessments. The results of this analysis indicate that Meda's CSR risk exposure is low since the overwhelming majority of suppliers operate in Europe and North America where the implementation of legislation and regulations is well developed. Meda only has a few suppliers in countries where CSR risks are deemed high (China and India). Meda has a good understanding of the operations of these suppliers.

The risk analysis showed that Meda should aim to improve the system for regular monitoring of suppliers and develop a standardized model for CSR audits where risk analysis indicates such a need. To meet this need Meda started implementing a web-based monitoring system in 2013:

- The system will initially be used for suppliers with whom Meda has a purchase volume exceeding SEK 5 million in 2013 – just under 100 companies.
- The monitoring process consists of a standardized form based on Meda's

Business Conduct Guidelines, the principles in UN Global Compact and other relevant standards.

- Based on the responses, each supplier will receive a CSR rating.
- These ratings will form the basis for a more detailed risk analysis and for decisions on whether a targeted CSR audit is warranted.
- The system may be used for additional suppliers in the future.

In cases where Meda considers a CSR audit of a supplier to be necessary, external expertise will be brought in. Meda does not intend to develop this type of expertise internally because the assumption is that it will only be necessary in a few cases. The implementation will continue in the first half of 2014 and a complete follow-up of the suppliers included in the system will be completed before the end of 2014.

### Distribution

Distribution of Meda's products on the market is primarily carried out by local service providers, but managed by Meda.

- Meda has contracts with independent distributors in markets where Meda's products are sold but where Meda has no representation of its own.
- The distributors purchase products from Meda and distribute and sell them in the markets themselves.
- Meda's ambition is to increase its understanding of the ability of these distributors to comply with Meda's guidelines.

## 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. From 2000 to 2013 Meda made more than 30 major acquisitions of companies and product rights. The acquisitions have been key in the process of developing a relevant product portfolio that meets actual needs and creates value for patients and customers.

- When companies are acquired, Meda's Business Conduct Guidelines are implemented within the acquired company which is then responsible for educating its employees about the guidelines.
- The processes and governing documents used by the acquired company are harmonized with those of Meda.
- Meda monitors how well the harmonization and implementation of the Business Conduct Guidelines are progressing through internal controls.

Extensive investigations are conducted before acquisitions are made. CSR factors are part of the investigation process. Since Meda primarily acquires established products, manufacturing and environmental issues are the main focus of the investigation process.

## Employees

Meda has experienced considerable growth, primarily through acquisitions. The objective is to preserve the strengths of the small company, i.e. a flat and efficient organization and short decision-making paths and combine them with the resources of a large company. Here, Meda's culture is a valuable asset.

Meda's employees are of great importance for the company's success. The objective is to have skilled and well-motivated employees who are offered an attractive and supportive workplace. Meda is determined to develop its employees by offering opportunities and challenges as well as a stimulating, safe and healthy work environment.

### Meda's workforce

At the end of 2013 the Group had 3,062 employees (2,900), of which 53% (55) were women and 47% (45) were men. The majority work within sales and marketing. Out of Meda's 3,062 employees, 137 were temporarily employed. In addition, Meda had 164 contractors at the end of 2013.

As the Group grows, Meda strives to achieve a balance between enriching the organization by bringing in new expertise and taking advantage of existing experience and routines. Meda has grown a lot through acquisitions over

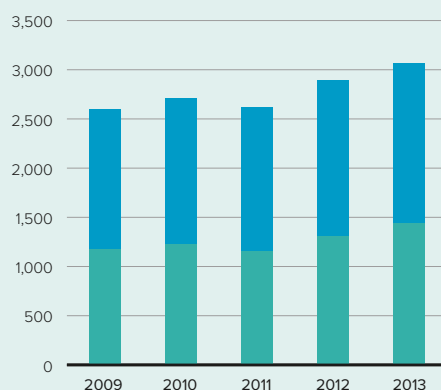
recent years, which has led to staff turnover linked to this. In 2013, 480 employees left Meda either by termination, dismissal or outplacement. In 2013 staff turnover at Meda was 16% (15). Employees who are affected by organizational changes are offered support where relevant, in compliance with local legislation and practices.

### Professional development, equality and diversity

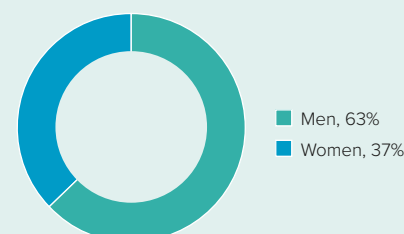
The skills and commitment of employees are key to Meda's development. Professional development is based on the needs of the individual and his/her role. Meda has a process of structured professional development, with a particular focus on product training when acquisitions are made. Meda is fully committed to ensuring that employees' rights and opportunities are safeguarded. This applies to both existing and potential employees.

Meda's Business Conduct Guidelines clearly 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 2013. Meda

NO. OF EMPLOYEES  
GENDER DISTRIBUTION



GENDER DISTRIBUTION,  
MANAGERS, 2013





## Employees, continued

empowers employees to work on continuous improvements and to raise ideas and proposals on all levels in the organization.

Of Meda's (3,062) employees, 53% (55) are women. In management positions the distribution is 37% (37) women and 63% (63) men. Meda strives to increase the percentage of female managers through clearly defined skill set requirements for each position. The results are actively followed up.

### Health and safety

Meda will offer a safe, healthy, pleasant place to work. In order to ensure compliance with relevant occupational health and safety legislation, Meda has dedicated staff and workplace handbooks for the larger operating countries, such as Sweden, Germany, France and the US.

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

Meda's factories and laboratories present to the biggest health and safety risks within the

Group. These units have systematic procedures to ensure a safe and secure working environment. Both accidents and incidents are followed up and steps taken to prevent recurrences.

- In 2013 a total of 39 (35) work-related injuries were reported. They were mainly "mild trip, slip or fall" injuries affecting manufacturing employees.
- The accident frequency is considered to be low. Meda monitors the number of accidents in order to take action should the frequency increase.
- The long-term vision is to eliminate the risk of accidents and operate the company without any work-related accidents occurring.

Sick leave is relatively evenly split between men and women and the various age groups:

- In 2013 sick leave was 3.2% (3.1).
- Absence for 60 days or more was 1.0% (0.9).
- Monitoring sick leave and any necessary measures are handled at the local level.

### SICK LEAVE (%)

	2013	2012	2011	2010	2009
Women	4.0	3.6	3.7	4.5	3.6
Men	2.2	2.4	2.6	2.6	2.5
<b>Total</b>	<b>3.2</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>3.1</b>
By age					
50–	3.9	3.9	3.9	4.1	4.4
30–49	3.0	2.9	3.0	3.6	2.7
0–29	2.4	2.7	2.9	3.4	2.7
Continuous sick leave >60 days	1.0	0.9	0.9	1.2	0.9

### WORK RELATED INJURIES AND DISEASES

	2013	2012	2011	2010
Work related injuries	39	35	27	31
Lost working days in relation to work related injuries	88	22	15	37
Work related diseases	1	2	2	3
Lost working days in relation to work related diseases	30	93	33	14

The collection of data for work related injuries and diseases started in 2010.

## Governance

### Ethical conduct

Meda's operations affect people's lives and health. Accordingly, in addition to comply with laws and regulations, the company must be operated in a responsible and ethical manner.

This area is governed by Meda's ethical guidelines and the Business Conduct Guideline, combined with the Swedish Corporate Governance Code.

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

- The guidelines expressly prohibit any influence that aims to create inappropriate advantages for Meda and/or for individual employees.
- Similarly, attempts to influence political parties or candidates through donations are not permitted.
- The guidelines have been developed to focus more on the issue of anti-corruption.
- Meda's companies are permitted to be engaged in societal issues that are relevant to Meda's business. Meda's companies work locally with various issues depending on the priorities in a particular market.
- The activities of local companies are subject to Meda's internal guidelines for ethical conduct in accordance with the 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 of the information provided by Meda must be correct and issued in such a way 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 the 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.

### 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 concentrated to late-phase clinical studies. Consequently, the drugs are tested on humans several times and the company's need for animal studies is therefore extremely limited. In 2013, Meda did not conduct any animal studies.

Meda complies with relevant guidelines and regulations relating to animal studies, such as those established in Good Laboratory Practice according to ISO 15189 and the OECD Principles of Good Laboratory Practice.

### Corporate governance

Effective corporate governance is an essential consideration for Meda. As a listed company quoted on the Nordic Large Cap segment of NASDAQ OMX 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.

- Auditing and monitoring are done with the help of external resources and through self-assessment.
- Self-assessment includes the local units following up their compliance with Meda's Business Conduct Guidelines and Internal Control Standards, as well as other rules and guidelines.
- The company conducts business continuity planning risk assessments that focus on product supply and external suppliers.

In 2013 Meda's systems for corporate governance and internal control were enhanced in the following ways:

- The Business Conduct Guidelines were updated in May 2013 with clearer wording on anti-corruption and Meda's undertakings under the UN Global Compact, focusing mainly on human rights and labor rights.
- The processes for communication and implementation of the Business Conduct Guidelines were improved and correct implementation will now be assured at the country level within the sales organization and at the corresponding organizational level within other functions.
- Further development of the security aspects in Meda's IT environment was conducted.
- In 2013, there was one incident of breach to the Business Conduct Guidelines reported from Meda's affiliate in Dubai. Corrective actions were immediately taken. Also, Meda further improved the process for internal control.

Meda has a Whistleblower Policy and a process by which employees can report irregularities outside the normal line organization. The employees are entitled to remain anonymous.

As part of its 2014 CSR objectives, Meda will continue to develop the model to monitor compliance with the Business Conduct Guidelines.

Read more in the Corporate Governance report on page 63.

## Governance, continued

### UN Global Compact

Meda joined the UN Global Compact (UNGC) in May 2012. This means that Meda has undertaken to 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.

Promoting the UNGC's ten principles will be part of the way in which Meda is governed and pursues its operations. In 2013 Meda analyzed how well the company was fulfilling its UNGC commitment. This analysis was conducted with help from external experts and resulted in a plan of action to be implemented in 2014 and 2015. 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. This will be done in 2014 in connection with the development of the system for supplier monitoring.
- **Product supply** Develop risk assessment of the product supply chain. This will be done in 2014 in connection with the implementation of a new system for supplier monitoring.
- **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. This will be done at the next update planned for no later than spring 2015.
- **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.
- **Whistleblowing** Introduce a process whereby external stakeholders can report issues.

- **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.

### Risk management during expansion

Meda has experienced considerable growth over the past ten years. Much of this expansion has been achieved through acquisitions of companies and exclusive product rights, and through long-term partnerships.

A thorough review is conducted before acquisitions are made. CSR factors are included in the review process. Since Meda primarily acquires established products, production and environmental issues are the main focus of the review process.

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 nor manufacturing activities take place.

Meda also takes steps to improve internal control in countries where the company has recently established operations.

Development and manufacturing take place primarily in the US, Germany, France and Sweden.

Acquired companies and products are integrated immediately into the Meda Group. This means that Meda's CSR work and guidelines are introduced into recently acquired companies.

# Environment

Meda's environmental impact comes primarily 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 and operate in a sustainable manner in the long term. The company complies with all relevant environmental laws and uses an ISO 14001 certified environmental management system (EMS). The aim is to achieve higher standards than those required under the law. Prioritized areas are energy consumption, hazardous waste and material consumption.

### 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 production units in Germany, France and the US. These production units are only engaged in formulating and packaging pharmaceuticals.

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.

- The production facilities 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 2013.

Meda's EMS is certified according to ISO 14001. The Group's units have their own objectives for energy consumption and waste generation, and, where applicable, for wastewater and emission levels.

- These objectives are regularly followed up and revised.
- Since 2012, all of the production facilities, the development laboratory in Radebeul and the offices in Solna and Bad Homburg are covered by the ISO 14001 certification. Environmental audits of all relevant units/facilities are conducted by a third party.
- Environmental audits of all relevant units/facilities are conducted by a third party.

### Water and waste

As the production units are only engaged in formulating and packaging pharmaceuticals the amount of waste generated is relatively small and solvent emissions to air are minimal. All of the company's facilities have permits within the framework of current operations to release process wastewater with regular wastewater for processing in treatment plants. They are in compliance with their permits with good margins.

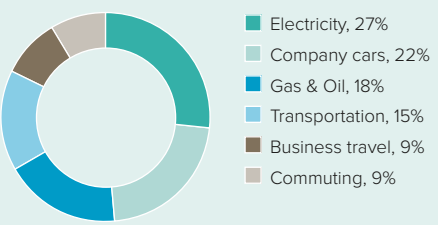
- Most of the waste consists of process water, coming mainly from equipment cleaning.
- The volume of hazardous waste generated is low.
- Only small amounts of pharmaceutical residues are generated.
- Meda handles production and laboratory waste in accordance with laws and established routines.

### WATER AND WASTE, MANUFACTURING AND DEVELOPMENT UNITS

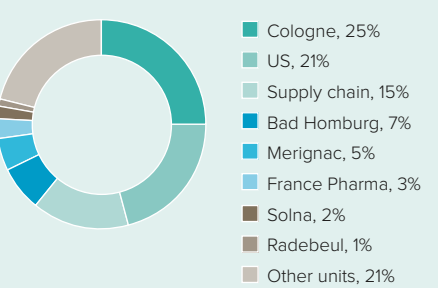
	2013
Water	93,970 m <sup>3</sup>
of which process wastewater	50,423 m <sup>3</sup>
Waste	1,112 tons
of which hazardous waste	86 tons

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 2013



### GREENHOUSE GAS EMISSIONS, GEOGRAPHIC DISTRIBUTION, MEDA GROUP 2013



## Environment, continued

### Energy and carbon dioxide emissions<sup>1)</sup>

Reducing energy consumption and greenhouse gas emissions is Meda's top environmental priority. Meda met its 2013 goal for reducing CO<sub>2</sub> emissions per employee when the emissions level fell from 11.7 to 11.3 metric tons per employee, a reduction of 3%.

- In 2013 Meda's direct and indirect carbon dioxide emissions were 34,548 (34,028) metric tons equivalent to 11.3 (11.7) metric tons per employee and 2,630 (2,607) metric tons per SEK thousand in net sales<sup>2)</sup>.
- Direct emissions originate from heating and the use of company cars.
- Indirect emissions come mainly from electricity consumption.

The increase in CO<sub>2</sub> emissions in 2013 is linked to the growing number of employees and increased energy consumption for heating purposes, where the latter is mainly weather related. The most important long-term measures for reducing CO<sub>2</sub> emissions are related to energy consumption at the plants. 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. Participation in CDP supports the company's continuing environmental and climate initiatives and also provides the company with feedback on reports and measures implemented.

- Meda's CDP reporting in 2013 was awarded 83 C/100 A (73 C). For more information on CDP, visit CDP's website.
- Meda's score for transparency and actual results has improved from 61 D in 2011 to 83 C in 2013.

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)

	2013	2012	2011
<b>Scope 1:</b>			
Gas and oil	6,245	5,926	5,416
Company cars	7,619	7,528	6,621
<b>Scope 2:</b>			
Electricity	9,226	9,522	9,261
<b>Scope 3:</b>			
Business trips	3,258	3,251	2,957
Commuting	2,900	2,655	2,770
Supply chain	5,300	5,146	4,996
<b>Total</b>	<b>34,548</b>	<b>34,028</b>	<b>32,021</b>
Per employee	11.3	11.7	12.2

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.

1) Minor corrections of data presented previous years have been performed.

2) 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

	2013	2012	2011	2010
Natural gas, m <sup>3</sup>	3,195,364	3,070,505	2,806,026	3,474,937
Company cars, driving distance, km	40,100,853	40,004,940	34,849,042	43,144,653
Electricity, MWh	24,324	22,406	24,160	24,710

	2013	2012	2011	2010
Natural gas, GJ	124,651	119,780	109,463	135,557
Company cars, driving distance, km <sup>3)</sup>	—	—	—	—
Electricity, GJ	87,566	80,662	86,976	88,956

3) Reporting on company cars cannot be converted to GJ as Meda does not collect information on fuel type.

## Community involvement

Meda considers it to be the company's duty to make a positive contribution to society. The company helps improve health and well-being through its effective operations. Furthermore, Meda contributes to the community via donations to charitable organizations and sponsorship of research. Meda also maintains a Children's Fund which has supported several projects aimed at children in need in developing countries since it was established in 2002.

### Karolinska institutet

In 2008 Meda decided to donate a total of SEK 35 million to Karolinska institutet (KI) for research on inflammatory diseases. The donation was part of KI's Breakthrough for Life (Genombrott för livet) campaign. The campaign is supporting research in areas where KI is already a leader and where financial investment can help bring about research breakthroughs over the next few years.

In 2011, thanks to Meda's donation, KI was able to establish a professorship in clinical therapy research of inflammatory diseases. KI is expected to play a key role in this development, largely thanks to the cutting edge research in the field, new approaches to prevention and early treatment, as well a uniquely close link between basic and patient-centric research.

### Meda's Children's Fund

Meda's Children's Fund is a charitable foundation for disadvantaged children. The Fund has been active since 2002 and since then has supported a range of projects. In 2013 Meda's Children's Fund donated SEK 2 million to the Hand in Hand organization for a project in India that is focusing primarily on supporting women's education and helping them get into the workforce, which in turn will enable more children to go to school instead of having to go to work. The project also makes direct investments in schools.

### AmeriCares

Since 2003, Meda has been a partner of AmeriCares, a non-profit organization that delivers drugs, medical supplies and aid to people in need around the world.

Since it was founded in 1982, the organization has supplied more than USD 9 billion in humanitarian aid to 137 countries. AmeriCares has helped mitigate the effects of cyclones in Bangladesh, earthquakes in Peru and Pakistan, Hurricane Katrina in the US, famine in Darfur and the tsunami in Southeast Asia.

In 2013, products donated by Meda were distributed in 31 countries.

### Map international

Meda has been donating 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 and devastating hurricanes in the Caribbean.

In 2013, Meda's products reached people in need in 47 countries.

### Direct relief international

Meda regularly donates pharmaceutical products to Direct Relief International. Since 1948, Direct Relief International 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 2013, Meda's products reached nine countries via Direct Relief International.

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## CSR objectives in 2014 and onwards

The objectives for 2014 will build on the results that have been achieved so far. The Group-wide objectives are as follows:

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Complete the implementation of a web-based system for monitoring supplier compliance with the Supplier Code of Conduct, and conduct the first review of the suppliers included in the system.

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

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Develop internal policies and processes relating to the UN Global Compact in accordance with the action plan developed in 2013.

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Continue to reduce the company's environmental impact. The overarching measurement is the levels of carbon emissions per employee.

# GRI index

## About Meda's sustainability report 2013

Meda reports its sustainability performance annually. The sustainability report refers to the fiscal year 2013. Meda applies the GRI voluntary guidelines for sustainability reporting 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 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 2013	Reporting: Fully/ Partially	Comment 2013
<b>1. STRATEGY AND ANALYSIS</b>			
1.1 CEO's comments	2–3		
1.2 Risks and opportunities	6–7, 39, 41, 43		
<b>2. ORGANIZATIONAL PROFILE</b>			
2.1 Organization name	120		
2.2 Primary brands, products, and services	12–13, 19–30, 43		
2.3 Organizational structure	8–9, 32, 105 (Note 16)		
2.4 Location of headquarters	120		
2.5 Countries where the organization is active	Front cover inside, 16–17		
2.6 Ownership and legal form	63		
2.7 Markets	Front cover inside, 8–9, 16–17		
2.8 Company size	1, 56–57		
2.9 Significant changes during the reporting period	1, 56–57		Product acquisitions were performed in 2013 but they do not bring significant changes as referred to by this indicator.
2.10 Awards received in the reporting period			No awards received in 2013.
<b>3. REPORT PARAMETERS</b>			
<b>Report profile</b>			
3.1 Reporting period	52		
3.2 Most recent reporting date			Meda's 2012 sustainability report was published as part of the 2012 annual report in April 2013.
3.3 Reporting cycle	52		
3.4 Contact person for questions regarding the report	120		Paula Treutiger, Investor Relations. Email: IR@meda.se
<b>Report scope and boundary</b>			
3.5 Process for defining report content	36, 39–40		
3.6 Boundary of the report	74 (Note 1)		The sustainability report applies the same reporting policies as the annual report, unless stated otherwise. No additional boundaries have been imposed.
3.7 Limitations on the scope of the report	48		Environmental performance data for waste and water are limited to Meda's production units.
3.8 Reporting policies for joint ventures	74 (Note 1)		Please see the Group's note on reporting principles.
3.10 Explanation for any re-statements from former reports	39, 49		
3.11 Significant changes in scope, boundaries, or measurement methods compared with reports from previous years	44–45		Employee turnover is calculated as number of people leaving/ total number of employees. Improved reporting of lost time due to accident by alignment to recommended reporting practice.
3.12 Table identifying location of all parts of the GRI	52–53		This is Meda's complete GRI index.
3.13 Policy and practice for external assurance	36, 54		
<b>4. GOVERNANCE, COMMITMENTS AND ENGAGEMENTS</b>			
<b>Governance</b>			
4.1 Governance Structure	63, 114–115		
4.2 Role of the Chairman of the Board	65–66		Bert-Åke Eriksson is Chairman and Dr. Jörg-Thomas Dierks is CEO and President of Meda.
4.3 Independent or non-executive board members	65–66		
4.4 Mechanisms to provide proposals or direction to the Board of Directors	46, 63		No additional formal processes in place.



Standard information/indicator	Reference to annual report including sustainability report 2013	Reporting: Fully/ Partially	Comment 2013
4.8 Internally developed statements of mission or basic values, code of conduct, and principles for sustainable/responsible entrepreneurship	43, 46–48, 59		
4.12 External declarations, principles, and initiatives	37, 46–47, 58		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	36, 39		
4.15 Identification and selection of stakeholders	36, 39		
4.16 Approaches to stakeholder engagement	36, 39, 43		
4.17 Key topics and concerns that have been raised in dialogues with stakeholders	39–40		
<b>PERFORMANCE INDICATORS</b>			
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
EC 1 Direct economic value generated and distributed	39	Fully	
EC 3 Coverage of the organization's defined benefit plan obligations	83–84 (Note 8) 91–95 (Note 25)	Fully	
EC 4 Significant financial assistance received from government		Fully	Meda has not received significant financial assistance from the government 2013.
EC 8 Development and impact of infrastructure investments and services provided primarily for public benefit	50	Partially	
<b>ENVIRONMENTAL INDICATORS</b>			
EN 3 Direct energy consumption by primary energy source	48–49	Fully	
EN 4 Indirect energy consumption by primary energy source	48–49	Fully	
EN 8 Total water withdrawal by source	48	Partially	
EN 16 Total direct and indirect greenhouse gas emissions by weight	48–49	Fully	
EN 17 Other relevant indirect greenhouse gas emissions by weight	49	Fully	
EN 18 Initiatives to reduce greenhouse gas emissions and reductions achieved	48–49	Partially	
EN 21 Total water discharge by quality and destination	48	Partially	
EN 22 Total weight of waste by type and disposal method	48	Partially	
EN 26 Initiatives to mitigate environmental impacts of products and services	48–49	Partially	
EN 28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		Fully	No such incidents in 2013.
<b>SOCIAL INDICATORS</b>			
<b>Labor practices and decent work</b>			
LA 1 Total workforce by employment type and region	32, 44, 82 (Note 7)	Fully	
LA 2 Employee turnover	44	Fully	
LA 7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	45	Partially	No fatalities within Meda's operations in 2013.
LA 13 Composition of governance bodies and breakdown of employees per category according to indicators of diversity	32, 44–45, 82 (Note 7) 114–117	Fully	Meda does not report broken down by ethnicity/minority group as it is prohibited by Swedish law to record such information.
<b>Human rights</b>			
HR 2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	43	Fully	
HR 4 Total number of incidents of discrimination and actions taken	45	Fully	
<b>Society</b>			
SO 4 Actions taken in response to incidents of corruption	46	Fully	One incident of non-compliance with Meda's Business Conduct Guidelines was reported in 2013. Proper actions have been taken.
SO 5 Participation in political decision-making processes and lobbying	46	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 2013.
<b>Product responsibility</b>			
PR 1 Life cycle stages in which health and safety impacts of products and services are assessed	40–43, 45–49	Partially	
PR 3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	46	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	No such incidents in 2013.

# Auditor's limited assurance report on sustainability report

## To the readers of the Meda AB Annual Report 2013

### Introduction

We have been engaged by the management of Meda AB to undertake a limited assurance engagement of the Meda Sustainability Report for the year 2013. The company has defined the scope of the Sustainability Report in the table of contents.

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

The Board of Directors and Executive Management are responsible for the ongoing activities regarding environment, occupational health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria.

### Responsibility of the Auditor

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

We have 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 an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based are the parts of the Sustainability Reporting Guidelines G3, 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 and disclosed. 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 opinion 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 above stated criteria.

Stockholm, March 31, 2014  
PricewaterhouseCoopers AB

Mikael Eriksson  
Authorised Public Accountant

Fredrik Ljungdahl  
Expert Member of FAR

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## Table of Contents

### **Management report**

- 56 Operations
- 60 Risk factors
- 63 Corporate governance report

### **Financial reports**

- 68 Accounts group
- 74 Notes group
- 97 Accounts parent company
- 102 Notes parent company
- 108 Statement of the board
- 109 Auditor's report
- 110 Financial review
- 112 The Meda share
- 114 Board members
- 116 Executives information
- 118 Definitions
- 119 Glossary and trademark rights
- 120 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 2013 financial year.

## Operations

Meda is a leading international specialty pharma company with a broad product portfolio and its own sales organization in close to 60 countries. Including the markets where distributors handle sales activities, Meda's products are sold in more than 120 countries.

## Business concept

Meda's business concept is to offer cost effective and medically well-motivated products. The company's goal is to become a world-leading specialty pharma company. The means for achieving this involves organic growth through market adapted product development and an active acquisition strategy. Based on a broad product portfolio and a strong cash flow, Meda's business concept is to identify, secure access to, integrate and commercialize pharmaceutical products in the selected therapy areas (primarily Respiratory and Dermatology) and the OTC market segment.

## 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 organic growth and acquisitions. 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 and 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. This has involved a greater focus on organic growth. In 2012 and 2013 new products were launched in these therapeutic focus areas, for example Dymista and Zyclara.

Several products of the Nordic OTC portfolio were launched in new markets in 2013. Meda also increased its market investments in a number of growth market countries during the year. The combination of new launches and an increased investments in countries with higher growth improved Meda's organic growth in 2013.

## Therapy areas

Meda offers its customers solutions in the form of a broad portfolio of products and knowledge in selected therapy areas.

## Prescription drugs – two strong therapy areas

Meda focuses primarily on two therapy areas – Respiratory and Dermatology. The company's products are meeting a growing need among patients and healthcare providers. This need is driven by factors such as the growing incidence of allergies and asthma, particularly in Western Europe and

North America, but also in growth markets. Dermatology 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.

## OTC Products

In recent years, Meda has built an extensive operation in over-the-counter drugs (OTC). At the end of 2013, the OTC segment comprised about 24% of total sales. More and more markets offer an increasingly large range of OTC products. They are key complements to prescribed drugs, because they often save patients time and reduce the cost burden on the health care system. Demand is also being driven by the recent growing interest in preventive health care. This varies widely from market to market and depends on how the health care system is constructed.

## Sales

Net sales for 2013 amounted to SEK 13,114 million (12,991). At fixed exchange rates, sales were 3% higher than in 2012, while organic sales growth amounted to 4%.

## Sales by geographic area

(SEK million)	2013	2012	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Western Europe	8,507	8,452	101	102	102
USA	2,416	2,481	97	101	105
Emerging Markets	1,951	1,834	106	111	114
Other Sales	240	224	107	108	96
<b>Total sales</b>	<b>13,114</b>	<b>12,991</b>	<b>101</b>	<b>103</b>	<b>104</b>

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

Sales in **Western Europe** for the period amounted to SEK 8,507 million (8,452), representing 2% growth, both organic and at fixed exchange rates. For the full year, Germany and the Netherlands dominated in growth in the region, while sales trends in the Nordic region were negative compared to the previous year.

Sales in the **US** amounted to SEK 2,416 million (2,481), representing an increase of 1% in fixed exchange rates and organic sales growth of 5%. The positive turnaround in the US is mainly the result of Dymista's sales growth, with sales reaching SEK 410 million in this market in 2013. Royalty income from the cooperation agreement with Valeant amounted to SEK 276 million (545).

Sales in **Emerging Markets** amounted to SEK 1,951 million (1,834), representing an increase of 11% at fixed exchange rates. Organic growth amounted to 14%. Growth compared to the previous year was mainly driven by China, Brazil and eastern European markets, whereas growth in the Middle East was weaker than in the previous year.

**Other Sales** amounted to SEK 240 million (224).

## Sales by product category

(SEK million)	2013	2012	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Specialty Products	8,265	8,107	102	104	106
OTC	3,133	3,023	104	105	103
Branded Generics	1,320	1,454	91	92	93
Other Sales	396	407	97	98	106
<b>Total sales</b>	<b>13,114</b>	<b>12,991</b>	<b>101</b>	<b>103</b>	<b>104</b>

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

Sales in **Specialty Products** amounted to SEK 8,265 million (8,107), representing an increase of 4% in fixed exchange rates. Organic growth for the period amounted to 6%, which was mainly attributable to Dymista sales, but also to a positive impact from strong growth for Elidel, Solco and For-moterol. The Specialty Products category was negatively affected by lower sales, particularly for Astepro and Soma.

**OTC** sales amounted to SEK 3,133 million (3,023), representing an increase of 5% at fixed exchange rates. Organic growth was 3% for the period, mainly attributable to the launch of CB12 and Endwars in new European markets.

**Branded Generics** had sales of SEK 1,320 million (1,454), a decrease of 8% at fixed exchange rates. Organic growth in this category amounted to –7%, mainly explained by lower sales for several products in the US.

**Other Sales** amounted to SEK 396 million (407).

## Profit

## Operating profit

Operating profit for 2013 was SEK 1,548 million (1,801) and EBITDA amounted to SEK 3,734 million (3,945), representing a margin of 28.5 % (30.4). Operating expenses amounted to SEK 6,479 (6,149) million.

Selling expenses for the period amounted to SEK 2,993 million (2,867). The increase is mainly due to marketing investments for Dymista in the US and Europe, and international initiatives in the OTC area.

Medicine and business development expenses increased to SEK 2,794 million (2,609), mainly as a result of clinical study costs relating to Dymista.

## Financial items and net income

The Group's net finance costs for 2013 amounted to SEK –545 million (–565) and profit after net finance costs was SEK 1,003 million (1,236). The average interest rate as of December 31, 2013 was 2.8% (3.0).

The Group's tax expense was SEK 198 million (61), equivalent to a tax rate of 19.8% (5.1). The tax expense for the previous year was positively affected by the amount of SEK 179 million relating to the revaluation of deferred tax liabilities due to a reduction in the Swedish corporate tax rate to 22%. Excluding non-recurring effects, the 2012 tax expense was SEK 240 million, equivalent to a tax rate of 19.4%.

Net income for the year amounted to SEK 805 million (1,175) and earnings per share amounted to SEK 2.67 (3.98). Excluding the non-recurring effects, the earnings per share for 2012 amounted to SEK 3.39.

## Cash flow

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

Tied-up capital affected cash flow in the amount of SEK –111 million (–238). Inventories increased by SEK 97 million, mainly due to stockpiling of Dymista in the US market. Receivables had a negative impact on cash flow of SEK 225 million, mainly as a result of higher sales at the end of the fourth quarter compared to at the end of the fourth quarter of 2012. Liabilities had a positive impact on cash flow in the amount of SEK 211 million, mainly explained by an increase in accrued expenses. As a result, cash flow from operating activities amounted to SEK 2,845 million (2,813).

Cash flow from investing activities amounted to SEK –1,255 million (–1,143). The acquisition of the patented product Aerospan in the US was completed at the beginning of the fourth quarter.

Cash flow from financing activities amounted to SEK –1,597 million (–1,608).

Free cash flow per share for the period amounted to SEK 8.89 (8.84).

## Financing

Equity as of December 31 was SEK 15,211 million, compared to SEK 14,723 million at the beginning of the year, corresponding to SEK 50.3 (48.7) per share. The equity/assets ratio was 41.9% compared to 40.0% at the beginning of the year. The Group's net debt as of December 31 was SEK 15,025, compared to SEK 16,037 at the beginning of the year.

## Proposed allocation of profits

The following profits are at the disposal of the 2014 annual general meeting:

## Parent company, SEK

The following profits are at the disposal of the AGM:

Share premium reserve	5,694,493,945
Fair value reserve	–26,213,269
Retained earnings	2,455,212,311
Profit for the year	327,760,298
<b>Total profit available for allocation</b>	<b>8,451,253,285</b>
The board proposes the following allocation of available profits:	
Dividend to the shareholders (SEK 2.50 per share)	755,607,663
Carried forward	7,695,645,622
<b>Total</b>	<b>8,451,253,285</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 2013 of SEK 2.50 (2.25) per share, making a total dividend of SEK 756 million (680).

Based on equity as of December 31, 2013, this dividend represents a reduction in the Group's equity/assets ratio from 41.9% to 39.9%.

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

### Key events during the financial year

#### Dymista approved in Europe

Dymista was approved in Europe through the decentralized registration process. Dymista has been approved for the treatment of seasonal and perennial allergic rhinitis. The national registration processes, including negotiations regarding pricing and reimbursement, as well as product launches have been ongoing in 2013, and Dymista is now sold in several European markets.

#### Meda is expanding its partnership with Indian pharmaceutical company Cipla

Meda is broadening the scope of its partnership with the Indian pharmaceutical company Cipla, thereby expanding the exclusive rights for Dymista and ensuring future product development. This expanded collaboration gives Meda coverage in Emerging Markets in Latin and South America, the Middle East, Africa and Asia, encompassing more than 120 new markets.

#### Meda acquires Aerospan

Meda has acquired the patented product Aerospan through the acquisition of Acton Pharmaceuticals Inc. The acquisition was completed on October 21 and the purchase price was USD 135 million. The transaction includes a milestone payment of USD 10 million and royalty-based milestones.

Aerospan (flunisolide HFA, 80 mcg) has been approved by the US Food and Drug Administration (FDA) to treat adults and children, six years and up, with asthma. Aerospan is the only registered product in the US market with a spacer, a built-in inhalation chamber that allows better drug delivery to the lungs.

#### Jörg-Thomas Dierks is Meda's new CEO

The board has appointed Dr Jörg-Thomas Dierks as the new CEO. He has worked for Meda as COO (Chief Operating Officer) since 2005. Jörg-Thomas Dierks is 53 years old and a physician. He has a long experience in the pharmaceutical industry at NovoNordisk and Viartis before coming to Meda.

#### New management team

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

- Maria Carell Executive Vice President, North America/Australia
- Esfandiari Faghfour Executive Vice President, Europe/Asia/Africa
- Dirk Groen Executive Vice President, Marketing OTC
- Erik Haeffler Executive Vice President, Manufacturing & Sustainability
- Ton van't Hullenaar Executive Vice President, Europe/Latin America
- Hans-Jürgen Kromp Executive Vice President, Legal & Trademarks
- Dr. Joachim Maus acting Executive Vice President, Scientific Affairs
- Henrik Stenqvist Executive Vice President, CFO
- Hans-Jürgen Tritschler Executive Vice President, Marketing Rx
- Rainer Weiß Executive Vice President, Human Resources
- Mårten Österlund Executive Vice President, Business Development

### 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 the product features.

As a specialty pharma company, Meda refrains from high-risk, capital intensive early research. Instead the company's resources are concen-

trated 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 an existing product, for example through:

- New formulations, such as a higher strength azelastine nasal spray (Astepro) for oncedaily use or a lower strength imiquimod cream (Zyclara) for the treatment of larger areas.
- Combination products, such as Acnatac for multi-factorial treatment of acne vulgaris.
- Internationalization of approved drugs, such as Aerospan and Dymista, in new countries/regions.

In 2013, Meda invested SEK 249 million (143) in drug development, excluding costs for registration, side-effect management and quality assurance.

### Sustainability and corporate social responsibility (CSR)

Meda coordinates all accountability and sustainability issues under its corporate social responsibility (CSR) and 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, sales and marketing, acquisitions, employees, governance, environment and community involvement.

CSR 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 CSR work in 2013 are described in Meda's Sustainability Report on pages 36–54.

#### UN Global Compact

Meda joined the UN Global Compact (UNGC) in May 2012. This means that Meda has undertaken to promote UNGC's ten principles on human rights, labor rights, 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. Promoting 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 comes primarily 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 and operate in a sustainable manner in the long term. The company complies with all relevant environmental laws and uses an ISO 14001 certified environmental management system (EMS). The aim is to achieve higher standards than those required under the law. Prioritized areas are energy consumption, hazardous waste and material consumption.

#### Production and environmental permits

Meda's environmental efforts mainly concern the production units in Germany, France and the US. The production facilities 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 2013.

Meda's EMS is certified according to ISO14001 and implemented in 2009. The Group's units have their own objectives for energy consumption and waste generation, and, where applicable, for wastewater and emission levels. These objectives are regularly followed up and revised. Since 2012, all of the production facilities, The development laboratory in Radebeul and the offices in Solna and Bad Homburg are covered by the ISO 14001 certification. Environmental audits of all relevant units/facilities are conducted by a third party.

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 measures implemented.

#### 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, 2013, including contract employees, was 3,226 (3,122). 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, 1,974 (1,907), work in sales and marketing.

#### Professional development, equality and diversity

The skill and commitment of the employees is key to Meda's development. Professional development takes place according to the needs of the individual and his/her role. Meda has a process of structured professional development, with a particular focus on product training in connection with acquisitions. An important component in guaranteeing that Meda has, and has access to, the expertise it needs is ensuring that employees' rights and opportunities are safeguarded. This applies to both existing and potential employees.

Meda's Business Conduct Guidelines clearly 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 2013.

#### Sick leave

Sick leave is relatively evenly split between men and women and the various age groups. In 2013 sick leave was 3.2% (3.1). Absence for 60 days or more was 1.0% (0.9). Monitoring sick leave and any necessary measures are handled at the local level.

#### Guidelines for remuneration to senior executives

The board proposes that the 2014 annual general meeting votes in favor of the following guidelines for remuneration to senior executives. The guidelines reflect Meda's need to be able to recruit and motivate qualified employees through a compensation package that is competitive in the various countries. The Group's executive Management consists of the CEO and the senior executives representing the leadership functions directly reporting into the CEO.

The guideline for remuneration/compensation and other employment terms for Meda's senior executives is based on initial contracts entered between Meda and its senior executives and imply that:

(i) Meda shall strive to offer its senior executives market-based remuneration/compensation,

(ii) subsequent criteria shall be based on significance of responsibilities, competence requirements, experience, and performance, and  
(iii) remuneration consists of:

- Fixed basic salary
- Short-term variable pay
- Long-term variable pay
- Pension benefits
- Other benefits and severance terms and conditions

The difference between basic salary and variable pay shall be in proportion to the senior executive's responsibilities and authorities.

Short-term variable pay is performance-based – mostly on company's key performance indicators as well as individual qualitative parameters. The short-term variable pay ceiling is 80% of the fixed basic salary for the CEO and 50% of the fixed basic salary for other senior executives.

Long-term variable pay may include a share-related incentive program. Pension premiums shall reflect usual market conditions. Pension-based salary consists of basic salary and variable pay.

Other benefits primarily consist of a company car. Other benefits may also consist of customary benefits in connection with the assignment or transfer of senior executives abroad. Such benefits may include temporary housing and tuition fees, relocation support, tax filing support, or similar.

Fixed salary during the period of notice and severance pay must together not exceed two years' fixed salary.

Issues concerning remuneration to Meda's senior executives are dealt with by the remuneration committee in preparation for decisions by the board of directors. The board of directors has the right to deviate from the guidelines for remuneration to senior executives described above if special reasons exist to do so.

For information on current remuneration packages for senior executives and the guidelines adopted at the 2013 annual general meeting, see the Group's Note 8.

#### Events after the reporting date

Meda has no significant events after the reporting date to report.

#### Parent company

Net sales for 2013 amounted to SEK 5,477 million (5,733), of which intra-group sales amounted to SEK 3,659 million (3,711).

Operating profit totaled SEK 402 million (423), and net finance income was SEK 383 million (970).

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

Financial assets as of December 31, 2013, totaled SEK 23,630 million compared to SEK 24,778 million at the end of the previous year.

#### Future outlook

We have the strategy and core strengths required to expand our position in our industry. Our position is well defined, our go-to-market capabilities are strong and we have both scale and efficiency to leverage our product portfolio globally. With greater focus to faster growing areas, both in terms of products and geographies, Meda's organic growth outlook is positive. By adding targeted acquisitions in our key therapy areas, higher growth rates are achievable. Actions to improve our operational efficiency, especially in the area of supply chain, are also expected to support our profitability and cash flow going forward.

In October Meda completed the acquisition of Aerospan – a patented product for the treatment of asthma. The acquisition secures unique spacer technology and supports Meda's strategy of an increased focus on the respiratory area. Aerospan – an important complement to Dymista – is expected to generate marketing synergies with Dymista when it is launched in 2014.



# 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 risk

### Emerging Markets

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

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

### Product launches

Launching new drugs takes time and involves considerable investment in for example marketing and stocking of products before launch, as well as other types of costs. The success of new products is particularly important for Meda because it is intended to compensate for the loss of sales of products with expired patents and products with declining sales as a result of factors such as stiff 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, 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 also of particular importance for Meda because they help to drive organic 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 is and can be expected to remain intense 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 no guarantee that Meda's product candidates or products developed by its partners will be preferred over existing or newly developed products. Future products in development by other pharmaceutical companies may result in increased 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 public authorities. 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

Meda's sales are to some extent dependent on the general economic climate. An economic downturn resulting in reduced demand, primarily for products classified as OTC drugs, cannot be ruled out. This 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. In general, the pharmaceutical industry is affected to a limited extent by economic trends, and in this respect Meda does not consider itself any different from other companies in the industry.

### 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 Meda'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 conditions, 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

Meda's production operation 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. A large proportion of the company's production volumes is, however, manufactured at Meda's own production units and production is planned so that temporary production stoppages do not determine Meda's ability to fulfill its commitments to customers. Also, Meda has production disruption insurance that protects the company 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 of these 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 in marketing and development with other pharmaceutical companies. 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 clinical trials conducted by Meda or its partners will be able to demonstrate sufficient safety and efficacy in order to receive the requisite approval from the authorities, or that they will result in products that can be sold on the market.

#### Acquisition-related risk

##### Opportunities for acquisitions and financing

Meda has had an active acquisition strategy for some time and it has resulted in a number of successful acquisitions. Meda's growth strategy will continue to include strategic acquisitions. There is, however, no guarantee that Meda will be able to continue to find suitable acquisition prospects or secure the necessary financing for future acquisitions on acceptable terms. Any shortage of acquisition prospects and/or 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, sales and marketing 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 would 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 Meda may be liable to pay significant damages and 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 include changes in regulations on pricing and discounting of drugs or changes 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. Also, 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's 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 Meda's 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 interminable economic 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 an ongoing 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 or the entire pharmaceutical industry 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 which means that the Group's net earnings are affected by changes in general interest rates. The interest rate risk is addressed by spreading Meda's borrowing across different rate maturities. Information on other financial risks can be found in the Group's Note 2.

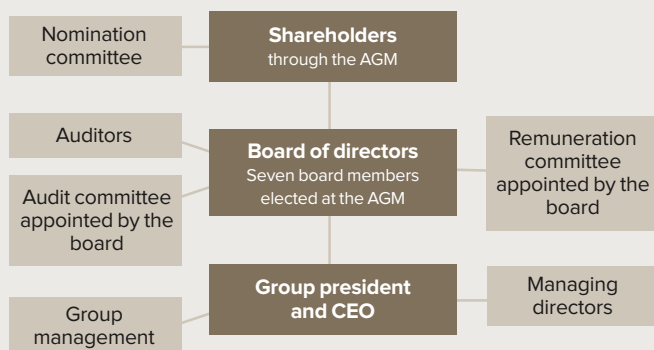
# Corporate governance report

## Corporate governance

Meda is a Swedish public limited company listed on NASDAQ OMX Stockholm. Meda applies the Swedish Corporate Governance Code and hereby submits the corporate governance report for 2013. Monitoring of Meda's governance in 2013 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 the Large Cap segment of NASDAQ OMX Stockholm since 2006.

## Ownership structure

As of December 30, 2013 Meda had 28,241 shareholders according to the share register maintained by Euroclear Sweden AB. The largest shareholder is Stena Sessan Rederi AB with 68,741,485 shares, equivalent to 22.7% of the capital and votes.

## Shares and votes

The parent company's shares consist of 302,243,065 Class A shares. Each Class A share represents one vote.

According to a decision at the 2013 annual general meeting, the parent company is authorized to issue Class A and/or Class B shares for use as payment in connection with the acquisition of other companies, shares in companies, product rights or other assets the board considers of value for the company.

According to a further decision at the 2013 AGM, the parent company is authorized to issue convertibles that can be converted into Class A and/or Class B shares. This authority only applies to issuances in connection with the acquisition of other companies, shares in companies, product rights or other assets the board considers of value for the company. These authorizations represent a dilution of no more than 10% of share capital and votes based on the total number of votes in the company at the time of the 2013 annual general meeting.

The parent company is also authorized according to a decision at the AGM 2013 to, at one or more occasions, decide on the purchase or sale of class A shares substantially according to the following: Shares may only be purchased at NASDAQ OMX Stockholm at a price within the current share

price interval. Shares may be purchased so that the company holds no more than ten percent of the total shares and votes in the company. Own shares may be sold at NASDAQ OMX Stockholm at a price within the current share price interval. Shares totaling the number of own shares currently held by the company at the time may be sold.

The above authorizations are valid until the AGM 2014. For further information on the share and shareholders, please refer to pages 112–113 and Meda's website.

## 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.

There is information from Meda's most recent AGM and EGMs 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 Meda must receive shareholder requests in order for the matter to be included in the notice to attend the meeting.

## Annual general meeting

The AGM is held in Solna. The meeting date and venue are 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 group management are always present in order to respond to shareholder questions. The auditor also attends the AGM.

## 2013 AGM

The AGM took place on Tuesday, May 7, 2013 in Solna. The meeting was attended by 303 shareholders, either in person or by proxy. Meda's board of directors, management, nominating committee and the company's auditors were present at the AGM.

The following main resolutions were passed:

- A dividend of SEK 2.25 per share for 2012
- Bert-Åke Eriksson was re-elected as chairman
- Peter Claesson, Peter von Ehrenheim, Marianne Hamilton, Tuve Johannesson, Anders Lönner and Lars Westerberg were re-elected as board members
- Karen Sörensen was elected as a new board member
- Adoption of remuneration for the board and auditor
- Adoption of principles for remuneration for Group management
- Authorization for the board to decide on issuing shares and convertibles
- Authorization for the board to decide on the acquisition of treasury shares
- Adoption of principles for appointing the nomination committee
- Increase in the number of board members from seven to eight

The minutes from the 2013 AGM are available on Meda's website, [www.meda.se](http://www.meda.se). (The information on Meda's website does not constitute a part of this annual report.)

#### 2014 annual general meeting

Meda's 2014 AGM will take place on Wednesday, May 7 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 on the number of votes each shareholder may exercise at general meetings or any specific provisions on the appointment and dismissal of board members or amendments to the Articles of Incorporation.

#### Nomination committee

The 2013 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.

#### Composition of the nomination committee

As announced in a press release on October 18, 2013, the current nomination committee consists of:

#### NOMINATION COMMITTEE

Karl-Magnus Sjölin (nomination committee chairman)	Stena Sessan Rederi AB
Bert-Åke Eriksson (chairman of Meda's board)	Stena Sessan Rederi AB
Evert Carlsson	Swedbank Robur Fonder
Anders Oscarsson	AMF Fonder
Lars Backsell	B&E Participation AB

#### Nomination committee's responsibilities

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

#### Nomination committee's work in preparation for the 2014 annual general meeting

The nomination committee held six meetings and had contact by email and phone. The chairman of the board provided the nomination committee with information on the work of the board and the company's likely focus for the years ahead. The committee held meetings with the company's new CEO and all of the board members were interviewed. The committee discussed the board's composition, addressing possible future requirements with respect to new expertise and experience. It is the committee's opinion that the board has executed its tasks in an efficient and professional manner. The committee has concluded that a majority of the proposed board mem-

bers are independent in relation to the company, its management and the company's major shareholders.

#### Board of directors

The board of directors has ultimate responsibility for Meda's organization and the administration of the company's operations. The CEO manages day-to-day operations based on guidelines and instructions prepared by the board. The CEO informs the board regularly about events of significance to the Group, including the company's performance 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 seven members elected by the AGM, including the chairman. Information about remuneration for board members as resolved at the 2013 AGM is available in the Group's Note 8.

#### The board's independence

The board is deemed to fulfill the independence requirements of the Swedish Corporate Governance Code. The board members are not employed by the Group. The nomination committee's assessment as to whether or not the proposed members meet the independence requirements is announced when the committee submits its proposal to the AGM. The independence status of each board member is indicated in the tables on pages 65–66.

#### 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 as needed.

The regular meetings address established reporting and decision items. The CEO regularly provides information about the company's performance. 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 between board meetings. The company's auditor attend at least one board meeting.

#### Work of the board in 2013

In 2013 11 board meetings were held. The attendance of the board members is indicated in the tables on pages 65–66. In 2013 the board dealt in particular with acquisitions and other strategic issues, in addition to the usual reporting and decision items.

#### New chief executive officer

On October 1, 2013 the board announced the appointment of Jörg-Thomas Dierks as Meda's new President and CEO effective as of October 1, 2013. Jörg-Thomas Dierks takes over from Anders Lönner who has served as Meda's President and CEO since 1999.

### 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: Tuve Johannesson (committee chairman), Bert-Åke Eriksson and Peter Claesson.

The audit committee has the following main responsibilities:

- Preparation 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 2013, with a particular emphasis on interim reports, audit reports, internal control and valuation of intangible assets. The attendance of the board members is indicated in the following tables.

### Remuneration committee

The remuneration committee consists of Bert-Åke Eriksson (committee chairman), Marianne Hamilton and Lars Westerberg.

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 applicable remuneration structures and levels within the company

In 2013 the committee held three regular meeting focusing on the Group's remuneration policies. The attendance of the board members is indicated in the following tables.

## BOARD MEMBERS

Name*	Bert-Åke Eriksson (Chairman)	Peter Claesson	Marianne Hamilton	Tuve Johannesson
Member since	1998	2009	2006	2006
Born	1944	1965	1947	1943
Education	BSc.	BSc in finance.	BSc and IFL School.	BSc in economics and MBA, Dr. (h.c.).
Shares in Meda	2,234,077 incl. companies	5,000	18,961	85,000
Other board appointments	Board member for Stena Adactum AB and Beijer Electronics AB.	Board member for Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB, Sveriges Angfartygs Assurans Förening, Handelsbanken Regionbank Västra Sverige and Wisent Oil PLC.	Board member for Connecta (publ) and Ek & Bok AB.	Board chairman for Arctic Island Ltd and Ecolean International A/S.
Current role	CEO, Stena Sessan Rederi AB.	CFO, Stena AB.	Not employed.	Advisor to J.C. Bamford Excavators Ltd and Senior Industrial Advisor to EQT.
Independent of Meda/company management	Yes	Yes	Yes	Yes
Independent of major shareholders	No	No	Yes	Yes
Professional experience	Desk officer at the Ministry of Enterprise, Energy and Communications, CEO of Rederi AB Gotland, CEO of United Tankers AB.	Various positions within the Trelleborg Group (1992–2007), most recently as Senior Vice President Group Treasury. Göteborgen (1989–1992).	HR Director Atlas Copco AB.	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).
Board meetings in 2013	11	11	11	11
Attendance	10	10	9	11
Audit committee	Yes	Yes	–	Yes, chairman
No. of meetings in 2013	3	3	–	3
Attendance	3	3	–	3
Remuneration committee	Yes, chairman	–	Yes	–
No. of meetings in 2013	3	–	3	–
Attendance	3	–	3	–



## BOARD MEMBERS

Name*	Lars Westerberg	Peter von Ehrenheim	Karen Sörensen	Jörg-Thomas Dierks
Member since	2012	2011	2013	Not member.
Born	1948	1955	1962	1960
Education	BSc in finance and MSc.	MSc, KTH Royal Institute of Technology.	MSc.	Physician.
Shares in Meda	220,000	15,000	0	162,000
Other board appointments	Board chairman for Husqvarna AB, board member for Volvo AB, Sandvik AB, SSAB and Stena AB.	Board chairman for Biolin Scientific AB, Denator AB and Robustus Wear Components AB. Board member for Biotage AB.	Board member for several Philips affiliates and board member for Technical University of Denmark.	–
Current role	Not employed.	Entrepreneur in engineering industry and life science consultant.	CEO of Philips Nordic and head of Philips Healthcare in the Nordics.	Group president and CEO of Meda.
Independent of Meda/company management	Yes	Yes	Yes	No
Independent of major shareholders	Yes	Yes	Yes	Yes
Professional experience	President & CEO and board member for Autoliv Inc (1999–2007). President & CEO of Gränges AB (1994–1999). President & CEO of Esab AB (1991–1994).	CEO GE Healthcare Life Sciences and a number of positions within Amersham and Pharmacia Biotech.	Vice President responsible for western Europe at Sanofi-Aventis and previously employed within several global pharmaceutical, biotech and med tech companies.	Previously: senior vice president for Commercial Operations and COO of Viatrix and before that, Novo Nordisk and Asta-Medica.
Board meetings in 2013	11	11	8 <sup>1)</sup>	2 <sup>2)</sup>
Attendance	10	11	8	2
Audit committee	–	–	–	–
No. of meetings in 2013	–	–	–	–
Attendance	–	–	–	–
Remuneration committee	Yes	–	–	–
No. of meetings in 2013	3	–	–	–
Attendance	3	–	–	–

<sup>1)</sup> Took up position at 2013 AGM.

<sup>2)</sup> Group president and CEO since October 1, 2013.

\* Anders Lönner resigned as Group president and CEO and board member during 2013.

## 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 respect 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.

## Auditors

Meda's auditor is the certified public accounting firm PricewaterhouseCoopers AB, with certified public accountant Mikael Eriksson as chief auditor. PwC was appointed at the 2013 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 company'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 operations are managed appropriately and efficiently.

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 (control environment, risk assessment, control activities, information and communication, and monitoring).

This oversight results in an annual action plan for the development of internal control. In 2013 this involved:

- Updating and implementing governing documents such as Business Conduct Guidelines and the Group Accounting and Reporting Manual
- Continued upgrading of the IT environment
- Following up compliance with internal regulations and guidelines
- Continuing control and monitoring of new entities

An action plan has been prepared for internal control work in 2014.

## 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 Group management. 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, routines, decision paths, authority, responsibility, attitudes and values as specified and communicated in governing documents. Examples of these governing documents are Meda's Business Conduct Guidelines, Delegation of Authority and Internal Control Standards.

#### 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 60–62.

Identified risks are mitigated through a clear division of responsibility and work tasks, and by establishing 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 within 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.

Financial communication is provided to the market by:

- Meda's annual report
- Interim reports and year-end financial statements which are published as press releases
- Press releases on important news and events that may significantly affect the share price
- Presentations and conference calls for financial analysts, investors and the media on the same day that year-end and interim financial reports are published
- Meda's website [www.meda.se](http://www.meda.se)

#### 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.

# Consolidated income statement

SEK million	Note	2013	2012 Restated
Net sales	4,5	13,114	12,991
Cost of sales	6	-5,087	-5,041
<b>Gross profit</b>		<b>8,027</b>	<b>7,950</b>
Selling expenses		-2,993	-2,867
Medicine and business development expenses		-2,794	-2,609
Administrative expenses		-692	-673
<b>Operating profit</b>	4,6-10	<b>1,548</b>	<b>1,801</b>
Finance income	11,12	22	61
Finance costs	11,12	-567	-626
<b>Profit after financial items</b>		<b>1,003</b>	<b>1,236</b>
Tax	13	-198	-61
<b>Net income</b>		<b>805</b>	<b>1,175</b>
<b>Earnings attributable to:</b>			
Parent company shareholders		807	1,204
Non-controlling interests		-2	-29
		<b>805</b>	<b>1,175</b>
<b>Earnings per share</b>	14		
basic, SEK		2.67	3.98
diluted, SEK		2.67	3.98
<b>Average number of shares</b>			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
<b>Actual number of shares at year-end</b>			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
<b>Dividend per share (SEK)</b>		2.50 <sup>1)</sup>	2.25

<sup>1)</sup> Proposed dividend

## Consolidated statement of earnings and other comprehensive income

SEK million	Note	2013	2012 Restated
Net income		805	1,175
<b>Items that will not be reclassified to the income statement</b>			
Revaluation of defined benefit pension plans and similar plans after tax	23	113	-178
		<b>113</b>	<b>-178</b>
<b>Items that may be reclassified to the income statement</b>			
Translation difference	23	510	-730
Net investment hedge, after tax	23	-277	403
Cash flow hedges, after tax	23	17	-31
		<b>250</b>	<b>-358</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>363</b>	<b>-536</b>
<b>Total comprehensive income</b>		<b>1,168</b>	<b>639</b>
<b>Earnings attributable to:</b>			
Parent company shareholders		1,168	667
Non-controlling interests		0	-28
		<b>1,168</b>	<b>639</b>

# Consolidated balance sheet

SEK million	Note	31 Dec, 2013	31 Dec, 2012 Restated	1 Dec, 2012 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	848	795	811
Intangible assets	16	29,666	30,419	32,306
Derivatives	21	–	–	9
Deferred tax assets	17	918	931	693
Available-for-sale financial assets	18	5	5	5
Other non-current receivables		13	10	12
<b>Total non-current assets</b>		<b>31,450</b>	<b>32,160</b>	<b>33,836</b>
<b>Current assets</b>				
Inventories	19	1,982	1,931	1,780
Trade receivables	20	2,151	1,929	1,944
Other receivables		196	199	154
Tax assets		106	117	151
Prepayments and accrued income		181	181	320
Derivatives	21	49	60	520
Cash and cash equivalents	22	178	194	140
<b>Total current assets</b>		<b>4,843</b>	<b>4,611</b>	<b>5,009</b>
<b>TOTAL ASSETS</b>		<b>36,293</b>	<b>36,771</b>	<b>38,845</b>

SEK million	Note	31 Dec, 2013	31 Dec, 2012 Restated	1 Dec, 2012 Restated
<b>EQUITY</b>				
Share capital	23	302	302	302
Other capital contributions	23	8,865	8,865	8,865
Other reserves	23	-415	-776	-239
Retained earnings including profit for the year		6,491	6,364	5,840
		<b>15,243</b>	<b>14,755</b>	<b>14,768</b>
Non controlling interests		-32	-32	-4
<b>Total equity</b>		<b>15,211</b>	<b>14,723</b>	<b>14,764</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	24	7,792	13,195	14,913
Derivatives	21	33	50	29
Deferred tax liabilities	17	2,211	2,537	2,735
Pension obligations	25	1,107	1,284	1,110
Other non-current liabilities		32	35	35
Other provisions	26	209	220	226
<b>Total non-current liabilities</b>		<b>11,384</b>	<b>17,321</b>	<b>19,048</b>
<b>Current liabilities</b>				
Trade payables		883	900	878
Current tax liabilities		464	431	373
Other liabilities		195	167	187
Accruals and deferred income		1,343	1,103	1,162
Derivatives	21	113	28	257
Borrowings	24	6,304	1,752	1,802
Other provisions	26	396	346	374
<b>Total current liabilities</b>		<b>9,698</b>	<b>4,727</b>	<b>5,033</b>
<b>Total liabilities</b>		<b>21,082</b>	<b>22,048</b>	<b>24,081</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,293</b>	<b>36,771</b>	<b>38,845</b>

# Consolidated cash flow statement

SEK million	Note	2013	2012 Restated
<b>Cash flow from operating activities</b>			
Profit after financial items		1,003	1,236
Adjustments for items not included in cash flow	28	2,246	2,164
Net change in pensions		-19	-56
Net change in provisions		116	35
Income taxes paid		-390	-328
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,956</b>	<b>3,051</b>
<b>Cash flow from change in working capital</b>			
Inventories		-97	-277
Receivables		-225	35
Liabilities		211	4
<b>Cash flow from operating activities</b>		<b>2,845</b>	<b>2,813</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		-136	-126
Acquisition of intangible assets		-261	-1,026
Asset acquisition	28	-862	-
Increase in financial receivables		1	2
Sale of non-current assets		3	7
<b>Cash flow from investing activities</b>		<b>-1,255</b>	<b>-1,143</b>
<b>Cash flow from financing activities</b>			
Loans raised		997	3,603
Loan repayments		-1,902	-4,451
Change of financial liabilities		-12	-80
Dividend to parent company shareholders		-680	-680
<b>Cash flow from financing activities</b>		<b>-1,597</b>	<b>-1,608</b>
<b>Cash flow for the period</b>		<b>-7</b>	<b>62</b>
Cash and cash equivalents at start of the year		194	140
Exchange-rate difference in cash and cash equivalents		-9	-8
<b>Cash and cash equivalents at year-end</b>	22	<b>178</b>	<b>194</b>
<b>Interest received and paid</b>			
Interest received		22	61
Interest paid		-377	-435
<b>Total</b>		<b>-355</b>	<b>-374</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, 2012	302	8,865	-239	6,047	14,974	-4	14,971
Effect of change in accounting policies for recognition of defined benefit pension plans and similar plans after tax	-	-	-	-207	-207	-	-207
Adjusted opening balance, Jan 1, 2012	302	8,865	-239	5,840	14,768	-4	14,764
Translation difference	-	-	-731	-	-731	1	-730
Net investment hedge	-	-	490	-	490	-	490
Tax, net investment hedge	-	-	-87	-	-87	-	-87
Cash flow hedges	-	-	-38	-	-38	-	-38
Tax, cash flow hedges	-	-	7	-	7	-	7
Defined benefit pension plans and similar plans	-	-	-260	-	-260	-	-260
Tax, defined benefit pension plans and similar plans	-	-	82	-	82	-	82
Total other comprehensive income	-	-	-537	-	-537	1	-536
Profit/loss for period	-	-	-	1,204	1,204	-29	1,175
Total comprehensive income	-	-	-537	1,204	667	-28	639
Dividend	-	-	-	-680	-680	-	-680
Closing balance, equity, Dec 31, 2012	302	8,865	-776	6,364	14,755	-32	14,723
Opening balance, equity, Jan 1, 2013	302	8,865	-776	6,364	14,755	-32	14,723
Translation difference	-	-	508	-	508	2	510
Net investment hedge	-	-	-355	-	-355	-	-355
Tax, net investment hedge	-	-	78	-	78	-	78
Cash flow hedges	-	-	22	-	22	-	22
Tax, cash flow hedges	-	-	-5	-	-5	-	-5
Defined benefit pension plans and similar plans	-	-	179	-	179	-	179
Tax, defined benefit pension plans and similar plans	-	-	-66	-	-66	-	-66
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

Note 23 contains additional information on share capital, other capital contributions, and other reserves.



# Notes group

## Note 1 Accounting policies

### Basis for preparation of reports

The consolidated accounts were prepared in accordance with the EU-adopted International Financial Reporting Standards (IFRS) as interpreted by the International Financial Reporting Interpretation Committee, and the Swedish Annual Accounts Act. Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, was also applied. 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 judgments in applying Meda's accounting policies. Note 3 discloses the areas that require a more thorough assessment, are complex, or in which assumptions and estimates are of significant importance to the consolidated financial statements.

### New standards and interpretations

New and amended standards applied by the Group

Below are the standards that are mandatory for the first time or which Meda has decided to early adopt for the financial year starting on January 1, 2013 and which have a material impact on the consolidated financial statements.

- IAS 19 Employee Benefits, amended in June 2011. The amendments relate to recognition of the Group's defined-benefit pension plans and health care benefit plans. In applying the amended version of IAS 19 the Group no longer uses the corridor approach and instead recognizes all actuarial gains and losses in other comprehensive income as they arise. Costs for prior years of service are recognized immediately. Interest expense and expected returns on plan assets have been replaced by net interest calculated using the discount rate, based on the net surplus or net deficit in the defined-benefit plan. The revised standard is applied retroactively. The opening balance is therefore as of January 1, 2012 and the 2012 comparison figures have been restated. The initial 2012 pension obligations, including employer contributions and other non-current liabilities related to changes in healthcare benefits, increased by SEK 334 million. The deferred tax assets have increased by SEK 127 million. The deficit resulting from the transition is recognized against retained earnings in equity, which decreased by SEK 207 million, taking deferred tax into consideration. As of December 31, 2012, the net pension obligations including employer contributions was adjusted from SEK 696 million to SEK 1,284 million. Liabilities related to health care benefits increased by SEK 14 million. Deferred tax assets increased from SEK 715 million to SEK 931 million. The reported profit declined by SEK 6 million and other comprehensive income is SEK -536 million compared to SEK -358 million. Earnings per share information can be found in Note 14.
- IAS 1 Presentation of Financial Statements has been amended with respect to the presentation of the statement of other comprehensive income. Other comprehensive income is now divided up into the items that may be reclassified to profit and loss and those that will not.
- IFRS 13 Fair Value Measurement replaces the guidelines on fair value measurement as presented in each IFRS standard. The aim is for fair

value measurement to be more consistent and less complex. To this end, the standard contains a precise definition and a common source in IFRS of fair value measurement for all types of assets and liabilities. The requirements do not expand the area of application for when fair value measurement is to be applied, but provide guidance for application in instances where other IFRS standards already require or allow fair value measurement. Implementation of the standard has not affected how the Group establishes fair value and therefore has no effect on the financial position or earnings. The Group's financial instruments measured at fair value are specified in Note 21.

- IFRS 7 Financial Instruments: Disclosures has introduced new disclosure requirements for offsetting financial assets and liabilities. The Group has financial assets and liabilities covered by the offsetting right as indicated in Note 21.
- IAS 36 Impairment of Assets has been amended with respect to recoverable amount disclosures for non-financial assets. The amendment removes a requirement for recoverable amount disclosures for cash-generating units, which was introduced in the standard when IFRS 13 was established. Although the amendment is mandatory as of January 1, 2014, the Group has decided to adopt it as of January 1, 2013.

### New standards and interpretations not yet applied by the Group

The following new standards and interpretations have been published.

- IFRS 10 Consolidated Financial Statements (EU-adopted) is based on existing principles as it identifies control as the determining factor in establishing if an entity should be included in consolidated financial statements. The standard provides additional guidance to help establish control when it is difficult to determine. The Group intends to apply IFRS 10 for the financial year starting on January 1, 2014. The standard is not expected to have any significant impact on the Group's financial statements.
- IFRS 11 Joint Arrangements (EU-adopted) focuses on the rights and obligations of parties in a joint arrangement, rather than the legal form of the arrangement. There are two types of joint arrangement: joint operations and joint ventures. A joint operation is where one party in a joint arrangement has a direct right to the assets and assumes responsibility for the liabilities in the joint arrangement. In such an arrangement, the assets, liabilities, income and costs are reported based on the holders' share of these. A joint venture is a joint arrangement where the parties who have a joint controlling influence over the arrangement have a right to the net assets in the arrangement. Joint ventures are reported according to the equity method; the proportion-of-equity method is no longer permitted. The Group intends to apply IFRS 11 for the financial year starting on January 1, 2014. The standard is not expected to have any significant impact on the Group's financial statements.
- IFRS 12 Disclosure of Interests in Other Entities (EU-adopted) requires disclosures on subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group intends to apply IFRS 12 for the financial year starting on January 1, 2014. The standard is not expected to have any significant impact on the Group's financial statements.
- IFRS 9 Financial Instruments (not adopted by EU) addresses the classification, measurement and recognition of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities. It replaces the parts of IAS 39 that relate

to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group will evaluate the effects of IFRS 9 when the remaining phases are concluded by IASB.

- IFRIC 21 Levies (not adopted by EU) clarifies when to recognize an obligation to pay a levy that is not income tax. The interpretation defines what an obligating event that triggers the payment of the levy is, and when a resulting liability should be recognized. This interpretation statement is not expected to have any significant impact on the Group's financial statements.

In addition to the above standards, certain interpretations and amendments to standards were issued that are not yet effective and are not relevant to the Group.

## Consolidated accounts

### Subsidiaries

Subsidiaries are all companies for which the Group has the right to draw up the financial and operating strategies in a way that generally accompanies a shareholding of more than half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date this control 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 also includes the fair value of all assets or liabilities arising from an agreement on a conditional purchase consideration. Identifiable acquired assets as well as liabilities assumed in a business combination are measured initially at their fair value on the acquisition date. The excess is recognized as goodwill and consists of the difference between the cost of acquisition 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 is 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 parent company's functional and presentation currency is the Swedish krona. The Group's presentation currency is the Swedish krona.

### Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the transaction date. Monetary assets

and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Exchange differences arising in the translations 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. Non-monetary assets and liabilities are normally recognized at historical cost and translated at the exchange rate in effect on the transaction date. Translation differences for non-monetary items, such as shares classified as available-for-sale financial assets, are included in the fair value reserve 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 translation of foreign operations are recognized directly in the statement of other comprehensive income as a translation difference.

### Net investments in foreign operations

Translation differences arising in translation of a foreign net investment and the associated effects of the hedging of net investments are recognized directly in the statement of comprehensive income as a translation difference. When disposing of foreign operations, the cumulative translation differences attributable to the operations, less any currency hedging, are realized in the consolidated income statement.

## 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 to allocate their costs of acquisition down to their estimated residual values is calculated using the straight-line method 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 necessary. 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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisition of subsidiaries is recognized in intangible assets. Goodwill is tested at least once a year for impairment and is carried at cost less accumulated impairment losses. Gains or losses on disposal of an entity include the remaining carrying amount of goodwill relating to the entity disposed of. Goodwill is allocated to cash-generating units in impairment testing.

### Product rights

Product rights are carried at cost. Product rights have a limited useful life and are carried at cost less accumulated amortization and, where applicable, 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 for impairment. See also Notes 3 and 16.

*Note 1, cont.*

#### 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 if it is highly likely that this expenditure will generate future economic benefits. Acquisition costs for 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 these 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 assets.

#### Impairment

Assets that have an indefinite useful life, i.e. goodwill, are not subject to amortization but are tested annually for impairment. Assets subject to amortization are reviewed for impairment in 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).

#### Financial assets

The Group classifies its financial assets into: 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.

#### 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 arise when the Group provides goods or services directly to a customer with no intention of trading the receivable. They are included in current assets, except for items with maturities more than 12 months from the reporting date; these 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. 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 in the income statement.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets.

Purchases and sales of financial instruments are recognized on the transaction date, i.e. the date on which the Group commits to purchase or sell the asset. Financial instruments are initially measured at fair value plus transaction costs. Financial instruments 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 virtually all risks and benefits of ownership. After acquisition, available-for-sale financial assets are recognized at fair value. Unrealized gains and losses arising from changes in the fair value of instruments classified as available-for-sale are recognized in

other comprehensive income. When instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are recognized in profit or loss as income/expense from financial instruments.

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.

#### 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 and other financial liabilities.

#### Borrowings

Borrowings are initially recognized at fair value, net of 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 until 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 at fair value, both initially and in subsequent remeasurement. 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 in IAS 39. Meda holds both derivatives that do and that do not qualify for hedge accounting.

Fair value disclosure for various derivatives used for hedging purposes can be found in Notes 2 and 21. Changes in the hedge reserve in equity are specified in Note 23. Derivatives are classified as a non-current asset or non-current liability 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 requirements 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's currency forward contracts do not meet the requirements for hedge accounting according to IAS 39. Changes in fair value are recognized as financial income or expense through profit or loss.

#### 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 in the income statement. Accumulated gains and losses in equity are recognized in the income statement when foreign operations are disposed of in whole or in part.

#### Fair value hedges

Certain loans are hedged through currency forward contracts. The Group's currency forward contracts do not meet the requirements for hedge

accounting 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 the cost of acquisition (weighted average price) and 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 the 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 in the income statement 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 regarding 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 health care 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 benefits 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 methods and assumptions for these 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 in cash and payments settled with equity instruments. The fair value of equity-settled share-based payments is determined on the allotment date and the difference between this value and the employee's payment for the warrants is recognized as a cost over the vesting period with equity as the offsetting entry. As of December 31, 2013 the Group had no outstanding share-related payments to be settled with equity instruments.

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 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, 2013.

### Provisions

Provisions for restructuring costs and statutory requirements are recognized 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. Restructuring provisions consist of lease termination penalties and severance pay. 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.

#### (b) Royalty income

Income from royalties is accrued as per the relevant agreement's financial implications.

#### (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.

Note 1, cont.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (after deductions for incentives from the lessor) are expensed through profit or loss on a straight-line basis over the lease term. When lease agreements denote that the company, as a lessee, in essence enjoys the economic benefits and carries the economic risks attributable to the lease object (finance lease), the object is recognized as a non-current asset on the consolidated balance sheet. The discounted present value of corresponding obligations to make lease payments in the future is recognized as a liability. Lease payments made are recognized in the consolidated income statement and divided between depreciation and interest.

### 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 basic 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 2013. 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 14.

### Other information

The financial statements are reported in SEK million unless otherwise stated.

Some tables may not add up because figures were rounded off.

## Note 2 Financial risks

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

### Currency risk

#### Transaction exposure

Transaction exposure is the risk of impact on the Group's net income and cash flow due to change in the value of commercial flows in foreign currencies in conjunction with exchange rate fluctuations. Meda has sales through its own sales organizations in close to 60 countries. Sales to other countries occur as export in the customers' local currency. Purchases are mainly made in EUR, GBP, USD, and SEK. So in all, the Group is continually exposed to transaction risk; this exposure is relatively limited. On December 31, 2013, currency derivatives that hedged transaction exposure had a net fair value of SEK 11 million (7). Hedge accounting is not applicable to these transactions, which means that 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 accounting 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 and 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 2013 that relate to net investments in foreign operations amounted to SEK 510 million (–730), and exchange rate effects from hedging instruments for net investments amounted to SEK –277 million (403) 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 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 2013. The average EUR/SEK exchange rate for 2013 was 8.6385 and 6.5096 for USD/SEK.

### 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 earnings depends on the fixed inter-

On December 31, 2013

Parameter	Change, %	Effect on net sales, SEK million	Effect on profit before tax, SEK million
EUR/SEK	+/- 1	+/-69	+/- 19
USD/SEK	+/- 1	+/-23	+/-4
Other currencies/SEK	+/- 1	+/-26	+/-7

On December 31, 2012

Parameter	Change, %	Effect on net sales, SEK million	Effect on profit before tax, SEK million
EUR/SEK	+/- 1	+/-73	+/-22
USD/SEK	+/- 1	+/-21	+/-5
Other currencies/SEK	+/- 1	+/-22	+/-6



est 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 3 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 2013, interest rate swaps had an impact on other comprehensive income of SEK 17 million (–31) from cash flow hedging after tax. The fair value included in the consolidated balance sheet for interest rate swaps as of December 31, 2013 was a net amount of SEK -33 million (–56).

On December 31, 2013, Group borrowings of SEK 14,096 million were mainly distributed as: EUR 764 million (SEK 6,765 million), USD 807 million (SEK 5,186 million), and SEK 1,720 million. The average interest rate including credit margins on December 31, 2013 was 2.8% (3.0). Interest expense for 2014 for this loan portfolio at unchanged interest rates would thus amount to SEK 409 million. If interest rates change instantaneously +/- 1%, Meda's interest expense would be affected by +/- SEK 119 million on an annual basis, taking into account the loan amounts and fixed interest rates that existed on December 31, 2013. Further information can be found in Note 24.

### 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, 2013, Meda had almost SEK 23 billion (23) in available credit facilities. Syndicated bank loans with nine Swedish and foreign banks form the basis for the Group's debt financing. In recent years, Meda diversified its financing sources. In May 2008, a Swedish commercial paper program was established with an upper limit of SEK 2 billion; as of December 31, 2013, the outstanding volume in this program amounted to SEK 600 million (660). In 2012, Meda established a Swedish MTN program with an upper limit of SEK 7 billion, and the first issue was carried out under this program in June, 2012. This issue amounted to SEK 500 million, with a term of three years. In April 2013 another two issues was carried out under this program. The issues amounted to SEK 400 million, with a term of three years and SEK 600 million, with a term of five years.

On December 31, 2013, confirmed facilities consisted of the following credit facilities (in chronological order according to maturity):

- Bilateral bank loan of SEK 1,000 million, maturing in March 2014.
- Bilateral bank loan of SEK 500 million, maturing in March 2014.
- Bond loan of SEK 4,266 million, maturing in December 2014.
- Bond loan of SEK 500 million, maturing in June 2015.
- Credit facility of SEK 2,000 million with four Nordic banks, maturing in November 2015.
- Credit facility with nine banks amounting to SEK 13,300 million, maturing 2015–2017.
  - SEK 3,627 million, maturing in March 2015.
  - SEK 5,200 million, maturing in March 2016.
  - SEK 4,473 million, maturing in March 2017.
- Bond loan of SEK 400 million, maturing in April 2016.
- Bond loan of SEK 600 million, maturing in April 2018.

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, 2013, the liquidity reserve stood at SEK 8,205 million, corresponding to 61% of sales for 2013.

The previous table 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, 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

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	456	–	–	–

On December 31, 2012, SEK million	< 1 year	1–2 years	2–5 years	> 5 years from the reporting date
Borrowings	2,130	10,007	3,661	–
Derivatives	26	19	22	–
Trade payables	900	–	–	–
Other liabilities	56	–	–	–
Accrued expenses	339	–	–	–

The Group's financial derivatives, which will be settled gross, comprised various currency forward contracts on the reporting date (see also Note 21). On the reporting date, the contractually agreed undiscounted cash flows from these instruments, maturing within 12 months, stood at SEK -18,494 million and SEK 18,429 million respectively (SEK –10,535 million and SEK 10,560 million respectively).

Note 2, cont.

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 20, 21 and 22.

### 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. The equity/assets ratio on December 31, 2013 and 2012:

SEK million	2013	2012 Restated
Equity	15,211	14,723
Total assets	36,293	36,771
Equity/assets ratio, %	41.9	40.0

## 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, 2013, provisions for legal disputes amounted to SEK 66 (72) million, see note 26. See note 27 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 16).

#### 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, 2013 the value of product rights totaled SEK 15,462 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, 2013, provisions for pensions amounted to SEK 1,107 million and assets were recognized in the amount of SEK 7 million. Provisions for health care benefits amounted to SEK 70 million. For further information on expenses and assumptions for post-employment benefits, see Note 25.

#### 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 185 million (183) 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, 2013, the Group was organized in three geographic areas: Western Europe, the US, and Emerging Markets.

<b>2013</b> <b>SEK million</b>	<b>Western Europe</b>	<b>US</b>	<b>Emerging Markets</b>	<b>Other Sales</b>	<b>Total</b>
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>

<b>2012</b> <b>Restated, SEK million</b>	<b>Western Europe</b>	<b>US</b>	<b>Emerging Markets</b>	<b>Other Sales</b>	<b>Total</b>
Segment's sales	10,057	2,508	1,834	224	14,623
Sales between segments	-1,605	-27	-	-	-1,632
<b>External net sales</b>	<b>8,452</b>	<b>2,481</b>	<b>1,834</b>	<b>224</b>	<b>12,991</b>
<b>EBITDA</b>	<b>3,078</b>	<b>1,161</b>	<b>410</b>	<b>-704</b>	<b>3,945</b>
Depreciation and amortization					-2,144
Finance income					61
Finance costs					-626
<b>Profit after financial items</b>	<b>3,078</b>	<b>1,161</b>	<b>410</b>	<b>-704</b>	<b>1,236</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 10,925 million (11,204) and the total of such non-current assets located in other countries is SEK 16,922 million (20,010).

Revenues from external customers in Sweden amount to SEK 1,310 million (1,352) and total revenues from external customers in other countries amount to SEK 11,804 million (11,639). A breakdown of net sales by income type is found in Note 5 and a breakdown by product category is found in the management report on page 57.

**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, services, and other income.

**Note 5** Net sales disclosed by type

<b>SEK million</b>	<b>2013</b>	<b>2012</b>
Goods sold	12,553	12,206
Revenue from contract manufacturing	173	141
Royalties	331	544
Other	57	100
<b>Total</b>	<b>13,114</b>	<b>12,991</b>

**Note 6** Expenses by type

<b>SEK million</b>	<b>2013</b>	<b>2012</b> <b>Restated</b>
Changes in stock of finished goods and work in progress	82	45
Raw materials and consumables	1,395	1,355
Goods for resale	2,472	2,485
Staff costs	1,944	1,796
Depreciation and amortization	2,159	2,144
Other expenses	3,514	3,375
<b>Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses</b>	<b>11,566</b>	<b>11,190</b>

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

	2013			2012		
	Average no. of employees		No. of employees On December 31 <sup>1)</sup>	Average no. of employees		No. of employees On December 31 <sup>2)</sup>
	Women	Men		Women	Men	
Germany	344	316	668	339	298	648
US	306	277	579	282	254	572
France	227	171	395	215	160	377
Russia	100	36	137	95	32	123
Sweden	73	37	105	92	48	112
Turkey	25	126	157	17	89	106
Italy	60	34	93	63	37	94
Spain	58	28	82	67	33	90
China	36	51	87	25	29	80
UK	38	38	77	34	43	76
Belgium	29	27	52	30	26	57
Mexico	27	30	57	21	28	49
Ukraine	31	18	49	28	18	47
Netherlands	24	18	42	23	19	41
Poland	25	19	44	20	19	40
United Arab Emirates	12	32	44	11	28	39
Austria	15	21	34	16	20	37
Portugal	21	16	37	21	17	37
Finland	16	14	29	15	9	30
Denmark	25	5	31	21	4	28
CIS	18	10	27	16	3	24
Balkans	25	17	43	20	17	24
Norway	9	12	22	13	7	23
Switzerland	14	6	20	13	6	22
Baltics	19	2	19	20	2	21
Greece	9	11	19	9	12	18
Czech Republic	9	6	15	10	4	14
Slovakia	9	7	16	8	6	14
South Africa	13	6	20	9	6	14
Ireland	5	10	15	4	9	13
Hungary	11	4	14	10	1	11
Belarus	9	4	12	8	4	11
Luxembourg	3	1	4	2	2	4
Brazil	4	1	5	1	0	3
Canada	1	0	1	0	0	0
Australia	3	2	11	1	0	1
	<b>1,653</b>	<b>1,413</b>	<b>3,062</b>	<b>1,579</b>	<b>1,290</b>	<b>2,900</b>
<b>Total</b>	<b>3,066</b>			<b>2,869</b>		

<sup>1)</sup> Additional 164 contract employees in: 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>2)</sup> Additional 222 contract employees in: Turkey 71, Germany 61, US 29, Russia 15, Sweden 12, Belgium 6, France 6, Hungary 6, Netherlands 5, Denmark 3, United Arab Emirates 3, CIS 2, South Africa 2, Ukraine 1.

**Gender distribution in media management**

	2013		2012	
	Women	Men	Women	Men
Boards <sup>3)</sup>	10	92	6	88
CEO and other senior executives <sup>4)</sup>	7	28	5	28
<b>Total</b>	<b>17</b>	<b>120</b>	<b>11</b>	<b>116</b>

<sup>3)</sup> Boards of the Group's operating companies.

<sup>4)</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 annual general meeting (AGM) determines the fees for the chairman and members of the board. The CEO does not receive a board fee.

Pursuant to a decision at the 2013 AGM, the fees for the board members for the period until the next AGM are SEK 2,850,000, of which SEK 750,000 is for the chairman's fee. The remaining amount is divided so that each board member not employed by the company receives SEK 350,000.

In addition to these amounts, according to the 2013 AGM decision, a fee totaling SEK 300,000 is paid for serving on the board's audit committee or remuneration committee.

The table below shows remuneration to the Board of Directors for 2013.

**CEO and other senior executives**

Since the 2013 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 the CEO and other 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. As of the 2013 AGM, other senior executives consisted of the Chief Operating Officer and Chief Financial Officer. According to the principles for remuneration and other employment terms, the company is to offer its senior executives market-based remuneration, the criteria for remuneration are to be based on the significance of their responsibilities, skills requirements, experience and performance, and 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.

The remuneration principles are in line with those from previous years and are based mainly on agreements already entered into between Meda and senior executives. 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 45% of the executive's total annual remuneration.

Long-term variable pay may include a share-related incentive program. Other benefits primarily consist of company car. Pension premiums consist of an amount that is based on the ITP scheme or comparable schemes for employees outside Sweden. Pension-based salary consists of basic salary and variable pay.

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.

On September 30, 2013 Ander Lönner resigned as President and CEO of Meda. Jörg-Thomas Dierks took over as President and CEO on October 1, 2013. Jörg-Thomas Dierks expanded the group consisting of other senior executives, which at the end of the year consisted of 12 individuals including the CEO. The other senior executives are presented on pages 116–117.

The proposed guidelines for remuneration to the CEO and other senior executives to be submitted to the 2014 annual general meeting by the board for a resolution are presented in the management report on page 59.

**CEO**

Anders Lönner was the CEO until September 30, 2013. On October 1 Jörg-Thomas Dierks took over as CEO.

**Remuneration to the current CEO**

Jörg-Thomas Dierks' remuneration for the period October 1, 2013 to December 31, 2013 consisted of basic salary of SEK 1.0 million, variable pay of SEK 1.1 million and benefits of SEK 0.1 million. Pension costs for the period amounted to SEK 0.7 million. For 2014, remuneration consists of basic salary of SEK 10.0 million and a variable pay of a maximum of 80% of basic salary. In addition to the statutory pension Jörg-Thomas Dierks receives a pension benefit that covers 35% of the fixed and variable pay. If he 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

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

SEK million	2013			2012 Restated		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	1,541	446	129	1,433	408	125
Pension costs						
– Defined-contribution plans			61			57
– Defined-benefit plans			65			65
– Defined-benefit post-employment health care plans			3			3
<b>Total</b>			<b>129</b>			<b>125</b>

**Salaries and other remuneration**

SEK million	2013				2012 Restated			
	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>	119	40	12	42	92	30	8	39
Other employees	1,422	179	117	3,031	1,341	141	117	2,836
<b>Total</b>	<b>1,541</b>	<b>219</b>	<b>129</b>	<b>3,073</b>	<b>1,433</b>	<b>171</b>	<b>125</b>	<b>2,875</b>

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

severance pay equivalent to one year's fixed salary. The CEO's employment terms are determined by the board of directors.

#### Remuneration to the previous CEO

In 2013 the company's costs excluding social security costs for the previous CEO Anders Lönner totaled SEK 40.8 million. This was for contractual remuneration up to the end of the contract period, i.e. June 30, 2014. The basic salary was SEK 14.3 million, variable pay SEK 15.0 million, pension costs SEK 11.2 million and other benefits SEK 0.3 million. The former CEO's pension is premium-based and the company has no other pension obligations after employment has ended.

#### 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 2013 recognized in the income statement is USD 0.2 million (0.2).

#### 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

2013 SEK million	Fixed basic salary/ board fee	Variable pay	Other benefits	Pension	Other benefits	Total
Jörg-Thomas Dierks, CEO <sup>1)</sup>	1.0	1.1	0.1	0.7	–	2.9
Former CEO, Anders Lönner <sup>2)</sup>	14.3	15.0	0.3	11.2	–	40.8
Bert-Åke Eriksson, board chairman <sup>3)</sup>	0.8	–	–	–	–	0.8
Peter Claesson, board member <sup>3)</sup>	0.4	–	–	–	–	0.4
Marianne Hamilton, board member <sup>3/4)</sup>	0.4	–	–	–	–	0.4
Peter von Ehrenheim, board member <sup>4)</sup>	0.3	–	–	–	–	0.3
Tuve Johannesson, board member <sup>3)</sup>	0.5	–	–	–	–	0.5
Lars Westerberg, board member <sup>3/4)</sup>	0.3	–	–	–	–	0.3
Karen Sörensen, board member <sup>4)</sup>	0.2	–	–	–	–	0.2
Other senior executives (12 persons <sup>5)</sup> )	11.0	4.6	1.0	3.8	–	20.4
<b>Total</b>	<b>29.2</b>	<b>20.7</b>	<b>0.6</b>	<b>15.7</b>	<b>–</b>	<b>67.0</b>

2012 SEK million	Fixed basic salary/ board fee	Variable pay	Other benefits	Pension	Other benefits	Total
Anders Lönner, CEO <sup>2)</sup>	9.5	10.0	0.2	7.5 <sup>1)</sup>	–	27.2
Bert-Åke Eriksson, board chairman <sup>3)</sup>	0.8	–	–	–	–	0.8
Peter Claesson, board member <sup>3)</sup>	0.4	–	–	–	–	0.4
Marianne Hamilton, board member <sup>3/4)</sup>	0.4	–	–	–	–	0.4
Peter von Ehrenheim, board member <sup>4)</sup>	0.3	–	–	–	–	0.3
Tuve Johannesson, board member <sup>3)</sup>	0.4	–	–	–	–	0.4
Maria Carell, board member	0.1	–	–	–	–	0.1
Anders Waldenström, board member	0.1	–	–	–	–	0.1
Lars Westerberg, board member <sup>4)</sup>	0.2	–	–	–	–	0.2
Other senior executives (2 persons)	6.8	3.5	0.3	2.7	–	13.3
<b>Total</b>	<b>19.0</b>	<b>13.5</b>	<b>0.5</b>	<b>10.2</b>	<b>0.0</b>	<b>43.2</b>

<sup>1)</sup> Relates to the period, October 1 – December 31, 2013

<sup>2)</sup> Former CEO, Anders Lönner used his right to convert his pension benefit into salary, as per his employment contract.

<sup>3)</sup> Including fee received for board committee work.

<sup>4)</sup> In addition, an amount corresponding to social security costs in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 0.4 (0.3) million.

<sup>5)</sup> Other executives includes Jörg-Thomas Dierks for the period, January 1 – September 30, 2013. Other changes compared to 2012 relates to additional members of the new management team for the period October 1 – December 31, 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	2013	2012
<b>PwC</b>		
Audit assignment <sup>1)</sup>	10	10
Tax consulting	1	2
Other services	0	0
<b>Total</b>	<b>11</b>	<b>12</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 0 million (!).

**Note 10 Operating leases**

SEK million	2013	2012
Leasing expensed during the financial year	166	162
The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:		
Payable within 1 year	122	142
Payable within 1–5 years	202	208
Payable after 5 years	7	8
<b>Total</b>	<b>331</b>	<b>358</b>

The largest proportion of the lease payments is for rent of premises in five of Meda's companies. An operating lease covering office rent in Bad Homburg, Germany, was entered into in 2004 and prolonged in 2013. The agreement runs until 2019. In 2011, Meda AB entered into an operating lease regarding offices in Sweden for the period January 1, 2011 until December 31, 2015. In the US, the lease for offices runs through 2015. Meda has leases in place for offices in France expiring 2015–2016. In the UK, Meda has leases for offices running until 2018. Operating leases for sales representatives' cars also account for a large portion of the Group's lease expenses. These leases span three to four years.

**Note 11 Exchange gains/losses, net**

SEK million	2013	2012
Finance income/costs (see Note 12)	–42	–33
<b>Total</b>	<b>–42</b>	<b>–33</b>

**Note 12 Finance income and finance costs**

SEK million	2013	2012 Restated
<b>Finance income</b>		
Interest	22	61
<b>Total finance income</b>	<b>22</b>	<b>61</b>
<b>Finance costs</b>		
Interest	–453	–528
Exchange losses (see Note 11)	–42	–33
Finance leases	–	–1
Costs of raising loans	–25	–29
Other finance costs	–47	–35
<b>Total finance costs</b>	<b>–567</b>	<b>–626</b>

**Note 13 Tax**

SEK million	2013	2012 Restated
<b>Current tax expense</b>		
Current tax for the year	–450	–393
Current tax attributable to prior years	26	–37
<b>Total</b>	<b>–424</b>	<b>–430</b>
<b>Deferred tax expense</b>		
Deferred tax (see Note 17)	226	369
<b>Total</b>	<b>–198</b>	<b>–61</b>

Tax expense constituted 19.8% (5.1) 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% (26.3) is illustrated in the table below.

SEK million	2013	2012 Restated
<b>Reconciliation of effective tax</b>		
Profit before tax	1,003	1,236
Tax as per applicable tax rate for parent company, %	22.0	26.3
Effect of other tax rates for foreign subsidiaries, %	–3.7	–8.4
Effect of utilization of a non-capitalized loss carry-forward, %	0.0	0.0
Other non-deductible expenses, %	3.6	2.8
Effect of changed tax rates, %	0.0	–14.4
Tax attributable to prior years, %	–2.1	–1.2
<b>Recognized effective tax, %</b>	<b>19.8</b>	<b>5.1</b>

**Note 14 Earnings per share**

## Basic earnings per share

	2013	2012 Restated
Profit attributable to parent company shareholders, SEK million	807	1,204
Average no. of shares (thousands)	302,243	302,243
No. of shares in calculation of basic earnings per share (thousands)	302,243	302,243
<b>Basic earnings per share (SEK)</b>	<b>2.67</b>	<b>3.98</b>

## Diluted earnings per share

	2013	2012 Restated
Profit attributable to parent company shareholders, SEK million	807	1,204
Average no. of shares (thousands)	302,243	302,243
No. of shares in calculation of diluted earnings per share (thousands)	302,243	302,243
<b>Diluted earnings per share (SEK)</b>	<b>2.67</b>	<b>3.98</b>

**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 302,243,065 (302,243,065). There are no potential diluted ordinary shares.

**Note 15** Property, plant, and equipment

SEK million	2013					2012				
	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	663	797	534	55	2,049	673	787	537	47	2,044
Investments	12	31	25	68	136	9	39	38	40	126
Sales/disposals	–	–50	–9	–	–59	–	–11	–35	–1	–47
Reclassification	1	28	3	–32	0	6	12	10	–29	–1
Translation difference	15	20	8	1	44	–25	–30	–16	–2	–73
<b>Closing cost of acquisition</b>	<b>691</b>	<b>826</b>	<b>561</b>	<b>92</b>	<b>2,170</b>	<b>663</b>	<b>797</b>	<b>534</b>	<b>55</b>	<b>2,049</b>
Opening depreciation	–298	–550	–406	–	–1,254	–290	–532	–411	–	–1,233
Sales/disposals	–	50	9	–	59	–	10	32	–	42
Year's depreciation	–16	–48	–36	–	–100	–15	–46	–43	–	–104
Reclassification	–	–1	1	–	0	–	–	–	–	–
Translation difference	–5	–15	–7	–	–27	7	18	16	–	41
<b>Closing depreciation</b>	<b>–319</b>	<b>–564</b>	<b>–439</b>	<b>–</b>	<b>–1,322</b>	<b>–298</b>	<b>–550</b>	<b>–406</b>	<b>–</b>	<b>–1,254</b>
<b>Carrying amount at year-end</b>	<b>372</b>	<b>262</b>	<b>122</b>	<b>92</b>	<b>848</b>	<b>365</b>	<b>247</b>	<b>128</b>	<b>55</b>	<b>795</b>
<b>Depreciation per function:</b>										
Cost of sales	–7	–38	–10	–	–55	–7	–35	–9	–	–51
Selling expenses	–	–	–6	–	–6	–	–1	–7	–	–8
Medicine and business development expenses	–1	–1	–3	–	–5	–1	–1	–4	–	–6
Administrative expenses	–7	–10	–17	–	–34	–7	–9	–23	–	–39
<b>Total</b>	<b>–15</b>	<b>–49</b>	<b>–36</b>	<b>–</b>	<b>–100</b>	<b>–15</b>	<b>–46</b>	<b>–43</b>	<b>–</b>	<b>–104</b>

**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	
	2013	2012	2013	2012
Machinery and plant	50	91	–25	–56
<b>Total</b>	<b>50</b>	<b>91</b>	<b>–25</b>	<b>–56</b>

Future minimum lease payments have these due dates:

SEK million	Nominal values		Present values	
	2013	2012	2013	2012
0–1 year	2	6	2	6
1–5 years	–	3	–	2
<b>Total</b>	<b>2</b>	<b>9</b>	<b>2</b>	<b>8</b>

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

SEK million	2013	2012
Machinery and plant	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

**Note 16** Intangible assets

SEK million	2013				2012			
	Goodwill	Product rights	Other assets <sup>1)</sup>	Total	Goodwill	Product rights	Other assets <sup>1)</sup>	Total
Opening cost of acquisition	13,809	26,167	144	40,120	14,361	25,647	126	40,134
Investments	–	236	25	261	–	1,002	24	1,026
Sales/disposals	–	–12	–	–12	–	–	–2	–2
Acquired operation	–	782	–	782	–16	–	–	–16
Translation difference	162	179	2	343	–536	–482	–4	–1,022
<b>Closing cost of acquisition</b>	<b>13,971</b>	<b>27,352</b>	<b>171</b>	<b>41,494</b>	<b>13,809</b>	<b>26,167</b>	<b>144</b>	<b>40,120</b>
Scheduled opening amortization	–	–9,604	–97	–9,701	–	–7,742	–86	–7,828
Sales/disposals	–	12	–	12	–	–	2	2
Scheduled amortization for the year	–	–2,067	–19	–2,086	–	–2,024	–16	–2,040
Translation difference	–	–51	–2	–53	–	162	3	165
<b>Scheduled closing amortization</b>	<b>–</b>	<b>–11,710</b>	<b>–118</b>	<b>–11,828</b>	<b>–</b>	<b>–9,604</b>	<b>–97</b>	<b>–9,701</b>
<b>Carrying amount at year-end</b>	<b>13,971</b>	<b>15,642</b>	<b>53</b>	<b>29,666</b>	<b>13,809</b>	<b>16,563</b>	<b>47</b>	<b>30,419</b>
<b>Scheduled amortization per function:</b>								
Cost of sales	–	–	–3	–3	–	–	–3	–3
Selling expenses	–	–	–3	–3	–	–	–3	–3
Medicine and business development expenses	–	–2,067	–4	–2,071	–	–2,024	–3	–2,027
Administrative expenses	–	–	–9	–9	–	–	–7	–7
<b>Total</b>	<b>–</b>	<b>–2,067</b>	<b>–19</b>	<b>–2,086</b>	<b>–</b>	<b>–2,024</b>	<b>–16</b>	<b>–2,040</b>

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

Specification of major product rights, SEK million	2013	Rate of amortization, years	Remaining amortization, years
Elidel	2,028	15	12.2
3M-produkter	1,992	15	8.0
Recip products	1,075	15	8.9
Valeant products	1,052	15	9.7
Alaven products	922	15	11.7
Antula products	811	25	22.3
Aerospan	782	15	15
Treo	665	25	22.9
Jazz products	599	15	13.8
Azelastine nasal formulation	522	15	8.7
Other	5,194	8–25	
<b>Total</b>	<b>15,642</b>		

**Impairment testing of goodwill**

The next table shows the carrying amount for goodwill distributed per geographic area. Goodwill was tested for impairment regarding the US (acquisitions of MedPointe and Alaven), the Nordics (acquisitions of Recip and Antula), and Europe excluding Nordics (acquisitions of Viatrix, 3M and Valeant).

SEK million	2013	2012
US	4,564	4,621
Nordics	2,110	2,111
Europe excluding Nordics	7,297	7,077
<b>Total</b>	<b>13,971</b>	<b>13,809</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 2013), the global pharmaceutical market is expected to increase by an average of 3–6% during the 2013–2017 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:

Parameter, %	US	Nordics	Europe excluding Nordics
Average budgeted gross margin	78	57	60
Growth rate beyond the four-year period	2	2	2
Discount rate, before tax	13	11	12

**Assumptions used in the previous year**

Average budgeted gross margin	80	56	60
Growth rate beyond the four-year period	2	2	2
Discount rate, before tax	13	12	12

Meda judges that the discount rate used is conservative because the weighted average cost of capital is lower than the discount rate. The recoverable amount for the tested entities exceeds their carrying amount, so no impairment loss was recognized.

Meda performed sensitivity analyses on the following parameters: gross margin, growth rate, discount rate and sales volumes, and observed that there are good margins in the calculations.

In the long term, Meda's ability to generate future deals constitutes a key factor in justifying recognized goodwill.



**Note 17** Deferred tax

Amounts referring to deferred tax assets and deferred tax liabilities on the balance sheet include:

SEK million	2013	2012 Restated
<b>Deferred tax assets:</b>		
Deferred tax assets to be used after 12 months	362	336
Deferred tax assets to be used within 12 months	556	595
<b>Total</b>	<b>918</b>	<b>931</b>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities payable after 12 months	1,919	2,107
Deferred tax liabilities payable within 12 months	292	430
<b>Total</b>	<b>2,211</b>	<b>2,537</b>

**Carry-forward of unused tax losses**

At year-end 2013, the Group reported deferred tax assets attributable to carry-forwards of unused tax losses of SEK 84 million. The tax base of loss carry-forwards not accounted for is about SEK 185 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	2013			2012 Restated		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Intangible non-current assets	72	1,558	-1,486	90	1,724	-1,634
Property, plant, and equipment	4	64	-60	2	69	-67
Stock (inventories)	260	5	255	257	5	252
Accrued expenses	317	125	192	302	246	56
Loss carry-forwards	84	0	84	12	0	12
Pensions	204	5	199	294	16	278
Untaxed reserves	0	492	-492	-	510	-510
Other	18	3	15	16	9	7
<b>Deferred tax assets and tax liabilities</b>	<b>959</b>	<b>2,252</b>	<b>-1,293</b>	<b>973</b>	<b>2,579</b>	<b>-1,606</b>
Offsetting of assets and liabilities	-41	-41	0	-42	-42	-
<b>Tax assets and tax liabilities, net</b>	<b>918</b>	<b>2,211</b>	<b>-1,293</b>	<b>931</b>	<b>2,537</b>	<b>-1,606</b>

Change regarding deferred taxes:

SEK million	Intangible non-current assets	Property, plant, and equipment	Stock (inven- tories)	Accrued expenses	Loss carry- forwards	Pensions	Un- taxed reserves	Other	Total
<b>On January 1, 2012, restated</b>	<b>-1,972</b>	<b>-71</b>	<b>219</b>	<b>90</b>	<b>60</b>	<b>229</b>	<b>-540</b>	<b>-57</b>	<b>-2,042</b>
Translation difference	72	3	-3	-10	-	-1	-12	-	49
Acquisition of subsidiaries	-	-	-	-	16	-	-	-	16
Recognition in income statement	266	1	36	56	-64	-32	42	64	369
Tax recognized in other comprehensive income	-	-	-	-80	-	82	-	-	2
<b>On December 31, 2012, restated</b>	<b>-1,634</b>	<b>-67</b>	<b>252</b>	<b>56</b>	<b>12</b>	<b>278</b>	<b>-510</b>	<b>7</b>	<b>-1,606</b>
Translation difference	-7	-1	1	3	0	-8	0	2	-10
Acquisition of asset	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	2	0	0	73	0	-66	0	0	7
<b>On December 31, 2013</b>	<b>-1,486</b>	<b>-60</b>	<b>255</b>	<b>192</b>	<b>84</b>	<b>199</b>	<b>-492</b>	<b>15</b>	<b>-1,293</b>

**Note 18** Available-for-sale financial assets

SEK million	2013	2012
Carrying amount at start of the year	5	5
Translation difference	0	0
<b>Carrying amount at year-end</b>	<b>5</b>	<b>5</b>

No impairment losses for decreases in value were taken in 2013 and 2012 for available-for-sale financial assets.

Available-for-sale financial assets include the following:

SEK million	2013	2012
Unlisted shares – Norway	1	1
Funds invested in interest-bearing (fixed-income) securities – Austria	4	4
<b>Total</b>	<b>5</b>	<b>5</b>

**Note 19** Inventories

SEK million	2013	2012
Raw materials	388	378
Work in progress	90	94
Finished goods and goods for resale	1,504	1,459
<b>Total</b>	<b>1,982</b>	<b>1,931</b>

The Cost of sales item contains expenditure for inventories recognized as an expense amounting to SEK 4,499 million (4,258). 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 174 million (130) during the year.

**Note 20** Trade receivables

SEK million	2013	2012
Trade receivables	2,173	1,948
Provision for bad debts	–22	–19
<b>Total</b>	<b>2,151</b>	<b>1,929</b>

The fair value of trade receivables corresponds to the carrying amount.

On December 31, 2013, the Group's trade receivables, excluding those that were past due and those impaired, stood at SEK 1,854 million (1,567).

On December 31, 2013 past due but not impaired trade receivables amounted to SEK 282 million (319). Their aging analysis:

SEK million	2013	2012
< 3 months	199	247
3–6 months	28	30
>6 months	55	42
<b>Total</b>	<b>282</b>	<b>319</b>

On December 31, 2013 the Group recognized trade receivables that were impaired amounting to SEK 37 million (62). The provision for bad debts totaled SEK 22 million (19).

Changes in the provision for bad debts:

SEK million	2013	2012
On January 1	19	23
Additional provision for bad debts	16	11
Receivables written off during the year as non-recoverable	–12	–12
Reversed unused amounts	–2	–2
Translation difference	1	–1
<b>Carrying amount at year-end</b>	<b>22</b>	<b>19</b>

**Note 21** Derivatives, financial assets and financial liabilities**Currency forward contracts**

On December 31, 2013, the Group's open forward foreign exchange contracts had terms of up to three months. This table shows classification by currency:

**Assets**

Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million
EUR/SEK	8.84	662	19
USD/SEK	6.458	196	6
TRY/SEK	3.22	40	11
Other			13
<b>Total</b>			<b>49</b>

**Liabilities**

Currency pairs	Exchange rate	Nominal amount, SEK million	Fair value, SEK million
EUR/USD	1.3541	465	75
EUR/SEK	8.8383	1,032	30
Other			8
<b>Total</b>			<b>113</b>

**Fair value of financial assets and liabilities**

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

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

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

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

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

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.

Note 21 cont.

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

<sup>1)</sup> Cash flow hedging**Note 22** Cash and cash equivalents

SEK million	2013	2012
Cash and bank balances	178	194
Current investments	0	0
<b>Total</b>	<b>178</b>	<b>194</b>

**Note 23** Equity**Share capital and other contributed capital**

No. of shares, share capital and premiums increased since 2012 as follows:

SEK million (except for no. of shares)	No. of shares	Share capital	Other contributed capital
January 1, 2012	302,243,065	302	8.865

**2012**

On December 31, 2012	302,243,065	302	8.865
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**2013**

On December 31, 2013	302,243,065	302	8.865
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**Dividend per share**

At the AGM on May 7, 2014, a dividend of SEK 2.50 per share for a total of SEK 756 million will be proposed for 2013. Dividends for 2012 amounted to SEK 680 million (SEK 2.25 per share) and for 2011 SEK 680 million (SEK 2.25 per share).

Other reserves, SEK million	Translation difference	Hedging of net investment	Cash flow hedging	Defined benefit pension plans and similar plans	Total
Other reserves Jan 1, 2012	–587	360	–12	–	–239
Translation difference for foreign operation	–731	–	–	–	–731
Earnings from hedging net investment in foreign operation	–	490	–	–	490
Tax on earnings from hedging net investment in foreign operation	–	–87	–	–	–87
Earnings from revaluation of derivatives recognized in other comprehensive income	–	–	–38	–	–38
Tax on earnings from revaluation of derivatives recognized in other comprehensive income	–	–	7	–	7
Earnings from defined benefit pension plans and similar plans	–	–	–	–260	–260
Tax on earnings from defined benefit pension plans and similar plans	–	–	–	82	82
<b>Other reserves Dec 31, 2012, restated</b>	<b>–1,318</b>	<b>763</b>	<b>–43</b>	<b>–178</b>	<b>–776</b>
Other reserves Jan 1, 2013, restated	–1,318	763	–43	–178	–776
Translation difference for foreign operation	508	–	–	–	508
Earnings from hedging net investment in foreign operation	–	–355	–	–	–355
Tax on earnings from hedging net investment in foreign operation	–	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>–415</b>

**Note 24** Borrowings

SEK million	2013	2012
<b>Long-term borrowing</b>		
Bank loans	6,295	8,426
Bond loans	1,497	4,766
Finance leases (see Note 15)	0	3
<b>Total</b>	<b>7,792</b>	<b>13,195</b>
<b>Short-term borrowing</b>		
Bank loans	1,444	1,083
Bond loans	4,266	–
Commercial papers	593	660
Finance leases (see Note 15)	2	9
<b>Total</b>	<b>6,304</b>	<b>1,752</b>
<b>Total borrowings</b>	<b>14,096</b>	<b>14,947</b>
<b>Maturities for long-term borrowing:</b>	<b>2013</b>	<b>2012</b>
Payable within 1–2 years	3,807	5,721
Payable within 2–5 years	3,985	7,474
Payable after 5 years	–	–
<b>Total</b>	<b>7,792</b>	<b>13,195</b>
<b>Carrying amounts in SEK million, by currency, for the Group's borrowing:</b>	<b>2013</b>	<b>2012</b>
EUR	6,765	8,143
USD	5,186	4,648
SEK	1,720	1,804
TRY	92	125
CHF	81	76
GBP	107	64
CAD	19	20
DKK	49	22
MXN	25	26
AUD	17	0
RUB	21	0
ZAR	15	19
NOK	0	0
<b>Total</b>	<b>14,096</b>	<b>14,947</b>
<b>Unused credits:</b>	<b>2013</b>	<b>2012</b>
Unused unconfirmed credits	700	700
Unused confirmed credits	8,001	7,772

**Not 25** Post-employment benefits

SEK million	2013	2012 Restated
Present value of funded obligations	942	1 070
Fair value of plan assets	–688	–679
Deficit of the funded plans	254	391
Present value of unfunded obligations	846	893
<b>Net</b>	<b>1,100</b>	<b>1,284</b>

SEK million	2013	2012 Restated
Recognized as assets <sup>1)</sup>	7	–
Recognized as liabilities	1,107	1,284
<b>Net</b>	<b>1,100</b>	<b>1,284</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.

Changes in fair value of plan assets during the year	2013	2012 Restated
At year's start	679	685
Interest income	25	29
<b>Remeasurements</b>		
Return on plan assets, excluding amounts included in interest income	27	37
<b>Contributions</b>		
Employers	45	84
<b>Payments from plan</b>		
Benefit payments	–43	–43
Settlements	–40	–40
Exchange differences	–5	–30
Settlements	–	–43
<b>At year-end</b>	<b>688</b>	<b>679</b>

Changes in present value of the obligations during the year	2013	2012 Restated
At year's start	1,963	1,795
Costs for service in current year	19	19
Costs for service in prior years	1	0
Interest expense	65	74
<b>Remeasurements</b>		
(Gain/loss) from change in demographic assumptions	2	–1
(Gain/loss) from change in financial assumptions	–159	276
Experience (gains/losses)	7	18
<b>Payments from plan</b>		
Benefit payments	–77	–74
Settlements	–40	–40
Exchange differences	7	–57
Settlements	–	–47
<b>At year-end</b>	<b>1,788</b>	<b>1,963</b>

Note 25 cont.

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

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>

2012 (Restated)	Germany	US	Sweden	UK	Other	Total
Present value of obligation	727	870	85	146	136	1,963
Fair value of plan assets	–	–486	–	–141	–52	–679
<b>Net</b>	<b>727</b>	<b>384</b>	<b>85</b>	<b>5</b>	<b>84</b>	<b>1,284</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 1,087 people, 401 of whom were active employees as of December 31, 2013.

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. It is a defined-benefit plan that encompasses several employers. As in previous years, 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. In 2012 Bayer Pensionskasse announced that it may not be able to cover future pension increases. Under German law (*Gesetz zur Verbesserung der betrieblichen Altersversorgung*) Meda would, in such a case, be liable to cover any future pension increases. For 2012 this assumption was included in the actuarial calculation and is recognized as a revaluation effect in other comprehensive income. Meda will not be paying any premiums to Bayer Pensionskasse for 2014. Meda's share of the total number of active participants in the plan as of December 31, 2013 was 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 was taken over in conjunction with the acquisition of MedPointe Inc., US, in August 2007 and it has been closed for new members and benefit accruals since January 31, 2003. The plan includes 1,971 persons whereof 119 are active employees as of December 31, 2013. Employees are currently offered a retirement solution through a defined contribution plan.

The member's defined benefit plan benefit is based on their compensation and service with the Company. Because the plan was frozen effective January 31, 2003, 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 252 million as of December 2013. 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 2014 are estimated to SEK 56 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 policy, which is determined by the board of Meda Pharmaceuticals Inc., and the SEI investment management agreement. The investments are determined within an asset-liability matching strategy 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 2013 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 2014 for ITP 2 plans with Alecta

amount to SEK 2 million (1). Meda's share of the total contributions to the plan amounts to 0.002% (0.002) and Meda's share of the total number of active participants is 0.013% (0.013). At the end of 2013, Alecia's surplus (in the form of the collective consolidation level) was 148% (129).

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 300 people, 66 of whom were active employees as of December 31, 2013.

## UK

The defined benefit pension plan in the UK is a funded plan and was taken over in conjunction with the acquisition of Valeant pharmaceuticals in West- and Eastern Europe in August 2008. The plan 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 168 persons whereof none are active employees as of December 31, 2013.

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 6 million as of December 2013. 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 5 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, 2013 amounted to SEK 88 million and recognized assets to SEK 1 million. Other pension obligations are mainly relate to France, Austria, Italy and Switzerland. Other plans assets are mainly attributable to Austria and Norway.

The defined-benefit pension plans in France are unfunded and withdrawals for pensions are made for the payments to be made for the retirees with vested pension. The pension payouts are inflation-adjusted annually. Recognized liabilities as of December 31, 2013 amounted to SEK 45 million. The plans cover 388 people all of whom were active employees as of December 31, 2013.

The significant actuarial assumptions are presented in the table below:

(weighted average %)	2013	2012
Discount rate	3.6	3.1
Future salary increase	2.2	2.0
Future pension increase	1.3	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, %)	2013	2012
<b>Retiring at the end of the reporting period (age 65 years)</b>		
Male	20.2	19.8
Female	23.3	22.9
<b>Retiring 25 years after the end of the reporting period (age 40 years)</b>		
Male	19.4	19.3
Female	22.7	22.6

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

	2013	Discount rate		Future salary increase		Future pension increase		Life expectancy	
		+0.25%	-0.25%	+0.25%	-0.25%	+0.25%	-0.25%	+1 year	-1 year
Present value of funded obligations	942	911	975	943	942	947	938	941	943
Fair value of assets	-688	-688	-688	-688	-688	-688	-688	-688	-688
Present value of unfunded obligations	846	802	864	837	827	859	806	831	821
<b>Net</b>	<b>1,100</b>	<b>1,025</b>	<b>1,151</b>	<b>1,092</b>	<b>1,081</b>	<b>1,118</b>	<b>1,056</b>	<b>1,084</b>	<b>1,076</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.

Note 25 cont.

Plan assets in the Group which are mainly attributable to US and UK are comprised as presented in the table below.

	Quoted	2013 Unquoted	Total	%	Quoted	2012 Unquoted	Total	%
<b>Equity instruments</b>								
US	219	–	219	32	212	–	212	31
UK	30	–	30	4	66	–	66	10
<b>Debt instruments</b>								
US	133	–	133	19	160	–	160	23
UK	119	–	119	17	75	–	75	11
<b>Property</b>								
US	–	27	27	4	–	24	24	4
<b>Other</b>								
US	23	93	116	17	1	89	90	13
<b>Other countries</b>	<b>44</b>	<b>0</b>	<b>44</b>	<b>7</b>	<b>49</b>	<b>3</b>	<b>52</b>	<b>8</b>
<b>Total</b>	<b>567</b>	<b>121</b>	<b>688</b>	<b>100</b>	<b>514</b>	<b>116</b>	<b>679</b>	<b>100</b>

#### Post-employment health care benefits

The Group has some post-employment health care benefits plans for certain senior executives in the US. These plans, which are unfunded, were taken over by the Group in conjunction with the acquisition of MedPointe Inc. in the US in August 2007. The accounting method, assumptions and valuation frequency resemble those used for defined-benefit pension plans. The plans are closed and no active employees are covered by them. Health care benefit liabilities are recognized in other provisions.

	2013	2012 Restated
Present value of unfunded obligation	70	76
<b>Net</b>	<b>70</b>	<b>76</b>

Changes in present value of the obligation during the year	2013	2012 Restated
At year's start	76	73
Interest expense	3	3
<b>Remeasurements</b>		
(Gain/loss) from change in financial assumptions	–5	5
Experience (gains/losses)	3	–1
<b>Payments from plan</b>		
Benefit payments	–6	–5
Exchange differences	–1	1
<b>At year-end</b>	<b>70</b>	<b>76</b>

The significant actuarial assumptions are presented in the table below.

	2013	2012
Discount rate	4.5	3.8
Long-term increase of health care cost trend rate	5.0	5.0

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

		Discount rate	Long-term increase of health care cost trend rate
	2013	0.25% –0.25%	0.25% –0.25%
Present value of unfunded obligation	70	69 72	71 69

\* The above sensitivity analyses are based on the same principals as when calculating the sensitivity of the defined benefit pension obligation.

Contributions to the Group's defined-benefit pension and health care plans for the 2014 financial year are expected to amount to SEK 103 million.

The weighted average maturity for the pension obligations is 14 years and for health care plans, 9 years.

The maturities for expected undiscounted payouts for post-employment pension and health care benefits are listed below:

	Pension benefits	Health care benefits	Total
Within 1 year	87	6	93
Between 1–2 years	94	6	100
Between 2–5 years	297	17	314
More than 5 years	2,905	81	2,986
<b>Total</b>	<b>3,383</b>	<b>110</b>	<b>3,493</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>	<p>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.</p> <p>The US plan contains a large percentage 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.</p> <p>The UK plan contains 20 (47) % 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 investment in assets that better match the liability.</p>
<b>Bond yield changes</b>	<p><i>Corporate bonds:</i> For the plans that are unfunded and where the discount rate is based on corporate bonds, a reduction in the interest on corporate bonds results in an increase in plan liabilities. The Group's largest unfunded plans where the discount rate is based on corporate bonds are in Germany. 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.</p> <p><i>Mortgage bonds:</i> The Swedish plans are unfunded and the discount rate is based on mortgage bonds. Any decrease in the interest on these will result in an increase in plan liabilities.</p>
<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 26 Other provisions

SEK million	Returns	Personnel	Restructuring	Legal disputes	Other	Total
On January 1, 2013, restated	257	134	36	72	67	566
Additional provisions	337	5	2	3	31	378
Utilized during the year	-204	-19	-20	-5	-29	-277
Reversed unused amounts	-34	-1	-4	-5	-18	-62
Translation difference	-3	0	0	1	2	0
On December 31, 2013	353	119	14	66	53	605

SEK million	2013	2012 Restated
Non-current provisions	209	220
Current provisions	396	346
<b>Total</b>	<b>605</b>	<b>566</b>

Expected outflow date	Non-current provisions
In 2–3 years	68
In 4–5 years	45
After 5 years	96
<b>Total</b>	<b>209</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 16 million (24) 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, 2013 will occur within 5 years after the reporting date. In conjunction with the MedPointe Inc. acquisition in the US in August 2007, some plans were adopted for post-employment health care benefits for certain former executives. The plans are closed. On December 31, 2013 the provision amounted to SEK 70 million (76 restated).

### Provisions for legal disputes

Individual assessment of ongoing disputes occurs continually.

### Provisions for restructuring

The provision for restructuring amounted to SEK 14 million (36). During the year, no additional restructuring programs have been initiated.

### Other provisions

Other provisions include, for example, excise duties and product-related provisions.

**Note 27** Contingent liabilities

Pledged collateral, SEK million	2013	2012
<b>Commitments</b>		
Guarantees	32	31

- 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 acquisition of the rights to BEMA Fentanyl in the US, Canada and Mexico may lead to milestone payments totaling USD 30 million when defined sales targets 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 30 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, 2013.
- 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 3,400 cases in which the company is named as one of multiple defendants, with most of the cases having been filed in Philadelphia, Atlantic City

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 in some of these cases may begin by the end of 2014. Meda believes it has meritorious defenses to the cases. As with all litigation, we cannot predict the outcome of the cases with certainty.

- 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 28** Cash flow**Adjustments for items not included in cash flow**

SEK million	2013	2012 Restated
<b>Operating activities:</b>		
Depreciation of property, plant, and equipment	100	104
Amortization of intangible assets	2,086	2,040
Other	60	20
<b>Total</b>	<b>2,246</b>	<b>2,164</b>

**Acquisition of Acton Pharmaceuticals Inc.**

During the fourth quarter Meda acquired the patent-protected product Aerospan. The product was acquired through the acquisition of the company Acton Pharmaceuticals Inc. The transaction is treated as an acquisition of assets in the accounts. The total price of the acquisition was SEK 879 million. There will also be a milestone payment of USD 10 million as well as royalty-based milestones.

Acquired net assets	Fair value
Product rights	782
Deferred tax assets	90
Other net assets	7
	879
Cash	–17
<b>Change in Group cash at acquisition</b>	<b>862</b>

**Note 29** Related-party transactions

Remuneration to senior executives is described in Note 8. No other related-party transactions occurred in 2013.

**Note 30** Events after the reporting date

Meda has no significant events after the reporting date to report.

# Income statement parent company

SEK million	Note	2013	2012
Net sales	2,3	5,477	5,733
Cost of sales	5	-3,178	-3,507
<b>Gross profit</b>		<b>2,299</b>	<b>2,226</b>
Other operating income	4	-	47
Selling expenses		-454	-500
Medicine- and business development expenses		-1,227	-1,145
Administrative expenses		-216	-205
<b>Operating profit</b>	5-9	<b>402</b>	<b>423</b>
Profit from interests in Group companies	10	331	819
Interest income and similar items	11	573	743
Interest cost and similar items	11	-521	-592
<b>Profit before appropriations and tax</b>		<b>785</b>	<b>1,393</b>
Appropriations	12	-457	-1,030
Tax	13	0	94
<b>Net income</b>		<b>328</b>	<b>457</b>

## Statement of comprehensive income

SEK million	2013	2012
Net income	328	457
Cash flow hedges, after tax	17	-31
<b>Other comprehensive income for the period after tax</b>	<b>17</b>	<b>-31</b>
<b>Total comprehensive income</b>	<b>345</b>	<b>426</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, 2013	31 Dec, 2012
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
<b>Intangible non-current assets</b>			
Product rights and other intangible assets	14	6,172	6,961
<b>Total intangible non-current assets</b>		<b>6,172</b>	<b>6,961</b>
<b>Property, plant and equipment</b>			
Equipment	15	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	16	9,244	9,265
Receivables from Group companies		14,338	15,459
Deferred tax asset	13	48	54
<b>Total non-current financial assets</b>		<b>23,630</b>	<b>24,778</b>
<b>Total non-current assets</b>		<b>29,803</b>	<b>31,740</b>
<b>Current assets</b>			
<b>Inventories</b>	17	<b>460</b>	<b>405</b>
<b>Current receivables</b>			
Trade receivables	18	283	264
Receivables from Group companies		1,033	898
Other receivables		35	42
Derivatives		47	60
Tax assets		3	7
Prepayments and accrued income	19	21	16
<b>Total current receivables</b>		<b>1,422</b>	<b>1,287</b>
<b>Cash and bank balances</b>		<b>22</b>	<b>0</b>
<b>Total current assets</b>		<b>1,904</b>	<b>1,692</b>
<b>TOTAL ASSETS</b>		<b>31,707</b>	<b>33,432</b>

SEK million	Note	31 Dec, 2013	31 Dec, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		302	302
Statutory reserves		3,175	3,175
<b>Total restricted equity</b>		<b>3,477</b>	<b>3,477</b>
<b>Non-restricted equity</b>			
Share premium reserve		5,694	5,694
Fair value reserve		-26	-43
Retained earnings		2,455	2,679
Profit for the year		328	457
<b>Total non-restricted equity</b>		<b>8,451</b>	<b>8,787</b>
<b>Total equity</b>		<b>11,928</b>	<b>12,264</b>
<b>Untaxed reserves</b>	20	<b>2,239</b>	<b>2,320</b>
<b>Provisions</b>			
Provisions for pensions	21	62	61
<b>Total provisions</b>		<b>62</b>	<b>61</b>
<b>Non current liabilities</b>			
Borrowings	22	7,778	13,173
Liabilities to Group companies		1,811	2,361
Deferred tax liability	13	-	8
Derivatives		137	193
<b>Total non-current liabilities</b>		<b>9,726</b>	<b>15,735</b>
<b>Current liabilities</b>			
Borrowings	22	6,302	1,736
Liabilities to Group companies		938	800
Trade payables		250	299
Derivatives		82	28
Other liabilities		5	20
Accruals and deferred income	23	175	169
<b>Total current liabilities</b>		<b>7,752</b>	<b>3,052</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,707</b>	<b>33,432</b>
<b>Commitments</b>	24	<b>41</b>	<b>187</b>

# Cash flow parent company

SEK million	Note	2013	2012
<b>Cash flow from operating activities</b>			
Profit after financial items		785	1,393
Adjustments for items not included in cash flow	25	712	122
Net change in pensions		1	3
Net change in other provisions		4	26
Income taxes paid		-2	-6
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,500</b>	<b>1,538</b>
<b>Cash flow from changes in working capital</b>			
Inventories		-56	8
Receivables		-153	71
Liabilities		-59	-46
<b>Cash flow from operating activities</b>		<b>1,232</b>	<b>1,571</b>
<b>Cash flow from investing activities</b>			
Acquisition of intangible assets		-233	-301
Acquisition of property, plant and equipment		-1	-1
Change of financial receivables		1,473	540
<b>Cash flow from investing activities</b>		<b>1,239</b>	<b>238</b>
<b>Cash flow from financing activities</b>			
Loans raised		997	3,113
Loan repayments		-1,890	-4,438
Capital contributions		-	-43
Change of other financial liabilities		-876	239
Dividend		-680	-680
<b>Cash flow from financing activities</b>		<b>-2,449</b>	<b>-1,809</b>
<b>Cash flow for the period</b>		<b>22</b>	<b>0</b>
Cash and cash equivalents at periods start		0	0
<b>Cash and cash equivalents at periods end</b>		<b>22</b>	<b>0</b>
Interest received		499	670
Interest paid		-386	-453
<b>Total</b>		<b>-386</b>	<b>217</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, 2012	302	3,175	5,694	-12	3,359	12,518
Comprehensive income						
Profit for the year	-	-	-	-	457	457
Other comprehensive income						
Cash flow hedging, interest rates derivatives	-	-	-	-39	-	-39
Tax on cash flow hedging, interest rates derivatives	-	-	-	8	-	8
Total other comprehensive income	-	-	-	-31	-	-31
Total comprehensive income	-	-	-	-31	457	426
Dividend in 2011	-	-	-	-	-680	-680
Closing balance, equity, Dec 31, 2012	302	3,175	5,694	-43	3,136	12,264
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



# 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 SRS, 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.

### Group contributions

Group contributions paid are recognized as an appropriation in the income statement. Group contributions received are recognized as financial income according to the same principles as for ordinary dividends from subsidiaries.

### 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	2013	2012
Western Europe	4,576	4,851
US	85	61
Emerging Markets	692	668
Other Sales	124	153
<b>Total</b>	<b>5,477</b>	<b>5,733</b>
Goods sold	5,265	5,585
Royalty income	124	104
Other income	88	44
<b>Total</b>	<b>5,477</b>	<b>5,733</b>

## Note 3 Intra-Group transactions

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

SEK million	2013	2012
Goods sold	3,447	3,563
Royalty income	124	104
Other income	88	44
Goods purchased	-146	-96
<b>Total</b>	<b>3,513</b>	<b>3,615</b>

## Note 4 Other operating income

SEK million	2013	2012
Service income, internal	-	47
<b>Total</b>	<b>-</b>	<b>47</b>

## Note 5 Expenses by type

SEK million	2013	2012
Raw materials and consumables	352	331
Goods for resale	2,051	2,244
Staff costs	156	128
Depreciation and amortization	1,023	964
Other expenses	1,493	1,690
<b>Total cost of sales, selling costs, medicine and business development expenses, and administrative expenses</b>	<b>5,075</b>	<b>5,357</b>

**Note 6** Personnel, average number of employees**Average no. of employees**

	2013		2012	
	Women	Men	Women	Men
	58	30	56	27
<b>Total</b>	<b>88</b>		<b>83</b>	

**Gender distribution in the board**

	2013		2012	
	Women	Men	Women	Men
The board of directors	2	5	1	6
<b>Total</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>6</b>

**Note 7** Salaries, other remuneration, and social security costs**Total salaries, social security costs and pensions**

SEK million	2013			2012		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	115	43	14	91	39	15
Pension costs						
– Defined-contribution plans			9			9
– Defined-benefit plans			5			6
<b>Total</b>			<b>14</b>			<b>15</b>

**Remuneration and other benefits to board and senior executives 2013**

For remuneration to the board and executives refer to note 8, Group.

**Note 8** 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	2013	2012
PwC		
Audit assignment <sup>1)</sup>	2	2
Tax consulting	0	0
Other services	0	0
<b>Total</b>	<b>2</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 0.0 million (0.0).

**Note 9** Operating leases

SEK million	2013	2012
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	2013	2012
Payable within 1 year	11	10
Payable within 1–5 years	19	16
Payable after 5 years	–	–
<b>Total</b>	<b>30</b>	<b>26</b>

In 2011, Meda AB entered into an operating lease regarding offices in Sweden for the period January 1, 2011 until December 31, 2015. Future lease payments will be based on performance of the consumer price index.

**Note 10** Earnings from interests in Group companies

SEK million	2013	2012
Dividends from Group companies	352	754
Group contributions received	–	70
Impairment of shares in Group companies	–21	–5
<b>Total</b>	<b>331</b>	<b>819</b>

**Note 11** Financial items

SEK million	2013	2012
<b>Interest income and similar items</b>		
Interest	571	743
Other finance income	2	0
<b>Total</b>	<b>573</b>	<b>743</b>

SEK million	2013	2012
<b>Interest expenses and similar items</b>		
Interest	–436	–488
Costs of raising loans	–25	–29
Exchange losses	–12	–40
Other	–48	–35
<b>Total</b>	<b>–521</b>	<b>–592</b>

**Note 12** Appropriations

SEK million	2013	2012
Group contributions paid	539	765
Excess depreciation/amortization	–82	265
<b>Total</b>	<b>457</b>	<b>1,030</b>

**Note 13** Tax

SEK million	2013	2012
<b>Current tax expense (-)/tax income (+)</b>		
Current tax for the year	-6	0
Current tax attributable to prior years	0	0
	-6	0
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax	6	94
<b>Total</b>	<b>0</b>	<b>94</b>

**Tax items recognized directly in equity**

	Dec 31, 2013	Dec 31, 2012
Deferred tax		
Derivatives	-4	8
<b>Total</b>	<b>-4</b>	<b>8</b>

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

The tax rate has with effect from 1 January been reduced to 22%.

SEK million	2013	2012
<b>Reconciliation of effective tax</b>		
Profit before tax	328	363
Tax as per applicable tax rate for parent company 22% (26.3)	-72	-95
Other non-deductible expenses	-6	-2
Non-taxable income (dividends from subsidiaries)	78	197
Revaluation of deferred taxes	-	-6
Tax attributable to prior years	0	0
<b>Recognized effective tax</b>	<b>0</b>	<b>94</b>

Temporary differences resulted in these deferred tax assets/liabilities:

SEK million	Other receivables	Derivatives	Derivatives	Borrowings	Total
<b>On January 1, 2012</b>	8	5	-67	-2	-56
Recognized in equity	-	8	-	-	8
Recognized in income statement	2	-1	59	34	94
<b>On December 31, 2012</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>

**Note 14** Product rights and other intangible assets

SEK million	2013			2012		
	Product rights	Other assest	Total	Product rights	Other assest	Total
Opening cost of acquisition	11,430	24	11,454	11,137	16	11,153
Investments	228	5	233	293	8	301
<b>Closing cost of acquisition</b>	<b>11,658</b>	<b>29</b>	<b>11,687</b>	<b>11,430</b>	<b>24</b>	<b>11,454</b>
Scheduled opening amortization	-4,490	-3	-4,493	-3,529	0	-3,529
Scheduled amortization for the year	-1,018	-4	-1,022	-961	-3	-964
<b>Scheduled closing amortization</b>	<b>-5,508</b>	<b>-7</b>	<b>-5,515</b>	<b>-4,490</b>	<b>-3</b>	<b>-4,493</b>
<b>Carrying amount at year-end</b>	<b>6,150</b>	<b>22</b>	<b>6,172</b>	<b>6,940</b>	<b>21</b>	<b>6,961</b>
<b>Scheduled amortization per function</b>						
Medicine and business development expenses	-1,018	-4	-1,022	-961	-3	-964

**Note 15** Equipment

SEK million	2013	2012
Opening cost of acquisition	8	23
Investments	1	1
Sales/disposals	–	–16
<b>Closing cost of acquisition</b>	<b>9</b>	<b>8</b>
Opening depreciation	–7	–22
Year's depreciation	–1	–1
Sales/disposals	–	16
<b>Closing depreciation</b>	<b>–8</b>	<b>–7</b>
<b>Carrying amount at year-end</b>	<b>1</b>	<b>1</b>
<b>Depreciation per function:</b>		
Administrative expenses	–1	–1

**Note 16** Interests in Group companies

Subsidiaries	Corporate ID number	Registered office	No. of shares	Share of equity, %	Carrying amount 2013	Carrying amount 2012
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	556489-3948	Täby, Sweden	400,000	100	4	25
Medinet International Ltd.	0113742-0	Åbo, Finland	4,800	100	21	21
Meda Pharma Hungary Kft.	01-09-870550	Budapest, Hungary	130	100	5	5
Meda Valeant Inc.	44 9014-2	Montréal, Canada	2,750	55	22	22
Meda AS	920218199	Asker, Norway	2,000	100	2	2
Meda Pharmaceuticals Ltd.	6130651123	Istanbul, Turkey	523,195	42.96 <sup>3)</sup>	23	23
Meda OY	0111457-9	Åbo, Finland	3,200	100	1	1
Meda Pharmaceuticals SA	58280/01AT/B/05/111	Athens, Greece	60,000	99.9	1	1
Cytopharma AB	556538-1018	Täby, Sweden	1,000	100	1	1
Meda Health Sales Ireland Ltd.	403901	Dunboyne, Ireland	510,000	100	43	43
Meda Pharma LLC	1097746271127	Moscow, Russia	1	1 <sup>4)</sup>	0	–
Meda Pharmaceuticals Sp.z o.o.	5272515293	Warsaw, Poland	50	100	0	0
Scanmeda AB	556053-7002	Gothenburg, Sweden	500	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
<b>Total</b>					<b>9,244</b>	<b>9,265</b>

<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> IPEX AB has a 57.04% share of equity.

<sup>4)</sup> IPEX AB has a 99% share of equity.

**Note 17** Inventories

SEK million	2013	2012
Raw materials	95	78
Work in progress	0	0
Finished goods and goods for resale	365	327
<b>Total</b>	<b>460</b>	<b>405</b>

The charge for expensed inventories is included in the Cost of sales item and amounted to SEK 2,488 million (2,684).

Impairment of inventories in the parent company totaled SEK 15 million (27) during the year.

**Note 18** Trade receivables

SEK million	2013	2012
Trade receivables	283	264

On December 31, 2013, past due trade receivables stood at SEK 44 million (44). Their aging analysis is as follows:

SEK million	2013	2012
< 3 months	28	31
3–6 months	4	1
>6 months	12	12
<b>Total</b>	<b>44</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 239 million (220). Their aging analysis:

SEK million	2013	2012
Less than three months	239	220
<b>Total</b>	<b>239</b>	<b>220</b>

**Note 19** Prepayments and accrued income

SEK million	2013	2012
Prepaid rent	2	2
Prepaid insurance	3	3
Other prepayments	16	11
<b>Total</b>	<b>21</b>	<b>16</b>

**Note 20** Untaxed reserves

SEK million	2013	2012
Accumulated excess depreciation/amortization	2,239	2,320
<b>Total</b>	<b>2,239</b>	<b>2,320</b>
<b>Accumulated excess depreciation/amortization by asset type</b>		
Product rights	2,239	2,320

**Note 21** Pension provisions

SEK million	2013	2012
PRI pensions	62	61
<b>Total</b>	<b>62</b>	<b>61</b>

Pension costs for the defined-benefit pension plan were recognized in the amount of SEK 5 million (6) in the operation. Interest expense was SEK 2 million (3).

**Note 22** Borrowings

SEK million	2013	2012
<b>Long-term borrowing</b>		
Bank loans	6,282	8,407
Bond loans	1,497	4,766
<b>Total</b>	<b>7,778</b>	<b>13,173</b>
<b>Short-term borrowing</b>		
Bank loans	1,444	1,076
Bond loans	4,266	–
Commercial papers	593	660
<b>Total</b>	<b>6,302</b>	<b>1,736</b>
<b>Total borrowings</b>	<b>14,081</b>	<b>14,909</b>

Maturities for long-term borrowing:

Payable within 1–2 years	3,803	5,721
Payable within 2–5 years	3,975	7,452
Payable after 5 years	–	–
<b>Total</b>	<b>7,778</b>	<b>13,173</b>

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

EUR	6,762	8,116
USD	5,173	4,613
SEK	1,720	1,829
TRY	92	125
CHF	81	76
GBP	107	64
MXN	25	26
DKK	49	22
CAD	19	20
ZAR	15	18
RUB	21	–
AUD	17	–
<b>Total</b>	<b>14,081</b>	<b>14,909</b>

Unused credits:	2013	2012
Unused unconfirmed credits	700	700
Unused confirmed credits	8,001	7,772

**Note 23** Accruals and deferred income

SEK million	2013	2012
Accrued interest expense	69	64
Vacation pay liability	10	11
Prepaid income	2	–
Other accrued employee benefits expense	6	28
Other accrued expenses	88	66
<b>Total</b>	<b>175</b>	<b>169</b>

**Note 24** Contingent liabilities

Pledged collateral, SEK million	2013	2012
<b>Commitments</b>		
Surety given that benefits subsidiaries	40	186
Guarantees	1	1
<b>Total</b>	<b>41</b>	<b>187</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 acquisition of the rights to BEMA Fentanyl in the US, Canada and Mexico may lead to milestone payments totaling USD 30 million when defined sales levels are reached.
- The agreement with Ethypharm for the rights to the combination of ketoprofen 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 15 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 25** Cash flow

## Adjustments for non-cash items

SEK million	2013	2012
<b>Operating activities:</b>		
Amortization of intangible non-current assets	1,023	964
Impairment of shares in subsidiaries	20	5
Not yet paid dividend from subsidiaries	–352	–754
Group contributions received	–	–70
Other	21	–23
<b>Total</b>	<b>712</b>	<b>122</b>

**Note 26** 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 2013 have been approved for publication according a board decision on March 28, 2014. The board proposes adoption of the annual accounts and consolidated accounts at the annual general meeting on May 7, 2014.

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 28, 2014

The board and CEO of Meda AB (publ)

Bert-Åke Eriksson  
Board chairman

Peter Claesson  
Board member

Peter von Ehrenheim  
Board member

Marianne Hamilton  
Board member

Tuve Johannesson  
Board member

Karen Sörensen  
Board member

Lars Westerberg  
Board member

Jörg-Thomas Dierks  
CEO

We submitted our audit report on March 31, 2014

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 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 56–108.

## 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 in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 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 2013 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 2013.

## 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 whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 31, 2014

PricewaterhouseCoopers AB

Mikael Eriksson  
Authorized Public Accountant

# Financial review

SEK million	2013	2012 Restated	2011	2010	2009
<b>SUMMARY OF INCOME STATEMENTS</b>					
<b>Continuing operations</b>					
Net sales	13,114	12,991	12,856	11,571	13,178
Operating expenses	-11,566	-11,190	-10,212	-9,471	-10,276
Other income	-	0	-	429	-
<b>Operating profit <sup>1)</sup></b>	<b>1,548</b>	<b>1,801</b>	<b>2,644</b>	<b>2,529</b>	<b>2,902</b>
Net finance costs	-545	-565	-604	-552	-618
<b>Profit after financial items</b>	<b>1,003</b>	<b>1,236</b>	<b>2,040</b>	<b>1,977</b>	<b>2,284</b>
Tax	-198	-61	-432	-549	-747
<b>Net income <sup>2)</sup></b>	<b>805</b>	<b>1,175</b>	<b>1,608</b>	<b>1,428</b>	<b>1,537</b>
<sup>1)</sup> Operating profit, adjusted for non-recurring effects	1,548	1,801	2,683	2,297	3,033
Non-recurring effects, revenue	-	-	-	429	-
Non-recurring effects, expenses	-	-	-39	-197	-131
<sup>2)</sup> Net income attributable to:					
Parent company shareholders	807	1,204	1,616	1,444	1,539
Non-controlling interests	-2	-29	-8	-16	-2
	805	1,175	1,608	1,428	1,537
<b>SUMMARY OF BALANCE SHEETS</b>					
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant, and equipment	848	795	811	788	854
Intangible	29,666	30,419	32,306	28,214	27,453
Other non-current assets	936	946	592	624	883
<b>Current assets</b>					
Inventories	1,982	1,931	1,780	1,520	1,666
Current receivables	2,683	2,486	3,089	2,305	2,091
Cash and cash equivalents	178	194	140	111	76
<b>Total assets</b>	<b>36,293</b>	<b>36,771</b>	<b>38,718</b>	<b>33,562</b>	<b>33,023</b>
<b>Equity and liabilities</b>					
<b>Equity</b>	<b>15,211</b>	<b>14,723</b>	<b>14,971</b>	<b>13,925</b>	<b>13,664</b>
<b>Non-current liabilities</b>					
Interest-bearing	8,899	14,479	15,699	8,421	11,082
Other non-current liabilities	2,485	2,842	3,015	2,924	2,764
<b>Current liabilities</b>					
Interest-bearing	6,304	1,752	1,802	5,226	2,478
Other current liabilities	3,394	2,975	3,231	3,066	3,035
<b>Total equity and liabilities</b>	<b>36,293</b>	<b>36,771</b>	<b>38,718</b>	<b>33,562</b>	<b>33,023</b>
<b>SUMMARY OF CASH FLOW STATEMENTS</b>					
Cash flow from operating activities before changes in working capital	2,956	3,051	3,130	2,734	3,087
Change in working capital	-111	-238	-272	-198	37
<b>Cash flow from operating activities</b>	<b>2,845</b>	<b>2,813</b>	<b>2,858</b>	<b>2,536</b>	<b>3,124</b>

SEK million	2013	2012 Restated	2011	2010	2009
Cash flow from investing activities	-1,255	-1,143	-5,669	-2,852	-518
Cash flow from financing activities	-1,597	-1,608	2,844	365	-2,724
Cash flow for the period	-7	62	33	49	-118
Cash and cash equivalents at period's start	194	140	111	76	198
Exchange-rate difference for cash and cash equivalents	-9	-8	-4	-14	-4
Cash and cash equivalents at period's end	178	194	140	111	76
<b>INVESTMENTS</b>					
- in intangible non-current asstes <sup>3)</sup>	1,043	1,026	5,596	3,141	412
- in property, plant and equipment	136	126	124	127	109
Free cash flow <sup>4)</sup>	2,688	2,672	2,713	2,390	3,004
Free cash flow per share <sup>5)</sup>	8.9	8.8	9.1	8.0	9.0
<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 acquisition of product rights, asset deals and subsidiaries).					
<sup>5)</sup> Calculated on average number of diluted shares.					
<b>KEY RATIOS RELATED TO EARNINGS</b>					
Gross margin, %	61.2	61.2	63.8	64.1	66.1
Operating margin, %	11.8	13.9	20.6	21.9	22.0
Profit margin, %	7.6	9.5	15.9	17.1	17.3
EBITDA, SEK million	3,734	3,945	4,683	4,306	4,387
EBITDA margin, %	28.5	30.4	36.4	37.2	33.3
EBITDA excluding non-recurring effects, SEK million	3,734	3,945	4,722	4,074	4,518
EBITDA margin excluding non-recurring effects, %	28.5	30.4	36.7	35.2	34.3
<b>CAPITAL STRUCTURE AND EARNINGS</b>					
Equity, SEK million	15,211	14,723	14,971	13,925	13,664
Adjusted equity, SEK million	14,455	14,043	14,291	13,321	13,362
Return on capital employed, %	5.1	5.7	8.8	9.3	10.0
Return on equity, %	5.4	7.9	11.1	10.4	11.4
Net debt, SEK million	15,025	16,037	17,361	13,524	13,467
Net debt/equity ratio, times	1.0	1.1	1.2	1.0	1.0
Equity/assets ratio, %	41.9	40.0	38.7	41.5	41.4
EBIT interest cover, times	2.8	3.0	3.9	4.4	4.5
Proportion of risk bearing capital, %	48.0	46.9	45.7	49.3	48.5
Dividend yield, %	3.1	3.0	3.1	3.9	1.6
Equity per share	50.3	48.7	49.6	46.1	45.2
Earnings per share	2.67	3.98	5.35	4.78	5.09
Dividend per share	2.50 <sup>6)</sup>	2.25	2.25	2.00	1.00
<b>EMPLOYEES</b>					
Average no. of employees	3,066	2,869	2,591	2,593	2,627

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

# The Meda share

## LISTING AND TRADING VOLUME

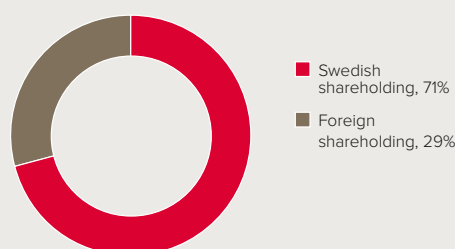
Meda's share has been quoted on the Stockholm Stock Exchange since 1995 and on the Large Cap segment of the NASDAQ OMX Stockholm exchange since 2006. One trading unit contains one share.

On December 31, 2013, market capitalization was SEK 24,663 million. The total trading volume of Meda shares in 2013 exceeded SEK 289 million shares to a value of almost SEK 22 billion. This equates to an average daily trading volume of 1.2 million shares, corresponding to SEK 89 million per business day.

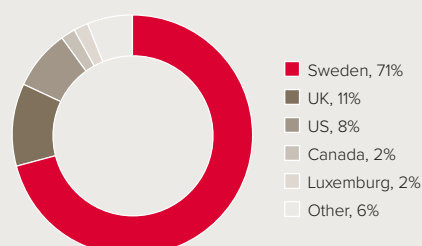
## DIVIDEND

The board resolved to propose a dividend of SEK 2.50 per share (2.25) for 2013, corresponding to 94% (58) of profit for the year and 28% (25) 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.

## SWEDISH AND FOREIGN SHAREHOLDING



## SHAREHOLDINGS BY COUNTRY



## SHAREHOLDERS

Meda's shareholding structure and apportionment by size are set out below. Based on data provided by Euroclear Sweden AB as of December 30, 2013.

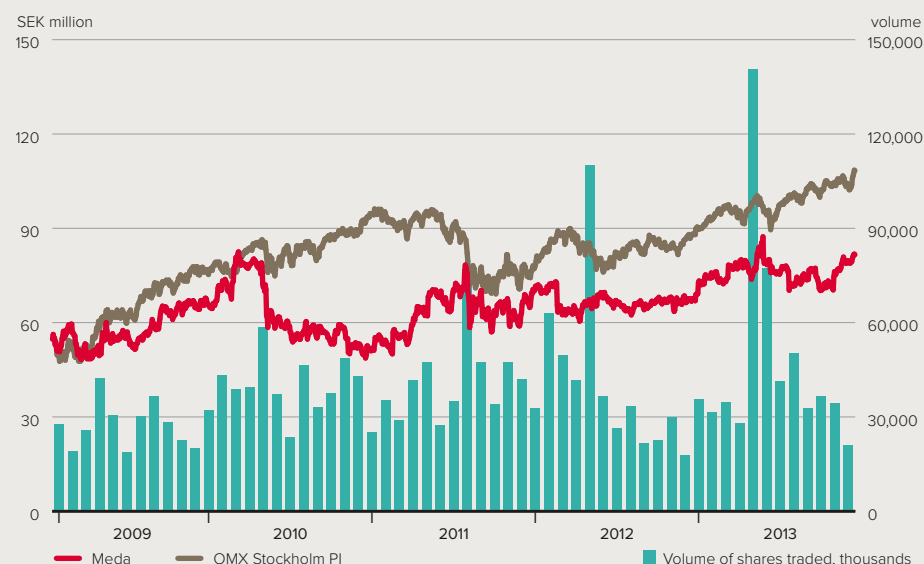
### MAJOR SHAREHOLDERS AS OF DECEMBER 30, 2013

Name	Number of shares	Share capital and voting rights, %
Stena Sessan Rederi AB	68,741,485	22.7
Swedbank Robur fonder	14,682,070	4.9
AMF - Försäkring och Fonder	8,163,604	2.7
UBS AG LDN Branch A/C Client, IPB	7,116,744	2.4
B&E Participation AB	6,900,000	2.3
JPM Chase NA	6,719,974	2.2
Canadian Treaty Clients Account	6,531,979	2.2
Handelsbanken Fonder AB RE JPMEL	5,764,346	1.9
AFA Försäkring	5,393,659	1.8
JP Morgan Fonder	5,114,610	1.7
Lönner, Anders	4,800,000	1.6
Skandia fonder	3,838,440	1.3
Catella Fondförvaltning	3,819,298	1.3
Fjärde AP-Fonden	3,730,087	1.2
Andra AP-fonden	3,705,663	1.2
TOTAL, 15 LARGEST SHAREHOLDERS	155,021,959	51.3
Other shareholders	147,221,106	48.7
<b>TOTAL</b>	<b>302,243,065</b>	<b>100.0</b>

Source: Euroclear Sweden AB as of December 30, 2013

## SHARE PRICE PERFORMANCE

The highest price paid in 2013 was SEK 87.30 and the lowest was SEK 69.00. Market capitalization on December 31, 2013, was SEK 24,663 million, corresponding to an increase of 22% during the year.



Source: SIX Trust and Fidessa

## SHAREHOLDING STRUCTURE AS OF DECEMBER 30, 2013

Share interval	No. of shares	Share capital, %	No. of shareholders	Shareholders, %
1 – 500	2,747,552	0.90	16,897	59.80
501 – 1,000	3,526,354	1.20	4,158	14.70
1,001 – 5,000	12,440,054	4.10	5,132	18.20
5,001 – 10,000	6,737,307	2.20	897	3.20
10,001 – 15,000	4,287,925	1.40	338	1.20
15,001 – 20,000	2,857,465	0.90	159	0.60
20,001 –	269,646,408	89.20	660	2.30
<b>Total</b>	<b>302,243,065</b>	<b>100</b>	<b>28,241</b>	<b>100</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

<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.




# Board members



 **Karen Sörensen**  
Board member


 **Christer Nördén**  
Board secretary

 **Bert-Åke Eriksson**  
Board Chairman


 **Tuve Johannesson**  
Board member


Refer to the corporate governance report, page 65-66, for more information about the board members



 **Marianne Hamilton**  
Board member

 **Peter Claesson**  
Board member

 **Peter von Ehrenheim**  
Board member

 **Lars Westerberg**  
Board member



# Executives information



	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	162,000
2	<b>Maria Carell</b> (1973)	Executive Vice President, North America/Australia.	BSc in finance.	Group President & CEO of Q-Med AB and CEO of Actavis AB.	2012	12,000
3	<b>Esfandiar Faghfour</b> (1962)	Executive Vice President, Europe/Asia/Africa.	Pharmacist.	Medical Representative, Product Manager, Head of Business Unit.	1988 (former ASTA Medica/Viatris)	1,000
4	<b>Dirk Groen</b> (1963)	Executive Vice President, Marketing OTC.	Physician and Master of Business and Administration.	MSD, Genzyme, AT Kearney.	2003 (former Viatris)	4,000
5	<b>Erik Haeffler</b> (1967)	Executive Vice President, Manufacturing & Sustainability.	BSc.	Manufacturing and supply chain at AstraZeneca.	2009	1,000
6	<b>Ton van 't Hullenaar</b> (1955)	Executive Vice President, Europe/Latin America.	Business school.	Healthcare Manager 3M Germany, European Manager 3M Pharmaceuticals.	2007	1,750
7	<b>Hans-Jürgen Kromp</b> (1953)	Executive Vice President, Legal & Trademarks.	Lawyer.	General counsel at ASTA Medica and Viatris, Head of Legal at Sandoz and Novartis, Germany.	1997 (former ASTA Medica/Viatris)	52,045
8	<b>Dr. Joachim Maus</b> (1967)	Acting Executive Vice President, Scientific Affairs.	Physician.	Head of Human Pharmacology and Head of Clinical Research at ASTA Medica/ VIATRIS; Specialist in internal medicine.	2002 (former ASTA Medica/Viatris)	1,000
9	<b>Henrik Stenqvist</b> (1967)	Executive Vice President, CFO.	BSc in economics.	CFO of subsidiaries in AstraZeneca.	2003	190,605
10	<b>Hans-Jürgen Tritschler</b> (1962)	Executive Vice President, Marketing Rx.	Ph.D Biochemistry.	Medical Affairs, Marketing, Business development, Emerging Markets.	1991 (former ASTA Medica/Viatris)	1,000
11	<b>Rainer Weiß</b> (1962)	Executive Vice President, Human Resources.	Master of Business and Administration.	Head Human Resources Marketing & Sales, Head Human Resources Commercial Operations.	1986 (former ASTA Medica/Viatris)	5,205
12	<b>Mårten Österlund</b> (1957)	Executive Vice President, Business Development.	Ph.D in molecular biology.	Research at the Pasteur Institute in Paris. Experience from deve- lopment companies, including an executive position at Karo Bio.	2005	105,644

# 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.

## Share of risk-bearing capital

The sum of recognized equity and tax provisions divided by the balance sheet total.

## Definitions related to sales comments 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.

## Sales by product category

**Branded Generics** – Non-patented prescription pharmaceuticals with brand names.

**Specialty Products** – Original prescription pharmaceuticals and specialty products.

**OTC** – Over-the-counter products.

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

# 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.

## 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.

## NSAID

Non-steroidal anti-inflammatory; group of medications with anti-inflammatory, analgesic, and fever-reducing effects.

## 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.

## Prophylaxis

Umbrella term for measures taken to prevent a disease or condition.

## 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	®
Aldara	Aldara	®
Allergodil	Allergodil	®
Astelin	Astelin	®
Astepro	Astepro	®
Astepro 0.15%	Astepro	®
Azep	Azep	®
Betadine	Betadine	®
CB12	CB12	®
Dermatrix	Dermatrix	®
Dymista	Dymista	®
EB24	EB24	®
Efudix	Efudix	®
Elidel	Elidel	®
Endwarts	Endwarts	®
EpiPen	EpiPen	®
Geritol	Geritol	®
Kamillosan	Kamillosan	®
Minitran	Minitran	®
MUSE	Muse	®
Naloc	Naloc	®
Novolizer	Novolizer	®
Rhinolast	Rhinolast	®
Solco	Solco	®
Solcoseryl	Solcoseryl	®
Soma	Soma	®
Tambocor	Tambocor	®
Zyclara	Zyclara	®

Aerospan registered trademark of Forest Lab. and used under license.

EpiPen registered trademark of Mylan Inc. and used under license.

Betadine registered trademark of Mundipharma AG and used under license.

Novolizer registered trademark of Almirall S.A. and used under license.

# Shareholder information

## 2014 Interim financial reports

Interim report January–March	May 7
Interim report January–June	August 13
Interim report January–September	November 6

## Annual general meeting

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

Time: 5 PM on Wednesday, May 7, 2014.

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

Be registered in the Euroclear Sweden AB share database by April 30, 2014, and notify the company by April 30, 2014. 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 30, 2014. 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 30, 2014. Address changes should be registered with the appropriate.

## Addresses

### HEADQUARTERS:

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Fax: +46 8 630 19 50  
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[www.meda.se](http://www.meda.se)

### Media och investor relations:

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



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